Financial Statements With Supplementary Financial Information June 30, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
CSULB 49er Foundation:

Report on the Financial Statements

We have audited the accompanying financial statements of CSULB 49er Foundation, which comprise the statement of net position as of June 30, 2018 and 2017, and the related statements of revenues, expenses, and changes in net position, 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 auditors' 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 auditors consider 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 CSULB 49er Foundation as of June 30, 2018 and 2017, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 3-12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary financial information on pages 29-38 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary financial information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary financial information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated September 18, 2018 on our consideration of CSULB 49er 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CSULB 49er Foundation's internal control over financial reporting and compliance.

Windes, Inc.

Long Beach, California
September 18, 2018

CSULB 49er FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2018 AND 2017

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the CSULB 49er Foundation (the 49er Foundation) for the years ended June 30, 2018 and 2017. The discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto, which follow this section.

The 49er Foundation is a nonprofit organization formed to support and advance the philanthropic mission of California State University, Long Beach (the University). To fulfill this mission, the 49er Foundation actively promotes philanthropy and manages donated resources for the advancement of the University.

Using the Financial Statements

The 49er Foundation's financial report includes three statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. These financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) principles. GASB establishes standards for external financial reporting for public colleges and universities and requires that financial statements be presented on a consolidated basis to focus on the reporting entity as a whole, with resources classified for accounting and reporting purposes into the following four net position categories:

- Invested in capital assets, net of related debt
- Restricted, non-expendable
- Restricted, expendable
- Unrestricted

CSULB 49er FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2018 AND 2017

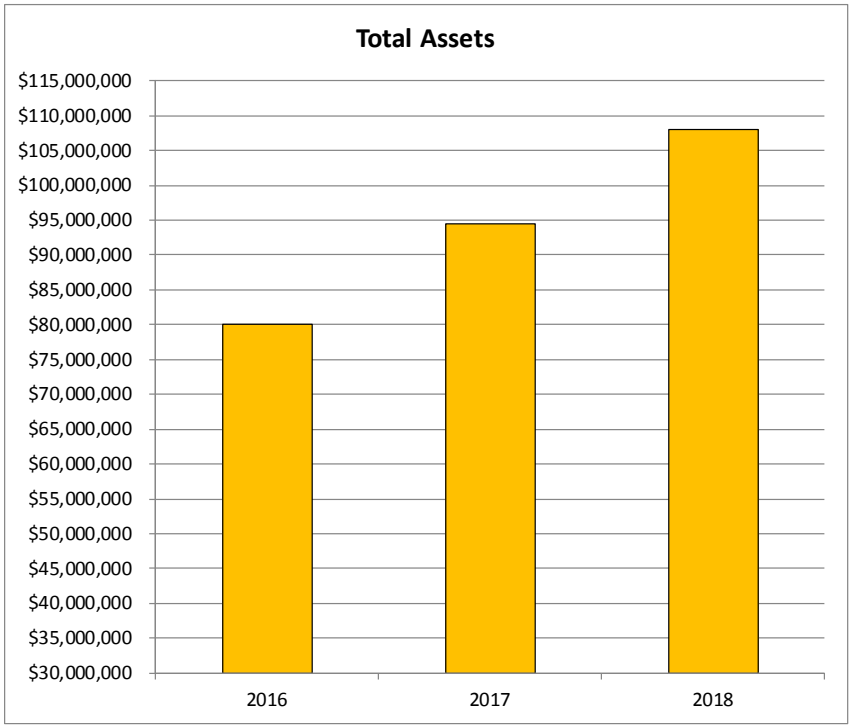
Statement of Net Position

The statement of net position presents the financial position of the 49er Foundation at the end of the fiscal year and includes all assets, liabilities, and deferred outflows/inflows of resouces. The difference between total assets, total liabilities, and total deferred outflows/inflows of resources – net position – is one indicator of the current financial condition of the 49er Foundation, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. For the purpose of distinguishing between current and noncurrent assets and liabilities, current assets and liabilities are those that can be reasonably expected to either generate or use cash, as part of normal business operations, within one year of the financial statement date. A summary of the 49er Foundation's assets, liabilities, and net assets at June 30, 2018 and 2017 is as follows:

	June 30,	
	2018	**2017**
Current assets	$ 26,550,000	$ 23,550,000
Noncurrent assets		
Pledges receivable, net	4,200,000	4,300,000
Endowment and other investments	77,250,000	66,650,000
Total assets	108,000,000	94,500,000
Total liabilities	450,000	450,000
Deferred inflows of resources	50,000	-
	500,000	450,000
Net position	$ 107,500,000	$ 94,050,000

For fiscal year 2018, total assets increased $13.5 million, or 14%, primarily due to increase in endowment and other investments. The deferred inflows of resources is in compliance with GASB statement 81 for irrevocable split-interest agreements.

For fiscal year 2017, total assets increased $14.5 million, or 18%, due to increase in endowment investments and pledges receivable. Total liabilities increased $50,000, or 13%, due to other liabilities payable to the campus and auxiliaries at year-end.


