

**California Polytechnic State University Foundation**  
**Financial Statements and Supplementary Schedules**  
**for Inclusion in the Financial Statements**  
**of the California State University**  
**June 30, 2020 and 2019**

**California Polytechnic State University Foundation  
Financial Statements and Supplementary Schedules  
for Inclusion in the Financial Statements  
of the California State University  
June 30, 2020 and 2019**

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## Independent Auditors' Report

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

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, 2020, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of California Polytechnic State University Foundation, as of June 30, 2020 and the changes in net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Prior Period Financial Statements***

The financial statements of California Polytechnic State University Foundation, as of June 30, 2019, were audited by other auditors whose report dated September 5, 2019, expressed an unmodified opinion on those statements.

***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, 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.

***Other Information***

Our audits were 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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.

To the Board of Directors  
California Polytechnic State University Foundation  
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***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2020, 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 29, 2020

**California Polytechnic State University Foundation**  
**Management's Discussion and Analysis**  
**June 30, 2020 and 2019**

**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, 2020 ("2020"), with comparative information for the fiscal years ending June 30, 2019 ("2019") and June 30, 2018 ("2018"). 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, 2020 and 2019**

**Analytical Overview**

**Summary**

The following discussion highlights the key financial aspects of the Foundation's financial activities for 2020 and 2019. 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 ending June 30, 2018 ("2018").

**Condensed Summary of Net Position**

	June 30,		
	2020	2019	2018
Assets:			
Current assets	\$ 46,230,453	\$ 42,938,942	\$ 34,218,449
Noncurrent assets	327,349,284	334,544,140	334,773,190
Total assets	<u>373,579,737</u>	<u>377,483,082</u>	<u>368,991,639</u>
Liabilities:			
Current liabilities	397,040	350,706	1,630,136
Noncurrent liabilities	6,225,805	6,964,468	7,265,189
Total liabilities	<u>6,622,845</u>	<u>7,315,174</u>	<u>8,895,325</u>
Deferred inflows of resources	<u>5,253,825</u>	<u>6,085,929</u>	<u>5,874,401</u>
Net position:			
Restricted, non-expendable	137,887,981	130,770,886	126,459,179
Restricted, expendable	221,031,052	231,008,712	225,785,674
Unrestricted	<u>2,784,034</u>	<u>2,302,381</u>	<u>1,977,060</u>
Total net position	<u>\$ 361,703,067</u>	<u>\$ 364,081,979</u>	<u>\$ 354,221,913</u>

**California Polytechnic State University Foundation**  
**Management's Discussion and Analysis**  
**June 30, 2020 and 2019**

***Assets***

In 2020, total assets decreased to \$373.6 million, a \$3.9 million or 1% decrease from the prior year. Current assets increased \$3.3 million or 8% primarily due to an increase in cash and short-term investments of \$5.1 million from cash gifts and pledge payments received, offset by a decrease in current pledges receivable of \$1.7 million. Noncurrent assets decreased \$7.2 million or 2% primarily due to a \$5.1 million decrease in pledges receivable and a \$1.7 million decrease in endowment investments. Pledges receivable decreased due to two significant pledge payments, and endowment investments decreased due to market value losses.

***Liabilities***

In 2020, liabilities decreased \$0.7 million or 9% primarily due to a \$0.7 million decrease in split-interest trust liability as a result of one trust maturing.

***Deferred Inflows of Resources***

In 2020, deferred inflows of resources decreased \$0.8 million or 14% primarily due to one trust maturing.

***Net Position***

The Foundation's total net position in 2020 decreased by \$2.4 million as compared to an increase of \$9.9 million in 2019. The decrease in 2020 was primarily due to the following:

- \$3.1M decrease in operating revenues primarily resulting from a decrease in university capital contributions
- \$5.5M increase in operating expenses primarily resulting from an increase in university capital construction expenses associated with two major capital projects
- \$4.8M decrease in non-operating revenue primarily the result of a decrease in endowment investment income
- \$1.2M increase in gifts to permanent endowments

The Foundation's endowment pool achieved a return net of fees of approximately 1% for fiscal year end 2020. Prior year returns net of fees were 5% in 2019 and 7% in 2018.



**California Polytechnic State University Foundation**  
**Management's Discussion and Analysis**  
**June 30, 2020 and 2019**

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:

**Restricted Net Position**

	<b>June 30,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Non-expendable:			
Endowments	\$ 137,887,981	\$ 130,770,886	\$ 126,459,179
Total non-expendable	<u>\$ 137,887,981</u>	<u>\$ 130,770,886</u>	<u>\$ 126,459,179</u>
Expendable:			
Scholarships and fellowships	\$ 14,096,390	\$ 16,290,755	\$ 23,414,651
Research	6,858,051	7,166,065	9,157,491
Capital projects	69,019,508	72,007,627	55,584,941
Instruction	26,943,940	28,860,663	29,526,192
Academic support	50,608,573	55,038,441	84,843,306
Operation & maintenance of plant	4,513,559	4,758,604	6,458,239
Institutional support, other	48,991,031	46,886,557	16,800,854
Total expendable	<u>\$ 221,031,052</u>	<u>\$ 231,008,712</u>	<u>\$ 225,785,674</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 \$10.0 million in 2020 due to expenditures to support the University and market value losses.

