

**CALIFORNIA STATE UNIVERSITY,
FRESNO FOUNDATION**

ANNUAL REPORT

2017-18

**CALIFORNIA STATE UNIVERSITY, FRESNO FOUNDATION
ANNUAL REPORT**

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California State University Fresno, Foundation
Corporate Information
For the Year Ended June 30, 2018

BOARD OF GOVERNORS:

| | |
|----------------------------|-----------------------------|
| Mr. Darius Assemi | Fresno, California |
| Dr. Joseph I. Castro | Fresno, California |
| Ms. Carol Chandler | Selma, California |
| Mr. Nat DiBuduo | Fresno, California |
| Ms. Octavia Diener | Fresno, California |
| Ms. Joan Eaton | Fresno, California |
| Dr. Eric Hanson | Fresno, California |
| Mr. John E. Horstmann | Fresno, California |
| Mr. Larry Johanson | Fresno, California |
| Ms. Maurine Jones | Fresno, California |
| Mr. Hal Kissler | Fresno, California |
| Hon. Annette LaRue | Fresno, California |
| Mr. Claude C. Laval III | Fresno, California |
| Dr. William M. Lyles | Fresno, California |
| Mr. Jay Mahil | Madera, California |
| Mr. Chris Morse | Fresno, California |
| Ms. Debra Nalchajian-Cohen | Fresno, California |
| Mr. Ken Newby | Fresno, California |
| Hon. Robert H. Oliver | Fresno, California |
| Dr. Joan Otomo-Corgel | Manhattan Beach, California |
| Mr. Dennis Parnagian | Fresno, California |
| Ms. Vinci Ricchiuti | Fresno, California |
| Ms. Yrma Rico | Fresno, California |
| Ms. Kim Ruiz-Beck | Dinuba, California |
| Mr. Mark Ruof | Fresno, California |
| Ms. Lorraine Salazar | Fresno, California |
| Mr. Bill Shaughnessy | Atherton, California |
| Mr. Bill Smittcamp | Clovis, California |
| Mr. George Soares | Sacramento, California |
| Mr. Richard F. Spencer | Fresno, California |
| Mr. Ray Steele, Jr. | Clovis, California |
| Mr. Kyle Stephenson | Fresno, California |
| Mr. Kevin Sweeney | Fresno, California |
| Ms. Dora Westerlund | Fresno, California |
| Dr. Rick Whitten | Fresno, California |
| Mr. A. Emory Wishon III | Fresno, California |

CORPORATE OFFICERS:

| | |
|----------------------|------------|
| Ms. Vinci Ricchiuti | Chair |
| Dr. Eric Hanson | Vice Chair |
| Ms. Octavia Diener | Treasurer |
| Dr. Joseph I. Castro | Secretary |

EXECUTIVE STAFF:

| | |
|-------------------|---|
| Ms. Debbie Astone | Executive Director |
| Mr. Keith Kompasi | Director of Foundation Financial Services |
| Ms. Rina Gonzales | Staff Counsel |

Executive Committee:

| | |
|----------------------|----------------------|
| Ms. Vinci Ricchiuti | Chair |
| Dr. Eric Hanson | Vice Chair |
| Ms. Octavia Diener | Treasurer |
| Dr. Joseph I. Castro | Secretary |
| Mr. Ray Steele, Jr. | Immediate Past Chair |
| Mr. Kyle Stephenson | Member at Large |

California State University Fresno, Foundation
Corporate Information
For the Year Ended June 30, 2018

Audit Committee:

| | |
|---------------------|-------|
| Mr. Kyle Stephenson | Chair |
| Ms. Carol Chandler | |
| Ms. Joan Eaton | |
| Hon. Annette LaRue | |
| Mr. Chris Morse | |
| Mr. Ken Newby | |
| Hon. Robert Oliver | |

Budget Committee

| | |
|----------------------|-------|
| Mr. Ray Steele, Jr. | Chair |
| Mr. Larry Johanson | |
| Mr. Claude Laval III | |
| Mr. Dennis Parnagian | |
| Ms. Yrma Rico | |
| Mr. George Soares | |
| Dr. Rick Whitten | |

Development Committee

| | |
|----------------------------|-------|
| Ms. Debra Nalchajian-Cohen | Chair |
| Mr. Nat DiBuduo | |
| Ms. Maurine Jones | |
| Mr. Jay Mahil | |
| Mr. Chris Morse | |
| Dr. Joan Otomo-Corgel | |
| Ms. Kim Ruiz-Beck | |
| Ms. Lorraine Salazar | |
| Mr. Bill Smittcamp | |
| Ms. Dora Westerlund | |

Governance Committee

| | |
|----------------------|-------|
| Ms. Octavia Diener | Chair |
| Dr. Eric Hanson | |
| Mr. John Horstmann | |
| Mr. Claude Laval III | |
| Mr. Ken Newby | |
| Hon. Robert Oliver | |

Investment Committee

| | |
|-------------------------|-------|
| Mr. A. Emory Wishon III | Chair |
| Mr. Darius Assemi | |
| Mr. Hal Kissler | |
| Mr. William M. Lyles | |
| Mr. Mark Ruof | |
| Mr. Bill Shaughnessy | |
| Mr. Richard Spencer | |
| Mr. Ray Steele, Jr. | |

California State University Fresno, Foundation
Corporate Information
For the Year Ended June 30, 2018

CORPORATE DATA

Executive Offices

4910 N. Chestnut Ave
Fresno, CA 93726-1852
Telephone: (559) 278-0850

Auditors

Moore Grider & Company
Certified Public Accountants
325 E. Sierra Ave.
Fresno, CA 93710-3707
Telephone: (559) 440-0700

Investment Advisors

Goldman Sachs
555 California St.
45th Floor
San Francisco, CA 94104
Telephone: (415) 393-7500



Moore Grider & Company
Certified Public Accountants

*A Partnership Including
Accountancy Corporations
and a Partnership*

Richard L. Holland, C.P.A.

Thomas L. Bell, C.P.A.
Accountancy Corporation

Denise S. Hurst, C.P.A.

Kenneth J. Labendeira, C.P.A., C.FE.
Accountancy Corporation

Pamela J. Gallemore, C.P.A.
Accountancy Corporation

Karl L. Noyes, C.P.A.
Accountancy Corporation

Cory J. Bell, C.P.A.

Kendall K. Wheeler, C.P.A.

Tom Collins, C.P.A.
Accountancy Corporation

Aaron C. Studt, C.P.A.

Carrie M. Wiebe, C.P.A., C.FE.
Accountancy Corporation

Lozano, Lozano & Company
Accountancy Partnership with partners:

Phil A. Lozano, C.P.A.

Ginger A. Lozano, C.P.A.

Kelli D. Steele, C.P.A.

Julie B. Fillmore, C.P.A.

Oscar Espinoza, C.P.A.

Lisa Brown, C.P.A., C.FE.

Stalin Hernandez, C.P.A.

Michiko Rosenthal, C.P.A.

Abel M. Cabello, E.A.

L. Jerome Moore, C.P.A.
1923-2016

Robert E. Grider, C.P.A.
Retired

INDEPENDENT AUDITORS' REPORT

Board of Governors
California State University, Fresno Foundation
Fresno, California

Report on the Financial Statements

We have audited the accompanying financial statements of California State University, Fresno Foundation, which comprise the statements of financial position as of June 30, 2017 and 2018, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California State University, Fresno Foundation as of June 30, 2017 and 2018, 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.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. On pages 30 to 36, the accompanying schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying supplementary information on pages 37 - 38 is presented for purposes of additional analysis and is also not a required part of the financial statements. The information reflected on pages 46 to 51 is presented as required by the Chancellor of the California State University. Such information and the schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 19, 2018, on our consideration of California State University, Fresno Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of California State University, Fresno Foundation's 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 California State University, Fresno Foundation's internal control over financial reporting and compliance.

Moore Gilder & Company

Fresno, California
September 19, 2018

CALIFORNIA STATE UNIVERSITY, FRESNO FOUNDATION
THE CALIFORNIA STATE UNIVERSITY AUXILIARY ORGANIZATION
STATEMENTS OF FINANCIAL POSITION
AT JUNE 30 2017 AND 2018

| | 2017 TOTAL | 2018 TOTAL |
|---|-----------------------|-----------------------|
| <u>ASSETS</u> | | |
| Current Assets: | | |
| Cash and cash equivalents (Note 1, Pg. 9) | \$ 39,021,839 | \$ 42,577,718 |
| Receivables: | | |
| Grants and contracts | 7,958,971 | 8,973,709 |
| Pledges receivable (Note 2) | 1,241,073 | 1,801,084 |
| Other accounts receivable | 7,779,360 | 8,412,763 |
| Notes receivable, net (Note 3) | 30,127 | 5,322 |
| Total Receivables | 17,009,531 | 19,192,878 |
| Prepaid expenses | 93,255 | 93,508 |
| Total Current Assets | 56,124,625 | 61,864,104 |
| Long-term investments, at market (Note 4) | 135,148,522 | 143,903,274 |
| Non-current receivables: | | |
| Pledges receivable (Note 2) | 4,505,247 | 3,570,038 |
| Allowance for uncollectibles | (180,000) | (180,000) |
| Net pledges receivable | 4,325,247 | 3,390,038 |
| Notes receivable, net (Note 3) | 319,660 | 355,140 |
| Total non-current receivables | 4,644,907 | 3,745,178 |
| Land and improvements | 520,563 | 454,658 |
| Capital Assets: | | |
| Equipment | 595,814 | 602,391 |
| Less accumulated depreciation | (516,202) | (543,233) |
| Net Capital Assets | 79,612 | 59,158 |
| TOTAL ASSETS | \$ 196,518,229 | \$ 210,026,372 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable | \$ 2,480,986 | \$ 2,064,494 |
| Accrued salaries and benefits payable | 1,065,416 | 1,162,935 |
| Receipts in excess of expenditures on specific sponsored programs | 3,141,777 | 4,830,973 |
| Accrued compensated balances | 69,985 | 67,984 |
| Unitrust agreement liabilities - current portion (Note 8) | 30,540 | 31,457 |
| Annuity agreement liabilities - current portion (Note 8) | 31,547 | 34,114 |
| Total Current Liabilities | 6,820,251 | 8,191,957 |
| Long-term liabilities: | | |
| Accounts payable | 680,710 | 700,939 |
| Notes payable (Note 9) | 2,000,000 | 2,000,000 |
| Annuity agreement liabilities - long-term portion (Note 8) | 202,228 | 168,104 |
| Agency accounts | 2,547,779 | 2,741,053 |
| Total Liabilities | 12,250,968 | 13,802,053 |
| Net Assets: | | |
| Unrestricted (deficit) | (2,006,400) | (105,430) |
| Unrestricted-board designated reserves (Note 10) | 3,224,933 | 2,855,162 |
| Temporarily restricted (Note 11) | 75,864,219 | 78,474,053 |
| Permanently restricted (Note 12) | 107,184,509 | 115,000,535 |
| Total Net Assets | 184,267,261 | 196,224,320 |
| TOTAL LIABILITIES & NET ASSETS | \$ 196,518,229 | \$ 210,026,372 |

The accompanying notes are an integral part of the financial statements

CALIFORNIA STATE UNIVERSITY, FRESNO FOUNDATION
THE CALIFORNIA STATE UNIVERSITY AUXILIARY ORGANIZATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2018

| | 2017 TOTAL | 2018 TOTAL |
|---|-----------------------|-----------------------|
| <u>Changes in Unrestricted Net Assets:</u> | | |
| Revenues, Gains and Other Support: | | |
| Federal grants and contracts | \$ 21,937,945 | \$ 21,700,934 |
| State grants and contracts | 8,350,262 | 8,087,564 |
| Other grants and contracts | 3,498,139 | 3,834,588 |
| Indirect cost recovery from sponsored programs | 3,092,967 | 3,058,042 |
| Handling fees | 294,964 | 288,428 |
| Investment income | 3,284,367 | 2,459,590 |
| Realized/unrealized gains (losses) | 2,323,181 | 344,943 |
| Endowment administrative fees | 1,561,000 | 1,561,000 |
| Income for campus support | 8,649,810 | 8,486,419 |
| Other | 52,229 | 1,052 |
| Net assets released from restrictions: | | |
| expiration of donor-imposed restrictions (Note 11) | 14,796,953 | 15,778,694 |
| Total Unrestricted Revenues, Gains and Other Support | 67,841,816 | 65,601,254 |
| Expenses and Losses: | | |
| Instruction | 11,353,202 | 10,100,084 |
| Public service | 16,621,641 | 16,978,834 |
| Research | 5,811,503 | 6,544,169 |
| Special Programs | 2,567,018 | 2,962,026 |
| Campus Support | 15,951,419 | 16,252,312 |
| Student grants and scholarships | 3,825,223 | 4,024,760 |
| Management and general (Note 7) | 3,280,835 | 3,496,871 |
| Endowment administrative fees | 1,561,000 | 1,561,000 |
| Donations to agency accounts (surplus allocation) | 2,150,000 | 2,150,000 |
| Total Expenses and Losses (Note 15) | 63,121,842 | 64,070,056 |
| Changes in Unrestricted Net Assets | 4,719,974 | 1,531,198 |
| <u>Changes in Temporarily Restricted Net Assets:</u> | | |
| Gain (loss) on investments: | | |
| Realized | \$ (150,327) | \$ 1,377,900 |
| Unrealized | 4,577,850 | (1,415,390) |
| Investment income | 5,768,219 | 8,857,813 |
| Contributions - Net | 5,071,971 | 7,011,103 |
| Non-operating expense | 1,702,227 | 2,557,102 |
| Net assets released from restrictions (Note 11) | (14,796,953) | (15,778,694) |
| Changes in Temporarily Restricted Net Assets | 2,172,987 | 2,609,834 |
| <u>Changes in Permanently Restricted Net Assets:</u> | | |
| Contributions | 915,968 | 6,815,739 |
| Gain on sale of land | 0 | 1,001,204 |
| Change in value of split interest agreements (Note 8) | 1,068 | (917) |
| Changes in Permanently Restricted Net Assets | 917,036 | 7,816,026 |
| Total Increase (Decrease) in Net Assets | 7,809,997 | 11,957,059 |
| Net Assets at Beginning of Year | 176,457,264 | 184,267,261 |
| Net Assets at End of Year | \$ 184,267,261 | \$ 196,224,320 |

