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**Financial Statements  
June 30, 2015 and 2014**

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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, 2015 and 2014, 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, 2015 and 2014, 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2015 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.

A handwritten signature in cursive script that reads "Windes, Inc.".

Long Beach, California  
September 23, 2015

## **CSULB 49er FOUNDATION**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) JUNE 30, 2015 AND JUNE 30, 2014**

#### **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, 2015 and June 30, 2014. 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, 2015 AND JUNE 30, 2014**

**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 and liabilities. The difference between total assets and total liabilities – 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, 2015 and June 30, 2014 are as follow:

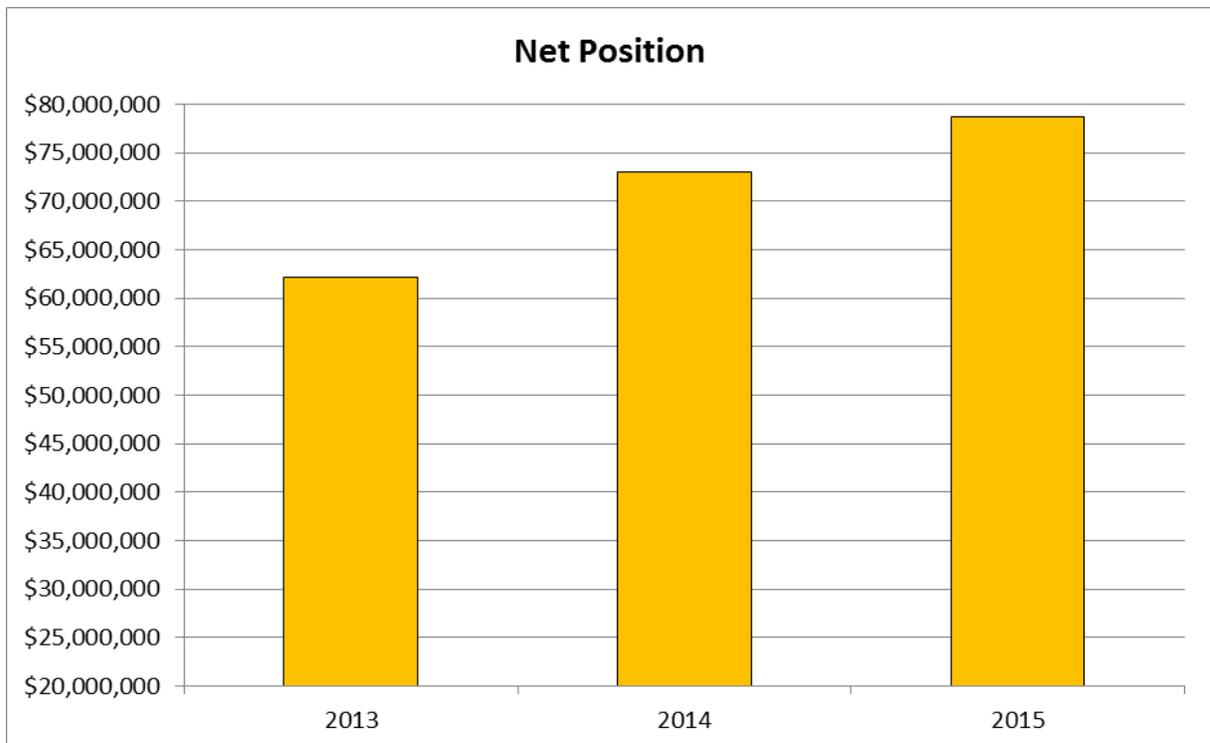
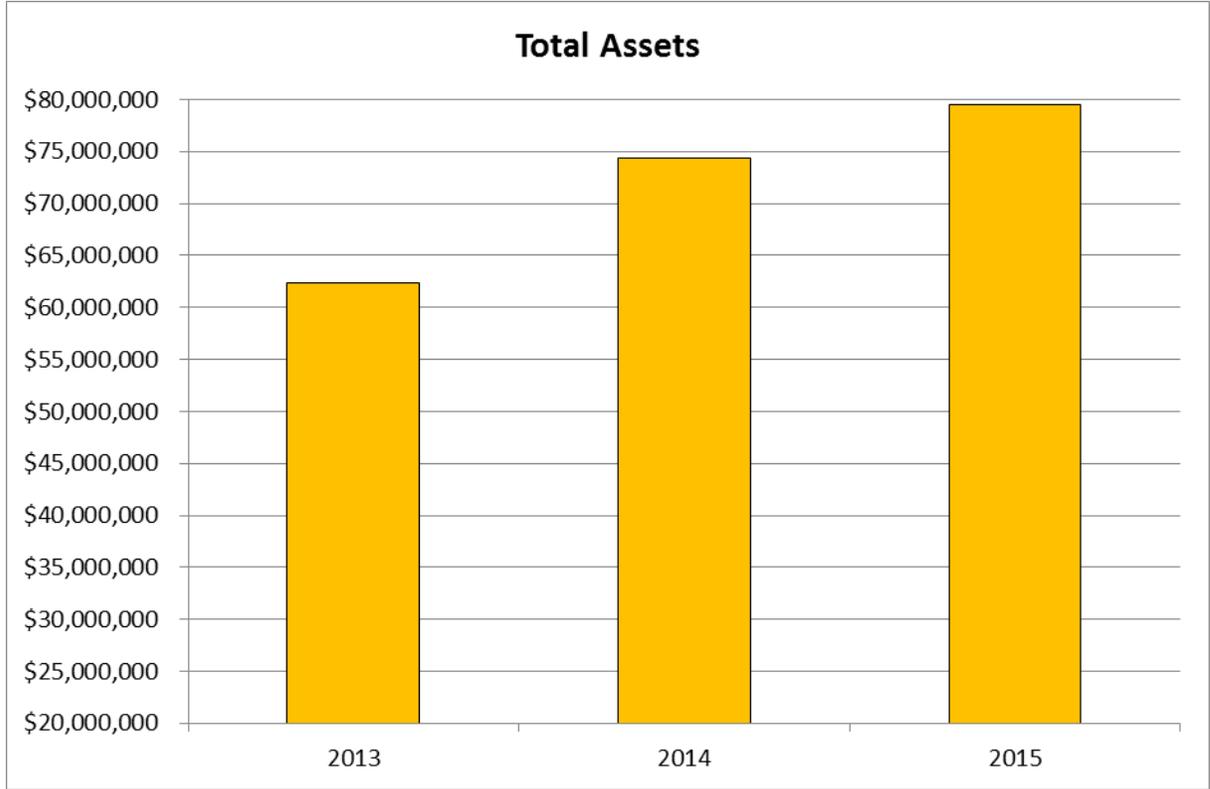
	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
		(As restated)
Current assets	\$ 16,600,000	\$ 14,800,000
Noncurrent assets		
Pledges receivable, net	5,700,000	3,100,000
Endowment and other investments	<u>57,200,000</u>	<u>57,000,000</u>
Total assets	<u>79,500,000</u>	<u>74,900,000</u>
Total liabilities	<u>850,000</u>	<u>1,400,000</u>
Net position	<u>\$ 78,650,000</u>	<u>\$ 73,500,000</u>

