

CSUSB PHILANTHROPIC FOUNDATION

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2019

CSUSB PHILANTHROPIC FOUNDATION

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CSUSB PHILANTHROPIC FOUNDATION

BOARD MEMBERS AS OF JUNE 30, 2019

EXECUTIVE OFFICERS:

Dr. Tomás D. Morales Board President	Ex-Officio Member
Mr. Mark C. Edwards, Esq. Vice Chairperson	Community Member
Mr. William M. Stevenson Board Secretary	Community Member
Mr. Robert J. Nava Executive Director	Ex-Officio Member
Dr. Douglas Freer Treasurer & Co-Secretary	Ex-Officio Member
Mrs. Ellen G. Weisser Chairperson	Community Member

CSUSB MEMBERS:

Dr. Monideepa Becerra	Faculty Representative
Dr. Dorothy Chen-Maynard	Faculty Representative
Dr. Douglas Freer	Ex-Officio Member
Mr. Robert Garcia	Staff Council Representative
Mr. Harry Le Grande	Ex-Officio Member
Ms. Sarai Maldonado	Staff Council Representative
Ms. Shari McMahan	Ex-Officio Director
Dr. Tomás Morales	Ex-Officio Member
Mr. Prince Ogidikpe	Student Representative
Dr. Paulchris Okpala	Faculty Representative
Dr. Alexandru Roman	Faculty Representative
Dr. David Senteney	Faculty Representative
Dr. Samuel Sudhakar	Ex-Officio Member

CSUSB PHILANTHROPIC FOUNDATION

BOARD MEMBERS AS OF JUNE 30, 2019

COMMUNITY MEMBERS:

Mr. Amro A. Albanna	Community Member
Dr. Donald Averill	Community Member
Mrs. Debbie Brown	Community Member
Mr. Bob Burlingame	Community Member
Mrs. Lois J. Carson	Community Member
Mr. Ali Cayir	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. 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
Mr. Gary McBride	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, 2019

COMMUNITY MEMBERS (cont):

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
Dr. Ernest H. Siva	Community Member
Mr. William M. Stevenson	Community Member
Ms. Karen I. Suarez	Community Member
Dr. Edward C. Teyber	Community Member
Mr. Justin S. Swant	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
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)
Kirk A. Franks, CPA (Partner Emeritus)

DIRECTORS

Jenny Liu, CPA, MST

MANAGERS / STAFF

Charles De Simoni, CPA
Gardenya Duran, CPA
Brianna Schultz, CPA
Jingjie Wu, CPA
Evelyn Morentin-Barcena, CPA
Jin Gu, CPA, MT
Veronica Hernandez, CPA
Tara R. Thorp, CPA, MSA
Laura Arvizu, CPA

MEMBERS

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Certified Public Accountants

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Quality Center

Employee Benefit Plan
Audit Quality Center

California Society of
Certified Public Accountants

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, 2019, 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.

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 the Foundation as of June 30, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements. In our opinion and our report dated September 21, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, 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 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 13, 2019, 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 13, 2019

**CSUSB PHILANTHROPIC FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

	2019	2018
ASSETS		
Cash and Cash Equivalents	\$ 5,639,961	\$ 3,121,394
Short-Term Investments	7,928,964	7,282,699
Other Receivables	286,537	286,634
Due From Related Party	29,068	-
Promises to Give, Net	1,567,892	1,293,758
Long-Term Investments	41,117,664	39,641,520
Long-Term Investments-CRTs	5,424,912	5,302,847
Property, Plant and Equipment, Net	40,135	44,273
Total Assets	\$ 62,035,133	\$ 56,973,125
LIABILITIES		
Accounts Payable	\$ 136,314	\$ 109,832
Due To Related Party	450,239	220,421
Accrued Liabilities	230,301	61,199
Other Long-Term Liabilities to Beneficiaries	968,310	1,536,753
Total Liabilities	1,785,164	1,928,205
NET ASSETS		
Without Donor Restrictions		
Undesignated	1,040,623	498,986
Board-Designated	338,809	-
Total Without Donor Restrictions	1,379,432	498,986
With Donor Restrictions		
Purpose Restrictions	17,752,873	14,904,414
Endowment Fund	41,117,991	39,660,116
Underwater Endowments	(327)	(18,596)
Total With Donor Restrictions	58,870,537	54,545,934
Total Net Assets	60,249,969	55,044,920
Total Liabilities and Net Assets	\$ 62,035,133	\$ 56,973,125

