



THE CALIFORNIA STATE UNIVERSITY
FOUNDATION

FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

CONTENTS

Independent Auditors' Report	1-2
Statements of Financial Position.....	3
Statements of Activities	4-5
Statements of Cash Flows	6
Notes to the Financial Statements	7-26

INDEPENDENT AUDITORS' REPORT

To the Board of Governors of
California State University Foundation:

We have audited the accompanying financial statements of California State University Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California State University Foundation as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Winder, Inc.

Long Beach, California
September 11, 2015

CALIFORNIA STATE UNIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

ASSETS

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash	\$ 1,560,235	\$ 1,549,640
Pledges receivable, current portion	2,375,350	5,276,250
Other current receivables	—	8,000
Other current assets	<u>1,300</u>	<u>9,200</u>
	<u>3,936,885</u>	<u>6,843,090</u>
NONCURRENT ASSETS		
Investments	23,321,923	23,485,584
Pledges receivable, net of current portion	1,059,856	2,775,983
Charitable gift annuity assets	5,596,977	5,792,251
Other receivables	<u>113,809</u>	<u>120,309</u>
	<u>30,092,565</u>	<u>32,174,127</u>
TOTAL ASSETS	<u>\$ 34,029,450</u>	<u>\$ 39,017,217</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 22,350	\$ 562,665
Local agency liability, current portion	<u>30,593</u>	<u>20,082</u>
	<u>52,943</u>	<u>582,747</u>
NONCURRENT LIABILITIES		
Charitable gift annuity liability	5,596,977	5,792,251
Other payables	113,809	120,309
Local agency liability, net of current portion	<u>84,544</u>	<u>118,595</u>
	<u>5,795,330</u>	<u>6,031,155</u>
TOTAL LIABILITIES	<u>5,848,273</u>	<u>6,613,902</u>
NET ASSETS		
Unrestricted	4,303,561	4,278,358
Temporarily restricted	11,927,388	16,753,578
Permanently restricted	<u>11,950,228</u>	<u>11,371,379</u>
Total Net Assets	<u>28,181,177</u>	<u>32,403,315</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 34,029,450</u>	<u>\$ 39,017,217</u>

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

CALIFORNIA STATE UNIVERSITY FOUNDATION

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Contributions	\$ 444,921	\$ 1,169,891	\$ 578,849	\$ 2,193,661
Investment income	49,340	206,871	—	256,211
Other	411,460	—	—	411,460
Net assets released from restrictions	<u>6,202,952</u>	<u>(6,202,952)</u>	<u>—</u>	<u>—</u>
Total Support and Revenue	<u>7,108,673</u>	<u>(4,826,190)</u>	<u>578,849</u>	<u>2,861,332</u>
EXPENSES				
Program Services:				
Projects, grants and other assistance	5,712,656	—	—	5,712,656
Student scholarships	503,462	—	—	503,462
Conferences, conventions and meetings	256,392	—	—	256,392
Other expenses	<u>217,686</u>	<u>—</u>	<u>—</u>	<u>217,686</u>
Total Program Services	<u>6,690,196</u>	<u>—</u>	<u>—</u>	<u>6,690,196</u>
Supporting Services:				
Compensation of officers	32,666	—	—	32,666
Professional services	33,633	—	—	33,633
Conferences, conventions and meetings	9,705	—	—	9,705
Overhead	3,590	—	—	3,590
Administrative expenses	290,523	—	—	290,523
Other expenses	<u>21,433</u>	<u>—</u>	<u>—</u>	<u>21,433</u>
Total Supporting Services	<u>391,550</u>	<u>—</u>	<u>—</u>	<u>391,550</u>
Fund-raising	1,724	—	—	1,724
Total Expenses	<u>7,083,470</u>	<u>—</u>	<u>—</u>	<u>7,083,470</u>
CHANGE IN NET ASSETS	25,203	(4,826,190)	578,849	(4,222,138)
NET ASSETS AT BEGINNING OF YEAR	<u>4,278,358</u>	<u>16,753,578</u>	<u>11,371,379</u>	<u>32,403,315</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,303,561</u>	<u>\$ 11,927,388</u>	<u>\$ 11,950,228</u>	<u>\$ 28,181,177</u>

