

CSUSB PHILANTHROPIC FOUNDATION

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2013

CSUSB PHILANTHROPIC FOUNDATION

TABLE OF CONTENTS

	<u>Page</u>
CSUSB PHILANTHROPIC FOUNDATION BOARD MEMBERS AS OF JUNE 30, 2013	1
INDEPENDENT AUDITOR'S REPORT	5
FINANCIAL STATEMENTS	
Statement of Financial Position	7
Statement of Activities	8
Statement of Expenses by Natural Classification	9
Statement of Cash Flows	10
Notes to Financial Statements	11
SUPPLEMENTARY INFORMATION	
Schedule of Net Position (for inclusion in the California State University)	24
Schedule of Revenues, Expenses and Changes in Net Position (for inclusion in the California State University)	25
Other Information (for inclusion in the California State University)	26
REPORT ON INTERNAL CONTROL	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	32

CSUSB PHILANTHROPIC FOUNDATION

BOARD MEMBERS AS OF JUNE 30, 2013

OFFICERS:

Mr. James A. Ferguson Board Secretary	Community Member
Mr. Ronald H. Fremont Executive Director	Ex-Officio Member
Mr. Robert Gardner Treasurer	Ex-Officio Member
Dr. Tomas D. Morales Board President	Ex-Officio Member
Mr. James R. Watson Chairperson	Community Member
Mrs. Ellen G. Weisser '68 Vice Chairperson	Community Member

CSUSB MEMBERS:

Dr. Susan L. Addington	Faculty Representative
Dr. Andrew Bodman	Ex-Officio Member
Dr. Dorothy Chen-Maynard	Faculty Representative
Mrs. Lorraine M. Frost '78, '80 & '85	Ex-Officio Member
Dr. Frank L. Rincon	Ex-Officio Member
Dr. Louie F. Rodriguez '98	Faculty Representative
Mr. James Walker	Ex-Officio Member

COMMUNITY MEMBERS:

Mr. Amro A. Albanna '91	Community Member
Ms. Marie A. Alonzo	Community Member
Mr. William J. Anthony	Community Member
Dr. Donald F. Averill	Community Member
Mr. Richard H. Barker	Community Member
Mrs. Glenda Bayless	Community Member

CSUSB PHILANTHROPIC FOUNDATION

BOARD MEMBERS AS OF JUNE 30, 2013

Mr. Michael J. Bracken '92 & '99	Community Member
Mr. Jack H. Brown	Community Member
Mr. Bob Burlingame	Community Member
Mr. Arthur M. Butler '77	Community Member
Ms. Toni A. Callicott '89	Community Member
Mrs. Lois J. Carson '67	Community Member
Mr. Ali Cayir	Community Member
Mr. Steve C. Chiang '88	Community Member
Mr. Greg K. Christian	Community Member
Mr. Henry W. Coil, Jr.	Community Member
Mr. Benjamin P. Cook	Community Member
Mr. Nicholas J. Coussoulis '75	Community Member
Mr. Jim Cuevas	Community Member
Mr. Jamil Dada	Community Member
Mr. Carl Dameron	Community Member
Mr. Sundip R. Doshi '90	Community Member
Mr. William F. Easley	Community Member
Mr. Mark C. Edwards, Esq.	Community Member
Dr. James Egan	Community Member
Mr. Gerald A. Fawcett '74	Community Member
Mr. Howard E. Friedman, CPA '85 & '12	Community Member
Mr. Michael J. Gallo	Community Member
Dr. Appannagari GnanaDev '01	Community Member
Mr. Paul C. Granillo '91	Community Member
Mr. Fred Hamilton	Community Member