Total Assets
$115,000,000
$110,000,000
$105,000,000
$100,000,000
$95,000,000
$90,000,000
$85,000,000
$80,000,000
$75,000,000
$70,000,000
$65,000,000
$60,000,000
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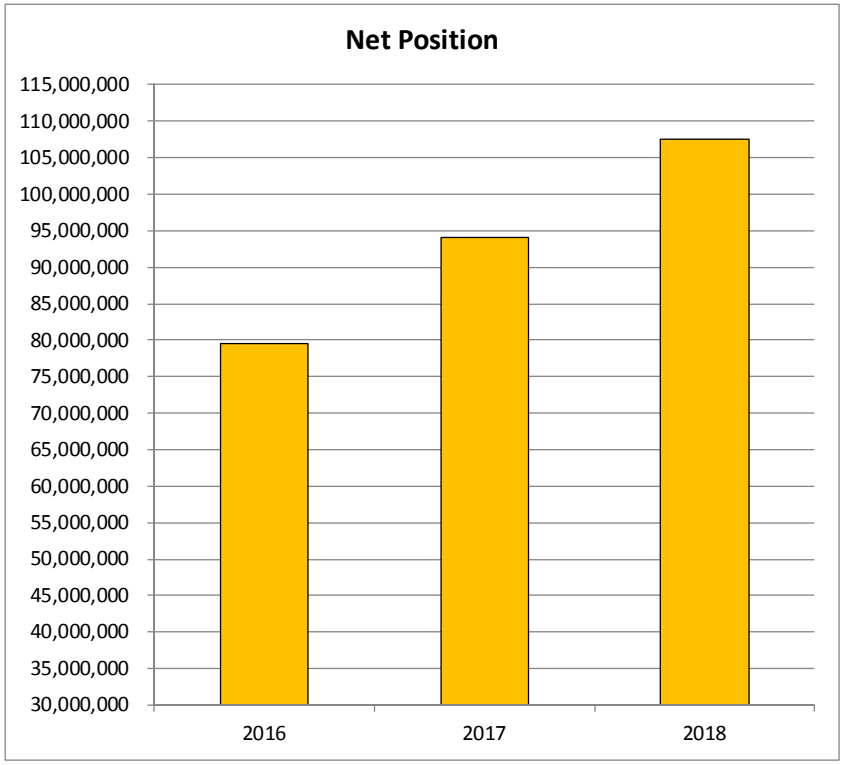
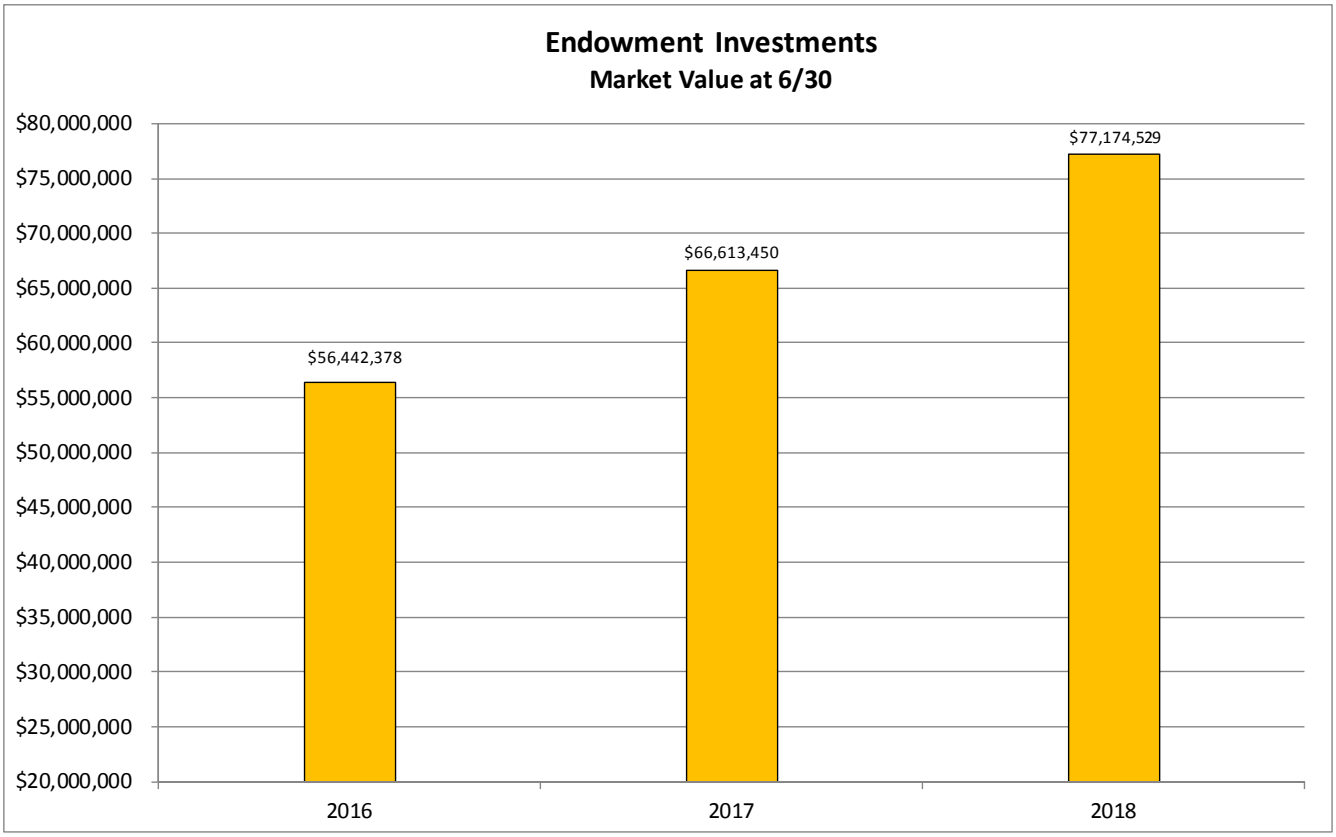
$40,000,000
$35,000,000
$30,000,000
2016
2017
2018