The accompanying notes are an integral part of the financial statements

CALIFORNIA STATE UNIVERSITY, FRESNO FOUNDATION
THE CALIFORNIA STATE UNIVERSITY AUXILIARY ORGANIZATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2018

| | 2017 TOTAL | 2018 TOTAL |
|---|----------------------|----------------------|
| Cash flows from operating activities: | | |
| Increase (decrease) in net assets | \$ 7,809,997 | \$ 11,957,059 |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 39,708 | 27,031 |
| Bad debt expense | 150,000 | 383,655 |
| Forgiveness of notes receivable | 36,055 | 5,000 |
| Contributions restricted for long-term investment | (965,549) | (6,939,829) |
| Transfers to campus programs | 1,300,000 | 300,000 |
| Net realized and unrealized (gains) and losses on investments | (10,713,567) | (7,264,514) |
| Changes in value of split interest agreements | 49,338 | 48,959 |
| Gain on sale of land | 0 | (1,001,204) |
| Changes in assets and liabilities: | | |
| Grants, contracts and accounts receivable | 113,605 | (1,648,140) |
| Pledges receivable | (17,909) | (8,457) |
| Prepaid expenses | (34,054) | (252) |
| Accounts payable | 1,393,451 | (396,262) |
| Accrued salaries and benefits | 85,717 | 97,519 |
| Accrued compensated balances | 5,100 | (2,001) |
| Receipts in excess of expenditures | (139,452) | 1,689,196 |
| Agency accounts | 329,339 | 193,274 |
| Net cash provided (used) by operating activities | (558,221) | (2,558,966) |
| Cash flows from investing activities: | | |
| Purchase of investments | (4,572,657) | (9,394,110) |
| Proceeds from sales and maturities of investments | 7,119,639 | 7,603,868 |
| Increase in notes receivable | (122,466) | (63,126) |
| Payments received on notes receivable | 25,078 | 47,451 |
| Acquisition of capital assets | (28,151) | (6,577) |
| Proceeds from sales of capital assets | 0 | 1,067,109 |
| Net cash provided (used) by investing activities | 2,421,443 | (745,385) |
| Cash flows from financing activities: | | |
| Contributions restricted for long-term investment | 965,549 | 6,939,829 |
| Payments on split interest agreements | (79,599) | (79,599) |
| Net cash provided (used) by financing activities | 885,950 | 6,860,231 |
| Net increase (decrease) in cash | 2,749,172 | 3,555,880 |
| Cash at beginning of year | 36,272,667 | 39,021,839 |
| Cash at end of year | <u>\$ 39,021,839</u> | <u>\$ 42,577,719</u> |
| Supplemental disclosure of cash flow information | | |
| Cash paid for interest | <u>\$ 30,000</u> | <u>\$ 20,000</u> |

The accompanying notes are an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

CALIFORNIA STATE UNIVERSITY, FRESNO FOUNDATION NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2017 AND 2018

Note 1 – Organization and Significant Accounting Policies

Organization

The California State University, Fresno Foundation (the “Foundation”) was incorporated on June 19, 1931. It is a recognized auxiliary of the California State University and is organized and operated exclusively for educational purposes as a tax-exempt organization under the provisions of section 501(c)(3) of the Internal Revenue Code and section 23701(d) of the California Revenue and Taxation Code. The Foundation was formed and is operated exclusively to receive, hold, invest, and administer property and to make expenditures to or for the benefit of California State University, Fresno (the “University”). The Foundation is supported primarily by revenues generated from the recovery of indirect costs from federal, state and other grants, fees on gifts, donations and other sources and investment earnings.

The financial statements include the accounts of the Foundation and its wholly owned subsidiary, New California Ventures, LLC (the “LLC”), which is a single member limited liability company. The Foundation provided the initial capital contribution when the LLC was formed in 2012. The LLC provides services in exchange for an equity interest in start-up or existing companies, and supports the commercialization of research initiatives connected to the University. The net assets of the LLC are considered to be temporarily restricted as the funds are not available for the general operations of the Foundation.

Basis of Accounting

The Foundation maintains its accounting records and prepares its financial statements on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

Financial statement presentation is in accordance with generally accepted accounting principles for not-for-profit organizations. Under this guidance, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in banks and unrestricted highly liquid investments. The Foundation maintains all of its cash and cash equivalents in accounts held with a large national bank (\$3,281,180 and \$3,236,307 for the years ended June 30, 2017 and 2018, respectively), in the State of California Local Agency Investment Fund (LAIF) (\$6,899 and \$6,981 for the years ended June 30, 2017 and 2018, respectively), and within a balanced investment portfolio with Goldman Sachs (\$35,733,760 and \$39,334,431 for the years ended June 30, 2017 and 2018, respectively).

The Federal Depository Insurance Corporation insures cash balances held in banks up to \$250,000. At June 30, 2017 and 2018 the Foundation’s uninsured cash balances held in banks totaled \$4,827,715 and \$4,018,814, respectively. Management believes that the Foundation’s diversification of cash deposits, combined with prudent business practices help assure that, in accordance with 45 Code of Federal Regulations, Part 74.21(b)(3), any Federal deposits in excess of insurance or collateralization are adequately safeguarded.

NOTES TO THE FINANCIAL STATEMENTS

Accounts Receivable

Accounts receivable are stated at unpaid balances. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Foundation's policy to write off uncollectible accounts receivable when management determines the receivable will not be collected. The Foundation maintains a Reserve for Contingency – Sponsored Programs against which such write-offs can occur.

Investments

Investments are primarily held in mutual funds, equity securities, hedge funds, and U.S. treasury securities and are reported at fair value based upon quoted market price. Any temporary difference between cost and fair value of an investment is presented as a separate component of change in net assets. The specific identification method is used to determine realized gains and losses on investments.

The Foundation maintains master investment accounts for its donor-restricted and board-designated endowments. Realized and unrealized gains and losses from investments in the master accounts are allocated annually to the individual endowments based on the relationship of the market value of each endowment to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

Capital Assets

Capital assets are reflected on the financial statements at cost. Depreciation is computed using the straight-line method based upon estimated useful lives of three to ten years. The Foundation capitalizes all expenditures in excess of \$5,000 for property and equipment at cost.

Indirect Cost Rate

The Foundation provides accounting and administrative services for grants and contracts entered into by the Foundation on behalf of the University. In many cases, these agreements provide for the reimbursement of indirect costs based on a percentage of the direct costs of the grants and contracts.

The University and the Foundation make every attempt to obtain from the granting agencies the federally approved maximum indirect cost reimbursement rate of 40.0% of the total direct costs of the grant and contract agreements. However, few grant and contract agreements allow for the maximum federal rate. The Foundation's actual average indirect cost reimbursement rate for grants and contracts was 9.2% and 9.1% for the years ended June 30, 2017 and 2018, respectively.

Donor Imposed Restrictions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted donations. Realized and unrealized gains (losses) from securities transactions in the Endowment Fund are recognized as temporarily restricted for those purposes specified by the donors for income from the endowed gift. The Foundation collects reasonable administrative fees on contributions as applicable law permits. Donors have the option for exemption from or reduction of the administrative fees and the Foundation has complied with any request from donors to exercise these options. The Foundation Board of Governors votes annually on the amount of the endowment administrative fees. Currently the administrative fees cannot exceed 2.5% of the fair market value of the funds at June 30 of each year.

NOTES TO THE FINANCIAL STATEMENTS

Pledges Receivable

Unconditional pledges receivable from donors that are expected to be collected within one year are recorded at net realizable value. Long-term pledges receivable that are expected to be collected in a period beyond one year are recorded at a discount using the present value of their estimated future cash flows. The discounts on long-term pledges receivable are computed using risk-free interest rates applicable to the period in which the pledges to give are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Management has determined that an allowance of \$180,000 for both 2017 and 2018 for uncollectible pledges receivable is sufficient based on historical levels of write offs.

Contributed Property and Equipment

Donated property and equipment are recorded at fair market value at the date of donation. If donors stipulate how long the assets must be used or how the proceeds from the sale of the property or equipment are to be used, the donations are recorded as restricted contributions. In the absence of such stipulations, donations of property and equipment are recorded as unrestricted contributions.

Income Taxes

The Foundation is incorporated as a non-profit California corporation and is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

New California Ventures, LLC is a California limited liability company whose sole member is the Foundation. The LLC is a disregarded entity for federal income tax purposes and thus not subject to federal income tax. For California tax purposes, the LLC is subject to an annual tax and LLC fee.

The Foundation classifies interest and penalties on tax assessments as an expense when incurred. For the years ended June 30, 2017 and 2018, interest and penalties totaled \$0.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements. The reclassification had no impact on previously-reported increase in net assets or cash flow information.

NOTES TO THE FINANCIAL STATEMENTS

Note 2 – Pledges Receivable

At June 30, 2017 and 2018, pledges receivable includes the following unconditional pledges to give:

| Pledges Receivable | 2017 | 2018 |
|---|---------------------|---------------------|
| Unconditional pledges to give before unamortized discount and allowance for uncollectible pledges | \$ 7,359,838 | \$ 7,533,158 |
| Less: Unamortized discount | (1,613,518) | (2,162,036) |
| Subtotal | 5,746,320 | 5,371,122 |
| Less: Allowance for uncollectible pledges | (180,000) | (180,000) |
| Net unconditional pledges to give | <u>\$ 5,566,320</u> | <u>\$ 5,191,122</u> |
| Current portion | <u>\$ 1,241,073</u> | <u>\$ 1,801,084</u> |
| Long term portion | <u>\$ 4,505,247</u> | <u>\$ 3,570,038</u> |
| Amounts due in: | | |
| Less than one year | \$ 1,327,948 | \$ 1,927,160 |
| One to five years | 5,938,687 | 1,559,682 |
| More than five years | 93,203 | 4,046,316 |
| Total | <u>\$ 7,359,838</u> | <u>\$ 7,533,158</u> |

The average discount rate used to calculate the present value of promises to give expected to be collected in periods beyond one year was 7% for both fiscal years 2017 and 2018. Pledges receivable are considered a nonrecurring Level 3 asset under the fair value hierarchy established by ASC 820. For pledges receivable that are due within one year, carrying amount is a reasonable estimate of fair value. For pledges receivable that are due in more than one year, fair value is estimated at the present value of estimated future cash flows, using a 7% discount rate.

| Pledges receivable activity are as follows: | 2017 | 2018 |
|---|---------------------|---------------------|
| Beginning of year balance | \$ 7,430,365 | \$ 7,359,838 |
| New pledges | 1,787,000 | 2,217,655 |
| Pledge payments received | (1,707,527) | (1,660,680) |
| Write-offs | (150,000) | (383,655) |
| End of year balance | <u>\$ 7,359,838</u> | <u>\$ 7,533,158</u> |

Note 3 – Notes Receivable

The Foundation maintains a Student Loan Fund that allows students to borrow funds as approved by the University's Office of Financial Aid. The Foundation did not write off any uncollectable student loans for both fiscal years 2017 and 2018. Management believes the current reserve level is adequate for future uncollectible student loans. Certain loan programs allow students to have their loans forgiven if they perform either a service learning or governmental service program. Student loans forgiven for the years ended June 30, 2017 and 2018 totaled \$36,055 and \$5,000, respectively.

NOTES TO THE FINANCIAL STATEMENTS

Notes receivable for the years ended June 30, 2017 and 2018 are as follows:

| Note Receivable (Interest Rate) | 2017 | 2018 |
|--|-------------|-------------|
| Student loans (1% - 12%) | \$ 352,287 | \$ 362,962 |
| Less allowance for uncollectible student loans | (2,500) | (2,500) |
| Net notes receivable | \$ 349,787 | \$ 360,462 |
| Current portion | \$ 30,127 | \$ 5,322 |
| Long term portion | \$ 319,660 | \$ 355,140 |

Note 4 – Long-Term Investments

Generally accepted accounting principles require the Foundation to report investments in securities at fair value and to recognize and report realized and unrealized gains or losses in the statements of activities.

Unrealized gains or losses occur when the fair value of investments increases or decreases as of June 30th each year. Realized gains or losses occur when an investment is sold. However, the amount of the realized gain or loss reflected on the statements of activities should not include any unrealized gain or loss recognized in prior years. With the large number of securities comprising long-term investments, it is impractical for the Foundation to determine the amount of unrealized gain or loss previously recognized on securities sold during the years ended June 30, 2017 and 2018. Recognizing realized gains (losses) and the unrealized gains (losses) in the current period does properly account for the required adjustment to reflect investments at fair value as of June 30, 2017 and 2018.

Long-term investment activity at fair value for the year ended June 30, 2017 is as follows:

| Long-term investments | Total |
|--|-----------------------|
| Long-term investments at beginning of year | \$ 128,281,937 |
| Additions | 1,178,090 |
| Amounts withdrawn for scholarships and donor restricted purposes | (7,119,639) |
| Return on investments: | |
| Dividends and interest (net of investment fees of \$557,469) | 2,094,567 |
| Realized gains | 3,212,866 |
| Unrealized gains | 7,500,701 |
| Total return on investments | 12,808,134 |
| Long-term investments at end of year | <u>\$ 135,148,522</u> |

NOTES TO THE FINANCIAL STATEMENTS

Long-term investment activity at fair value for the year ended June 30, 2018 is as follows:

| Long-term investments | Total |
|--|-----------------------|
| Long-term investments at beginning of year | \$ 135,148,522 |
| Additions | 6,946,114 |
| Amounts withdrawn for scholarships and donor restricted purposes | (7,603,868) |
| Return on investments: | |
| Dividends and interest (net of investment fees of \$518,842) | 2,147,992 |
| Realized gains | 5,216,896 |
| Unrealized gains | 2,047,618 |
| Total return on investments | 9,412,506 |
| Long-term investments at end of year | <u>\$ 143,903,274</u> |

Long-term investments at fair value consist of the following:

| Long-term investments | 2017 | 2018 |
|--|-----------------------|-----------------------|
| Corporate bonds | \$ 4,588,889 | \$ 5,886,175 |
| Mutual funds | 60,162,405 | 67,122,701 |
| Money Market funds | 243,842 | 1,403,164 |
| Mortgage backed securities | 4,550,210 | 5,312,861 |
| Municipal bonds | 422,155 | 392,205 |
| US agency securities | 255,251 | 286,200 |
| U.S. treasury securities | 10,725,760 | 11,484,822 |
| Equity securities | 23,773,195 | 15,394,423 |
| Alternative investments: | | |
| Private equity | 7,720,664 | 13,115,496 |
| Hedge funds | 18,348,568 | 19,400,927 |
| Real estate investments | 3,731,673 | 3,180,693 |
| Other alternative investment types | 52,161 | 52,580 |
| Life income contracts | 370,560 | 361,800 |
| Investment in LLC | 203,189 | 509,227 |
| Total long-term investments, at market | <u>\$ 135,148,522</u> | <u>\$ 143,903,274</u> |

Note 5 – Fair Value Measurements

Generally accepted accounting principles establishes a framework for measuring fair value. FASB ASC 820 applies to all financial statements that are being measured and reported on a fair value basis.

FASB ASC 820 defines fair value as 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. FASB ASC 820 establishes 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

NOTES TO THE FINANCIAL STATEMENTS

liabilities (Level 1 measurements) and the lowest priority to measurements involving significant observable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities. Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Inputs other than quoted prices within Level 1 that are observable, either directly or indirectly. Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 – Inputs are unobservable. Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounts cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The asset's 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.

As a practical expedient, the Foundation is permitted under GAAP to estimate the fair value of an investment at the measurement date using the reported net asset value (NAV) without further adjustment unless the entity expects to sell the investment at a value other than NAV or the NAV is not calculated in accordance with GAAP. The Foundation's investments in certain private equity and hedge funds in the alternative investment portfolio are generally valued based on the most current NAV received. This amount represents fair value of these investments at June 30, 2017 and 2018.

Following is a description of the valuation methodologies used to measure fair value. There have been no changes in the methodologies used at June 30, 2017 and 2018.

Cash and Cash Equivalents, Corporate Bonds, Mutual Funds, Money Market Funds, Mortgage Backed Securities, Municipal Bonds, U.S. Agency Securities, U.S. Treasury Securities, and Equity Securities are valued at the closing price reported on the active or observable market on which the individual securities are traded.

Alternative Investments are valued based on the net asset values provided by the fund manager and other market factors. Other factors 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 methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while 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.

