

California State University, Stanislaus Foundation

Financial Statements and Supplemental Information
Year Ended June 30, 2018



CALIFORNIA STATE UNIVERSITY, STANISLAUS FOUNDATION
Financial Statements and Supplemental Information
Year Ended June 30, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
California State University, Stanislaus Foundation

We have audited the accompanying financial statement of California State University, Stanislaus Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of California State University, Stanislaus Foundation as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information included on pages 16 - 24 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Aldrich CPAs + Advisors LLP

San Diego, California

September 17, 2018

CALIFORNIA STATE UNIVERSITY, STANISLAUS FOUNDATION

Statement of Financial Position

June 30, 2018

ASSETS

Current Assets:

Cash and cash equivalents	\$	2,319,921
Interest receivable		14,519
Due from related parties		11,647
Prepaid expenses		5,625
Current portion of pledges receivable		<u>1,810,651</u>

Total Current Assets 4,162,363

Non-Current Assets:

Restricted cash - endowment		1,727,711
Restricted investments - endowment		16,015,534
Restricted investments - custodial accounts		61,186
Beneficial interest in charitable remainder trust		738,955
Pledges receivable, net of allowance for doubtful pledges and discount		<u>2,041,261</u>

Total Non-Current Assets 20,584,647

Total Assets \$ 24,747,010

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$	14,820
Due to related parties		264,144
Other current liabilities		<u>1,245</u>

Total Current Liabilities 280,209

Net Assets:

Unrestricted:		
Undesignated		849,555
Board designated		<u>160,128</u>
		1,009,683

Temporarily restricted		11,738,136
Permanently restricted		<u>11,718,982</u>

Total Net Assets 24,466,801

Total Liabilities and Net Assets \$ 24,747,010

CALIFORNIA STATE UNIVERSITY, STANISLAUS FOUNDATION

Statement of Activities

Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Other Support:				
Contributions	\$ 224,898	\$ 2,612,600	\$ 2,341,947	\$ 5,179,445
Event income and in-kind support, net of expenses of \$104,714	-	178,409	-	178,409
Investment return, net	61,451	744,694	-	806,145
Other	316,665	431	-	317,096
Transfers in (out)	239,353	(102,353)	(137,000)	-
Net assets released from restriction	<u>1,395,450</u>	<u>(1,395,450)</u>	<u>-</u>	<u>-</u>
 Total Revenue and Other Support	 2,237,817	 2,038,331	 2,204,947	 6,481,095
Expenses:				
Program services:				
Designated	180,839	-	-	180,839
Scholarships	817,993	-	-	817,993
Campus	293,290	-	-	293,290
Supporting services:				
General and administrative	530,373	-	-	530,373
Fundraising	<u>104,713</u>	<u>-</u>	<u>-</u>	<u>104,713</u>
 Total Expenses	 <u>1,927,208</u>	 <u>-</u>	 <u>-</u>	 <u>1,927,208</u>
 Change in Net Assets	 310,609	 2,038,331	 2,204,947	 4,553,887
 Net Assets, beginning	 <u>699,074</u>	 <u>9,699,805</u>	 <u>9,514,035</u>	 <u>19,912,914</u>
 Net Assets, ending	 <u>\$ 1,009,683</u>	 <u>\$ 11,738,136</u>	 <u>\$ 11,718,982</u>	 <u>\$ 24,466,801</u>

CALIFORNIA STATE UNIVERSITY, STANISLAUS FOUNDATION

Statement of Functional Expenses

Year Ended June 30, 2018

	Program Services			Supporting Services		Total
	Designated	Scholarships	Campus	General and Administrative	Fundraising	
Scholarships	\$ -	\$ 817,993	\$ 55,321	\$ -	\$ -	\$ 873,314
Accounting and legal	-	-	625	327,619	-	328,244
Awards, gifts and donations	180,839	-	47,035	129	5,000	233,003
Contractual services	-	-	10,887	141,525	2,891	155,303
Campus reimbursements	-	-	80,722	-	-	80,722
Supplies and services	-	-	27,953	890	39,492	68,335
In-kind donations	-	-	600	-	40,480	41,080
Travel	-	-	25,614	4,070	-	29,684
Hospitality	-	-	19,268	4,996	1,654	25,918
Insurance	-	-	-	22,767	554	23,321
Bank and investment fees	-	-	756	10,945	2,187	13,888
Taxes and fees	-	-	-	2,641	8,133	10,774
Professional development	-	-	7,976	1,760	-	9,736
Printing	-	-	2,217	3,937	2,897	9,051
Software	-	-	199	7,125	-	7,324
Space rental	-	-	5,068	-	-	5,068
Repairs and maintenance	-	-	2,559	435	1,425	4,419
Advertising	-	-	3,213	-	-	3,213
Dues and subscriptions	-	-	1,327	1,100	-	2,427
Postage and freight	-	-	921	414	-	1,335
Minor equipment	-	-	997	-	-	997
Telephone	-	-	32	-	-	32
Fines and penalties	-	-	-	20	-	20
	<u>\$ 180,839</u>	<u>\$ 817,993</u>	<u>\$ 293,290</u>	<u>\$ 530,373</u>	<u>\$ 104,713</u>	<u>\$ 1,927,208</u>