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

**CSUSB PHILANTHROPIC FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
REVENUES				
Contributions	\$ -	\$ 6,488,867	\$ 6,488,867	\$ 4,126,606
Interest and Dividends, Net	127,073	2,379,606	2,506,679	1,622,103
Unrealized Gain (Loss) on Investments	141,124	(619,729)	(478,605)	(145,031)
Realized Gain on Investments	164	450,803	450,967	909,139
Deficit in Endowment Values	18,269	(18,269)	-	-
Change in Value of Split Interest Agreements	350,876	-	350,876	(246,840)
Miscellaneous Income	40,979	-	40,979	1,759
Restrictions Released	4,356,675	(4,356,675)	-	-
	<u>5,035,160</u>	<u>4,324,603</u>	<u>9,359,763</u>	<u>6,267,736</u>
Total Program Revenues				
Transfers from Related Entities	<u>281,100</u>	<u>-</u>	<u>281,100</u>	<u>458,835</u>
	<u>5,316,260</u>	<u>4,324,603</u>	<u>9,640,863</u>	<u>6,726,571</u>
Total Revenues				
EXPENSES				
Program Expenses:				
Scholarships	1,424,172	-	1,424,172	1,375,254
Support Services	2,091,860	-	2,091,860	1,965,690
Management and General	<u>407,867</u>	<u>-</u>	<u>407,867</u>	<u>198,684</u>
	<u>3,923,899</u>	<u>-</u>	<u>3,923,899</u>	<u>3,539,628</u>
Total Program and General Expenses				
Transfers to Related Entities	<u>511,915</u>	<u>-</u>	<u>511,915</u>	<u>586,076</u>
	<u>4,435,814</u>	<u>-</u>	<u>4,435,814</u>	<u>4,125,704</u>
Total Expenses				
CHANGES IN NET ASSETS	880,446	4,324,603	5,205,049	2,600,867
NET ASSETS, Beginning of Year	<u>498,986</u>	<u>54,545,934</u>	<u>55,044,920</u>	<u>52,444,053</u>
NET ASSETS, End of Year	<u>\$ 1,379,432</u>	<u>\$ 58,870,537</u>	<u>\$ 60,249,969</u>	<u>\$ 55,044,920</u>

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

**CSUSB PHILANTHROPIC FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

	2019				
	Program Activities			Supporting Activities	
	Scholarships	Designated Gift Administration	Total Program Activities	Management and General	Total Expenses
Administrative Costs	\$ -	\$ 142	\$ 142	\$ -	\$ 142
Bad Debts	-	-	-	121,275	121,275
Bank and Credit Fees	-	-	-	7,016	7,016
Capital Outlay	4,034	6,242	10,276	6,323	16,599
Conferences and Meetings	-	84,601	84,601	87,578	172,179
Contract Services	-	560,317	560,317	18,760	579,077
Depreciation	-	44,583	44,583	2,213	46,796
Dues, Memberships and Subscriptions	-	7,409	7,409	17,032	24,441
Insurance	-	13,969	13,969	1,003	14,972
Other Expenses	2,298	397,846	400,144	48,868	449,012
Postage	-	6,247	6,247	275	6,522
Printing	-	3,625	3,625	13,500	17,125
Professional Development and Training	-	1,082	1,082	4,408	5,490
Professional Fees	-	21,346	21,346	-	21,346
Public Relations	805	83,427	84,232	43,852	128,084
Rental, Equipment and Space	-	10,308	10,308	-	10,308
Scholarships	1,412,272	58,862	1,471,134	-	1,471,134
Stipends, Room and Board	-	89,820	89,820	6,443	96,263
Supplies and Services	1,760	537,724	539,484	23,562	563,046
Travel	3,003	162,922	165,925	4,801	170,726
Utilities and Telephone	-	1,388	1,388	958	2,346
Total	\$ 1,424,172	\$ 2,091,860	\$ 3,516,032	\$ 407,867	\$ 3,923,899

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

**CSUSB PHILANTHROPIC FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018**

	2018				
	Program Activities			Supporting Activities	
	Scholarships	Designated Gift Administration	Total Program Activities	Management and General	Total Expenses
Administrative Costs	\$ -	\$ 150	\$ 150	\$ -	\$ 150
Bad Debts	-	94	94	-	94
Bank and Credit Fees	-	-	-	8,932	8,932
Capital Outlay	-	9,211	9,211	-	9,211
Conferences and Meetings	-	40,942	40,942	87,766	128,708
Contract Services	-	492,829	492,829	697	493,526
Depreciation	-	47,985	47,985	2,294	50,279
Dues, Memberships and Subscriptions	-	1,619	1,619	1,496	3,115
Insurance	-	14,212	14,212	1,003	15,215
Other Expenses	14,984	653,162	668,146	45,926	714,072
Postage	-	3,340	3,340	349	3,689
Printing	-	11,045	11,045	(1,901)	9,144
Professional Development and Training	-	501	501	1,363	1,864
Professional Fees	-	19,460	19,460	2,922	22,382
Public Relations	-	61,120	61,120	31,277	92,397
Rental, Equipment and Space	-	18,339	18,339	-	18,339
Scholarships	1,356,034	80,624	1,436,658	4,655	1,441,313
Stipends, Room and Board	-	2,962	2,962	-	2,962
Supplies and Services	4,236	473,760	477,996	11,258	489,254
Travel	-	28,612	28,612	-	28,612
Utilities and Telephone	-	5,723	5,723	647	6,370
Total	\$ 1,375,254	\$ 1,965,690	\$ 3,340,944	\$ 198,684	\$ 3,539,628

