

The University Foundation, California State University, Chico

Financial Statements and Supplemental Information
Years Ended June 30, 2018 and 2017

THE UNIVERSITY FOUNDATION, CALIFORNIA STATE UNIVERSITY, CHICO

Financial Statements and Supplemental Information

June 30, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The University Foundation, California State University, Chico

Report on the Financial Statements

We have audited the accompanying financial statements of The University Foundation, California State University, Chico (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The University Foundation, California State University, Chico as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with principles generally accepted in the United States of America.

**INDEPENDENT AUDITORS' REPORT,
CONTINUED**

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information included on pages 21 - 28 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Aldrich CPAs + Advisors LLP

San Diego, California
September 19, 2018

THE UNIVERSITY FOUNDATION, CALIFORNIA STATE UNIVERSITY, CHICO**Statements of Financial Position**

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,773,453	\$ 1,624,846
Receivables and other current assets	294,898	232,099
Investments	82,839,397	77,488,396
Contributions receivable, net	1,536,513	1,544,431
Student loans administered through CSU, Chico	<u>152,281</u>	<u>504,192</u>
Total Current Assets	86,596,542	81,393,964
Contributions Receivable, net	3,820,550	3,927,265
Building and Equipment, net of accumulated depreciation	<u>286,448</u>	<u>379,025</u>
Total Assets	<u>\$ 90,703,540</u>	<u>\$ 85,700,254</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 1,143,912	\$ 469,252
Liabilities under deferred gift agreements	<u>81,706</u>	<u>156,851</u>
Total Current Liabilities	1,225,618	626,103
Long-Term Liabilities Under Deferred Gift Agreements	<u>4,479,246</u>	<u>2,973,377</u>
Total Liabilities	5,704,864	3,599,480
Net Assets:		
Unrestricted	7,464,788	6,740,643
Temporarily restricted	22,555,493	21,842,270
Permanently restricted	<u>54,978,395</u>	<u>53,517,861</u>
Total Net Assets	<u>84,998,676</u>	<u>82,100,774</u>
Total Liabilities and Net Assets	<u>\$ 90,703,540</u>	<u>\$ 85,700,254</u>

See accompanying notes to the financial statements.

THE UNIVERSITY FOUNDATION, CALIFORNIA STATE UNIVERSITY, CHICO

Statement of Activities

Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support:				
Donations and contributions	\$ 417,151	\$ 5,594,822	\$ 1,212,477	\$ 7,224,450
University programs' receipts	617,460	1,604,545	-	2,222,005
Interest and dividend income	390,511	1,434,473	-	1,824,984
Realized and unrealized gains	333,787	2,738,588	-	3,072,375
Change in split interest agreement	-	-	(1,351,658)	(1,351,658)
Net assets released from restrictions	9,059,490	(10,659,205)	1,599,715	-
Total Revenue and Support	10,818,399	713,223	1,460,534	12,992,156
Operating Expenses:				
Program services:				
Campus programs	6,502,155	-	-	6,502,155
Student scholarships	2,045,450	-	-	2,045,450
Supporting services:				
Management and general	925,897	-	-	925,897
Fundraising	620,752	-	-	620,752
Total Expenses	10,094,254	-	-	10,094,254
Change in Net Assets	724,145	713,223	1,460,534	2,897,902
Net Assets, beginning	6,740,643	21,842,270	53,517,861	82,100,774
Net Assets, ending	\$ 7,464,788	\$ 22,555,493	\$ 54,978,395	\$ 84,998,676

THE UNIVERSITY FOUNDATION, CALIFORNIA STATE UNIVERSITY, CHICO

Statement of Activities

Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support:				
Donations and contributions	\$ 348,240	\$ 5,442,011	\$ 3,651,088	\$ 9,441,339
University programs' receipts	60,966	1,032,019	-	1,092,985
Interest and dividend income	328,306	1,097,826	-	1,426,132
Realized and unrealized gains	564,113	4,507,041	-	5,071,154
Change in split interest agreement	-	-	352,099	352,099
Net assets released from restrictions	7,639,128	(8,143,322)	504,194	-
Total Revenue and Support	8,940,753	3,935,575	4,507,381	17,383,709
Operating Expenses:				
Program services:				
Campus programs	5,151,251	-	-	5,151,251
Student scholarships	1,773,092	-	-	1,773,092
Supporting services:				
Management and general	1,015,466	-	-	1,015,466
Fundraising	644,087	-	-	644,087
Total Expenses	8,583,896	-	-	8,583,896
Change in Net Assets	356,857	3,935,575	4,507,381	8,799,813
Net Assets, beginning	6,383,786	17,906,695	49,010,480	73,300,961
Net Assets, ending	\$ 6,740,643	\$ 21,842,270	\$ 53,517,861	\$ 82,100,774

THE UNIVERSITY FOUNDATION, CALIFORNIA STATE UNIVERSITY, CHICO**Statement of Cash Flows**

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 2,897,902	\$ 8,799,813
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	91,606	86,200
Net unrealized gain on investments	(2,041,705)	(3,987,749)
Net unrealized (gain) loss on split interest agreements	1,326,909	(556,283)
Loss on disposal of building and equipment	8,511	-
Student loans administered through CSU, Chico	351,911	51,558
Changes in operating assets and liabilities:		
Receivables and other assets	(62,799)	(82,496)
Contributions receivable, net	114,633	(2,188,197)
Accounts payable	674,660	(413,482)
Liabilities under deferred gift agreements	<u>1,430,724</u>	<u>(17,487)</u>
Net Cash Provided by Operating Activities	4,792,352	1,691,877
Cash Flows From Investing Activities:		
Purchase of investments	(14,134,115)	(11,212,442)
Sale of investments	9,497,910	7,727,238
Proceeds from note receivable	-	700,000
Purchase of property and equipment	<u>(7,540)</u>	<u>(262,944)</u>
Net Cash Used by Investing Activities	(4,643,745)	(3,048,148)
Net Increase (Decrease) in Cash and Cash Equivalents	148,607	(1,356,271)
Cash and Cash Equivalents, beginning	<u>1,624,846</u>	<u>2,981,117</u>
Cash and Cash Equivalents, ending	<u>\$ 1,773,453</u>	<u>\$ 1,624,846</u>

See accompanying notes to the financial statements.

