CSUSB PHILANTHROPIC FOUNDATION

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2012

CSUSB PHILANTHROPIC FOUNDATION

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CSUSB PHILANTHROPIC FOUNDATION

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Mr. Larry R. Sharp '03 Executive Director	Ex-Officio Member
Dr. Edward C. Teyber Vice Chairperson	Faculty Member

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Dr. Andrew Bodman	Ex-Officio Member
Dr. Dorothy Chen-Maynard	Faculty Member
Mrs. Lorraine M. Frost '78 &'80	Ex-Officio Member
Mr. Aaron Jimenez	Student Member
Dr. Frank L. Rincon	Ex-Officio Member
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Ms. Marie A. Alonzo	Community Member
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Mr. Richard H. Barker	Community Member
Mrs. Glenda Bayless	Community Member
Ms. Virginia M. Blumenthal, Esq.	Community Member
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BOARD MEMBERS AS OF JUNE 30, 2012

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BOARD MEMBERS AS OF JUNE 30, 2012

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Mr. Garner Holt	Community Member
Mr. Jim Imbiorski	Community Member
Mr. Cole R. Jackson	Community Member
Mr. Mark A. Kaenal '84 & '89	Community Member
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Mr. Charles E. McNeely	Community Member
Dr. Michael R. Miller	Community Member
Mr. Louis G. Monville, III '94	Community Member
Dr. Yolanda T. Moses '68	Community Member
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Mr. Patrick O'Reilly	Community Member
Mr. Michael L. Page '86	Community Leader
Ms. Madelaine Pfau	Community Member
Mr. Steve PonTell	Community Member
The Honorable Ray R. Quinto	Community Member

CSUSB PHILANTHROPIC FOUNDATION

BOARD MEMBERS AS OF JUNE 30, 2012

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Mr. Ali C. Razi	Community Member
Mr. D. Brian Reider, Esq. '73	Community Member
Mr. George M. Reyes, Esq.	Community Member
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ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of CSUSB Philanthropic Foundation (The Foundation) (a non-profit organization), as of June 30, 2012, and the related statements of activities, expenses by natural classification and cash flows for the period from inception (July 1, 2011) to June 30, 2012. These financial statements are the responsibility of The Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the results of operations and its cash flows for the initial period then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 24 through 32 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.

Rogers, Anderson, Malody & Scott, LLP

September 26, 2012

CSUSB PHILANTHROPIC FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

ASSETS		
Cash and cash equivalents	$	1,476,616
Short-term investments		4,500,574
Other receivables		251,835
Promises to give, net		953,640
Long-term investments		19,170,823
Property, plant and equipment, net		56,170
Art collection		3,137,047
Total assets	$	29,546,705
LIABILITIES		
Accounts payable	$	98,822
Accrued liabilities		125,893
Total liabilities		224,715
NET ASSETS		
Unrestricted net assets		350,739
Temporarily restricted net assets		11,789,223
Permanently restricted net assets		17,182,028
Total net assets		29,321,990
Total liabilities and net assets	$	29,546,705

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

CSUSB PHILANTHROPIC FOUNDATION
STATEMENT OF ACTIVITIES
FROM INCEPTION (JULY 1, 2011) TO JUNE 30, 2012

	Unrestricted	Temporarily restricted	Permanently restricted	Total
REVENUES				
Contributions	$ -	$ 3,282,124	$ 243,126	$ 3,525,250
Investment income	6,262	600,566	-	606,828
Unrealized gain (loss) on investments	(422,454)	-	-	(422,454)
Realized gain (loss) on investments	(862,832)	-	-	(862,832)
Deficit in endowment value	(298,073)	298,073	-	-
Miscellaneous income	64,440	-	-	64,440
Restrictions released	4,817,803	(4,817,803)	-	-
Total revenues from operations	3,305,146	(637,040)	243,126	2,911,232
Transfer from University Enterprises Corporation	-	13,036,557	16,328,608	29,365,165
Total revenues	3,305,146	12,399,517	16,571,734	32,276,397
EXPENSES				
Program expenses:				
Scholarships	1,593,010	-	-	1,593,010
Miscellaneous support services	1,251,236	-	-	1,251,236
Management and general	110,161	-	-	110,161
Total program and general expenses	2,954,407	-	-	2,954,407
CHANGES IN NET ASSETS	350,739	12,399,517	16,571,734	29,321,990
Change in donor restrictions	-	(610,294)	610,294	-
NET ASSETS, inception	-	-	-	-
NET ASSETS, end of period	$ 350,739	$11,789,223	$17,182,028	$29,321,990

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

CSUSB PHILANTHROPIC FOUNDATION
STATEMENT OF EXPENSES BY NATURAL CLASSIFICATION
FROM INCEPTION (JULY 1, 2011) TO JUNE 30, 2012