**California Polytechnic State University Foundation**  
**Management's Discussion and Analysis**  
**June 30, 2020 and 2019**

***Unrestricted Net Position***

Unrestricted net position increased by \$0.5 million in 2020, 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.

**Condensed Summary of Revenues, Expenses,  
and Changes in Net Position**

	<b>Year Ended June 30,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Operating revenues	\$ 26,709,385	\$ 29,813,525	\$ 40,831,734
Operating expenses	(40,114,063)	(34,622,954)	(43,816,337)
Operating income (loss)	(13,404,678)	(4,809,429)	(2,984,603)
Nonoperating revenues, net	3,575,558	8,400,424	15,480,916
Additions to permanent endowments	7,450,208	6,269,071	7,784,690
Increase (decrease) in net position	(2,378,912)	9,860,066	20,281,003
Beginning net position	364,081,979	354,221,913	333,940,910
Ending net position	<u>\$ 361,703,067</u>	<u>\$ 364,081,979</u>	<u>\$ 354,221,913</u>

Operating revenues, consisting generally of currently expendable contributions to the Foundation for the benefit of the University, were \$26.7 million in 2020, a \$3.1 million decrease from the prior year. This is compared to operating revenues of \$29.8 million in 2019, a decrease of \$11.0 million from 2018. Operating expenses were \$40.1 million in 2020, an increase of \$5.5 million or 16% from the prior year. This increase is the result of a higher percentage of gifts to the University expended on operating expenses, including but not limited to capital projects and institutional support.

Non-operating revenues consist primarily of investment returns (unrealized and realized gains and losses on marketable securities, interest, and dividends), net of fees. Non-operating revenues were \$3.6 million for 2020, a \$4.8 million decrease from 2019, compared to a decrease of \$7.1 million in 2019 as compared to 2018. The decrease is primarily due to market value losses.

Additions to the endowment and life income funds were \$7.5 million in 2020, compared to \$6.3 million in 2019 and \$7.8 million in 2018.

**California Polytechnic State University Foundation**  
**Management's Discussion and Analysis**  
**June 30, 2020 and 2019**

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

At June 30, 2020, the Foundation has 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 risk which may affect its investments, and general economic conditions affecting donor giving, that may have a significant impact on future periods.

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 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 investment base.

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 Programs yield a rate of return based on interest rate changes. No changes were made to the allocation of fixed income and equities in the Foundation's endowment or life income investment portfolios.

***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, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 4,292,120	\$ 8,986,641
Short-term investments	19,390,948	9,578,351
Accounts receivable	128,214	256,808
Pledges receivable, net	22,403,512	24,100,770
Prepaid expenses	15,659	16,372
Total current assets	<u>46,230,453</u>	<u>42,938,942</u>
<b>Noncurrent assets:</b>		
Restricted cash and cash equivalents	467,286	483,675
Pledges receivable, net	36,766,875	41,875,563
Endowment investments	223,790,671	225,512,271
Other long-term investments	66,052,747	66,404,901
Other assets	271,705	267,730
Total noncurrent assets	<u>327,349,284</u>	<u>334,544,140</u>
Total assets	<u>373,579,737</u>	<u>377,483,082</u>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable	262,538	97,107
Unearned revenue	134,502	253,599
Total current liabilities	<u>397,040</u>	<u>350,706</u>
<b>Noncurrent liabilities:</b>		
Split interest trust liabilities to individual beneficiaries	5,406,862	6,183,572
Split interest trust liabilities to external charitable residuary beneficiaries	818,943	780,896
Total noncurrent liabilities	<u>6,225,805</u>	<u>6,964,468</u>
Total liabilities	<u>6,622,845</u>	<u>7,315,174</u>

*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, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Deferred Inflows of Resources</b>		
Split interest trusts	\$ 5,253,825	\$ 6,085,929
<b>Net Position</b>		
Restricted for:		
Non-expendable:		
Endowments	137,887,981	130,770,886
Expendable:		
Scholarships and fellowships	14,096,390	16,290,755
Research	6,858,051	7,166,065
Capital projects	69,019,508	72,007,627
Instruction	26,943,940	28,860,663
Academic support	50,608,573	55,038,441
Operation and maintenance of plant	4,513,559	4,758,604
Institutional support and other	48,991,031	46,886,557
Unrestricted	<u>2,784,034</u>	<u>2,302,381</u>
Total net position	<u>\$ 361,703,067</u>	<u>\$ 364,081,979</u>

