

CSUSB PHILANTHROPIC FOUNDATION

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2016

CSUSB PHILANTHROPIC FOUNDATION

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CSUSB PHILANTHROPIC FOUNDATION
BOARD MEMBERS AS OF JUNE 30, 2016

EXECUTIVE OFFICERS:

Mr. Mark C. Edwards, Esq. Vice Chairperson	Community Member
Mr. James A. Ferguson Board Secretary	Community Member
Dr. Ronald H. Fremont Executive Director	Ex-Officio Member
Dr. Douglas Freer Treasurer & Assistant Secretary	Ex-Officio Member
Dr. Tomás D. Morales Board President	Ex-Officio Member
Mrs. Ellen G. Weisser Chairperson	Community Member

CSUSB MEMBERS:

Dr. Juan Delgado	Ex-Officio Member
Dr. Alexandru Roman	Faculty Representative
Dr. Dorothy Chen-Maynard	Faculty Representative
Dr. Douglas Freer	Ex-Officio Member
Dr. Ronald Fremont	Ex-Officio Member
Dr. Brian Haynes	Ex-Officio Member
Dr. Sung-Kyoo Huh	Faculty Representative
Dr. Tomás Morales	Ex-Officio Member
Ms. Margaret Perry	Faculty Representative
Mr. Bryce Davis	Student Representative & Ex-Officio Member
Dr. Samuel Sudhakar	Ex-Officio Member

CSUSB PHILANTHROPIC FOUNDATION
BOARD MEMBERS AS OF JUNE 30, 2016

COMMUNITY MEMBERS:

Mr. Amro A. Albanna	Community Member
Mr. Donald Averill	Community Member
Mr. Bob Burlingame	Community Member
Mrs. Lois J. Carson	Community Member
Mr. Ali Cayir	Community Member
Mr. Greg K. Christian	Community Member
Mr. Henry W. Coil, Jr.	Community Member
Mr. Benjamin P. Cook	Community Member
Mr. Nicholas J. Coussoulis	Community Member
Mr. Jim Cuevas	Community Member
Mr. Sundip R. Doshi	Community Member
Mr. Mark Edwards, Esq.	Community Member
Mr. Gerald A. Fawcett	Community Member
Mr. James Ferguson	Community Member
Mr. Paul C. Granillo	Community Member
Dr. W. Benson Harer, Jr.	Community Member
Mr. Jim Imborski	Community Member
Mr. Cole R. Jackson	Community Member
Mr. Mark A. Kaenel	Community Member
Mr. Wilfrid Lemann, Esq.	Community Member
Ms. Barbara McGee	Community Member
Dr. Yolanda T. Moses	Community Member
Mr. Richard R. Oliphant	Community Member
Mr. Neale A. Perkins	Community Member
Ms. Madelaine Pfau	Community Member

CSUSB PHILANTHROPIC FOUNDATION
BOARD MEMBERS AS OF JUNE 30, 2016

Mr. Steve PonTell	Community Member
The Honorable James C. Ramos, Jr.	Community Member
Mr. Ali Razi	Community Member
Mr. Phillip M. Savage, IV, Esq.	Community Member
Mr. Paul M. Shimoff, Esq.	Community Member
Mr. Jeffrey S. Shockey	Community Member
Dr. Ernest H. Siva	Community Member
Ms. Jean M. Stephens	Community Member
Mr. William M. Stevenson	Community Member
Dr. Edward C. Teyber	Community Member
Mr. Bruce D. Varner	Community Member
Mrs. Ellen Weisser	Community Member



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To the Board of Directors of
CSUSB Philanthropic Foundation
San Bernardino, California

INDEPENDENT AUDITOR'S REPORT

PARTNERS

Brenda L. Odle, CPA, MST
Terry P. Shea, CPA
Kirk A. Franks, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Bradferd A. Welebir, CPA, MBA, CGMA
Jay H. Zercher, CPA (Partner Emeritus)
Phillip H. Waller, CPA (Partner Emeritus)

MANAGERS / STAFF

Jenny Liu, CPA, MST
Seong-Hyea Lee, CPA, MBA
Charles De Simoni, CPA
Nathan Statham, CPA, MBA
Gardenya Duran, CPA
Ivan Gonzales, CPA, MSA
Brianna Schultz, CPA
Daniel Hernandez, CPA, MBA
Lisa Guo, CPA, MSA

Report on the Financial Statements

We have audited the accompanying financial statements of CSUSB Philanthropic Foundation (The Foundation) (a non-profit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, expenses by natural classification, 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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

MEMBERS

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*PCPS The AICPA Alliance
for CPA Firms*

*Governmental Audit
Quality Center*

California Society of
Certified Public Accountants

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 referred to above present fairly, in all material respects, the financial position of CSUSB Philanthropic Foundation as of June 30, 2016, 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 Summarized Comparative Information

We have previously audited the Foundation's 2015 financial statements, and our report dated September 18, 2015, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 23-31 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2016, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP

San Bernardino, California
September 19, 2016

**CSUSB PHILANTHROPIC FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)**

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 2,738,805	\$ 3,204,494
Short-term investments	4,760,299	4,643,510
Other receivables	510	3,129
Promises to give, net	10,976,080	1,162,639
Long-term investments	23,297,671	24,508,041
Property, plant and equipment, net	208,688	254,946
Art collection	3,462,972	3,204,432
Total assets	\$ 45,445,025	\$ 36,981,191
LIABILITIES		
Accounts payable	\$ 144,220	\$ 105,745
Accrued liabilities	147,587	514,664
Unearned revenue	18,944	7,042
Total liabilities	310,751	627,451
NET ASSETS		
Unrestricted	162,052	155,362
Temporarily restricted	15,468,961	16,660,345
Permanently restricted	29,503,261	19,538,033
Total net assets	45,134,274	36,353,740
Total liabilities and net assets	\$ 45,445,025	\$ 36,981,191

The accompanying notes are an integral part of these financial statements.