CSUSB PHILANTHROPIC FOUNDATION

BOARD MEMBERS AS OF JUNE 30, 2013

Mr. Jim Imborski	Community Member
Mr. Cole R. Jackson	Community Member
Mr. Mark A. Kaenal '84 & '89	Community Member
Mr. Robert J. Kain	Community Member
Mr. Aaron Knox	Community Member
Mr. Wilfrid Lemann, Esq.	Community Member
Mr. Dobbin Lo	Community Member
Mr. Paul R. Mata '87	Community Member
Ms. Barbara McGee	Community Member
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
Mr. Michael J. Napoli, Jr.	Community Member
Mr. John C. Nolan, Esq.	Community Member
Mr. Richard R. Oliphant	Community Member
Mr. Patrick O'Reilly	Community Member
Mr. Neale A. Perkins	Community Member
Ms. Madelaine Pfau	Community Member
Mr. Steve PonTell	Community Member
The Honorable Ray R. Quinto	Community Member
Mr. James C. Ramos, Jr. '02	Community Member
Mr. Ali C. Razi	Community Member
Mr. George M. Reyes, Esq.	Community Member
Mr. Donovan Rinker-Morris '00	Community Member

CSUSB PHILANTHROPIC FOUNDATION
BOARD MEMBERS AS OF JUNE 30, 2013

Mr. Ali Sahabi	Community Member
Mr. Phillip M. Savage, IV, Esq.	Community Member
Mr. Larry R. Sharp '03	Community Member
Mr. Paul M. Shimoff, Esq.	Community Member
Mr. Jeffrey S. Shockey '88 & '94	Community Member
Dr. Ernest H. Siva	Community Member
Ms. Jean M. Stephens '91	Community Member
Mr. William M. Stevenson '84	Community Member
Dr. Edward C. Teyber	Community Member
Mr. Bruce D. Varner	Community Member



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

INDEPENDENT AUDITOR'S REPORT

PARTNERS

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

MANAGERS / STAFF

Nancy O'Rafferty, CPA, MBA
Bradferd A. Welebir, CPA, MBA
Jenny Liu, CPA, MST
Papa Matar Thiaw, CPA, MBA
Maya S. Ivanova, CPA, MBA
Peter E. Murray, CPA
Seong-Hyea Lee, CPA, MBA
Charles De Simoni, CPA
Yiann Fang, CPA

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, 2013, and the related statements of activities, expenses by natural classification, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

MEMBERS

American Institute of
Certified Public Accountants

*PCPS The AICPA Alliance
for CPA Firms*

*Governmental Audit
Quality Center*

California Society of
Certified Public Accountants

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CSUSB Philanthropic Foundation as of June 30, 2013, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 24-31 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2013, on our consideration of CSUSB Philanthropic Foundation, CSUSB'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 CSUSB Philanthropic Foundation, CSUSB's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the CSUSB Philanthropic Foundation's 2012 financial statements, and our report dated September 26, 2012, expressed an unqualified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Rogers, Anderson, Malody & Scott, LLP

San Bernardino, California
September 18, 2013

**CSUSB PHILANTHROPIC FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013
(WITH COMPARATIVE TOTALS FOR 2012)**

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 1,638,131	\$ 1,476,616
Short-term investments	4,497,593	4,500,574
Other receivables	65,333	251,835
Promises to give, net	683,440	953,640
Long-term investments	21,312,719	19,170,823
Property, plant and equipment, net	41,831	56,170
Art collection	3,151,337	3,137,047
Total assets	\$ 31,390,384	\$ 29,546,705
LIABILITIES		
Accounts payable	\$ 163,882	\$ 98,822
Accrued liabilities	65,746	125,893
Total liabilities	229,628	224,715
NET ASSETS		
Unrestricted net assets	35,376	350,739
Temporarily restricted net assets	13,169,584	11,789,223
Permanently restricted net assets	17,955,796	17,182,028
Total net assets	31,160,756	29,321,990
Total liabilities and net assets	\$ 31,390,384	\$ 29,546,705