*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, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Operating revenues:</b>		
Contributions - University programs	\$ 21,274,392	\$ 16,759,669
Contributions - University capital	5,434,993	13,053,856
Total operating revenues	<u>26,709,385</u>	<u>29,813,525</u>
<b>Operating expenses:</b>		
Instruction	3,060,025	2,368,755
Research	1,355,160	1,236,266
Public service	339,648	375,637
Academic support	13,063,112	13,291,220
Student services	1,211,468	1,420,943
Institutional support	6,345,029	5,891,067
Operation and maintenance of facility	10,693,800	6,053,896
Student grants and scholarships	4,045,821	3,985,170
Total operating expenses	<u>40,114,063</u>	<u>34,622,954</u>
Operating loss	<u>(13,404,678)</u>	<u>(4,809,429)</u>
<b>Nonoperating revenues (expenses):</b>		
Investment income	1,444,805	2,089,554
Endowment investment income, net of fees of \$455,000 and \$457,000, respectively	2,405,366	11,789,888
Other nonoperating expenses, net	<u>(274,613)</u>	<u>(5,479,018)</u>
Total nonoperating revenues	<u>3,575,558</u>	<u>8,400,424</u>
Income (loss) before other additions	(9,829,120)	3,590,995
<b>Additions to permanent endowments</b>	<u>7,450,208</u>	<u>6,269,071</u>
Increase (decrease) in net position	(2,378,912)	9,860,066
<b>Net position - beginning of year</b>	<u>364,081,979</u>	<u>354,221,913</u>
<b>Net position - end of year</b>	<u><u>\$ 361,703,067</u></u>	<u><u>\$ 364,081,979</u></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, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Cash contributions received	\$ 28,549,583	\$ 26,331,750
Cash payments for operating expenses	<u>(39,930,634)</u>	<u>(35,791,405)</u>
Net cash used in operating activities	<u>(11,381,051)</u>	<u>(9,459,655)</u>
<b>Cash flows from noncapital financing activities:</b>		
Cash contributions received for permanent endowments and split interest trusts	5,903,045	6,269,071
Distributions to split interest trust beneficiaries	(773,396)	(802,729)
Fees and expenses of split interest trusts	(123,029)	(128,929)
Other noncapital financing activities	<u>(913,979)</u>	<u>(1,000,488)</u>
Net cash provided by noncapital financing activities	<u>4,092,641</u>	<u>4,336,925</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales and maturities of investments	57,896,346	43,814,504
Purchases of investments	(62,994,715)	(45,364,870)
Investment income proceeds	<u>7,675,869</u>	<u>7,049,732</u>
Net cash provided by investing activities	<u>2,577,500</u>	<u>5,499,366</u>
Net increase (decrease) in cash and cash equivalents	(4,710,910)	376,636
<b>Cash and cash equivalents - beginning of year</b>	<u>9,470,316</u>	<u>9,093,680</u>
<b>Cash and cash equivalents - end of year</b>	<u><u>\$ 4,759,406</u></u>	<u><u>\$ 9,470,316</u></u>
<b>Summary of cash and cash equivalents - end of year:</b>		
Cash and cash equivalents	\$ 4,292,120	\$ 8,986,641
Restricted cash and cash equivalents	<u>467,286</u>	<u>483,675</u>
Total cash and cash equivalents - end of year	<u><u>\$ 4,759,406</u></u>	<u><u>\$ 9,470,316</u></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 - continued**  
**June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss	\$ (13,404,678)	\$ (4,809,429)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Non-cash operating contributions	(4,846,651)	(184,390)
Change in assets and liabilities:		
Accounts receivable	17,285	
Pledges receivable, net	6,805,946	(3,288,137)
Prepaid expenses	713	1,731
Other assets		100,000
Accounts payable	165,431	(1,270,182)
Unearned revenue	(119,097)	(9,248)
	<u>(11,381,051)</u>	<u>(9,459,655)</u>
Net cash used in operating activities	<u>\$ (11,381,051)</u>	<u>\$ (9,459,655)</u>
<b>Supplemental disclosures of cash flow information:</b>		
Contributions of investments	<u>\$ 6,393,814</u>	<u>\$ 184,390</u>
Increase (decrease) in fair value of investments	<u>\$ (3,749,366)</u>	<u>\$ 7,969,283</u>

*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, 2020 and 2019**

**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.

## **California Polytechnic State University Foundation**

### **Notes to Financial Statements**

**June 30, 2020 and 2019**

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

Amounts restricted by the donors for long-term purposes including endowments and split interest trusts are shown as restricted cash and cash equivalents.

##### **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, 2020 and 2019, 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 payments 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 receivable are recognized as contributions revenue in accordance with donor-imposed restrictions, if any, in the period pledged. Pledges receivable as of June 30, 2020 were \$59.2 million, which includes an allowance for uncollectible pledges of \$4.7 million, and a present value discount of \$3.0 million. Pledges receivable as of June 30, 2019 were \$66.0 million, which includes an allowance for uncollectible pledges of \$4.9 million, and a present value discount of \$5.0 million. Pledge discounts are computed using the five-year Treasury note rate applicable in the year pledged. In subsequent years, this discount is accreted and recorded as additional contributions revenue.