THE UNIVERSITY FOUNDATION, CALIFORNIA STATE UNIVERSITY, CHICO

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

Note 1 – Organization and Summary of Significant Accounting Policies

Nature of Activities

The University Foundation, California State University, Chico (the Foundation) is a not-for-profit auxiliary organization of California State University, Chico (the University), organized and operated in accordance with the Education Code of the State of California and the California Code of Regulations. The Foundation was organized and incorporated in 1940, with a mission to support and enhance campus projects and programs. The Foundation is solely philanthropic.

The Foundation is related to other auxiliaries of the University, including The CSU, Chico Research Foundation (Research Foundation) and the Associated Students, CSU, Chico (Associated Students). These auxiliaries and the University periodically provide various services for one another.

Basis of Accounting and Reporting

The financial statements of the Foundation have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

The Foundation's financial statements present net assets and contributions classified as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

- Unrestricted net assets consist of net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets also include funds other than contributions that have been designated for specific purpose by the Board of Governors (the "Board") or CSU, Chico.
- Temporarily restricted net assets consist of unspent contributions that are subject to specific donor restrictions that can be fulfilled by actions of the Foundation or by the passage of time. These include unspent purpose-restricted expendable gifts, certain pledges payable in future periods, and unspent time-restricted gifts.
- Permanently restricted net assets consist of contributions made with donor-imposed stipulations that the funds be held in perpetuity. Generally, the income earned on such contributions is available for use by the Foundation for the benefit of the University. Also included in permanently restricted net assets are charitable remainder trusts ("CRT"), in which the income earned is included in permanently restricted net assets.

Contributions, including unconditional promises to give (pledges), are recognized in the year the promise is made. Contributions with donor-imposed restrictions are reported as temporarily or permanently restricted contributions. Temporarily restricted net assets are reclassified to unrestricted net assets at such time the Foundation has fulfilled the donor-imposed restriction.

Pledges that are expected to be collected within one year from the date of the gift are recorded at their net realizable value. Pledges that are expected to be collected in future years are discounted to their estimated net present value (see Note 3).

Cash and Cash Equivalents

The Foundation considers cash and cash equivalents to include cash on hand and in commercial checking accounts. The Foundation has a concentration of cash invested in JP Morgan Chase Bank. The Foundation maintains its cash in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor per financial institution. As of June 30, 2018 the Foundation had approximately \$1,450,758 that was exposed to uninsured deposit risk.

Receivables

The Foundation administers campus programs related to the philanthropic activity of the University. Receivables represent amounts due at June 30 from various campus program activities.

THE UNIVERSITY FOUNDATION, CALIFORNIA STATE UNIVERSITY, CHICO

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

Note 1 – Organization and Summary of Significant Accounting Policies, continued

Investments

Investments are reported at fair value, with gains and losses included in the statements of activities.

Investments include charitable remainder trust assets which consist primarily of mutual funds invested in equities and fixed income instruments.

Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, defines fair value and establishes a framework for measuring fair value under generally accepted accounting principles.

The Foundation defines fair value as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market. The Foundation applies fair value measurements to assets and liabilities that are required to be recorded at fair value under generally accepted accounting principles. Fair value measurement techniques maximize the use of observable inputs and minimize the use of unobservable inputs, and are categorized in a fair value hierarchy based on the transparency of inputs. The three levels are defined as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

As a practical expedient, certain financial instruments may be valued using net asset value (NAV) per share. NAV is the amount of net assets attributable to each share of outstanding capital stock at the end of the period.

The carrying value of cash, receivables, and payables approximates fair value as of June 30, 2018 due to the relative short maturities of these instruments.

Following is a description of the valuation methodologies used for assets measures at fair value. There have been no changes in the methodologies used during the years ended June 30, 2018 and 2017.

- Money Market Funds - Amounts are interest-bearing deposit accounts, which at times may be in excess of the FDIC insurance limit. The Foundation does not consider these amounts for use in general operations; therefore, they are not classified as cash and cash equivalents.
- Mutual Funds and Equity Securities - Each investor in a mutual fund will typically receive units of participation or shares in the mutual fund. These shares are valued daily, based on the underlying securities owned by the mutual fund, and are usually publicly traded equity securities. Equity securities are instruments that signify an ownership position in a corporation and represents a claim on its proportional share in the corporation's assets and profits. Ownership is determined by the number of shares an investor owns divided by the total number of shares outstanding. Equity securities are valued daily based on the closing market price in the active exchange markets.

THE UNIVERSITY FOUNDATION, CALIFORNIA STATE UNIVERSITY, CHICO

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

Note 1 – Organization and Summary of Significant Accounting Policies, continued

Fair Value Measurements, continued

- Debt and Fixed Income Securities - Corporate and municipal bonds and other debt and fixed income securities are generally valued by a computerized pricing service or, for less actively traded issues, by utilizing a yield-based matrix system to arrive at an estimated market value. Each bond series has a unique set of variables including coupon payment, number of payments, interest rate, and the maturity value. These factors are used to determine the estimated market value and can be determined daily.
- Unit Investment Trusts (UIT) - UIT typically issue redeemable securities or units, similar to a mutual fund, and will buy back an investor's units, at the investor's request, at their approximate net asset value. A UIT does not actively trade its investment portfolio; instead, it buys a relatively fixed portfolio of specific stocks or bonds and holds them with little or no change for the life of the UIT. A UIT will have a termination date, which is established when the UIT is created. In the case of a UIT investing in bonds, for example, the termination date may be determined by the maturity date of the bond investments. When a UIT terminates, any remaining investment portfolio securities are sold and the proceeds are paid to the investors. Distributions to investors are calculated by annualizing the distribution paid and dividing by the market price. The distribution rate may include realized short-term capital gains as well as return of capital.
- Partnership Interests - The fair value of the partnership interests have been estimated based on information provided by the fund managers or the general partners.

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.

Artwork and Collections

The Foundation maintains collections of art. Collection items acquired either through purchase or donation are not capitalized or recognized as revenues or gains provided that such donations are added to collections and are held for public exhibition, education, or research in furtherance of public service rather than financial gain; are protected, kept unencumbered, cared for, and preserved; and are subject to a policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. Purchases of collection items are recorded as decreases in unrestricted net assets if purchased with unrestricted assets and as decreases in temporarily restricted net assets if purchased with donor-restricted assets. Proceeds from deaccessions or insurance recoveries are reflected in the statements of activities based on the absence or existence and nature of donor-imposed restrictions.

Student Loans Administered through CSU, Chico

Gifts made to the Foundation for the purpose of providing student loans are annually assessed by the University for collectability. These funds are provided to students through the University's Financial Aid office.