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

**CSUSB PHILANTHROPIC FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013
(WITH COMPARATIVE TOTALS FOR 2012)**

	Unrestricted	Temporarily restricted	Permanently restricted	2013 Total	2012 Total
REVENUES					
Contributions	\$ 200	\$ 1,875,248	\$ 373,136	\$ 2,248,584	\$ 3,525,250
Investment income	79,483	686,153	-	765,636	606,828
Unrealized gain (loss) on investments	(78,549)	1,409,918	-	1,331,369	(422,454)
Realized gain (loss) on investments	-	177,503	-	177,503	(862,832)
Deficit in endowment values	(86,604)	86,604	-	-	-
Miscellaneous income	-	-	-	-	64,440
Restrictions released	3,460,321	(3,460,321)	-	-	-
 Total revenues from operations	 3,374,851	 775,105	 373,136	 4,523,092	 2,911,232
 Transfers from University	 1,507	 937,749	 68,139	 1,007,395	 29,365,165
 Total revenues	 3,376,358	 1,712,854	 441,275	 5,530,487	 32,276,397
EXPENSES					
Program expenses:					
Scholarships	1,559,731	-	-	1,559,731	1,593,010
Miscellaneous support services	1,354,583	-	-	1,354,583	1,251,236
Transfers to University	609,477	-	-	609,477	-
Management and general	167,930	-	-	167,930	110,161
 Total program and general expenses	 3,691,721	 -	 -	 3,691,721	 2,954,407
 CHANGES IN NET ASSETS	 (315,363)	 1,712,854	 441,275	 1,838,766	 29,321,990
 Change in donor restrictions	 -	 (332,493)	 332,493	 -	 -
 NET ASSETS, beginning of year	 350,739	 11,789,223	 17,182,028	 29,321,990	 -
 NET ASSETS, end of year	 \$ 35,376	 \$13,169,584	 \$17,955,796	 \$31,160,756	 \$29,321,990

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

**CSUSB PHILANTHROPIC FOUNDATION
STATEMENT OF EXPENSES BY NATURAL CLASSIFICATION
FOR THE YEAR ENDED JUNE 30, 2013
(WITH COMPARATIVE TOTALS FOR 2012)**

EXPENSES	2013	2012
Administrative costs	\$ 75,522	\$ 83,246
Bad debt	-	71,268
Bank and credit fees	4,583	2,983
Capital outlay	2,112	34,863
Conferences and meetings	28,262	112,965
Contract services	499,473	430,501
Depreciation	14,339	9,573
Dues, memberships and subscriptions	3,502	2,080
Food	-	137
Insurance	14,117	12,660
Other expenses	197,652	62,483
Postage	2,993	662
Printing	5,663	6,409
Professional development and training	32,027	16,932
Professional fees	25,441	1,459
Public relations	36,878	33,672
Rental, equipment and space	38,193	4,498
Scholarships	1,559,731	1,593,010
Stipends, room and board	678	4,522
Supplies and services	471,649	416,939
Travel	62,172	53,446
Utilities and telephone	7,257	99
Transfer to University	609,477	-
	\$ 3,691,721	\$ 2,954,407
Total expenses		

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

**CSUSB PHILANTHROPIC FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013
(WITH COMPARATIVE TOTALS FOR 2012)**

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,838,766	\$ 29,321,990
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	14,339	9,573
Bad debt	-	71,268
Contributions permanently restricted	(373,136)	(243,126)
Gifts-in-kind art collection	(14,290)	(252,450)
Noncash investment (income) loss	(1,331,369)	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	186,502	(251,835)
Promises to give	270,200	(953,640)
Increase (decrease) in:		
Accounts payable	65,062	98,822
Accrued liabilities	(60,147)	125,894
Total adjustments	(1,242,839)	(23,590,358)
Net cash provided by operating activities	595,927	5,731,632
CASH FLOWS FROM CAPITAL AND INVESTING ACTIVITIES:		
Payments related to the acquisition of capital assets	-	(14,282)
Purchase/sale of investments	(807,548)	(4,483,860)
Net cash used for investing activities	(807,548)	(4,498,142)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash contributions for endowment	373,136	243,126
Net cash provided by financing activities	373,136	243,126
NET INCREASE IN CASH AND CASH EQUIVALENTS	161,515	1,476,616
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,476,616	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,638,131	\$ 1,476,616

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

**CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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, 2015. All fundraising activities are conducted by the University.

Major Program Services

The Foundation's major program services include:

Designated Gift administration

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). Accordingly, information regarding the financial position and activities are reported according to three classes of net assets: unrestricted net assets that are not subject to donor-imposed restrictions and may be designated for specific purposes by action of the Board of Trustees, temporarily restricted net assets whose use by The Foundation is subject to donor-imposed restrictions that can be fulfilled by actions of The Foundation or that expire by the passage of time, and permanently restricted net assets which are stipulated by donors as investments in perpetuity, the income from which may be expendable by The Foundation.

**CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

**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. The noninterest bearing balances are fully insured by the Federal Deposit Insurance Corporation through December 31, 2012, and up to \$250,000, thereafter. The standard insurance amount 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 31, 2013, the Foundation's cash balances exceeded the federally insured limits by \$1,432,907.

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, 2013 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.

CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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.

**CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

**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.

The Foundation's Forms 990, Return of Organization Exempt from Income Tax, for the year ending December 31, 2011 is subject to examination by the IRS, generally for 3 years from the date of filing.

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 18, 2013, the date the financial statements were available to be issued.

**CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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.

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.

**CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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.

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, 2013 are as follows:

	Total	Fair Value Measurements at June 30, 2013		
		Level 1	Level 2	Level 3
<u>Short-term investments:</u>				
Money market funds	\$ 1,787	\$ 1,787	\$ -	\$ -
Mutual funds	4,495,806	4,495,806	-	-
Total short-term investments	4,497,593	4,497,593	-	-
<u>Long-term investments:</u>				
Money market funds	370,757	370,757	-	-
Equity securities	6,182,957	6,182,957	-	-
Mutual funds	13,315,922	13,315,922	-	-
Hedge fund	1,443,083	-	-	1,443,083
Total long-term investments	21,312,719	19,869,636	-	1,443,083
Total investments	<u>\$ 25,810,312</u>	<u>\$ 24,367,229</u>	<u>\$ -</u>	<u>\$ 1,443,083</u>

**CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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:

<u>Investments</u>	<u>Beginning Balance</u>	<u>Net Realized Gain (Loss)</u>	<u>Change in Unrealized Appreciation/ (Depreciation)</u>	<u>Ending Balance</u>
Hedge fund	<u>\$ 1,710,000</u>	<u>\$ -</u>	<u>\$ (266,917)</u>	<u>\$ 1,443,083</u>

A summary of investments held at June 30, 2013 follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Cumulative Realized/ Unrealized Gains (Losses)</u>
<u>Short-term investments:</u>			
Pimco low duration fund	\$ 2,302,034	\$ 2,249,367	\$ (52,667)
Vanguard short-term fund	2,272,445	2,246,439	(26,006)
Common fund - money market	1,787	1,787	-
	<u>4,576,266</u>	<u>4,497,593</u>	<u>(78,673)</u>
<u>Long-term investments:</u>			
Endowments (donor-restricted)	17,178,210	21,312,719	4,134,509
	<u>17,178,210</u>	<u>21,312,719</u>	<u>4,134,509</u>
Total investments	<u>\$ 21,754,476</u>	<u>\$ 25,810,312</u>	<u>\$ 4,055,836</u>

A summary of investment income for the year ended June 30, 2013 follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Interest and dividends	\$ 79,483	\$ 686,153
Deficit in endowment value	(86,604)	86,604
Realized and unrealized gains and losses on investments, net	<u>(78,549)</u>	<u>1,587,421</u>
Total investment income	<u>\$ (85,670)</u>	<u>\$ 2,360,178</u>

Investment fees for the year ended June 30, 2013 amounted to \$75,522, and are included in Administrative costs on the Statement of Expenses by Natural Classification.

**CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 3: INVESTMENT POLICY

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

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

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

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

NOTE 4: ENDOWMENT

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

The Board of Directors of The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, The Foundation classifies as permanently restricted net assets, (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by The Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

**CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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, 2013, a small portion of the endowments are underwater. The resulting amount needed to bring the endowments to a positive status was \$86,604 and is reflected in the Statement of Activities at June 30, 2013.

