Financial Statements
June 30, 2016 and 2015

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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, 2016 and 2015, 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, 2016 and 2015, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated September 19, 2016 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 19, 2016

CSULB 49er FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2016 AND 2015

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, 2016 and June 30, 2015. 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, 2016 AND 2015

Statement of Net Position

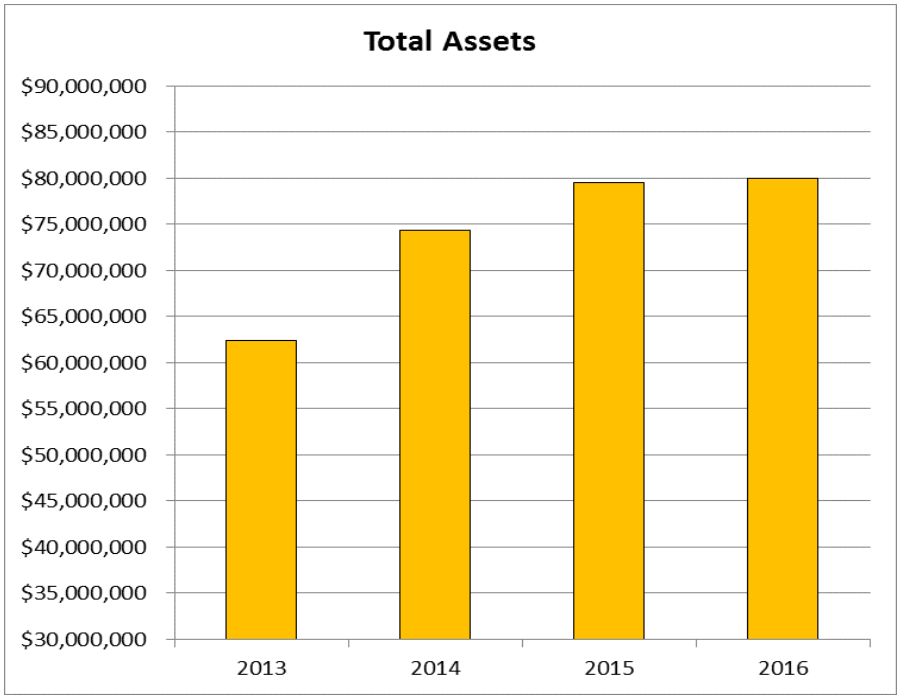
The statement of net position presents the financial position of the 49er Foundation at the end of the fiscal year and includes all assets and liabilities. The difference between total assets and total liabilities – net position – is one indicator of the current financial condition of the 49er Foundation, 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 position at June 30, 2016 and June 30, 2015 are as follow:

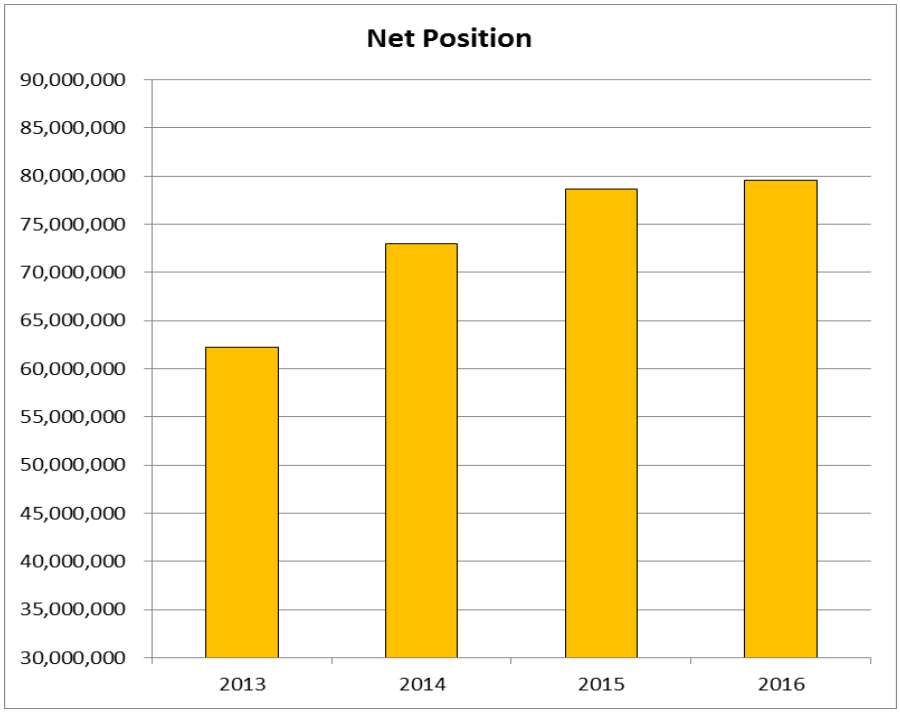
	June 30,	
	2016	**2015**
Current assets	$19,000,000	$ 16,600,000
Noncurrent assets		
Restricted cash	200,000	-
Pledges receivable, net	4,400,000	5,700,000
Endowment and other investments	56,400,000	57,200,000
Total assets	80,000,000	79,500,000
Total liabilities	400,000	850,000
Net position	$ 79,600,000	$ 78,650,000

