

**California Polytechnic State University Foundation**  
**Financial Statements and Supplementary Schedules**  
**for Inclusion in the Financial Statements**  
**of the California State University**  
**June 30, 2022 and 2021**

**California Polytechnic State University Foundation**  
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**June 30, 2022 and 2021**

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## Independent Auditors' Report

To the Board of Directors  
California Polytechnic State University Foundation  
San Luis Obispo, California

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the accompanying statements of net position of California Polytechnic State University Foundation (the Foundation), a component unit of the California Polytechnic State University, San Luis Obispo, as of June 30, 2022 and 2021, 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, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of California Polytechnic State University Foundation, as of June 30, 2022 and 2021, the changes in net position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of California Polytechnic State University Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about California Polytechnic State University Foundation's

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ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 California Polytechnic State University Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about California Polytechnic State University Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a basic part of the financial statements, is required by the Government 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.

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the California Polytechnic State University Foundation's basic financial statements. The accompanying supplementary information for inclusion in the financial statements of the California State University on pages 36 through 42 is presented for purposes of additional analysis as required by the California State University and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have issued our report dated September 13, 2022, on our consideration of California Polytechnic State University Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the California Polytechnic State University Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering California Polytechnic State University Foundation's internal control over financial reporting and compliance.

GLENN BURDETTE ATTEST CORPORATION

Glenn Burdette Attest Corporation  
San Luis Obispo, California

September 13, 2022

**California Polytechnic State University Foundation**  
**Management's Discussion and Analysis**  
**June 30, 2022 and 2021**

**Management's Discussion and Analysis**

This section of the California Polytechnic State University Foundation (Foundation) annual financial report presents a discussion and analysis of the financial performance of the Foundation during the fiscal year ended June 30, 2022 ("2022"), with comparative information for the fiscal years ended June 30, 2021 ("2021") and June 30, 2020 ("2020"). This discussion has been prepared by management and should be read in conjunction with and is qualified in its entirety by the accompanying audited financial statements and notes.

**Introduction to the Financial Statements**

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) Statements No. 34, *Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, No. 35, *Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, No. 37, *Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*. For reporting purposes, the Foundation is considered a special-purpose government entity engaged in business-type activities which best represents the activities of the Foundation as an auxiliary organization of the California Polytechnic State University, San Luis Obispo (University).

The financial statements include the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows. These statements are supported by the notes to the financial statements and this section. All sections must be considered together to obtain a complete understanding of the financial picture of the Foundation.

***Statements of Net Position:***

The Statements of Net Position includes all assets, deferred inflows and outflows of resources, and liabilities. Assets and liabilities are reported on an accrual basis as of the financial statement date. It also identifies major categories of restrictions on the net position of the Foundation.

***Statements of Revenues, Expenses, and Changes in Net Position:***

The Statements of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred during the year on an accrual basis.

***Statements of Cash Flows:***

The Statements of Cash Flows presents the inflows and outflows of cash for the year and is summarized by operating, noncapital financing, capital, and related financing, and investing activities. The statements are prepared using the direct method of cash flows, and therefore, presents gross rather than net amounts for the year's activities.

**California Polytechnic State University Foundation**  
**Management's Discussion and Analysis**  
**June 30, 2022 and 2021**

**Analytical Overview**

**Summary**

The following discussion highlights the key financial aspects of the Foundation's financial activities for 2022 and 2021. Included is a comparative analysis of the current year and prior year activities and balances, a discussion of restrictions on Foundation net position, and factors impacting future reporting periods. The comparative analysis also includes the year ended June 30, 2020.

	<b>June 30,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Assets:			
Current assets	\$ 50,370,278	\$ 48,123,725	\$ 46,230,453
Noncurrent assets	337,463,596	386,071,596	327,349,284
Total assets	<u>387,833,874</u>	<u>434,195,321</u>	<u>373,579,737</u>
Liabilities:			
Current liabilities	944,692	422,545	397,040
Noncurrent liabilities	7,855,252	9,340,579	6,225,805
Total liabilities	<u>8,799,944</u>	<u>9,763,124</u>	<u>6,622,845</u>
Deferred inflows of resources	<u>5,848,998</u>	<u>6,796,510</u>	<u>5,253,825</u>
Net position:			
Restricted, non-expendable	149,938,193	144,732,215	137,887,981
Restricted, expendable	218,263,197	269,255,678	221,031,052
Unrestricted	<u>4,983,542</u>	<u>3,647,794</u>	<u>2,784,034</u>
Total net position	<u>\$ 373,184,932</u>	<u>\$ 417,635,687</u>	<u>\$ 361,703,067</u>

**Assets**

In 2022, total assets decreased to \$387.8 million, a \$46.4 million or 11% decrease from the prior year. Current assets increased \$2.2 million or 5%, primarily due to an increase in cash and short-term investments of \$7.3 million from cash gifts and pledge payments received, offset by a decrease in current pledges receivable of \$5.0 million. Noncurrent assets decreased \$48.6 million or 13% primarily due to a \$43.7 million decrease in endowment investments and a \$5.9 million decrease in other long-term investments offset by an \$1.1 million increase in other assets. Endowment investments decreased due to market value losses, other long-term investments decreased due to cash paid out to donor-funded capital projects in progress and other assets increased due to a real estate gift received at year end.

## California Polytechnic State University Foundation

### Management's Discussion and Analysis

June 30, 2022 and 2021

In 2021, total assets increased to \$434.2 million, a \$60.6 million or 16% increase from 2020. Current assets increased \$1.9 million or 4% primarily due to an increase in cash and short-term investments of \$7.2 million from cash gifts and pledge payments received, offset by a decrease in current pledges receivable of \$5.3 million. Noncurrent assets increased \$58.7 million or 18% primarily due to a \$60.6 million increase in endowment investments and a \$9.4 million increase in other long-term investments offset by an \$11.2 million decrease in pledges receivable. Pledges receivable decreased due to payments on four significant pledges, endowment investments increased due to market value gains and other long-term investments increased due to bond purchases, new additions to the Life Income Fund and market value gains.

#### ***Liabilities***

In 2022, liabilities decreased \$1.0 million or 10% primarily due to a \$1.5 million decrease in split-interest trust liability as a result of market value losses, payments to beneficiaries and actuarial changes on Life Income Fund assets, offset by \$0.5 million increase in accounts payable.

In 2021, liabilities increased \$3.1 million or 47% primarily due to a \$3.0 million increase in split-interest trust liability as a result of the new additions to the Life Income Fund.

#### ***Deferred Inflows of Resources***

In 2022, deferred inflows of resources decreased \$0.9 million or 14% primarily due to market value losses.

In 2021, deferred inflows of resources increased \$1.5 million or 29% primarily due to new additions to the Life Income Fund and market value gains.

#### ***Net Position***

The Foundation's total net position in 2022 decreased by \$44.5 million or 11%, as compared to an increase of \$55.9 million or 15% in 2021. The decrease in 2022 was primarily due to the following:

- \$14.5M operating loss due to donor-funded expenses exceeding donor gifts
- \$38.1M non-operating loss primarily the result of a decrease in endowment investment income due to market value losses
- \$8.2M addition to endowments

The Foundation's endowment pool achieved a return net of fees of approximately -13.5% for fiscal year end 2022. Prior year returns net of fees were 30% in 2021 and 1% in 2020.

**California Polytechnic State University Foundation**  
**Management's Discussion and Analysis**  
**June 30, 2022 and 2021**

A significant portion of the Foundation's net position are restricted by donors or bylaws. The following table summarizes at each year-end which funds are restricted, the type of restriction, and the amount:

	June 30,		
	2022	2021	2020
Non-expendable:			
Endowments	\$ 149,938,193	\$ 144,732,215	\$ 137,887,981
Total non-expendable	<u>\$ 149,938,193</u>	<u>\$ 144,732,215</u>	<u>\$ 137,887,981</u>
Expendable:			
Scholarships and fellowships	\$ 13,711,254	\$ 30,641,535	\$ 14,096,390
Research	8,177,235	11,237,790	6,858,051
Capital projects	46,874,939	56,032,456	69,019,508
Instruction	30,313,326	34,851,563	26,943,940
Academic support	54,925,929	78,272,553	50,608,573
Operation & maintenance of plant	17,028,558	7,109,433	4,513,559
Institutional support, other	47,231,956	51,110,348	48,991,031
Total expendable	<u>\$ 218,263,197</u>	<u>\$ 269,255,678</u>	<u>\$ 221,031,052</u>

The principal reasons the value of each type of restricted net position changed from the prior year are: (i) the level of contributions received, (ii) expenditures in the current year (primarily in support of the University), and (iii) investment returns. Total expendable net position decreased \$51.0 million in 2022 primarily due to market value losses and expenditures to support the University. Total expendable net position increased by \$48.2 million in 2021 primarily due to market value gains offset by expenditures to support the University.