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

CALIFORNIA STATE UNIVERSITY FOUNDATION

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Contributions	\$ 376,362	\$ 11,322,535	\$ 2,998,947	\$ 14,697,844
Investment income	482,261	2,259,411	—	2,741,672
Other	314,604	—	—	314,604
Net assets released from restrictions	<u>3,903,027</u>	<u>(3,903,027)</u>	<u>—</u>	<u>—</u>
Total Support and Revenue	<u>5,076,254</u>	<u>9,678,919</u>	<u>2,998,947</u>	<u>17,754,120</u>
EXPENSES				
Program Services:				
Projects, grants and other assistance	3,474,503	—	—	3,474,503
Student scholarships	414,184	—	—	414,184
Conferences, conventions and meetings	262,715	—	—	262,715
Other expenses	<u>127,466</u>	<u>—</u>	<u>—</u>	<u>127,466</u>
Total Program Services	<u>4,278,868</u>	<u>—</u>	<u>—</u>	<u>4,278,868</u>
Supporting Services:				
Compensation of officers	32,540	—	—	32,540
Professional services	33,781	—	—	33,781
Conferences, conventions and meetings	27,997	—	—	27,997
Overhead	2,627	—	—	2,627
Administrative expenses	235,970	—	—	235,970
Other expenses	<u>71,948</u>	<u>—</u>	<u>—</u>	<u>71,948</u>
Total Supporting Services	<u>404,863</u>	<u>—</u>	<u>—</u>	<u>404,863</u>
Fund-raising	2,054	—	—	2,054
Total Expenses	<u>4,685,785</u>	<u>—</u>	<u>—</u>	<u>4,685,785</u>
CHANGE IN NET ASSETS	390,469	9,678,919	2,998,947	13,068,335
NET ASSETS AT BEGINNING OF YEAR	<u>3,887,889</u>	<u>7,074,659</u>	<u>8,372,432</u>	<u>19,334,980</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,278,358</u>	<u>\$ 16,753,578</u>	<u>\$ 11,371,379</u>	<u>\$ 32,403,315</u>

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

CALIFORNIA STATE UNIVERSITY FOUNDATION

STATEMENTS OF CASH FLOWS

	For the Year Ended	
	June 30,	
	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	(\$ 4,222,138)	\$ 13,068,335
Adjustments to reconcile change in net assets to net cash from operating activities:		
Unrealized and realized gain on investments	(256,211)	(2,741,672)
Contributions for long-term investments	(1,469,612)	(3,253,956)
Noncash donation capitalized	7,900	(5,200)
Change in discounts to present value of pledges receivable	52,994	186,417
Net (increase) decrease in:		
Pledges receivable	4,564,033	(7,571,650)
Other current receivables	8,000	(5,000)
Net increase (decrease) in:		
Accounts payable	(540,315)	480,959
Local agency liability	(23,540)	10,103
Net Cash Provided By (Used In) Operating Activities	<u>(1,878,889)</u>	<u>168,336</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	<u>421,000</u>	<u>310,000</u>
Net Cash Provided By Investing Activities	<u>421,000</u>	<u>310,000</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions for long-term investments	<u>1,468,484</u>	<u>159,683</u>
Net Cash Provided By Financing Activities	<u>1,468,484</u>	<u>159,683</u>
NET CHANGE IN CASH	10,595	638,019
CASH AT BEGINNING OF YEAR	<u>1,549,640</u>	<u>911,621</u>
CASH AT END OF YEAR	<u>\$ 1,560,235</u>	<u>\$ 1,549,640</u>

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

CALIFORNIA STATE UNIVERSITY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2015 AND 2014

NOTE 1 – Nature of Activities and Significant Accounting Policies

Nature of Activities

California State University Foundation (the Foundation) is a nonprofit organization serving as an auxiliary to the Office of the Chancellor of the California State University. The Foundation administers charitable gift annuities and other funds in accordance with specific agreements.

Financial Statement Presentation

The accompanying financial statements are presented on the accrual basis of accounting, and the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Revenues, gains, expenses, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- **Unrestricted net assets** – Unrestricted net assets represent net assets that are not subject to donor-imposed restrictions and that may be expendable for any purpose in performing the primary objectives of the Foundation.
- **Temporarily restricted net assets** – Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.
- **Permanently restricted net assets** – Permanently restricted net assets include gifts and pledges which require, by donor restriction, that the corpus be invested in perpetuity and only the income be recorded as unrestricted or temporarily restricted net assets for program operations in accordance with donor restrictions.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions. Upon expiration of the restriction, the contributions are reclassified to unrestricted net assets.

Contributions of noncash goods and services are recorded at the estimated fair value on the date of the contribution.

CALIFORNIA STATE UNIVERSITY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

NOTE 1 – Nature of Activities and Significant Accounting Policies (Continued)

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Fair Value Measurements

The Foundation follows the provisions required for fair value measurements and disclosures of financial and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring and nonrecurring basis.