	Amount
EXPENSES	
Administrative costs	$ 83,246
Bad debt	71,268
Bank and credit fees	2,983
Capital outlay	34,863
Conferences and meetings	112,965
Contract services	430,501
Depreciation	9,573
Dues, memberships and subscriptions	2,080
Food	137
Insurance	12,660
Other expenses	62,483
Postage	662
Printing	6,409
Professional development and training	16,932
Professional fees	1,459
Public relations	33,672
Rental, equipment and space	4,498
Scholarships	1,593,010
Stipends, room and board	4,522
Supplies and services	416,939
Travel	53,446
Utilities and telephone	99
Total expenses	$ 2,954,407

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

CSUSB PHILANTHROPIC FOUNDATION
STATEMENT OF CASH FLOWS
FROM INCEPTION (JULY 1, 2011) TO JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 29,321,990
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	9,573
Bad debt	71,268
Contributions permanently restricted	(243,126)
Gifts-in-kind art collection	(252,450)
Noncash investment (income) loss	422,454
Transfer of non-cash assets from University Enterprises Corporation	(2,936,058)
Transfer of endowment funds from University Enterprises Corporation	(19,681,260)
(Increase) decrease in:	
Other receivables	(251,835)
Promises to give	(953,640)
Increase (decrease) in:	
Accounts payable	98,822
Accrued liabilities	125,894
Total adjustments	(23,590,358)
Net cash provided by operating activities	5,731,632
CASH FLOWS FROM CAPITAL AND INVESTING ACTIVITIES:	
Payments related to the acquisition of capital assets	(14,282)
Purchase/sale of investments	(4,483,860)
Net cash provided by investing activities	(4,498,142)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Cash contributions for endowment	243,126
Net cash provided by financing activities	243,126
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,476,616
CASH AND CASH EQUIVALENTS AT INCEPTION	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 1,476,616

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

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 assets and liabilities of the Foundation at inception were transferred from University Enterprises Corporation of CSUSB (See Note 11). 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, 2015. All fundraising activities are conducted by the University.

<u>Major Program Services</u>

The Foundation's major program services include:

Designated Gift administration

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

<u>Estimates</u>

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.

<u>Basis of Accounting and Presentation</u>

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). 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.

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 financial institution accounts which are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor, per insured bank, for each account ownership category. From December 31, 2010 through December 31, 2012, the FDIC will insure all funds in “noninterest-bearing transaction accounts”. At various times during the year, cash balances in the bank were in excess of the FDIC limit.

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, 2012 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.

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.

Concentrations

Receivables include amounts due from the University Enterprises Corporation at CSUSB, and California State University, San Bernardino.

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

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 has evaluated its tax positions and the certainty as to whether those tax positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated are related to The Foundation's qualification as a tax-exempt organization and whether there is unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions are more likely than not (>50%) of being sustained upon potential audit or examination; therefore, no disclosures of uncertain tax positions are required.

Endowments

In August 2008, the Financial Accounting Standards Board (FASB) issued, "Endowments of Not-for-Profit Organizations; Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for all Endowment Funds." The guidance is intended to improve the quality and consistency of financial reporting of endowments held by not-for-profit organizations. The FASB Staff Position (FSP) provides guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA. UPMIFA, which serves as a model act for states to modernize their laws governing donor-restricted endowment funds was enacted by the State in January 2009. The effect of adoption of the FSP's provisions on net asset classification was $298,073 for the year ended June 30, 2012.

Estimates

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

Subsequent Events

Management has evaluated subsequent events through September 26, 2012, 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: • 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.

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.

Fixed Income Securities – Fixed income securities are valued using the last quoted bid price.

NOTE 2: INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

Certificates of Deposit – Certificates of deposit are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

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.

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, 2012 are as follows:

		Fair Value Measurements at June 30, 2012		
	Total	Level 1	Level 2	Level 3
Short-term investments:				
Certificates of deposit	$ 2,000,000	$ 2,000,000	$ -	$ -
Mutual funds	2,500,574	2,500,574	-	-
Total short-term investments	4,500,574	4,500,574	-	-
Long-term investments:				
Money market funds	7,823	-	7,823	-
Equity securities	5,482,000	5,482,000	-	-
Mutual funds	11,971,000	11,971,000	-	-
Hedge fund	1,710,000	-	-	1,710,000
Total long-term investments	19,170,823	17,453,000	7,823	1,710,000
Total investments	$ 23,671,397	$ 21,953,574	$ 7,823	$ 1,710,000

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	$ 1,639,822	$ -	$ 70,178	$ 1,710,000

A summary of investments held at June 30, 2012 follows:

	Cost	Fair Value	Cumulative Realized/ Unrealized Gains (Losses)
Short-term investments:			
Primco low duration fund	$ 1,250,000	$ 1,250,466	$ 466
Vanguard short-term fund	1,250,000	1,250,108	108
Common fund, money market, and certificate of deposits	2,000,000	2,000,000	-
	4,500,000	4,500,574	574
Long-term investments:			
Endowments (donor-restricted)	20,456,683	19,170,823	(1,285,860)
	20,456,683	19,170,823	(1,285,860)
Total investments	$ 24,956,683	$ 23,671,397	$ (1,285,286)

A summary of investment income for the year ended June 30, 2012 follows:

	Unrestricted	Temporarily Restricted
Interest and dividends	$ 6,262	$ 600,566
Deficit in endowment value	(298,073)	298,073
Realized and unrealized gains and losses on investments, net	(1,285,286)	-
Total investment income	$ (1,577,097)	$ 898,639

Investment fees for the year ended June 30, 2012 amounted to $83,201, and are included in Administrative costs on the Statement of Expenses by Natural Classification.