***Unrestricted Net Position***

Unrestricted net position increased by \$1.3 million in 2022, primarily due to an increase in endowment management fee revenues collected for management of the business activities of the endowment, and an increase in gift assessment fee revenue collected to handle gift administration. Unrestricted net position increased by \$0.9 million in 2021, primarily due to an increase in endowment management fee revenues collected for management of the business activities of the endowment, and an increase in gift assessment fee revenue collected to handle gift administration.

**California Polytechnic State University Foundation**  
**Management's Discussion and Analysis**  
**June 30, 2022 and 2021**

	Year Ended June 30,		
	2022	2021	2020
Operating revenues	\$ 42,631,685	\$ 21,877,363	\$ 26,709,385
Operating expenses	(57,145,341)	(39,870,253)	(40,114,063)
Operating income (loss)	(14,513,656)	(17,992,890)	(13,404,678)
Nonoperating revenues, net	(38,146,272)	66,609,814	3,575,558
Additions to permanent endowments and Life Income funds	8,209,173	7,315,696	7,450,208
Increase (decrease) in net position	(44,450,755)	55,932,620	(2,378,912)
Beginning net position	417,635,687	361,703,067	364,081,979
Ending net position	\$ 373,184,932	\$ 417,635,687	\$ 361,703,067

***Revenues and Expenses***

Operating revenues, consisting generally of currently expendable contributions to the Foundation for the benefit of the University, were \$42.6 million in 2022, a \$20.8 million increase from the prior year, due to an increase in gifts to the Foundation. This is compared to operating revenues of \$21.9 million in 2021, a \$4.8 million decrease from 2020. Operating expenses were \$57.1 million in 2022, an increase of \$17.3 million from the prior year, due to an increase in support to the University. Operating expenses were \$39.9 million in 2021, a decrease of \$0.2 million from 2020.

Non-operating revenues and expenses consist primarily of investment returns (unrealized and realized gains and losses on marketable securities, interest, and dividends), net of fees. Net non-operating expenses were \$38.1 million for 2022, a \$104.8 million decrease from 2021, due to investment losses. This is compared to net non-operating revenues of \$66.6 million for 2021, a \$63.0 million increase from 2020. The 2021 increase was primarily due to market value gains.

Additions to the endowment and life income funds were \$8.2 million in 2022, compared to \$7.3 million in 2021 and \$7.5 million in 2020.

**California Polytechnic State University Foundation**  
**Management's Discussion and Analysis**  
**June 30, 2022 and 2021**

***Capital Assets and Long-Term Debt Obligations***

At June 30, 2022, 2021, and 2020, the Foundation had no capital assets or long-term debt obligations, other than the long-term liabilities for split interest obligations.

***Currently Known Facts Impacting Future Periods***

Management is not aware of any external factors other than COVID-19 and systematic market risks which may affect its investments, and general economic conditions affecting donor giving.

The significant volatility in the worldwide equity markets is the most significant factor affecting the change in net position and endowment net investment return, which ultimately affects the funds available for operating expenses that benefit the University. The Foundation's payout policy for endowments with total value exceeding donor contributions applies a 4% spending rate against the average value of the endowment over the twelve quarters ended as of December 31 of the preceding fiscal year. The payout policy for endowments with total value below donor contributions applies a 2% spending rate against the same twelve trailing quarter average.

Using a twelve trailing quarter average base value and two-tiered payout rate means that the reduction in operating expenditures from market declines will be delayed, as will the increase in expenditures when markets rebound.

Fixed income investments in the Endowment and Campus Program Funds yield a rate of return based on interest rates that have increased in 2022 and are expected to increase further in 2023. In 2022 the Foundation approved a change in the endowment's asset allocation from 71% equities and 29% fixed income to 84% equities and 16% fixed income. This change in asset allocation is being done in multiple phases and is scheduled to be completed in 2023. The asset allocation as of June 30, 2022 was 81% equities and 19% fixed income.

***General Fund Budget Variances***

There were no material variances for the general fund budget.

**California Polytechnic State University Foundation**  
**Statements of Net Position**  
**June 30, 2022 and 2021**

	2022	2021
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 10,986,638	\$ 9,802,516
Short-term investments	27,188,595	21,114,938
Accounts receivable	88,312	102,589
Pledges receivable, net	12,081,717	17,080,546
Prepaid expenses	25,016	23,136
Total current assets	50,370,278	48,123,725
<b>Noncurrent assets:</b>		
Restricted cash and cash equivalents	505,999	437,675
Pledges receivable, net	25,442,883	25,595,661
Endowment investments	240,664,580	284,357,551
Other long-term investments	69,455,002	75,403,132
Other assets	1,395,132	277,577
Total noncurrent assets	337,463,596	386,071,596
Total assets	387,833,874	434,195,321
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable	846,569	328,175
Unearned revenue	98,123	94,370
Total current liabilities	944,692	422,545
<b>Noncurrent liabilities:</b>		
Split interest trust liabilities to individual beneficiaries	7,071,761	8,409,395
Split interest trust liabilities to external charitable residuary beneficiaries	783,491	931,184
Total noncurrent liabilities	7,855,252	9,340,579
Total liabilities	8,799,944	9,763,124

*See independent auditor's report.*

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

**California Polytechnic State University Foundation**  
**Statements of Net Position - continued**  
**June 30, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Deferred Inflows of Resources</b>		
Split interest trusts	\$ 5,848,998	\$ 6,796,510
<b>Net Position</b>		
Restricted for:		
Non-expendable:		
Endowments	149,938,193	144,732,215
Expendable:		
Scholarships and fellowships	13,711,254	30,641,535
Research	8,177,235	11,237,790
Capital projects	46,874,939	56,032,456
Instruction	30,313,326	34,851,563
Academic support	54,925,929	78,272,553
Operation and maintenance of plant	17,028,558	7,109,433
Institutional support and other	47,231,956	51,110,348
Unrestricted	4,983,542	3,647,794
Total net position	\$ 373,184,932	\$ 417,635,687

*See independent auditor's report.*

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

**California Polytechnic State University Foundation**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**June 30, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Operating revenues:</b>		
Contributions - University programs	\$ 13,332,755	\$ 19,035,264
Contributions - University capital	29,298,930	2,842,099
Total operating revenues	<u>42,631,685</u>	<u>21,877,363</u>
<b>Operating expenses:</b>		
Instruction	2,481,094	2,698,809
Research	1,911,042	1,074,207
Public service	539,666	505,687
Academic support	13,280,754	10,036,711
Student services	1,129,137	600,895
Institutional support	5,622,542	2,438,328
Operation and maintenance of facility	27,244,075	18,757,574
Student grants and scholarships	4,937,031	3,758,042
Total operating expenses	<u>57,145,341</u>	<u>39,870,253</u>
Operating loss	<u>(14,513,656)</u>	<u>(17,992,890)</u>
<b>Nonoperating revenues (expenses):</b>		
Investment income (loss)	(635,232)	47,074
Endowment investment income (loss), net of fees of \$525,000 and \$520,000, respectively	(37,772,082)	66,369,623
Other nonoperating revenues, net	261,042	193,117
Total nonoperating revenues (expenses)	<u>(38,146,272)</u>	<u>66,609,814</u>
Income (loss) before other additions	(52,659,928)	48,616,924
<b>Additions to permanent endowments</b>	<u>8,209,173</u>	<u>7,315,696</u>
Increase (decrease) in net position	(44,450,755)	55,932,620
<b>Net position - beginning of year</b>	<u>417,635,687</u>	<u>361,703,067</u>
<b>Net position - end of year</b>	<u>\$ 373,184,932</u>	<u>\$ 417,635,687</u>

*See independent auditor's report.*

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

**California Polytechnic State University Foundation**  
**Statements of Cash Flows**  
**June 30, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities:</b>		
Cash contributions received	\$ 30,563,809	\$ 35,675,807
Cash payments for operating expenses	(56,646,112)	(39,829,378)
Net cash used in operating activities	(26,082,303)	(4,153,571)
<b>Cash flows from noncapital financing activities:</b>		
Cash contributions received for permanent endowments and split interest trusts	7,772,919	6,367,274
Distributions to split interest trust beneficiaries	(987,073)	(944,308)
Fees and expenses of split interest trusts	(158,177)	(128,960)
Other noncapital financing activities	1,011,970	2,763,756
Net cash provided by noncapital financing activities	7,639,639	8,057,762
<b>Cash flows from investing activities:</b>		
Proceeds from sales and maturities of investments	64,039,637	36,630,139
Purchases of investments	(48,755,911)	(44,371,280)
Investment income proceeds	4,411,384	9,317,735
Net cash provided by investing activities	19,695,110	1,576,594
Net increase in cash and cash equivalents	1,252,446	5,480,785
<b>Cash and cash equivalents - beginning of year</b>	10,240,191	4,759,406
<b>Cash and cash equivalents - end of year</b>	\$ 11,492,637	\$ 10,240,191
<b>Summary of cash and cash equivalents - end of year:</b>		
Cash and cash equivalents	\$ 10,986,638	\$ 9,802,516
Restricted cash and cash equivalents	505,999	437,675
Total cash and cash equivalents - end of year	\$ 11,492,637	\$ 10,240,191