CALIFORNIA STATE UNIVERSITY, STANISLAUS FOUNDATION

Statement of Cash Flows

Year Ended June 30, 2018

Cash Flows from Operating Activities:	
Change in net assets	\$ 4,553,887
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Net realized and unrealized gains on investments	(455,269)
Changes in operating assets and liabilities:	
Interest receivable	(9,137)
Due from related parties	(11,147)
Prepaid expenses	(3,125)
Pledges receivable, net of allowance for doubtful pledges and discounts	(1,100,117)
Beneficial interest in charitable remainder trust	9,827
Accounts payable	4,688
Due to related parties	205,206
Other current liabilities	1,245
	<hr/>
Net Cash Provided by Operating Activities	3,196,058
Cash Flows from Investing Activities:	
Proceeds from sale of investments	2,471,528
Purchase of investments	(3,487,904)
	<hr/>
Net Cash Used by Investing Activities	(1,016,376)
	<hr/>
Net Increase in Cash and Cash Equivalents	2,179,682
Cash and Cash Equivalents, beginning	<hr/>
	1,867,950
Cash and Cash Equivalents, ending	\$ <hr/>
	4,047,632
Cash and cash equivalents consist of the following:	
Cash and cash equivalents	\$ 2,319,921
Restricted cash - endowment, campus programs	<hr/>
	1,727,711
	<hr/>
	\$ <hr/>
	4,047,632

CALIFORNIA STATE UNIVERSITY, STANISLAUS FOUNDATION

Notes to Financial Statements

Year Ended June 30, 2018

Note 1 - Organization and Summary of Significant Accounting Policies

Nature of Activities

The California State University, Stanislaus Foundation (the Foundation), was incorporated in the State of California on August 19, 1998. The Foundation was formed and operates as a non-profit auxiliary organization of California State University, Stanislaus (CSU Stanislaus or the University), which is located in Turlock, California. CSU Stanislaus also operates a campus in Stockton, California. The Foundation conducts fundraising activities and endowments for the benefit of CSU Stanislaus.

Basis of Presentation

The Foundation reports information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Foundation may spend the funds.
- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Foundation is a qualified nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. However, the Foundation remains subject to taxes on any net income which is derived from a trade or business, regularly carried on, and unrelated to its exempt purpose.

The Foundation follows accounting standards generally accepted in the United States of America related to the recognition of uncertain tax positions. The Foundation recognizes accrued interest and penalties associated with uncertain tax positions as part of the statement of financial position, when applicable. Management has determined that the Foundation has no uncertain tax positions at June 30, 2018 and therefore no amounts have been accrued.

The Foundation files informational and income tax returns in the United States, California, and in local jurisdictions. State and local jurisdictions have statutes of limitations that generally range from three to five years.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash is categorized as restricted and unrestricted.

CALIFORNIA STATE UNIVERSITY, STANISLAUS FOUNDATION

Notes to Financial Statements

Year Ended June 30, 2018

Note 1 - Organization and Summary of Significant Accounting Policies, continued

Pledges Receivable

Pledges that are expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are discounted to their estimated net present value. After pledges are originally recorded, an allowance for uncollectible pledges may be established based on specific circumstances. The allowance is based on experience and other circumstances. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Foundation's policy to charge off uncollectible receivables when management determines the receivable will not be collected.

Investments

The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. The fair value is determined using quoted market prices. Alternative investments, for which quoted market prices are not readily available, are valued at fair value by the investment manager based on factors deemed relevant by the manager including, but not limited to, market conditions, purchase price, estimated liquidation value, restrictions on transfer and meaningful third party transactions in the private market. Because of the inherent uncertainty of valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material. Unrealized gains and losses are included in the change in net assets in the statement of activities.

Revenue Recognition

All contributions are considered available for the Foundation's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized.

Contributed Services

The Foundation recognizes the fair value of contributed services received if such services require specialized skills that are provided by individuals possessing those skills and would typically be purchased if not contributed.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Fair Value Measurements

The Foundation defines fair value as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market. The Foundation applies fair value measurements to assets and liabilities that are required to be recorded at fair value under generally accepted accounting principles. Fair value measurement techniques maximize the use of observable inputs and minimize the use of unobservable inputs, and are categorized in a fair value hierarchy based on the transparency of inputs. In addition, the Foundation reports certain investments using the net asset value (NAV) per share as determined by investment managers, allowing the net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. The three levels are defined as follows:

CALIFORNIA STATE UNIVERSITY, STANISLAUS FOUNDATION

Notes to Financial Statements

Year Ended June 30, 2018

Note 1 - Organization and Summary of Significant Accounting Policies, continued

Fair Value Measurements, continued

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The carrying value of cash and cash equivalents, receivables, and payables approximates fair value as of June 30, 2018, due to the relatively short maturity of these instruments.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018:

Mutual funds and equity securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Hedge funds: Valued at the member's proportionate unit value relative to the total value of the fund, which approximates fair value.