For fiscal year 2015, total assets increased \$4.6 million, or 6%, due to increase in pledge receivables from charitable bequests. Total liabilities decreased \$550,000, or 39%, due to accounts payable at year-end.

For fiscal year 2014, total assets increased \$12 million, or 19%, primarily due to an increase of \$4.3 million in cash and cash equivalents and \$6.5 million in endowment investments. Total liabilities increased \$1.2 million, or 600%, due to an increase in accounts payable at year-end.

**CSULB 49er FOUNDATION**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2015 AND JUNE 30, 2014**



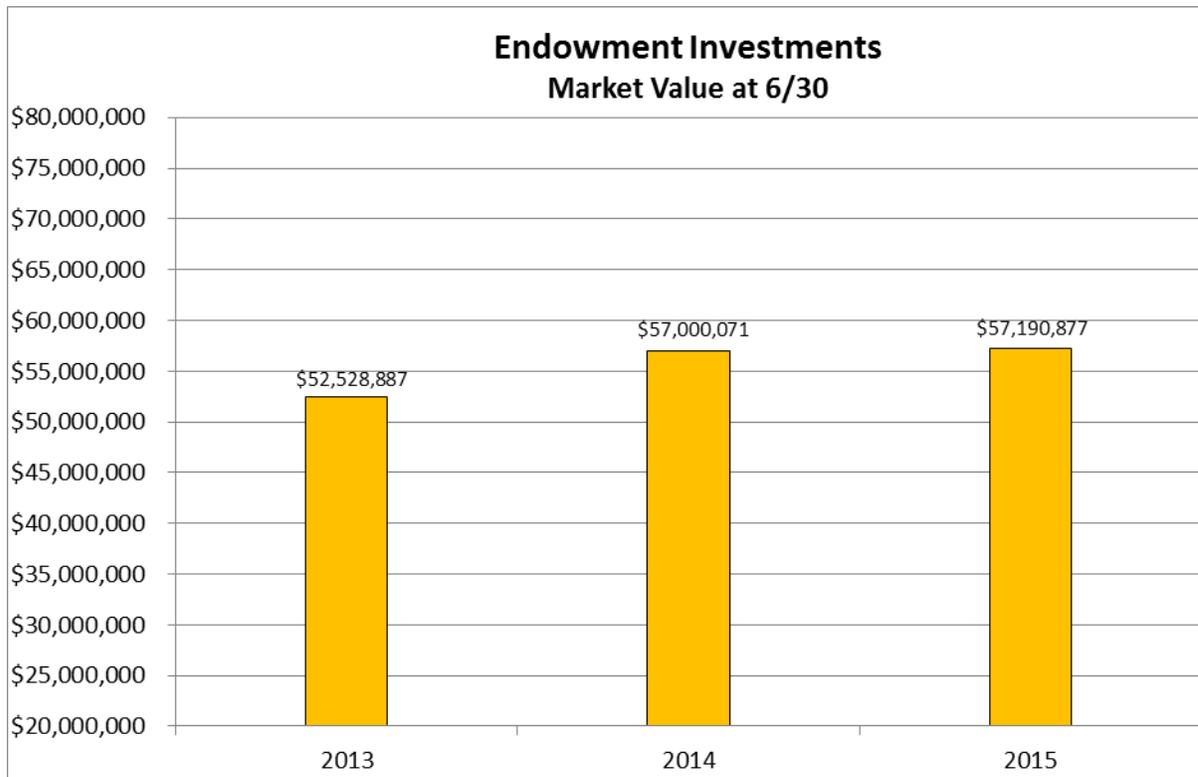
**CSULB 49er FOUNDATION**

**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2015 AND JUNE 30, 2014**

**Endowment Investments**

The 49er Foundation’s endowment is \$57.2 million and \$57 million at June 30, 2015 and 2014, respectively. The slight increase can be attributed to additional donations but reduced by market losses at the end of 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 and inflation protection.

Permanent endowments are funds received from donors with the stipulation that the principal remains intact and be invested in perpetuity to produce income, which is to be expended for purposes specified by the donor.



**CSULB 49er FOUNDATION**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2015 AND JUNE 30, 2014**

**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:

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
		(As restated)
Restricted:		
Nonexpendable	\$47,700,000	\$ 45,000,000
Expendable	24,150,000	21,800,000
Unrestricted	<u>6,800,000</u>	<u>6,700,000</u>
Net Assets	<u>\$78,650,000</u>	<u>\$ 73,500,000</u>

During fiscal year 2015, net position increased \$5.2 million, or 7%. This change is attributed to new gifts to current use funds.

During fiscal year 2014, net position increased \$10.8 million, or 17%. This change is attributed to a positive return on investments due to favorable market conditions, new gifts and additional transfers from CSULB Research Foundation.

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, 2015 AND JUNE 30, 2014**

**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:

	<b>For the Year Ended</b>	
	<b>June 30,</b>	
	<u><b>2015</b></u>	<u><b>2014</b></u>
	<b>(As restated)</b>	
Operating revenues:		
Other	\$ 370,000	\$ 350,000
Total operating revenues	370,000	350,000
Operating expenses	( 8,670,000)	( 5,650,000)
Operating loss	( 8,300,000)	( 5,300,000)
Nonoperating revenues (expenses):		
Gifts	10,400,000	5,600,000
Investment income, net		300,000
Endowment income (loss)	300,000	6,900,000
Other nonoperating	50,000	
Endowment gifts	<u>2,700,000</u>	<u>1,700,000</u>
Total nonoperating revenues, net	<u>13,450,000</u>	<u>14,500,000</u>
Increase in net assets	5,150,000	9,200,000
Special item:		
Transfer of net assets from CSULB Research Foundation	—	1,600,000
Net position at beginning of year, as restated	<u>73,500,000</u>	<u>62,700,000</u>
Net position at end of year	<u>\$ 78,650,000</u>	<u>\$ 73,500,000</u>

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

During fiscal year 2015, nonoperating revenues decreased \$1 million. Although gifts increased due to additional current use funds set up for the year, endowment earnings decreased \$6.8 million. During fiscal year 2014, nonoperating revenues increased \$1.9 million, or 16%, due to an increase in endowment and investment income.

## CSULB 49er FOUNDATION

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) JUNE 30, 2015 AND JUNE 30, 2014

#### 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 \$300,000 in 2015 and \$7.1 million in 2014. The Finance and Investment Committee has long been concerned about the potential impact on the 49er Foundation's fixed income portfolio when interest rates rise. In June 2013, the committee voted to reduce exposure to bonds to reduce the impact of what was expected to be an imminent raise in interest rates. The general rate increase didn't materialize, and the result of moving that portfolio to cash was a reduced overall return.