*See independent auditor's report.*

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

**California Polytechnic State University Foundation**  
**Statements of Cash Flows - continued**  
**June 30, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss	\$ (14,513,656)	\$ (17,992,890)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Non-cash operating contributions	(17,223,236)	(2,655,604)
Change in assets and liabilities:		
Accounts receivable	(17,285)	(17,285)
Pledges receivable, net	5,151,607	16,494,180
Prepaid expenses	(1,880)	(7,477)
Accounts payable	518,394	65,637
Unearned revenue	3,753	(40,132)
	<u>\$ (26,082,303)</u>	<u>\$ (4,153,571)</u>
<b>Supplemental disclosures of cash flow information:</b>		
Contributions of investments	\$ 16,559,490	\$ 3,604,026
Other non-cash contributions - donated property	\$ 1,100,000	
Increase (decrease) in fair value of investments	\$ (44,842,775)	\$ 60,309,136

*See independent auditor's report.*

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

**California Polytechnic State University Foundation**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

**Note 1: Organization**

California Polytechnic State University Foundation (Foundation), a California Nonprofit Public Benefit Corporation, is an auxiliary organization of California Polytechnic State University, San Luis Obispo (University) and the California State University system (CSU). The Foundation is organized and operated in accordance with the Education Code of the State of California and the California Code of Regulations to provide and augment programs that are an integral part of the educational mission of the University. The Foundation was organized in March 2006, to assist the University primarily in the acquisition, investment, and administration of gifts and endowments for the benefit of the University. The Foundation began its operations in January 2007 when, at the request of the University, the Cal Poly Corporation (CPC) transferred net assets, consisting of gifts and endowments, which CPC had held for the benefit of the University, to the Foundation.

**Note 2: Summary of Significant Accounting Policies**

**Financial Reporting Entity**

The accompanying financial statements present the accounts of the Foundation, including the endowment and campus program accounts held for the benefit of the University. The Foundation is a governmental organization under generally accepted accounting principles in the United States of America (GAAP) and is also a component unit of the University, a public university under the CSU. The Foundation has chosen to use the Governmental Accounting Standards Board (GASB) reporting model for special purpose governments engaged only in business-type activities consistent with guidance of the CSU.

**Basis of Presentation**

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with GAAP as prescribed by the GASB. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Voluntary non-exchange transactions (contributions) are recognized as revenue as soon as all eligibility requirements have been met.

**Classification of Current and Noncurrent Assets and Liabilities**

The Foundation considers assets and liabilities that can reasonably be expected, as part of its normal business operations, to be converted to cash or liquidated within 12 months of the statements of net position date to be current. All other assets and liabilities are considered noncurrent.

**Cash and Cash Equivalents, and Restricted Cash**

The Foundation considers demand deposit and negotiable order of withdrawal (NOW) accounts with financial institutions, money market funds, certificates of deposit and other highly liquid investments with an original maturity date of three months or less to be cash equivalents for purposes of the statements of cash flows. Amounts restricted by the donors for long-term purposes including endowments and split interest trusts are shown as restricted cash and cash equivalents.

## **California Polytechnic State University Foundation**

### **Notes to Financial Statements**

**June 30, 2022 and 2021**

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#### **Note 2: Summary of Significant Accounting Policies (Continued)**

##### **Investments**

Investment securities are reported at fair value. Marketable securities' fair values are based on quoted market prices from independent sources. Investments in alternative investments, including limited partnerships, private equity funds, and absolute return funds, are reported at estimated fair value by the general partners and fund managers after considering factors such as the nature of the underlying portfolios, liquidity, and market conditions. Because they are not readily marketable, the fair values may differ from the values that would have been used had a ready market for these investments existed. Investments in real estate are initially recorded at fair value established by independent appraisals. Notes receivable are recorded at face value less principal payments received which approximates fair value.

Short-term investments consist of equity securities, open-ended mutual funds, certificates of deposit with an original maturity date of more than three months, and U.S. government and municipal obligations with a maturity date of one year or less. However, all endowment and split interest trust investments are classified as noncurrent regardless of maturity due to restrictions limiting the Foundation's ability to use these investments.

Investment income and endowment income consist of realized and unrealized gains and losses on investments, interest and dividends. The amounts are presented net of investment management and custodian fees.

##### **Accounts Receivable**

Accounts receivable are shown net of any allowance for uncollectible accounts and as of June 30, 2022 and 2021, there were no allowances for non-pledge receivables. Any allowance for uncollectible accounts is based upon prior experience and management's assessment of the collectability of specific existing accounts.

##### **Pledges Receivable, Allowance and Discount**

Pledges receivable are unconditional promises to make future donations to the Foundation. Endowment pledges are recognized as additions to endowments at the time pledge payments are received (i.e. cash basis). All other pledges are recognized as contributions revenue in accordance with donor-imposed restrictions, if any, in the period pledged. Conditional pledges, which depend on the occurrence of a specified future or uncertain event, are recognized as contributions revenue when the conditions are substantially met.

The Foundation's donor population encompasses a wide variety of personal, partnership, and fund structures, which are outside the control of the Foundation and are subject to the risks described below related to equities, fixed income, and alternative investments. The financial position of the donors can change over time, creating collection risk for pledges receivable. The Foundation's historical collection of pledges receivable has generally averaged 99%, but past performance is not an indication of future results. Pledges receivable as of June 30, 2022 were \$37.5 million, which includes an allowance for uncollectible pledges of \$2.2 million, and a present value discount of \$4.1 million.

## California Polytechnic State University Foundation

### Notes to Financial Statements

June 30, 2022 and 2021

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#### Note 2: Summary of Significant Accounting Policies (Continued)

Pledges receivable as of June 30, 2021 were \$42.7 million, which includes an allowance for uncollectible pledges of \$2.3 million, and a present value discount of \$1.8 million. Pledge discounts are computed using the five-year Treasury note rate, plus an interest rate risk premium of approximately one percent. In subsequent years, this discount is accreted and recorded as additional contributions revenue.

Concentration of pledges receivable risk is the risk associated with a lack of diversification, such as having substantial pledges from a few individual donors, which exposes the organization to greater risks resulting from adverse conditions or developments as stated above. At June 30, 2022 and 2021, pledges from one donor represented approximately 44% and 60% and of net pledges receivable, respectively.

#### Endowments

The Foundation holds 1,014 individual endowments that are managed in a unitized investment pool. Investment earnings and related expenses are allocated based upon each individual endowment's unit market value.

The Foundation is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Unless stated otherwise in the endowment agreement, the Foundation considers the following factors in making a determination to appropriate for expenditure donor-restricted endowment funds:

- 1) General economic conditions
- 2) The duration and preservation of the fund
- 3) The purposes of the Foundation and the donor-restricted endowment fund
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and appreciation of investments
- 6) Other resources of the Foundation
- 7) The investment policies of the Foundation

Annual expenditure appropriations under UPMIFA (payouts) are taken first from endowment reserve (net appreciation in excess of donor contributions) and then from original principal. Endowment net reserves available for expenditure as of June 30, 2022 and 2021, were \$87.3 million and \$135.7 million, respectively, and were included in restricted expendable net position.

The Foundation's payout policy for endowments with reserves applies a 4% spending rate against the average value of an endowment over the twelve quarters ending as of December 31 of the preceding fiscal year. The payout policy for endowments with total value below donor contributions applies a 2% spending rate against the same twelve trailing quarter average.

## California Polytechnic State University Foundation

### Notes to Financial Statements

June 30, 2022 and 2021

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#### Note 2: Summary of Significant Accounting Policies (Continued)

##### Split Interest Trusts

Split interest gifts to the Foundation include charitable remainder trusts in which a designated beneficiary other than the Foundation retains an interest in the gift as specified in the trust agreements. When the Foundation is trustee of the trust assets, liabilities to individual beneficiaries are established representing the present value of estimated future beneficiary payments over the expected lifetime of the beneficiaries. These liabilities are calculated using Internal Revenue Service life expectancy tables and discounted using payout yields of trusts that distribute net income or using the Treasury note rate in effect for a comparable period of time at the date of the gift for all other trusts. An adjustment factor is applied to reflect quarterly payments to beneficiaries. If the donor specifies external charitable residuary beneficiaries, liabilities are recorded for the estimated remainder value. The remaining amount of the gift is recognized as deferred inflows in the period in which the Foundation receives the gift.

The Foundation records trust funds held by external trustees of split interest trusts that are restricted for campus program purposes when the Foundation is notified that it has an interest in the funds. The receivable is calculated as the discounted present value of the future distribution expected to be received. Funds held by external trustees of split interest trusts designated for endowments are recognized when received. Change in value of split interest trusts is recorded for the amortization of discount and any changes in actuarial assumptions in future periods and included in deferred inflows.

##### Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of resources that do not require a further exchange of goods and services, but that are applicable to a future reporting period. They are not shown on the statement of revenues and expenses because they are not revenue items relating to the current fiscal year, but to future periods. They are not shown on the statement of net position in the liability section because they are not balances the Foundation owes. Instead, they are presented on the statement of net position as deferred inflows to reflect the fact that the recognition of the related revenue will happen at a future date. The amounts recorded as deferred inflows for the fiscal year presented result from split interest agreements.

##### Net Position

The Foundation's net position is classified into the following categories based on the existence or absence of donor-imposed restrictions:

###### *Restricted – nonexpendable*

Net position in this category includes permanent endowments. These funds are subject to donor restrictions and, in accordance with UPMIFA, are invested in perpetuity in order to generate investment income and appreciation to be expended for the benefit of the University.

## California Polytechnic State University Foundation

### Notes to Financial Statements

June 30, 2022 and 2021

Page 5

#### **Note 2: Summary of Significant Accounting Policies (Continued)**

##### *Restricted – expendable*

Net position in this category relates to contributions restricted by the donors to be expended for specific purposes in support of the University. They also include quasi-endowments which are expendable for the purposes restricted by the donor but which the Foundation has currently chosen to treat like endowments. Accumulated investment income and appreciation on endowment investments in excess of donor contributions (reserves) are classified as restricted and expendable.

##### *Unrestricted*

Net position in this category is not subject to donor-imposed restrictions. The Foundation first expends restricted funds for donor purposes prior to utilizing unrestricted funds.

#### **Classification of Revenues and Expenses**

Contributions and pledges for purposes other than endowments are recognized as operating revenues in the period received or pledged. Additions to nonexpendable endowments are recognized when cash or other assets are received. Disbursements in support of the University and certain administrative expenses incurred in conducting the business of the Foundation are presented in the financial statements as operating expenses. The institutional support expenses for the years ended June 30, 2022 and June 30, 2021 include general fund expenses of \$4.2 million and \$3.7 million, respectively. These expenses are incurred to provide support for University staff, administer the gifts and endowments, and to operate the Foundation. Non-operating revenues and expenses include investment income, and net realized and unrealized appreciation or depreciation in the fair value of investments. Contributions for permanent endowments are classified as other additions to net position. The Foundation has elected to report operating expenses by functional classification in the statements of revenues, expenses, and changes in net position in the categories required by the CSU.

#### **Donated Property and Equipment**

Donations of property, materials and equipment in excess of \$5,000 are recorded at estimated fair value, if donated. Title to all capital assets is transferred to the University upon receipt unless the item is to be sold. All marketable securities are recorded at their estimated fair values at the date of donation.

#### **Income Tax Status**

The Foundation is exempt from federal and state corporate income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). In addition, the Foundation has been determined to be a public charity under IRC Section 170(b)(1)(A) that is eligible to receive deductible charitable contributions. However, the Foundation remains subject to taxes on any net income that is derived from a trade or business, regularly carried on, and unrelated to its exempt purpose. No income taxes have been recorded in the accompanying financial statements since management believes the Foundation has no taxable unrelated business income.

## California Polytechnic State University Foundation

### Notes to Financial Statements

June 30, 2022 and 2021

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#### Note 2: Summary of Significant Accounting Policies (Continued)

##### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

##### Recent Pronouncements

In June 2017, GASB issued Statement No. 87, *Leases*. Statement No. 87 increases the usefulness of entities' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions of Statement No. 87 are effective for fiscal years beginning after June 15, 2021. Implementation of this Statement did not have a material impact on the Foundation's financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests*. Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The provisions of Statement No. 90 are effective for reporting periods beginning after December 15, 2019 with earlier application encouraged. Implementation of this Statement did not have a material impact on the Foundation's financial statements.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The provisions of Statement No. 91 are effective for reporting periods beginning after December 15, 2021 with earlier application encouraged. Management has not yet determined the impact of this Statement on its financial statements.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. Statement No. 92 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The provisions of Statement No. 92 are generally effective for reporting periods beginning after June 15, 2021 with earlier application encouraged. Implementation of this Statement did not have a material impact on the Foundation's financial statements.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to

## California Polytechnic State University Foundation

### Notes to Financial Statements

June 30, 2022 and 2021

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#### Note 2: Summary of Significant Accounting Policies (Continued)

amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. Statement No. 93 addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate. The provisions of Statement No. 93 are generally effective for fiscal years beginning after June 15, 2021 with earlier application encouraged. Implementation of this Statement did not have a material impact on the Foundation's financial statements.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. Statement No. 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements, as well as availability payment arrangements. The provisions of Statement No. 94 are generally effective for fiscal years beginning after June 15, 2022 with earlier application encouraged. Management has not yet determined the impact of this Statement on its financial statements.

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

Additionally, in May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The provisions of Statement No. 96 are generally effective for fiscal years beginning after June 15, 2022 with earlier application encouraged. Management has not yet determined the impact of this Statement on its financial statements.

In June 2020, GASB issued Statement No 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. Statement No. 97 will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The provisions of Statement 96 are effective for fiscal years beginning after June 15, 2021 with earlier application encouraged. Implementation of this Statement did not have a material impact on the Foundation's financial statements.

In October 2021, GASB issued Statement No 98, *The Annual Comprehensive Financial Report*. Statement No 98 establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending

## California Polytechnic State University Foundation

### Notes to Financial Statements

June 30, 2022 and 2021

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#### **Note 2: Summary of Significant Accounting Policies (Continued)**

after December 15, 2021, with earlier application encouraged. Implementation of this Statement did not have a material impact on the Foundation's financial statements.

In April 2022, GASB issued Statement No 99, *Omnibus 2022*. Statement No 99 enhances comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Certain statement requirements are effective for fiscal years beginning after June 15, 2022. Requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No 53 are effective for fiscal years beginning after June 15, 2023. Management has not yet determined the impact of this Statement on its financial statements.

In June 2022, GASB issued Statement No 100, *Accounting Changes and Error Corrections-an amendment of GASB Statement No 62*. Statement No 100 enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective in fiscal years beginning after June 15, 2023, with earlier application encouraged. Management has not yet determined the impact of this Statement on its financial statements.

In June 2022, GASB issued Statement No 101, *Compensated Absences*. Statement No 101 updates the recognition and measurement guidance for compensated absences. The Statement aligns the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, with earlier adoption encouraged. Management has not yet determined the impact of this Statement on its financial statements.

#### **Reclassifications**

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

#### **Note 3: Cash and Cash Equivalents and Restricted Cash**

The Foundation maintains cash for operating needs in checking, deposit, money market and negotiable order of withdrawal (NOW) accounts, with Federal Deposit Insurance Foundation (FDIC) insured financial institutions.

At June 30, 2022, the Foundation's checking and related deposit accounts were insured by the FDIC up to \$250,000 per account title. With a portion of their funds, the Foundation also participates in the Wells Fargo Securities FDIC insured brokered CD program, which invested balances in multiple FDIC-insured financial institutions brokered CDs and obtains full coverage per issuer by spreading the funds among as many separate FDIC insured institutions as

**California Polytechnic State University Foundation**

**Notes to Financial Statements**

**June 30, 2022 and 2021**

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**Note 3: Cash and Cash Equivalents and Restricted Cash (Continued)**

necessary so that no institution holds more than \$250,000 (principal plus interest) for each issuer. At June 30, 2022, the Foundation had approximately \$20.3 million in uninsured cash deposits in its operating account.

At June 30, a portion of cash and cash equivalents were restricted according to donor stipulations as follows:

	<u>2022</u>	<u>2021</u>
Endowments	\$ 40,274	\$ 42,326
Split interest trusts	465,725	395,349
 Total	 <u>\$ 505,999</u>	 <u>\$ 437,675</u>

**Note 4: Investments**

At June 30, investments are classified in the accompanying financial statement as follows:

	<u>2022</u>	<u>2021</u>
Short-term investments	\$ 27,188,595	\$ 21,114,938
Endowment investments	240,664,580	284,357,551
Other long-term investments	69,455,002	75,403,132
 Total	 <u>\$ 337,308,177</u>	 <u>\$ 380,875,621</u>

Other long-term investments included \$13.2 million and \$15.7 million of investments held in split interest trusts at June 30, 2022 and 2021, respectively.