The Foundation's assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

Concentration of Cash

The Foundation maintains cash with financial institutions which, at various times, may exceed federally insured limits. The Foundation has not experienced any losses in the past and believes it is not exposed to any significant credit risk.

Investments

Investments held by the Foundation include marketable securities, fixed income securities, alternative investments, and venture capital and partnerships. The investments are reflected in the statements of financial position at fair value. Unrealized gains and losses are included in the change in net assets on the statements of activities.

The Foundation's investments in marketable securities and fixed income securities are generally publicly traded on national securities exchanges and have readily available quoted market values. The Foundation's investments in alternative investments and venture capital and partnerships are carried at estimated fair value. Management established fair value of these nonmarketable investments based on valuations provided by investment advisors/custodians, on their most recent statements available. Venture capital and partnerships estimated fair value is based on financial information that is six months in arrears. The Foundation believes that the carrying amount of these financial instruments is a reasonable estimate of fair value.

CALIFORNIA STATE UNIVERSITY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

NOTE 1 – Nature of Activities and Significant Accounting Policies (Continued)

Investments (Continued)

At June 30, 2015 and at various times throughout the year, the Foundation maintains cash and cash equivalents, and investment balances at brokers which may not be covered by federally insured limits, exceed amounts insured by Securities Investor Protection Corporation (SIPC), or be alternative investments which are not covered by SIPC. Certain investments not covered by SIPC may or may not be insured by supplemental insurance carried by the brokers. The Foundation has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on these accounts.

The Foundation's investments are exposed to various risks, such as market and credit risks. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Pledges Receivable

The two forms of pledges receivable are unconditional promises to give and conditional promises to give. Unconditional promises to give are recognized as receivables and as revenues in the period in which the Foundation is notified by the donor of a commitment to make a contribution. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount amounts. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year-end. The Foundation did not deem an allowance necessary at June 30, 2015 and 2014.

Charitable Gift Annuity Assets and Liability

The Foundation administers charitable gift annuities for various California State University (CSU) campuses. The Foundation acts as an intermediary for the campuses for which they administer the charitable gift annuities for an agreed-upon percentage of the corpus.

Assets held for charitable gift annuities totaled \$5,596,977 and are reported at fair market value in the Foundation's statement of financial position as of June 30, 2015. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. Present value of amounts owed to annuitants and to various campuses in the California State University system at June 30, 2015 totaled \$2,917,530 and \$2,679,447, respectively. The present value of the estimated future payments is calculated using discount rates ranging from 1.0% to 7.6% and applicable mortality tables.

CALIFORNIA STATE UNIVERSITY FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 1 – Nature of Activities and Significant Accounting Policies (Continued)

Other Noncurrent Receivables and Payables

The Foundation was named as an agent by the donors of two charitable remainder trusts which are recorded in other receivables and payables. Accordingly, the Foundation has recorded on its books an asset and a liability for the trusts at their fair market values.

In-Kind Support

The Foundation receives noncash goods (in-kind support) and uses them for program support. Contributions of the donated noncash goods are recorded at the estimated fair value in the period received in other current assets and contributions. The in-kind support for the Foundation includes, but are not limited to, tangible assets such as computer peripherals, airline passes and restaurant gift cards. The Foundation recognizes them in the various expenses in the accompanying financial statements when the noncash goods are used or distributed.

Tax Status

The Foundation has received tax-exempt status from the Internal Revenue Service and California Franchise Tax Board under Section 501(c)(3) of the Internal Revenue Code, and Section 23701(d) of the Revenue and Taxation Code, respectively.

The Foundation recognizes the financial statement benefit of tax positions, such as its filing status of tax-exempt, only after determining that the relevant tax authority would more likely than not sustain the position following an audit. The Foundation is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

Subsequent Events

The Foundation's management has evaluated subsequent events from the statement of financial position date through September 11, 2015, the date the financial statements were available to be issued, and determined there were no other items to disclose.