NOTES TO THE FINANCIAL STATEMENTS

The table below presents the level within the fair value hierarchy at which investments are measured on a recurring basis at June 30, 2017:

| Recurring | Total | Level 1 | Level 2 | Level 3 | Net Asset Value (NAV) |
|---|-----------------------|-----------------------|----------------|------------------|------------------------------|
| Short-term investments:* | | | | | |
| State of California Local Agency Investment Fund (LAIF) | \$ 6,899 | \$ 6,899 | \$ 0 | \$ 0 | \$ 0 |
| Corporate bonds | 1,520,210 | 1,520,210 | 0 | 0 | 0 |
| Mutual funds | 20,660,025 | 20,660,025 | 0 | 0 | 0 |
| Money market funds | 16,008 | 16,008 | 0 | 0 | 0 |
| Mortgage backed securities | 1,485,716 | 1,485,716 | 0 | 0 | 0 |
| U.S. agency securities | 81,680 | 81,680 | | | |
| U.S. treasury securities | 3,624,836 | 3,624,836 | 0 | 0 | 0 |
| Equity securities | 3,742,009 | 3,742,009 | 0 | 0 | 0 |
| Alternative investments: | | | | | |
| Hedge funds | 3,621,377 | 0 | 0 | 0 | 3,621,377 |
| Real estate investments | 981,899 | 981,899 | 0 | 0 | 0 |
| Total short-term investments | 35,740,659 | 32,119,282 | 0 | 0 | 3,621,377 |
| Long-term investments: | | | | | |
| Corporate bonds | \$ 4,588,889 | \$ 4,588,889 | \$ 0 | \$ 0 | \$ 0 |
| Mutual funds | 60,162,405 | 60,162,405 | 0 | 0 | 0 |
| Money market funds | 243,842 | 243,842 | 0 | 0 | 0 |
| Mortgage backed securities | 4,550,210 | 4,550,210 | 0 | 0 | 0 |
| Municipal bonds | 422,155 | 422,155 | 0 | 0 | 0 |
| U.S. agency securities | 255,251 | 255,251 | 0 | 0 | 0 |
| U.S. treasury securities | 10,725,760 | 10,725,760 | 0 | 0 | 0 |
| Equity securities | 23,773,195 | 23,773,195 | 0 | 0 | 0 |
| Alternative investments: | | | | | |
| Private equity | 7,720,664 | 0 | 0 | 0 | 7,720,664 |
| Hedge funds | 18,348,568 | 0 | 0 | 0 | 18,348,568 |
| Real estate investments | 3,731,673 | 3,731,673 | 0 | 0 | 0 |
| Other alternative | 52,161 | 52,161 | 0 | 0 | 0 |
| Life income contracts | 370,560 | 327,810 | 0 | 42,750 | 0 |
| Investment in LLC | 203,189 | 153,189 | 0 | 50,000 | 0 |
| Total long-term investments, at market | 135,148,522 | 108,986,540 | 0 | 92,750 | 26,069,232 |
| Total | \$ 170,889,181 | \$ 141,105,822 | \$ 0 | \$ 92,750 | \$ 29,690,609 |

* Amounts included in cash and cash equivalents on the Statements of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS

The table below presents the level within the fair value hierarchy at which investments are measured on a recurring basis at June 30, 2018:

| Recurring | Total | Level 1 | Level 2 | Level 3 | Net Asset Value (NAV) |
|---|-----------------------|-----------------------|-------------|-------------------|-----------------------|
| Short-term investments:* | | | | | |
| State of California Local Agency Investment Fund (LAIF) | \$ 6,981 | \$ 6,981 | \$ 0 | \$ 0 | \$ 0 |
| Corporate bonds | 2,139,023 | 2,139,023 | 0 | 0 | 0 |
| Mutual funds | 22,568,142 | 22,568,142 | 0 | 0 | 0 |
| Money market funds | 94,774 | 94,774 | 0 | 0 | 0 |
| Mortgage backed securities | 1,967,330 | 1,967,330 | 0 | 0 | 0 |
| U.S. agency securities | 108,211 | 108,211 | | | |
| U.S. treasury securities | 4,276,518 | 4,276,518 | 0 | 0 | 0 |
| Equity securities | 3,429,748 | 3,429,748 | 0 | 0 | 0 |
| Alternative investments: | | | | | |
| Hedge funds | 3,829,077 | 0 | 0 | 0 | 3,829,077 |
| Real estate investments | 921,608 | 921,608 | 0 | 0 | 0 |
| Total short-term investments | 39,341,412 | 35,512,335 | 0 | 0 | 3,829,077 |
| Long-term investments: | | | | | |
| Corporate bonds | \$ 5,886,175 | \$ 5,886,175 | \$ 0 | \$ 0 | \$ 0 |
| Mutual funds | 67,122,701 | 67,122,701 | 0 | 0 | 0 |
| Money market funds | 1,403,164 | 1,403,164 | 0 | 0 | 0 |
| Mortgage backed securities | 5,312,861 | 5,312,861 | 0 | 0 | 0 |
| Municipal bonds | 392,205 | 392,205 | 0 | 0 | 0 |
| U.S. agency securities | 286,200 | 286,200 | 0 | 0 | 0 |
| U.S. treasury securities | 11,484,822 | 11,484,822 | 0 | 0 | 0 |
| Equity securities | 15,394,423 | 15,394,423 | 0 | 0 | 0 |
| Alternative investments: | | | | | |
| Private equity | 13,115,496 | 0 | 0 | 0 | 13,115,496 |
| Hedge funds | 19,400,927 | 0 | 0 | 0 | 19,400,927 |
| Real estate investments | 3,180,693 | 3,180,693 | 0 | 0 | 0 |
| Other alternative | 52,580 | 52,580 | 0 | 0 | 0 |
| Life income contracts | 361,800 | 320,900 | 0 | 40,900 | 0 |
| Investment in LLC | 509,227 | 285,078 | 0 | 224,149 | 0 |
| Total long-term investments, at market | 143,903,274 | 111,121,802 | 0 | 265,049 | 32,516,423 |
| Total | \$ 183,244,686 | \$ 146,634,137 | \$ 0 | \$ 265,049 | \$ 36,345,500 |

* Amounts included in cash and cash equivalents on the Statements of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS

The following schedule shows changes in Level 3 Assets for the years ending June 30, 2017 and 2018:

| | 2017 | 2018 |
|--|------------------|-------------------|
| Level 3 Assets at beginning of year | \$ 42,750 | \$ 92,750 |
| Transfer in (out) of Level 3 | 0 | 0 |
| Purchases | 50,000 | 180,000 |
| Unrealized losses | 0 | (7,701) |
| Level 3 Assets at the end of the year | <u>\$ 92,750</u> | <u>\$ 265,049</u> |

Note 6 – Endowment

Effective July 1, 2008, the Foundation adopted the provisions established by accounting literature for Endowments of Not-for-Profit Foundations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds. The accounting literature provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit Foundation that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also requires disclosures about endowment funds, both donor restricted endowment funds and board-designated endowment funds.

The Foundation's endowment consists of approximately 739 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Governors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Governors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Governors of 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 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, (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 of 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 Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

NOTES TO THE FINANCIAL STATEMENTS

Endowment Net Asset Composition by Type of Fund

Endowment net assets consist of the following at June 30, 2017:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|----------------------------------|-----------------------|------------------------|------------------------|-----------------------|
| Donor-restricted endowment funds | \$ (4,228,874) | \$ 35,798,915 | \$ 105,759,712 | \$ 137,329,753 |
| Board-designated endowment funds | 0 | 0 | 0 | 0 |
| Total endowed net assets | <u>\$ (4,228,874)</u> | <u>\$ 35,798,915</u> | <u>\$ 105,759,712</u> | <u>\$ 137,329,753</u> |

Endowment net assets consist of the following at June 30, 2018:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|----------------------------------|-----------------------|------------------------|------------------------|-----------------------|
| Donor-restricted endowment funds | \$ (3,883,931) | \$ 37,018,186 | \$ 113,454,844 | \$ 146,589,099 |
| Board-designated endowment funds | 0 | 0 | 0 | 0 |
| Total endowed net assets | <u>\$ (3,883,931)</u> | <u>\$ 37,018,186</u> | <u>\$ 113,454,844</u> | <u>\$ 146,589,099</u> |

Changes in Endowment Net Assets

The following schedule shows changes in endowment net assets for the year ending June 30, 2017:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|-----------------------|------------------------|------------------------|-----------------------|
| Endowment net assets, July 1, 2016 | \$ (6,552,055) | \$ 33,757,017 | \$ 104,930,903 | \$ 132,135,865 |
| Activity in pooled endowment assets: | | | | |
| Investment return: | | | | |
| Investment income | 0 | 8,027,985 | 0 | 8,027,985 |
| Net appreciation | 0 | 4,427,524 | 0 | 4,427,524 |
| Total investment return | 0 | 12,455,509 | 0 | 12,455,509 |
| Contributions * | 0 | 6,000 | 842,355 | 848,355 |
| Transfers to campus programs | 0 | (1,300,000) | 0 | (1,300,000) |
| Appropriation of endowment assets for expenditure | 0 | (7,111,114) | 0 | (7,111,114) |
| Net increase (decrease) in pooled endowment assets | 0 | (8,405,114) | 842,355 | (7,562,759) |
| Net increase (decrease) in other endowment net assets * | 0 | 314,684 | (13,546) | 301,138 |
| Restoration of prior endowment fund deficiency | 2,323,181 | (2,323,181) | 0 | 0 |
| Endowment net assets, June 30, 2017 | <u>\$ (4,228,874)</u> | <u>\$ 35,798,915</u> | <u>\$ 105,759,712</u> | <u>\$ 137,329,753</u> |
| * Note: Some contributions shown within pooled endowment activity relate to other endowment net assets (including pledges receivable). | | | | |

NOTES TO THE FINANCIAL STATEMENTS

The following schedule shows changes in endowment net assets for the year ending June 30, 2018:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|-----------------------|---------------------------|---------------------------|-----------------------|
| Endowment net assets, July 1, 2017 | \$ (4,228,874) | \$ 35,798,915 | \$ 105,759,712 | \$ 137,329,753 |
| Activity in pooled endowment assets: | | | | |
| Investment return: | | | | |
| Investment income | 0 | 9,136,103 | 0 | 9,136,103 |
| Net appreciation (depreciation) | 0 | (37,490) | 0 | (37,490) |
| Total investment return | 0 | 9,098,613 | 0 | 9,098,613 |
| Contributions * | 0 | 61,362 | 6,694,845 | 6,756,207 |
| Transfers to campus programs | 0 | (300,000) | 0 | (300,000) |
| Appropriation of endowment assets for expenditure | 0 | (7,509,405) | 0 | (7,509,405) |
| Net increase (decrease) in pooled endowment assets | 0 | (7,748,043) | 6,694,845 | (1,053,198) |
| Net increase (decrease) in other endowment net assets * | 0 | 213,644 | (917) | 212,727 |
| Gain on sale of land | 0 | 0 | 1,001,204 | 1,001,204 |
| Restoration of prior endowment fund deficiency | 344,943 | (344,943) | 0 | 0 |
| Endowment net assets, June 30, 2018 | <u>\$ (3,883,931)</u> | <u>\$ 37,018,186</u> | <u>\$ 113,454,844</u> | <u>\$ 146,589,099</u> |
| * Note: Some contributions shown within pooled endowment activity relate to other endowment net assets (including pledges receivable). | | | | |

NOTES TO THE FINANCIAL STATEMENTS

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets

| | 2017 | 2018 |
|--|-----------------------|-----------------------|
| Permanently Restricted Net Assets | | |
| The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA | \$ 105,759,712 | \$ 113,454,844 |
| Total endowment funds classified as permanently restricted net assets | <u>\$ 105,759,712</u> | <u>\$ 113,454,844</u> |
| Temporarily Restricted Net Assets | | |
| Term endowment funds | \$ 0 | \$ 0 |
| The portion of perpetual endowment funds subject to a time restriction under UPMIFA: | | |
| Without purpose restrictions | 0 | 0 |
| With purpose restrictions | 35,798,915 | 37,018,186 |
| Total endowment funds classified as temporarily restricted net assets | <u>\$ 35,798,915</u> | <u>\$ 37,018,186</u> |

Endowment Funds with Deficiencies

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. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets as of June 30, 2017 and 2018 are \$4,228,874 and \$3,883,931, respectively. Therefore, the deficiency decreased during the years ended June 30, 2017 and 2018 by \$2,323,181 and \$344,943, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Governors.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Governors, the endowment assets are invested in a manner that is intended to produce results consistent with an overall objective of safety of principal combined with capital appreciation. Since the Foundation has long-term investment goals, some risk of principal is acceptable to achieve higher overall returns. The investments of the funds, which include equities, should exceed the rate of inflation by four percent (4%), over full market cycles.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

NOTES TO THE FINANCIAL STATEMENTS

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation Board each year approves an appropriation for distribution from its endowment to University programs after considering the analysis and input from its Investment and Budget Committees who, in turn, consider factors contained within UPMIFA, as well as the needs of University programs that benefit from the distribution. The distribution is measured as a percentage of its endowment fund's average fair value over the prior twelve (12) quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow consistent with its return objectives and risk parameters. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The total endowment payout for the years ended June 30, 2017 and 2018 (as a percentage of the endowment's average market value for the twelve (12) quarters ending the preceding December 31), was 5.09% and 5.51%, respectively.

Note 7 – Management Services

The Foundation receives corporate management and financial services from the California State University, Fresno Association, Inc. ("Association") through a Management Services Agreement (MSA). The Foundation's gross administrative fees paid to the Association for the years ended June 30, 2017 and 2018 were \$711,185 and \$722,934, respectively.

The Foundation also reimburses the Association for the salaries and benefits of the Foundation Financial Services staff. The amount reimbursed for the years ended June 30, 2017 and 2018 were \$916,111 and \$886,459, respectively. Benefit reimbursement includes current year defined benefit pension contributions and retired employees' health benefit payments for persons employed by the Association but performing services for the Foundation. The disclosures relating to these plans are not considered significant to the Foundation's financial statements.

The above amounts are included in management and general expenses on the Statements of Activities.

Note 8 – Unitrust and Annuity Agreement Liabilities

Unitrust Agreement consists of the following:

Unitrust Agreement No. 2

On June 15, 1998, a unitrust agreement was established by donors under which stock was contributed to a trust for which the Foundation is acting as trustee and will receive the residual value of trust assets upon the death of the donor. The stock was sold during fiscal year 1999 and the Foundation received net proceeds of approximately \$106,000. The annuity liability was recorded at approximately \$74,000 and beginning on September 30, 1998, quarterly payments of \$2,120 to the donor commenced under the terms of the unitrust agreement. In May 2002, an additional gift of stock was received from the donor and the stock was sold in June 2002 with an initial fair value of \$506,000. An additional annuity liability was recorded in the amount of approximately \$307,000 and beginning on September 30, 2002, additional quarterly payments of \$10,120 to the donor commenced. The life of Unitrust Agreement No. 2 was originally estimated to be 13.9 years.