At June 30, 2022, investments comprised the following:

	<u>2022</u>		
	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Fixed income - bonds and certificates of deposit	\$ 6,384,891	\$ 12,953,257	\$ 19,338,148
Notes receivable		323,000	323,000
Mutual funds:			
Equity funds		201,503,271	201,503,271
Bond funds		51,316,788	51,316,788
Money market fund	20,803,704	43,006,376	63,810,080
Other investments:			
Alternative investments		1,016,890	1,016,890
 Total	 <u>\$ 27,188,595</u>	 <u>\$ 310,119,582</u>	 <u>\$ 337,308,177</u>

**California Polytechnic State University Foundation**

**Notes to Financial Statements**

**June 30, 2022 and 2021**

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**Note 4: Investments (Continued)**

At June 30, 2021, investments comprised the following:

	<b>2021</b>		
	<b>Current</b>	<b>Noncurrent</b>	<b>Total</b>
Fixed income - bonds and certificates of deposit	\$ 4,554,709	\$ 13,414,288	\$ 17,968,997
Notes receivable		323,000	323,000
Mutual funds:			
Equity funds		211,807,633	211,807,633
Bond funds		87,022,967	87,022,967
Money market funds	16,560,229	45,954,330	62,514,559
Other investments:			
Alternative investments		1,238,465	1,238,465
<b>Total</b>	<b>\$ 21,114,938</b>	<b>\$ 359,760,683</b>	<b>\$ 380,875,621</b>

*Investment policies:*

The Foundation's Board of Directors oversees the management of its investments and establishes an investment policy. The board has delegated to its Investment Committee the implementation of the investment policy. The Investment Committee establishes investment guidelines and selects investment managers.

The un-endowed investment portfolio is managed to maximize returns consistent with safety of principal and liquidity considerations necessary to meet the Foundation's cash flow requirements. Investments authorized by the Investment Committee include readily marketable money market and fixed income securities with an average maturity of three years or less.

The endowed portfolio is an investment pool in which a large number of individual endowments participate in order to benefit from diversification and economies of scale. The primary investment objective of the endowed investment portfolio is total return sufficient to preserve purchasing power and to provide income to support current and future expenditures consistent with endowment restrictions. Long-term, the total return on the portfolio, net of investment and administration fees, should compensate for inflation, plus provide the payout rate which is used to support current activities. Investments authorized by the Investment Committee include primarily high quality, readily marketable equity and fixed income securities in mutual funds and a limited amount of alternative investments.

## California Polytechnic State University Foundation

### Notes to Financial Statements

June 30, 2022 and 2021

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#### Note 4: Investments (Continued)

The equity portion of the endowed portfolio may include both domestic and international equities, including foreign currency denominated, common and preferred stocks, actively managed and passive (index) strategies, along with a modest exposure to private equities, including venture capital partnerships, buyout and international funds. Overall, the equity portfolio is measured against the Standard & Poor's 500, Russell 2000, EAFE, EAFE Small Cap, MSCI Emerging Markets, FTSE-NAREIT, and the S&P/Citi BMI World Property ex U.S. indices.

The fixed income portion of the endowed portfolio may include both domestic and international securities, along with common bond substitutes. Investment guidelines establish set ranges for the percentage of the total bond portfolio that can be invested in U.S. government, investment grade, international, and high yield bonds. The fixed income portfolio is measured against the Barclays Capital U.S. Intermediate Government/Credit Bond index and the Citi one-month CD.

The investment guidelines for the endowed portfolio also permit alternative investments primarily in limited partnerships where the Foundation is a limited partner relying upon the expertise of experienced general partners. All limited partnerships in which the Foundation invests are subject to annual audits.

#### *Investment Risk Factors*

There are many factors that can affect the value of investments. Some, such as custodial credit risk, concentration of credit risk, and foreign currency risk may affect both the equity and fixed income securities. Equity securities respond to such investment behavioral factors as economic conditions, individual company earnings performance, and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates. Alternative investments are subject to these risk factors and additional risk factors discussed below.

#### *Equity Security Risks*

Equity securities held by the Foundation either directly or through mutual funds comprised \$201.5 million or 60% of the total investments of the Foundation at June 30, 2022, and \$211.8 million or 56% at June 30, 2021. Equities are subject to both unsystematic and systematic risk. Unsystematic risk is the risk of a price change due to the unique circumstances of a specific security or group of related securities. The Foundation addresses unsystematic risk by investing in a diversified portfolio of equity securities and equity mutual funds. Equity securities are also subject to systematic risk or market risk. Systematic risk recognizes that equity securities as a class of asset can change in value as a result of occurrences such as inflation, exchange rates, political instability, war, economic conditions and interest rates. This type of risk is not specific to a particular company or industry and cannot be substantially mitigated by diversification.

**California Polytechnic State University Foundation**

**Notes to Financial Statements**

**June 30, 2022 and 2021**

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**Note 4: Investments (Continued)**

*Credit Risk*

Fixed income securities are subject to credit risk, which is the chance that a bond issue will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. The following schedule of credit ratings of Foundation investments summarizes the fair value of the fixed income securities subject to credit risk. The Foundation maintains policies to manage credit risk which include requiring minimum credit ratings issued by nationally recognized statistical rating organizations such as Standard and Poor's or Moody's investor services.

At June 30, 2022, the credit ratings of the Foundation's fixed income securities were as follows:

	<u>Fair Value</u>	<u>Rating</u>
<b>Bond mutual funds:</b>		
DFA Intermediate Government Bond	\$ 26,211,289	AAA
PIMCO Total Return Fund - Institutional	16,480,577	AA
PIMCO Foreign Bond Fund - Institutional	3,818,790	A
Loomis Sayles Bond Fund - Institutional	3,344,350	A
PIMCO High Yield Fund - Institutional	<u>1,461,782</u>	BB
Total bond mutual funds	51,316,788	
<b>Corporate bonds and CDs</b>	19,338,148	Unrated
<b>Government money market fund:</b>		
Wells Fargo Money Market - Institutional	63,810,080	AAA
<b>Cash and restricted cash:</b>		
Schwab One Fund	<u>465,725</u>	Unrated
Total fixed income and debt securities subject to credit risk	<u>\$ 134,930,741</u>	

*Custodial Risk*

Custodial risk is the risk that in the event of the failure of the custodian, the investments may not be accessible in a timely manner. Substantially all of the Foundation's investments are issued, registered or held in the name of the Foundation by custodian banks and brokers, as its agent. Other types of investments represent ownership interest that do not exist in physical or book entry form.

**California Polytechnic State University Foundation**

**Notes to Financial Statements**

**June 30, 2022 and 2021**

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**Note 4: Investments (Continued)**

*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 conditions or developments. The Foundation maintains investment policies that limit the holdings of any individual security (except those issued or guaranteed by the federal government) to 5% of invested funds. The Foundation does not have any holdings exceeding this limitation. Investment managers are required to confirm quarterly that they are in compliance with this policy.

*Interest Rate Risk*

Interest rate risk is the risk that fixed income securities will decline because of rising interest rates. The Foundation measures interest rate risk using the weighted average duration method.

At June 30, 2022, the weighted average duration of the Foundation's fixed income securities was as follows:

	<u>Fair Value</u>	<u>Weighted Average Duration (in years)</u>
<b>Bond mutual funds:</b>		
DFA Intermediate Government Bond	\$ 26,211,289	6.3
PIMCO Total Return Fund - Institutional	16,480,577	5.5
PIMCO Foreign Bond Fund - Institutional	3,818,790	6.7
Loomis Sayles Bond Fund - Institutional	3,344,350	3.7
PIMCO High Yield Fund - Institutional	<u>1,461,782</u>	4.0
Total bond mutual funds	51,316,788	
<b>Corporate bonds and CDs</b>	19,338,148	3.2
<b>Money market fund and restricted cash</b>	<u>64,275,805</u>	0.0
Total fixed income and debt securities subject to interest rate risk	<u>\$ 134,930,741</u>	2.7

## California Polytechnic State University Foundation

### Notes to Financial Statements

June 30, 2022 and 2021

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#### Note 4: Investments (Continued)

##### *Foreign Currency Risk*

Exposure from foreign currency risk results from investments in foreign currency denominated equity, fixed income and alternative investments in addition to some foreign currency investments held within U.S. mutual funds. The Foundation maintains significant international equity and fixed investments by investing in international mutual funds and alternative investments that are broadly diversified over many developed markets with limited exposure to emerging markets. Exposure from foreign currency risk from these investments is permitted and it may be fully or partially hedged by the individual mutual fund or alternative investment managers, but hedging is not permitted for speculation or to create leverage.

At June 30, 2022, the Foundation's estimated fair value of investments subject to foreign currency risk in its endowment and split interest trusts was as follows:

Euro	\$	16,373,569
Japanese Yen		12,528,702
British Pounds		11,804,738
Chinese Yuan		5,333,520
Hong Kong Dollars		3,200,313
Taiwanese Dollars		3,156,535
Swiss Francs		2,976,443
Indian Rupee		2,593,298
Australian Dollars		2,574,258
Canadian Dollars		2,490,956
Singapore Dollar		2,258,534
Korean Won		2,164,346
Swedish Krona		1,550,693
Danish Krone		1,367,699
Norwegian Krone		922,088
Brazilian Reals		871,934
South African Rand		692,062
Mexican Peso		422,419
Other		2,761,446
		<hr/>
Total investments subject to foreign currency risk	\$	<u>76,043,553</u>

Other currencies are individually less than 1% of the Foundation's investments subject to foreign currency risk.