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

**CSUSB PHILANTHROPIC FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 5,205,049	\$ 2,600,867
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	46,795	50,279
Contributions With Donor Restrictions	(262,021)	(862,653)
Noncash investment (income) loss	478,605	145,031
(Increase) decrease in:		
Other receivables	97	(21,000)
Due from related party	(29,068)	1,996
Promises to give	(274,134)	845,732
Increase (decrease) in:		
Accounts payable	26,482	(294,680)
Due to related party	229,818	98,168
Accrued liabilities	169,102	57,713
Other long-term liabilities to beneficiaries	(568,443)	(104,486)
Total adjustments	(182,767)	(83,900)
Net cash provided by operating activities	5,022,282	2,516,967
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments related to the acquisition of capital assets	(42,657)	(6,782)
Purchase/sale of short-term investments	(646,265)	(2,520,125)
Purchase of long-term investments	(24,249,065)	(9,107,176)
Sale of long-term investments	22,172,251	7,128,981
Net cash used for investing activities	(2,765,736)	(4,505,102)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash contributions for endowment	262,021	862,653
Net cash provided by financing activities	262,021	862,653
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,518,567	(1,125,482)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,121,394	4,246,876
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 5,639,961	\$ 3,121,394

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

**CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1: SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

The CSUSB Philanthropic Foundation (the 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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205. Accordingly, information regarding financial position, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations, and which may be designated for specific purposes by action of the Board of Directors.

CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities, other than endowment and similar funds, are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets; net assets released from restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of property, plant, and equipment without donor restrictions concerning the use of such long-lived assets are reported as revenue of the net assets without donor restrictions. Contributions of cash or other assets to be used to acquire property, plant, and equipment are reported as revenue of the net assets with donor restrictions; the restrictions are considered to be released at the time of acquisition of such long-lived assets. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fundraising activity.

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 two 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, 2019, the Foundation's cash balances exceeded the federally insured limits by \$5,496,494.

CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

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, 2019 are fully collectible, and therefore no allowance has been presented.

Pledges Receivable

Pledges receivable include pledges that are recorded at their present value based on applicable U.S. treasury yields for the applicable issue maturity. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fundraising activity.

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.

CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

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 net assets without donor restrictions 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 net assets with donor restrictions. 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 net assets with donor restrictions to net assets without donor restrictions 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, 2016, 2017 and 2018 are subject to examination by the IRS, generally for 3 years from the date of filing.

Implementation of New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these financial statements accordingly.

CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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.

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.

**CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

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.

Exchange Traded Notes – These investments 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.

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, 2019 are as follows:

	Fair Value Measurements at June 30, 2019				
	Total	Level 1	Level 2	Level 3	Net Asset Value
<u>Short-term investments:</u>					
Money market funds	\$ 4,369	\$ -	\$ 4,369	\$ -	\$ -
Mutual funds	4,995,160	4,995,160	-	-	-
SWIFT	2,929,435	-	2,908,747	-	20,688
Total short-term investments	<u>7,928,964</u>	<u>4,995,160</u>	<u>2,913,116</u>	<u>-</u>	<u>20,688</u>
<u>Long-term investments:</u>					
Money market funds	938,482	-	938,482	-	-
Equity securities	13,532,603	13,532,603	-	-	-
Mutual funds	31,327,842	31,327,842	-	-	-
Hedge fund	161,556	-	-	-	161,556
Private real estate investment fund	474,779	-	-	-	474,779
Exchange traded notes	107,314	107,314	-	-	-
Total long-term investments	<u>46,542,576</u>	<u>44,967,759</u>	<u>938,482</u>	<u>-</u>	<u>636,335</u>
Total investments	<u>\$ 54,471,540</u>	<u>\$ 49,962,919</u>	<u>\$ 3,851,598</u>	<u>\$ -</u>	<u>\$ 657,023</u>

**CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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	\$ 186,304	\$ -	\$ (24,748)	\$ 161,556
Real estate investment fund	581,348	-	(106,569)	474,779
	<u>\$ 767,652</u>	<u>\$ -</u>	<u>\$ (131,317)</u>	<u>\$ 636,335</u>

A summary of investment income for the year ended June 30, 2019 follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends, net	\$ 127,073	\$ 2,379,606	\$ 2,506,679
Realized and unrealized gains and (losses) on investments, net	141,288	(168,926)	(27,638)
Deficit in endowment value	18,269	(18,269)	-
Total investment income	<u>\$ 286,630</u>	<u>\$ 2,192,411</u>	<u>\$ 2,479,041</u>

Investment fees for the year ended June 30, 2019 amounted to \$127,716 and are netted against investment income on the Statement of Activities.

**CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

SWIFT Investments

The Foundation has pooled investments with the CSU Systemwide Investment Fund Trust (SWIFT). As a result of a 2007 change in Education Code 89721(l) that allowed CSU to self-manage student tuition and fees, CSU created a central banking system and created the SWIFT investment portfolio for the purpose of enhancing centralized cash and investment management. Because the central banking system and SWIFT are inextricably linked, each member in the central banking system is also a member in SWIFT, also referred to collectively as The Bank of CSU. These funds are reported as a short-term investment. The SWIFT consists of investments of cash on an overnight and/or short-term basis, the funds representing the float on funds collected from all eligible sources prior to their use for payment of accounts payable and payroll. Excess cash over and above what is needed to fund short-term payables and payroll are transferred to medium or longer term investments.

The Foundation relies upon information provided by the SWIFT in estimating the fair value position of its holdings in it. The Foundation's holdings in SWIFT had a value of \$2,929,435 as of June 30, 2019. SWIFT is not subject to a credit quality rating. At June 30, 2019, SWIFT had invested \$155 million in asset and mortgage backed securities. SWIFT also had \$11 million invested in repurchase agreements. The allocated totals for each investment type are derived from the percentage of the Foundation's investment balance in relation to the pool's investment balance applied to the pools total balance for each investment category.

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).

**CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4: ENDOWMENT

The Foundation's endowment consists of approximately 240 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 retains in perpetuity (a) the original value of gifts donated to the endowment, and (b) the original value of subsequent gifts to the endowment. Donor-restricted amounts not retained in perpetuity are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the 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 endowment 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; and (7) the investment policies of the Foundation.

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, 2019, 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 \$327 at June 30, 2019.

**CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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. 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	33.00%	17.00%	25.00%
Small (Mid) Cap Equity	10.00%	5.00%	7.50%
Developed Int'l. Equity	26.00%	14.00%	20.00%
Emerging Markets	7.00%	0.00%	5.00%
Real Estate (Public)	5.00%	0.00%	2.50%
Real Estate (Private)	5.00%	0.00%	2.50%
Commodities	5.00%	0.00%	2.50%
Fixed Income	33.00%	17.00%	25.00%
Alternatives	13.00%	0.00%	10.00%

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: SPLIT-INTEREST AGREEMENTS

The Foundation is the beneficiary of various charitable remainder trusts (CRTs) which provide for the payment of distributions to the grantor or other designated beneficiary over the trust's term (generally the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available to the Foundation. The Foundation recognizes the fair value of its interest in the trust at the time the trust is established as a contribution. Fair value is based on the present value of the estimated future benefits to be received using discount rates ranging from 6 percent to 10 percent. Assets held in the charitable remainder trusts totaled \$5,424,912 at June 30, 2019 and are reported at fair value, as part of the long-term investments on the Statement of Financial Position depending on the nature of the assets. The Foundation did not receive additional contributions to split-interest agreements during the year ended June 30, 2019. The Foundation revalues its liability to make distributions to the other designated beneficiaries annually based on mortality tables and other applicable factors. The change in the value of the split-interest agreements recorded for the year ended June 30, 2019 was a decrease of \$350,876 which resulted in a change in net assets without donor restrictions.

**CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8: PROMISES TO GIVE

Unconditional promises to give consisted of the following at June 30, 2019:

Nature of promises to give:	
Endowment funds	\$ 262,021
Other purpose restrictions	<u>1,305,871</u>
 Total	 <u>\$ 1,567,892</u>

Amounts due in:	
Less than one year	\$ 918,920
One to five years	639,148
Five to ten years	<u>9,824</u>
 Total promises to give, net	 <u>\$ 1,567,892</u>

Promises to give were recognized at the stated value of the gifts. The current year present value discount was \$29,483 based on applicable U.S. treasury yields for the applicable issue maturity.

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at June 30, 2019:

Depreciable assets	
Equipment, furniture and fixtures	\$ 349,968
Less: accumulated depreciation	<u>(309,833)</u>
 Property, plant and equipment, net	 <u>\$ 40,135</u>

Depreciation expense for the year ended June 30, 2019 was \$46,796.

**CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10: RESTRICTIONS AND LIMITATIONS ON NET ASSETS

As of June 30, 2019, the Foundation's net assets with donor restrictions were allocated as follows:

Restricted by Donors for the Following Purposes:

Palm Desert Campus	\$ 1,371,639
Jack H. Brown College of Business & Public Administration	1,123,177
College of Natural Sciences	1,830,163
College of Arts & Letters	567,098
College of Social & Behavioral Sciences	323,192
College of Education	816,624
College of Extended and Global Education	14,476
Athletics	310,084
Information Resource & Technology	16,027
Undergraduate Studies	207,654
Academic Affairs	409,486
Library	66,553
Student Services	260,647
University Advancement	1,544,441
Expendable Scholarships	2,422,801
Pledges Receivable (various gifts)	1,567,892
Charitable Remainder Trusts	4,741,892
Other numerous miscellaneous donor restrictions	92,590
Total Net Assets with Purpose Restrictions	<u>17,752,873</u>
Endowment Fund	41,117,991
Underwater Endowments	(327)
Total Net Assets with Donor Restrictions	<u><u>\$ 58,870,537</u></u>