Building and Equipment

Buildings and equipment are stated at cost, or if acquired by gift, are recorded at estimated market value at the date of acquisition. Buildings and equipment are not capitalized by the Foundation if the title remains with or reverts to the grantor. Expenditures for new construction, major renewals and replacements, and equipment over \$5,000 are capitalized.

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method.

THE UNIVERSITY FOUNDATION, CALIFORNIA STATE UNIVERSITY, CHICO

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

Note 1 – Organization and Summary of Significant Accounting Policies, continued

Liabilities under Deferred Gift Agreements

The Foundation serves as trustee and administrator for various types of trust agreements, including split-interest agreements, whereby the beneficial interest is shared with one or more parties. The arrangements generally require payment of annual trust income to the beneficiary or beneficiaries over the term of the trust, with the remainderman portion of the assets reverting to the Foundation. The liability under deferred gift agreements on the statements of financial position represents the present value of the estimated future payments to be distributed to these beneficiaries over the life expectancies of the beneficiaries, as derived using actuarial tables. The present value calculation included a discount rate of 4%. The California Insurance Code provides limitations on investment vehicles utilized for charitable gift annuity agreements.

Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Foundation has been classified as an organization that is not a private foundation under Section 509(a)(2). The Foundation has not entered into any activities that would jeopardize its tax-exempt status. Income from certain investments with activity not related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income (UBI). The Foundation files exempt organization returns in the U.S. federal and California jurisdictions.

The Foundation accounts for income taxes in accordance with FASB ASC 740, *Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in the Foundation's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC 740, *Income Taxes*, also provides guidance on de-recognition and measurement of a tax position taken or expected to be taken in a tax return. Based on this analysis, a liability is recorded if uncertain tax benefits have been received. The Foundation's practice is to recognize interest and penalties, if any, related to uncertain tax positions in the tax expense.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Significant estimates include the discount rates on pledges receivable, unitrust liabilities, the life expectancy of annuitants of unitrusts, the collectability of pledges receivables and the fair value of alternative investments. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through September 19, 2018, the date which the report was available to be issued.

THE UNIVERSITY FOUNDATION, CALIFORNIA STATE UNIVERSITY, CHICO

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

Note 2 – Investments

The following is a schedule of investments at fair value, by level within the fair value hierarchy at June 30, 2018:

	Level 1	Level 2	Level 3	NAV	Total
Money market funds	\$ 1,052,175	\$ -	\$ -	\$ -	\$ 1,052,175
Mutual funds, by investment objective:					
Growth funds	6,385,920	-	-	-	6,385,920
Blend funds	13,859,297	-	-	-	13,859,297
Value funds	7,684,260	-	-	-	7,684,260
International funds	12,602,938	-	-	-	12,602,938
Bond and fixed income funds	15,603,498	-	-	-	15,603,498
Equity securities, by industry type:					
Technology	279,940	-	-	-	279,940
Healthcare	65,620	-	-	-	65,620
Energy	77,332	-	-	-	77,332
Services	166,526	-	-	-	166,526
Financial	104,638	-	-	-	104,638
Other	461,961	-	-	-	461,961
Debt and fixed income securities:					
U.S. Treasury	-	33,312	-	-	33,312
Corporate	-	18,587	-	-	18,587
Other	-	411,302	-	-	411,302
Pooled investments:					
Local Agency Investment Fund (a)	-	-	-	727,409	727,409
Unit investment trusts	-	484,230	-	-	484,230
Partnership interests, by investment objective:					
Hedge funds and commodity pools (a)	-	-	-	6,875,412	6,875,412
International funds (a)	-	-	-	1,258,072	1,258,072
Growth and special opportunity (a)	-	-	-	9,088,130	9,088,130
Private equity (a)	-	-	-	3,623,306	3,623,306
Real estate (a)	-	-	222,095	1,753,437	1,975,532
	<u>\$ 58,344,105</u>	<u>\$ 947,431</u>	<u>\$ 222,095</u>	<u>\$ 23,325,766</u>	<u>\$ 82,839,397</u>

(a) In accordance with subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

THE UNIVERSITY FOUNDATION, CALIFORNIA STATE UNIVERSITY, CHICO

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

Note 2 – Investments, continued

The following is a schedule of investments at fair value, by level within the fair value hierarchy at June 30, 2017:

	Level 1	Level 2	Level 3	NAV	Total
Money market funds	\$ 4,048,502	\$ -	\$ -	\$ -	\$ 4,048,502
Mutual funds, by investment objective:					
Growth funds	2,906,217	-	-	-	2,906,217
Blend funds	14,447,633	-	-	-	14,447,633
Value funds	5,972,938	-	-	-	5,972,938
International funds	9,900,075	-	-	-	9,900,075
Bond and fixed income funds	17,521,633	-	-	-	17,521,633
Equity securities, by industry type:					
Technology	340,065	-	-	-	340,065
Healthcare	115,490	-	-	-	115,490
Energy	52,435	-	-	-	52,435
Services	140,037	-	-	-	140,037
Financial	62,919	-	-	-	62,919
Other	552,556	-	-	-	552,556
Debt and fixed income securities:					
U.S. Treasury	-	35,670	-	-	35,670
State and municipalities	-	10,458	-	-	10,458
Corporate	-	20,094	-	-	20,094
Other	-	1,041,047	-	-	1,041,047
Pooled investments:					
Local Agency Investment Fund (a)	-	-	-	754,224	754,224
Unit investment trusts	-	357,441	-	-	357,441
Partnership interests, by investment objective:					
Hedge funds and commodity pools (a)	-	-	-	5,122,836	5,122,836
International funds (a)	-	-	-	305,779	305,779
Growth and special opportunity (a)	-	-	-	8,614,817	8,614,817
Private equity (a)	-	-	-	2,964,818	2,964,818
Real estate (a)	-	-	222,095	1,978,617	2,200,712
	<u>\$ 56,060,500</u>	<u>\$ 1,464,710</u>	<u>\$ 222,095</u>	<u>\$ 19,741,091</u>	<u>\$ 77,488,396</u>

(a) In accordance with subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

The Foundation did not have any changes in the fair value of its Level 3 assets (real estate) during the years ended June 30, 2018 and 2017.