For fiscal year 2016, total assets increased $500,000, or 1%, due to increase in cash and short-term investments. Total liabilities decreased $450,000, or 53%, due to a decrease in other liabilities due to the campus and auxiliaries at year-end.

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.

Statement of Net Position, (Continued)





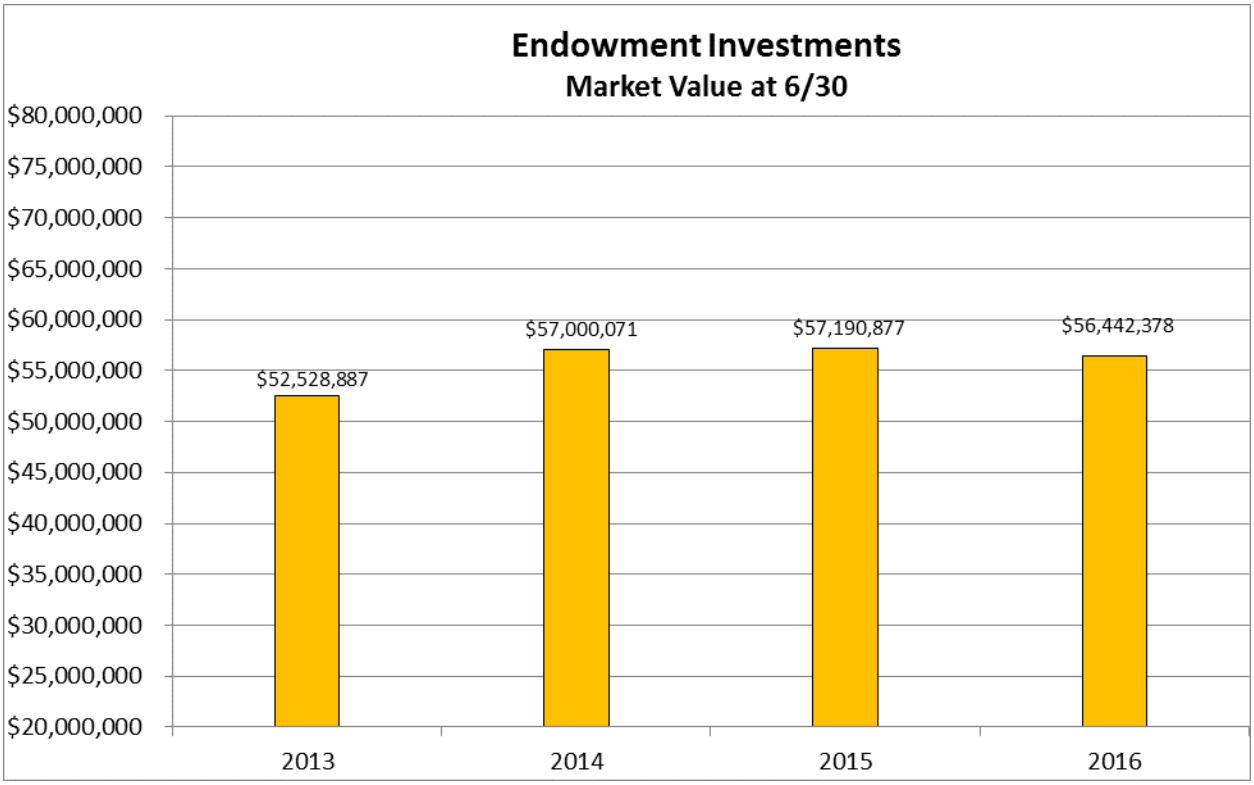
CSULB 49er FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2016 AND 2015

Endowment Investments

The 49er Foundation's endowment is $56.4 million and $57.2 million at June 30, 2016 and 2015, respectively. The slight decrease can be attributed to additional donations but reduced by market losses 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 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.