Net Position
115,000,000
110,000,000
105,000,000
100,000,000
95,000,000
90,000,000
85,000,000
80,000,000
75,000,000
70,000,000
65,000,000
60,000,000
55,000,000
50,000,000
45,000,000
40,000,000
35,000,000
30,000,000
2016
2017
2018

Endowment Investments

The 49er Foundation's endowment is $77.2 million and $66.6 million at June 30, 2018 and 2017, respectively. The increase is attributed to additional donations and market returns during the fiscal year. The 49er Foundation's investment policies are designed to protect the long-term viability of its endowment and seek a total return that provides for the annual spending policy disbursement, fees and inflation protection.

Permanent endowments are funds received from donors with the stipulation that the fund be invested in perpetuity to produce a return, a portion of which is to be expended for purposes specified by the donor.



Net Position

Net position represents the residual interest in the 49er Foundation's assets after liabilities are deducted. The 49er Foundation's net position is as follows:

	June 30, 2018	June 30, 2017
Restricted:		
Nonexpendable	$ 65,850,000	$ 57,100,000
Expendable	30,200,000	27,300,000
Unrestricted	11,450,000	9,650,000
Net position	$ 107,500,000	$ 94,050,000

During fiscal year 2018, net position increased $13.5 million, or 14%. During fiscal year 2017, net position increased $14.5 million, or 18%. The increases in both years are attributed to new gifts to current use and endowed funds, and favorable market conditions.

Items included in the restricted expendable net assets are program funds designated to support scholarships and fellowships, and other program activities. Restricted nonexpendable net assets include the 49er Foundation's permanent endowment funds.

CSULB 49er FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2018 AND 2017

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents the 49er Foundation's results of operations. A summary of the 49er Foundation's revenues, expenses, and changes in net assets is as follows:

	For the Year Ended June 30,	
	2018	**2017**
Operating revenues:		
Other	$ 900,000	$ 450,000
Total operating revenues	900,000	450,000
Operating expenses	(12,100,000)	(13,000,000)
Operating loss	(11,200,000)	(12,550,000)
Nonoperating revenues:		
Gifts	9,000,000	11,500,000
Investment income, net	900,000	1,000,000
Endowment income	5,300,000	6,600,000
Other nonoperating		-
Endowment gifts	8,800,000	6,500,000
Total nonoperating revenues	24,000,000	25,600,000
Increase in net position	12,800,000	13,050,000
Special item:		
Transfer of net assets from CSULB Research Foundation	650,000	1,400,000
Net position at beginning of year	94,050,000	79,600,000
Net position at end of year	$ 107,500,000	$ 94,050,000

Total operating expenses consist of salaries, benefits, scholarships, supplies and services. Total nonoperating revenues consist of current use and endowed gifts, investment income and endowment income.

For fiscal year 2018 compared to 2017, operating expenses decreased $900,000, or 7%, due to decrease in scholarship expenses. Scholarship expense decreased $1.5 million in 2018, compared to 2017. This decrease is primarily due to a single large scholarship charge in 2017 which resulted from a one-time gift. Nonoperating revenues decreased $1.6 million, or 6%, with current use gifts lower and endowment income decreased 18%.

For fiscal year 2017 compared to 2016, nonoperating revenues increased $15.6 million, or 157%, due to donations and favorable market conditions.

Statement of Revenues, Expenses, and Changes in Net Position (Continued)

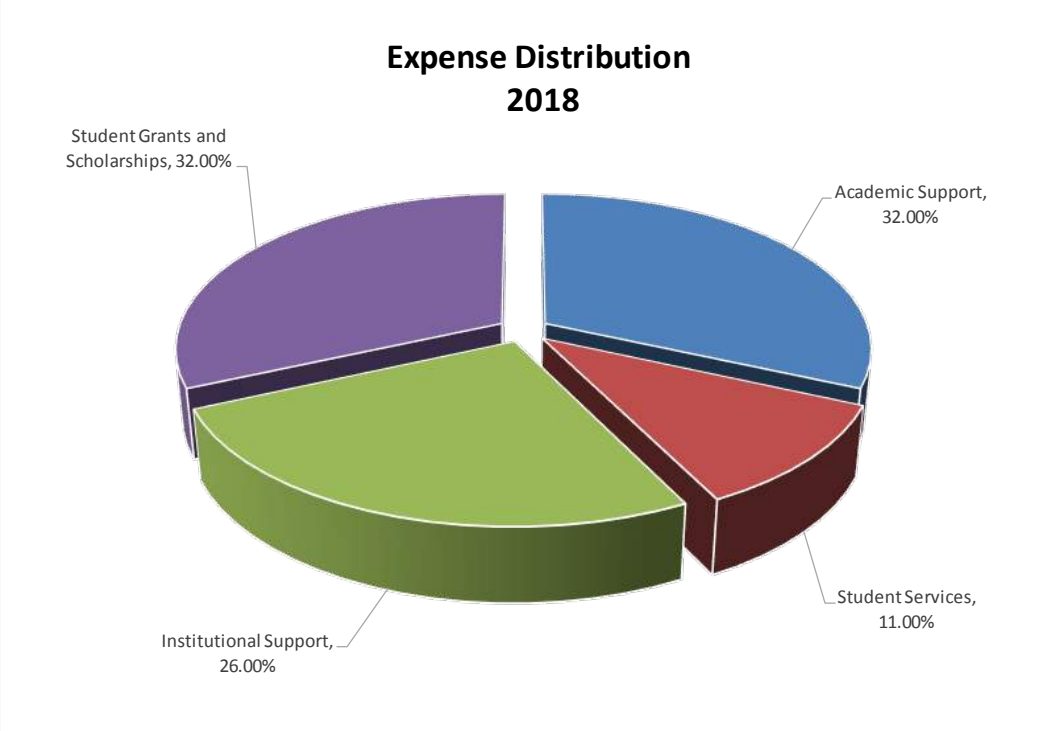
The operating loss is mainly affected by the gift revenues which are treated as nonoperating revenues, while corresponding gift expenditures (e.g., student grants, scholarships, supplies and services) are treated as operating expenses. The 49er Foundation's program activities are allowed to use balances from prior years. Expenditures in the current year may be more or less than revenues recorded during the same year.