NOTE 6: ENDOWMENT INVESTMENT ASSET ALLOCATION

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

**CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 6: ENDOWMENT INVESTMENT ASSET ALLOCATION, (continued)

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

	<u>Maximum %</u>	<u>Minimum %</u>	<u>Target %</u>
Large Cap Equity	33%	17%	25%
Small (Mid) Cap Equity	13%	7%	10%
Developed Int'l. Equity	26%	14%	20%
Emerging Markets	7%	0%	5%
Real Estate (Public)	5%	0%	2.5%
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, 2013:

Amounts due in:	
Less than one year	\$ 239,806
One to five years	463,584
Total	<u>703,390</u>
Less: allowance for uncollectible amounts	<u>(19,950)</u>
Total Promises to Give, net	<u><u>\$ 683,440</u></u>

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, 2013**

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at June 30, 2013:

Equipment, furniture and fixtures	\$ 65,743
Less: accumulated depreciation	<u>(23,912)</u>
Property, plant and equipment, net	<u>\$ 41,831</u>

Depreciation expense for the year ended June 30, 2013 was \$14,339.

NOTE 9: RESTRICTIONS AND LIMITATIONS ON NET ASSETS

Permanently restricted net assets at June 30, 2013 totaled \$17,955,796 and are to be held indefinitely. The income is restricted primarily to support scholarships. Temporarily restricted net assets at June 30, 2013 totaled \$13,169,584 and were available for the following purposes:

Restricted by donors for the following purposes:

Palm Desert Campus	\$ 362,179
College of Business & Public Administration	731,732
College of Natural Sciences	2,130,743
College of Arts & Letters	425,286
College of Social & Behavioral Sciences	410,772
College of Education	667,898
College of Extended Learning	16,919
Athletics	249,156
Information Resource & Technology	14,869
Undergraduate Studies	111,764
Academic Affairs	73,733
Library	55,669
Student Services	329,983
President's Designated Funds	24,594
Pledges Receivable (various gifts)	683,440
Art Museum Collection	3,151,337
Temporarily Restricted Portion of Endowment	3,443,527
Other numerous miscellaneous donor restrictions	<u>285,983</u>
Total Temporarily Restricted Net Assets	<u>\$ 13,169,584</u>

**CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

Endowment net asset composition consists of the following at June 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Assets</u>
Donor-restricted endowment funds	\$ (86,604)	\$ 3,443,527	\$ 17,955,796	\$ 21,312,719
Board-designated endowment funds	-	-	-	-
	<u>\$ (86,604)</u>	<u>\$ 3,443,527</u>	<u>\$ 17,955,796</u>	<u>\$ 21,312,719</u>

Changes in endowment net assets for the year ended June 30, 2013 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Assets</u>
Endowment net assets beginning of year	\$ (298,073)	\$ 2,286,868	\$ 17,182,028	\$ 19,170,823
Transfer of assets from University Enterprises Corp.	-	27,000	68,139	95,139
Restricted gift accounts	-	-	332,493	332,493
New endowment gifts	-	-	373,136	373,136
Endowment assets appropriated for expenditure	-	(857,818)	-	(857,818)
Investment fees	-	(74,296)	-	(74,296)
Interest and dividends	-	686,153	-	686,153
Deficit in endowment	211,469	1,375,620	-	1,587,089
Endowment net assets end of year	<u>\$ (86,604)</u>	<u>\$ 3,443,527</u>	<u>\$ 17,955,796</u>	<u>\$ 21,312,719</u>

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

**CSUSB PHILANTHROPIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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 (including other auxiliary organizations) 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, 2013 amounted to \$128,126. Payments to the University for items other than salaries of University personnel during the year amounted to \$2,175,457. Payments received from the University for services, space, and programs during the year were \$1,135,404. As of June 30, 2013, there was a net amount payable to the University of \$162,589, which will be paid in the normal course of business. As of June 30, 2013, there was a net amount receivable from the University of \$2,985, which will be received in the normal course of business.