Charitable remainder trust: The Foundation has been named in a trust document as having a remainder interest. The trust payout amount is estimated based upon life expectancy of the primary beneficiary and discounted to the present value of future estimated payments. See Note 6 for present value and life expectancy assumptions related to the charitable remainder trust.

Subsequent Events

The Foundation has evaluated subsequent events through September 17, 2018 which is the date the financial statements were available to be issued.

CALIFORNIA STATE UNIVERSITY, STANISLAUS FOUNDATION

Notes to Financial Statements

Year Ended June 30, 2018

Note 2 - Cash and Cash Equivalents

The Foundation maintains its cash in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor. At June 30, 2018, the Foundation's deposits with financial institutions held uninsured cash of \$361,120. In addition, the Foundation has deposited cash in the State Treasury's Local Agency Investment Fund (LAIF). Deposits in LAIF are guaranteed by the State of California.

Cash and cash equivalents consist of the following:

Deposits with financial institutions	\$	609,048
Investments in cash equivalents		330,296
Investments in LAIF		<u>3,108,288</u>
Total cash and cash equivalents	\$	<u><u>4,047,632</u></u>

Investments in LAIF

As of June 30, 2018, investments are in LAIF, which is a voluntary program created by statute as an alternative for California's local governments and special districts that allows them to participate in a major investment portfolio. It is under the administration of the California State Treasurer's Office. The investment is considered a cash equivalent as it is used to fund any operating deficit. Realized gains, losses and interest income are included in investment return in the statements of activities. The Foundation's investments in LAIF are measured and reported at net asset value (NAV). The investments in LAIF have no unfunded commitment, no redemption frequency, and no redemption notice period as of June 30, 2018.

Restricted Cash

The Foundation holds monies representing permanently restricted assets by donor stipulation for the purpose of an endowment fund. The cash restriction as of June 30, 2018 for endowments are \$1,727,711.

Restricted cash is not maintained in separate accounts but is combined with unrestricted cash in the LAIF investment fund and cash equivalents in various investment accounts.

Note 3 - Pledges Receivable

Pledges receivable consist of the following:

Due in less than one year	\$	1,922,616
Due in one to five years		1,342,913
Due in more than five years		<u>1,375,000</u>
Gross pledges receivable		4,640,529
Less allowance for doubtful pledges		(247,865)
Less discount on pledges receivable (4.9%)		<u>(540,752)</u>
Pledges receivable, net of allowance and discount		3,851,912
Less current portion		<u>(1,810,651)</u>
Pledges receivable, net	\$	<u><u>2,041,261</u></u>

CALIFORNIA STATE UNIVERSITY, STANISLAUS FOUNDATION

Notes to Financial Statements

Year Ended June 30, 2018

Note 4 - Investments

Investments consist of the following:

	Level 1	Level 2	Level 3	NAV	Total
Mutual funds:					
Large cap - domestic	\$ 1,393,529	\$ -	\$ -	\$ -	\$ 1,393,529
Large cap - international	4,507,486	-	-	-	4,507,486
Mid cap - domestic	691,020	-	-	-	691,020
Fixed income - domestic	4,294,967	-	-	-	4,294,967
Fixed income - international	1,602,020	-	-	-	1,602,020
Equity securities:					
Large cap - domestic	2,061,409	-	-	-	2,061,409
Mid cap - domestic	553,271	-	-	-	553,271
Small cap - domestic	5,868	-	-	-	5,868
Alternative investments:					
Hedge fund	-	-	-	967,150	967,150
	<u>15,109,570</u>	<u>-</u>	<u>-</u>	<u>967,150</u>	<u>16,076,720</u>
Charitable remainder trust	274,393	464,562	-	-	738,955
	<u>\$ 15,383,963</u>	<u>\$ 464,562</u>	<u>\$ -</u>	<u>\$ 967,150</u>	<u>\$ 16,815,675</u>

Commitments and redemptions schedule for those investments valued based on net asset values are as follows:

Description	Fair value at June 30, 2018	Unfunded commitment	Redemption frequency	Redemption notice period
Ironwood Institutional Multi-Strategy Fund LLC [a]	\$ 967,150	none	none	none

[a] Fund consists of a number of pooled investment vehicles that are generally organized in non-U.S. jurisdictions and classified as corporations for U.S. federal income tax purposes. Each is managed by an independent investment manager pursuant to various alternative investment strategies, including relative value; market neutral and low net equity; event-driven; and distressed and credit securities. Units of this fund are also subject to substantial restrictions on transferability and resale and may not be transferred or resold except as permitted by the Fund's LLC agreement.