CALIFORNIA STATE UNIVERSITY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

NOTE 2 – Pledges Receivable

Pledges receivable are scheduled to be collected as follows:

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Current receivable in less than one year	<u>\$ 2,375,350</u>	<u>\$ 5,276,250</u>
Noncurrent receivable in one to five years	1,112,850	2,962,400
Less 5% discount factor to present value	(52,994)	(186,417)
Net noncurrent receivable	<u>1,059,856</u>	<u>2,775,983</u>
	<u>\$ 3,435,206</u>	<u>\$ 8,052,233</u>

CALIFORNIA STATE UNIVERSITY FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 3 – Investments

Investments consists of the following:

	June 30,			
	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 141,085	\$ 141,085	\$ 84,018	\$ 84,018
Common stock and options	3,180,674	3,576,212	1,670,406	2,025,695
Mutual funds	13,276,372	14,156,799	13,986,440	16,289,148
Exchange-traded and closed-end funds	447,119	465,931	668,689	688,859
Alternative investments	3,561,370	4,700,783	2,768,667	4,066,995
Venture capital and partnerships	171,599	281,113	242,373	330,869
	<u>\$ 20,778,219</u>	<u>\$ 23,321,923</u>	<u>\$ 19,420,593</u>	<u>\$ 23,485,584</u>

Investment return is summarized as follows:

	For the Year Ended June 30,	
	2015	2014
Reinvested interest and dividend income, net of investment fees	\$ 1,314,650	\$ 479,306
Net unrealized gains (losses)	(1,382,061)	1,545,898
Net realized gains	<u>323,622</u>	<u>716,468</u>
	<u>\$ 256,211</u>	<u>\$ 2,741,672</u>

Investment fees totaled \$28,916 and \$24,529 for the years ended June 30, 2015 and 2014, respectively.

CALIFORNIA STATE UNIVERSITY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

NOTE 4 – Charitable Gift Annuity Assets

Charitable gift annuity assets consists of the following:

	<u>June 30, 2015</u>	
	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 183,702	\$ 183,702
Marketable securities	2,194,397	3,606,587
Fixed income securities	<u>1,802,668</u>	<u>1,806,688</u>
	<u>\$ 4,180,767</u>	<u>\$ 5,596,977</u>
	<u>June 30, 2014</u>	
	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 643,648	\$ 643,648
Marketable securities	2,018,887	3,533,813
Fixed income securities	<u>1,585,470</u>	<u>1,614,790</u>
	<u>\$ 4,248,005</u>	<u>\$ 5,792,251</u>

NOTE 5 – Local Agency Liability

The Foundation entered into an operating agreement with the CSU Alumni Council on March 31, 2006. Pursuant to the agreement, the Foundation agreed to provide all accounting and financial management services to the CSU Alumni Council. As of June 30, 2015 and 2014, the Foundation had a liability balance due to the CSU Alumni Council of \$112,597 and \$136,303, respectively. The balance was related to the net assets held by the Foundation on behalf of the CSU Alumni Council.

During fiscal year 2011, the Foundation began providing limited accounting services for CSU Student Association. At June 30, 2015 and 2014, the Foundation had a liability due to CSU Student Association of \$2,540 and \$2,374, respectively, for the net assets held by the Foundation on behalf of CSU Student Association.

CALIFORNIA STATE UNIVERSITY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

NOTE 5 – Local Agency Liability (Continued)

	<u>Alumni Council Liability</u>	<u>Student Association Liability</u>
Balance at July 1, 2013	\$ 128,362	\$ 212
Investment gain	14,614	–
Operating income (loss)	<u>(6,673)</u>	<u>2,162</u>
Balance at June 30, 2014	136,303	2,374
Investment gain	1,127	–
Operating income (loss)	<u>(24,833)</u>	<u>166</u>
Balance at June 30, 2015	<u>\$ 112,597</u>	<u>\$ 2,540</u>

NOTE 6 – Net Assets

The following is a summary of the Foundation’s net assets:

Unrestricted Net Assets

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Available for current operations	\$ 4,108,799	\$ 4,148,358
Board designated Reed Quasi Endowment	130,000	130,000
Board designated Hauck Quasi Endowment	<u>64,762</u>	<u>–</u>
	<u>\$ 4,303,561</u>	<u>\$ 4,278,358</u>

Temporarily Restricted Net Assets

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Scholarships	\$ 3,643,904	\$ 4,390,593
Haworth Family Quasi Endowment	91,563	91,563
State University House Quasi Endowment	1,895,249	1,895,249
Inflation Reserve	1,989,881	1,433,265
University Projects	<u>4,306,791</u>	<u>8,942,908</u>
	<u>\$ 11,927,388</u>	<u>\$ 16,753,578</u>

CALIFORNIA STATE UNIVERSITY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

NOTE 6 – Net Assets (Continued)

Temporarily Restricted Net Assets (Continued)

Included in temporarily restricted net assets, in accordance with the endowment agreements, are inflation reserves for each endowment. The inflation reserve funds are maintained to preserve the purchasing power of the endowment principal; however, they can be spent in support of the endowments' purposes at the discretion of the Board of Governors. During periods of inflation, the Foundation allocates amounts from the scholarship funds to the inflation reserve funds at a rate commensurate with the Consumer Price Index.