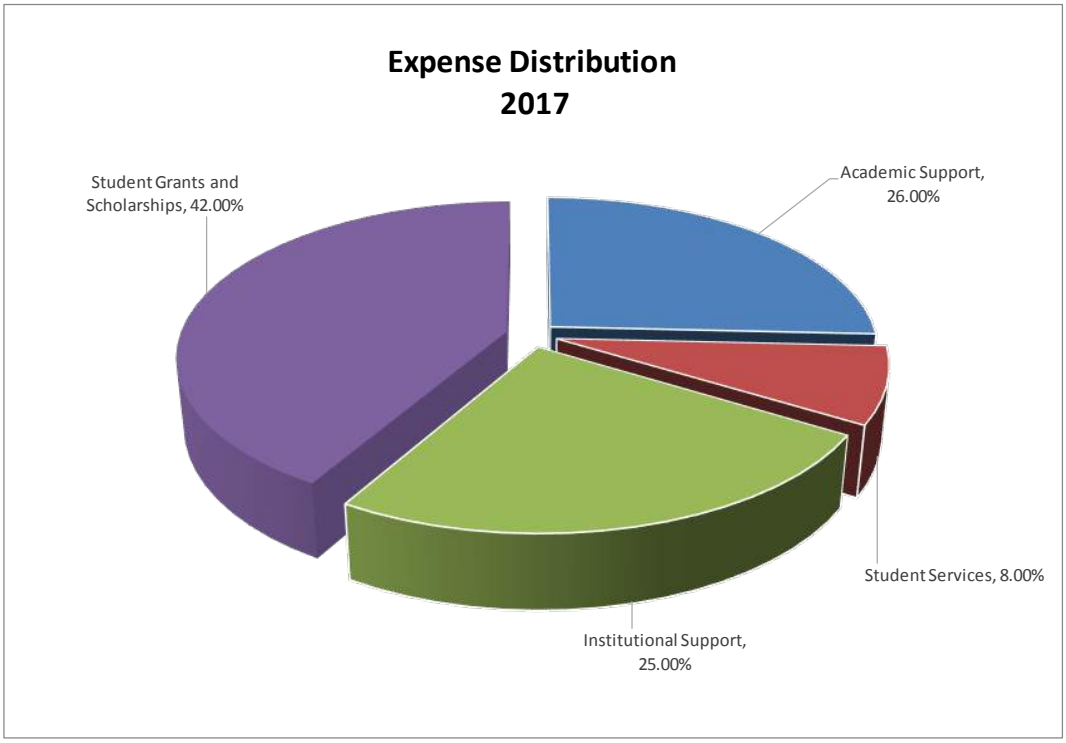
Endowment and investment income, net of fees, consists of a change in the fair market value of investments, including interest, dividends, and realized and unrealized gains and losses of $6.2 million in 2018 and $7.6 million in 2017.

In 2018, operating expenses consist of salaries and benefits of $1.5 million, supplies and services of $6.8 million, and scholarships of $3.8 million. Total operating expenses decreased $900,000, or 7%.

In 2017, operating expenses consist of salaries and benefits of $1.4 million, supplies and services of $6.2 million, and scholarships of $5.4 million. Total operating expenses increased $3.6 million, or 38.5%.

Supplies and services in the institutional support category includes administrative expenses, travel, postage, telephone, fundraising, contractual services and office supplies for development funds such as Annual fund, program funds, and administrative operating fund.