Investment return for the year ended June 30, 2018 consists of:

Realized gains	\$ 229,526
Unrealized gains	225,743
Other capital gains	48,457
Investment fees	(80,970)
Dividends	341,408
Interest	41,981
	<u>\$ 806,145</u>

CALIFORNIA STATE UNIVERSITY, STANISLAUS FOUNDATION

Notes to Financial Statements

Year Ended June 30, 2018

Note 5 - Related Party Transactions

Transactions with related parties consist of the following for the year ended June 30, 2018:

	CSU Stanislaus	ABS	ASI	USU	Total
Accounts receivable	\$ 900	\$ -	\$ 10,747	\$ -	\$ 11,647
Accounts payable	(264,144)	-	-	-	(264,144)
Salaries of personnel	3,364	-	-	-	3,364
Administrative fees, other reimbursements	1,018,973	417	11,557	486	1,031,433
Gifts to other auxiliaries	36,956	-	-	-	36,956
Payments received for services, space, and programs	(5,619)	(8,000)	-	-	(13,619)

The Foundation enters into transactions with related parties, including:

California State University, Stanislaus (CSU Stanislaus)
California State University, Stanislaus Auxiliary and Business Services (ABS)
Associated Students Incorporated of California State University, Stanislaus (ASI)
University Student Union of California State University, Stanislaus (USU)

Note 6 - Beneficial Interest in Charitable Remainder Trusts

The Foundation is the lead beneficiary of a charitable remainder trust and will receive the assets upon settlement of the trust. The Foundation is also the remainder beneficiary of another charitable remainder trust whereby lead beneficiaries receive distributions based on the value of trust assets for a specified period of time. At the end of the specified time, the remaining assets will be distributed to the Foundation.

The Foundation's interests have been discounted to present value at a rate of 4.89% as follows:

Expected future payout	\$ 1,660,682
Unamortized discount	<u>(921,727)</u>
Net present value	<u>\$ 738,955</u>

A decrease in value of \$9,827 during the year ended June 30, 2018 has been recorded in temporarily restricted contributions in the statement of activities.

Note 7 - Board Designated Funds

The Board of Directors has designated unrestricted net assets for the following purposes of \$160,128 as a reserve fund.

CALIFORNIA STATE UNIVERSITY, STANISLAUS FOUNDATION

Notes to Financial Statements

Year Ended June 30, 2018

Note 8 - Restricted Net Assets

Temporarily restricted net assets consist of the following:

Scholarships	\$	4,443,345
Programs		<u>7,294,791</u>
	\$	<u><u>11,738,136</u></u>

Permanently restricted net assets consist of the following:

Scholarships, Programs and Institutional Support, Endowment	\$	<u><u>11,718,982</u></u>
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Note 9 - Endowment

The Foundation holds one hundred and fourteen individual endowments consisting of donor-designated funds established for the purpose of supporting education programs and providing scholarships to students of California State University, Stanislaus. The endowments are managed in a unitized investment pool and investment earnings and related expenses are allocated based upon each individual endowment's unit market value. Net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation holds three types of endowment funds: permanently restricted endowments, term endowments, and quasi-endowments. Term endowments and quasi-endowments are classified as temporarily restricted net assets until their donor or time restriction is met. These funds are classified as endowments as the donor restrictions limit the disbursement of the funds.

The Board of Directors of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner that is consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Foundation and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Foundation
- 7) The investment policies of the Foundation

The Finance and Investment Committee of the Board of Directors is charged with the responsibility of managing the investment of endowment assets for the Foundation. The objective in management of these funds is to achieve an average annual rate of return, over a period of ten years, of the Consumer Price Index plus 5% net of all investment management fees.

CALIFORNIA STATE UNIVERSITY, STANISLAUS FOUNDATION

Notes to Financial Statements

Year Ended June 30, 2018

Note 9 - Endowment, continued

The Finance and Investment Committee of the Board of Directors portfolio objective is capital preservation through diversification. Diversification is obtained through the use of multiple asset classes, as well as multiple investments within these asset classes. Asset classes that may be used include (but are not limited to) domestic and international corporate stocks and bonds, hedge funds, cash equivalents, and government issued debt securities. The investment strategy is implemented through the selection of external advisors and managers with the expertise and successful histories in the management of specific asset classes.

The Foundation's investment policy includes an endowment spending rate of 3-5% of the endowments funds' market value over a 16-quarter moving average. This spending rate constitutes the Board of Directors' annual appropriation for spending endowment earnings. The intent of this policy is to provide a stable cash flow to support operations while preserving the purchasing power of the endowment.

From time-to-time, the fair values of endowment assets may, due to unfavorable market fluctuations, fall below the level that donors required to be retained as a fund of perpetual duration. In accordance with generally accepted accounting principles, declines of this nature are reported as losses in unrestricted assets. As values recover, the increases are reported as unrestricted gains. Deficiencies of this nature, which were reported in unrestricted net assets, were \$205,567 as of June 30, 2018. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions and continued appropriations for certain programs by the Foundation.