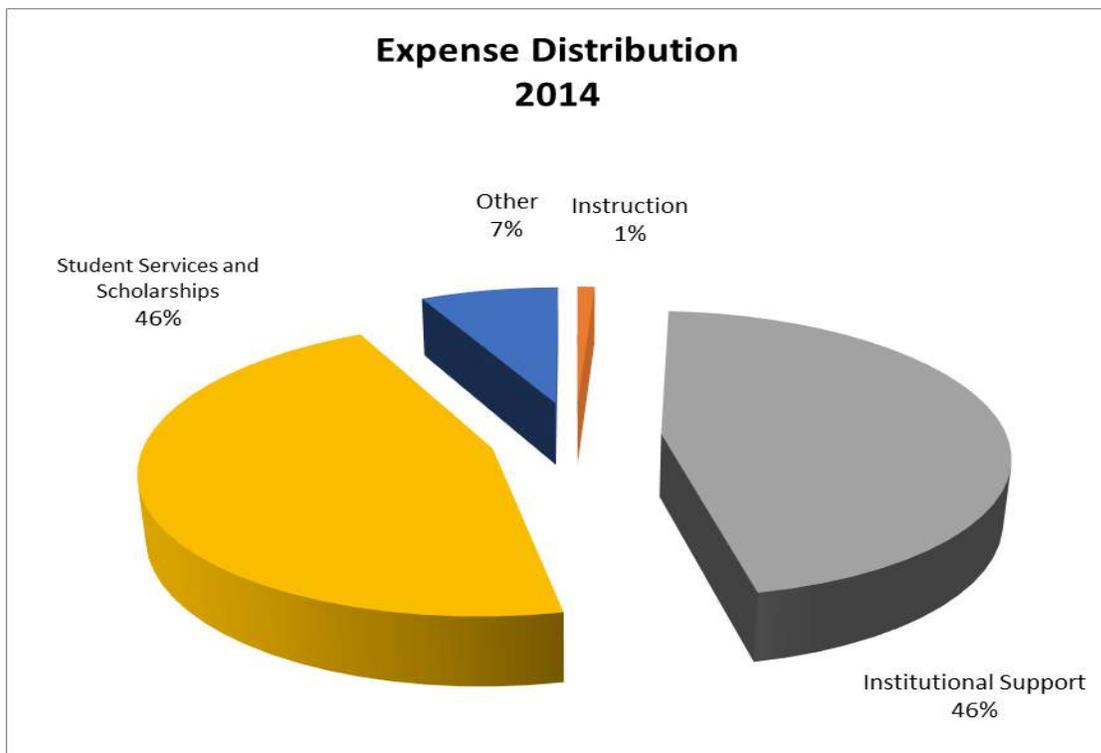
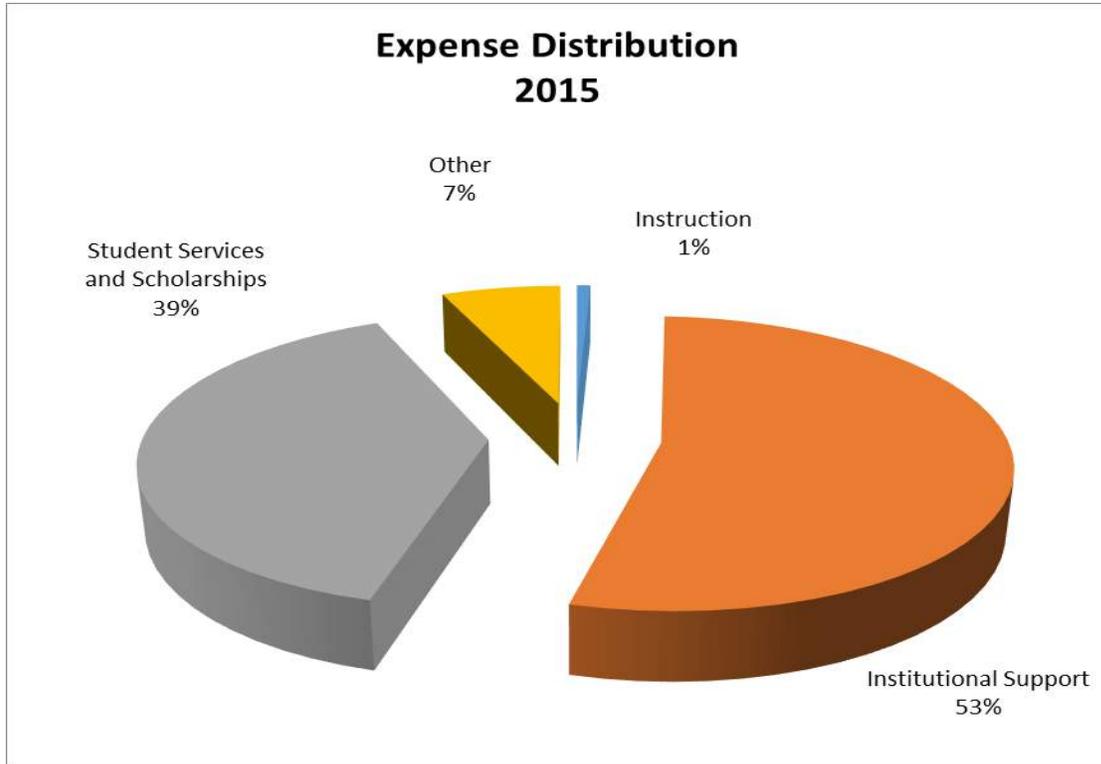
In 2015, operating expenses consist of salaries and benefits of \$1.3 million, supplies and services of \$4 million, and scholarships of \$3.3 million. Total operating expenses increased significantly in 2015 due primarily to the "spend the funds" effort. The board of directors instructed staff to work with University faculty to spend funds that were available and on deposit to demonstrate donor impact in line with donor intent. As a result, both student grants and scholarship awards and institutional support increased significantly. This project is ongoing, and is expected to result in even higher reimbursements to the University in the next fiscal year.