**California Polytechnic State University Foundation**

**Notes to Financial Statements**

**June 30, 2022 and 2021**

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**Note 4: Investments (Continued)**

At June 30, 2022, the foreign currency risk by investment type was as follows:

Equity mutual funds	\$ 76,390,319
Bond mutual funds	<u>(346,766)</u>
Total investments subject to foreign currency risk	<u><u>\$ 76,043,553</u></u>

*Alternative Investment Risks*

Alternative investments include ownership interests in a wide variety of partnership and fund structures. Generally, there is little or no regulation of these investments by the Securities and Exchange Commission or state attorney general. These investments employ a wide variety of strategies including absolute return, hedge, venture capital, private equity, distressed debt and other strategies. Investments in this category may employ leverage to enhance the investment return. Underlying investments can include financial assets such as marketable securities, non-marketable securities, derivatives and synthetic and structured investments; real assets; tangible and intangible assets, and other funds and partnerships. Generally, these investments do not have a ready market or may not be traded without approval of the general partner or fund management.

Alternative investments are subject to all of the risks described previously related to equities and fixed income instruments. In addition, the underlying assets may not be held by a custodian either because they cannot be, or because the entity has chosen not to hold them in this form. Valuations are determined by the investment managers who have a conflict of interest in that they are compensated for performance. Real and tangible assets may be subject to physical damage from a variety of means, and may suffer loss from natural causes, theft and other criminal actions, lawsuits involving rights, and other means. Intangible assets are subject to legal challenge or other possible impairment. These risks may or may not be insured or insurable. Broadly, alternative strategies and their underlying assets and rights are subject to an array of economic and market vagaries that can limit or erode value.

The Foundation does not have any direct investments in derivative financial instruments which would require accounting and disclosure under GASB Statement No. 53, *Accounting for Derivative Instruments*.

At June 30, 2022, the Foundation held alternative investments at estimated fair value in its endowment as follows:

Public sector investments	\$ 585,993
Private sector investments	375,007
Distressed debt	<u>55,890</u>
Total	<u><u>\$ 1,016,890</u></u>

## California Polytechnic State University Foundation

### Notes to Financial Statements

June 30, 2022 and 2021

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#### Note 4: Investments (Continued)

##### *Fair value of investments:*

Investments are measured at fair market value on a recurring basis. Generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (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 unadjusted quoted market prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- Level 2 inputs are based on significant observable inputs, including unadjusted quoted market prices for similar assets and liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in inactive markets, or inputs other than quoted prices that are observable for the asset or liability.
- Level 3 inputs are significant unobservable inputs for the asset or liability.

The level of the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Investments are stated at fair value, which is based on quoted market prices, except for alternative investments, notes receivable, and partnership interests, for which quoted market prices are not available. The following describes the fair value hierarchy level and valuation technique for each type of investment:

- Certificates of deposit, corporate bonds, and mutual funds are classified within Level 1, and fair value is based on quoted market prices.
- Alternative investments in private equity, venture capital limited partnerships, and distressed debt investments are classified as Level 3. The fair value of the alternative investments have been estimated using the net asset value (NAV) per share of the investments provided by the fund managers. For these Level 3 assets measured using NAV, the redemption frequency is quarterly and the redemption notice period is 90 days.
- Notes receivable are classified as Level 3, and have been recorded at cost, which approximates the current fair value.

**California Polytechnic State University Foundation**

**Notes to Financial Statements**

**June 30, 2022 and 2021**

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**Note 4: Investments (Continued)**

At June 30, 2022, the Foundation had the following recurring fair value investments:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed income - bonds and certificates of deposit	\$ 19,338,148	\$	\$
Mutual funds:			
Equity funds	201,503,271		
Bond funds	51,316,788		
Money market fund	63,810,080		
Other investments:			
Alternative investments			1,016,890
Notes receivable			323,000
<b>Total</b>	<u>\$ 335,968,287</u>	<u>\$ -</u>	<u>\$ 1,339,890</u>

At June 30, 2021, the Foundation had the following recurring fair value investments:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed income - bonds and certificates of deposit	\$ 17,968,997	\$	\$
Mutual funds:			
Equity funds	211,807,633		
Bond funds	87,022,967		
Money market fund	62,514,559		
Other investments:			
Alternative investments			1,238,465
Notes receivable			323,000
<b>Total</b>	<u>\$ 379,314,156</u>	<u>\$ -</u>	<u>\$ 1,561,465</u>

**California Polytechnic State University Foundation**

**Notes to Financial Statements**

**June 30, 2022 and 2021**

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**Note 5: Pledges Receivable**

A June 30, pledges receivable comprised the following:

	<u>2022</u>	<u>2021</u>
Campus programs support	\$ 25,993,554	\$ 31,554,101
College-specific facilities	15,970,129	12,808,756
Scholarship contributions	<u>1,810,750</u>	<u>2,475,500</u>
Subtotal	43,774,433	46,838,357
Less: Allowance for uncollectible accounts	(2,188,722)	(2,341,918)
Less: Unamortized discount	<u>(4,061,111)</u>	<u>(1,820,232)</u>
Pledges receivable, net	<u>\$ 37,524,600</u>	<u>\$ 42,676,207</u>
Gross pledges due in:		
One year or less	\$ 12,717,597	\$ 17,979,523
One to five years	28,211,146	27,876,402
More than five years	<u>2,845,690</u>	<u>982,432</u>
Total gross	<u>\$ 43,774,433</u>	<u>\$ 46,838,357</u>

**Note 6: Transactions with University and Cal Poly Corporation**

As discussed in Note 1, the Foundation is an auxiliary organization of the University. The following were transactions with the University as of and for the years ended June 30,

	<u>2022</u>	<u>2021</u>
Accounts payable	\$ 88,127	\$ 26,567
Payments to University for salaries and benefits of University personnel working on contracts, grants, and other programs	3,557,156	3,036,925
Payments to University for other than salaries of University personnel	27,254,164	19,220,641
Payments or transfers to University from endowments	9,485,418	9,145,852
Gifts to the University	12,450,000	7,250,000

## California Polytechnic State University Foundation

### Notes to Financial Statements

June 30, 2022 and 2021

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#### Note 6: Transactions with University and Cal Poly Corporation (Continued)

The Foundation contracts with CPC for information technology services under a Business Support Services Agreement. The Foundation also provides funds to CPC for various program expenditures and to reimburse for employees who perform services that fulfill donor restrictions on the use of Foundation gifts and endowments. Also, the Foundation has other transactions with CPC in conjunction with its role as an auxiliary organization that administers gifts and endowments for the benefit of the University. The following were transactions with CPC as of and for the years ended June 30,

	<u>2022</u>	<u>2021</u>
Accounts receivable	\$ 11,867	\$ 9,334
Accounts payable	588,525	74,391
Payments to CPC under Support Agreement	10,000	10,000
Cash contributions to CPC	3,297,569	2,652,378

The Foundation has transactions with the Associated Students Inc. of Cal Poly (ASI) which is another auxiliary organization of the University. The following were transactions with ASI as of and for the years ended June 30,

	<u>2022</u>	<u>2021</u>
Accounts receivable	\$ -	\$ 991
Accounts payable	934	11,795
Cash contributions to ASI	33,893	20,900

#### Note 7: Split Interest Trusts

The Foundation records split interest trust classification internally as expendable or nonexpendable depending on whether the donors' restrictions specify the balance will be distributed to a campus program account or an endowment at the end of the trust. The net amounts are recorded to deferred inflows. Expendable deferred inflows related to split interest trusts were \$0 at June 30, 2022 and 2021. Nonexpendable deferred inflows related to split interest trusts were \$5.8 million and \$6.8 million at June 30, 2022 and 2021, respectively.

The valuation of split interest trust liabilities falls into the Level 3 category of the fair value hierarchy, as discussed in Note 4. The estimated fair value is established by calculating the net present value of the payments to the lifetime beneficiaries by Foundation, based on input assumptions from actuarial tables for remaining time until maturity, and pay out and earnings rates.

**California Polytechnic State University Foundation**

**Notes to Financial Statements**

**June 30, 2022 and 2021**

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**Note 8: Risk Management**

The Foundation manages its risk through the purchase of insurance through California State University Risk Management Authority (CSURMA), a public entity risk pool, for coverage of liability, property and general organizational risk. CSURMA provides self-insured risk with purchase of excess insurance. The Foundation maintains general liability insurance coverage and errors and omission claims coverage, subject to certain deductibles. The Foundation also maintains excess property insurance coverage. There have been no settlements since the Foundation's inception that have exceeded insurance limits. There are no self-insurance claims liabilities recorded in the accompanying financial statements because any amounts at June 30, 2022 and 2021 are expected to be minimal. Likewise, no amounts have been paid to CSURMA during the years ended June 30, 2022 or 2021, related to the Foundation's estimated future funding for claims liability.