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,	
	2016	2015
Restricted:		
Nonexpendable	$50,400,000	$47,700,000
Expendable	22,800,000	24,150,000
Unrestricted	6,400,000	6,800,000
Net Position	$79,600,000	$78,650,000

During fiscal year 2016, net position increased $950,000, or 1%. This change is attributed to new gifts to current use and endowed funds.

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

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, 2016 AND 2015

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 position is as follows:

	For the Year Ended June 30,	
	2016	**2015**
Operating revenues:		
Other	$ 350,000	$ 370,000
Total operating revenues	350,000	370,000
Operating expenses	(9,350,000)	(8,670,000)
Operating loss	(9,000,000)	(8,300,000)
Nonoperating revenues (expenses):		
Gifts	8,100,000	10,400,000
Investment income (loss), net	(90,000)	-
Endowment income (loss)	(400,000)	300,000
Other nonoperating	5,000	50,000
Endowment gifts	2,335,000	2,700,000
Total nonoperating revenues, net	9,950,000	13,450,000
Increase in net position	950,000	5,150,000
Net position at beginning of year	78,650,000	73,500,000
Net position at end of year	$ 79,600,000	$ 78,650,000

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

For fiscal year 2016 compared to 2015, nonoperating revenues decreased $3.5 million. Although endowment gifts remained approximately the same, there was a decrease in gifts available for current use. Endowment earnings decreased $700,000 due to unfavorable market conditions compared to 2015.

For fiscal year 2015 compared to 2014, 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.

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 $(490,000) in 2016 and $300,000 in 2015.

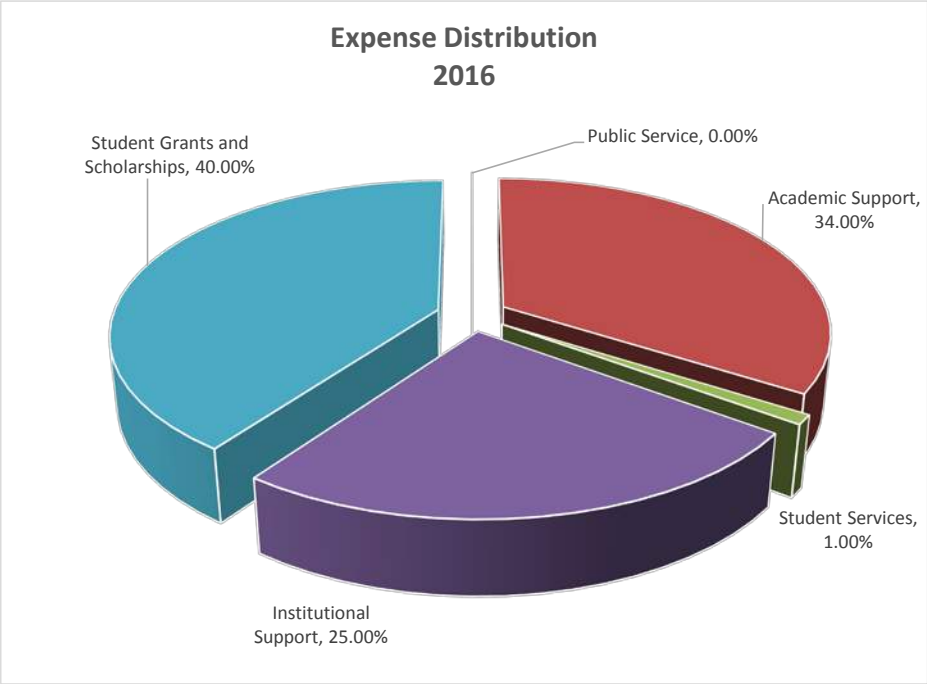
In 2016, operating expenses consist of salaries and benefits of $1.3 million, supplies and services of $4.25 million, and scholarships of $3.8 million. Total operating expenses increased by $680 thousand, or 8%.