In 2014, operating expenses consist of salaries and fringe benefits of \$1 million, supplies and services of \$2.1 million, and scholarships of \$2.5 million.

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.

**CSULB 49er FOUNDATION**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2015 AND JUNE 30, 2014**



**CSULB 49er FOUNDATION**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2015 AND JUNE 30, 2014**

**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:

	<b>For the Year Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
		<b>(As restated)</b>
Operating		
Instruction	\$ 64,000	\$ 53,000
Public service	2,000	6,000
Academic support	559,000	417,000
Student services	61,000	57,000
Institutional support	4,639,000	2,542,000
Student grants and scholarships	<u>3,345,000</u>	<u>2,525,000</u>
 Total Operating Expenses	 <u>\$ 8,670,000</u>	 <u>\$ 5,600,000</u>

**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:

	<b>For the Year Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
Net cash used in operating activities	(\$ 8,700,000)	(\$ 3,600,000)
Net cash provided by noncapital financing activities	8,600,000	4,900,000
Net cash used in capital and related financing activities	None	None
Net cash provided by investing activities	( 10,600,000)	1,400,000
Net change in cash and cash equivalents	( 10,700,000)	2,700,000
Cash transfer from CSULB Research Foundation	-	1,600,000
Cash and cash equivalents at beginning of year	<u>11,800,000</u>	<u>7,500,000</u>
 Cash and cash equivalents at end of year	 <u>\$ 1,100,000</u>	 <u>\$ 11,800,000</u>

## **CSULB 49er FOUNDATION**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) JUNE 30, 2015 AND JUNE 30, 2014**

#### **Economic Factors That Will Affect the Future**

The CSULB 49er Foundation is significantly affected by swings in the equities markets. The equity markets have experienced great volatility in the last year, and are expected to continue to be volatile for the immediate future. This has two major effects on the 49er Foundation: the value of the endowment which is invested heavily in equities, and secondly this instability affects donor decisions on making new major gift commitments and/or the timing of making payments on existing commitments. The budget to operate the 49er Foundation is largely based on the underlying value of the endowment, and thus a lower endowment value will reduce the funds available to operate the organization.

Management believes the 49er Foundation will have adequate resources to fulfill its required operations and meet its obligations under Chancellor's Executive Order 1000.

#### **Restatement**

The June 30, 2014 financial statements have been restated to reflect a pledge receivable of \$540,000 that should have been recorded during the fiscal year 2013.

#### **Significant Development**

The University met its stated goal in the Declare Campaign in August 2015, and the campaign is expected to end December 31, 2015. While we do not expect a sharp drop in fundraising, there may be some effect on fundraising activity with the campaign's conclusion.

**CSULB 49er FOUNDATION**  
**STATEMENT OF NET POSITION**

	<b>ASSETS</b>	
	<b>June 30,</b>	
	<b>2015</b>	<b>2014</b>
	<b>(As Restated)</b>	
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,113,286	\$ 11,820,142
Short-term investments	14,332,038	936,717
Accounts receivable, net	49,350	167,686
Pledges receivable, net	1,021,160	1,791,552
Prepaid expenses and other assets	<u>68,808</u>	<u>103,213</u>
	<u>16,584,642</u>	<u>14,819,310</u>
<b>NONCURRENT ASSETS</b>		
Pledges receivable, net	5,733,582	3,113,620
Endowment investments	<u>57,190,877</u>	<u>57,000,071</u>
	<u>62,924,459</u>	<u>60,113,691</u>
<b>TOTAL ASSETS</b>	<u>79,509,101</u>	<u>74,933,001</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	28,408	301,906
Other liabilities	<u>821,676</u>	<u>1,105,390</u>
	<u>850,084</u>	<u>1,407,296</u>
<b>NET POSITION</b>		
<b>NET POSITION</b>		
Restricted for:		
Nonexpendable – endowments	47,665,480	44,963,041
Expendable:		
Scholarships and fellowships	2,574,722	3,580,863
Other	21,564,624	18,238,916
Unrestricted	<u>6,854,191</u>	<u>6,742,885</u>
<b>TOTAL NET POSITION</b>	<u>\$ 78,659,017</u>	<u>\$ 73,525,705</u>