## **California Polytechnic State University Foundation**

### **Notes to Financial Statements**

**June 30, 2020 and 2019**

**Page 3**

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

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.

#### **Endowments**

The Foundation holds 947 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, 2020 and 2019, were \$81.6 million and \$90.8 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 investment base.

#### **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

## California Polytechnic State University Foundation

### Notes to Financial Statements

June 30, 2020 and 2019

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

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.

##### *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.

## **California Polytechnic State University Foundation**

### **Notes to Financial Statements**

**June 30, 2020 and 2019**

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

##### *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, 2020 and June 30, 2019 include general fund expenses of \$4.3 million and \$4.1 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.

##### **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.

## California Polytechnic State University Foundation

### Notes to Financial Statements

June 30, 2020 and 2019

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

##### Recent Pronouncements

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The provisions of Statement No. 83 are effective for reporting periods beginning after June 15, 2019. Implementation of this Statement did not have a material impact on the Foundation's financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. Activities meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the entity to disburse fiduciary resources. The provisions of Statement No. 84 are effective for reporting periods beginning after December 15, 2019. Management has not yet determined the impact of this Statement on its financial statements.

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. Management has not yet determined the impact of this Statement on its financial statements.

In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Statement No. 88 is meant to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements. The provisions of Statement No. 88 are effective for reporting periods beginning after June 15, 2019. Implementation of this Statement did not have a material impact on the Foundation's financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Statement No. 89 enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The provisions of Statement No. 89 are effective for reporting periods beginning after

**California Polytechnic State University Foundation**

**Notes to Financial Statements**

**June 30, 2020 and 2019**

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

December 15, 2020 with earlier application encouraged. Management has not yet determined the impact of this Statement on its 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. Management has not yet determined the impact of this Statement on its 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. Management has not yet determined the impact of this Statement on its 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 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. Management has not yet determined the impact of this Statement on its 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.

## California Polytechnic State University Foundation

### Notes to Financial Statements

June 30, 2020 and 2019

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

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. 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 confirm 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, 2020, 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 necessary so that no institution holds more than \$250,000 (principal plus interest) for each issuer. At June 30, 2020, the Foundation had approximately \$4.6 million in uninsured cash deposits in its operating account.



**California Polytechnic State University Foundation****Notes to Financial Statements****June 30, 2020 and 2019****Page 9****Note 3: Cash and Cash Equivalents and Restricted Cash (Continued)**

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

	<b>2020</b>	<b>2019</b>
Endowments	\$ 67,429	\$ 47,604
Split interest trusts	399,857	436,071
Total	<u>\$ 467,286</u>	<u>\$ 483,675</u>

**Note 4: Investments**

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

	<b>2020</b>	<b>2019</b>
Short-term investments	\$ 19,390,948	\$ 9,578,351
Endowment investments	223,790,671	225,512,271
Other long-term investments	<u>66,052,747</u>	<u>66,404,901</u>
Total	<u>\$ 309,234,366</u>	<u>\$ 301,495,523</u>

Other long-term investments included \$11.0 million and \$12.6 million of investments held in split interest trusts at June 30, 2020 and 2019, respectively.

At June 30, 2020, investments comprise the following:

	<b>2020</b>		
	<b>Current</b>	<b>Noncurrent</b>	<b>Total</b>
Fixed income - bonds	\$ 4,790,164	\$ 8,605,225	\$ 13,395,389
Notes receivable		323,000	323,000
Mutual funds:			
Equity funds		167,423,478	167,423,478
Bond funds		66,018,833	66,018,833
Money market funds	14,600,784	46,104,153	60,704,937
Other investments:			
Partnership interest		166,055	166,055
Alternative investments		<u>1,202,674</u>	<u>1,202,674</u>
Total	<u>\$ 19,390,948</u>	<u>\$ 289,843,418</u>	<u>\$ 309,234,366</u>

**California Polytechnic State University Foundation**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**  
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**Note 4: Investments (Continued)**

At June 30, 2019, investments comprised the following:

	<b>2019</b>		
	<b>Current</b>	<b>Noncurrent</b>	<b>Total</b>
Fixed income - bonds and certificates of deposit	\$ 9,578,351	\$ 24,835,777	\$ 34,414,128
Notes receivable	-	323,000	323,000
Mutual funds:			
Equity funds	-	167,666,586	167,666,586
Bond funds	-	68,705,986	68,705,986
Money market funds	-	28,672,366	28,672,366
Other investments:			
Partnership interest	-	166,055	166,055
Alternative investments	-	1,547,402	1,547,402
<b>Total</b>	<b>\$ 9,578,351</b>	<b>\$ 291,917,172</b>	<b>\$ 301,495,523</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, 2020 and 2019