Financial information related to the Unitrust Agreement is as follows for the year ended June 30, 2017:

| | Initial Fair Value | Initial Net Contribution ^A | 6/30/17 Fair Value | 6/30/17 Liability Present Value ^B | 6/30/17 Net Value ^C | Fiscal 2017 Change in Split Interest Value ^D | Present Value Discount Rate | Unitrust Payment Rate ^F | Remain-ing Life (years) ^E |
|-------|--------------------|---------------------------------------|--------------------|--|--------------------------------|---|-----------------------------|------------------------------------|--------------------------------------|
| No. 2 | 612,021 | 218,362 | 370,269 | 30,540 | 339,729 | 1,068 | 7.0% | 8.0% | 0 |
| Total | \$ 612,021 | \$ 218,362 | \$ 370,269 | \$ 30,540 | \$ 339,729 | \$ 1,068 | | | |

NOTES TO THE FINANCIAL STATEMENTS

Financial information related to the Unitrust Agreement is as follows for the year ended June 30, 2018:

| | Initial Fair Value | Initial Net Contribution ^A | 6/30/18 Fair Value | 6/30/18 Liability Present Value ^B | 6/30/18 Net Value ^C | Fiscal 2018 Change in Split Interest Value ^D | Present Value Discount Rate | Unitrust Payment Rate ^F | Remaining Life (years) ^E |
|-------|--------------------|---------------------------------------|--------------------|--|--------------------------------|---|-----------------------------|------------------------------------|-------------------------------------|
| No. 2 | 612,021 | 218,362 | 364,397 | 31,457 | 332,940 | (917) | 7.0% | 8.0% | 0 |
| Total | \$ 612,021 | \$ 218,362 | \$ 364,397 | \$ 31,457 | \$ 332,940 | \$ (917) | | | |

^A The initial net contribution equals the initial fair value less the initial liability present value at the date of the donation to the Foundation.

^B The liability measured at the present value of expected future cash flows to be paid to the beneficiary.

^C The net value equals the fair value less the liability present value. This represents the net asset value to the Foundation as of June 30.

^D A revaluation of unitrust assets and corresponding liabilities at June 30 resulted in a change in permanently restricted endowment fund net assets, which was included as a change in the value of split interest agreements on the Statements of Activities.

^E Based on life expectancy tables included in the Internal Revenue Code.

^F The unitrust agreement provides that the donors, during their lifetimes, shall be paid an amount equal to the percent of the net fair market value of the assets of the trust (as indicated in the above table), based on a revaluation at the beginning of each taxable year.

Annuity Agreements consist of the following:

Annuity Agreement No. 7

On November 19, 2004, a deferred charitable gift annuity agreement was established by donors under which cash was contributed. The Foundation will receive the residual value of assets upon the death of the donors. The annuity liability was initially recorded at approximately \$16,789. Payments in the amount of \$456.25 are made to the donors on a quarterly basis, beginning on March 31, 2009. As this is a Charitable Gift Annuity, the Foundation remains liable to continue making payments to the donors during their lifetime, regardless of the remaining liability balance. The life of Annuity Agreement No. 7 was originally estimated to be 19.3 years. Wells Fargo is acting as administrator for this charitable gift annuity.

Annuity Agreement No. 8

On October 25, 2005, a deferred charitable gift annuity agreement was established by donors under which cash was contributed. The Foundation will receive the residual value of assets upon the death of the donors. The annuity liability was initially recorded at approximately \$15,932. Payments in the amount of \$468.75 are made to the donors on a quarterly basis, beginning on March 31, 2010. As this is a Charitable Gift Annuity, the Foundation remains liable to continue making payments to the donors during their lifetime, regardless of the remaining liability balance. The life of Annuity Agreement No. 8 was originally estimated to be 18.7 years. Wells Fargo is acting as administrator for this charitable gift annuity.

Annuity Agreement No. 10

On October 13, 2006, a deferred charitable gift annuity agreement was established by donors under which cash was contributed. The Foundation will receive the residual value of assets upon the death of the donors. The annuity liability was initially recorded at approximately \$18,665. Payments in the amount of \$481.25 are made to the donors on a quarterly basis, beginning on September 30, 2010. As this is a Charitable Gift Annuity, the Foundation remains liable to continue making payments to the donors during their lifetime, regardless of the remaining liability balance. The life of Annuity Agreement No. 10 was originally estimated to be 18.2 years. Wells Fargo is acting as administrator for this charitable gift annuity.

NOTES TO THE FINANCIAL STATEMENTS

Annuity Agreement No. 12

On October 11, 2011, a deferred charitable gift annuity agreement was established by donors under which cash was contributed. The Foundation will receive the residual value of assets upon the death of the donors. The annuity liability was initially recorded at approximately \$16,975. Payments in the amount of \$393.75 are made to the donors on a quarterly basis, beginning on January 31, 2014. As this is a Charitable Gift Annuity, the Foundation remains liable to continue making payments to the donors during their lifetime, regardless of the remaining liability balance. The life of Annuity Agreement No. 12 was originally estimated to be 15.3 years. Wells Fargo is acting as administrator for this charitable gift annuity.

Annuity Agreement No. 13

On November 2, 2015, a deferred charitable gift annuity agreement was established by donors under which cash was contributed. The Foundation will receive the residual value of assets upon the death of the donors. The annuity liability was initially recorded at approximately \$14,966. Payments in the amount of \$331.25 are made to the donors on a quarterly basis, beginning on December 31, 2015. As this is a Charitable Gift Annuity, the Foundation remains liable to continue making payments to the donors during their lifetime, regardless of the remaining liability balance. The life of Annuity Agreement No. 13 was originally estimated to be 15.2 years. Wells Fargo is acting as administrator for this charitable gift annuity.

Annuity Agreement No. 14

On November 12, 2015, a deferred charitable gift annuity agreement was established by donors under which cash was contributed. The Foundation will receive the residual value of assets upon the death of the donors. The annuity liability was initially recorded at approximately \$211,728. Payments in the amount of \$10,000 are made to the donors on a quarterly basis, beginning on December 31, 2015. As this is a Charitable Gift Annuity, the Foundation remains liable to continue making payments to the donors during their lifetime, regardless of the remaining liability balance. The life of Annuity Agreement No. 14 was originally estimated to be 6.4 years. Wells Fargo is acting as administrator for this charitable gift annuity.

Financial information related to Annuity Agreements is as follows for the year ended June 30, 2017:

| | <u>Initial Fair Value</u> | <u>Initial Net Contri- bution ^A</u> | <u>6/30/17 Fair Value</u> | <u>6/30/17 Liability Present Value ^B</u> | <u>6/30/17 Net Value ^C</u> | <u>Fiscal 2017 Change in Split Interest Value ^D</u> | <u>Present Value Discount Rate</u> | <u>Annuity Payment Rate ^E</u> | <u>Re- main- ing Life (years) ^F</u> |
|--------------------------|-----------------------------------|--|-------------------------------|---|---|--|--|--|--|
| Nos. 7, 8, 10 & 12 | 100,000 | 35,547 | 140,375 | 53,195 | 87,180 | 3,239 | 7.0% | 7.3% | 10.3 |
| No. 13 | 25,000 | 10,034 | 24,878 | 13,922 | 10,956 | 568 | 7.0% | 5.3% | 13.7 |
| No. 14 | 500,000 | 288,272 | 475,173 | 166,658 | 308,515 | 25,386 | 7.0% | 8.0% | 4.9 |
| Total | \$ 625,000 | \$ 333,853 | \$ 640,426 | \$ 233,775 | \$ 406,651 | \$ 29,193 | | | |

Financial information related to Annuity Agreements is as follows for the year ended June 30, 2018:

| | <u>Initial Fair Value</u> | <u>Initial Net Contri- bution ^A</u> | <u>6/30/18 Fair Value</u> | <u>6/30/18 Liability Present Value ^B</u> | <u>6/30/18 Net Value ^C</u> | <u>Fiscal 2018 Change in Split Interest Value ^D</u> | <u>Present Value Discount Rate</u> | <u>Annuity Payment Rate ^E</u> | <u>Re- main- ing Life (years) ^F</u> |
|--------------------------|-----------------------------------|--|-------------------------------|---|---|--|--|--|--|
| Nos. 7, 8, 10 & 12 | 100,000 | 35,547 | 89,589 | 49,715 | 39,874 | 3,480 | 7.0% | 7.3% | 9.3 |
| No. 13 | 25,000 | 10,034 | 26,583 | 13,323 | 13,260 | 599 | 7.0% | 5.3% | 12.7 |
| No. 14 | 500,000 | 288,272 | 492,701 | 139,180 | 353,521 | 27,478 | 7.0% | 8.0% | 3.9 |
| Total | \$ 625,000 | \$ 333,853 | \$ 608,873 | \$ 202,218 | \$ 406,655 | \$ 31,557 | | | |

NOTES TO THE FINANCIAL STATEMENTS

^A The initial net contribution equals the initial fair value less the initial liability present value at the date of the donation to the Foundation.

^B The liability measured at the present value of expected future cash flows to be paid to the beneficiary.

^C The net value equals the fair value less the liability present value. This represents the net asset value to the Foundation as of June 30.

^D Revaluation of annuity assets and corresponding liabilities at June 30 resulted in a change in permanently restricted endowment fund net assets, which was included in contribution income on the Statements of Activities.

^E The annuity agreement provides that the donors, during their lifetimes, shall be paid an amount equal to the percent of the net fair market value of the assets (as indicated in the above table), based on the valuation as of the date of conveyance to the Foundation.

^F Based on life expectancy tables included in the Internal Revenue Code.

Note 9 – Notes Payable

A summary of notes payable as of June 30, 2017 and 2018, is as follows:

| Notes Payable | 2017 | 2018 |
|--|---------------------|---------------------|
| 1.0% Trinity Health Corporation, unsecured, payable in its entirety on or before December 31, 2019, with interest paid annually each December 31 st . | \$ 2,000,000 | \$ 2,000,000 |
| Less portion considered current | 0 | 0 |
| Long term portion | <u>\$ 2,000,000</u> | <u>\$ 2,000,000</u> |

Maturities of long term debt for the next five years are as follows:

| Years Ended June 30 | Amount | |
|---------------------|---------------------|------------------|
| | Principal | Interest |
| 2019 | \$ 0 | \$ 20,000 |
| 2020 | <u>2,000,000</u> | <u>10,000</u> |
| Total | <u>\$ 2,000,000</u> | <u>\$ 30,000</u> |

Interest accrued during fiscal year 2017 and fiscal year 2018 was \$10,000 each year.

Note 10 – Net Assets: Unrestricted - Board Designated Reserves

Unrestricted net assets include amounts designated by the Foundation's Board of Governors for specific uses. These amounts consist of the following:

Reserve for Contingency - General

The purpose of this reserve is to cover the general cash flow needs of the Foundation to maintain financial viability.

NOTES TO THE FINANCIAL STATEMENTS

Reserve for Contingency – Sponsored Programs (Designated Fund)

The Foundation is the primary fiscal agent for California State University, Fresno, which administers research and special projects funded by Federal agencies. The Federal rules and regulations are very complex and are subject to audit. As such, certain expenditures may be disallowed as a result of an audit. This reserve provides funds for any disallowed costs. Included in “Net Assets, Unrestricted-Board Designated Reserves” are the following:

| Board Designated Reserves | 2017 | 2018 |
|--|---------------------|---------------------|
| General Fund: | | |
| Reserve for Contingency - General | \$ 2,289,806 | \$ 2,412,242 |
| Designated Fund: | | |
| Reserve for Contingency – Sponsored Programs | \$ 488,315 | \$ 342,920 |
| Charitable Gift Annuities Reserve | \$ 100,000 | \$ 100,000 |
| Support for New California Ventures, LLC | \$ 346,812 | \$ 0 |
| Total Board Designated Reserves | \$ 3,224,933 | \$ 2,855,162 |

Management believes that as of June 30, 2017 and 2018 the reserve balances are sufficient for their intended purposes.

Note 11 – Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2017 and 2018 consist of the following:

| | 2017 | 2018 |
|------------------------------|----------------------|----------------------|
| Campus Programs | \$ 34,235,374 | \$ 34,483,970 |
| Loans and Scholarships | 5,626,741 | 6,462,670 |
| Endowments | 35,798,915 | 37,018,186 |
| New California Ventures, LLC | 203,189 | 509,227 |
| | <u>\$ 75,864,219</u> | <u>\$ 78,474,053</u> |

Net assets released by incurring expenses satisfying the restricted purpose:

| | 2017 | 2018 |
|------------------------|----------------------|----------------------|
| Campus Programs | \$ 7,301,608 | \$ 7,765,892 |
| Loans and Scholarships | 698,915 | 717,041 |
| Endowments | 6,796,430 | 7,295,761 |
| | <u>\$ 14,796,953</u> | <u>\$ 15,778,694</u> |

NOTES TO THE FINANCIAL STATEMENTS

Note 12 – Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2017 and 2018 consist of the following:

| | 2017 | 2018 |
|------------------------|-----------------------|-----------------------|
| Loans and Scholarships | \$ 1,424,797 | \$ 1,545,691 |
| Endowment assets | 105,759,712 | 113,454,844 |
| | <u>\$ 107,184,509</u> | <u>\$ 115,000,535</u> |

Note 13 – Non-Cash Transactions

During the year ended June 30, 2017, the Foundation donated to the University equipment and building construction costs of \$386,643 and \$960,763, respectively. During the year ended June 30, 2018, the Foundation donated to the University equipment and building construction costs of \$1,125,515 and \$39,737, respectively. The donation expense is included in Campus Support.

During the year ended June 30, 2017, the Foundation donated equipment to The Agricultural Foundation of California State University, Fresno with a cost of \$1,642. During the year ended June 30, 2018, the Foundation donated equipment to The Agricultural Foundation of California State University, Fresno with a cost of \$10,389. The donation expense is included in Campus Support.

Note 14 – Leases and Agreements

The Foundation has entered into an operating lease for office space at 2600 Tenth St, Berkeley, CA for a sponsored program (Central CA Training Academy-Bay Area Academy). The payment is \$12,053 per month. The lease expires in June 2021.

The Foundation has entered into various operating lease agreements with Dell Financial Services for the use of office equipment by the Fresno State Foundation (4910 N. Chestnut Ave. Fresno, CA). The annual expense for these leases is \$6,040. The leases expire between July 2018 and February 2021.

The Foundation has entered into an operating lease agreement with DeLage Landen Financial Services for the use of office equipment by the Fresno State Foundation (4910 N. Chestnut Ave. Fresno, CA). The payment is \$841 per month. The lease expires in December 2020.

The Foundation has entered into an operating lease for office space at 2743 E. Shaw Ave, Ste 101, Fresno, CA for a sponsored program (Wayfinders). The payment is \$4,250 per month. The lease expires in March 2022.

The Foundation has entered into an operating agreement with the Trustees of the California State University. The purpose of this agreement is to set forth terms and conditions under which the Foundation may operate as an auxiliary organization pursuant to Title 5 of the California Code of Regulations. The agreement expires in June 2022.

Rental expenses under operating leases during the fiscal year 2017 and fiscal year 2018 were \$20,333 and \$20,662, respectively.