**Note 9: Subsequent Events**

Events subsequent to June 30, 2022, have been evaluated through September 13, 2022, which is the date the financial statements were available to be issued. Management did not identify any subsequent events that required disclosure.

**California Polytechnic State University Foundation**  
**Supplementary Schedules for Inclusion in the Financial**  
**Statements of the California State University**  
**June 30, 2022**

**California Polytechnic State University Foundation (San Luis Obispo)**  
**Schedule of Net Position**  
**June 30, 2022**  
**(for inclusion in the California State University Financial Statements)**

<b>Assets:</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 10,986,638
Short-term investments	27,188,595
Accounts receivable, net	88,312
Lease receivables, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	12,081,717
Prepaid expenses and other current assets	25,016
<b>Total current assets</b>	<b><u>50,370,278</u></b>
<b>Noncurrent assets:</b>	
Restricted cash and cash equivalents	505,999
Accounts receivable, net	-
Lease receivables, net of current portion	-
Notes receivable, net of current portion	-
Student loans receivable, net	-
Pledges receivable, net	25,442,883
Endowment investments	240,664,580
Other long-term investments	69,455,002
Capital assets, net	-
Other assets	1,395,132
<b>Total noncurrent assets</b>	<b><u>337,463,596</u></b>
<b>Total assets</b>	<b><u>387,833,874</u></b>
<b>Deferred outflows of resources:</b>	
Unamortized loss on debt refunding	-
Net pension liability	-
Net OPEB liability	-
Leases	-
Others	-
<b>Total deferred outflows of resources</b>	<b><u>-</u></b>
<b>Liabilities:</b>	
<b>Current liabilities:</b>	
Accounts payable	846,569
Accrued salaries and benefits	-
Accrued compensated absences, current portion	-
Unearned revenues	98,123
Lease liabilities, current portion	-
Long-term debt obligations, current portion	-
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	-
<b>Total current liabilities</b>	<b><u>944,692</u></b>
<b>Noncurrent liabilities:</b>	
Accrued compensated absences, net of current portion	-
Unearned revenues	-
Grants refundable	-
Lease liabilities, net of current portion	-
Long-term debt obligations, net of current portion	-
Claims liability for losses and loss adjustment expenses, net of current portion	-
Depository accounts	-
Net other postemployment benefits liability	-
Net pension liability	-
Other liabilities	7,855,252
<b>Total noncurrent liabilities</b>	<b><u>7,855,252</u></b>
<b>Total liabilities</b>	<b><u>8,799,944</u></b>
<b>Deferred inflows of resources:</b>	
Service concession arrangements	-
Net pension liability	-
Net OPEB liability	-
Unamortized gain on debt refunding	-
Nonexchange transactions	-
Lease	-
Others	5,848,998
<b>Total deferred inflows of resources</b>	<b><u>5,848,998</u></b>
<b>Net position:</b>	
Net investment in capital assets	-
Restricted for:	
Nonexpendable – endowments	149,938,193
Expendable:	
Scholarships and fellowships	13,711,254
Research	8,177,235
Loans	-
Capital projects	46,874,939
Debt service	-
Others	149,499,769
Unrestricted	4,983,542
<b>Total net position</b>	<b><u>\$ 373,184,932</u></b>

**California Polytechnic State University Foundation (San Luis Obispo)**  
**Schedule of Revenues, Expenses, and Changes in Net Position**  
**Year ended June 30, 2022**  
**(for inclusion in the California State University Financial Statements)**

<b>Revenues:</b>	
<b>Operating revenues:</b>	
Student tuition and fees, gross	\$ -
Scholarship allowances (enter as negative)	-
<b>Grants and contracts, noncapital:</b>	
Federal	-
State	-
Local	-
Nongovernmental	-
Sales and services of educational activities	-
Sales and services of auxiliary enterprises, gross	-
Scholarship allowances (enter as negative)	-
Other operating revenues	-
<b>Total operating revenues</b>	<b>-</b>
<b>Expenses:</b>	
<b>Operating expenses:</b>	
Instruction	2,481,094
Research	1,911,042
Public service	539,666
Academic support	13,280,754
Student services	1,129,137
Institutional support	5,622,542
Operation and maintenance of plant	27,244,075
Student grants and scholarships	4,937,031
Auxiliary enterprise expenses	-
Depreciation and amortization	-
<b>Total operating expenses</b>	<b>57,145,341</b>
<b>Operating income (loss)</b>	<b>(57,145,341)</b>
<b>Nonoperating revenues (expenses):</b>	
State appropriations, noncapital	-
Federal financial aid grants, noncapital	-
State financial aid grants, noncapital	-
Local financial aid grants, noncapital	-
Nongovernmental and other financial aid grants, noncapital	-
Other federal nonoperating grants, noncapital	-
Gifts, noncapital	13,332,755
Investment income (loss), net	(635,232)
Endowment income (loss), net	(37,772,082)
Interest expense	-
Other nonoperating revenues (expenses)	261,042
<b>Net nonoperating revenues (expenses)</b>	<b>(24,813,517)</b>
<b>Income (loss) before other revenues (expenses)</b>	<b>(81,958,858)</b>
State appropriations, capital	-
Grants and gifts, capital	29,298,930
Additions (reductions) to permanent endowments	8,209,173
<b>Increase (decrease) in net position</b>	<b>(44,450,755)</b>
<b>Net position:</b>	
Net position at beginning of year, as previously reported	417,635,687
Restatements	-
<b>Net position at beginning of year, as restated</b>	<b>417,635,687</b>
<b>Net position at end of year</b>	<b>\$ 373,184,932</b>

California Polytechnic State University Foundation (San Luis Obispo)  
Other Information  
June 30, 2022  
(for inclusion in the California State University Financial Statements)

**1 Cash and cash equivalents:**

Portion of restricted cash and cash equivalents related to endowments	\$	40,274
All other restricted cash and cash equivalents		465,725
<b>Noncurrent restricted cash and cash equivalents</b>		<b>505,999</b>
Current cash and cash equivalents		10,986,638
<b>Total</b>	<b>\$</b>	<b>11,492,637</b>

**2.1 Composition of investments:**

Investment Type	Current	Noncurrent	Total
Money market funds	\$ 20,803,704	\$ 43,006,376	63,810,080.00
Repurchase agreements			-
Certificates of deposit			-
U.S. agency securities			-
U.S. treasury securities			-
Municipal bonds			-
Corporate bonds	6,384,891	12,953,257	19,338,148
Asset backed securities			-
Mortgage backed securities			-
Commercial paper			-
Mutual funds		252,820,059	252,820,059
Exchange traded funds			-
Equity securities			-
Alternative investments:			
Private equity (including limited partnerships)		1,016,890	1,016,890
Hedge funds			-
Managed futures			-
Real estate investments (including REITs)			-
Commodities			-
Derivatives			-
Other alternative investment			-
Other external investment pools			-
CSU Consolidated Investment Pool (formerly SWIFT)			-
State of California Local Agency Investment Fund (LAIF)			-
State of California Surplus Money Investment Fund (SMIF)			-
Other investments:			
Notes receivable		323,000	323,000
			-
			-
			-
			-
Total Other investments		323,000	323,000
<b>Total investments</b>	<b>27,188,595</b>	<b>310,119,582</b>	<b>337,308,177</b>
Less endowment investments (enter as negative number)		(240,664,580)	(240,664,580)
<b>Total investments, net of endowments</b>	<b>\$ 27,188,595</b>	<b>69,455,002</b>	<b>96,643,597</b>

**2.2 Fair value hierarchy in investments:**

Investment Type	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Money market funds	\$ 63,810,080	63,810,080			
Repurchase agreements	-				
Certificates of deposit	-				
U.S. agency securities	-				
U.S. treasury securities	-				
Municipal bonds	-				
Corporate bonds	19,338,148	19,338,148			
Asset backed securities	-				
Mortgage backed securities	-				
Commercial paper	-				
Mutual funds	252,820,059	252,820,059			
Exchange traded funds	-				
Equity securities	-				
Alternative investments:					
Private equity (including limited partnerships)	1,016,890			1,016,890	
Hedge funds	-				
Managed futures	-				
Real estate investments (including REITs)	-				
Commodities	-				
Derivatives	-				
Other alternative investment	-				
Other external investment pools	-				
CSU Consolidated Investment Pool (formerly SWIFT)	-				
State of California Local Agency Investment Fund (LAIF)	-				
State of California Surplus Money Investment Fund (SMIF)	-				
Other investments:					
Notes receivable	323,000			323,000	
	-				



California Polytechnic State University Foundation (San Luis Obispo)  
Other Information  
June 30, 2022  
(for inclusion in the California State University Financial Statements)

Total Other intangible assets:	-	-	-	-	-	-	-
<b>Total intangible assets</b>	-	-	-	-	-	-	-
<b>Total accumulated depreciation/amortization</b>	-	-	-	-	-	-	-
<b>Total capital assets, net excluding lease assets</b>	\$ -	-	-	-	\$ -	-	-