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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 \$167.4 million or 54% of the total investments of the Foundation at June 30, 2020 and \$167.7 million or 56% at June 30, 2019. 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, 2020 and 2019****Page 12****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, 2020, 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	\$ 22,684,906	AAA
PIMCO Total Return Fund - Institutional	16,432,826	AA
PIMCO Foreign Bond Fund - Institutional	11,984,374	AA
Loomis Sayles Bond Fund - Institutional	10,382,168	BBB
PIMCO High Yield Fund - Institutional	4,534,559	BB
Total bond mutual funds	<u>66,018,833</u>	
 <b>Corporate bonds</b>	 13,395,389	 Unrated
 <b>Government money market fund:</b>		
Wells Fargo Money Market - Institutional	60,704,937	AAA
 <b>Cash and restricted cash:</b>		
Schwab One Fund	<u>399,857</u>	Unrated
 Total fixed income and debt securities subject to credit risk	 <u><u>\$ 140,519,016</u></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, 2020 and 2019****Page 13****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, 2020, the weighted average duration of the Foundation's fixed income securities was as follows:

	<b>Fair Value</b>	<b>Weighted Average Duration (in years)</b>
<b>Bond mutual funds:</b>		
DFA Intermediate Government Bond	\$ 22,684,906	6.9
PIMCO Total Return Fund - Institutional	16,432,826	5.3
PIMCO Foreign Bond Fund - Institutional	11,984,374	8.0
Loomis Sayles Bond Fund - Institutional	10,382,168	6.5
PIMCO High Yield Fund - Institutional	4,534,559	3.5
Total bond mutual funds	66,018,833	
<b>Corporate bonds and CDs</b>	13,395,389	4.5
<b>Money market fund and restricted cash</b>	61,104,794	
Total fixed income and debt securities subject to interest rate risk	<u>\$ 140,519,016</u>	3.4

# California Polytechnic State University Foundation

## Notes to Financial Statements

June 30, 2020 and 2019

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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, 2020, the Foundation's estimated fair value of investments subject to foreign currency risk in its endowment and split interest trusts was as follows:

Euro	\$ 13,979,870
Japanese Yen	10,560,525
British Pounds	8,470,835
Chinese Yuan	4,585,418
Hong Kong Dollars	2,671,937
Swiss Francs	2,324,378
Taiwanese Dollars	2,248,607
Korean Won	2,235,269
Canadian Dollars	2,210,823
Australian Dollars	2,109,613
Swedish Krona	1,639,004
Indian Rupee	1,475,843
Singapore Dollar	1,470,872
Mexican Peso	917,214
Danish Krone	876,437
Brazilian Reals	795,677
Norwegian Krone	685,771
South African Rand	635,935
Other	<u>2,197,405</u>
Total investments subject to foreign currency risk	<u>\$ 62,091,433</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, 2020 and 2019**

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**Note 4: Investments (Continued)**

At June 30, 2020, the foreign currency risk by investment type was as follows:

Equity mutual funds	\$ 60,354,690
Bond mutual funds	<u>1,736,743</u>
Total investments subject to foreign currency risk	<u><u>\$ 62,091,433</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, 2020, the Foundation held alternative investments at estimated fair value in its endowment as follows:

Public sector investments	\$ 511,107
Private sector investments	584,950
Distressed debt	<u>106,617</u>
Total	<u><u>\$ 1,202,674</u></u>

## California Polytechnic State University Foundation

### Notes to Financial Statements

June 30, 2020 and 2019

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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.
- Partnership interests and 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, 2020 and 2019****Page 17****Note 4: Investments (Continued)**

At June 30, 2020, the Foundation had the following recurring fair value investments:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Fixed income - bonds and certificates of deposit	\$ 13,395,389	\$	\$
Mutual funds:			
Equity funds	167,423,478		
Bond funds	66,018,833		
Money market fund	60,704,937		
Other investments:			
Alternative investments			1,202,674
Notes receivable			323,000
Partnership interest			166,055
Total	<u>\$ 307,542,637</u>	<u>\$ -</u>	<u>\$ 1,691,729</u>

At June 30, 2019, the Foundation had the following recurring fair value investments:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Fixed income - bonds and certificates of deposit	\$ 34,414,128	\$	\$
Mutual funds:			
Equity funds	167,666,586		
Bond funds	68,705,986		
Money market fund	28,672,366		
Other investments:			
Alternative investments			1,547,402
Notes receivable			323,000
Partnership interest			166,055
Total	<u>\$ 299,459,066</u>	<u>\$ -</u>	<u>\$ 2,036,457</u>

**California Polytechnic State University Foundation**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**  
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**Note 5: Pledges Receivable**

A June 30, pledges receivable comprised the following:

	<b>2020</b>	<b>2019</b>
Campus programs support	\$ 33,223,222	\$ 33,250,480
College-specific facilities	30,954,977	39,852,565
Scholarship contributions	<u>2,645,104</u>	<u>2,810,729</u>
Subtotal	66,823,303	75,913,774
Less: Allowance for uncollectible accounts	(4,681,127)	(4,911,783)
Less: Unamortized discount	<u>(2,971,789)</u>	<u>(5,025,658)</u>
Pledges receivable, net	<u><u>\$ 59,170,387</u></u>	<u><u>\$ 65,976,333</u></u>
Gross pledges due in:		
One year or less	\$ 19,251,032	\$ 29,012,553
One to five years	34,955,887	32,721,801
More than five years	<u>12,616,384</u>	<u>14,179,420</u>
Total gross	<u><u>\$ 66,823,303</u></u>	<u><u>\$ 75,913,774</u></u>

At June 30, 2020 and 2019, pledges receivable from one donor represented approximately 65% of pledges receivable, net.

**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,:

	<b>2020</b>	<b>2019</b>
Accounts receivable	\$ 17,285	\$ 240
Accounts payable	36,874	
Payments to University for salaries and benefits of University personnel working on contracts, grants, and other programs	3,519,020	3,129,196
Payments to University for other than salaries of University personnel	11,724,484	7,025,752
Payments or transfers to University from endowments	8,380,438	7,921,484
Gifts to the University	11,375,000	18,783,719

## California Polytechnic State University Foundation

### Notes to Financial Statements

June 30, 2020 and 2019

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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>2020</u>	<u>2019</u>
Accounts receivable	\$	\$ 24,021
Accounts payable	34,473	493,859
Payments to CPC under Support Agreement	10,000	10,000
Cash contributions to CPC	2,756,771	3,705,239
Cash contributions from CPC	178,714	462,066

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>2020</u>	<u>2019</u>
Accounts receivable	\$ 1,607	\$ 900
Accounts payable	5,119	137
Cash contributions to ASI	35,350	39,065

#### 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. After adopting GASB 81, the net amounts are recorded to deferred inflows instead of net position. Expendable deferred inflows related to split interest trusts were \$0 at June 30, 2020 and \$0 million at June 30, 2019. Nonexpendable deferred inflows related to split interest trusts were \$5.3 and \$6.1 million at June 30, 2020 and 2019, 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, 2020 and 2019**

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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, 2020 and 2019 are expected to be minimal. Likewise, no amounts have been paid to CSURMA during the years ended June 30, 2020 or 2019, related to the Foundation's estimated future funding for claims liability.

**Note 9: COVID-19 Pandemic**

The Foundation has been impacted by the recent Covid-19 pandemic. Due to the uncertainty surrounding the pandemic, the length and severity of the outbreak, and the volatility in the world investment markets, there is uncertainty as to how these events will affect results of operations and investment fund income in the future.

**Note 10: Subsequent Events**

Events subsequent to June 30, 2020, have been evaluated through September 29, 2020, 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, 2020**

**California Polytechnic State University Foundation (San Luis Obispo)**

**Schedule of Net Position**

**June 30, 2020**

**(for inclusion in the California State University)**

**Assets:**

**Current assets:**

Cash and cash equivalents	\$ 4,292,120
Short-term investments	19,390,948
Accounts receivable, net	128,214
Capital lease receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	22,403,512
Prepaid expenses and other current assets	15,659
<b>Total current assets</b>	<b>46,230,453</b>

**Noncurrent assets:**

Restricted cash and cash equivalents	467,286
Accounts receivable, net	-
Capital lease receivable, net of current portion	-
Notes receivable, net of current portion	-
Student loans receivable, net	-
Pledges receivable, net	36,766,875
Endowment investments	223,790,671
Other long-term investments	66,052,747
Capital assets, net	-
Other assets	271,705

**Total noncurrent assets** **327,349,284**

**Total assets** **373,579,737**

**Deferred outflows of resources:**

Unamortized loss on debt refunding	-
Net pension liability	-
Net OPEB liability	-
Others	-

**Total deferred outflows of resources** **-**

**Liabilities:**

**Current liabilities:**

Accounts payable	262,538
Accrued salaries and benefits	-
Accrued compensated absences, current portion	-
Unearned revenues	134,502
Capital lease obligations, current portion	-
Long-term debt obligations, current portion	-
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	-

**Total current liabilities** **397,040**

**Noncurrent liabilities:**

Accrued compensated absences, net of current portion	-
Unearned revenues	-
Grants refundable	-
Capital lease obligations, net of current portion	-
Long-term debt obligations, net of current portion	-
Claims liability for losses and loss adjustment expenses, net of current portion	-
Depository accounts	-
Net other postemployment benefits liability	-
Net pension liability	-
Other liabilities	6,225,805

**Total noncurrent liabilities** **6,225,805**

**Total liabilities** **6,622,845**

**Deferred inflows of resources:**

Service concession arrangements	-
Net pension liability	-
Net OPEB liability	-
Unamortized gain on debt refunding	-
Nonexchange transactions	-
Others	5,253,825