THE UNIVERSITY FOUNDATION, CALIFORNIA STATE UNIVERSITY, CHICO

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

Note 2 – Investments, continued

Commitments and redemption schedules for those investments based on net asset values are as follows:

Description	Fair value at June 30, 2018	Unfunded commitments	Redemption frequency	Redemption notice period
Hedge funds and commodity pools [a]	\$ 6,875,412	n/a	quarterly	n/a
International funds [b]	\$ 1,258,072	n/a	daily	90 days
Growth and special opportunity [c]	\$ 5,714,128	n/a	quarterly	60 to 65 days
Growth and special opportunity [c]	\$ 2,042,155	n/a	semi-annual	30 days
Growth and special opportunity [c]	\$ 1,331,847	n/a	monthly	30 days
Private equity [d]	\$ 3,623,306	\$ 4,796,212	n/a	n/a
Real estate [e]	\$ 1,753,437	\$ 235,545	n/a	n/a
Local Agency Investment Fund (LAIF) [f]	\$ 727,409	n/a	n/a	n/a

Description	Fair value at June 30, 2017	Unfunded commitments	Redemption frequency	Redemption notice period
Hedge funds and commodity pools [a]	\$ 5,122,836	n/a	quarterly	n/a
International funds [b]	\$ 305,779	\$ 47,164	daily	90 days
Growth and special opportunity [c]	\$ 5,303,539	n/a	quarterly	60 to 65 days
Growth and special opportunity [c]	\$ 1,769,411	n/a	semi-annual	30 days
Growth and special opportunity [c]	\$ 1,541,867	n/a	monthly	30 days
Private equity [d]	\$ 2,964,818	\$ 1,254,161	n/a	n/a
Real estate [e]	\$ 1,978,617	\$ 576,887	n/a	n/a
Local Agency Investment Fund (LAIF) [f]	\$ 754,224	n/a	n/a	n/a

[a] This class includes investments hedged bond and equity strategies with low net risk exposure (i.e., bond-like volatility).

[b] This class includes investments in regionally diverse stocks, predominantly long-only.

[c] This class includes investments in diverse growth sensitive hedged strategies with significant but less than full equity-like risk exposure.

[d] This class includes investments in equity and debt of companies that are not publicly traded on a stock exchange.

[e] This class includes investments in privately held commercial real estate, either equity or debt, through funds or direct investment

[f] This class holds short-term deposits in a State of California, Treasurer's Office, investment pool. The value of each participating LAIF dollar equals the fair value divided by the amortized cost.

THE UNIVERSITY FOUNDATION, CALIFORNIA STATE UNIVERSITY, CHICO

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

Note 3 – Contributions Receivable

Contributions receivable consists of unconditional promises to give, including pledges receivable and beneficial interest in trusts. The Foundation is the beneficiary of trusts managed by others; beneficial interest in trusts represents the estimated value of the Foundation's future payment upon the termination of those trusts. Contributions receivable consists of the following at June 30:

	<u>2018</u>	<u>2017</u>
Major pledges	\$ 3,504,161	\$ 3,476,791
Less unamortized discount (5%)	<u>(392,207)</u>	<u>(250,188)</u>
Total Pledges Receivable	<u>3,111,954</u>	<u>3,226,603</u>
Beneficial interest in trusts	2,786,259	2,721,115
Less unamortized discount (4%)	<u>(541,150)</u>	<u>(476,022)</u>
Total Beneficial Interest in Trust	<u>2,245,109</u>	<u>2,245,093</u>
	<u>\$ 5,357,063</u>	<u>\$ 5,471,696</u>

The contributions receivable are estimated to be collected as follows:

	<u>2018</u>
Amounts due in:	
Less than one year	\$ 1,536,513
One to five years	3,212,026
More than five years	<u>608,524</u>
	<u>\$ 5,357,063</u>

Note 4 – Building and Equipment

Building and equipment consists of the following at June 30:

	<u>2018</u>	<u>2017</u>
Building Improvements	\$ 28,615	\$ 28,615
Equipment and furnishing	<u>1,686,014</u>	<u>1,702,629</u>
	1,714,629	1,731,244
Less accumulated depreciation	<u>(1,428,181)</u>	<u>(1,352,219)</u>
	<u>\$ 286,448</u>	<u>\$ 379,025</u>

Depreciation expense charged to operations amounted to \$91,606 and \$86,200 for the years ended June 30, 2018 and 2017, respectively.

THE UNIVERSITY FOUNDATION, CALIFORNIA STATE UNIVERSITY, CHICO

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

Note 5 – Net Assets and Net Asset Reserves

The Board of Governors of the Foundation, under guidelines established by the Chancellor's Office, developed policies that reserve the unrestricted net assets of the Foundation. Future increases in net assets will also be reserved by these policies. Reservations of net assets are as follows at June 30:

	<u>2018</u>		<u>2017</u>
Investment in plant and equipment	\$ 286,448	\$	379,025
Reserve for working capital	369,573		423,614
Reserve for planned future operations	<u>320,169</u>		<u>320,169</u>
	976,190		1,122,808
Available for general purposes	3,291,524		2,674,974
Unrestricted endowment net assets	<u>3,197,074</u>		<u>2,942,861</u>
Unrestricted Net Assets	<u>\$ 7,464,788</u>	\$	<u>6,740,643</u>

Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2018</u>		<u>2017</u>
Campus programs	\$ 10,509,364	\$	10,684,956
Scholarships and fellowships	10,333,906		9,129,119
Capital projects	1,559,942		1,475,645
Scholarship loans	<u>152,281</u>		<u>552,550</u>
Temporarily Restricted Net Assets	<u>\$ 22,555,493</u>	\$	<u>21,842,270</u>

Permanently restricted net assets are restricted for investment in perpetuity. The income earned from these investments is reflected as temporarily restricted investment income. Annually, a portion of the earnings are expended to support the donor-designated purpose and are included in the schedule of temporarily restricted net assets released from restriction.

Permanently restricted net assets are available for the following purposes at June 30:

	<u>2018</u>		<u>2017</u>
Donor-restricted endowment fund	\$ 50,303,453	\$	47,125,949
Charitable remainder trust assets	<u>4,674,942</u>		<u>6,391,912</u>
Permanently Restricted Net Assets	<u>\$ 54,978,395</u>	\$	<u>53,517,861</u>

THE UNIVERSITY FOUNDATION, CALIFORNIA STATE UNIVERSITY, CHICO

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

Note 6 – Donor-Restricted Endowment Funds

The pooled endowment portfolio of the Foundation consists of over 570 individual donor-restricted funds established for a variety of purposes. As required by US GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and its own governing documents in order to account for its donor-restricted endowment funds.

General Board Policy on Administration of Endowment Funds

The Foundation's Board has interpreted UPMIFA as requiring the Board's goal, using prudent investment techniques, to be the preservation of the value of the original endowed gifts, absent explicit donor stipulations to the contrary.