SUPPLEMENTARY INFORMATION

CSUSB Philanthropic Foundation
Schedule of Net Position
June 30, 2013
(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 1,638,131
Short-term investments	4,497,593
Accounts receivable, net	65,333
Leases receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	239,806
Prepaid expenses and other assets	—
Total current assets	6,440,863
Noncurrent assets:	
Restricted cash and cash equivalents	—
Accounts receivable, net	—
Leases receivable, net of current portion	—
Notes receivable, net of current portion	—
Student loans receivable, net	—
Pledges receivable, net	443,634
Endowment investments	21,312,719
Other long-term investments	—
Capital assets, net	3,193,168
Other assets	—
Total noncurrent assets	24,949,521
Total assets	31,390,384
Deferred outflows of resources:	
Unamortized loss on refunding(s)	—
Total deferred outflows of resources	—
Liabilities:	
Current liabilities:	
Accounts payable	163,882
Accrued salaries and benefits payable	—
Accrued compensated absences— current portion	—
Unearned revenue	—
Capitalized lease obligations – current portion	—
Long-term debt obligations – current portion	—
Self-insurance claims liability - current portion	—
Depository accounts	—
Other liabilities	65,746
Total current liabilities	229,628
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	—
Unearned revenue	—
Grants refundable	—
Capitalized lease obligations, net of current portion	—
Long-term debt obligations, net of current portion	—
Self-insurance claims liabilities, net of current portion	—
Depository accounts	—
Other postemployment benefits obligation	—
Other liabilities	—
Total noncurrent liabilities	—
Total liabilities	229,628
Deferred inflows of resources:	
Deferred inflows from SCAs, grants, and others	—
Total deferred inflows of resources	—
Net Position:	
Net investment in capital assets	3,193,168
Restricted for:	
Nonexpendable – endowments	17,955,796
Expendable:	
Scholarships and fellowships	4,538,652
Research	—
Loans	—
Capital projects	—
Debt service	—
Other	5,437,765
Unrestricted	35,375
Total net position	\$ 31,160,756

See accompanying independent auditor's report

CSUSB Philanthropic Foundation

Schedule of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2013

(for inclusion in the California State University)

Revenues:

Operating revenues:

Student tuition and fees (net of scholarship allowances of \$_____)	\$	—
Grants and contracts, noncapital:		
Federal		—
State		—
Local		—
Nongovernmental		—
Sales and services of educational activities		—
Sales and services of auxiliary enterprises (net of scholarship allowances of \$_____)		—
Other operating revenues		124,349
		<hr/>
Total operating revenues		124,349
		<hr/>

Expenses:

Operating expenses:

Instruction		—
Research		—
Public service		—
Academic support		—
Student services		—
Institutional support		2,074,070
Operation and maintenance of plant		—
Student grants and scholarships		1,559,731
Auxiliary enterprise expenses		167,930
Depreciation and amortization		14,339
		<hr/>
Total operating expenses		3,816,070
		<hr/>
Operating income (loss)		(3,691,721)
		<hr/>

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		1,875,448
Investment income (loss), net		1,266
Endowment income (loss), net		2,273,242
Interest Expenses		—
Other nonoperating revenues (expenses)		939,256
		<hr/>
Net nonoperating revenues (expenses)		5,089,212
		<hr/>
Income (loss) before other additions		1,397,491
		<hr/>

State appropriations, capital

Grants and gifts, capital		—
Additions (reductions) to permanent endowments		441,275
		<hr/>
Increase (decrease) in net position		1,838,766
		<hr/>

Net position:

Net position at beginning of year, as previously reported		29,321,990
Restatements		—
Net position at beginning of year, as restated		29,321,990
		<hr/>
Net position at end of year	\$	31,160,756
		<hr/> <hr/>

See accompanying independent auditor's report

CSUSB Philanthropic Foundation
Other Information
June 30, 2013
(for inclusion in the California State University)

1 Restricted cash and cash equivalents at June 30, 2013:

Portion of restricted cash and cash equivalents related to endowments	\$ -
All other restricted cash and cash equivalent	-
Total restricted cash and cash equivalents	<u>\$ -</u>