**Total deferred inflows of resources** **5,253,825**

**Net position:**

Net investment in capital assets	-
Restricted for:	
Nonexpendable – endowments	137,887,981
Expendable:	
Scholarships and fellowships	14,096,390
Research	6,858,051
Loans	-
Capital projects	69,019,508
Debt service	-
Others	131,057,103
Unrestricted	2,784,034
<b>Total net position</b>	<b>\$ 361,703,067</b>

**California Polytechnic State University Foundation (San Luis Obispo)**  
**Schedule of Revenues, Expenses, and Changes in Net Position**  
**Year ended June 30, 2020**  
**(for inclusion in the California State University)**

**Revenues:**

**Operating revenues:**

Student tuition and fees, gross	\$ -
Scholarship allowances (enter as negative)	-

**Grants and contracts, noncapital:**

Federal	-
State	-
Local	-
Nongovernmental	-
Sales and services of educational activities	-
Sales and services of auxiliary enterprises, gross	-
Scholarship allowances (enter as negative)	-
Other operating revenues	-

<b>Total operating revenues</b>	<b>-</b>
---------------------------------	----------

**Expenses:**

**Operating expenses:**

Instruction	3,060,025
Research	1,355,160
Public service	339,648
Academic support	13,063,112
Student services	1,211,468
Institutional support	6,345,029
Operation and maintenance of plant	10,693,800
Student grants and scholarships	4,045,821
Auxiliary enterprise expenses	-
Depreciation and amortization	-

<b>Total operating expenses</b>	<b>40,114,063</b>
---------------------------------	-------------------

<b>Operating income (loss)</b>	<b>(40,114,063)</b>
--------------------------------	---------------------

**Nonoperating revenues (expenses):**

State appropriations, noncapital	-
Federal financial aid grants, noncapital	-
State financial aid grants, noncapital	-
Local financial aid grants, noncapital	-
Nongovernmental and other financial aid grants, noncapital	-
Other federal nonoperating grants, noncapital	-
Gifts, noncapital	26,709,385
Investment income (loss), net	1,444,805
Endowment income (loss), net	2,405,366
Interest expense	-
Other nonoperating revenues (expenses) - excl. interagency transfers	(274,613)

<b>Net nonoperating revenues (expenses)</b>	<b>30,284,943</b>
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<b>Income (loss) before other revenues (expenses)</b>	<b>(9,829,120)</b>
---	--------------------

State appropriations, capital	-
Grants and gifts, capital	-
Additions (reductions) to permanent endowments	7,450,208

<b>Increase (decrease) in net position</b>	<b>(2,378,912)</b>
--	--------------------

**Net position:**

Net position at beginning of year, as previously reported	364,081,979
Restatements	-

<b>Net position at beginning of year, as restated</b>	<b>364,081,979</b>
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<b>Net position at end of year</b>	<b>\$ 361,703,067</b>
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California Polytechnic State University Foundation (San Luis Obispo)  
Other Information  
June 30, 2020  
(for inclusion in the California State University)

**1 Cash and cash equivalents:**

Portion of restricted cash and cash equivalents related to endowments	\$	67,429
All other restricted cash and cash equivalents		399,857
<b>Noncurrent restricted cash and cash equivalents</b>		<b>467,286</b>
Current cash and cash equivalents		4,292,120
<b>Total</b>	<b>\$</b>	<b>4,759,406</b>

**2.1 Composition of investments:**

Investment Type	Current	Noncurrent	Fair Value
Money market funds	\$ 14,600,784.00	46,104,153.00	60,704,937.00
Repurchase agreements			-
Certificates of deposit			-
U.S. agency securities			-
U.S. treasury securities			-
Municipal bonds			-
Corporate bonds	4,790,164	8,605,225	13,395,389
Asset backed securities			-
Mortgage backed securities			-
Commercial paper			-
Mutual funds		66,018,833	66,018,833
Exchange traded funds			-
Equity securities		167,423,478	167,423,478
Alternative investments:			
Private equity (including limited partnerships)		511,107	511,107
Hedge funds			-
Managed futures			-
Real estate investments (including REITs)			-
Commodities			-
Derivatives			-
Other alternative investment		691,567	691,567
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:		489,055	489,055
			-
			-
			-
Total Other investments		489,055	489,055
<b>Total investments</b>	<b>19,390,948</b>	<b>289,843,418</b>	<b>309,234,366</b>
Less endowment investments (enter as negative number)		(223,790,671)	(223,790,671)
<b>Total investments, net of endowments</b>	<b>\$ 19,390,948</b>	<b>66,052,747</b>	<b>85,443,695</b>