**CSUSB PHILANTHROPIC FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)**

	Unrestricted	Temporarily restricted	Permanently restricted	2016 Total	2015 Total
REVENUES					
Contributions	\$ -	\$ 3,244,946	\$ 9,846,385	\$ 13,091,331	\$ 3,689,814
Interest and dividends	67,594	807,611	-	875,205	1,053,938
Unrealized gain (loss) on investments	49,195	(1,653,963)	-	(1,604,768)	(1,083,983)
Realized gain on investments	-	150,692	-	150,692	210,223
Deficit in endowment values	(90,704)	90,704	-	-	-
Miscellaneous income	690	-	-	690	1,208
Restrictions released	3,767,748	(3,767,748)	-	-	-
 Total program revenues	 3,794,523	 (1,127,758)	 9,846,385	 12,513,150	 3,871,200
 Transfers from University	 6,419	 229,554	 150	 236,123	 201,704
 Total revenues	 3,800,942	 (898,204)	 9,846,535	 12,749,273	 4,072,904
EXPENSES					
Program expenses:					
Scholarships	1,237,397	-	-	1,237,397	1,055,580
Support services	2,162,272	-	-	2,162,272	1,564,984
Transfers to University	423,692	-	-	423,692	741,494
Management and general	145,378	-	-	145,378	83,188
 Total program and general expenses	 3,968,739	 -	 -	 3,968,739	 3,445,246
 CHANGES IN NET ASSETS	 (167,797)	 (898,204)	 9,846,535	 8,780,534	 627,658
 Change in donor restrictions	 174,487	 (293,180)	 118,693	 -	 -
 NET ASSETS , beginning of year	 155,362	 16,660,345	 19,538,033	 36,353,740	 35,726,082
 NET ASSETS , end of year	 \$ 162,052	 \$ 15,468,961	 \$ 29,503,261	 \$ 45,134,274	 \$ 36,353,740

The accompanying notes are an integral part of these financial statements.

**CSUSB PHILANTHROPIC FOUNDATION
STATEMENT OF EXPENSES BY NATURAL CLASSIFICATION
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)**

EXPENSES	2016	2015
Administrative costs	\$ 77,957	\$ 84,590
Bank and credit fees	7,491	5,321
Capital outlay	78,480	26,328
Conferences and meetings	103,670	59,699
Contract services	655,025	360,842
Depreciation	53,139	57,065
Dues, memberships and subscriptions	4,670	5,073
Insurance	16,594	18,134
Other expenses	405,238	333,789
Postage	4,543	1,680
Printing	26,011	10,757
Professional development and training	26,099	14,777
Professional fees	20,218	18,641
Public relations	64,251	103,867
Rental, equipment and space	30,471	18,920
Scholarships	1,237,397	1,055,580
Stipends, room and board	69,169	39,705
Supplies and services	604,740	419,577
Travel	47,840	63,358
Utilities and telephone	12,044	6,049
Transfers to University	423,692	741,494
	\$ 3,968,739	\$ 3,445,246
Total expenses	\$ 3,968,739	\$ 3,445,246

The accompanying notes are an integral part of these financial statements.

**CSUSB PHILANTHROPIC FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 8,780,534	\$ 627,658
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	53,139	57,065
Contributions permanently restricted	(346,385)	(779,283)
Gifts-in-kind art collection	(258,542)	(9,700)
Noncash investment (income) loss	1,604,768	1,083,985
(Increase) decrease in:		
Other receivables	2,619	26,845
Promises to give	(9,813,441)	(180,624)
Increase (decrease) in:		
Accounts payable	38,475	(28,530)
Accrued liabilities	(367,077)	490,398
Unearned revenue	11,902	7,042
Total adjustments	(9,074,542)	667,198
Net cash provided by (used for) operating activities	(294,008)	1,294,856
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments related to the acquisition of capital assets	(6,845)	(79,114)
Purchase/sale of investments	(511,221)	(1,178,884)
Net cash used for investing activities	(518,066)	(1,257,998)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash contributions for endowment	346,385	779,283
Net cash provided by financing activities	346,385	779,283
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(465,689)	816,141
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,204,494	2,388,353
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,738,805	\$ 3,204,494

The accompanying notes are an integral part of these financial statements.

**CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1: SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

The CSUSB Philanthropic Foundation (Foundation) was created on July 1, 2011 pursuant to the general Non-Profit Corporation Laws of the State of California. The Foundation was organized to promote and assist education, administration and related services of California State University, San Bernardino. The Foundation operates as an auxiliary organization of the California State University, San Bernardino (University) under an operating agreement with the Trustees of the California State University (Trustees) which expires December 31, 2021. All fundraising activities are conducted by the University.

Major Program Services

The Foundation's major program services include:

Designated Gift administration, services provided in support of designated gift and endowment funds.

Scholarships, including grants-in-aid and other financial assistance to students.

Estimates

The preparation of these financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Accordingly, actual results could differ from those estimates. Management also determines the accounting principles to be used in the preparation of the financial statements. A description of the significant accounting policies employed in the preparation of these financial statements follows.

Basis of Accounting and Presentation

The financial statements of The Foundation have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. The financial statements are presented in accordance with accounting standards issued by the Financial Accounting Standards Board (FASB). Accordingly, information regarding the financial position and activities are reported according to three classes of net assets: unrestricted net assets that are not subject to donor-imposed restrictions and may be designated for specific purposes by action of the Board of Trustees, temporarily restricted net assets whose use by The Foundation is subject to donor-imposed restrictions that can be fulfilled by actions of The Foundation or that expire by the passage of time, and permanently restricted net assets which are stipulated by donors as investments in perpetuity, the income from which may be expendable by The Foundation.

CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES,
(continued)

Cash and Cash Equivalents and Concentrations

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with a maturity of three months or less from the date of purchase.