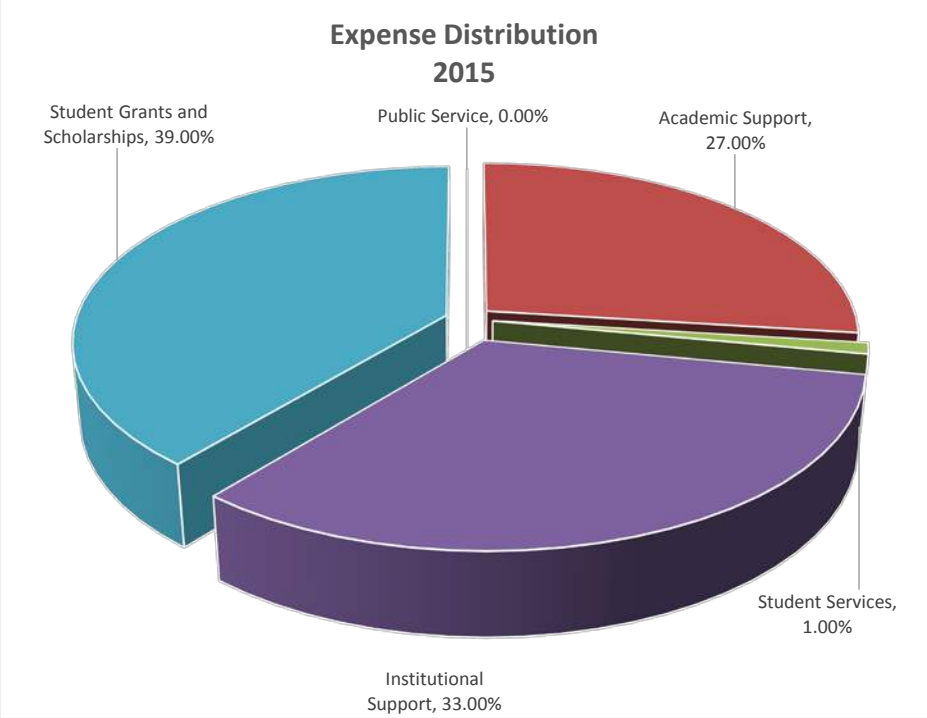
In 2015, operating expenses consist of salaries and benefits of $1.3 million, supplies and services of $4 million, and scholarships of $3.3 million. Total operating expenses increased significantly in 2015 due primarily to the "spend the funds" effort. The Board of Directors instructed staff to work 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 payments to the University over the next several fiscal years.

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.

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





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,	
	2016	2015
Operating		
Public service	$ 10,000	2,000
Academic support	3,160,000	2,370,000
Student services	60,000	55,000
Institutional support	2,340,000	2,898,000
Student grants and scholarships	3,780,000	3,345,000
Total Operating Expenses	$ 9,350,000	$ 8,670,000

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,	
	2016	2015
Net cash used in operating activities	$ (9,600,000)	$ (8,700,000)
Net cash provided by noncapital financing activities	8,900,000	8,600,000
Net cash used in capital and related financing activities	None	None
Net cash provided by (used in) investing activities	1,600,000	(10,600,000)
Net change in cash and cash equivalents	900,000	(10,700,000)
Cash and cash equivalents at beginning of year	1,100,000	11,800,000
Cash and cash equivalents at end of year	$ 2,000,000	$ 1,100,000

CSULB 49er FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2016 AND 2015

Economic Factors That Will Affect the Future

The CSULB 49er Foundation assets are comprised of primarily invested assets, as well as funds on deposit for short-term expenditure and are subject to future volatility of the markets.

Significant Development

The CSULB 49er Foundation switched to an Outsourced Chief Investment Officer model of investment management in January 2016. This is a major change in oversight from the model that had been in place since the Foundation was created (and dates back to the previous Foundation). This change will result in possible smoothing of returns due to a more expansive Investment Policy Statement approved by the Board of Directors.

The Board will also adopt a Socially Responsible Investing/Environmental-Social-Governance approach to the Foundation's investment in 2016-17.

Building on the success of the University's DECLARE Campaign, which concluded in December 2015, the Foundation will be partnering with University Relations & Development to support the strategic-priority setting process for a future fundraising campaign.

CSULB 49er FOUNDATION

STATEMENT OF NET POSITION

ASSETS

	June 30, 2016	June 30, 2015
CURRENT ASSETS		
Cash and cash equivalents	$ 2,004,963	$ 1,113,286
Short-term investments	15,349,442	14,332,038
Accounts receivable, net	51,086	49,350
Pledges receivable, net	1,584,895	1,021,160
Prepaid expenses and other assets	54,765	68,808
	19,045,151	16,584,642
NONCURRENT ASSETS		
Restricted cash	181,237	-
Pledges receivable, net	4,359,862	5,733,582
Endowment investments	56,442,378	57,190,877
	60,983,477	62,924,459
TOTAL ASSETS	80,028,628	79,509,101