At June 30, 2018, the endowment net assets composition by type of fund consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Perm restricted donor endowment funds	\$ (205,567)	\$ 2,000,125	\$ 11,243,982	\$ 13,038,540
Term restricted donor endowment funds	-	478,110	-	478,110
Quasi-endowment funds	610,459	1,756,509	475,000	2,841,968
	<u>\$ 404,892</u>	<u>\$ 4,234,744</u>	<u>\$ 11,718,982</u>	<u>\$ 16,358,618</u>

The changes in endowment net assets for the year ended June 30, 2018, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 329,637	\$ 3,694,391	\$ 9,514,035	\$ 13,538,063
Contributions, net	-	-	2,341,947	2,341,947
Investment income	37,278	518,709	-	555,987
Unrealized gains	-	275,561	-	275,561
Management fees	-	(215,839)	-	(215,839)
Allocation to underwater endowment	47,952	89,048	(137,000)	-
Program and scholarship expenditures	(9,975)	(130,575)	-	(140,550)
Transfers in	-	3,449	-	3,449
Endowment net assets, end of year	<u>\$ 404,892</u>	<u>\$ 4,234,744</u>	<u>\$ 11,718,982</u>	<u>\$ 16,358,618</u>

CALIFORNIA STATE UNIVERSITY, STANISLAUS FOUNDATION

Notes to Financial Statements

Year Ended June 30, 2018

Note 11 - Risks and Uncertainties

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect account balance and the amounts reported on the statement of net assets.

SUPPLEMENTAL INFORMATION

CALIFORNIA STATE UNIVERSITY, STANISLAUS FOUNDATION

Schedule of Net Position

Year Ended June 30, 2018

(for inclusion in the California State University)

Assets:

Current assets:

Cash and cash equivalents	\$ 609,049
Short-term investments	3,108,288
Accounts receivable, net	26,166
Capital lease receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	1,810,650
Prepaid expenses and other current assets	5,625
Total current assets	5,559,778

Noncurrent assets:

Restricted cash and cash equivalents	330,296
Accounts receivable, net	—
Capital lease receivable, net of current portion	—
Notes receivable, net of current portion	—
Student loans receivable, net	—
Pledges receivable, net	2,041,261
Endowment investments	13,605,360
Other long-term investments	2,471,360
Capital assets, net	—
Other assets	738,955
Total noncurrent assets	19,187,232
Total assets	24,747,010

Deferred outflows of resources:

Unamortized loss on debt refunding	—
Net pension liability	—
Net OPEB liability	—
Others	—
Total deferred outflows of resources	—

Liabilities:

Current liabilities:

Accounts payable	278,964
Accrued salaries and benefits	—
Accrued compensated absences, current portion	—
Unearned revenues	—
Capital lease obligations, current portion	—
Long-term debt obligations, current portion	—
Claims liability for losses and loss adjustment expenses, current portion	—
Depository accounts	—
Other liabilities	1,245
Total current liabilities	280,209

Noncurrent liabilities:

Accrued compensated absences, net of current portion	—
Unearned revenues	—
Grants refundable	—
Capital lease obligations, net of current portion	—
Long-term debt obligations, net of current portion	—
Claims liability for losses and loss adjustment expenses, net of current portion	—
Depository accounts	—
Net other postemployment benefits liability	—
Net pension liability	—
Other liabilities	—
Total noncurrent liabilities	—
Total liabilities	280,209

Deferred inflows of resources:

Service concession arrangements	—
Net pension liability	—
Net OPEB liability	—
Unamortized gain on debt refunding	—
Nonexchange transactions	—
Others	—
Total deferred inflows of resources	—

Net Position:

Net investment in capital assets	—
Restricted for:	—
Nonexpendable – endowments	11,718,982
Expendable:	—
Scholarships and fellowships	1,651,653
Research	—
Loans	—
Capital projects	—
Debt service	—
Others	10,086,481
Unrestricted	1,009,685
Total net position	\$ 24,466,801

See independent auditors' report

CALIFORNIA STATE UNIVERSITY, STANISLAUS FOUNDATION
Schedule of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2018
(for inclusion in the California State University)

Revenues:	
Operating revenues:	
Student tuition and fees, gross	\$ —
Scholarship allowances (enter as negative)	—
Grants and contracts, noncapital:	
Federal	—
State	—
Local	—
Nongovernmental	—
Sales and services of educational activities	—
Sales and services of auxiliary enterprises, gross	—
Scholarship allowances (enter as negative)	—
Other operating revenues	495,505
Total operating revenues	<u>495,505</u>
Expenses:	
Operating expenses:	
Instruction	133,723
Research	—
Public service	—
Academic support	23,642
Student services	76,738
Institutional support	819,791
Operation and maintenance of plant	—
Student grants and scholarships	873,314
Auxiliary enterprise expenses	—
Depreciation and amortization	—
Total operating expenses	<u>1,927,208</u>
Operating income (loss)	<u>(1,431,703)</u>
Nonoperating revenues (expenses):	
State appropriations, noncapital	—
Federal financial aid grants, noncapital	—
State financial aid grants, noncapital	—
Local financial aid grants, noncapital	—
Nongovernmental and other financial aid grants, noncapital	—
Other federal nonoperating grants, noncapital	—
Gifts, noncapital	2,837,498
Investment income (loss), net	190,436
Endowment income (loss), net	615,709
Interest expense	—
Other nonoperating revenues (expenses) - excl. interagency transfers	—
Other nonoperating revenues (expenses) - interagency transfers	—
Net nonoperating revenues (expenses)	<u>3,643,643</u>
Income (loss) before other revenues (expenses)	2,211,940
State appropriations, capital	—
Grants and gifts, capital	—
Additions (reductions) to permanent endowments	<u>2,341,947</u>
Increase (decrease) in net position	4,553,887
Net position:	
Net position at beginning of year, as previously reported	19,912,914
Restatements	—
Net position at beginning of year, as restated	<u>19,912,914</u>
Net position at end of year	<u>\$ 24,466,801</u>