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

**CSULB 49er FOUNDATION**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

	<b>For the Year Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
		<b>(As Restated)</b>
<b>REVENUES</b>		
Operating revenues	\$ 377,664	\$ 355,356
<b>EXPENSES</b>		
Operating Expenses:		
Instruction	64,044	53,166
Public service	2,090	6,095
Academic support	559,784	417,724
Student services	61,638	57,105
Institutional support	4,639,558	2,578,487
Student grants and scholarships	<u>3,347,309</u>	<u>2,525,678</u>
	<u>8,674,423</u>	<u>5,638,255</u>
<b>OPERATING LOSS</b>	( 8,296,759)	( 5,282,899)
<b>NONOPERATING REVENUES</b>		
Gifts, noncapital	10,402,138	5,633,097
Investment income, net	32,629	257,560
Endowment income, net	236,940	6,884,737
Other nonoperating revenue	<u>55,925</u>	<u>          </u>
	<u>10,727,632</u>	<u>12,775,394</u>
<b>INCOME BEFORE OTHER ADDITIONS</b>	2,430,873	7,492,495
<b>ADDITIONS TO PERMANENT ENDOWMENTS</b>	<u>2,702,439</u>	<u>1,686,855</u>
<b>INCREASE IN NET POSITION BEFORE SPECIAL ITEM</b>	5,133,312	9,179,350
<b>SPECIAL ITEM</b>		
Transfer of net position from CSULB Research Foundation	<u>          —</u>	<u>1,626,288</u>
<b>INCREASE IN NET POSITION</b>	5,133,312	10,805,638
<b>NET POSITION AT BEGINNING OF YEAR (AS RESTATED)</b>	<u>73,525,705</u>	<u>62,720,067</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 78,659,017</u>	<u>\$ 73,525,705</u>

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

**CSULB 49er FOUNDATION**

**STATEMENT OF CASH FLOWS**

	<b>For the Year Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to or on behalf of the University departments	(\$ 4,327,389)	(\$ 1,200,609)
Payments to employees	( 1,273,341)	( 962,523)
Payments to students	( 3,347,308)	( 2,525,678)
Other receipts	245,433	1,052,014
Net Cash Used In Operating Activities	<u>( 8,702,605)</u>	<u>( 3,636,796)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Gifts received for other than capital purposes	<u>8,609,864</u>	<u>4,942,335</u>
Net Cash Provided By Noncapital Financing Activities	<u>8,609,864</u>	<u>4,942,335</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Net Cash Used In Capital and Related Financing Activities	<u>—</u>	<u>—</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	2,731,579	
Investment income, net	32,629	257,560
Endowment income (loss), net	236,940	1,479,084
Additions to permanent endowments	2,702,439	1,686,855
Purchase of investments	( 16,317,702)	( 2,002,248)
Net Cash Provided by (Used In) Investing Activities	<u>( 10,614,115)</u>	<u>1,421,251</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>( 10,706,856)</b>	<b>2,726,790</b>
<b>CASH TRANSFER FROM CSULB RESEARCH FOUNDATION</b>	<b>—</b>	<b>1,626,288</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u><b>11,820,142</b></u>	<u><b>7,467,064</b></u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><b>\$ 1,113,286</b></u>	<u><b>\$ 11,820,142</b></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES:</b>		
Operating loss	(\$ 8,296,759)	(\$ 5,282,899)
Adjustments to reconcile operating loss to net cash from operating activities:		
Gift premium	( 1,375)	—
Change in assets and liabilities:		
Accounts receivable, net	118,336	422,469
Prepaid expenses and other assets	34,405	34,403
Accounts payable	( 273,498)	285,040
Other liabilities	( 283,714)	904,191
Net Cash Used In Operating Activities	<u><b>(\$ 8,702,605)</b></u>	<u><b>(\$ 3,636,796)</b></u>

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

**CSULB 49er FOUNDATION**

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

**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.

**CSULB 49er FOUNDATION**

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

**NOTE 1 – Statement of Significant Accounting Policies (Continued)**

***Basis of Presentation (Continued)***

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, 2015 and 2014, the 49er Foundation has no capital assets or debt.

***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.

**CSULB 49er FOUNDATION**

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

**NOTE 1 – Statement of Significant Accounting Policies (Continued)**

*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.

- *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.

**CSULB 49er FOUNDATION**

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

**NOTE 1 – Statement of Significant Accounting Policies (Continued)**

*Use of Estimates and Assumptions*

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

*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*

The 49er Foundation has adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under GASB Statement No. 31, 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.

**CSULB 49er FOUNDATION**

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

**NOTE 1 – Statement of Significant Accounting Policies (Continued)**

***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 \$55,000 and \$464,000 at June 30, 2015 and 2014, respectively). The determination includes such factors as prior collection history, type of gift, and nature of fund-raising.