Haworth Family Quasi Endowment is included in temporarily restricted net assets. The donor instructed the funds to be used for scholarships at the Board's direction. The Board elected to preserve the funds as an endowment, technically known as Haworth Family Quasi Endowment.

The State University House Quasi Endowment was transferred from the CSU to the Foundation. In 1972, real property in Bel Air, California, was donated to the CSU Foundation for the purpose of a residence for the Chancellor. The property was transferred to the California State University. In 1991, the Bel Air property was sold and a new State University House was purchased in Long Beach, California. The net proceeds of the sale were held in a quasi endowment for State University House operations, maintenance, and facility improvement. The CSU Board of Trustees approved transferring the quasi endowment back to the CSU Foundation in May 2013.

Permanently Restricted Net Assets

	June 30,	
	2015	2014
Robert M. Odell Endowment Scholarship in Public Administration	\$ 75,000	\$ 75,000
William Randolph Hearst/CSU Trustees' Award for Outstanding Achievement	415,050	415,050
Glenn and Dorothy Dumke Fellowship	24,617	24,617
Dr. Ali C. Razi Endowed Scholarship	225,000	225,000
Angelina Aliberti Ruggie and Lawrence L. Ruggie Endowed Scholarship	34,346	34,346
Dale M. Schoettler Scholarship for Visually Impaired Students	5,830,940	5,830,940
Gregson Bautzer University Fund Scholarship	150,000	150,000
Nathaniel R. and Valarie Dumont Scholarship	525,000	525,000
Wilson C. Riles Education Scholarship	100,000	100,000
Dr. Murray L. Galinson Endowed Scholarship	153,710	153,710
William and Jan Lahey Art Education and Visual Art Scholarship Endowment	289,200	289,200
William and Jan Lahey Summer Arts Endowment	289,199	289,199
William Hauck Endowed Scholarship	89,739	88,939
Stauffer Foundation Endowment	37,000	27,000

CALIFORNIA STATE UNIVERSITY FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 6 – Net Assets (Continued)

Permanently Restricted Net Assets (Continued)

	June 30,	
	2015	2014
Charles and Catherine Reed Endowment	20,000	20,000
Robert D. and Dorothy W. Talty Endowment	134,114	134,114
Kenneth Fong Scholar Endowment	150,000	150,000
Trustee Emerita Claudia Hampton Endowed Scholarship	150,000	150,000
Hampton Scholars Endowed Scholarship	259,264	259,264
Real Estate and Land Use Institute Program Endowment	1,000,000	1,000,000
Real Estate and Land Use Institute Scholarship Endowment	1,430,000	1,430,000
George Marcus Endowment	100,000	–
James Key Endowment	431,163	–
Michelle Marriott Endowment	36,886	–
	<u>\$ 11,950,228</u>	<u>\$ 11,371,379</u>

Each of the Foundation’s endowments has been established to support a scholarship or program fund recorded in temporarily restricted net assets. Investment gains and losses from the endowment funds are recorded as increases or decreases to the scholarship or program funds in accordance with the endowment agreements.

NOTE 7 – Endowments

The Foundation’s endowments consist of several individual donor-designated funds established to support a program or scholarship fund recorded in temporarily restricted net assets. Net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

CALIFORNIA STATE UNIVERSITY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2015 AND 2014

NOTE 7 – Endowments (Continued)

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

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

The Investment Committee of the Board of Governors is charged with the responsibility of managing the investment of endowment assets for the Foundation. The overall goal in management of these funds is to generate a long-term total rate of return that provides sustainable distributions to support program expenditures within a reasonable level of risk. As a result, the endowment assets are invested in a manner that is intended to produce results that, over the long-term, allow them to grow at a rate exceeding expected inflation. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as, to provide additional real growth through new gifts and investment return.

The Board of Governors targets distribution at 4% of the portfolio value, based on a 3-year moving average.

The Investment Committee of the Board of Governors adheres to modern portfolio theory, which has, as its basis, risk reduction through diversification. Diversification is obtained through the use of multiple asset classes, as well as, multiple investments within these asset classes. Asset classes that may be used include, but are not limited to, domestic and international corporate stocks and bonds, alternative investments, and government-issued debt securities. The investment strategy is implemented through the selection of external advisors and managers with the expertise and successful histories in the management of specific asset classes.