See independent auditors' report

CALIFORNIA STATE UNIVERSITY, STANISLAUS FOUNDATION

Other Information

June 30, 2018

(for inclusion in the California State University)

1	Restricted cash and cash equivalents at June 30, 2018:	
	Portion of restricted cash and cash equivalents related to endowments	\$ 321,116
	All other restricted cash and cash equivalents	9,180
	Total restricted cash and cash equivalents	<u>\$ 330,296</u>

2.1 Composition of investments at June 30, 2018:

	Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
State of California Surplus Money Investment Fund (SMIF)	\$ 1,710,873	—	3,108,288	—	—	—	3,108,288
State of California Local Agency Investment Fund (LAIF)	—	1,397,415	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—	—
Certificates of deposit	—	—	—	—	—	—	—
Mutual funds	—	—	—	—	—	—	—
Money Market funds	—	—	—	—	12,489,022	12,489,022	12,489,022
Repurchase agreements	—	—	—	—	—	—	—
Commercial paper	—	—	—	—	—	—	—
Asset backed securities	—	—	—	—	—	—	—
Mortgage backed securities	—	—	—	—	—	—	—
Municipal bonds	—	—	—	—	—	—	—
U.S. agency securities	—	—	—	—	—	—	—
U.S. treasury securities	—	—	—	—	—	—	—
Equity securities	—	—	—	—	—	—	—
Exchange traded funds (ETFs)	—	—	—	—	2,620,548	2,620,548	2,620,548
Alternative investments:							
Private equity (including limited partnerships)	—	—	—	—	—	—	—
Hedge funds	—	—	—	—	967,150	967,150	967,150
Managed futures	—	—	—	—	—	—	—
Real estate investments (including REITs)	—	—	—	—	—	—	—
Commodities	—	—	—	—	—	—	—
Derivatives	—	—	—	—	—	—	—
Other alternative investment types	—	—	—	—	—	—	—
Other external investment pools (excluding SWIFT)	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Other major investments:							
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Total investments	1,710,873	1,397,415	3,108,288	—	16,076,720	16,076,720	19,185,008
Less endowment investments (enter as negative number)	—	—	—	—	(13,605,360)	(13,605,360)	(13,605,360)
Total investments	1,710,873	1,397,415	3,108,288	—	2,471,360	2,471,360	5,579,648

2.2 Investments held by the University under contractual agreements at June 30, 2018:

Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2018:

—	—	—	—	—	—	—	—
---	---	---	---	---	---	---	---

See independent auditors' report.

CALIFORNIA STATE UNIVERSITY, STANISLAUS FOUNDATION

Other Information

June 30, 2018

(for inclusion in the California State University)

2.3 Restricted current investments at June 30, 2018 related to:	Amount
Endowment investment in LAIF	\$ 1,397,415
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Total restricted current investments at June 30, 2018	\$ 1,397,415
2.4 Restricted noncurrent investments at June 30, 2018 related to:	Amount
Endowment investment	\$ 13,605,360
Scholarships	1,000,000
Campus Programs	1,410,174
Economic Investment Fund - Student education	61,186
Add description	—
Add description	—
Add description	—
Add description	—
Total restricted noncurrent investments at June 30, 2018	\$ 16,076,720

2.5 Fair value hierarchy in investments at June 30, 2018:

	Total	Quoted Prices in		Fair Value Measurements Using		Net Asset Value
		Significant	Other	Significant	Other	
State of California Surplus Money Investment Fund (SMIF)	\$ —	—	—	—	—	—
State of California Local Agency Investment Fund (LAIF)	3,108,288	—	—	—	—	3,108,288
Corporate bonds	—	—	—	—	—	—
Certificates of deposit	—	—	—	—	—	—
Mutual funds	12,489,022	12,489,022	—	—	—	—
Money Market funds	—	—	—	—	—	—
Repurchase agreements	—	—	—	—	—	—
Commercial paper	—	—	—	—	—	—
Asset backed securities	—	—	—	—	—	—
Mortgage backed securities	—	—	—	—	—	—
Municipal bonds	—	—	—	—	—	—
U.S. agency securities	—	—	—	—	—	—
U.S. treasury securities	—	—	—	—	—	—
Equity securities	2,620,548	2,620,548	—	—	—	—
Exchange traded funds (ETFs)	—	—	—	—	—	—
Alternative investments:	—	—	—	—	—	—
Private equity (including limited partnerships)	—	—	—	—	—	—
Hedge funds	967,150	—	—	—	—	967,150
Managed futures	—	—	—	—	—	—
Real estate investments (including REITs)	—	—	—	—	—	—
Commodities	—	—	—	—	—	—
Derivatives	—	—	—	—	—	—
Other alternative investment types	—	—	—	—	—	—
Other external investment pools (excluding SWIFT)	—	—	—	—	—	—
Add description	—	—	—	—	—	—
Add description	—	—	—	—	—	—
Add description	—	—	—	—	—	—
Add description	—	—	—	—	—	—
Add description	—	—	—	—	—	—
Add description	—	—	—	—	—	—
Other major investments:	—	—	—	—	—	—
Add description	—	—	—	—	—	—
Add description	—	—	—	—	—	—
Add description	—	—	—	—	—	—
Add description	—	—	—	—	—	—
Add description	—	—	—	—	—	—
Total investments	\$ 19,185,008	\$ 15,109,570	\$ —	\$ —	\$ —	\$ 4,075,438

See independent auditors' report.