***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.

***Reclassification***

Certain amounts in the June 30, 2014 financial statements have been reclassified to conform to the 2015 financial statement presentation.

In accordance with guidance from the Chancellor's Office, the 49er Foundation reclassified \$1,786,490 of quasi endowments from expendable – scholarships and fellowships (\$3,000), and expendable – other (\$1,783,490) to unrestricted (\$1,786,490) for 2014.

In addition, internally charged investment fees of \$541,777 for the year ended June 30, 2014 were offset between operating revenues and endowment income (loss), net on the statement of revenues, expenses, and changes in net position.

**CSULB 49er FOUNDATION**

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

**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, 2015 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, 2015 are summarized as follows:

<u>Due in the Year</u> <u>Ending June 30,</u>	
2016	\$ 1,035,313
2017	2,289,477
2018	483,000
2019	442,667
2020	31,000
Thereafter	<u>3,915,000</u>
	8,916,457
Less allowance for uncollectible pledges	( 54,904)
Less present value discounts	<u>( 1,386,811)</u>
	6,754,742
Less current portion of pledges receivable	<u>( 1,021,160)</u>
Long-term portion of pledges receivable	<u>\$ 5,733,582</u>

**NOTE 3 – Investments**

At June 30, 2015 and 2014, 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.

**CSULB 49er FOUNDATION**

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

**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.

**CSULB 49er FOUNDATION**

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

**NOTE 3 – Investments (Continued)**

The following is a summary of investments:

	<b>June 30,</b>	
	<b>2015</b>	<b>2014</b>
Investments at fair value as determined by quoted market price or estimated fair value:		
Local Agency Investment Fund (LAIF)	\$ 10,012,743	
Fixed income securities		\$ 12,146,315
Corporate certificates of deposit	749,810	2,749,445
Mutual funds		
Russell Funds		
Commodities Fund	3,095,255	2,718,857
Emerging Markets Fund	1,827,683	1,737,162
Real Estate Fund	2,925,033	2,844,422
US Defensive Equity Fund	10,647,337	11,014,246
US Core Equity Fund	10,815,367	11,230,190
US Small Cap Equity Fund	3,000,871	2,922,896
Short Duration Bond	10,981,768	
International Market Fund	10,175,687	10,573,255
Strategic Bond	7,291,361	
	71,522,915	57,936,788
Less short-term portion of investments	( 14,332,038)	( 936,717)
Endowment investments	<u>\$ 57,190,877</u>	<u>\$ 57,000,071</u>

Investments are valued at quoted market price if available, otherwise they are recorded at estimated fair value.

**CSULB 49er FOUNDATION**

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

**NOTE 3 – Investments (Continued)**

Investment income/(loss) is summarized as follows:

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Interest and dividend income	\$ 2,944,649	\$ 1,247,613
Net unrealized gains/(losses)	( 2,961,903)	6,274,883
Net realized gains/(losses)	557,303	( 171,922)
Fees	( 270,480)	( 208,277)
	<u>\$ 269,569</u>	<u>\$ 7,142,297</u>

**NOTE 4 – Operating Expenses by Function**

	<u>For the Year Ended June 30, 2015</u>			
	<u>Compensation and Benefits</u>	<u>Supplies and Services</u>	<u>Scholarship and Fellowship</u>	<u>Total</u>
Instruction	\$ 7,739	\$ 56,305		\$ 64,044
Public service	721	1,369		2,090
Academic support	388,207	171,577		559,784
Student services	74	61,564		61,638
Institutional support	874,603	3,764,955		4,639,558
Student grants and scholarships			<u>\$ 3,347,309</u>	<u>3,347,309</u>
Total Operating Expenses	<u>\$ 1,271,344</u>	<u>\$ 4,055,770</u>	<u>\$ 3,347,309</u>	<u>\$ 8,674,423</u>

**CSULB 49er FOUNDATION**

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

**NOTE 4 – Operating Expenses by Function (Continued)**

	<u>For the Year Ended June 30, 2014</u>			
	<u>Compensation and Benefits</u>	<u>Supplies and Services</u>	<u>Scholarship and Fellowship</u>	<u>Total</u>
Instruction	\$ 13,757	\$ 39,409		\$ 53,166
Public service		6,095		6,095
Academic support	290,684	127,040		417,724
Student services		57,105		57,105
Institutional support	658,083	1,920,404		2,578,487
Student grants and scholarships			<u>\$ 2,525,678</u>	<u>2,525,678</u>
<b>Total Operating Expenses</b>	<u><u>\$ 962,524</u></u>	<u><u>\$ 2,150,053</u></u>	<u><u>\$ 2,525,678</u></u>	<u><u>\$ 5,638,255</u></u>

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 year ended June 30, 2015 and 2014, as follows:

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Payments to the University for salaries of University personnel working on contracts, grants, and other programs	\$ 485,328	\$ 177,238
Payments to the University for other than salaries of University personnel	\$ 5,793,933	\$ 2,763,153

**CSULB 49er FOUNDATION**

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

**NOTE 5 – Transactions with Related Entities (Continued)**

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Payments received from the University for services, space, and programs	\$ 90,511	\$ 13,477
Payments to the CSULB Research Foundation for salaries and other expenses	\$ 1,564,470	\$ 1,112,743
Gifts (cash or assets) to the University from discretely presented component units	\$ 4,115,313	\$ 537,026
Amounts receivable from CSU entities and recognized auxiliary organizations	\$ —	\$ 123,916
Amounts due to the University	\$ 678,606	\$ 954,965
Amounts due to the Research Foundation	\$ 143,070	\$ 150,423

**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. As a result, donated assets of \$1.6 million, previously held by the Research Foundation, were transferred to the 49er Foundation during the year ended June 30, 2014.

**CSULB 49er FOUNDATION**

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

**NOTE 7 – Restatement of Prior Financial Statements**

Subsequent to issuance of the financial statements for the year ended June 30, 2014, the Foundation determined that approximately \$540,000 of pledge receivable should have been recorded during the fiscal year 2013 when it was determined to be an irrevocable pledge agreement. As such, the financial statements have been restated as of July 1, 2013 for the correction of the error.

The effect of the restatement on the June 30, 2014 financial statement is as follows:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
<b>Statement of Net Position</b>			
Pledges receivable, net	\$ 2,573,670	\$ 539,950	\$ 3,113,620
Total Assets	\$ 74,393,051	\$ 539,950	\$ 74,933,001
<b>Net Position</b>			
Expendable - other	\$ 17,698,966	\$ 539,950	\$ 18,238,916
Total Net Position	\$ 72,985,755	\$ 539,950	\$ 73,525,705
<b>Statement of Revenues, Expenses, and Changes in Net Position</b>			
<b>Nonoperating revenues</b>			
Gifts, noncapital	\$ 5,615,557	\$ 17,540	\$ 5,633,097
Income before other additions	\$ 7,474,955	\$ 17,540	\$ 7,492,495
Increase in net position before special item	\$ 9,161,810	\$ 17,540	\$ 9,179,350
Increase in net position	\$ 10,788,098	\$ 17,540	\$ 10,805,638
Net position at beginning of year	\$ 62,197,657	\$ 522,410	\$ 62,720,067
Net position at end of year	\$ 72,985,755	\$ 539,950	\$ 73,525,705

**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, 2015, 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 23, 2015.

**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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs (2015-01) to be a material weakness.

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.

### **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*.

### **CSULB 49er Foundation's Response to Findings**

CSULB 49er Foundation's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. CSULB 49er Foundation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.



Long Beach, California  
September 23, 2015

**CSULB 49er FOUNDATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued – Unmodified

***Internal control over financial reporting***

1. Material weakness(es) identified? – Yes
2. Significant deficiencies identified? – None reported
3. Noncompliance material to financial statements noted? – No

**CSULB 49er FOUNDATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015  
(Continued)**

**SECTION II – FINDINGS – FINANCIAL STATEMENTS AUDIT**

**2015-01: Prior-Period Adjustment to Net Position**

- Condition:** During the year ended June 30, 2015, management determined that approximately \$540,000 of pledge receivables should have been recorded during fiscal year 2013 when it was determined to be an irrevocable pledge agreement. As a result, an adjustment was made to restate the net position balance as of June 30, 2013 and 2014 to correct the understatement.
- Criteria:** Pledges should be reviewed periodically for collectability and recording to ensure effective internal controls over pledge receivables.
- Effect:** Pledges receivable and net position were understated by approximately \$540,000.
- Cause:** There was a miscommunication between the Finance and Gifts Departments and the pledge agreement did not reach the Finance Department to be recorded timely.
- Recommendation:** We recommend the Foundation review and amend, if necessary, their policies and procedures over reviewing recording pledge agreements to ensure they are appropriately recorded in the appropriate period.

**Views of Responsible  
Officials and Planned**

- Corrective Action:** The restatement of 2014 was necessary when the auditors discovered one estate gift (irrevocable gift commitment) had been made in a previous year, but wasn't recorded as a receivable on the financial statements. The amount was sufficiently large enough that it required a restatement of FY 2014. Upon notification, management met with the key unit heads to discover how the oversight occurred, and to develop a process to ensure it is not repeated. A new process is being put into place whereby all deferred gifts will be reviewed by a team consisting of the 49er Foundation COO, the University's AVP for Financial Management, the AVP for Gift Planning and the Controller. Once a gift is deemed by this group to have met the criteria for being included as a receivable, the gift will be recorded.

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

None