Expense Distribution
2018
Student Grants and Scholarships, 32.00%
Academic Support, 32.00%
Student Services, 11.00%
Institutional Support, 26.00%


Expense Distribution
2017
Student Grants and Scholarships, 42.00%
Academic Support, 26.00%
Student Services, 8.00%
Institutional Support, 25.00%

Statement of Revenues, Expenses, and Changes in Net Position (Continued)

In addition to their natural classifications, it is also informative to review operating expenses by function. A summary of the 49er Foundation's expenses by functional classification is as follows:

	For the Year Ended June 30,	
	2018	2017
Operating		
Public service	$ 10,000	$ 20,000
Academic support	3,840,000	3,320,000
Student services	1,300,000	1,060,000
Institutional support	3,100,000	3,200,000
Student grants and scholarships	3,850,000	5,400,000
Total Operating Expenses	$ 12,100,000	$ 13,000,000

Statement of Cash Flows

The statement of cash flows provides additional information on the 49er Foundation's financial results by reporting the major sources and uses of cash. A summary of the statement of cash flows is as follows:

	For the Year Ended June 30,	
	2018	2017
Net cash used in operating activities	$(11,300,000)	$ (12,250,000)
Net cash provided by noncapital financing activities	9,850,000	9,900,000
Net cash used in capital and related financing activities	None	None
Net cash provided by investing activities	5,400,000	1,250,000
Net change in cash and cash equivalents	3,950,000	(1,100,000)
Cash transfer from CSULB Research Foundation	650,000	1,400,000
Cash and cash equivalents at beginning of year	2,300,000	2,000,000
Cash and cash equivalents at end of year	$ 6,900,000	$ 2,300,000

The cash balance increase in 2018 is due to the timing of a change in investment strategy. At 6/30/18, $5 million of investment assets designated for ESG investment were liquidated, and not yet reinvested.

Economic Factors That Will Affect the Future

The CSULB 49er Foundation assets consist of invested assets, as well as funds on deposit for short-term expenditures. Invested assets are subject to the volatility of the equity and fixed-income markets.

The general health of the economy directly affects campus fundraising. A significant economic downturn could negatively affect the level of charitable giving to the university.

Significant Developments

With twenty-one (21) current authorized members, the CSULB 49er Foundation will continue to recruit new board members until it meets its full membership target of twenty-five (25).

The 49er Foundation's campus management team underwent a major transition with the installation of a new Chief Financial Officer and Chief Operating Officer. In addition, a new Chief Executive Officer will assume her role early in the next fiscal year.

The CSULB 49er Foundation now has more than two full fiscal years of performance with our Outsourced Chief Investment Officer (OCIO) model of investment management. The performance has been in line with or exceeding our various benchmarks.

Per a request from the CSULB student government calling for the adoption of more Socially Responsible Investing, the Board adopted the Finance & Investment Committee's recommendation to create the 49er Foundation Sustainability Fund. With guidance from our OCIO, this new pilot-program pool is comprised of investments based on Environmental-Social-Governance (ESG) criteria and was created using a small portion of funds from the larger investment portfolio.

The Foundation will continue to partner with University Relations & Development to provide resources, set priorities and identify new funding opportunities in preparation for the next fundraising campaign.

CSULB 49er FOUNDATION

STATEMENT OF NET POSITION

ASSETS

	June 30, 2018	June 30, 2017
CURRENT ASSETS		
Cash and cash equivalents	$ 6,899,108	$ 2,295,369
Short-term investments	17,024,657	17,990,248
Accounts receivable, net	54,732	21,225
Pledges receivable, net	2,533,073	3,231,279
Prepaid expenses and other assets	49,054	1,742
	26,560,624	23,539,863
NONCURRENT ASSETS		
Pledges receivable, net	4,192,862	4,335,269
Long-term investments	21,275	20,526
Endowment investments	77,174,529	66,613,450
	81,388,666	70,969,245
TOTAL ASSETS	107,949,290	94,509,108

LIABILITIES

CURRENT LIABILITIES		
Accounts payable	143,024	87,057
Other liabilities	284,256	379,949
	427,280	467,006
DEFERRED INFLOW OF RESOURCES	45,526	-

NET POSITION

NET POSITION		
Restricted for:		
Nonexpendable - endowments	65,826,640	57,090,813
Expendable:		
Scholarships and fellowships	2,879,828	2,908,097
Other	27,324,777	24,367,726
Unrestricted	11,445,239	9,675,466
TOTAL NET POSITION	$ 107,476,484	$ 94,042,102

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

CSULB 49er FOUNDATION

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	For the Year Ended June 30,	
	2018	**2017**
REVENUES		
Operating revenues	$ 920,007	$ 421,969
EXPENSES		
Operating Expenses		
Public service	7,734	16,242
Academic support	3,837,585	3,319,544
Student services	1,287,095	1,054,902
Institutional support	3,115,031	3,185,390
Student grants and scholarships	3,834,334	5,385,461
	12,081,779	12,961,539
OPERATING LOSS	(11,161,772)	(12,539,570)
NONOPERATING REVENUES		
Gifts, noncapital	8,943,318	11,549,542
Investment income, net	890,964	951,779
Endowment income, net	5,312,792	6,589,203
	15,147,074	19,090,524
INCOME BEFORE OTHER ADDITIONS	3,985,302	6,550,954
ADDITIONS TO PERMANENT ENDOWMENTS	8,794,264	6,537,605
INCREASE IN NET POSITION BEFORE SPECIAL ITEM	12,779,566	13,088,559
SPECIAL ITEM		
Transfer of net position from CSULB Research Foundation, net	654,816	1,365,743
INCREASE IN NET POSITION	13,434,382	14,454,302
NET POSITION AT BEGINNING OF YEAR	94,042,102	79,587,800
NET POSITION AT END OF YEAR	$ 107,476,484	$ 94,042,102