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 various funds; (2) the purposes of the donor-restricted endowment funds; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the Foundation; and (7) the Foundation's investment policies.

The Foundation classifies as permanently restricted net assets the value of gifts donated to permanent endowment funds. The remaining portion of donor-restricted endowment funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until such time as appropriate for expenditure. The unrestricted endowment net assets represent quasi-endowments, which are established at the discretion of the Board or CSU, Chico.

Investment Objectives, Strategies, and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a stable, predictable level of spending for the endowed purposes, and that provides for a rate of growth in the endowment that meets or exceeds the rate of inflation. Outside parties are contracted by the Foundation for purposes of providing investment management and consulting. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under the investment policy as approved by the Board, the endowment assets are invested in a manner that is intended to produce results comparable to or above the yield results of various market indicators such as the Standard & Poor's 500 Index, Barclays Capital Aggregate Bond Index, and the Consumer Price Index as indicators of inflation.

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 an emphasis on equity-based investments, debt and fixed income securities, real estate, and partnership interests while maintaining prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Endowment distributions are made in accordance with the Foundation's Endowment Policy. For the fiscal years ended June 30, 2018 and 2017, the Board's adopted distribution rate was 4 percent of the endowment principal market value using a three-year moving average.

Amounts distributed from endowments per the Board's policy are classified as temporarily restricted for a specific purpose on the statement of financial position. Purpose restrictions generally include student aid and faculty and program excellence.

THE UNIVERSITY FOUNDATION, CALIFORNIA STATE UNIVERSITY, CHICO

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

Note 6 – Donor-Restricted Endowment Funds, continued

Changes in endowment net assets for the year ended June 30, 2018 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investment return:				
Interest and dividend income	\$ 69,508	\$ 1,716,722	\$ -	\$ 1,786,230
Realized and unrealized gains	<u>151,802</u>	<u>2,738,779</u>	<u>-</u>	<u>2,890,581</u>
	221,310	4,455,501	-	4,676,811
Contributions and other additions	713,412	-	1,214,621	1,928,033
Appropriations for expenditures	<u>(680,509)</u>	<u>(4,154,036)</u>	<u>1,962,883</u>	<u>(2,871,662)</u>
Change in endowment net assets	254,213	301,465	3,177,504	3,733,182
Endowment net assets, beginning	<u>2,942,861</u>	<u>10,926,591</u>	<u>47,125,949</u>	<u>60,995,401</u>
Endowment net assets, ending	<u>\$ 3,197,074</u>	<u>\$ 11,228,056</u>	<u>\$ 50,303,453</u>	<u>\$ 64,728,583</u>

Changes in endowment net assets for the year ended June 30, 2017 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investment return:				
Interest and dividend income	\$ 54,298	\$ 1,090,571	\$ -	\$ 1,144,869
Realized and unrealized gains	<u>248,204</u>	<u>4,502,852</u>	<u>-</u>	<u>4,751,056</u>
	302,502	5,593,423	-	5,895,925
Contributions and other additions	39,581	-	4,703,301	4,742,882
Appropriations for expenditures	<u>(180,333)</u>	<u>(2,037,177)</u>	<u>(1,364,117)</u>	<u>(3,581,627)</u>
Change in endowment net assets	161,750	3,556,246	3,339,184	7,057,180
Endowment net assets, beginning	<u>2,781,111</u>	<u>7,370,345</u>	<u>43,786,765</u>	<u>53,938,221</u>
Endowment net assets, ending	<u>\$ 2,942,861</u>	<u>\$ 10,926,591</u>	<u>\$ 47,125,949</u>	<u>\$ 60,995,401</u>

Note 7 – Related-Party Transactions

Operating Leases and Facility Use Agreements

The Foundation operates as an auxiliary organization to CSU, Chico, under an operating agreement negotiated every five years. The current operating and lease agreements expire on June 30, 2020. The Foundation uses certain campus and other facilities under lease agreements requiring rental payments or space trade. All leases are cancelable with 30 days' notice to the lessor.

Business and Financial Services

The Research Foundation provides administrative and financial services to the Foundation.

THE UNIVERSITY FOUNDATION, CALIFORNIA STATE UNIVERSITY, CHICO

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

Note 7 – Related-Party Transactions, continued

Receivables/Payables with CSU, Chico

Receivables with CSU, Chico result from student loans and miscellaneous campus programs' transactions. The student loans' receivable balance amounted to \$152,281 and \$504,192 at June 30, 2018 and 2017, respectively, and are reflected net of allowances for uncollectible accounts of \$0 and \$89,162 at June 30, 2018 and 2017, respectively. The allowance for uncollectible accounts is estimated by CSU, Chico. The payables result from miscellaneous supplies and services provided.

Personnel

The Foundation contracts with the Research Foundation for personnel services. The Research Foundation charges the Foundation for the cost of these services. As such, the personnel hired are employees of the Research Foundation who participate in the benefit plans offered. The Foundation indemnifies the Research Foundation for the acts of its employees under the Foundation's supervision.

The following is a schedule of transactions with related parties at June 30:

	<u>2018</u>	<u>2017</u>
Transactions with CSU, Chico		
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 113,100	\$ 25,314
Payments to University for other than salaries to University personnel	\$ 2,378,101	\$ 1,928,605
Payments received from University for services, spaces, and programs	\$ 707,387	\$ 39,632
Gifts (cash or assets) to the University from recognized auxiliary organizations	\$ 1,151,397	\$ 537,889
Amounts payable to University	\$ (93,041)	\$ (11,466)
Student loan receivables from University	\$ 152,281	\$ 504,192
Transactions with Research Foundation		
Administrative and financial service expenses	\$ 570,402	\$ 569,788
Amounts payable for personnel service expenses	\$ (800,315)	\$ (238,119)

Note 8 – Self-Insurance

The Foundation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Foundation participates with other auxiliaries and universities in the California State University Risk Management Authority (CSURMA), a public entity risk pool currently operating as a common risk management and insurance program. The Foundation pays an annual premium to CSURMA for its general liability and property insurance coverage.

CSURMA is economically dependent on its members for funding and has secured a commitment from members to provide sufficient cash flow to meet its operating needs and to fund losses over a period of time. CSURMA has reinsurance policies through a joint powers authority as well as commercial companies.