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.

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 4.5% 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 4.5% 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	4.5% of the market value at the end of Year One
2-3 Years	4.5% of the average of the market values at the end of Years One and Two
Over 3 Years	4.5% 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, 2012, a small portion of the endowment is underwater. The resulting amount needed to bring the endowment to a positive status was $298,073 and is reflected in the Statement of Activities at June 30, 2012.

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.

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:

	Maximum %	Minimum %	Target %
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%
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, 2012:

Amounts due in:	
Less than one year	$ 172,775
One to five years	796,415
Total	969,190
Less: allowance for uncollectible amounts	(15,550)
Total Promises to Give, net	$ 953,640

Pledges receivable were recognized at the promised amount because the difference between the promised amount and the fair value of the promise is immaterial.

CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at June 30, 2012:

Equipment, furniture and fixtures	$	65,743
Less: accumulated depreciation		(9,573)
Property, plant and equipment, net	$	56,170

Depreciation expense for the year ended June 30, 2012 was $9,573.

NOTE 9: RESTRICTIONS AND LIMITATIONS ON NET ASSETS

Permanently restricted net assets at June 30, 2012 totaled $17,182,028 and are to be held indefinitely. The income is restricted primarily to support scholarships. Temporarily restricted net assets at June 30, 2012 totaled $11,789,223 and were available for the following purposes:

Restricted by donors for the following purposes:		
Scholarships	$	885,484
Palm Desert Campus		321,857
College of Business & Public Administration		598,777
College of Natural Sciences		888,021
College of Natural Sciences-Nursing Program		851,485
College of Arts & Letters		261,096
College of Social & Behavioral Sciences		208,860
College of Education		615,218
College of Extended Learning		17,276
Athletics		57,986
Information Resource & Technology		15,161
Undergraduate Studies		104,941
Library		51,013
Student Services		78,430
Public Safety/Facility Services		14,320
President's Designated Funds		274,161
University Advancement		535,161
Pledges Receivable (various gifts)		953,640
Donation holding account		209,456
Art Museum Collection		3,137,047
Other numerous miscellaneous donor restrictions		1,709,833
Total Temporarily Restricted Net Assets	$	11,789,223

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

Endowment net asset composition consists of the following at June 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Assets
Donor-restricted endowment funds	$ (298,073)	$ 2,286,868	$ 17,182,028	$ 19,170,823
Board-designated endowment funds	-	-	-	-
	$ (298,073)	$ 2,286,868	$ 17,182,028	$ 19,170,823

Changes in endowment net assets for the year ended June 30, 2012 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Assets
Endowment net assets at the inception	$ -	$ -	$ -	$ -
Transfer of assets from University Enterprises Corp.	-	3,352,652	16,328,608	19,681,260
Change in donor restrictions	-	(610,294)	610,294	-
New endowment gifts	-	-	243,126	243,126
Endowment assets appropriated for expenditure	-	(1,055,974)	-	(1,055,974)
Interest and dividends	-	600,484	-	600,484
Deficit in endowment	(298,073)	-	-	(298,073)
Endowment net assets at the end of the period	$ (298,073)	$ 2,286,868	$ 17,182,028	$ 19,170,823

Changes in donor designated gift restrictions resulted in funds being directed to permanently restricted endowments.

NOTE 10: 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.

Furthermore, there have been numerous and substantial transactions whereby The Foundation and the University incur costs on behalf of each other for personnel or other operating expenses for which they are reimbursed. Payments to the University for salaries of University personnel during the year ended June 30, 2012 amounted to $228,347. Payments to the University for items other than salaries of University personnel during the year amounted to $441,296. Payments received from the University for services, space, and programs during the year were $479,217. As of June 30, 2012, there was a net amount payable to the University of $54,282, which will be paid in the normal course of business.

NOTE 11: TRANSFER FROM UNIVERSITY ENTERPRISES CORPORATION

During the period ended June 30, 2012, UEC transferred assets to the newly formed CSUSB Philanthropic Foundation (See Note 1). The following is a list of assets transferred to the CSUSB Philanthropic Foundation:

Endowment Investment	$ 19,681,260
Designated Gift Funds	5,214,172
Designated Scholarship Funds	751,283
Pledges Receivable	782,392
Art Collection	2,884,597
Equipment	51,461
Total	$ 29,365,165