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

CSULB 49er FOUNDATION

STATEMENT OF CASH FLOWS

	For the Year Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to or on behalf of the University departments	$ (6,796,317)	$ (5,975,937)
Payments to employees	(1,490,854)	(1,392,727)
Payments to students	(3,834,334)	(5,385,460)
Other receipts	839,188	504,853
Net Cash Used In Operating Activities	(11,282,317)	(12,249,271)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gifts received for other than capital purposes	9,829,610	9,927,751
Net Cash Provided By Noncapital Financing Activities	9,829,610	9,927,751
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Net Cash Used In Capital and Related Financing Activities	-	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	17,034,325	4,293,677
Investment income, net	890,964	951,779
Endowment income, net	5,312,792	6,589,203
Additions to permanent endowments	8,794,111	6,537,605
Purchase of investments	(26,630,562)	(17,126,081)
Net Cash Provided By Investing Activities	5,401,630	1,246,183
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,948,923	(1,075,337)
CASH TRANSFER FROM CSULB RESEARCH FOUNDATION	654,816	1,365,743
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,295,369	2,004,963
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 6,899,108	$ 2,295,369

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

CSULB 49er FOUNDATION

STATEMENT OF CASH FLOWS
(Continued)

	For the Year Ended June 30,	
	2018	**2017**
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES:		
Operating loss	$ (11,161,772)	$ (12,539,570)
Change in assets and liabilities:		
Restricted cash	-	181,237
Accounts receivable, net	(33,507)	29,861
Prepaid expenses and other assets	(47,312)	53,023
Accounts payable	55,967	(10,152)
Other liabilities	(95,693)	36,330
Net Cash Used In Operating Activities	$ (11,282,317)	$ (12,249,271)

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

CSULB 49er FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 – Statement of Significant Accounting Policies

Organization

The CSULB 49er Foundation (the 49er Foundation) is a nonprofit, tax-exempt corporation, which commenced operations on July 1, 2012. The 49er Foundation is organized to actively promote philanthropy and manage donated resources for the advancement of California State University, Long Beach (the University), by accepting and managing donations, gifts, and bequests for any University-related use. The 49er Foundation is a direct-support organization and component unit of the University.

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB).

The accompanying financial statements have been prepared on the accrual basis. The 49er Foundation reports as a Business Type Activity and, accordingly, has reported its activities within a single column in the basic financial statements.

The 49er Foundation's policy for defining operating activities as reported on the statement of revenues, expenses, and changes in net position are those that generally result from administrative fees earned from gifts and donations made to the 49er Foundation and expenses of the activities associated with the intent or purpose of the gift or donation. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues as defined by GASB, including gifts and investment income.

The 49er Foundation has adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and GASB Statement No. 35, as amended by GASB Statements No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. GASB Statement No. 33 requires that unconditional promises to give be recorded as receivables and revenues when the 49er Foundation has met all applicable eligibility requirements. GASB Statement No. 35 established standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following four net position categories: Invested in capital assets, net of related debt; Restricted, non-expendable; Restricted, expendable; and Unrestricted. As of June 30, 2018 and 2017, the 49er Foundation has no capital assets or debt.

NOTE 1 – Statement of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

During the year ended June 30, 2018, the 49er Foundation adopted GASB Statement No. 81 – *Irrevocable Split-Interest Agreements*. This Statement provides recognition and measurement guidance for irrevocable split-interest agreements. Split-interest agreements are types of donor arrangements where resources are provided to two or more beneficiaries, including the 49er Foundation. This Statement will require an organization that enters into an irrevocable split-interest agreement to recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Assets could be resources (i.e. cash or investment) received or administered by a third party. Liabilities would be amounts due to other beneficiaries and deferred inflow of resources would be the organization's share of the agreement. Changes to the asset or liabilities are recognized as increases or decreases in the deferred inflow of resources. Revenue is only recognized at the termination of the split-interest agreement.

Classification of Current and Noncurrent Assets (Other than Investments) and Liabilities

The 49er Foundation considers assets to be current that can reasonably be expected, as part of its normal business operations, to be converted to cash and be available for liquidation of current liabilities within 12 months of the statement of net position date. Liabilities that reasonably can be expected, as part of normal 49er Foundation business operations, to be liquidated within 12 months of the statement of net position date, are considered to be current. All other assets and liabilities are considered to be noncurrent. For clarification of current and noncurrent investments, see the investments accounting policy.

Net Position

The 49er Foundation's net position is classified into the following net position categories:

- ***Invested in capital assets, net of related debt***

  Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. The 49er Foundation had no capital assets as of June 30, 2018 and 2017.

NOTE 1 – Statement of Significant Accounting Policies (Continued)

Net Position (Continued)

- ***Restricted***

  Nonexpendable – Net position subject to externally imposed stipulations that they be maintained permanently by the 49er Foundation. Such assets include the 49er Foundation's permanent endowment funds.

  Expendable – Net position whose use by the 49er Foundation is subject to externally imposed stipulations that can be fulfilled by actions of the 49er Foundation pursuant to those stipulations or that expire by the passage of time.

- ***Unrestricted***

  Unrestricted net position is one that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Directors, or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net position is designated for any University-related use, which includes academic and research programs and initiatives, and capital programs.

Reporting Entity

The 49er Foundation is an affiliated organization component unit of the University. As such, the 49er Foundation's financial data will be included in the financial statements of the University.