THE UNIVERSITY FOUNDATION, CALIFORNIA STATE UNIVERSITY, CHICO

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

Note 9 – Commitments and Contingencies

The Foundation failed to file Forms 926, Return by a U.S. Transferor of Property to a foreign Corporation, with the Internal Revenue Service (“IRS”) and the California Franchise Tax Board (“FTB”) for the 2007-2011 and 2013 tax years and Form 8865, Return of U.S. Persons with Respect to Certain Foreign Partnerships for the 2010-2012 tax years with the IRS (collectively “International Information Returns”). For the same fiscal years, it appears the Foundation failed to report unrelated business taxable income (“UBTI”) to the IRS and the FTB. Based upon the information currently available, (a) there are twenty-two (22) delinquent international information Returns and (b) after taking into account net operating losses for some years, there is an immaterial amount of tax due on the UBTI for the 2007 through 2013 tax years.

There are potential penalties for the failure to file international information returns. The total maximum IRS penalties for the Foundation approximate \$670,000. The total maximum FTB penalties approximate \$635,000. No amount will be due if the Foundation can establish reasonable cause existed for the failures to file. On May 5, 2017, delinquent International Information Returns were filed with the IRS asserting reasonable cause existed. Nothing has been heard from the IRS, which is not usual. Since it has been over a year since the International Information Returns were filed, it is reasonable to conclude the delinquent International Information Returns were accepted, and no penalties will be asserted.

Note 10 – Reclassifications

Certain revenues in the June 30, 2017 statement of activities have been reclassified for comparative purposes to conform to the presentation in the June 30, 2018, statement of activities. Net assets and changes in net assets are unchanged due to these classifications.

SUPPLEMENTAL INFORMATION

THE UNIVERSITY FOUNDATION, CALIFORNIA STATE UNIVERSITY, CHICO

Schedule of Net Position

June 30, 2018

(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 538,599
Short-term investments	727,409
Accounts receivable, net	124,824
Capital lease receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	1,536,513
Prepaid expenses and other current assets	170,074
Total current assets	<u>3,097,419</u>
Noncurrent assets:	
Restricted cash and cash equivalents	1,234,854
Accounts receivable, net	—
Capital lease receivable, net of current portion	—
Notes receivable, net of current portion	—
Student loans receivable, net	152,281
Pledges receivable, net	3,820,550
Endowment investments	59,625,582
Other long-term investments	22,486,406
Capital assets, net	286,448
Other assets	—
Total noncurrent assets	<u>87,606,121</u>
Total assets	<u>90,703,540</u>
Deferred outflows of resources:	
Unamortized loss on debt refunding	—
Net pension liability	—
Net OPEB liability	—
Others	—
Total deferred outflows of resources	<u>—</u>
Liabilities:	
Current liabilities:	
Accounts payable	1,143,912
Accrued salaries and benefits	—
Accrued compensated absences, current portion	—
Unearned revenues	81,706
Capital lease obligations, current portion	—
Long-term debt obligations, current portion	—
Claims liability for losses and loss adjustment expenses, current portion	—
Depository accounts	—
Other liabilities	—
Total current liabilities	<u>1,225,618</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	—
Unearned revenues	4,479,246
Grants refundable	—
Capital lease obligations, net of current portion	—
Long-term debt obligations, net of current portion	—
Claims liability for losses and loss adjustment expenses, net of current portion	—
Depository accounts	—
Net other postemployment benefits liability	—
Net pension liability	—
Other liabilities	—
Total noncurrent liabilities	<u>4,479,246</u>
Total liabilities	<u>5,704,864</u>
Deferred inflows of resources:	
Service concession arrangements	—
Net pension liability	—
Net OPEB liability	—
Unamortized gain on debt refunding	—
Nonexchange transactions	—
Others	—
Total deferred inflows of resources	<u>—</u>
Net Position:	
Net investment in capital assets	286,448
Restricted for:	
Nonexpendable – endowments	61,531,509
Expendable:	
Scholarships and fellowships	1,823,646
Research	—
Loans	415,087
Capital projects	1,559,942
Debt service	—
Others	11,917,256
Unrestricted	7,464,788
Total net position	<u>\$ 84,998,676</u>

THE UNIVERSITY FOUNDATION, CALIFORNIA STATE UNIVERSITY, CHICO

Schedule of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2018

(for inclusion in the California State University)

Revenues:	
Operating revenues:	
Student tuition and fees, gross	\$ —
Scholarship allowances (enter as negative)	—
Grants and contracts, noncapital:	
Federal	—
State	—
Local	—
Nongovernmental	—
Sales and services of educational activities	419,456
Sales and services of auxiliary enterprises, gross	455,095
Scholarship allowances (enter as negative)	—
Other operating revenues	777,426
Total operating revenues	<u>1,651,977</u>
Expenses:	
Operating expenses:	
Instruction	59,908
Research	45,989
Public service	712,593
Academic support	4,146,400
Student services	1,003,328
Institutional support	1,984,992
Operation and maintenance of plant	3,988
Student grants and scholarships	2,045,450
Auxiliary enterprise expenses	—
Depreciation and amortization	91,606
Total operating expenses	<u>10,094,254</u>
Operating income (loss)	<u>(8,442,277)</u>
Nonoperating revenues (expenses):	
State appropriations, noncapital	—
Federal financial aid grants, noncapital	—
State financial aid grants, noncapital	—
Local financial aid grants, noncapital	—
Nongovernmental and other financial aid grants, noncapital	—
Other federal nonoperating grants, noncapital	—
Gifts, noncapital	5,779,828
Investment income (loss), net	507,918
Endowment income (loss), net	2,667,711
Interest expense	—
Other nonoperating revenues - excl. interagency transfers	(1,348,459)
Other nonoperating revenues (expenses) - interagency transfers	—
Net nonoperating revenues (expenses)	<u>7,606,998</u>
Income (loss) before other revenues (expenses)	(835,279)
State appropriations, capital	—
Grants and gifts, capital	—
Additions (reductions) to permanent endowments	3,733,181
Increase (decrease) in net position	2,897,902
Net position:	
Net position at beginning of year, as previously reported	82,100,774
Restatements	—
Net position at beginning of year, as restated	<u>82,100,774</u>
Net position at end of year	<u>\$ 84,998,676</u>

THE UNIVERSITY FOUNDATION, CALIFORNIA STATE UNIVERSITY, CHICO

Other Information

June 30, 2018

(for inclusion in the California State University)