LIABILITIES

CURRENT LIABILITIES		
Accounts payable	97,209	28,408
Other liabilities	343,619	821,676
	440,828	850,084

NET POSITION

NET POSITION		
Restricted for:		
Nonexpendable - endowments	50,462,721	47,665,480
Expendable:		
Scholarships and fellowships	3,854,916	2,574,722
Other	18,882,975	21,564,624
Unrestricted	6,387,188	6,854,191
TOTAL NET POSITION	$ 79,587,800	$ 78,659,017

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,	
	2016	**2015**
REVENUES		
Operating revenues	$ 334,837	$ 377,664
EXPENSES		
Operating Expenses		
Public service	9,336	2,051
Academic support	3,162,449	2,371,667
Student services	61,642	55,111
Institutional support	2,347,492	2,898,285
Student grants and scholarships	3,775,487	3,347,309
	9,356,406	8,674,423
OPERATING LOSS	(9,021,569)	(8,296,759)
NONOPERATING REVENUES		
Gifts, noncapital	8,087,925	10,402,138
Investment income (loss), net	(92,624)	32,629
Endowment income (loss), net	(397,406)	236,940
Other nonoperating income	5,614	55,925
	7,603,509	10,727,632
INCOME (LOSS) BEFORE OTHER ADDITIONS	(1,418,060)	2,430,873
ADDITIONS TO PERMANENT ENDOWMENTS	2,346,843	2,702,439
INCREASE IN NET POSITION	928,783	5,133,312
NET POSITION AT BEGINNING OF YEAR	78,659,017	73,525,705
NET POSITION AT END OF YEAR	$ 79,587,800	$ 78,659,017

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

CSULB 49er FOUNDATION

STATEMENT OF CASH FLOWS

	For the Year Ended June 30, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to or on behalf of the University departments	$ (4,366,403)	$ (4,327,389)
Payments to employees	(1,326,952)	(1,273,341)
Payments to students	(3,775,487)	(3,347,308)
Other receipts	(130,913)	245,433
Net Cash Used In Operating Activities	(9,599,755)	(8,702,605)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gifts received for other than capital purposes	8,903,545	8,609,864
Net Cash Provided By Noncapital Financing Activities	8,903,545	8,609,864
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	2,389,966	2,731,579
Investment income, net	(92,624)	32,629
Endowment income (loss), net	(397,406)	236,940
Additions to permanent endowments	2,346,862	2,702,439
Purchase of investments	(2,658,911)	(16,317,702)
Net Cash Provided By (Used In) Financing Activities	1,587,887	(10,614,115)
NET CHANGE IN CASH AND CASH EQUIVALENTS	891,677	(10,706,856)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,113,286	11,820,142
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 2,004,963	$ 1,113,286

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,	
	2016	**2015**
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES:		
Operating loss	$ (9,021,569)	$ (8,296,759)
Adjustments to reconcile operating loss to net cash from operating activities:		
Gift premium	-	(1,375)
Change in assets and liabilities:		
Restricted cash	(181,237)	-
Accounts receivable, net	(1,736)	118,336
Prepaid expenses and other assets	14,043	34,405
Accounts payable	68,801	(273,498)
Other liabilities	(478,057)	(283,714)
Net Cash Used In Operating Activities	$ (9,599,755)	$ (8,702,605)

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

CSULB 49er FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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.

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, 2016 and 2015, 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.

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.

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.

The 49er Foundation has adopted GASB Statement No. 72, *Fair Value Measurement and Application*. GASB 72 establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value.

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 $517,000 and $55,000 at June 30, 2016 and 2015, 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, 2015 financial statements have been reclassified to conform to the 2016 financial statement presentation.

NOTE 1 – Statement of Significant Accounting Policies (Continued)

Future Accounting Pronouncements

In June 2015, GASB issued Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is the improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pension and OPEB) with regard to providing decision useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement does not apply the 49er Foundation, as they are not responsible for preparing and issuing external financial reports on their OPEB plans.