The Foundation maintains its cash in three financial institution accounts. The standard insurance amount under the Federal Deposit Insurance Corporation (FDIC) is \$250,000 per depositor, per insured bank, for each account ownership category. These balances may at times exceed the insured limits. As of June 30, 2016, the Foundation's cash balances exceeded the federally insured limits by \$2,584,354.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. The fair value of investments in securities is based on the quoted market price of the underlying securities. Investments in real estate are stated at acquisition cost. Unrealized gains and losses are included in the change in net assets. Short-term investments consist of debt securities with original maturities of twelve months or less. Long-term investments consist of debt securities with original maturities greater than twelve months.

Prepaid Expenses

Prepaid expenses are advance payments for products or services that will be used in the Foundation's programs or activities in subsequent periods.

Receivables and Allowances

Other receivables are presented net of an allowance for doubtful accounts. Any allowance is based on prior years' experience and management's estimate of collectability. Management estimates that all receivables at June 30, 2016 are fully collectible, and therefore no allowance has been presented.

Promises to Give

The Foundation recognizes a contribution when the donor makes a promise to give that is, in substance, unconditional. Contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. The Foundation uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Promises to give are presented at the net present value of the gifts.

**CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

**NOTE 1: SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES,
(continued)**

Property, Plant and Equipment

Property, plant and equipment are carried at cost or, if contributed, at fair market value at the date of contribution. Intangible assets include patents and software. The Foundation's policy is to capitalize additions and improvements that significantly add to productive capacity or extend the useful life of an asset and are above \$5,000. Repairs and maintenance are charged to operations as incurred. Costs and related allowances for depreciation of property, plant and equipment sold or otherwise retired are eliminated from the accounts and gains or losses on disposition are included in the changes in net assets. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets.

Donated Materials, Services and Other Assets

Donated materials and other assets such as stocks, bonds and other long-lived assets are recorded at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. The Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donations to the art collection are recorded at estimated fair value at the date of the donation and are not subject to depreciation. Items are considered to be part of the art collection if they are held for exhibition to the public, for educational purposes, or for research (and not for financial gain) and proceeds from the sale of collection items are to be reinvested in other collection items.

No amounts have been reflected in the financial statement for donated services. The Foundation generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist The Foundation with specific assistance programs. The Foundation does not track the extent or quantity of donated services by its volunteers, and accordingly, no monetary or nonmonetary information has been disclosed.

Income Taxes

The Foundation is a Not-for-Profit tax-exempt Corporation organized under Internal Revenue Code Section 501(c)(3) and is classified as other than a private foundation. A comparable exemption has been granted by the State of California under the Revenue and Taxation Code 23701(d). However, any unrelated business income may be subject to taxation. The Foundation had no obligation for any unrelated business income tax during the year.

The Foundation's Forms 990, Return of Organization Exempt from Income Tax, for the years ending June 30, 2013, 2014 and 2015 are subject to examination by the IRS, generally for 3 years from the date of filing.

**CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

**NOTE 1: SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES,
(continued)**

Subsequent Events

Management has evaluated subsequent events through September 19, 2016, the date the financial statements were available to be issued.

NOTE 2: INVESTMENTS AND FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, "Fair Value Measurements and Disclosures", provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
Level 2	Inputs to the valuation methodology include: <ul style="list-style-type: none">• quoted prices for similar assets or liabilities in active markets;• quoted prices for identical or similar assets or liabilities in inactive markets;• inputs other than quoted prices that are observable for the asset or liability;• inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value.

Money Market Funds - Balances in money market accounts valued are valued at the broker statement values, which represent the amounts for which the Foundation could convert the money market funds to cash.

**CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2: INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

Mutual Funds – Shares of mutual funds are valued at quoted market prices, which represent the net assets value of shares held by the Foundation at year-end.

Equity Securities – Equity securities are valued at last quoted sales price as of the close of trading at year-end; such securities, not traded on the year-end date, are valued at the last quoted bid price.

Hedge Funds – The Multi-Strategy Fund is valued by the independent investment managers of the fund. The market value of the fund is obtained from the investment statements provided by the investment trustee.

Private Real Estate Investment Fund – The private real estate investment fund is valued at acquisition cost adjusted for current year earnings. The market value of the fund is obtained from the investment statements provided by the investment trustee.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although The Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at June 30, 2016 are as follows:

	Total	Fair Value Measurements at June 30, 2016		
		Level 1	Level 2	Level 3
<u>Short-term investments:</u>				
Money market funds	\$ 4,314	\$ -	\$ 4,314	\$ -
Mutual funds	4,755,985	4,755,985	-	-
Total short-term investments	4,760,299	4,755,985	4,314	-
<u>Long-term investments:</u>				
Money market funds	20,842	-	20,842	-
Equity securities	4,816,887	4,816,887	-	-
Mutual funds	17,836,050	17,836,050	-	-
Hedge fund	309,299	-	-	309,299
Private Real Estate Investment Fund	314,593	-	-	314,593
Total long-term investments	23,297,671	22,652,937	20,842	623,892
Total investments	\$ 28,057,970	\$ 27,408,922	\$ 25,156	\$ 623,892

**CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2: INVESTMENTS AND FAIR VALUE MEASUREMENTS, (continued)

The following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value on a recurring basis:

Investments	Beginning Balance	Net Realized Gain (Loss)	Change in Unrealized Appreciation/ (Depreciation)	Ending Balance
Hedge fund	\$ 725,966	\$ -	\$ (416,667)	\$ 309,299
Real estate investment fund	258,543	-	56,050	314,593
	<u>\$ 984,509</u>	<u>\$ -</u>	<u>\$ (360,617)</u>	<u>\$ 623,892</u>

A summary of investments held at June 30, 2016 follows:

	Cost	Fair Value	Cumulative Realized/ Unrealized Gains (Losses)
<u>Short-term investments:</u>			
Vanguard short-term fund	\$ 4,730,811	\$ 4,755,985	\$ 25,174
Common fund - money market	4,314	4,314	-
	<u>4,735,125</u>	<u>4,760,299</u>	<u>25,174</u>
<u>Long-term investments:</u>			
Endowments (donor-restricted)	22,514,157	23,297,671	783,514
	<u>22,514,157</u>	<u>23,297,671</u>	<u>783,514</u>
Total investments	<u>\$ 27,249,282</u>	<u>\$ 28,057,970</u>	<u>\$ 808,688</u>

A summary of investment income for the year ended June 30, 2016 follows:

	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 67,594	\$ 807,611	\$ 875,205
Realized and unrealized gains and losses on investments, net	49,195	(1,503,271)	(1,454,076)
Deficit in endowment value	<u>(90,704)</u>	<u>90,704</u>	<u>-</u>
Total investment income	<u>\$ 26,085</u>	<u>\$ (604,956)</u>	<u>\$ (578,871)</u>

Investment fees for the year ended June 30, 2016 amounted to \$77,896, and are included in Administrative costs on the Statement of Expenses by Natural Classification.

CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3: INVESTMENT POLICY

The Foundation's portfolio shall be invested with the objective of long-term growth assets. With this long-term objective in mind, the portfolio shall be invested to provide safety through diversification in a portfolio of common stocks, bonds, cash equivalents, and other investments, all of which may reflect varying rates of return.

The investments shall also be diversified within asset classes (*e.g., equities shall be diversified by economic sector, industry, quality, and size*). Portfolio diversification provides protection against a single security or class of securities having a disproportionate impact on aggregate performance.

The Foundation endeavors to invest in strategies and investments that avoid a permanent loss of capital, with the exception of alternative investments, such as venture capital. The Foundation is willing to accept a temporary loss of capital if the return to risk profile is reasonable.

As a general rule, The Foundation will follow the Prudent Investor guidelines widely used in the investment management industry, the guidelines of the CFA Institute, and the general fiduciary standards described in the Uniform Prudent Investment Act (UPIA), as well as the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

NOTE 4: ENDOWMENT

The Foundation's endowment consists of approximately 200 individual funds established for a variety of purposes, all of which are donor-restricted. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (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, and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

**CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5: ENDOWMENT SPENDING POLICY

The spending policy should meet current operating needs and protect the future purchasing power of The Foundation. However, spending policies which provide complete assurance against the loss of purchasing power also create a high degree of spending instability. Thus, the basic challenge is to create a policy which offers a reasonable defense against loss of purchasing power, but which also stabilizes the amount available from the Foundation for spending.

Taking these factors into consideration, the Foundation's Investment Committee has determined that the pay-out from The Foundation's endowment accounts, which approximates 4.0% of the market value averaged over a three-year period, is adequate to supplement the current operating needs. The maximum annual spending rate for the endowment shall not exceed 4.0% of the prior three years average market value of the portfolio. For funds that have been invested for less than three full years, the following rates of spending shall be allowed:

0-1 Year	No funds shall be allocated for spending
1-2 Years	4.0% of the market value at the end of Year One
2-3 Years	4.0% of the average of the market values at the end of Years One and Two
Over 3 Years	4.0% of the average of the market values of the prior three years

If an endowment drops below its historic gift value, normally all spending will be suspended until such time as the endowment regains positive status, unless the Foundation believes it is prudent to distribute from a fund that is below its historic value.

As of June 30, 2016, a small portion of the endowments are under their historic gift value. The resulting amount needed to bring the endowments to a positive status was \$90,704 and is reflected in the Statement of Activities at June 30, 2016.

NOTE 6: ENDOWMENT INVESTMENT ASSET ALLOCATION

The long-term target asset allocation for the investment portfolio is recommended by the Foundation's investment consultant and approved by the Foundation to facilitate the achievement of the long-term investment objectives within the established risk parameters.

**CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6: ENDOWMENT INVESTMENT ASSET ALLOCATION, (continued)

As the allocation of funds among asset classes may be the single most important determinant of the investment performance, the assets shall be divided into the following asset classes:

	<u>Maximum %</u>	<u>Minimum %</u>	<u>Target %</u>
Large Cap Equity	33%	17%	25%
Small (Mid) Cap Equity	13%	7%	10%
Developed Int'l. Equity	26%	14%	20%
Emerging Markets	7%	0%	5%
Real Estate (Public)	5%	0%	2.5%
Real Estate (Private)	5%	0%	2.5%
Commodities	5%	0%	2.5%
Fixed Income	33%	17%	25%
Alternatives	13%	0%	10%

The actual asset allocation, which will fluctuate with market conditions, will receive the regular scrutiny of the Foundation's investment consultant who will recommend, when appropriate, that the Foundation make changes to the policy.

NOTE 7: PROMISES TO GIVE

Unconditional promises to give consisted of the following at June 30, 2016:

Nature of promises to give:	
Temporarily restricted funds	\$ 1,476,080
Endowment funds	<u>9,500,000</u>
 Total	 <u>\$ 10,976,080</u>

The endowment portion of the pledges receivable balance consisted of a pledge from a single donor. The full pledge amount was for \$10 million with \$9.5 million restricted for an endowment and \$500,000, representing the Foundation gift administration portion, included in the temporarily restricted funds. The full amount of the pledge was received in July of 2016.

Amounts due in:	
Less than one year	\$ 10,530,416
One to five years	366,888
Five to ten years	<u>78,776</u>
 Total promises to give, net	 <u>\$ 10,976,080</u>

Promises to give were recognized at the net present value of the gifts. The current year discount applied to the promises to give balance was \$36,680 and was based on U.S. treasury yields as of June 30, 2016 for the applicable issue maturity.

**CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at June 30, 2016:

Depreciable assets	
Equipment, furniture and fixtures	\$ 300,528
Less: accumulated depreciation	(162,818)
	<u>137,710</u>
Non-Depreciable assets	
Construction in progress	<u>70,978</u>
Property, plant and equipment, net	<u><u>\$ 208,688</u></u>

Depreciation expense for the year ended June 30, 2016 was \$53,139.

NOTE 9: RESTRICTIONS AND LIMITATIONS ON NET ASSETS

Permanently restricted net assets at June 30, 2016 totaled \$29,503,261 and are to be held indefinitely. The income is restricted primarily to support scholarships. Temporarily restricted net assets at June 30, 2016 totaled \$15,468,961 and were available for the following purposes:

Restricted by donors for the following purposes:	
Palm Desert Campus	\$ 307,691
College of Business & Public Administration	836,335
College of Natural Sciences	1,560,083
College of Arts & Letters	440,712
College of Social & Behavioral Sciences	237,502
College of Education	856,106
College of Extended Learning	9,024
Athletics	186,255
Information Resource & Technology	15,643
Undergraduate Studies	126,544
Veteran's Success Center	53,368
Academic Affairs	62,504
Library	45,136
Student Services	119,249
University Advancement	419,130
Expendable Scholarships	1,639,174
Pledges Receivable (various gifts)	1,476,081
Art Museum Collection	3,462,972
Temporarily Restricted Portion of Endowment	3,392,085
Other numerous miscellaneous donor restrictions	<u>223,367</u>
Total temporarily restricted net assets	<u><u>\$ 15,468,961</u></u>

**CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9: RESTRICTIONS AND LIMITATIONS ON NET ASSETS, (continued)

Endowment net asset composition consists of the following at June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Assets</u>
Donor-restricted endowment funds	<u>\$ (90,704)</u>	<u>\$ 3,392,084</u>	<u>\$ 29,503,261</u>	<u>\$ 32,804,641</u>

Changes in endowment net assets for the year ended June 30, 2016 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Assets</u>
Endowment net assets beginning of year	\$ (7,741)	\$ 5,070,587	\$ 19,538,033	\$ 24,600,879
Transfer of assets from University Enterprises Corp.	-	-	150	150
Restricted gift accounts	-	-	118,693	118,693
New endowment gifts, net of gift admin fee	-	-	346,385	346,385
Pledge receivable, net of gift admin fee	-	-	9,500,000	9,500,000
Endowment assets appropriated for expenditure	-	(987,268)	-	(987,268)
Investment fees	-	(77,917)	-	(77,917)
Interest and dividends	-	807,610	-	807,610
Deficit in endowment	<u>(82,963)</u>	<u>(1,420,928)</u>	<u>-</u>	<u>(1,503,891)</u>
Endowment net assets end of year	<u>\$ (90,704)</u>	<u>\$ 3,392,084</u>	<u>\$ 29,503,261</u>	<u>\$ 32,804,641</u>

Reconciliation of endowment balance to long-term investment:

Endowment net assets end of year	\$ 32,804,641
Pledge receivable designated for endowment (received in July 2016)	(9,500,000)
Gifts held in cash not yet invested at the end of the year	<u>(6,970)</u>
Net endowment investment (long-term investments)	<u>\$ 23,297,671</u>

Changes in donor designated gift restrictions resulted in funds being directed to permanently restricted endowments in the amount of \$118,693.

**CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 10: TRANSFERS TO AND FROM THE UNIVERSITY (INCLUDING OTHER AUXILIARY ORGANIZATIONS)

During the year, transfers were made to the University (including other auxiliary organizations) and are listed on the statement of activities as Transfers to University. For the year ended June 30, 2016 these transfers consisted of the following:

Reimbursement of salaries for personnel working on contracts, grants and other programs	\$ 316,515
Reimbursements to CSUSB	86,012
Transfer to UEC for grant matching funds	20,120
Transfer to UEC for staff awards luncheon reimbursements and other misc. programs	<u>1,045</u>
Total	<u><u>\$ 423,692</u></u>

During the year, transfers were received from the University (including other auxiliary organizations) and are listed on the statement of activities as Transfers from University. For the year ended June 30, 2016 these transfers consisted of the following:

Transfer scholarship and support funds from ASI	\$ 110,750
Miscellaneous program transfers from CSUSB	72,615
Miscellaneous program transfers from UEC	<u>52,758</u>
Total	<u><u>\$ 236,123</u></u>

Note 11: COMMITMENTS

During the year ended June 30, 2015, the Foundation authorized and entered into an investment in a private real estate investment fund through a vote of the Board of Directors and committed 2.5% of the portfolio value to the investment. The total commitment entered into by the Foundation was \$600,000. During the current year \$42,000 of the commitment was called under the terms of the investment and is listed on the statement of financial position as an investment. The Foundation has a remaining commitment outstanding at June 30, 2016 of \$300,000. The Foundation received an additional call for funds of \$150,317 effective August 16, 2016.

NOTE 12: RELATED PARTIES AND ECONOMIC DEPENDENCY

As discussed in Note 1, the Foundation operates under an agreement with the Trustees as an auxiliary organization of the University. Accordingly, essentially all revenues, and realization of certain assets, are dependent upon the continuation of this agreement.

**CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 12: RELATED PARTIES AND ECONOMIC DEPENDENCY, (continued)

A schedule of related party transactions between the Foundation, the University and other auxiliary organizations as of June 30, 2016 is as follows:

	<u>University</u>	<u>Associated Students Incorporated</u>	<u>Santos Manuel Student Union</u>	<u>University Enterprises Corporation</u>	<u>Total</u>
<u>Revenues:</u>					
Payments received from Univ/Aux for services, space, and programs.	\$ 66,848	\$ 114,750	\$ 350	\$ 77,256	\$ 259,205
<u>Expenses:</u>					
Payments to Univ/Aux for salaries of personnel working on contracts, grants, and other programs.	420,441	-	-	-	420,441
Payments to Univ/Aux for other than salaries of personnel.	1,853,496	5,000	20,936	28,768	1,908,200
<u>Due to:</u>					
Accounts Payable to Univ/Aux.	(25,631)	-	(790)	-	(26,421)
<u>Receivable from:</u>					
Accounts receivable from Univ/Aux.	-	540	-	-	540
<u>Transfers (net)</u>	13,397	(110,750)	-	284,922	187,569

NOTE 13: SUBSEQUENT EVENTS

Subsequent to year end, the University Enterprises Corporation at CSUSB (UEC), a related party, initiated the administrative process to transfer its holdings in charitable remainder trusts (CRT) to the Foundation. UEC anticipates transferring the CRT investments shown on their statement of financial position as long term investments for \$5,046,871 and the related remainder interest liability shown on their statement of financial position for \$1,628,969 which will increase the Foundation's temporarily restricted net assets by \$3,417,902.

Subsequent to year end, the Foundation was in the process of transferring the art collection to the California State University System (a related party). The Foundation anticipates transferring the art collection shown on the statement of financial position as Art Collection for \$3,462,972 which will reduce temporarily restricted net assets by \$3,462,972.

SUPPLEMENTARY INFORMATION

CSUSB Philanthropic Foundation
Schedule of Net Position
June 30, 2016
(for inclusion in the California State University)

Assets:

Current assets:	
Cash and cash equivalents	\$ 2,731,835
Short-term investments	4,760,299
Accounts receivable, net	510
Leases receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	10,569,686
Prepaid expenses and other current assets	—
Total current assets	<u>18,062,330</u>

Noncurrent assets:	
Restricted cash and cash equivalents	6,970
Accounts receivable, net	—
Leases receivable, net of current portion	—
Notes receivable, net of current portion	—
Student loans receivable, net	—
Pledges receivable, net	406,394
Endowment investments	23,297,671
Other long-term investments	—
Capital assets, net	3,671,660
Other assets	—
Total noncurrent assets	<u>27,382,695</u>
Total assets	<u>45,445,025</u>

Deferred outflows of resources:	
Unamortized loss on debt refunding	—
Net pension liability	—
Others	—
Total deferred outflows of resources	<u>—</u>

Liabilities:

Current liabilities:	
Accounts payable	144,220
Accrued salaries and benefits	—
Accrued compensated absences, current portion	—
Unearned revenue	—
Capitalized lease obligations, current portion	—
Long-term debt obligations, current portion	—
Claims liability for losses and loss adjustment expenses, current portion	—
Depository accounts	—
Other liabilities	166,531
Total current liabilities	<u>310,751</u>

Noncurrent liabilities:	
Accrued compensated absences, net of current portion	—
Unearned revenue	—
Grants refundable	—
Capitalized 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	—
Other postemployment benefits obligations	—
Net pension liability	—
Other liabilities	—
Total noncurrent liabilities	<u>—</u>
Total liabilities	<u>310,751</u>

Deferred inflows of resources:	
Service concession arrangements	—
Net pension liability	—
Unamortized gain on debt refunding	—
Nonexchange transactions	—
Others	—
Total deferred inflows of resources	<u>—</u>

Net Position:

Net investment in capital assets	3,671,660
Restricted for:	
Nonexpendable – endowments	29,503,261
Expendable:	
Scholarships and fellowships	1,639,174
Research	—
Loans	—
Capital projects	—
Debt service	—
Others	10,149,410
Unrestricted	170,769
Total net position	<u>\$ 45,134,274</u>

See accompanying independent auditor's report

CSUSB Philanthropic Foundation
Schedule of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2016
(for inclusion in the California State University)

Revenues:	
Operating revenues:	
Student tuition and fees (net of scholarship allowances of \$ _____)	\$ —
Grants and contracts, noncapital:	
Federal	—
State	—
Local	—
Nongovernmental	—
Sales and services of educational activities	—
Sales and services of auxiliary enterprises (net of scholarship allowances of \$ _____)	—
Other operating revenues	—
Total operating revenues	<u>—</u>
Expenses:	
Operating expenses:	
Instruction	—
Research	—
Public service	—
Academic support	—
Student services	—
Institutional support	2,585,964
Operation and maintenance of plant	—
Student grants and scholarships	1,237,397
Auxiliary enterprise expenses	92,239
Depreciation and amortization	53,139
Total operating expenses	<u>3,968,739</u>
Operating income (loss)	<u>(3,968,739)</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	3,481,069
Investment income (loss), net	(578,871)
Endowment income (loss), net	—
Interest expense	—
Other nonoperating revenues (expenses)	690
Net nonoperating revenues (expenses)	<u>2,902,888</u>
Income (loss) before other revenues (expenses)	<u>(1,065,851)</u>
State appropriations, capital	—
Grants and gifts, capital	—
Additions (reductions) to permanent endowments	9,846,385
Increase (decrease) in net position	<u>8,780,534</u>
Net position:	
Net position at beginning of year, as previously reported	36,353,740
Restatements	—
Net position at beginning of year, as restated	<u>36,353,740</u>
Net position at end of year	<u>\$ 45,134,274</u>

See accompanying independent auditor's report

CSUSB Philanthropic Foundation
Other Information
June 30, 2016
(for inclusion in the California State University)

1 -Restricted cash and cash equivalents at June 30, 2016:	
Portion of restricted cash and cash equivalents related to endowments	\$ 6,970
All other restricted cash and cash equivalents	<u>—</u>
Total restricted cash and cash equivalents	<u>\$ 6,970</u>