1	Restricted cash and cash equivalents at June 30, 2018:								
	Portion of restricted cash and cash equivalents related to endowments	\$	7,260						
	All other restricted cash and cash equivalents		<u>1,227,594</u>						
	Total restricted cash and cash equivalents	\$	<u><u>1,234,854</u></u>						
2.1	Composition of investments at June 30, 2018:								
	State of California Surplus Money Investment Fund (SMIF)	\$							
	State of California Local Agen18 Investment Fund (LAIF)		263,586						
	Corporate bonds			463,823					727,409
	Certificates of deposit							18,587	18,587
	Mutual funds					11,674,339		44,461,574	56,135,913
	Money Market funds					84,864		967,311	1,052,175
	Repurchase agreements								
	Commercial paper								
	Asset backed securities								
	Mortgage backed securities								
	Municipal bonds								
	U.S. agen18 securities								
	U.S. treasury securities							444,614	444,614
	Equity securities							1,156,017	1,156,017
	Exchange traded funds (ETFs)								
	Alternative investments:								
	Private equity (including limited partnerships)								
	Hedge funds							14,453,738	14,453,738
	Managed futures							6,875,412	6,875,412
	Real estate investments (including REITs)								
	Commodities							1,975,532	1,975,532
	Derivatives								
	Other alternative investment types								
	Other external investment pools (excluding SWIFT)								
	None								
	Other major investments:								
	None								
	Total investments		<u>263,586</u>	<u>463,823</u>	<u>727,409</u>	<u>11,759,203</u>	<u>70,352,785</u>	<u>82,111,988</u>	<u>82,839,397</u>
	Less endowment investments (enter as negative number)						<u>(59,625,582)</u>	<u>(59,625,582)</u>	<u>(59,625,582)</u>
	Total investments		<u><u>263,586</u></u>	<u><u>463,823</u></u>	<u><u>727,409</u></u>	<u><u>11,759,203</u></u>	<u><u>10,727,203</u></u>	<u><u>22,486,406</u></u>	<u><u>23,213,815</u></u>

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

Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2018 :									
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THE UNIVERSITY FOUNDATION, CALIFORNIA STATE UNIVERSITY, CHICO

Other Information

June 30, 2018

(for inclusion in the California State University)

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

Amount
\$ 463,823
\$ 463,823

2.4 Restricted noncurrent investments at June 30, 2018 related to:
 Endowment investment
 Restricted by donor stipulation
Total restricted noncurrent investments at June 30, 2018

Amount
\$ 59,625,582
10,727,203
\$ 70,352,785

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

	Total	Fair Value Measurements Using				Net Asset Value (NAV)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
\$						
State of California Surplus Money Investment Fund (SMIF)	—	—	—	—	—	727,409
State of California Local Agency Investment Fund (LAIF)	727,409	—	—	—	—	—
Corporate bonds	18,587	—	18,587	—	—	—
Certificates of deposit	—	—	—	—	—	—
Mutual funds	—	—	—	—	—	—
Money Market funds	56,135,913	56,135,913	—	—	—	—
Repurchase agreements	1,052,175	1,052,175	—	—	—	—
Commercial paper	—	—	—	—	—	—
Asset backed securities	—	—	—	—	—	—
Mortgage backed securities	—	—	—	—	—	—
Municipal bonds	—	—	—	—	—	—
U.S. agency securities	—	—	—	—	—	—
U.S. treasury securities	444,614	—	444,614	—	—	—
Equity securities	1,156,017	1,156,017	—	—	—	—
Exchange traded funds (ETFs)	—	—	—	—	—	—
Alternative investments:						
Private equity (including limited partnerships)	14,453,738	—	484,230	—	—	13,969,508
Hedge funds	6,875,412	—	—	—	—	6,875,412
Managed futures	—	—	—	—	—	—
Real estate investments (including REITs)	1,975,532	—	—	222,095	—	1,753,437
Commodities	—	—	—	—	—	—
Derivatives	—	—	—	—	—	—
Other alternative investment types	—	—	—	—	—	—
Other external investment pools (excluding SWIFT)	—	—	—	—	—	—
None	—	—	—	—	—	—
Other major investments:						
None	—	—	—	—	—	—
Total investments	82,839,397	58,344,105	947,431	222,095	—	23,325,766

THE UNIVERSITY FOUNDATION, CALIFORNIA STATE UNIVERSITY, CHICO

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
\$								
Nondepreciable/nonamortizable capital assets:								
Land and land improvements								
Works of art and historical treasures								
Construction work in progress (CWIP)								
Intangible assets:								
Rights and easements								
Patents, copyrights and trademarks								
Internally generated intangible assets in progress								
Licenses and permits								
Other intangible assets:								
None								
Total intangible assets								
Total nondepreciable/nonamortizable capital assets								
Depreciable/amortizable capital assets:								
Buildings and building improvements	28,615			28,615				28,615
Improvements, other than buildings								
Infrastructure								
Leasehold improvements								
Personal property:								
Equipment	1,702,629			1,702,629	7,540	(24,155)		1,686,014
Library books and materials								
Intangible assets:								
Software and websites								
Rights and easements								
Patents, copyright and trademarks								
Licenses and permits								
Other intangible assets:								
None								
Total intangible assets								
Total depreciable/amortizable capital assets	1,731,244			1,731,244	7,540	(24,155)		1,714,629
Total capital assets	1,731,244			1,731,244	7,540	(24,155)		1,714,629
Less accumulated depreciation/amortization:								
Buildings and building improvements	(28,615)			(28,615)				(28,615)
Improvements, other than buildings								
Infrastructure								
Leasehold improvements								
Personal property:								
Equipment	(1,323,604)			(1,323,604)	(91,606)	15,644		(1,399,566)
Library books and materials								
Intangible assets:								
Software and websites								
Rights and easements								
Patents, copyright and trademarks								
Licenses and permits								
Other intangible assets:								
None								
Total intangible assets								
Total accumulated depreciation/amortization	(1,352,219)			(1,352,219)	(91,606)	15,644		(1,428,181)
Total capital assets, net	\$ 379,025			\$ 379,025	(84,066)	(8,511)		\$ 286,448

THE UNIVERSITY FOUNDATION, CALIFORNIA STATE UNIVERSITY, CHICO

Other Information

June 30, 2018

(for inclusion in the California State University)

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

Depreciation and amortization expense related to capital assets	\$ 91,606
Amortization expense related to other assets	—
Total depreciation and amortization	\$ 91,606