Use of Estimates and Assumptions

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

NOTE 1 – Statement of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The 49er Foundation considers all highly liquid, short-term investments purchased with an original maturity of three months or less to be cash equivalents. The 49er Foundation maintains cash with financial institutions in excess of federally insured limits.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the custodian, the investments may not be returned to the 49er Foundation. Substantially all of the 49er Foundation's investments are registered in the 49er Foundation's name by the custodian. As a result, custodial credit risk for such investments is remote.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values using quoted market prices in the statement of net position. Realized and unrealized gains and losses are included in the accompanying statement of revenues, expenses, and changes in net position.

Assets and liabilities are measured and reported at fair value.

Accounts Receivable

Accounts receivable primarily consists of amounts due from another auxiliary organization of the University. Management deems all accounts receivable to be collectible and has not established an allowance for doubtful accounts.

Pledges Receivable

The 49er Foundation receives pledges and bequests of financial support from corporations, foundations, and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements, including time requirements, have been met. In the absence of such promise, revenue is recognized when the gift is received. Endowment pledges do not meet eligibility requirements, as defined by GASB Statement No. 33, and are not recorded as assets until the related gift is received. An allowance for uncollectible pledges receivable is provided based on management's judgment of potential uncollectible amounts (approximately $312,000 and $331,000 at June 30, 2018 and 2017, respectively). The determination includes such factors as prior collection history, type of gift, and nature of fund-raising.

NOTE 1 – Statement of Significant Accounting Policies (Continued)

Deferred Outflows and Inflows of Resources

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources – represent outflow of resources (consumption of net position) that apply to future periods and, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources – (acquisition of net position) that apply to future periods and, therefore, are not recognized as revenue until that time.

Income Taxes

The 49er Foundation is tax-exempt under Internal Revenue Code Section 501(c)(3) for federal income taxes, as well as the related provisions for state income tax purposes.

Future Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87 – *Leases*. Under the new guidance, lessees will be required to recognize a lease liability and a right of use asset for all leases (with the exception of short-term leases) at the commencement date of the lease, recognize inflows or outflows of resources based on payment provisions of the lease, and disclose key information about leasing arrangements. The provisions of this Statement are effective beginning in fiscal year ending June 30, 2020 and will be applied on a modified retrospective basis. The 49er Foundation is currently evaluating the impact of this Statement.

NOTE 2 – Pledges Receivable

Pledges receivable are recorded in the statement of net position at estimated net realizable value in accordance with GASB Statement No. 33. Pledges receivable were discounted as of June 30, 2018 using interest rates ranging from 2% to 4%, which approximated the 49er Foundation's rate of return on treasury notes at the time the pledge is made. Pledges receivable as of June 30, 2018 are summarized as follows:

Due in the Year Ending June 30,	
2019	$ 2,651,491
2020	680,445
2021	175,258
2022	61,994
2023	45,500
Thereafter	4,287,380
	7,902,068
Less allowance for uncollectible pledges	(312,301)
Less present value discounts	(863,832)
Less current portion of pledges receivable	(2,533,073)
Long-term portion of pledges receivable	$ 4,192,862

NOTE 3 – Investments

At June 30, 2018 and 2017, the 49er Foundation's investment portfolio consists primarily of investments held in the investment pool, as well as interest-bearing accounts.

Investment Policy

The primary objective of the 49er Foundation's investment policy is to protect the long-term viability of its endowment and seek a total return that provides for the annual spending policy disbursement and inflation protection.

NOTE 3 – Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic or credit developments.

The 49er Foundation may invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.

NOTE 3 – Investments (Continued)

Concentration of Credit Risk (Continued)

The following is a summary of investments:

	June 30, 2018	June 30, 2017
Investments at fair value as determined by quoted market price or estimated fair value:		
Local Agency Investment Fund (LAIF)	$ 2,889,871	$ 9,313,587
Corporate bonds	1,656,291	1,568,017
Mutual funds	37,705,920	25,080,633
Government securities	3,090,011	3,468,996
Equity securities	32,080,280	30,640,927
Exchange traded funds (ETFs)	16,776,813	14,343,754
Other investments	21,275	208,310
	94,220,461	84,624,224
Less short-term portion of investments	(17,024,657)	(17,990,248)
Less long-term portion of investments	(21,275)	(20,526)
Endowment investments	$ 77,174,529	$ 66,613,450

The Foundation follows the provisions of GASB No. 72 for fair value measurements of financial assets and financial liabilities and for fair value measurements that are recognized or disclosed at fair value in the financial statements on a recurring basis. GASB No. 72 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 (level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets that the Foundation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset.

NOTE 3 – Investments (Continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value measurements:

	Fair Value Measurements at June 30, 2018			
	(Level 1)	(Level 2)	(Level 3)	Total
LAIF	$ -	$ 2,889,871	$ -	$ 2,889,871
Corporate bonds	-	1,656,291	-	1,656,291
Mutual funds	37,705,920	-	-	37,705,920
Government securities	3,090,011	-	-	3,090,011
Equity securities	32,080,280	-	-	32,080,280
Exchange traded funds	16,776,813	-	-	16,776,813
Other investment funds	-	21,275	-	21,275
Total assets at fair value	$ 89,653,024	$ 4,567,437	None	$ 94,220,461