2.1 Composition of investments at June 30, 2016:

	Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
State of California Surplus Money Investment Fund (SMIF)	\$ —	—	—	—	—	—	—
State of California Local Agency Investment Fund (LAIF)	—	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—	—
Certificates of deposit	—	—	—	—	—	—	—
Mutual funds	—	4,755,984	4,755,984	—	17,836,050	17,836,050	22,592,034
Money Market funds	—	4,315	4,315	—	20,842	20,842	25,157
Repurchase agreements	—	—	—	—	—	—	—
Commercial paper	—	—	—	—	—	—	—
Asset backed securities	—	—	—	—	—	—	—
Mortgage backed securities	—	—	—	—	—	—	—
Municipal bonds	—	—	—	—	—	—	—
U.S. agency securities	—	—	—	—	—	—	—
U.S. treasury securities	—	—	—	—	—	—	—
Equity securities	—	—	—	—	4,816,887	4,816,887	4,816,887
Exchange traded funds (ETFs)	—	—	—	—	—	—	—
Alternative investments:							
Private equity (including limited partnerships)	—	—	—	—	—	—	—
Hedge funds	—	—	—	—	309,299	309,299	309,299
Managed futures	—	—	—	—	—	—	—
Real estate investments (including REITs)	—	—	—	—	314,593	314,593	314,593
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	—	—	—	—	—	—	—
Total investments	<u>—</u>	<u>4,760,299</u>	<u>4,760,299</u>	<u>—</u>	<u>23,297,671</u>	<u>23,297,671</u>	<u>28,057,970</u>
Less endowment investments (enter as negative number)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(23,297,671)</u>	<u>(23,297,671)</u>	<u>(23,297,671)</u>
Total investments	<u>—</u>	<u>4,760,299</u>	<u>4,760,299</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,760,299</u>

2.2 Investments held by the University under contractual agreements at June 30, 2016:

Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 20CY :	—	—	—	—	—	—	—
---	---	---	---	---	---	---	---

2.3 Restricted current investments at June 30, 2016 related to:

	<u>Amount</u>
Miscellaneous designated gift funds	\$ 4,760,299
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Total restricted current investments at June 30, 2016	<u>\$ 4,760,299</u>

See accompanying independent auditor's report

CSUSB Philanthropic Foundation
Other Information
June 30, 2016
(for inclusion in the California State University)

2.4 Restricted noncurrent investments at June 30, 2016 related to:

Endowment investment	\$ 23,297,671
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Total restricted noncurrent investments at June 30, 2016	\$ 23,297,671

2.5 Fair value hierarchy in investments at June 30, 2016:

	Fair Value Measurements Using				Net Asset Value (NAV)
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
State of California Surplus Money Investment Fund (SMIF)	\$ —	—	—	—	—
State of California Local Agency Investment Fund (LAIF)	—	—	—	—	—
Corporate bonds	—	—	—	—	—
Certificates of deposit	—	—	—	—	—
Mutual funds	22,592,035	22,592,035	—	—	—
Money Market funds	25,156	—	25,156	—	—
Repurchase agreements	—	—	—	—	—
Commercial paper	—	—	—	—	—
Asset backed securities	—	—	—	—	—
Mortgage backed securities	—	—	—	—	—
Municipal bonds	—	—	—	—	—
U.S. agency securities	—	—	—	—	—
U.S. treasury securities	—	—	—	—	—
Equity securities	4,816,887	4,816,887	—	—	—
Exchange traded funds (ETFs)	—	—	—	—	—
Alternative investments:					
Private equity (including limited partnerships)	—	—	—	—	—
Hedge funds	309,299	—	—	309,299	—
Managed futures	—	—	—	—	—
Real estate investments (including REITs)	314,593	—	—	314,593	—
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	—	—	—	—	—
Total investments	28,057,970	27,408,922	25,156	623,892	—

See accompanying independent auditor's report

CSUSB Philanthropic Foundation
Other Information
June 30, 2016
(for inclusion in the California State University)

3.1 Composition of capital assets at June 30, 2016:

	Balance June 30, 2015	Prior period Adjustments	Reclassifications	Balance June 30, 2015 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2016
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	\$ —	—	—	—	—	—	—	—
Works of art and historical treasures	3,204,432	—	—	3,204,432	258,540	—	—	3,462,972
Construction work in progress (CWIP)	70,978	—	—	70,978	—	—	—	70,978
Intangible assets:								
Rights and easements	—	—	—	—	—	—	—	—
Patents, copyrights and trademarks	—	—	—	—	—	—	—	—
Internally generated intangible assets in progress	—	—	—	—	—	—	—	—
Licenses and permits	—	—	—	—	—	—	—	—
Other intangible assets:	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
Total intangible assets	—	—	—	—	—	—	—	—
Total nondepreciable/nonamortizable capital assets	3,275,410	—	—	3,275,410	258,540	—	—	3,533,950
Depreciable/amortizable capital assets:								
Buildings and building improvements	—	—	—	—	—	—	—	—
Improvements, other than buildings	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	—	—	—	—	—	—	—	—
Personal property:								
Equipment	293,683	—	—	293,683	6,845	—	—	300,528
Library books and materials	—	—	—	—	—	—	—	—
Intangible assets:								
Software and websites	—	—	—	—	—	—	—	—
Rights and easements	—	—	—	—	—	—	—	—
Patents, copyright and trademarks	—	—	—	—	—	—	—	—
Licenses and permits	—	—	—	—	—	—	—	—
Other intangible assets:	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
Total intangible assets	—	—	—	—	—	—	—	—
Total depreciable/amortizable capital assets	293,683	—	—	293,683	6,845	—	—	300,528
Total capital assets	3,569,093	—	—	3,569,093	265,385	—	—	3,834,478
Less accumulated depreciation/amortization:								
Buildings and building improvements	—	—	—	—	—	—	—	—
Improvements, other than buildings	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	—	—	—	—	—	—	—	—
Personal property:								
Equipment	(109,715)	—	—	(109,715)	(53,139)	36	—	(162,818)
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	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Total intangible assets	—	—	—	—	—	—	—	—
Total accumulated depreciation/amortization	(109,715)	—	—	(109,715)	(53,139)	36	—	(162,818)
Total capital assets, net	\$ 3,459,378	—	—	\$ 3,459,378	212,246	36	—	3,671,660