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	\$ —	—	—	—	—	—	—	—	—
Claims liability for losses and loss adjustment expenses	—	—	—	—	—	—	—	—	—
Capital lease obligations:									
Gross balance	—	—	—	—	—	—	—	—	—
Unamortized premium / (discount) on capital lease obligations	—	—	—	—	—	—	—	—	—
Total capitalized lease obligations	—	—	—	—	—	—	—	—	—
Long-term debt obligations:									
Auxiliary revenue bonds	—	—	—	—	—	—	—	—	—
Commercial paper	—	—	—	—	—	—	—	—	—
Notes payable related to SRB	—	—	—	—	—	—	—	—	—
Others: (list by type)	—	—	—	—	—	—	—	—	—
None	—	—	—	—	—	—	—	—	—
Total long-term debt obligations	—	—	—	—	—	—	—	—	—
Unamortized bond premium / (discount)	—	—	—	—	—	—	—	—	—
Total long-term debt obligations, net	—	—	—	—	—	—	—	—	—
Total long-term liabilities	\$ —	—	—	—	—	—	—	—	—

5 Future minimum lease payments - Capital lease obligations:

Year ending June 30:	Capital lease obligations related to SRB		All other capital lease obligations		Total capital lease obligations	
	Principal Only	Interest Only	Principal Only	Interest Only	Principal Only	Interest Only
2019	—	—	—	—	—	—
2020	—	—	—	—	—	—
2021	—	—	—	—	—	—
2022	—	—	—	—	—	—
2023	—	—	—	—	—	—
2024 - 2028	—	—	—	—	—	—
2029 - 2033	—	—	—	—	—	—
2034 - 2038	—	—	—	—	—	—
2039 - 2043	—	—	—	—	—	—
2044 - 2048	—	—	—	—	—	—
2049 - 2053	—	—	—	—	—	—
2054 - 2058	—	—	—	—	—	—
2059 - 2063	—	—	—	—	—	—
2064 - thereafter	—	—	—	—	—	—
Total minimum lease payments	—	—	—	—	—	—
Less amounts representing interest						
Present value of future minimum lease payments						
Unamortized net premium (discount)						
Total capital lease obligations						
Less: current portion						
Capital lease obligations, net of current portion						\$ —

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6 Long-term debt obligations schedule:

Year ending June 30:	Auxiliary revenue bonds		All other long-term debt obligations		Total long-term debt obligations	
	Principal Only	Interest Only	Principal Only	Interest Only	Principal Only	Interest Only
2019	—	—	—	—	—	—
2020	—	—	—	—	—	—
2021	—	—	—	—	—	—
2022	—	—	—	—	—	—
2023	—	—	—	—	—	—
2024 - 2028	—	—	—	—	—	—
2029 - 2033	—	—	—	—	—	—
2034 - 2038	—	—	—	—	—	—
2039 - 2043	—	—	—	—	—	—
2044 - 2048	—	—	—	—	—	—
2049 - 2053	—	—	—	—	—	—
2054 - 2058	—	—	—	—	—	—
2059 - 2063	—	—	—	—	—	—
2064 - thereafter	—	—	—	—	—	—
Total minimum payments	—	—	—	—	—	—
Less amounts representing interest	—	—	—	—	—	—
Present value of future minimum payments	—	—	—	—	—	—
Unamortized net premium (discount)	—	—	—	—	—	—
Total long-term debt obligations	—	—	—	—	—	—
Less: current portion	—	—	—	—	—	—
Long-term debt obligations, net of current portion	—	—	—	—	—	—

7 Calculation of net position:

7.1 Calculation of net position - Net investment in capital assets	
Capital assets, net of accumulated depreciation	\$ 286,448
Capital lease obligations, current portion	—
Long-term debt obligations, net of current portion	—
Long-term debt obligations, current portion	—
Portion of outstanding debt that is unspent at year-end	—
Other adjustments: (please list)	—
None	—
Net position - Net investment in capital assets	<u>\$ 286,448</u>
7.2 Calculation of net position - Restricted for nonexpendable - endowments	
Portion of restricted cash and cash equivalents related to endowments	\$ 7,260
Endowment investments	59,625,582
Other adjustments: (please list)	—
Receivables related to endowments	1,898,667
Net position - Restricted for nonexpendable - endowments	<u>\$ 61,531,509</u>

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8 Transactions with related entities:

	<u>Amount</u>
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 113,100
Payments to University for other than salaries of University personnel	2,378,101
Payments received from University for services, space, and programs	707,387
Gifts-in-kind to the University from discretely presented component units	—
Gifts (cash or assets) to the University from discretely presented component units	1,151,397
Accounts (payable to) University	(93,041)
Other amounts (payable to) University	—
Accounts receivable from University	152,281
Other amounts receivable from University	—

9 Other postemployment benefits (OPEB) liability

Intentionally left blank - not required/applicable eff FY17/18

10 Pollution remediation liabilities under GASB Statement No. 49:

<u>Description</u>	<u>Amount</u>
None	\$ —
Total pollution remediation liabilities	\$ —
Less: current portion	—
Pollution remediation liabilities, net of current portion	<u>—</u>

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

	<u>Net Position</u>	<u>Amount</u>
	<u>Class</u>	<u>Dr. (Cr.)</u>
Net position as of June 30, 2017, as previously reported		\$ 82,100,774
Prior period adjustments:		
1 None		—
Net position as of June 30, 2017, as restated		<u>\$ 82,100,774</u>

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

	<u>Debit</u>	<u>Credit</u>
Net position class: _____		
1 None		
	\$ —	—

12 Natural Classifications of Operating Expenses:

	<u>Salaries</u>	<u>Benefits</u>	<u>Scholarships and fellowships</u>	<u>Supplies and other services</u>	<u>Depreciation and amortization</u>	<u>Total operating expenses</u>
Instruction	13,195	1,438	—	45,275	—	59,908
Research	6,416	699	—	38,874	—	45,989
Public service	32,790	15,824	—	663,979	—	712,593
Academic support	566,840	169,680	—	3,409,880	—	4,146,400
Student services	173,351	31,796	—	798,181	—	1,003,328
Institutional support	122,272	47,176	—	1,815,544	—	1,984,992
Operation and maintenance of plant	—	—	—	3,988	—	3,988
Student grants and scholarships	—	—	2,045,450	—	—	2,045,450
Auxiliary enterprise expenses	—	—	—	—	—	—
Depreciation and amortization	—	—	—	—	91,606	91,606
Total	<u>914,864</u>	<u>266,613</u>	<u>2,045,450</u>	<u>6,775,721</u>	<u>91,606</u>	<u>10,094,254</u>