Future minimum payments on the leases are as follows:

Year Ended June 30:

| | | |
|------|----|---------|
| 2019 | \$ | 211,771 |
| 2020 | \$ | 214,031 |
| 2021 | \$ | 211,280 |
| 2022 | \$ | 34,000 |

NOTES TO THE FINANCIAL STATEMENTS

Note 15 – Expenses

For the Year Ended June 30, 2017:

| Expenses | Program | General & Administrative | Fund Raising (Development) | Total |
|---|----------------------|---|---------------------------------------|----------------------|
| Salaries and wages | \$ 15,393,291 | \$ 685,764 | \$ 0 | \$ 16,079,055 |
| Fringe benefits | 4,373,924 | 699,860 | | 5,073,784 |
| Equipment | 580,343 | | | 580,343 |
| Student support | 6,488,704 | | | 6,488,704 |
| Campus support | 15,951,419 | | | 15,951,419 |
| Overhead | 3,116,710 | | | 3,116,710 |
| Donations-agency accounts | | 2,150,000 | | 2,150,000 |
| Investment Fees | | 557,469 | | 557,469 |
| Other costs | 9,219,597 | 4,102,230 | 360,000 | 13,681,827 |
| Total | 55,123,988 | 8,195,323 | 360,000 | 63,679,311 |
| Less expenses included with Revenue and Support: | | | | |
| Investment Fees | | (557,469) | | (557,469) |
| Net expenses | <u>\$ 55,123,998</u> | <u>\$ 7,637,854</u> | <u>\$ 360,000</u> | <u>\$ 63,121,842</u> |

For the Year Ended June 30, 2018:

| Expenses | Program | General & Administrative | Fund Raising (Development) | Total |
|---|----------------------|---|---------------------------------------|----------------------|
| Salaries and wages | \$ 15,058,425 | \$ 704,449 | \$ 0 | \$ 15,762,874 |
| Fringe benefits | 4,453,902 | 372,175 | | 4,826,077 |
| Equipment | 818,857 | | | 818,857 |
| Student support | 6,216,788 | | | 6,216,788 |
| Campus support | 16,252,312 | | | 16,252,312 |
| Overhead | 3,065,777 | | | 3,065,777 |
| Donations-agency accounts | | 2,150,000 | | 2,150,000 |
| Investment Fees | | 518,842 | | 518,842 |
| Other costs | 9,595,098 | 5,022,273 | 360,000 | 14,977,371 |
| Total | 55,461,159 | 8,767,739 | 360,000 | 64,588,898 |
| Less expenses included with Revenue and Support: | | | | |
| Investment Fees | | (518,842) | | (518,842) |
| Net expenses | <u>\$ 55,461,159</u> | <u>\$ 8,248,897</u> | <u>\$ 360,000</u> | <u>\$ 64,070,056</u> |

NOTES TO THE FINANCIAL STATEMENTS

Note 16 – 401(k) Profit-Sharing Plan

The Foundation has a 401(k) profit-sharing plan for benefited employees working on grants, contracts, or campus programs. Employer contributions to the plan are based on available budget funding from grantor agencies or campus programs. Employer contributions to the plan charged to sponsored programs or campus programs during fiscal year 2017 and fiscal year 2018 were \$686,509 and \$720,172, respectively.

Note 17 – Post Retirement Obligation

As described in Note 7 – “Management Services”, the Foundation reimburses the Association for retired employees’ health benefit payments for persons employed by the Association but performing services for the Foundation. The Foundation reflects within its Statements of Financial Position the liability associated with these future payments as calculated in accordance with the Defined Benefit Plans Topic of the FASB Accounting Standards Codification. Any change within this calculated balance is reflected within the Statements of Activities as a change in Unrestricted Net Assets.

The post retirement obligation as of June 30, 2017 and 2018, is included in accounts payable (long-term portion) and accrued salaries and benefits payable (current portion) as follows:

| | 2017 | 2018 |
|-------------------|-------------------|-------------------|
| Current portion | \$ 75,161 | \$ 75,161 |
| Long-term portion | <u>585,319</u> | <u>585,319</u> |
| Total | <u>\$ 660,480</u> | <u>\$ 660,480</u> |

As of both June 30, 2017 and 2018, the post retirement obligation is unfunded. Benefit payments during fiscal years 2017 and 2018 totaled \$75,161 and \$75,396 respectively.

Note 18 - Subsequent Events

Management has evaluated subsequent events through September 19, 2018 (date financial statements available to be issued) and determined no events have occurred subsequent to June 30, 2018 that would require adjustment to, or disclosure in the financial statements.

California State University, Fresno Foundation
Schedule of Expenditures of Federal Awards
For Fiscal Year Ended June 30, 2018

| Federal Grantor/Program Title or Cluster Title | Federal CFDA Number | Pass-Through Grantor | Pass-Through Grant Award or Contract Number | Federal Program Expenditures | Expenditures to Subrecipients |
|--|---------------------|---|---|------------------------------|-------------------------------|
| Research & Development Cluster | | | | | |
| U.S. Department of Agriculture: | | | | | |
| Direct programs: | | | | | |
| Agricultural Research Basic and Applied Research | 10.001 | | | \$ 8,672 | |
| Plant and Animal Disease, Pest Control, and Animal Care | 10.025 | | | \$ 48,111 | |
| Alfalfa and Forage Research Program | 10.330 | | | \$ 5,488 | |
| Subtotal U.S. Department of Agriculture direct programs: | | | | \$ 62,271 | \$ - |
| Pass-through programs from: | | | | | |
| Agricultural Research Basic and Applied Research | 10.001 | California State University, Fresno | SA80576 | \$ 59,020 | |
| Agricultural Research Basic and Applied Research | 10.001 | California State University, Fresno | SA82220 | \$ 1,740 | |
| Agricultural Research Basic and Applied Research | 10.001 | California State University, Fresno | SA82935 | \$ 38,986 | |
| Agricultural Research Basic and Applied Research | 10.001 | California State University, Fresno | SA83127 | \$ 6,996 | |
| Agricultural Research Basic and Applied Research | 10.001 | California State University, Fresno | SA83276 | \$ 15,126 | |
| Specialty Crop Block Grant Program - Farm Bill | 10.170 | California State University, Fresno/California Department of Food & Agriculture | SA76628 | \$ 61,631 | \$ 2,345 |
| Specialty Crop Block Grant Program - Farm Bill | 10.170 | California State University, Fresno/California Department of Food & Agriculture | 201601840-03 | \$ 10,786 | |
| Hispanic Serving Institutions Education Grants | 10.223 | California State University, San Bernardino | GT-15144 | \$ 25,137 | |
| Capacity Building for Non-Land Grant Colleges of Agriculture (NLGCA) | 10.326 | | 2017-70001-25985 | \$ 104,919 | |
| Capacity Building for Non-Land Grant Colleges of Agriculture (NLGCA) | 10.326 | | 21A471-02 | \$ 18,552 | |
| Subtotal U.S. Department of Agriculture pass-through programs: | | | | \$ 342,893 | \$ 2,345 |
| Total U.S. Department of Agriculture: | | | | \$ 405,164 | \$ 2,345 |
| National Oceanic and Atmospheric Administration | | | | | |
| Direct programs: | | | | | |
| NOAA Mission-Related Education | 11.008 | | | \$ 2,888 | |
| Subtotal National Oceanic and Atmospheric Administration direct programs: | | | | \$ 2,888 | \$ - |
| Total National Oceanic and Atmospheric Administration | | | | \$ 2,888 | \$ - |
| Department of Commerce: | | | | | |
| Direct Programs: | | | | | |
| Science, Technology, Business and/or Education Outreach | 11.620 | | | \$ 4,728 | |
| Subtotal Department of Commerce direct | | | | \$ 4,728 | \$ - |
| Total Department of Commerce: | | | | \$ 4,728 | \$ - |
| U.S. Department of Defense: | | | | | |
| Direct programs: | | | | | |
| Basic, Applied, and Advanced Research in Science and Engineering | 12.630 | | | \$ 431,128 | |
| Subtotal U.S. Department of Defense direct programs: | | | | \$ 431,128 | \$ - |
| Total U.S. Department of Defense: | | | | \$ 431,128 | \$ - |
| U.S. Department of the Interior: | | | | | |
| Direct programs: | | | | | |
| San Joaquin River Restoration Program | 15.555 | | | \$ 207,500 | \$ 198,327 |
| Subtotal U.S. Department of the Interior direct programs: | | | | \$ 207,500 | \$ 198,327 |
| Total U.S. Department of the Interior: | | | | \$ 207,500 | \$ 198,327 |
| Department of Justice: | | | | | |
| Pass-through programs from: | | | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | | 0076159/00054545 | \$ 19,630 | |
| Subtotal Department of Justice pass-through programs: | | | | \$ 19,630 | \$ - |
| Total U.S. Department of Justice | | | | \$ 19,630 | \$ - |
| National Aeronautics and Space Administration: | | | | | |
| Pass-through programs from: | | | | | |
| Science | 43.001 | Princeton University | SUB0000073 | \$ 30,205 | |
| Technology Transfer | 43.002 | Jet Propulsion Laboratory | 1556698 | \$ 180,920 | |
| Subtotal National Aeronautics and Space Administration pass-through programs: | | | | \$ 211,125 | \$ - |
| Total U.S. Department of the Interior: | | | | \$ 211,125 | \$ - |

California State University, Fresno Foundation
Schedule of Expenditures of Federal Awards
For Fiscal Year Ended June 30, 2018

| Federal Grantor/Program Title or Cluster Title | Federal CFDA Number | Pass-Through Grantor | Pass-Through Grant Award or Contract Number | Federal Program Expenditures | Expenditures to Subrecipients |
|---|---------------------|--|---|------------------------------|-------------------------------|
| National Endowment Humanities: | | | | | |
| Pass-through programs from: | | | | | |
| Promotion of the Humanities Federal/State Partnership | 45.129 | California Humanities | HFAP17-4 | \$ 13,806 | |
| Subtotal National Endowment Humanities pass-through programs: | | | | \$ 13,806 | \$ - |
| Total National Endowment Humanities: | | | | \$ 13,806 | \$ - |
| National Science Foundation: | | | | | |
| Direct programs: | | | | | |
| Mathematical and Physical Sciences | 47.049 | | | \$ 398,277 | \$ 1,730 |
| Geosciences | 47.050 | | | \$ 18,100 | |
| Computer and Information Science and Engineering | 47.070 | | | \$ 299,500 | \$ 7,184 |
| Biological Sciences | 47.074 | | | \$ 344,930 | |
| Education and Human Resources | 47.076 | | | \$ 588,667 | \$ 141,211 |
| Subtotal National Science Foundation direct programs: | | | | \$ 1,649,474 | \$ 150,125 |
| Pass-through programs from: | | | | | |
| Engineering Grants | 47.041 | | 28250-04301-S14 | \$ 4,843 | |
| Engineering Grants | 47.041 | | 28250-04301-S17 | \$ 4,999 | |
| Education and Human Resources | 47.076 | University Enterprises, Inc. (California State University, Northridge) | 523794 | \$ 4,812 | |
| Education and Human Resources | 47.076 | University Enterprises, Inc. (California State University, Northridge) | 523795 | \$ 21,566 | |
| Subtotal National Science Foundation pass-through programs: | | | | \$ 36,220 | \$ - |
| Total National Science Foundation: | | | | \$ 1,685,694 | \$ 150,125 |
| U.S. Environmental Protection Agency: | | | | | |
| Pass-through programs from: | | | | | |
| Science to Achieve Results (STAR) Research Program | 66.509 | The Regents of the University of California | 00008441-03 | \$ 10,281 | |
| Science to Achieve Results (STAR) Research Program | 66.509 | The Regents of the University of California | 00008441 | \$ 68,384 | |
| Subtotal U.S. Environmental Protection Agency pass-through programs: | | | | \$ 78,665 | \$ - |
| Total U.S. Environmental Protection Agency; | | | | \$ 78,665 | \$ - |
| US Department of Education | | | | | |
| Direct programs: | | | | | |
| American History and Civics Education | 84.422 | | | \$ 177,505 | \$ 13,318 |
| Subtotal U.S. Department of Education direct programs: | | | | \$ 177,505 | \$ 13,318 |
| Total U.S. Department of Education | | | | \$ 177,505 | \$ 13,318 |
| Department of Health and Human Services: | | | | | |
| Direct programs: | | | | | |
| Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | | | \$ 19,614 | |
| Biomedical Research and Research Training | 93.859 | | | \$ 645,219 | \$ 11,738 |
| Subtotal Department of Health and Human Services direct programs: | | | | \$ 664,833 | \$ 11,738 |
| Pass-through programs from: | | | | | |
| Community Services Block Grant | 93.569 | California State University, Fresno | SA82400 | \$ 30,311 | |
| Subtotal Department of Health and Human Services pass-through programs: | | | | \$ 30,311 | \$ - |
| Total Department of Health and Human Services | | | | \$ 695,144 | \$ 11,738 |
| Miscellaneous/No CFDA Code: | | | | | |
| Pass-through programs from: | | | | | |
| Miscellaneous/No CFDA Code | 99.RD | Booze Allen Hamilton | 105795SB44 | \$ 35,690 | |
| Subtotal Miscellaneous/No CFDA Code pass-through programs: | | | | \$ 35,690 | \$ - |
| Total Miscellaneous/No CFDA Code: | | | | \$ 35,690 | \$ - |
| Total Research and Development Cluster | | | | \$ 3,968,667 | \$ 375,853 |
| TRIO Cluster | | | | | |
| Department of Education: | | | | | |
| Direct programs: | | | | | |
| TRIO Student Support Services | 84.042 | | | \$ (22,493) | |

**California State University, Fresno Foundation
Schedule of Expenditures of Federal Awards
For Fiscal Year Ended June 30, 2018**

| Federal Grantor/Program Title or Cluster Title | Federal CFDA Number | Pass-Through Grantor | Pass-Through Grant Award or Contract Number | Federal Program Expenditures | Expenditures to Subrecipients |
|--|---------------------|--|---|------------------------------|-------------------------------|
| TRIO Student Support Services | 84.042 | | | \$ 315,690 | |
| TRIO Student Support Services | 84.042 | | | \$ 228,739 | |
| TRIO Student Support Services | 84.042 | | | \$ 195,397 | |
| TRIO Talent Search | 84.044 | | | \$ - | |
| TRIO Talent Search | 84.044 | | | \$ 329,010 | |
| TRIO Talent Search | 84.044 | | | \$ 278,187 | |
| TRIO Upward Bound | 84.047 | | | \$ 209,486 | |
| TRIO Upward Bound | 84.047 | | | \$ 156,586 | |
| TRIO Upward Bound | 84.047 | | | \$ 292,194 | |
| TRIO Upward Bound | 84.047 | | | \$ 161,893 | |
| TRIO Educational Opportunity Centers | 84.066 | | | \$ 371,875 | |
| TRIO McNair Post Baccalaureate Achievement | 84.217 | | | \$ 64,579 | |
| TRIO McNair Post Baccalaureate Achievement | 84.217 | | | \$ 168,195 | |
| Subtotal Department of Education direct programs: | | | | \$ 2,749,338 | \$ - |
| Total TRIO Cluster | | | | \$ 2,749,338 | \$ - ** |
| WIA/WIOA Cluster | | | | | |
| Department of Labor: | | | | | |
| Pass-through programs from: | | | | | |
| WIA/WIOA Adult Program & Dislocated Worker Formula Grant | 17.258 | Fresno Regional Workforce Investment Board | 719 | \$ 179,839 | \$ (1,049) |
| WIA/WIOA Adult Program & Dislocated Worker Formula Grant | | CA Manufacturing Tech Consulting | FEE0977 | \$ 6,373 | |
| Workforce Innovation Fund | 17.283 | Employment Development Board | K8109249 | \$ 11,039 | |
| Subtotal Department of Labor pass-through programs: | | | | \$ 197,251 | \$ (1,049) |
| Total WIA/WIOA Cluster | | | | \$ 197,251 | \$ (1,049) |
| Highway Safety Cluster | | | | | |
| Department of Transportation: | | | | | |
| Pass-through programs from: | | | | | |
| National Priority Safety Program | 20.616 | Office of Traffic Safety/California State University, Fresno | OP174 / SA79564 | \$ 77,625 | |
| National Priority Safety Program | 20.616 | Office of Traffic Safety/California State University, Fresno | OP18005 / SA82357 | \$ 162,046 | |
| Subtotal Department of Transportation pass-through programs: | | | | \$ 239,671 | \$ - |
| Total Highway Safety Cluster | | | | \$ 239,671 | \$ - ** |
| Other Programs | | | | | |
| U.S. Department of Agriculture: | | | | | |
| Direct programs: | | | | | |
| Farmers Market and Local Food Promotion Program | 10.168 | | | \$ 14,186 | |
| Hispanic Serving Institutions Education Grants | 10.223 | | | \$ 55,571 | \$ 8,847 |
| Capacity Building for Non-Land Grant Colleges of Agriculture (NLGCA) | 10.326 | | | \$ 40,360 | |
| Rural Business Development Grant | 10.351 | | | \$ (3,700) | |
| Rural Community Development Initiative | 10.446 | | | \$ 4,946 | |
| Cooperative Extension Service | 10.500 | | | \$ 4,200 | |
| Soil and Water Conservation | 10.902 | | | \$ 32,234 | |
| Cochran Fellowship Program-International Training-Foreign Participant | 10.962 | | | \$ 62,312 | |
| Subtotal U.S. Department of Agriculture direct programs: | | | | \$ 210,109 | \$ 8,847 |
| Pass-through programs from: | | | | | |
| Agriculture and Food Research Initiative (AFRI) | 10.310 | University of Illinois | 2014-07341-01 | \$ 65,606 | |
| Capacity Building for Non-Land Grant Colleges of Agriculture (NLGCA) | 10.326 | California State University, Stanislaus | C1136B | \$ 4,161 | |
| Summer Food Service Program for Children | 10.559 | California Department of Education-Child Nutrition | 04095-SFSP-10 2017 | \$ 34,196 | |
| Summer Food Service Program for Children | 10.559 | California Department of Education-Child Nutrition | 04095-SFSP-10 2018 | \$ 10,767 | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | California State University, Chico | SUB16-044 | \$ 17,007 | |
| Farm to School Grant Program | 10.575 | Research Foundation | | \$ 14,717 | |
| Subtotal U.S. Department of Agriculture pass-through programs: | | | | \$ 146,454 | \$ - |
| Total U.S. Department of Agriculture | | | | \$ 356,563 | \$ 8,847 |
| Department of Commerce: | | | | | |
| Direct Programs: | | | | | |
| Cluster Grants | 11.020 | | | \$ 191,667 | |
| Subtotal Department of Commerce direct | | | | \$ 191,667 | \$ - |