2.1 Composition of investments at June 30, 2013:

	Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
State of California Surplus Money Investment Fund (SMIF)	\$ -	-	-	-	-	-	-
State of California Local Agency Investment Fund (LAIF)	-	-	-	-	-	-	-
Wachovia Short Term Fund	-	-	-	-	-	-	-
Wachovia Medium Term Fund	-	-	-	-	-	-	-
Wachovia Equity Fund	-	-	-	-	-	-	-
CSU Consolidated Investment Pool (includes SWIFT and 0948 SMIF)	-	-	-	-	-	-	-
Common Fund - Short Term Fund	-	-	-	-	-	-	-
Common Fund - Others	-	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-
Equity securities	-	-	-	-	6,182,957	6,182,957	6,182,957
Fixed income securities (Treasury notes, GNMA's)	-	-	-	-	-	-	-
Land and other real estate	-	-	-	-	-	-	-
Certificates of deposit	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	-
Mutual funds	-	4,495,806	4,495,806	-	13,315,922	13,315,922	17,811,728
Money Market funds	-	1,787	1,787	-	370,757	370,757	372,544
Collateralized mortgage obligations	-	-	-	-	-	-	-
Inverse floaters	-	-	-	-	-	-	-
Interest-only strips	-	-	-	-	-	-	-
Agency pass-through	-	-	-	-	-	-	-
Partnership interests (includes private pass-through)	-	-	-	-	-	-	-
Alternative investments	-	-	-	-	-	-	-
Hedge funds	-	-	-	-	1,443,083	1,443,083	1,443,083
Other major investments	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Total investments	<u>-</u>	<u>4,497,593</u>	<u>4,497,593</u>	<u>-</u>	<u>21,312,719</u>	<u>21,312,719</u>	<u>25,810,312</u>
Less endowment investments (enter as negative number)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,312,719)</u>	<u>(21,312,719)</u>	<u>(21,312,719)</u>
Total investments	<u><u>-</u></u>	<u><u>4,497,593</u></u>	<u><u>4,497,593</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>4,497,593</u></u>

2.2 Investments held by the University under contractual agreements at June 30, 2013:

Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2013 :	-	-	-	-	-	-	-
---	---	---	---	---	---	---	---

2.3 Restricted current investments at June 30, 2013 related to

Miscellaneous designated gift	\$ <u>4,497,593</u>
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Total restricted current investments at June 30, 2013	<u>\$ 4,497,593</u>

2.4 Restricted noncurrent investments at June 30, 2013 related to

Endowment investments	\$ <u>21,312,719</u>
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Total restricted noncurrent investments at June 30, 2013	<u>\$ 21,312,719</u>

CSUSB Philanthropic Foundation
Other Information
June 30, 2013
(for inclusion in the California State University)

3.2 Detail of depreciation and amortization expense for the year ended June 30, 2013:

Depreciation and amortization expense related to capital assets	\$ 14,339
Amortization expense related to other asset	<u>—</u>
Total depreciation and amortization	<u>\$ 14,339</u>

4 Long-term liabilities activity schedule:

	Balance June 30, 2012	Prior period adjustments	Reclassifications	Balance June 30, 2012 (restated)	Additions	Reductions	Balance June 30, 2013	Current portion	Long-term portion
Accrued compensated absences	\$ —	—	—	—	—	—	—	—	—
Capitalized lease obligations	—	—	—	—	—	—	—	—	—
Gross balance	—	—	—	—	—	—	—	—	—
Unamortized premium / (discount) on capitalized lease obligator	—	—	—	—	—	—	—	—	—
Total capitalized lease obligations	—	—	—	—	—	—	—	—	—
Long-term debt obligations:									
Revenue Bonds	—	—	—	—	—	—	—	—	—
Other bonds (non-Revenue Bonds)	—	—	—	—	—	—	—	—	—
Commercial Paper	—	—	—	—	—	—	—	—	—
Note Payable related to SRB	—	—	—	—	—	—	—	—	—
Other:									
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Total long-term debt obligations	—	—	—	—	—	—	—	—	—
Unamortized bond premium / (discount)	—	—	—	—	—	—	—	—	—
Unamortized loss on refunding	—	—	—	—	—	—	—	—	—
Total long-term debt obligations, net	—	—	—	—	—	—	—	—	—
Total long-term liabilities	\$ —	—	—	—	—	—	—	—	—

5 Future minimum lease payments - capital lease obligations:

	Principal	Interest	Principal and Interest
Year ending June 30:			
2014	-	-	—
2015	-	-	—
2016	-	-	—
2017	-	-	—
2018	-	-	—
2019 - 2023	-	-	—
2024 - 2028	-	-	—
2029 - 2033	-	-	—
2034 - 2038	-	-	—
2039 - 2043	-	-	—
2044 - 2048	-	-	—
2049 - 2053	-	-	—
2054 - 2058	-	-	—
2059 - 2063	-	-	—
Total minimum lease payments	—	—	—
Less amounts representing interest		—	—
Present value of future minimum lease payments		—	—
Less: current portion		—	—
Capitalized lease obligation, net of current portion		\$ —	—