The Foundation's governing board has designated, from net assets without donor restrictions of \$1,379,432, net assets for the following purposes as of June 30, 2019:

Board-Designated Net Assets	
Scholarship Reserve	\$ 264,194
Economic Uncertainty Reserve	74,615
Total Board-Designated Net Assets	<u><u>\$ 338,809</u></u>

**CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10: RESTRICTIONS AND LIMITATIONS ON NET ASSETS, (continued)

Endowment net asset composition consists of the following at June 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Assets</u>
Endowment Fund	<u>\$ (327)</u>	<u>\$ 41,117,991</u>	<u>\$ 41,117,664</u>

Changes in endowment net assets for the year ended June 30, 2019 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Assets</u>
Endowment net assets beginning of year	\$ (18,596)	\$ 39,660,116	\$ 39,641,520
Contributions, net of gift admin fee	-	1,321,365	1,321,365
Endowment assets appropriated for expenditure	-	(1,413,127)	(1,413,127)
Interest and dividends, net of investment fees	-	1,567,906	1,567,906
Deficit in endowment	<u>18,269</u>	<u>(18,269)</u>	<u>-</u>
Endowment net assets end of year	<u>\$ (327)</u>	<u>\$ 41,117,991</u>	<u>\$ 41,117,664</u>

From time-to-time, the fair value of endowment funds associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration, underwater endowments. As of June 30, 2019, funds with original gift values of \$15,950, and fair values of \$15,623, and deficiencies of \$327 were reported in net assets with donor restrictions. As of June 30, 2018, funds with original gift values of \$937,209, and fair values of \$918,613, and deficiencies of \$18,596 were reported in net assets with donor restrictions. These deficiencies, which the Foundation believes are temporary, resulted from unfavorable market fluctuations. The Board determined that continued appropriation during fiscal years ended June 30, 2019 and 2018 for certain programs was prudent.

**CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11: 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 Related Entities. For the year ended June 30, 2019 these transfers consisted of the following:

Reimbursement to UEC for payroll processing for gift funds	\$ 287,773
Reimbursements to UEC for misc. programs/staff awards/luncheons	23,211
Transfer to CSUSB for reimbursements for various services provided	<u>200,931</u>
Total	<u>\$ 511,915</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 Related Entities. For the year ended June 30, 2019 these transfers consisted of the following:

Transfer scholarship and support funds from ASI	\$ 103,958
Miscellaneous program transfers from CSUSB	61,929
Miscellaneous program transfers from Santos Manuel Student Union	500
Miscellaneous program transfers from UEC	<u>114,713</u>
Total	<u>\$ 281,100</u>

**CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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.

A schedule of related party transactions between the Foundation, the University and other auxiliary organizations as of June 30, 2019 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.	\$ 222,753	\$ 52,755	\$ -	\$ 109,342	\$ 384,850
<u>Expenses:</u>					
Payments to Univ/Aux for salaries of personnel working on contracts, grants, and other programs.	187,715	-	-	-	187,715
Payments to Univ/Aux for other than salaries of personnel.	2,060,487	1,650	14,881	310,656	2,387,674
<u>Due to:</u>					
Accounts Payable to Univ/Aux.	(442,749)	-	(1,840)	(5,650)	(450,239)
<u>Receivable from:</u>					
Accounts receivable from Univ/Aux.	25,468	-	-	3,600	29,068
<u>Transfers (net)</u>	(139,002)	103,958	-	(196,271)	(231,315)

NOTE 13: AVAILABLE RESOURCES AND LIQUIDITY

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents, short-term debt and equity securities, and receivables due within the next 12 months.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, The Foundation considers all expenditures related to its ongoing activities of scholarships and designated gift administration as well as the general and administrative services undertaken to support those activities to be general expenditures.

**CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 13: AVAILABLE RESOURCES AND LIQUIDITY, (continued)

In addition to financial assets available to meet general expenditures over the next 12 months, The Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Refer to the statement of cash flows which identifies the sources and uses of The Foundation's cash and shows positive cash generated by operations for fiscal years 2018 and 2019.

As of June 30, 2018 and 2019, the following tables show the total financial assets held by The Foundation and the amounts of those financial assets could readily be made available within one year of the balance sheet date to meet general expenditures. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the balance sheet date.