CALIFORNIA STATE UNIVERSITY FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 7 – Endowments (Continued)

Endowment net assets consist of the following at June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	\$ 5,696,077	\$ 11,950,228	\$ 17,646,305
Quasi endowment funds	<u>194,762</u>	<u>1,986,812</u>	<u>—</u>	<u>2,181,574</u>
Total	<u>\$ 194,762</u>	<u>\$ 7,682,889</u>	<u>\$ 11,950,228</u>	<u>\$ 19,827,879</u>

Endowment net assets consist of the following at June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	\$ 6,051,162	\$ 11,371,379	\$ 17,422,541
Quasi endowment funds	<u>130,000</u>	<u>1,986,812</u>	<u>—</u>	<u>2,116,812</u>
Total	<u>\$ 130,000</u>	<u>\$ 8,037,974</u>	<u>\$ 11,371,379</u>	<u>\$ 19,539,353</u>

Net changes in endowment funds and the related portion of temporarily restricted net assets for the year ended June 30, 2015 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 130,000</u>	<u>\$ 8,037,974</u>	<u>\$ 11,371,379</u>	<u>\$ 19,539,353</u>
Investment return:				
Investment income	—	1,218,437	—	1,218,437
Net appreciation (realized and unrealized)	<u>—</u>	<u>(1,009,341)</u>	<u>—</u>	<u>(1,009,341)</u>
Total investment return	—	209,096	—	209,096
Contributions	64,762	88,104	578,849	731,715
Appropriated for expenditure	<u>—</u>	<u>(652,285)</u>	<u>—</u>	<u>(652,285)</u>
Endowment net assets, end of year	<u>\$ 194,762</u>	<u>\$ 7,682,889</u>	<u>\$ 11,950,228</u>	<u>\$ 19,827,879</u>

CALIFORNIA STATE UNIVERSITY FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 7 – Endowments (Continued)

Net changes in endowment funds and the related portion of temporarily restricted net assets for the year ended June 30, 2014 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 130,000	\$ 5,858,599	\$ 8,372,432	\$ 14,361,031
Investment return:				
Investment income	–	453,710	–	453,710
Net appreciation (realized and unrealized)	–	<u>1,786,657</u>	–	<u>1,786,657</u>
Total investment return	–	2,240,367	–	2,240,367
Contributions	–	378,491	2,998,947	3,377,438
Appropriated for expenditure	–	<u>(439,483)</u>	–	<u>(439,483)</u>
Endowment net assets, end of year	<u>\$ 130,000</u>	<u>\$ 8,037,974</u>	<u>\$ 11,371,379</u>	<u>\$ 19,539,353</u>

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2015 and 2014.

CALIFORNIA STATE UNIVERSITY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

NOTE 8 – Fair Value Measurements

The Foundation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine the fair value disclosures. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for the Foundation's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. The Foundation groups its assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Also included in Level 2 are investments measured using a net asset value ("NAV") per share, or its equivalent, that may be redeemed at that NAV at the date of the statement of financial position or in the near term, which is generally considered to be within 90 days.
- Level 3 inputs are unobservable inputs for the asset or liability. This valuation is accomplished using management's best estimate of fair value, with inputs into the determination of fair value that require significant management judgment or estimation. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at the NAV or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

CALIFORNIA STATE UNIVERSITY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2015 AND 2014

NOTE 8 – Fair Value Measurements (Continued)

The Foundation determines the fair value of financial instruments for which it cannot obtain quoted market prices in active markets as follows:

Alternative investments: The valuation of alternative investments is determined through consideration of the net asset values provided by the investment advisors. The investment advisors' determination of fair value is based upon the best available information and other market factors which may include, but are not limited to, estimates of liquidation value, prices of recent transactions in the same or similar funds, current performance, future expectations of the particular investment, and changes in market outlook and the financing environment. For alternative investments, which are composed of hedge funds, the Foundation has determined that the NAV reported by the underlying fund is a practical expedient to fair value; however, adjustments to the reported NAV may be made based on various factors including, but not limited to, the basis of accounting used in determining NAV, the reporting date of the NAV, and probable sales of any individual investment funds as of the measurement date. The Foundation has concluded that these investments are redeemable with the fund at NAV under the original terms of the partnership agreements and/or subscription agreements and operations of underlying fund agreements. Due to the nature of these investments, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of the Foundation's interest in the funds.