CSUSB Philanthropic Foundation
Other Information
June 30, 2013
(for inclusion in the California State University)

6 Long-term debt obligation schedule

	Revenue Bonds			All other long-term debt obligations			Total		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
Year ending June 30:									
2014	\$ -	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-	-
2019 - 2023	-	-	-	-	-	-	-	-	-
2024 - 2028	-	-	-	-	-	-	-	-	-
2029 - 2033	-	-	-	-	-	-	-	-	-
2034 - 2038	-	-	-	-	-	-	-	-	-
2039 - 2043	-	-	-	-	-	-	-	-	-
2044 - 2048	-	-	-	-	-	-	-	-	-
2049 - 2053	-	-	-	-	-	-	-	-	-
2054 - 2058	-	-	-	-	-	-	-	-	-
2059 - 2063	-	-	-	-	-	-	-	-	-
Total	\$ -	-	-	-	-	-	-	-	-

7 Calculation of net position

	Auxiliary Organizations		Total
	GASB	FASB	Auxiliaries
7.1 Calculation of net position - Net investment in capital assets			
Capital assets, net of accumulated depreciation	\$ —	3,193,168	3,193,168
Capitalized lease obligations - current portion	—	—	—
Capitalized lease obligations, net of current portion	—	—	—
Long-term debt obligations - current portion	—	—	—
Long-term debt obligations, net of current portion	—	—	—
Portion of outstanding debt that is unspent at year-end	—	—	—
Other adjustments: (please list)			
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Net position - net investment in capital asset	\$ —	3,193,168	3,193,168

7.2 Calculation of net position - Restricted for nonexpendable - endowments			
Portion of restricted cash and cash equivalents related to endowments	\$ —	—	—
Endowment investments	—	21,312,719	21,312,719
Other adjustments: (please list)			
Deficit in endowment value	—	86,604	86,604
Temporarily restricted portion of endowment	—	(3,443,527)	(3,443,527)
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Net position - Restricted for nonexpendable - endowments per SNP	\$ —	17,955,796	17,955,796

CSUSB Philanthropic Foundation
 Other Information
 June 30, 2013
 (for inclusion in the California State University)

8 Transactions with Related Entities

	Amount
Payments to University for salaries of University personnel working on contracts, grants, and other program	\$ 128,126
Payments to University for other than salaries of University personnel	2,175,457
Payments received from University for services, space, and program	1,135,404
Gifts-in-kind to the University from Auxiliary Organization	—
Gifts (cash or assets) to the University from recognized Auxiliary Organization	—
Accounts (payable to) University (enter as negative number)	—
Other amounts (payable to) University (enter as negative number)	(162,589)
Accounts receivable from University	2,985
Other amounts receivable from University	—

9 Other Postemployment Benefits Obligation (OPEB)

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

10 Pollution remediation liabilities under GASB Statement No. 45

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

CSUSB Philanthropic Foundation
 Other Information
 June 30, 2013
 (for inclusion in the California State University)

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

	<u>Net Position Class</u>	<u>Amount</u>
		<u>Dr. (Cr.)</u>
Net position as of June 30, 2012, as previously reported	\$	29,321,990
Prior period adjustments:		
1 (list description of each adjustment)		—
2 (list description of each adjustment)		—
3 (list description of each adjustment)		—
4 (list description of each adjustment)		—
5 (list description of each adjustment)		—
6 (list description of each adjustment)		—
7 (list description of each adjustment)		—
8 (list description of each adjustment)		—
9 (list description of each adjustment)		—
10 (list description of each adjustment)		—
Net position as of June 30, 2012, as restated	\$	<u>29,321,990</u>

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

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



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

To the Board of Directors of
CSUSB Philanthropic Foundation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of CSUSB Philanthropic Foundation, (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 18, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Rogers, Anderson, Malody & Scott, LLP

San Bernardino, CA
September 18, 2013