Financial Assets:	2019	2018
Cash and Cash Equivalents	\$ 5,639,961	\$ 3,121,394
Investments Convertible to Cash in the Next 12 Months	7,928,964	7,282,699
Other Receivables	286,537	286,634
Due From Related Party	29,068	-
Promises to Give, Net	1,567,892	1,293,758
Other Long-Term Assets	46,582,711	44,988,640
Total	\$ 62,035,133	\$ 56,973,125

Financial Assets Available to Meet General Expenditures

Over the Next 12 Months:	2019	2018
Cash and Cash Equivalents	\$ 5,639,961	\$ 3,121,394
Other Receivables	286,537	286,634
Due From Related Party	29,068	-
Current Portion of Contributions for General Expenditures	918,920	973,733
Investments Not Encumbered by Donor or Board Restrictions	7,928,964	7,282,699
Total	\$ 14,803,450	\$ 11,664,460

NOTE 14: SUBSEQUENT EVENTS

On August 15, 2019, the term of one of the Foundation's charitable remainder trusts (CRTs) expired. As a result, the CRT was dissolved and the remaining assets were made available to the Foundation. The total value of the CRT at the time of dissolution was \$3,677,491. Of this amount, \$3,214,127 was transferred into the Endowment, \$279,489 was made available for current operational use, and \$183,875 (5%) was recognized as gift fee revenue in accordance with the Foundation's gift policies.

SUPPLEMENTARY INFORMATION

CSUSB Philanthropic Foundation
Schedule of Net Position
June 30, 2019
(for inclusion in the California State University)

Assets:		
Current assets:		
Cash and cash equivalents	\$	5,639,961
Short-term investments		7,928,964
Accounts receivable, net		315,605
Capital lease receivable, current portion		—
Notes receivable, current portion		—
Pledges receivable, net		1,567,892
Prepaid expenses and other current assets		—
Total current assets		<u>15,452,422</u>
Noncurrent assets:		
Restricted cash and cash equivalents		—
Accounts receivable, net		—
Capital lease receivable, net of current portion		—
Notes receivable, net of current portion		—
Student loans receivable, net		—
Pledges receivable, net		—
Endowment investments		41,117,664
Other long-term investments		5,424,912
Capital assets, net		40,135
Other assets		—
Total noncurrent assets		<u>46,582,711</u>
Total assets		<u>62,035,133</u>
Deferred outflows of resources:		
Unamortized loss on debt refunding		—
Net pension liability		—
Net OPEB liability		—
Others		—
Total deferred outflows of resources		<u>—</u>
Liabilities:		
Current liabilities:		
Accounts payable		586,553
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		230,301
Total current liabilities		<u>816,854</u>
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		4,456,539
Total noncurrent liabilities		<u>4,456,539</u>
Total liabilities		<u>5,273,393</u>
Deferred inflows of resources:		
Service concession arrangements		—
Net pension liability		—
Net OPEB liability		—
Unamortized gain on debt refunding		—
Nonexchange transactions		—
Others		968,310
Total deferred inflows of resources		<u>968,310</u>
Net Position:		
Net investment in capital assets		40,135
Restricted for:		—
Nonexpendable – endowments		41,117,664
Expendable:		—
Scholarships and fellowships		—
Research		—
Loans		—
Capital projects		—
Debt service		—
Others		13,296,334
Unrestricted		1,339,297
Total net position		<u>\$ 55,793,430</u>

See the accompanying independent's auditor's report.

CSUSB Philanthropic Foundation
Schedule of Revenues, Expenses, and Changes in Net Position
June 30, 2019

(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		—
Total operating revenues		<u>—</u>
Expenses:		
Operating expenses:		
Instruction		—
Research		—
Public service		—
Academic support		—
Student services		—
Institutional support		2,145,286
Operation and maintenance of plant		—
Student grants and scholarships		1,471,134
Auxiliary enterprise expenses		260,683
Depreciation and amortization		46,796
Total operating expenses		<u>3,923,899</u>
Operating income (loss)		<u>(3,923,899)</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		4,765,904
Investment income (loss), net		2,479,041
Endowment income (loss), net		—
Interest expense		—
Other nonoperating revenues (expenses) - excl. interagency transfers		(529,404)
Other nonoperating revenues (expenses) - interagency transfers		—
Net nonoperating revenues (expenses)		<u>6,715,541</u>
Income (loss) before other revenues (expenses)		2,791,642
State appropriations, capital		—
Grants and gifts, capital		—
Additions (reductions) to permanent endowments		1,722,963
Increase (decrease) in net position		4,514,605
Net position:		
Net position at beginning of year, as previously reported		51,278,825
Restatements		
Net position at beginning of year, as restated		51,278,825
Net position at end of year		<u>\$ 55,793,430</u>

See the accompanying independent's auditor's report.