Investments in venture capital and partnerships: The fair value of investments in venture capital and partnerships is based on the Foundation's estimated capital account as determined by the asset custodians. The asset custodians' determination of fair value uses quoted prices for any assets traded on a recognized securities exchange, and all other assets are valued based upon the best available information and other market factors which may include, but are not limited to, estimates of liquidation value, prices of recent transactions in the same or similar funds, current performance, future expectations of the particular investment, and changes in market outlook and the financing environment. The capital account is also adjusted for cumulative contributions and distributions. The investments are not eligible for redemption or transfer unless written consent has been obtained from the fund's General Partner. Assets of the investments are expected to be liquidated/distributed through 2017, and the Foundation's remaining unfunded commitment is \$34,190 and \$25,140 as of June 30, 2015 and 2014, respectively. Due to the nature of these investments, changes in market conditions and the economic environment may significantly impact the value of the funds and, consequently, the fair value of the Foundation's interest in the funds.

Other receivables and payables: The fair value of other receivables and payables is calculated by using recent life expectancy tables with a discount rate of 5%.

CALIFORNIA STATE UNIVERSITY FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 8 – Fair Value Measurements (Continued)

The following tables present assets that are measured at fair value on a recurring basis at June 30, 2015 and 2014:

	<u>Balance at June 30, 2015</u>	<u>Fair Value Measurements at Reporting Date</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Cash and cash equivalents	\$ 141,085	\$ 141,085	–	\$ –
Common stock and options	3,576,212	3,576,212	–	–
Mutual funds	14,156,799	14,156,799	–	–
Exchange-traded and closed-end funds	465,931	465,931	–	–
Alternative investments	4,700,783	–	–	4,700,783
Venture capital and partnerships	<u>281,113</u>	<u>–</u>	<u>–</u>	<u>281,113</u>
	<u>\$ 23,321,923</u>	<u>\$ 18,340,027</u>	<u>None</u>	<u>\$ 4,981,896</u>
Charitable gift annuity assets and liability:				
Cash and cash equivalents	\$ 183,702	\$ 183,702	–	–
Marketable securities	3,606,587	3,606,587	–	–
Fixed income securities	<u>1,806,688</u>	<u>1,806,688</u>	<u>–</u>	<u>–</u>
	<u>\$ 5,596,977</u>	<u>\$ 5,596,977</u>	<u>None</u>	<u>None</u>
Other receivables and payables:	<u>\$ 113,809</u>	<u>None</u>	<u>None</u>	<u>\$ 113,809</u>

CALIFORNIA STATE UNIVERSITY FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 8 – Fair Value Measurements (Continued)

	<u>Balance at June 30, 2014</u>	<u>Fair Value Measurements at Reporting Date</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Cash and cash equivalents	\$ 84,018	\$ 84,018	\$ –	\$ –
Common stock and options	2,025,695	2,025,695	–	–
Mutual funds	16,289,148	16,289,148	–	–
Exchange-traded and closed-end funds	688,859	688,859	–	–
Alternative investments	4,066,995	–	1,046,535	3,020,460
Venture capital and partnerships	330,869	–	–	330,869
	<u>\$ 23,485,584</u>	<u>\$ 19,087,720</u>	<u>\$ 1,046,535</u>	<u>\$ 3,351,329</u>
Charitable gift annuity assets and liability:				
Cash and cash equivalents	\$ 643,648	\$ 643,648	–	–
Marketable securities	3,533,813	3,533,813	–	–
Fixed income securities	1,614,790	1,614,790	–	–
	<u>\$ 5,792,251</u>	<u>\$ 5,792,251</u>	<u>None</u>	<u>None</u>
Other receivables and payables:	<u>\$ 120,309</u>	<u>None</u>	<u>None</u>	<u>\$ 120,309</u>

CALIFORNIA STATE UNIVERSITY FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 8 – Fair Value Measurements (Continued)

The table below presents additional information about assets measured at fair value on a recurring basis using Level 3 inputs to determine fair value:

	<u>Investments in Venture Capital and Partnerships</u>	<u>Alternative Investments</u>	<u>Other Receivables and Payables</u>
Balance at July 1, 2013	\$ 331,350	\$ 2,068,505	\$ 114,200
Realized and unrealized gains, net	56,084	951,955	6,109
Distributions	<u>(56,565)</u>	<u>—</u>	<u>—</u>
Balance at June 30, 2014	330,869	3,020,460	120,309
Realized and unrealized gains (losses), net	30,022	246,356	(6,500)
Purchases and sales, net	—	1,433,967	—
Distributions	<u>(79,778)</u>	<u>—</u>	<u>—</u>
Balance at June 30, 2015	<u>\$ 281,113</u>	<u>\$ 4,700,783</u>	<u>\$ 113,809</u>

All unrealized gains (losses) associated with the investments in venture capital and partnerships, and hedge funds and alternative investments are reported in investment gain (loss) on the statements of activities for the years ended June 30, 2015 and 2014. The unrealized gains (losses) for the other receivables and payables are reflected as an increase or decrease in the respective asset and liability on the statements of financial position as of June 30, 2015 and 2014.