	Fair Value Measurements at June 30, 2017			
	(Level 1)	(Level 2)	(Level 3)	Total
LAIF	$ -	$ 9,313,587	$ -	$ 9,313,587
Corporate bonds	-	1,568,017	-	1,568,017
Mutual funds	25,080,633	-	-	25,080,633
Government securities	3,468,996	-	-	3,468,996
Equity securities	30,640,927	-	-	30,640,927
Exchange traded funds	14,343,754	-	-	14,343,754
Other investment funds	187,784	20,526	-	208,310
Total assets at fair value	$ 73,722,094	$ 10,902,130	None	$ 84,624,224

NOTE 3 – Investments (Continued)

Investment income/(loss) is summarized as follows:

	For the Year Ended June 30,	
	2018	2017
Interest and dividend income	$ 2,063,372	$ 1,363,210
Net unrealized gains	1,628,079	1,383,362
Net realized gains	2,887,604	5,105,400
Fees	(375,299)	(310,990)
	$ 6,203,756	$ 7,540,982

NOTE 4 – Operating Expenses by Function

	For the Year Ended June 30, 2018			
	Compensation and Benefits	Supplies and Services	Scholarship and Fellowship	Total
Public service	$ 1,347	$ 6,387	$ -	$ 7,734
Academic support	1,025,620	2,811,965	-	3,837,585
Student services	34,728	1,252,367	-	1,287,095
Institutional support	429,163	2,685,868	-	3,115,031
Student grants and scholarships	-	-	3,834,334	3,834,334
Total Operating Expenses	$ 1,490,858	$ 6,756,587	$ 3,834,334	$ 12,081,779

	For the Year Ended June 30, 2017			
	Compensation and Benefits	Supplies and Services	Scholarship and Fellowship	Total
Public service	$ 2,134	$ 14,108	$ -	$ 16,242
Academic support	931,742	2,387,802	-	3,319,544
Student services	42,572	1,012,330	-	1,054,902
Institutional support	416,283	2,769,107	-	3,185,390
Student grants and scholarships	-	-	5,385,461	5,385,461
Total Operating Expenses	$ 1,392,731	$ 6,183,347	$ 5,385,461	$ 12,961,539

Institutional support includes expenses supporting University programs, initiatives, and operations, as directed by the 49er Foundation in accordance with the donor intent.

NOTE 5 – Transactions with Related Entities

As described in Note 1, the 49er Foundation is an auxiliary organization affiliated with the University and the California State University (CSU) System statewide. The 49er Foundation is also affiliated with CSULB Research Foundation (Research Foundation), an auxiliary organization of the University and CSU. The Research Foundation provides accounting services to the 49er Foundation. The accompanying financial statements include transactions with related parties as of and for the years ended June 30, 2018 and 2017, as follows:

	June 30, 2018	June 30, 2017
Payments to the University for salaries of University personnel working on contracts, grants, and other programs	$ 751,782	$ 530,817
Payments to the University for other than salaries of University personnel, including scholarship payments, academic support and athletic support	$ 7,664,128	$ 8,594,278
Payments received from the University for services, space, and programs	$ 183,320	$ 187,481
Payments to the CSULB Research Foundation for salaries and other expenses	$ 1,269,268	$ 1,594,387
Gifts (cash or assets) to the University from discretely presented component units	$ 4,665,931	$ 5,290,242
Amounts due to the University	$ 236,526	$ 247,294
Amounts due to the Research Foundation	$ 47,598	$ 126,468
Amounts due to other CSU business units	$ 17,433	$ 6,187
Amounts receivable from the University	$ 3,167	$ 586
Amounts due from the Research Foundation	$ 40,173	$ 75

NOTE 6 – Transfer of Net Position

The 49er Foundation began operations July 1, 2012 with the purpose to promote philanthropy and manage the resources previously donated to the Research Foundation but designated for University-related uses. Assets relating to endowments, scholarships, and certain pledges were transferred from the Research Foundation to the 49er Foundation at the inception of operations. Some assets related to campus program donations were retained in the Research Foundation until specified obligations were satisfied. Once the specified obligations are satisfied, the assets are transferred to the 49er Foundation in the year the obligation is satisfied. In addition, the Research Foundation administered several philanthropic events on behalf of the 49er Foundation during the year. The purpose of those events was to generate donations designated for University-related uses. The proceeds net of any associated expenses are transferred to the 49er Foundation after the event. During the year ended June 30, 2018 and 2017, the Research Foundation transferred $654,816 and $1,365,743, respectively, of cash related to obligations satisfied and net proceeds from philanthropic events to the 49er Foundation.

Transfers by Type	For the Year Ended June 30, 2018	2017
Obligations satisfied (campus programs)	$ 423,709	$ 1,095,196
Proceeds from philanthropic events	231,107	270,547
Total Transfer	$ 654,816	$ 1,365,743

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*

To the Board of Directors of
CSULB 49er Foundation:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of CSULB 49er Foundation (a nonprofit organization), which comprise the statement of net position as of June 30, 2018, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 18, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CSULB 49er 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 CSULB 49er Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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 CSULB 49er 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.

Windes, Inc.

Long Beach, California
September 18, 2018

CSULB 49er FOUNDATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

The auditors express an unmodified opinion on whether the financial statements of CSULB 49er Foundation were prepared in accordance with generally accepted accounting principles.

Internal control over financial reporting

1. Material weakness(es) identified? – No

2. Significant deficiencies identified? – None reported

3. Noncompliance material to financial statements noted? – No

SECTION II – FINDINGS – FINANCIAL STATEMENTS AUDIT

None

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

None