CSUSB Philanthropic Foundation
Other Information
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(for inclusion in the California State University)

1 Cash and cash equivalents:

Portion of restricted cash and cash equivalents related to endowment	\$	-
All other restricted cash and cash equivalent		-
Noncurrent restricted cash and cash equivalents		<u>-</u>
Current cash and cash equivalent:		5,639,961
Total		<u>\$ 5,639,961</u>

2.1 Composition of investments:

	Current	Noncurrent	Total
Money market funds	\$ 4,369	\$ 938,482	942,851
Repurchase agreements	-	-	-
Certificates of deposit	-	-	-
U.S. agency securities	-	-	-
U.S. treasury securities	-	-	-
Municipal bonds	-	-	-
Corporate bonds	-	-	-
Asset backed securities	-	-	-
Mortgage backed securities	-	-	-
Commercial paper	-	-	-
Mutual funds	4,995,160	31,327,842	36,323,002
Exchange traded funds	-	107,314	107,314
Equity securities	-	13,532,603	13,532,603
Alternative investments			
Private equity (including limited partnerships)	-	-	-
Hedge funds	-	161,556	161,556
Managed futures	-	-	-
Real estate investments (including REITs)	-	474,779	474,779
Commodities	-	-	-
Derivatives	-	-	-
Other alternative investment type	-	-	-
Other external investment pools (excluding SWIFT)	-	-	-
Other investments	2,929,435	-	2,929,435
State of California Local Agency Investment Fund (LAIF)	-	-	-
State of California Surplus Money Investment Fund (SMIF)	-	-	-
Total investments	<u>7,928,964</u>	<u>46,542,576</u>	<u>54,471,540</u>
Less endowment investments (enter as negative number)	-	(41,117,664)	(41,117,664)
Total investments, net of endowments	<u>\$ 7,928,964</u>	<u>\$ 5,424,912</u>	<u>\$ 13,353,876</u>

2.2 Fair value hierarchy in investments:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Money market funds	\$ 942,851	\$ -	\$ 942,851	\$ -	-
Repurchase agreements	-	-	-	-	-
Certificates of deposit	-	-	-	-	-
U.S. agency securities	-	-	-	-	-
U.S. treasury securities	-	-	-	-	-
Municipal bonds	-	-	-	-	-
Corporate bonds	-	-	-	-	-
Asset backed securities	-	-	-	-	-
Mortgage backed securities	-	-	-	-	-
Commercial paper	-	-	-	-	-
Mutual funds	36,323,002	36,323,002	-	-	-
Exchange traded funds	107,314	107,314	-	-	-
Equity securities	13,532,603	13,532,603	-	-	-
Alternative investments					
Private equity (including limited partnerships)	-	-	-	-	-
Hedge funds	161,556	-	-	-	161,556
Managed futures	-	-	-	-	-
Real estate investments (including REITs)	474,779	-	-	-	474,779
Commodities	-	-	-	-	-
Derivatives	-	-	-	-	-
Other alternative investment type	-	-	-	-	-
Other external investment pools (excluding SWIFT)	-	-	-	-	-
Other investments	2,929,435	-	2,908,747	-	20,688
State of California Local Agency Investment Fund (LAIF)	-	-	-	-	-
State of California Surplus Money Investment Fund (SMIF)	-	-	-	-	-
Total investments	<u>\$ 54,471,540</u>	<u>\$ 49,962,919</u>	<u>\$ 3,851,598</u>	<u>\$ -</u>	<u>\$ 657,023</u>

See the accompanying independent's auditor's report.

CSUSB Philanthropic Foundation
Other Information
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2.3 Investments held by the University under contractual agreements:

	Current	Noncurrent	Total
Investments held by the University under contractual agreements (e.g CSU Consolidate SWIFT Inv pool):	\$ 2,929,435	\$ -	\$ 2,929,435

3.1 Composition of capital assets:

	Balance June 30, 2018	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2018 (Restated)	Additions	Retirements	Transfer of completed CWIP	Balance June 30, 2019
Non-depreciable/Non-amortizable capital assets:									
Land and land improvement:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Works of art and historical treasure:	-	-	-	-	-	-	-	-	-
Construction work in progress (CWIP):	-	-	-	-	-	-	-	-	-
Intangible assets:									
Rights and easements	-	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-	-
Intangible assets in progress (PWIP)	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Other intangible assets	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-	-
Total non-depreciable/non-amortizable capital assets	-	-	-	-	-	-	-	-	-
Depreciable/Amortizable capital assets:									
Buildings and building improvement	-	-	-	-	-	-	-	-	-
Improvements, other than building:	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-	-
Personal property:									
Equipment	307,310	-	-	-	307,310	42,658	-	-	349,968
Library books and material:	-	-	-	-	-	-	-	-	-
Intangible assets:									
Software and websites	-	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Other intangible assets	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-	-
Total depreciable/amortizable capital assets	307,310	-	-	-	307,310	42,658	-	-	349,968
Total capital assets	307,310	-	-	-	307,310	42,658	-	-	349,968
Less accumulated depreciation/amortization: (enter as negative number, except for reductions enter as positive number)									
Buildings and building improvement	-	-	-	-	-	-	-	-	-
Improvements, other than building:	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-	-
Personal property:									
Equipment	(263,037)	-	-	-	(263,037)	(46,796.00)	-	-	(309,833)
Library books and material:	-	-	-	-	-	-	-	-	-
Intangible assets:									
Software and websites	-	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Other intangible assets	-	-	-	-	-	-	-	-	-
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Total intangible assets	-	-	-	-	-	-	-	-	-
Total accumulated depreciation/amortization	(263,037)	-	-	-	(263,037)	(46,796)	-	-	(309,833)
Total capital assets, net	\$ 44,273	-	-	-	44,273	(4,138)	-	-	40,135

See the accompanying independent's auditor's report.