See accompanying independent auditor's report

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3.2 Detail of depreciation and amortization expense for the year ended June 30, 2016:

Depreciation and amortization expense related to capital assets	\$ 53,139
Amortization expense related to other assets	<u> </u>
Total depreciation and amortization	<u>\$ 53,139</u>

4 Long-term liabilities activity schedule:

	Balance June 30, 2015	Prior period adjustments	Reclassifications	Balance June 30, 2015 (restated)	Additions	Reductions	Balance June 30, 2016	Current portion	Long-term portion
Accrued compensated absences	\$ ---	---	---	---	---	---	---	---	---
Claims liability for losses and loss adjustment expenses	---	---	---	---	---	---	---	---	---
Capitalized lease obligations:									
Gross balance	---	---	---	---	---	---	---	---	---
Unamortized premium / (discount) on capitalized lease obligations	---	---	---	---	---	---	---	---	---
Total capitalized lease obligations	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
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	---	---	---	---	---	---	---	---	---
Add description	---	---	---	---	---	---	---	---	---
Add description	---	---	---	---	---	---	---	---	---
Total long-term debt obligations	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Unamortized bond premium / (discount)	---	---	---	---	---	---	---	---	---
Total long-term debt obligations, net	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total long-term liabilities	<u>\$ ---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>

5 Future minimum lease payments - capitalized lease obligations:

	Capitalized lease obligations related to SRB			All other capitalized lease obligations			Total capitalized lease obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2017	---	---	---	---	---	---	---	---	---
2018	---	---	---	---	---	---	---	---	---
2019	---	---	---	---	---	---	---	---	---
2020	---	---	---	---	---	---	---	---	---
2021	---	---	---	---	---	---	---	---	---
2022 - 2026	---	---	---	---	---	---	---	---	---
2027 - 2031	---	---	---	---	---	---	---	---	---
2032 - 2036	---	---	---	---	---	---	---	---	---
2037 - 2041	---	---	---	---	---	---	---	---	---
2042 - 2046	---	---	---	---	---	---	---	---	---
2047 - 2051	---	---	---	---	---	---	---	---	---
2052 - 2056	---	---	---	---	---	---	---	---	---
2057 - 2061	---	---	---	---	---	---	---	---	---
2062 - 2066	---	---	---	---	---	---	---	---	---
Total minimum lease payments	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Less amounts representing interest									<u>---</u>
Present value of future minimum lease payments									<u>---</u>
Unamortized net premium (discount)									<u>---</u>
Total capitalized lease obligations									<u>---</u>
Less: current portion									<u>---</u>
Capitalized lease obligation, net of current portion									<u>\$ ---</u>

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6 Long-term debt obligation schedule

	Auxiliary revenue bonds			All other long-term debt obligations			Total long-term debt obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2017	\$ ---	---	---	---	---	---	---	---	---
2018	---	---	---	---	---	---	---	---	---
2019	---	---	---	---	---	---	---	---	---
2020	---	---	---	---	---	---	---	---	---
2021	---	---	---	---	---	---	---	---	---
2022 - 2026	---	---	---	---	---	---	---	---	---
2027 - 2031	---	---	---	---	---	---	---	---	---
2032 - 2036	---	---	---	---	---	---	---	---	---
2037 - 2041	---	---	---	---	---	---	---	---	---
2042 - 2046	---	---	---	---	---	---	---	---	---
2047 - 2051	---	---	---	---	---	---	---	---	---
2052 - 2056	---	---	---	---	---	---	---	---	---
2057 - 2061	---	---	---	---	---	---	---	---	---
2062 - 2066	---	---	---	---	---	---	---	---	---
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	\$ 3,671,660
Capitalized lease obligations, current portion	---
Capitalized 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	---
Other adjustments: (please list)	
Add description	---
Add description	---
Add description	---
Add description	---
Add description	---
Net position - net investment in capital asset	<u>\$ 3,671,660</u>

7.2 Calculation of net position - restricted for nonexpendable - endowments

Portion of restricted cash and cash equivalents related to endowments	\$ 6,970
Endowment investments	23,297,671
Other adjustments: (please list)	
Temporarily restricted portion of endowment	(3,301,380)
Pledge receivable designated for endowment (less gift fee)	9,500,000
Add description	---
Add description	---
Add description	---
Add description	---
Add description	---
Add description	---
Add description	---
Add description	---
Net position - Restricted for nonexpendable - endowments per SNP	<u>\$ 29,503,261</u>

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8 Transactions with related entities

	Amount
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 420,441
Payments to University for other than salaries of University personnel	1,853,496
Payments received from University for services, space, and programs	66,848
Gifts-in-kind to the University from discretely presented component units	—
Gifts (cash or assets) to the University from discretely presented component units	—
Accounts (payable to) University (enter as negative number)	(25,631)
Other amounts (payable to) University (enter as negative number)	—
Accounts receivable from University	—
Other amounts receivable from University	—

9 Other postemployment benefits obligation (OPEB)

Annual required contribution (ARC)	\$	—
Contributions during the year		—
Increase (decrease) in net OPEB obligation (NOO)		—
Other adjustments		—
NOO - beginning of year		—
NOO - end of year	\$	—

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	—
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 Class	Amount Dr. (Cr.)
Net position as of June 30, 2015, as previously reported	\$	36,353,740
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, 2015, as restated	\$	36,353,740

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

	Debit	Credit
Net position class: 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)	—	—

See accompanying independent auditor's report



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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To the Board of Directors of
CSUSB Philanthropic Foundation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of CSUSB Philanthropic Foundation, (a non-profit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, expenses by natural classification and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 19, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CSUSB Philanthropic Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CSUSB Philanthropic Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CSUSB Philanthropic Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rogers, Anderson, Malody & Scott, LLP

San Bernardino, California
September 19, 2016