**California State University, Fresno Foundation
Schedule of Expenditures of Federal Awards
For Fiscal Year Ended June 30, 2018**

| Federal Grantor/Program Title or Cluster Title | Federal CFDA Number | Pass-Through Grantor | Pass-Through Grant Award or Contract Number | Federal Program Expenditures | Expenditures to Subrecipients |
|---|---------------------------|---|---|------------------------------------|-------------------------------------|
| Pass-through programs from: | | | | | |
| Economic Development_Technical Assistance | 11.303 | California State University, Chico Research Foundation/-Economic Development Administration | 07-66-06881-04 | \$ 2,308 | |
| Economic Development_Technical Assistance | 11.303 | California State University, Chico Research Foundation/-Economic Development Administration | ED17SEA3030036 | \$ 73,428 | |
| Economic Adjustment Assistance | 11.307 | Valley Vision/Economic Development Administration | 07-79-07295 | \$ 3,412 | |
| Subtotal Department of Commerce pass-through programs: | | | | \$ 79,148 | \$ - |
| Total Department of Commerce: | | | | \$ 270,815 | |
| Department of Defense: | | | | | |
| Direct programs from: | | | | | |
| Language Grant Program | 12.900 | | | \$ 27,919 | |
| Subtotal Department of Defense direct programs: | | | | \$ 27,919 | \$ - |
| Total Department of Defense: | | | | \$ 27,919 | \$ - |
| Department of Justice: | | | | | |
| Pass-through programs from: | | | | | |
| Project Safe Neighborhoods | 16.609 | Fresno Police Department | PSN2015 | \$ 90,824 | |
| Edward Byrne Memorial Competitive Grant Program | 16.751 | Kings County Prosecuting Attorney | 5897364 | \$ 99,984 | |
| Smart Prosecution Initiative | 16.825 | Jackson County | ORD 4925 | \$ 54,109 | |
| Subtotal Department of Justice pass-through programs: | | | | \$ 244,917 | \$ - |
| Total Department of Justice: | | | | \$ 244,917 | \$ - |
| National Aeronautics and Space Administration: | | | | | |
| Direct programs: | | | | | |
| Education | 43.008 | | | \$ 69,637 | |
| Subtotal National Aeronautics and Space Administration direct programs: | | | | \$ 69,637 | \$ - |
| Pass-through programs from: | | | | | |
| Education | 43.008 | Napa Valley College | CSUF16 | \$ 55,629 | |
| Education | 43.008 | University of California, San Diego/California Space Grant | M0081607 | \$ 8,000 | |
| Subtotal National Aeronautics and Space Administration pass-through programs: | | | | \$ 63,629 | \$ - |
| Total National Aeronautics and Space Administration: | | | | \$ 133,266 | \$ - |
| National Endowment Humanities: | | | | | |
| Pass-through programs from: | | | | | |
| Promotion of the Humanities_Division of Preservation and Access | 45.149 | California State University, Dominguez Hills | 500027 | \$ 5,381 | |
| Subtotal National Endowment Humanities pass- through programs: | | | | \$ 5,381 | \$ - |
| Total National Endowment Humanities | | | | \$ 5,381 | \$ - |
| Small Business Administration: | | | | | |
| Pass-through programs from: | | | | | |
| Small Business Development Center | 59.037 | Regents of the University of California, Merced | F300GUA074 | \$ 94,628 | |
| Subtotal Small Business Administration pass- through programs: | | | | \$ 94,628 | \$ - |
| Total Small Business Administration | | | | \$ 94,628 | \$ - |
| U.S. Department of Education: | | | | | |
| Direct programs: | | | | | |
| Higher Education Institutional Aid | 84.031 | | | \$ 539,852 | ** |
| Rehabilitation Long Term Training | 84.129 | | | \$ 218,652 | ** |
| Migrant Education: College Assistance Migrant Program | 84.149 | | | \$ 363,351 | |
| Special Education-Personnel Development To Improve Services & Results for Children With Disabilities | 84.325 | | | \$ 326,243 | \$ 641 |
| Transition Programs For Students With Intellectual Disabilities Into Higher Education | 84.407 | | | \$ 490,990 | ** |
| Subtotal U.S. Department of Education direct programs: | | | | \$ 1,939,088 | \$ 641 |

California State University, Fresno Foundation
Schedule of Expenditures of Federal Awards
For Fiscal Year Ended June 30, 2018

| Federal Grantor/Program Title or Cluster Title | Federal CFDA Number | Pass-Through Grantor | Pass-Through Grant Award or Contract Number | Federal Program Expenditures | Expenditures to Subrecipients |
|--|---------------------|--|---|------------------------------|-------------------------------|
| Pass-through programs from: | | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | Fresno Unified School District | 060-3010-0798-1110-2100-5110 | \$ 15,084 | |
| Title I Grants to Local Educational Agencies | 84.010 | Fresno Unified School District | PO497379 | \$ 71,289 | |
| Title I Grants to Local Educational Agencies | 84.010 | Clovis Unified School District | 3170593 | \$ 3,094 | |
| Title I Grants to Local Educational Agencies | 84.010 | Clovis Unified School District | 3180475 | \$ 48,826 | |
| Title I Grants to Local Educational Agencies | 84.010 | Clovis Unified School District | 3170239 | \$ 2,895 | |
| Title I Grants to Local Educational Agencies | 84.010 | Clovis Unified School District | 3180017 | \$ 38,438 | |
| Title I Grants to Local Educational Agencies | 84.010 | Exeter Unified School District | NONE | \$ 10,251 | |
| Title I Grants to Local Educational Agencies | 84.010 | Exeter Unified School District | NONE | \$ 18,238 | |
| Title I Grants to Local Educational Agencies | 84.010 | Lindsay Unified School District | NONE | \$ 575 | |
| Title I Grants to Local Educational Agencies | 84.010 | Selma Unified School District | NONE | \$ 3,925 | |
| Title I Grants to Local Educational Agencies | 84.010 | Selma Unified School District | 180155 | \$ 10,563 | |
| Title I Grants to Local Educational Agencies | 84.010 | Selma Unified School District | 180154 | \$ 426 | |
| Title I Grants to Local Educational Agencies | 84.010 | Twin Rivers Unified School District | 770577 | \$ 6,040 | |
| Title I Grants to Local Educational Agencies | 84.010 | Twin Rivers Unified School District | NONE | \$ 50,906 | |
| Title I Grants to Local Educational Agencies | 84.010 | Twin Rivers Unified School District | 770577 | \$ 18,413 | |
| Subtotal Title I Grants to Local Educational Agencies | | | | \$ 298,963 | \$ - |
| Migrant Education_State Grant Program | 84.011 | Merced County Superintendent of Schools | 172120 | \$ 69,395 | |
| Migrant Education_State Grant Program | 84.011 | Kern County Superintendent of Schools | 703723 | \$ 3,032 | |
| | 84.011 | Kern County Superintendent of Schools | 802420 | \$ 26,210 | |
| Migrant Education_State Grant Program | 84.011 | Monterey County Superintendent of Schools | NONE | \$ 131,733 | |
| Migrant Education_State Grant Program | 84.011 | Monterey County Office of Education | 5220 | \$ 33,602 | |
| Migrant Education_State Grant Program | 84.011 | Madera Unified School District | NONE | \$ 10,001 | |
| Migrant Education_State Grant Program | 84.011 | Madera Unified School District | 374-2016/17 | \$ 2,996 | |
| Migrant Education_State Grant Program | 84.011 | Merced County Superintendent of Schools | NONE | \$ 10,988 | |
| Subtotal Migrant Education_State Grant Program | | | | \$ 287,957 | \$ - |
| Career and Technical Education-Basic Grants to States | 84.048 | California Department of Education | CN150254 | \$ 6,400 | |
| Career and Technical Education-Basic Grants to States | 84.048 | California Department of Education | CN160130 | \$ 7,435 | |
| Career and Technical Education-Basic Grants to States | 84.048 | California Department of Education | CN160086 | \$ 17,989 | |
| Career and Technical Education-Basic Grants to States | 84.048 | California Department of Education | CN170329 | \$ 202,653 | |
| Career and Technical Education-Basic Grants to States | 84.048 | California Department of Education | CN170305 | \$ 6,375 | |
| Subtotal Career and Technical Education-Basic Grants to States | | | | \$ 240,852 | \$ - |
| Rehabilitation Services_Vocational Rehabilitation Grants to States | 84.126 | California Department of Rehabilitation | 30043 | \$ 131,481 | |
| Subtotal Rehabilitation Services_Vocational Rehabilitation Grants to States | | | | \$ 131,481 | \$ - |
| Migrant Education: College Assistance Migrant Program | 84.149 | Fresno County Superintendent of Schools | None | \$ 319 | |
| Subtotal Migrant Education College Assistance Migrant Program | | | | \$ 319 | \$ - |
| Mathematics and Science Partnerships | 84.366 | Clovis Unified School District | None | \$ 864 | |
| Mathematics and Science Partnerships | 84.366 | Clovis Unified School District | 3170434 | \$ 10,076 | |
| Subtotal Mathematics and Science Partnerships | | | | \$ 10,940 | \$ - |
| Improving Teacher Quality State Grants | 84.367 | National Writing Project, University of California | 93-CA16-SEED2017-CRWPAI | \$ 10,833 | |
| Improving Teacher Quality State Grants | 84.367 | University of California, Office of the President | NCLB13-CMP-FRESNO | \$ 3,681 | |
| Improving Teacher Quality State Grants | 84.367 | University of California, Office of the President | NCLB14-CRLP-FRESNO | \$ 39,068 | |
| Improving Teacher Quality State Grants | 84.367 | University of California, Office of the President | NCLB14-CWLP-FRESNO | \$ 25,941 | |
| Improving Teacher Quality State Grants | 84.367 | University of California, Office of the President | NCLB14-CWP-FRESNO | \$ 31,209 | |
| Improving Teacher Quality State Grants | 84.367 | University of California, Office of the President | NCLB14-CMP-FRESNO | \$ 64,595 | \$ 17,500 |
| Subtotal Improving Teacher Quality State Grants | | | | \$ 175,327 | \$ 17,500 |
| Subtotal U.S. Department of Education pass-through programs: | | | | \$ 1,145,839 | \$ 17,500 |
| Total U.S. Department of Education | | | | \$ 3,084,927 | \$ 18,141 |

**California State University, Fresno Foundation
Schedule of Expenditures of Federal Awards
For Fiscal Year Ended June 30, 2018**

| Federal Grantor/Program Title or Cluster Title | Federal CFDA Number | Pass-Through Grantor | Pass-Through Grant Award or Contract Number | Federal Program Expenditures | Expenditures to Subrecipients |
|---|---------------------------|---|---|------------------------------------|-------------------------------------|
| Department of Health and Human Services: | | | | | |
| Direct programs: | | | | | |
| Substance Abuse and Mental Health Services:Projects of Regional and National Significance | 93.243 | | | \$ 19,215 | |
| Advanced Nursing Education Workforce Grant Program | 93.247 | | | \$ 322,225 | ** |
| Subtotal Department of Health and Human Services direct programs: | | | | \$ 341,440 | \$ - |
| Pass-through programs from: | | | | | |
| Partnerships to Improve Community Health | 93.331 | County of Fresno | 15-323 | \$ 26,065 | |
| Subtotal Partnerships to Improve Community Health | | | | \$ 26,065 | \$ - |
| Promoting Safe & Stable Family | 93.556 | Central Valley Regional Center | NONE | \$ 30,492 | |
| Subtotal Promoting Safe & Stable Family | | | | \$ 30,492 | \$ - |
| Child Welfare Research Training or Demonstration | 93.648 | County of San Mateo | 074613 2017 | \$ 8,433 | |
| Child Welfare Research Training or Demonstration | 93.648 | County of San Mateo | 074613 2018 | \$ 270,919 | |
| Subtotal Child Welfare Research Training or Demonstration | | | | \$ 279,352 | \$ - |
| Foster Care Title IV-E | 93.658 | California Department of Social Services | 15-STD-01087 | \$ 2,460,796 | |
| Foster Care Title IV-E | 93.658 | California Department of Social Services | 15-STD-01090 | \$ 2,835,005 | |
| Foster Care Title IV-E | 93.658 | California Department of Social Services | 18-3023 | \$ 17,341 | |
| Foster Care Title IV-E | 93.658 | Contra Costa County | 19-826-1 | \$ 176,212 | |
| Foster Care Title IV-E | 93.658 | County of Ventura | NONE | \$ 187,913 | |
| Foster Care Title IV-E | 93.658 | Fresno County Social Services | A-14-400 | \$ 1,765 | |
| Foster Care Title IV-E | 93.658 | Monterey County Department of Social Services | A-12811 | \$ 4,108 | |
| Foster Care Title IV-E | 93.658 | Monterey County Department of Social Services | A-13716 | \$ 110,411 | |
| Foster Care Title IV-E | 93.658 | San Francisco County | PSC 2001-08/09 | \$ 986,590 | |
| Foster Care Title IV-E | 93.658 | University of California, Berkeley | BB00831669 | \$ 1,268 | |
| Foster Care Title IV-E | 93.658 | University of California, Berkeley | BB00831673 | \$ 2,559 | |
| Foster Care Title IV-E | 93.658 | University of California, Berkeley | BB01015756 | \$ 1,208 | |
| Foster Care Title IV-E | 93.658 | University of California, Berkeley | BB01032079 | \$ 37,894 | |
| Foster Care Title IV-E | 93.658 | University of California, Berkeley | 00009240 | \$ 2,664,450 | |
| Subtotal Foster Care Title IV-E | | | | \$ 9,487,520 | \$ - |
| Subtotal Department of Health and Human Services pass-through programs: | | | | \$ 9,823,429 | \$ - |
| Total Department of Health and Human Services: | | | | \$ 10,164,869 | \$ - |
| Corporate National Community Service: | | | | | |
| Pass-through programs from: | | | | | |
| AmeriCorps | 94.006 | Jumpstart | 130200 | \$ 150,241 | |
| Subtotal Corporate National Community Service pass-through programs: | | | | \$ 150,241 | \$ - |
| Total Corporate National Community Service: | | | | \$ 150,241 | \$ - |
| Miscellaneous/No CFDA Code: | | | | | |
| Direct programs: | | | | | |
| Miscellaneous/No CFDA Code | 99 | | | \$ 12,481 | |
| Subtotal Miscellaneous/No CFDA Code direct programs: | | | | \$ 12,481 | \$ - |
| Total Miscellaneous/No CFDA Code: | 99.RD | | | \$ 12,481 | \$ - |
| Total Other Programs: | | | | \$ 14,546,007 | \$ 26,988 |
| Grand Total Federal Awards | | | | \$ 21,700,934 | \$ 401,792 |

** Identifies Major Federal Programs

See Note D on page 36 for disclosure of California Department of Education Awards.