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3.2 Detail of depreciation and amortization expense:

Depreciation and amortization expense related to capital asset	\$ 46,796
Amortization expense related to other asset	-
Total depreciation and amortization	\$ 46,796

4 Long-term liabilities:

	Balance June 30, 2018	Prior Period Adjustments/Reclas sifications	Balance June 30, 2018 (Restated)	Additions	Reductions	Balance June 30, 2019	Current Portion	Noncurrent Portion
	\$	\$	\$	\$	\$	\$	\$	\$
1. Accrued compensated absences	-	-	-	-	-	-	-	-
2. Claims liability for losses and loss adjustment expenses	-	-	-	-	-	-	-	-
3. Capital lease obligations:								
Gross balance	-	-	-	-	-	-	-	-
Unamortized net premium/(discount)	-	-	-	-	-	-	-	-
Total capital lease obligations	-	-	-	-	-	-	-	-
4. Long-term debt obligations:								
4.1 Auxiliary revenue bonds (non-SRB related)	-	-	-	-	-	-	-	-
4.2 Commercial paper	-	-	-	-	-	-	-	-
4.3 Notes payable (SRB related)	-	-	-	-	-	-	-	-
4.4 Others:								
	-	-	-	-	-	-	-	-
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CSUSB Philanthropic Foundation
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10 Deferred outflows/inflows of resources:

1. Deferred Outflows of Resources

Deferred outflows - unamortized loss on refunding(s)	\$	-
Deferred outflows - net pension liability		-
Deferred outflows - net OPEB liability		-
Deferred outflows - others:		-

Total deferred outflows - other:		<u>-</u>
Total deferred outflows of resources	\$	<u>-</u>

2. Deferred Inflows of Resources

Deferred inflows - service concession arrangement	\$	-
Deferred inflows - net pension liability		-
Deferred inflows - net OPEB liability		-
Deferred inflows - unamortized gain on debt refunding(s)		-
Deferred inflows - nonexchange transaction		-
Deferred inflows - others		968,310

Total deferred inflows - other:		<u>968,310</u>
Total deferred inflows of resources	\$	<u>968,310</u>

See the accompanying independent's auditor's report.



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**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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Independent Auditor's Report

To the Board of Directors of
CSUSB Philanthropic Foundation

DIRECTORS

Jenny Liu, CPA, MST

MANAGERS / STAFF

Charles De Simoni, CPA
Gardenya Duran, CPA
Brianna Schultz, CPA
Jingjie Wu, CPA
Evelyn Morentin-Barcena, CPA
Jin Gu, CPA, MT
Veronica Hernandez, CPA
Tara R. Thorp, CPA, MSA
Laura Arvizu, CPA

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), as of and for the year ended June 30, 2019, and the related notes to the financial statement, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated September 13, 2019.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal controls, described in the accompanying Schedule of Findings and Responses as items 2019-1 that we consider to be significant deficiencies.

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 13, 2019

**CSUSB Philanthropic Foundation
Schedule of Findings and Responses
For the Year ended June 30, 2019**

2019-1 Segregation of Duties

Conditions and Criteria

During our audit of the CSUSB Philanthropic Foundation, we noted a lack of segregation of duties in the newly integrated Accounting Services department process. In the current audit year, the Accounting function within the University's Finance and Administration Services division began an organizational restructuring in which the former Auxiliary Accounting department was consolidated with the former University General Accounting department to form the new Accounting Services department. The reorganization was implemented to improve service delivery and continuity, reduce operational redundancies, eliminate unnecessary administrative functions, and strengthen communication between functions.

During the consolidation of the two departments, the proper segregation of duties for accounting staff was not maintained and several key functions of the accounts payable processes are able to be completed by the same individuals. Proper segregation of duties dictates that the function or recording, authorization, custody and execution are not dominated by one individual. An adequate segregation of duties requires that one individual does not handle a transaction from its inception to its completion. Adequately segregated duties helps to reduce the possibility of fraud and defalcations from occurring and to ensure the integrity of the information provided by the Accounting Services department's financial reporting system.

Auditor's Recommendation

As stated above, an adequate segregation of duties requires that one individual does not handle a transaction from its inception to its completion. However, we realize that this is due to the reorganization of the Auxiliary's Accounting department. Unless the University's Finance and Administration department performs a detailed review of the roles and responsibilities of each staff member and segregate their duties appropriately, there may be no practical corrective action possible for this inherent weakness. We believe it is important for management and the Board of Directors to be aware that whenever there is a lack of segregation of duties, the system is far more susceptible to errors or other irregularities, either intentional or unintentional, not being discovered.

Management's Response

As of June 30, 2019, the reorganization is still in process and Management is reviewing the roles and responsibilities of each staff as well as developing the appropriate processes and procedures for the new Accounting Services team.