CALIFORNIA STATE UNIVERSITY, STANISLAUS FOUNDATION

Other Information

June 30, 2018

(for inclusion in the California State University)

3.1 Composition of capital assets at June 30, 2018:

	Balance June 30, 2017	Prior period Adjustments	Reclassifications	Balance June 30, 2017 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2018
Nondepreciable/nonamortizable capital assets:	\$							
Land and land improvements								
Works of art and historical treasures								
Construction work in progress (CWIP)								
Intangible assets:								
Rights and easements								
Patents, copyrights and trademarks								
Internally generated intangible assets in progress								
Licenses and permits								
Other intangible assets:								
Add description								
Add description								
Add description								
Add description								
Total intangible assets								
Total nondepreciable/nonamortizable capital assets								
Depreciable/amortizable capital assets:								
Buildings and building improvements								
Improvements, other than buildings								
Infrastructure								
Leasehold improvements								
Personal property:								
Equipment								
Library books and materials								
Intangible assets:								
Software and websites								
Rights and easements								
Patents, copyright and trademarks								
Licenses and permits								
Other intangible assets:								
Add description								
Add description								
Add description								
Add description								
Total intangible assets								
Total depreciable/amortizable capital assets								
Total capital assets								
Less accumulated depreciation/amortization:								
Buildings and building improvements								
Improvements, other than buildings								
Infrastructure								
Leasehold improvements								
Personal property:								
Equipment								
Library books and materials								
Intangible assets:								
Software and websites								
Rights and easements								
Patents, copyright and trademarks								
Licenses and permits								
Other intangible assets:								
Add description								
Add description								
Add description								
Add description								
Total intangible assets								
Total accumulated depreciation/amortization								
Total capital assets, net	\$							

3.2 Detail of depreciation and amortization expense for the year ended June 30, 2018:

Depreciation and amortization expense related to capital assets	\$	
Amortization expense related to other assets		
Total depreciation and amortization	\$	

See independent auditors' report.

CALIFORNIA STATE UNIVERSITY, STANISLAUS FOUNDATION

Other Information

June 30, 2018

(for inclusion in the California State University)

4 Long-term liabilities activity schedule:

	Balance June 30, 2017	Prior period adjustments	Reclassifications	Balance June 30, 2017 (restated)	Additions	Reductions	Balance June 30, 2018	Current portion	Long-term portion
\$									
Accrued compensated absences									
Claims liability for losses and loss adjustment expenses									
Capital lease obligations:									
Gross balance									
Unamortized premium / (discount) on capital lease obligations									
Total capitalized lease obligations									
Long-term debt obligations:									
Auxiliary revenue bonds									
Commercial paper									
Notes payable related to SRB									
Others: (list by type)									
Add description									
Add description									
Add description									
Add description									
Add description									
Total long-term debt obligations									
Unamortized bond premium / (discount)									
Total long-term debt obligations, net									
Total long-term liabilities									
\$									

5 Future minimum lease payments - Capital lease obligations:

Year ending June 30:	Capital lease obligations related to SRB		All other capital lease obligations		Total capital lease obligations	
	Principal Only	Interest Only	Principal Only	Interest Only	Principal Only	Interest Only
2019						
2020						
2021						
2022						
2023						
2024 - 2028						
2029 - 2033						
2034 - 2038						
2039 - 2043						
2044 - 2048						
2049 - 2053						
2054 - 2058						
2059 - 2063						
2064 - thereafter						
Total minimum lease payments						
Less amounts representing interest						
Present value of future minimum lease payments						
Unamortized net premium (discount)						
Total capital lease obligations						
Less: current portion						
Capital lease obligations, net of current portion						
						\$

See independent auditors' report.

CALIFORNIA STATE UNIVERSITY, STANISLAUS FOUNDATION

Other Information

June 30, 2018

(for inclusion in the California State University)

6 Long-term debt obligations schedule:

Year ending June 30:	Auxiliary revenue bonds		All other long-term debt obligations		Total long-term debt obligations	
	Principal Only	Interest	Principal Only	Interest	Principal Only	Interest
2019	\$ —	—	—	—	—	—
2020	—	—	—	—	—	—
2021	—	—	—	—	—	—
2022	—	—	—	—	—	—
2023	—	—	—	—	—	—
2024 - 2028	—	—	—	—	—	—
2029 - 2033	—	—	—	—	—	—
2034 - 2038	—	—	—	—	—	—
2039 - 2043	—	—	—	—	—	—
2044 - 2048	—	—	—	—	—	—
2049 - 2053	—	—	—	—	—	—
2054 - 2058	—	—	—	—	—	—
2059 - 2063	—	—	—	—	—	—
2064 - thereafter	—	—	—	—	—	—
Total minimum payments	—	—	—	—	—	—
Less amounts representing interest	—	—	—	—	—	—
Present value of future minimum payments	—	—	—	—	—	—
Unamortized net premium (discount)	—	—	—	—	—	—
Total long-term debt obligations	—	—	—	—	—	—
Less: current portion	—	—	—	—	—	—
Long-term debt obligations, net of current portion	—	—	—	—	—	—