California State University, Fresno Foundation
Schedule of Expenditures of Federal Awards
For Fiscal Year Ended June 30, 2018

Note A. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of California State University, Fresno Foundation under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of California State University, Fresno Foundation, it is not intended to and does not present the financial position, changes in net assets or cash flows of California State University, Fresno Foundation.

Note B. Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, *Cost Principles for Educational Institutions*, or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note C. Indirect Cost Rate

California State University, Fresno Foundation has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note D. Schedule of Expenditures of California Department of Education Awards

| Program Name | Pass through Agreement Number | CDE Agreement Number | Amount Expended |
|---|-------------------------------|----------------------|-------------------|
| Summer Food Service Program '17 | | 04095-SFSP-10 | \$ 34,196 |
| Summer Food Service Program '18 | | 04095-SFSP-10 | \$ 10,767 |
| NCLB14-CRLP-Fresno CA Read Lit | NCLB14-CRLP-FRESNO | CN170224 | \$ 39,068 |
| NCLB14 CCWLP '18 | NCLB14-CWLP-FRESNO | CN170224 | \$ 25,941 |
| NCLB14-CWP-SJVWP '18 | NCLB14-CWP-FRESNO | CN170224 | \$ 31,209 |
| NCLB14-SJVMP '18 CMP | NCLB14-CMP-FRESNO | CN170224 | \$ 64,595 |
| NCLB13-SJVMP '17 CMP | NCLB13-CMP-FRESNO | CN160088 | \$ 3,681 |
| CDE-Office Contract '18 | | CN150254 | \$ 6,400 |
| Family Consumer Sciences '18 | | CN170329 | \$ 202,653 |
| CDE-Office Contract '19 | | CN170305 | \$ 6,375 |
| Home Economics In-Service '17 | | CN160130 | \$ 7,435 |
| Ag Education Curriculum '17 | | CN160086 | \$ 17,989 |
| Total California Department of Education Awards | | | <u>\$ 450,309</u> |

COMBINING STATEMENT OF CALIFORNIA DEPARTMENT OF EDUCATION ACTIVITIES

YEAR ENDED JUNE 30, 2018

| | Summer Food Program '17 | Summer Food Program '18 | NCLB14- CRIP-Fresno CA Read Lit | NCLB14 CCWLP '18 | NCLB14- CWP- SJVWP '18 | NCLB14- SIVMP '18 CMP | NCLB13- SIVMP '17 CMP | Family Consumer Sciences '18 | CDE-Office Contract '18 | Home Economics In-Service '17 | Ag Education Curriculum '17 | Total CDE Contracts |
|--|----------------------------|----------------------------|---------------------------------------|---------------------|------------------------------|-----------------------------|-----------------------------|------------------------------------|----------------------------|--|--------------------------------------|------------------------|
| | 04095-SFSP-10 360386 | 04095-SFSP-10 360424 | CN170224 330380 | CN170224 330385 | CN170224 330387 | CN170224 330411 | CN160088 330360 | CN170329 350581 | CN150254 350418 | CN170305 350595 | CN160086 350499 | |
| REVENUE: | | | | | | | | | | | | |
| Grants & Contracts | \$ 34,196 | \$ - | \$ 23,649 | \$ 25,941 | \$ 15,130 | \$ 32,433 | \$ 3,681 | \$ 115,375 | \$ 4,881 | \$ 7,435 | \$ 17,989 | \$ 287,110 |
| Total Revenue: | \$ 34,196 | \$ - | \$ 23,649 | \$ 25,941 | \$ 15,130 | \$ 32,433 | \$ 3,681 | \$ 115,375 | \$ 4,881 | \$ 7,435 | \$ 17,989 | \$ 287,110 |
| EXPENSES: | | | | | | | | | | | | |
| Salaries | | | \$ 26,212 | \$ 10,000 | \$ 18,192 | \$ 32,722 | \$ 3,106 | \$ 93,269 | \$ 3,865 | \$ (126) | \$ 10,440 | \$ 201,535 |
| Fringe Benefits | | | \$ 7,097 | \$ 973 | \$ 3,165 | \$ 9,312 | \$ 302 | \$ 241 | \$ 241 | | \$ 5,011 | \$ 26,342 |
| Total Personnel: | \$ - | \$ - | \$ 33,309 | \$ 10,973 | \$ 21,357 | \$ 42,034 | \$ 3,408 | \$ 93,269 | \$ 4,106 | \$ (126) | \$ 15,451 | \$ 227,877 |
| Admin Costs | \$ 3,200 | \$ 1,012 | | | | | | | | | | \$ 4,212 |
| Books | | | | | | | | \$ 2,657 | | | \$ 123 | \$ 2,780 |
| Consultant/Contractual | | | | \$ 10,000 | \$ 4,486 | | | \$ 31,660 | | | | \$ 46,146 |
| Equipment Maintenance | | | | | | | | \$ 5,400 | | | | \$ 5,400 |
| Indirect | | | \$ 2,894 | \$ 1,922 | \$ 2,312 | \$ 4,785 | \$ 273 | \$ 40,531 | \$ 472 | \$ 551 | \$ 1,333 | \$ 55,547 |
| Meals | \$ 30,996 | \$ 9,755 | | | | | | | | | | \$ 40,751 |
| Meetings | | | | | | | | \$ 3,563 | | \$ 2,585 | | \$ 6,148 |
| Other | | | \$ 211 | | | | | | | | | \$ 211 |
| Postage | | | | | | | | \$ 734 | \$ 192 | \$ 334 | | \$ 1,350 |
| Printing | | | | | | | | \$ 2,015 | | \$ 637 | | \$ 2,652 |
| Subcontract | | | | | | \$ 17,500 | | | | | | \$ 17,500 |
| Supplies & Materials | | | \$ 694 | \$ 436 | \$ 362 | \$ 276 | | \$ 5,921 | \$ 1,187 | \$ (30) | | \$ 10,092 |
| Telephone | | | \$ 1,960 | \$ 2,610 | \$ 2,692 | | | \$ 1,181 | \$ 418 | | | \$ 2,093 |
| Travel | | | \$ 39,068 | \$ 25,941 | \$ 31,209 | \$ 64,595 | \$ 3,681 | \$ 15,722 | \$ 6,375 | \$ 3,484 | \$ 1,082 | \$ 27,550 |
| Total Expenses: | \$ 34,196 | \$ 10,767 | \$ 39,068 | \$ 25,941 | \$ 31,209 | \$ 64,595 | \$ 3,681 | \$ 202,653 | \$ 6,375 | \$ 7,435 | \$ 17,989 | \$ 450,309 |
| EXCESS (DEFICIT) OF REVENUE OVER EXPENSES | \$ - | \$ (10,767) | \$ (15,419) | \$ 0 | \$ (16,079) | \$ (32,162) | \$ - | \$ (87,278) | \$ (1,494) | \$ - | \$ - | \$ (163,199) |

Notes: Deficit of revenue over expenses represents expenses incurred during fiscal year ending June 30, 2018 that will be billed in the new fiscal year.

CALIFORNIA STATE UNIVERSITY, FRESNO FOUNDATION
GENERAL FUND ADMINISTRATION COST CENTER - CHANGE IN NET ASSETS
July 1, 2017 to June 30, 2018

| <u>INDIRECT COSTS AND OTHER INCOME:</u> | | |
|--|------------------|------------------|
| | <u>BUDGET</u> | <u>ACTUAL</u> |
| Indirect cost recovery | \$ 2,500,000 | \$ 3,058,042 |
| Handling charges | 249,000 | 288,428 |
| Subtotal - Indirect and Handling | 2,749,000 | 3,346,470 |
| Miscellaneous Income | - | 821 |
| Short term investments | 825,000 | 1,802,170 |
| Endowment administrative fee | 1,561,000 | 1,561,000 |
| Total Income | 5,135,000 | 6,710,461 |
| <u>EXPENSES:</u> | | |
| Personnel: | | |
| Monthly | 630,644 | 655,596 |
| Student | 47,000 | 48,853 |
| Employee benefits | 303,624 | 296,779 |
| Retired employee benefit (actual and accrual) | 100,000 | 75,396 |
| Accounting (audit) | 67,000 | 51,500 |
| Board/Committee meetings | 10,500 | 6,828 |
| Consultants | 5,000 | 25,450 |
| Management services | 722,934 | 722,934 |
| CSU Trustee Scholarship | 6,000 | 6,000 |
| Depreciation | 25,635 | 27,031 |
| Dues & Memberships | 9,100 | 8,923 |
| Equipment leasing | 23,500 | 20,662 |
| Employee recruitment | 2,200 | 28 |
| General insurance | 106,897 | 106,194 |
| Legal fees: | | |
| General | 2,000 | 9,382 |
| Employment | 10,000 | 357 |
| Sponsored Programs/Patents | 3,000 | 3,746 |
| Gifts | 2,000 | - |
| Licenses, permits & fees | 14,300 | 9,845 |
| Miscellaneous | 6,000 | 2,819 |
| Office supplies | 27,200 | 22,477 |
| Postage | 9,000 | 7,996 |
| Repairs & maintenance | 27,000 | 27,826 |
| Software | 27,250 | 38,587 |
| Travel/training | 6,500 | 3,045 |
| Telephone | 7,500 | 7,542 |
| Utilities | 24,600 | 26,739 |
| Advancement Gift Assessment | 360,000 | 360,000 |
| University Indirect Costs | 320,000 | 320,000 |
| Total Expenses | 2,906,385 | 2,892,535 |
| Gross Surplus Available For Distribution | \$ 2,228,615 | \$ 3,817,926 |



Moore Grider & Company

Certified Public Accountants

*A Partnership Including
Accountancy Corporations
and a Partnership*

Richard L. Holland, C.P.A.

Thomas L. Bell, C.P.A.
Accountancy Corporation

Denise S. Hurst, C.P.A.

Kenneth J. Labendeira, C.P.A., C.FE.
Accountancy Corporation

Pamela J. Gallemore, C.P.A.
Accountancy Corporation

Karl L. Noyes, C.P.A.
Accountancy Corporation

Cory J. Bell, C.P.A.

Kendall K. Wheeler, C.P.A.

Tom Collins, C.P.A.
Accountancy Corporation

Aaron C. Studt, C.P.A.

Carrie M. Wiebe, C.P.A., C.FE.
Accountancy Corporation

Lozano, Lozano & Company
Accountancy Partnership with partners:

Phil A. Lozano, C.P.A.

Ginger A. Lozano, C.P.A.

Kelli D. Steele, C.P.A.

Julie B. Fillmore, C.P.A.

Oscar Espinoza, C.P.A.

Lisa Brown, C.P.A., C.FE.

Stalin Hernandez, C.P.A.

Michiko Rosenthal, C.P.A.

Abel M. Cabello, E.A.

L. Jerome Moore, C.P.A.
1923-2016

Robert E. Grider, C.P.A.
Retired

INDEPENDENT AUDITORS' 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

Board of Governors
California State University, Fresno Foundation
Fresno, California

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 California State University, Fresno Foundation, which comprise the statement of financial position as of June 30, 2018, 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 19, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered California State University, Fresno 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 California State University, Fresno Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of California State University, Fresno Foundation'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.

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 California State University, Fresno Foundation's financial statements are free of 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.

Moore Gilder & Company

Fresno, California
September 19, 2018



Moore Grider & Company
Certified Public Accountants

*A Partnership Including
Accountancy Corporations
and a Partnership*

Richard L. Holland, C.P.A.

Thomas L. Bell, C.P.A.
Accountancy Corporation

Denise S. Hurst, C.P.A.

Kenneth J. Labendeira, C.P.A., C.FE.
Accountancy Corporation

Pamela J. Gallemore, C.P.A.
Accountancy Corporation

Karl L. Noyes, C.P.A.
Accountancy Corporation

Cory J. Bell, C.P.A.

Kendall K. Wheeler, C.P.A.

Tom Collins, C.P.A.
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Aaron C. Studt, C.P.A.