Alternative Investments Reported at Net Asset Value

The following table summarized the Foundation's Alternative investments in funds valued using the fair value practical expedient of net asset value as of June 30, 2015:

	<u>Fair Value June 30, 2015</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period (Days)</u>
Level 3:			
Hedge fund (a)	1,354,203	Quarterly	65
Hedge fund (b)	1,856,603	Quarterly	65
Hedge fund (c)	<u>1,352,817</u>	Semi-Annually	90
	4,563,623		
Private equity fund (d)	<u>137,160</u>	Quarterly	65
	<u>\$ 4,700,783</u>		

CALIFORNIA STATE UNIVERSITY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

NOTE 8 – Fair Value Measurements (Continued)

Alternative Investments Reported at Net Asset Value (Continued)

- (a) Approximately 70% of this fund includes investments in event-driven strategies. These strategies focus on transactional events such as spinoffs, mergers and acquisitions, bankruptcies, recapitalizations and buyback shares, and may also include merger arbitrage and distressed corporate securities.

Approximately 27% of this fund includes investments in relative value strategies. These strategies seek to take advantage of specific pricing anomalies while seeking to maintain minimal exposure to systematic market risk.

- (b) This fund includes investments in US, global and emerging market long/short equity strategies. These strategies focus on bottom-up fundamental company analysis, but may also include top-down macro-based views, market trends and sentiment factors, and investments across sectors in the equity market, both long and short.

While the liquidity of the underlying assets may vary, withdrawals in this portfolio have a one-year lockup with a 4% early redemption penalty, and quarterly withdrawals thereafter with 65 days written notice. At June 30, 2015, there is no remaining lockup restriction. Redemptions in full are subject to a holdback of 10% on redemption proceeds under the sole discretion of the fund's management until the fund's subsequent audit is completed as set forth in more detail in the fund's private placement memorandum. Interest will not be paid on amounts held back.

- (c) Millennium International (Millennium), a multi-strategy hedge fund manager, replaced previous investment manager, Abbey Capital Managed Futures, in the current year. Management believes that Millennium's very low correlation and risk profile is comparable to previous investment manager and will not have a significant impact on the overall portfolio's risk posturing.

The offered shares generally may be redeemed, in whole or in part, upon at least 90 days' prior written notice, on the expiration of a minimum holding period ending on the last day of the eighth full fiscal quarter following the date such offered shares were purchased and, thereafter, as of each six-month anniversary of such date, redemption date, subject to a 33¹/₃% redemption limit that limits the amount of shares any single shareholder may redeem on a single redemption date.

- (d) This fund (Private Advisors Small Company Private Equity Fund) of funds investment capability focuses solely on lower middle market fund managers located in North America. The market segment is defined as private equity fund managers primarily focused on growth equity, buyout, and distressed/turnaround strategies, with fund sizes typically below \$750 million and an emphasis on fund sizes below \$500 million. These fund managers typically target investments in portfolio companies below \$150 million in enterprise value.

CALIFORNIA STATE UNIVERSITY FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 9 – Related-Party Transactions

The Foundation receives grants for the California State University Office of the Chancellor or CSU Campuses, which it then disburses to the respective organization. During the years ended June 30, 2015 and 2014, approximately \$5,273,000 and \$3,153,000, respectively, was disbursed to CSU organizations, and is presented on the accompanying statements of activities as projects grants, and other assistance expenses.

At June 30, 2015 and 2014, the Foundation had approximately \$20,000 and \$504,000 respectively, payable to the California State University Office of the Chancellor, which is included in accounts payable on the accompanying statements of financial position.

During fiscal years 2015 and 2014, the Foundation received contributed services from the California State University Office of the Chancellor for various administrative duties. The value of such contributed services totaled approximately \$291,000 and \$236,000, respectively, and is presented on the accompanying statements of activities as unrestricted contributions and unrestricted administrative expenses.

NOTE 10 – In-Kind Support

During the year ended June 30, 2015, the Foundation received in-kind support totaling \$15,428 presented on the accompanying statement of activities as unrestricted and temporarily restricted contributions and \$23,328 unrestricted other expenses for program services. At June 30, 2015, \$1,300 of the tangible in-kind support was not disbursed and is presented as other current assets on the statements of financial position.

NOTE 11 – Supplemental Disclosure of Noncash Investing and Financing Activities

The Foundation increased investment and alumni council liability for the investment gain on behalf of Alumni Council of \$1,127 and 14,614 during the years ended June 30, 2015 and 2014, respectively.