<b>Lease assets, net</b>							
<b>Total capital assets, net</b>							-

Composition of lease assets:	Balance June 30, 2021	Additions	Remeasurements	Reductions	Balance June 30, 2022
<b>Non-depreciable/Non-amortizable lease assets:</b>					\$ -
Land and land improvements	-	-	-	-	-
<b>Total non-depreciable/non-amortizable lease assets</b>	-	-	-	-	\$ -
<b>Depreciable/Amortizable lease assets:</b>					
Land and land improvements	-	-	-	-	-
Buildings and building improvements	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-
Infrastructure	-	-	-	-	-
Personal property:					
Equipment	-	-	-	-	-
<b>Total depreciable/amortizable lease assets</b>	-	-	-	-	-
<b>Less accumulated depreciation/amortization: (enter as negative number, except for reductions enter as positive number)</b>					
Land and land improvements	-	-	-	-	-
Buildings and building improvements	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-
Infrastructure	-	-	-	-	-
Personal property:					
Equipment	-	-	-	-	-
<b>Total accumulated depreciation/amortization</b>	-	-	-	-	-
<b>Total lease assets, net</b>	\$ -	-	-	-	\$ -

<b>3.2 Detail of depreciation and amortization expense:</b>	
Depreciation and amortization expense related to capital assets	\$ -
Amortization expense related to other assets	-
<b>Total depreciation and amortization</b>	\$ -

**4 Long-term liabilities:**

	Balance June 30, 2021	Prior Period Adjustments/Reclassifications	Balance June 30, 2021 (Restated)	Additions	Reductions	Balance June 30, 2022	Current Portion	Noncurrent Portion
<b>1. Accrued compensated absences</b>	\$ -	-	-	-	-	\$ -	-	-
<b>2. Claims liability for losses and loss adjustment expenses</b>	-	-	-	-	-	-	-	-
<b>3. Capital lease obligations:</b>								
Gross balance	-	-	-	-	-	-	-	-
Unamortized net premium/(discount)	-	-	-	-	-	-	-	-
<b>Total capital lease obligations</b>	\$ -	-	-	-	-	-	-	-
<b>4. Long-term debt obligations:</b>								
4.1 Auxiliary revenue bonds (non-SRB related)	\$ -	-	-	-	\$ -	-	-	-
4.2 Commercial paper	-	-	-	-	-	-	-	-
4.3 Notes payable (SRB related)	-	-	-	-	-	-	-	-
4.4 Others:	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
<b>Total others</b>	-	-	-	-	-	-	-	-
<b>Sub-total long-term debt</b>	\$ -	-	-	-	-	\$ -	-	-
4.5 Unamortized net bond premium/(discount)	-	-	-	-	-	-	-	-
<b>Total long-term debt obligations</b>	-	-	-	-	-	-	-	-

<b>5. Lease Liabilities</b>							
<b>Total long-term liabilities</b>							-
	<b>Balance</b>	<b>Additions</b>	<b>Remeasurements</b>	<b>Reductions</b>	<b>June 30, 2022</b>	<b>Current Portion</b>	<b>Noncurrent Portion</b>

California Polytechnic State University Foundation (San Luis Obispo)  
Other Information  
June 30, 2022  
(for inclusion in the California State University Financial Statements)

Lease liabilities									
Total	\$	-	-	-	-	-	-	-	-

5 Lease Liabilities schedule:

	Lease Liabilities related to SRB			All other lease liabilities			Total lease liabilities		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
<b>Year ending June 30:</b>									
2023			-			-			-
2024			-			-			-
2025			-			-			-
2026			-			-			-
2027			-			-			-
2028 - 2032			-			-			-
2033 - 2037			-			-			-
2038 - 2042			-			-			-
2043 - 2047			-			-			-
2048 - 2052			-			-			-
Thereafter			-			-			-
<b>Total minimum lease payments</b>	\$	-	-	-	-	-	-	-	-
Less: amounts representing interest									-
<b>Present value of future minimum lease payments</b>									-
<b>Total lease liabilities</b>									-
Less: current portion									-
<b>Lease liabilities, net of current portion</b>									\$ -

6 Long-term debt obligations schedule:

	Auxiliary revenue bonds (non-SRB related)			All other long-term debt obligations			Total long-term debt obligations		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
<b>Year ending June 30:</b>									
2023			-			-			-
2024			-			-			-
2025			-			-			-
2026			-			-			-
2027			-			-			-
2028 - 2032			-			-			-
2033 - 2037			-			-			-
2038 - 2042			-			-			-
2043 - 2047			-			-			-
2048 - 2052			-			-			-
Thereafter			-			-			-
<b>Total minimum payments</b>	\$	-	-	-	-	-	-	-	-
Less: amounts representing interest									-
<b>Present value of future minimum payments</b>									-
Unamortized net premium/(discount)									-
<b>Total long-term debt obligations</b>									-
Less: current portion									-
<b>Long-term debt obligations, net of current portion</b>									-

7 Transactions with related entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$	3,557,156
Payments to University for other than salaries of University personnel		27,254,164
Payments received from University for services, space, and programs		
Gifts-in-kind to the University from discretely presented component units		
Gifts (cash or assets) to the University from discretely presented component units		21,935,418
Accounts (payable to) University (enter as negative number)		(88,127)
Other amounts (payable to) University (enter as negative number)		
Accounts receivable from University (enter as positive number)		
Other amounts receivable from University (enter as positive number)		

8 Restatements

Provide a detailed breakdown of the journal entries (at the financial statement line items level) booked to record each restatement:

		Debit/(Credit)
Restatement #1	Enter transaction description	

California Polytechnic State University Foundation (San Luis Obispo)  
Other Information  
June 30, 2022  
(for inclusion in the California State University Financial Statements)

Restatement #2

Enter transaction description

9 Natural classifications of operating expenses:

	Salaries	Benefits - Other	Benefits - Pension	Benefits - OPEB	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total operating expenses
Instruction	-	-	-	-	-	2,481,094	-	2,481,094
Research	-	-	-	-	-	1,911,042	-	1,911,042
Public service	-	-	-	-	-	539,666	-	539,666
Academic support	-	-	-	-	-	13,280,754	-	13,280,754
Student services	-	-	-	-	-	1,129,137	-	1,129,137
Institutional support	-	-	-	-	-	5,622,542	-	5,622,542
Operation and maintenance of plant	-	-	-	-	-	27,244,075	-	27,244,075
Student grants and scholarships	-	-	-	-	4,937,031	-	-	4,937,031
Auxiliary enterprise expenses	-	-	-	-	-	-	-	-
Depreciation and amortization	-	-	-	-	-	-	-	-
<b>Total operating expenses</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,937,031</b>	<b>52,208,310</b>	<b>-</b>	<b>57,145,341</b>

10 Deferred outflows/inflows of resources:

1. Deferred Outflows of Resources

- Deferred outflows - unamortized loss on refunding(s)
- Deferred outflows - net pension liability
- Deferred outflows - net OPEB liability
- Deferred outflows - leases
- Deferred outflows - others:
  - Sales/intra-entity transfers of future revenues
  - Gain/loss on sale leaseback
  - Loan origination fees and costs
  - Change in fair value of hedging derivative instrument
  - Irrevocable split-interest agreements

Total deferred outflows - others

**Total deferred outflows of resources**

-  
-  
**\$ -**

2. Deferred Inflows of Resources

- Deferred inflows - service concession arrangements
- Deferred inflows - net pension liability
- Deferred inflows - net OPEB liability
- Deferred inflows - unamortized gain on debt refunding(s)
- Deferred inflows - nonexchange transactions
- Deferred inflows - leases
- Deferred inflows - others:
  - Sales/intra-entity transfers of future revenues
  - Gain/loss on sale leaseback
  - Loan origination fees and costs
  - Change in fair value of hedging derivative instrument
  - Irrevocable split-interest agreements

Total deferred inflows - others

**Total deferred inflows of resources**

-  
-  
**\$ 5,848,998**

11 Other nonoperating revenues (expenses)

- Other nonoperating revenues
- Other nonoperating (expenses)
- Total other nonoperating revenues (expenses)**

\$ 314,881  
(53,839)  
**\$ 261,042**



**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  
California Polytechnic State University Foundation  
San Luis Obispo, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of California Polytechnic State University Foundation (the Foundation), which comprise the statements of net position as of June 30, 2022, 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, and have issued our report thereon dated September 13, 2022.

***Report on Internal Control over Financial Reporting***

In planning and performing our audits of the financial statements, we considered California Polytechnic State University Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of California Polytechnic State University Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of California Polytechnic State University Foundation's internal control.

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

To the Board of Directors of  
California Polytechnic State University Foundation  
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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.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether California Polytechnic State University Foundation's financial statements are free from 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 Foundation'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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "GLENN BURDETTE ATTEST CORPORATION". The letters are in all caps and have a slightly cursive, hand-drawn appearance.

Glenn Burdette Attest Corporation  
San Luis Obispo, California

September 13, 2022