Carrie M. Wiebe, C.P.A., C.FE.
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1923-2016

Robert E. Grider, C.P.A.
Retired

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Governors
California State University, Fresno Foundation
Fresno, California

Report on Compliance for Each Major Federal Program

We have audited California State University, Fresno Foundation's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of California State University, Fresno Foundation's major federal programs for the year ended June 30, 2018. California State University, Fresno Foundation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of California State University, Fresno Foundation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about California State University, Fresno Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of California State University, Fresno Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion, California State University, Fresno Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of California State University, Fresno Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered California State University, Fresno Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of California State University, Fresno Foundation's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Moore Shider & Company

Fresno, California
September 19, 2018

CALIFORNIA STATE UNIVERSITY, FRESNO FOUNDATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2018

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

- | | |
|---|--------------------|
| ▪ Type of auditors' report issued: | Unmodified opinion |
| ▪ Internal control over financial reporting: | |
| Material weakness identified: | No |
| Significant deficiencies identified: | None reported |
| ▪ Noncompliance material to the financial statements noted: | No |

Federal Awards

- | | |
|--|--------------------|
| ▪ Internal control over major programs: | |
| Material weakness identified: | No |
| Significant deficiencies identified: | None reported |
| ▪ Type of auditors' report issued on compliance for major programs: | Unmodified opinion |
| ▪ Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a): | No |

▪ Major Programs:

| CFDA Number | Name of Federal Program or Cluster |
|-------------|---|
| 84.042 | TRIO Cluster |
| 84.044 | TRIO Cluster |
| 84.047 | TRIO Cluster |
| 84.066 | TRIO Cluster |
| 84.217 | TRIO Cluster |
| 20.616 | Highway Safety Cluster |
| 84.031 | Higher Education Institutional Aid |
| 84.129 | Rehabilitation Long Term Training |
| 84.407 | Transition Programs For Students With Intellectual Disabilities Into Higher Education |
| 93.247 | Advanced Nursing Education Workforce Grant Program |

CALIFORNIA STATE UNIVERSITY, FRESNO FOUNDATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2018

SECTION I - SUMMARY OF AUDITORS' RESULTS (Continued)

- | | |
|--|-----------|
| ▪ Dollar threshold used to distinguish between Type A and Type B programs for program determination: | \$750,000 |
| ▪ California State University, Fresno Foundation qualified as low-risk auditee. | Yes |

SECTION II – FINDINGS – FINANCIAL STATEMENTS AUDIT

None

**SECTION III – FINDINGS AND QUESTIONED COSTS –
MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None

CALIFORNIA STATE UNIVERSITY, FRESNO FOUNDATION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2018

| | |
|---|-------------|
| Section II – Findings – Financial Statements Audit | None |
| Section III – Findings and Questioned Costs - Major Federal Award Programs Audit | None |

ADDITIONAL INFORMATION

CALIFORNIA STATE UNIVERSITY, FRESNO FOUNDATION

Schedule of Net Position

June 30, 2018

(for inclusion in the California State University)

Assets:

Current assets:

| | |
|---|--------------|
| Cash and cash equivalents | \$ 3,236,307 |
| Short-term investments | 39,341,412 |
| Accounts receivable, net | 17,386,472 |
| Notes receivable, current portion | 5,322 |
| Pledges receivable, net | 1,801,084 |
| Prepaid expenses and other current assets | 93,507 |
| | <hr/> |
| Total current assets | 61,864,104 |

Noncurrent assets:

| | |
|-------------------------------|-------------|
| Student loans receivable, net | 355,140 |
| Pledges receivable, net | 3,390,038 |
| Endowment investments | 141,879,013 |
| Other long-term investments | 2,024,261 |
| Capital assets, net | 59,158 |
| Other assets | 454,658 |
| | <hr/> |
| Total noncurrent assets | 148,162,268 |
| | <hr/> |
| Total assets | 210,026,372 |

Liabilities:

Current liabilities:

| | |
|---|-----------|
| Accounts payable | 2,064,494 |
| Accrued salaries and benefits | 1,162,935 |
| Accrued compensated absences, current portion | 67,984 |
| Unearned revenues | 3,817,019 |
| Other liabilities | 65,571 |
| | <hr/> |
| Total current liabilities | 7,178,003 |

Noncurrent liabilities:

| | |
|--|------------|
| Long-term debt obligations, net of current portion | 2,000,000 |
| Depository accounts | 2,741,053 |
| Other liabilities | 869,043 |
| | <hr/> |
| Total noncurrent liabilities | 5,610,096 |
| | <hr/> |
| Total liabilities | 12,788,099 |

Deferred inflows of resources:

| | |
|-------------------------------------|-----------|
| Others | 1,013,954 |
| | <hr/> |
| Total deferred inflows of resources | 1,013,954 |

Net Position:

| | |
|----------------------------------|----------------|
| Net investment in capital assets | 59,158 |
| Restricted for: | |
| Nonexpendable – endowments | 113,454,844 |
| Expendable: | |
| Scholarships and fellowships | 43,480,856 |
| Loans | 1,545,691 |
| Others | 34,993,197 |
| Unrestricted | 2,690,574 |
| | <hr/> |
| Total net position | \$ 196,224,320 |

CALIFORNIA STATE UNIVERSITY, FRESNO FOUNDATION

Schedule of Revenues, Expenses, and Changes in Net Position

June 30, 2018

(for inclusion in the California State University)

Revenues:

Operating revenues:

Grants and contracts, noncapital:

Federal \$ 21,700,934

State 8,087,564

Nongovernmental 3,834,588

Sales and services of auxiliary enterprises, gross

Scholarship allowances (0) 4,907,470

Total operating revenues 38,530,556

Expenses:

Operating expenses:

Instruction 13,062,110

Research 6,544,169

Public service 16,978,834

Institutional support 505,623

Student grants and scholarships 4,024,760

Auxiliary enterprise expenses 6,675,217

Depreciation and amortization 27,031

Total operating expenses 47,817,744

Operating income (loss) (9,287,188)

Nonoperating revenues (expenses):

Gifts, noncapital 7,070,634

Investment income (loss), net 2,526,244

Endowment income (loss), net 9,098,613

Interest expense (30,000)

Other nonoperating revenues (expenses) - excl. interagency transfers (5,178,657)

Net nonoperating revenues (expenses) 13,486,834

Income (loss) before other revenues (expenses) 4,199,646

Additions (reductions) to permanent endowments 7,757,413

Increase (decrease) in net position 11,957,059

Net position:

Net position at beginning of year, as previously reported 184,267,261

Net position at end of year \$ 196,224,320

CALIFORNIA STATE UNIVERSITY, FRESNO FOUNDATION
Other Information
June 30, 2018
(for inclusion in the California State University)

Not Applicable

1 Restricted cash and cash equivalents at June 30, 2018:

2.1 Composition of investments at June 30, 2018:

| | Current Unrestricted | Current Restricted | Total Current | Noncurrent Unrestricted | Noncurrent Restricted | Total Noncurrent | Total |
|---|-------------------------|--------------------|---------------|----------------------------|--------------------------|------------------|---------------|
| State of California Local Agency Investment Fund (LAIF) | 6,981 | — | 6,981 | — | — | — | 6,981 |
| Corporate bonds | 2,139,023 | — | 2,139,023 | — | 5,886,175 | 5,886,175 | 8,025,198 |
| Mutual funds | 22,568,142 | — | 22,568,142 | — | 67,122,701 | 67,122,701 | 89,690,843 |
| Money Market funds | 94,774 | — | 94,774 | — | 1,403,164 | 1,403,164 | 1,497,938 |
| Mortgage backed securities | 1,967,330 | — | 1,967,330 | — | 5,312,861 | 5,312,861 | 7,280,191 |
| Municipal bonds | — | — | — | — | 392,205 | 392,205 | 392,205 |
| U.S. agency securities | 108,211 | — | 108,211 | — | 286,200 | 286,200 | 394,411 |
| U.S. treasury securities | 4,276,518 | — | 4,276,518 | — | 11,484,822 | 11,484,822 | 15,761,340 |
| Equity securities | 3,429,748 | — | 3,429,748 | — | 15,394,423 | 15,394,423 | 18,824,171 |
| Alternative investments: | | | | | | | |
| Private equity (including limited partnerships) | — | — | — | — | 13,115,496 | 13,115,496 | 13,115,496 |
| Hedge funds | 3,829,077 | — | 3,829,077 | — | 19,400,927 | 19,400,927 | 23,230,004 |
| Real estate investments (including REITs) | 921,608 | — | 921,608 | — | 3,180,693 | 3,180,693 | 4,102,301 |
| Other alternative investment types | — | — | — | — | 52,580 | 52,580 | 52,580 |
| Other major investments: | | | | | | | |
| Life income contracts | — | — | — | — | 361,800 | 361,800 | 361,800 |
| Investment in LLC | — | — | — | — | 509,227 | 509,227 | 509,227 |
| Total investments | 39,341,412 | — | 39,341,412 | — | 143,903,274 | 143,903,274 | 183,244,686 |
| Less endowment investments (enter as negative number) | — | — | — | — | (141,879,013) | (141,879,013) | (141,879,013) |
| Total investments | 39,341,412 | — | 39,341,412 | — | 2,024,261 | 2,024,261 | 41,365,673 |

2.2 Investments held by the University under contractual agreements at June 30, 2018:

Not Applicable

49

2.3 Restricted current investments at June 30, 2018 related to:

Not Applicable

2.4 Restricted noncurrent investments at June 30, 2018 related to:

| | |
|--|----------------|
| Endowment investment | Amount |
| Campus Program Fund | \$ 141,879,013 |
| Total restricted noncurrent investments at June 30, 2018 | \$ 143,903,274 |

2.5 Fair value hierarchy in investments at June 30, 2018:

| | Fair Value Measurements Using | | | |
|---|---|---|--|--------------------------|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Net Asset Value (NAV) |
| Total | 6,981 | — | — | — |
| State of California Local Agency Investment Fund (LAIF) | 8,025,198 | — | — | — |
| Corporate bonds | 89,690,843 | — | — | — |
| Mutual funds | 1,497,938 | — | — | — |
| Money Market funds | 7,280,191 | — | — | — |
| Mortgage backed securities | 392,205 | — | — | — |
| Municipal bonds | 394,411 | — | — | — |
| U.S. agency securities | 15,761,340 | — | — | — |
| U.S. treasury securities | 18,824,171 | — | — | — |
| Equity securities | — | — | — | — |
| Alternative investments: | | | | |
| Private equity (including limited partnerships) | 13,115,496 | — | — | 13,115,496 |
| Hedge funds | 23,230,004 | — | — | 23,230,004 |
| Real estate investments (including REITs) | 4,102,301 | — | — | — |
| Other alternative investment types | 52,580 | — | — | — |
| Other major investments: | | | | |
| Life income contracts | 320,900 | — | 40,900 | — |
| Investment in LLC | 285,078 | — | 224,149 | — |
| Total investments | 146,634,137 | — | 265,049 | 36,345,500 |

CALIFORNIA STATE UNIVERSITY, FRESNO FOUNDATION
Other Information
June 30, 2018
(for inclusion in the California State University)

3.1 Composition of capital assets at June 30, 2018:

| | Balance June 30, 2017 | Prior period Adjustments | Reclassifications | Balance June 30, 2017 (restated) | Additions | Reductions | Transfers of Completed CWIP | Balance June 30, 2018 |
|--|--------------------------|-----------------------------|-------------------|--|-----------|------------|-----------------------------------|--------------------------|
| Depreciable/amortizable capital assets: | | | | | | | | |
| Personal property: | | | | | | | | |
| Equipment | \$ 595,814 | — | — | 595,814 | 6,577 | — | — | 602,391 |
| Total depreciable/amortizable capital assets | 595,814 | — | — | 595,814 | 6,577 | — | — | 602,391 |
| Total capital assets | 595,814 | — | — | 595,814 | 6,577 | — | — | 602,391 |
| Less accumulated depreciation/amortization: | | | | | | | | |
| Personal property: | | | | | | | | |
| Equipment | (516,202) | — | — | (516,202) | (27,031) | — | — | (543,233) |
| Total accumulated depreciation/amortization | (516,202) | — | — | (516,202) | (27,031) | — | — | (543,233) |
| Total capital assets, net | \$ 79,612 | — | — | 79,612 | (20,454) | — | — | \$ 59,158 |

3.2 Detail of depreciation and amortization expense for the year ended June 30, 2018:

| | |
|---|-----------|
| Depreciation and amortization expense related to capital assets | \$ 27,031 |
| Total depreciation and amortization | \$ 27,031 |

4 Long-term liabilities activity schedule:

| | Balance June 30, 2017 | Prior period adjustments | Reclassifications | Balance June 30, 2017 (restated) | Additions | Reductions | Balance June 30, 2018 | Current portion | Long-term portion |
|---------------------------------------|--------------------------|-----------------------------|-------------------|--|-----------|------------|--------------------------|--------------------|----------------------|
| Accrued compensated absences | \$ 69,985 | — | — | 69,985 | 39,762 | (41,763) | 67,984 | 67,984 | — |
| Long-term debt obligations: | | | | | | | | | |
| Others: (list by type) | 2,000,000 | — | — | 2,000,000 | — | — | 2,000,000 | — | 2,000,000 |
| Private Note Payable | 2,000,000 | — | — | 2,000,000 | — | — | 2,000,000 | — | 2,000,000 |
| Total long-term debt obligations | 2,000,000 | — | — | 2,000,000 | — | — | 2,000,000 | — | 2,000,000 |
| Total long-term debt obligations, net | \$ 2,069,985 | — | — | 2,069,985 | 39,762 | (41,763) | 2,067,984 | 67,984 | 2,000,000 |

5 Future minimum lease payments - Capital lease obligations:

Not Applicable

6 Long-term debt obligations schedule:

| | Auxiliary revenue bonds | | | | All other long-term debt obligations | | | | Total long-term debt obligations | | | |
|--|-------------------------|---------------|------------------------|---|--------------------------------------|---------------|------------------------|-----------|----------------------------------|---------------|------------------------|--------------|
| | Principal Only | Interest Only | Principal and Interest | | Principal Only | Interest Only | Principal and Interest | | Principal Only | Interest Only | Principal and Interest | |
| Year ending June 30: | | | | | | | | | | | | |
| 2019 | — | — | — | — | — | 20,000 | 20,000 | — | — | 20,000 | 20,000 | — |
| 2020 | — | — | — | — | 2,000,000 | 10,000 | 2,010,000 | 2,000,000 | 2,000,000 | 10,000 | 2,010,000 | — |
| Total minimum payments | — | — | — | — | 2,000,000 | 30,000 | 2,030,000 | 2,000,000 | 2,000,000 | 30,000 | 2,030,000 | — |
| Less amounts representing interest | | | | | | | | | | | | (30,000) |
| Present value of future minimum payments | | | | | | | | | | | | 2,000,000 |
| Total long-term debt obligations | | | | | | | | | | | | 2,000,000 |
| Less: current portion | | | | | | | | | | | | — |
| Long-term debt obligations, net of current portion | | | | | | | | | | | | \$ 2,000,000 |

CALIFORNIA STATE UNIVERSITY, FRESNO FOUNDATION
Other Information
June 30, 2018
(for inclusion in the California State University)

7 Calculation of net position:

7.1 Calculation of net position - Net investment in capital assets

| | |
|--|------------------|
| Capital assets, net of accumulated depreciation | \$ 59,158 |
| Long-term debt obligations, net of current portion | (2,000,000) |
| Other adjustments: (please list) | 2,000,000 |
| Long-term debt not related to capital assets | — |
| Net position - Net investment in capital assets | \$ 59,158 |

7.2 Calculation of net position - Restricted for nonexpendable - endowments

| | |
|---|-----------------------|
| Endowment investments | 141,879,013 |
| Other adjustments: (please list) | — |
| Portion of restricted investments related to temp restricted assets | (28,424,169) |
| Net position - Restricted for nonexpendable - endowments | \$ 113,454,844 |

8 Transactions with related entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs
Gifts-in-kind to the University from discretely presented component units

| |
|---------------|
| Amount |
| \$ 3,390,876 |
| 1,165,252 |

9 Other postemployment benefits (OPEB) liability
Intentionally left blank - not required/applicable eFFY17/18

Not Applicable

10 Pollution remediation liabilities under GASB Statement No. 49:

Not Applicable

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

Not Applicable

12 Natural Classifications of Operating Expenses:

| | Salaries | Benefits | Scholarships and fellowships | Supplies and other services | Depreciation and amortization | Total operating expenses |
|---------------------------------|-------------------|------------------|------------------------------|-----------------------------|-------------------------------|--------------------------|
| Instruction | 4,127,664 | 1,412,161 | — | 7,522,284 | — | 13,062,110 |
| Research | 2,745,138 | 582,984 | — | 3,216,047 | — | 6,544,169 |
| Public service | 8,185,623 | 2,458,757 | — | 6,334,455 | — | 16,978,834 |
| Institutional support | — | — | — | 505,623 | — | 505,623 |
| Student grants and scholarships | — | — | 4,024,760 | — | — | 4,024,760 |
| Auxiliary enterprise expenses | 704,449 | 372,175 | — | 5,598,593 | — | 6,675,217 |
| Depreciation and amortization | — | — | — | — | 27,031 | 27,031 |
| Total | 15,762,874 | 4,826,077 | 4,024,760 | 23,177,002 | 27,031 | 47,817,744 |