7

Calculation of net position:

7.1 Calculation of net position - Net investment in capital assets

Capital assets, net of accumulated depreciation	\$ —
Capital lease obligations, current portion	—
Capital lease obligations, net of current portion	—
Long-term debt obligations, current portion	—
Long-term debt obligations, net of current portion	—
Portion of outstanding debt that is unspent at year-end (enter as positive number)	—
Other adjustments: (please list)	—
Add description	—
Add description	—
Add description	—
Add description	—
Net position - Net investment in capital assets	\$ —

7.2 Calculation of net position - Restricted for nonexpendable - endowments

Portion of restricted cash and cash equivalents related to endowments	\$ 321,116
Endowment investments	13,605,360
Other adjustments: (please list)	—
Ur Restricted expendable endowments	(404,892)
Temporarily restricted endowment assets	(4,234,744)
Pledges, net of discounts and allowance	1,027,786
Accrued interest receivable, endowment assets	6,941
LAIIF	1,397,415
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Net position - Restricted for nonexpendable - endowments	\$ 11,718,982

See independent auditors' report.

CALIFORNIA STATE UNIVERSITY, STANISLAUS FOUNDATION

Other Information

June 30, 2018

(for inclusion in the California State University)

8 Transactions with related entities:

	Amount
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 3,364
Payments to University for other than salaries of University personnel	1,018,973
Payments received from University for services, space, and programs	5,619
Gifts-in-kind to the University from discretely presented component units	36,956
Gifts (cash or assets) to the University from discretely presented component units	—
Accounts (payable to) University (enter as negative number)	(264,144)
Other amounts (payable to) University (enter as negative number)	—
Accounts receivable from University (enter as positive number)	900
Other amounts receivable from University	—

9 Other postemployment benefits (OPEB) liability

Intentionally left blank - not required/applicable eff FY17/18

10 Pollution remediation liabilities under GASB Statement No. 49:

Description	Amount
Add description	\$ —
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Total pollution remediation liabilities	\$ —
Less: current portion	—
Pollution remediation liabilities, net of current portion	—

11 The nature and amount of the prior period adjustment(s) recorded to beginning net position:

	Net Position	Amount
	Class	Dr.; (Cr.)
Net position as of June 30, 2017, as previously reported		\$ 19,912,914
Prior period adjustments:		
1 (list description of each adjustment)		—
2 (list description of each adjustment)		—
3 (list description of each adjustment)		—
4 (list description of each adjustment)		—
5 (list description of each adjustment)		—
6 (list description of each adjustment)		—
7 (list description of each adjustment)		—
8 (list description of each adjustment)		—
9 (list description of each adjustment)		—
10 (list description of each adjustment)		—
Net position as of June 30, 2017, as restated		\$ 19,912,914

See independent auditors' report.

CALIFORNIA STATE UNIVERSITY, STANISLAUS FOUNDATION

Other Information

June 30, 2018

(for inclusion in the California State University)

Provide a detailed breakdown of the journal entries (at the financial statement line item level) booked to record each prior period adjustment:

Net position class:	Debit	Credit
1 (breakdown of adjusting journal entry)	\$ —	—
Net position class:		
2 (breakdown of adjusting journal entry)	—	—
Net position class:		
3 (breakdown of adjusting journal entry)	—	—
Net position class:		
4 (breakdown of adjusting journal entry)	—	—
Net position class:		
5 (breakdown of adjusting journal entry)	—	—
Net position class:		
6 (breakdown of adjusting journal entry)	—	—
Net position class:		
7 (breakdown of adjusting journal entry)	—	—
Net position class:		
8 (breakdown of adjusting journal entry)	—	—
Net position class:		
9 (breakdown of adjusting journal entry)	—	—
Net position class:		
10 (breakdown of adjusting journal entry)	—	—

12 Natural Classifications of Operating Expenses:

	Salaries	Benefits	Scholarships and	Supplies and other	Depreciation and	Total operating
Instruction	50,808	24,297	—	58,618	—	133,723
Research	—	—	—	—	—	—
Public service	—	—	—	—	—	—
Academic support	3,578	123	—	19,941	—	23,642
Student services	—	—	—	76,738	—	76,738
Institutional support	1,387	528	—	817,876	—	819,791
Operation and maintenance of plant	—	—	—	—	—	—
Student grants and scholarships	—	—	873,314	—	—	873,314
Auxiliary enterprise expenses	—	—	—	—	—	—
Depreciation and amortization	—	—	—	—	—	—
Total	55,773	24,948	873,314	973,173	—	1,927,208

See independent auditors' report.