In June 2015, GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement is to improve accounting and financial reporting by the Organization for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by employers about financial support for OPEB that is provided by other entities. This Statement provides guidelines for reporting and disclosures certain OPEB information in the Organization's financial statements. The provisions of this Statement are effective beginning in fiscal year ending June 30, 2018. 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, 2016 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, 2016 are summarized as follows:

Due in the Year Ending June 30,	
2017	$ 1,722,820
2018	897,854
2019	684,038
2020	199,633
2021	28,000
Thereafter	4,140,000
	7,672,345
Less allowance for uncollectible pledges	(517,343)
Less present value discounts	(1,210,245)
	5,944,757
Less current portion of pledges receivable	(1,584,895)
Long-term portion of pledges receivable	$ 4,359,862

NOTE 3 – Investments

At June 30, 2016 and 2015, 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)

The following is a summary of investments:

	June 30, 2016	June 30, 2015
Investments at fair value as determined by quoted market price or estimated fair value:		
Local Agency Investment Fund (LAIF)	$ 10,048,026	$ 10,012,743
Corporate bonds	1,433,708	-
Corporate certificates of deposit	-	749,810
Mutual funds	21,735,687	60,760,362
Government securities	2,819,545	-
Equity securities	19,345,485	-
Exchange traded funds (ETFs)	16,263,517	-
Other investments	145,852	-
	71,791,820	71,522,915
Less short-term portion of investments	(15,349,442)	(14,332,038)
Endowment investments	$ 56,442,378	$ 57,190,877

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, 2016			
	(Level 1)	(Level 2)	(Level 3)	Total
LAIF	$ -	$10,048,026	$ -	$ 10,048,026
Corporate bonds	-	1,433,708	-	1,433,708
Mutual funds	21,735,687	-	-	21,735,687
Government securities	2,819,545	-	-	2,819,545
Equity securities	19,345,485	-	-	19,345,485
Exchange traded funds	16,263,517	-	-	16,263,517
Other investment funds	145,852	-	-	145,852
Total assets at fair value	$ 60,310,086	$11,481,734	None	$ 71,791,820

	Fair Value Measurements at June 30, 2015			
	(Level 1)	(Level 2)	(Level 3)	Total
LAIF	$ -	$10,012,743	$ -	$ 10,012,743
Corporate certificates of deposit	-	749,810	-	749,810
Mutual funds	60,760,362	-	-	60,760,362
Total assets at fair value	$ 60,760,362	$10,762,553	None	$ 71,522,915

NOTE 3 – Investments (Continued)

Investment income/(loss) is summarized as follows:

	June 30, 2016	June 30, 2015
Interest and dividend income	$ 3,704,667	$ 2,944,649
Net unrealized losses	(3,101,439)	(2,961,903)
Net realized gains/(losses)	(857,363)	557,303
Fees	(235,895)	(270,480)
	$ (490,030)	$ 269,569

NOTE 4 – Operating Expenses by Function

	For the Year Ended June 30, 2016			
	Compensation and Benefits	Supplies and Services	Scholarship and Fellowship	Total
Public service	$ 294	$ 9,042	$ -	$ 9,336
Academic support	858,772	2,303,677	-	3,162,449
Student services	-	61,642	-	61,642
Institutional support	467,886	1,879,606	-	2,347,492
Student grants and scholarships	-	-	3,775,487	3,775,487
Total Operating Expenses	$ 1,326,952	$ 4,253,967	$ 3,775,487	$ 9,356,406

NOTE 4 – Operating Expenses by Function (Continued)

	For the Year Ended June 30, 2015			
	Compensation and Benefits	Supplies and Services	Scholarship and Fellowship	Total
Public service	$ 721	$ 1,330	$ -	$ 2,051
Academic support	576,655	1,795,012	-	2,371,667
Student services	-	55,111	-	55,111
Institutional support	695,967	2,202,318	-	2,898,285
Student grants and scholarships	-	-	3,347,309	3,347,309
Total Operating Expenses	$ 1,273,343	$ 4,053,771	$ 3,347,309	$ 8,674,423

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, 2016 and 2015, as follows:

	June 30,	
	2016	2015
Payments to the University for salaries of University personnel working on contracts, grants, and other programs	$ 446,378	$ 485,328
Payments to the University for other than salaries of University personnel	$ 5,649,548	$ 5,793,933

NOTE 5 – Transactions with Related Entities (Continued)

	June 30, 2016	June 30, 2015
Payments received from the University for services, space, and programs	$ 374,153	$ 90,511
Payments to the CSULB Research Foundation for salaries and other expenses	$ 1,530,511	$ 1,564,470
Gifts (cash or assets) to the University from discretely presented component units	$ 4,018,851	$ 4,115,313
Amounts due to the University	$ 203,787	$ 678,606
Amounts due to the Research Foundation	$ 131,964	$ 143,070

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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, 2016, 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 19, 2016.

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 19, 2016

CSULB 49er FOUNDATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued – Unmodified

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

CSULB 49er FOUNDATION

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

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.

Current year status: No similar finding was noted in the current year audit.