**2.2 Fair value hierarchy in investments:**

Investment Type	Fair Value	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	\$ 60,704,937	60,704,937			
Repurchase agreements	-				
Certificates of deposit	-				
U.S. agency securities	-				
U.S. treasury securities	-				
Municipal bonds	-				
Corporate bonds	13,395,389	13,395,389			
Asset backed securities	-				
Mortgage backed securities	-				
Commercial paper	-				
Mutual funds	66,018,833	66,018,833			
Exchange traded funds	-				
Equity securities	167,423,478	167,423,478			
Alternative investments:					
Private equity (including limited partnerships)	511,107				511,107
Hedge funds	-				
Managed futures	-				
Real estate investments (including REITs)	-				
Commodities	-				
Derivatives	-				
Other alternative investment	691,567				691,567
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:	489,055			489,055	
	-				
	-				
	-				
Total Other investments	489,055	-	-	489,055	-
<b>Total investments</b>	<b>309,234,366</b>	<b>307,542,637</b>	<b>-</b>	<b>489,055</b>	<b>1,202,674</b>



California Polytechnic State University Foundation (San Luis Obispo)  
Other Information  
June 30, 2020  
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2.3 Investments held by the University under contractual agreements:

	Current	Noncurrent	Total
Investments held by the University under contractual agreements e.g. - CSU Consolidated Investment Pool (formerly SWIFT):			\$ -

3.1 Composition of capital assets:

	Balance June 30, 2019	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2019 (Restated)	Additions	Retirements	Transfer of completed CWIP/PWIP	Balance June 30, 2020
<b>Non-depreciable/Non-amortizable capital assets:</b>									
Land and land improvements					\$ -			\$ -	-
Works of art and historical treasures					-			-	-
Construction work in progress (CWIP)					-			-	-
Intangible assets:									
Rights and easements					-			-	-
Patents, copyrights and trademarks					-			-	-
Intangible assets in progress (PWIP)					-			-	-
Licenses and permits					-			-	-
Other intangible assets:					-			-	-
Total Other intangible assets	-	-	-	-	-	-	-	-	-
<b>Total intangible assets</b>	-	-	-	-	-	-	-	-	-
<b>Total non-depreciable/non-amortizable capital assets</b>	\$ -	-	-	-	\$ -	-	-	-	-
<b>Depreciable/Amortizable capital assets:</b>									
Buildings and building improvements					-			-	-
Improvements, other than buildings					-			-	-
Infrastructure					-			-	-
Leasehold improvements					-			-	-
Personal property:									
Equipment					-			-	-
Library books and materials					-			-	-
Intangible assets:									
Software and websites					-			-	-
Rights and easements					-			-	-
Patents, copyrights and trademarks					-			-	-
Licenses and permits					-			-	-
Other intangible assets:					-			-	-
Total Other intangible assets:	-	-	-	-	-	-	-	-	-
<b>Total intangible assets</b>	-	-	-	-	-	-	-	-	-
<b>Total depreciable/amortizable capital assets</b>	-	-	-	-	-	-	-	-	-
<b>Total capital assets</b>	\$ -	-	-	-	\$ -	-	-	-	-
<b>Less accumulated depreciation/amortization:</b>									
Buildings and building improvements					-			-	-
Improvements, other than buildings					-			-	-
Infrastructure					-			-	-
Leasehold improvements					-			-	-
Personal property:									
Equipment					-			-	-
Library books and materials					-			-	-
Intangible assets:									
Software and websites					-			-	-
Rights and easements					-			-	-
Patents, copyrights and trademarks					-			-	-
Licenses and permits					-			-	-
Other intangible assets:					-			-	-
Total Other intangible assets:	-	-	-	-	-	-	-	-	-
<b>Total intangible assets</b>	-	-	-	-	-	-	-	-	-
<b>Total accumulated depreciation/amortization</b>	-	-	-	-	-	-	-	-	-
<b>Total capital assets, net</b>	\$ -	-	-	-	\$ -	-	-	-	-

3.2 Detail of depreciation and amortization expense:

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

California Polytechnic State University Foundation (San Luis Obispo)  
Other Information  
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4 Long-term liabilities:

	Balance June 30, 2019	Prior Period Adjustments/Reclassifications	Balance June 30, 2019 (Restated)	Additions	Reductions	Balance June 30, 2020	Current Portion	Noncurrent Portion
1. Accrued compensated absences	\$ -		-			\$ -		\$ -
2. Claims liability for losses and loss adjustment expenses	-		-			-		-
3. Capital lease obligations:								
Gross balance	-		-			-	-	-
Unamortized net premium/(discount)	-		-			-	-	-
Total capital lease obligations	\$ -	-	-	-	-	-	-	-
4. Long-term debt obligations:								
4.1 Auxiliary revenue bonds (non-SRB related)	\$ -		-			\$ -	-	-
4.2 Commercial paper	-		-			-	-	-
4.3 Notes payable (SRB related)	-		-			-	-	-
4.4 Others:	-		-			-	-	-
	-		-			-	-	-
	-		-			-	-	-
Total others	-	-	-	-	-	-	-	-
Sub-total long-term debt	\$ -	-	-	-	-	-	-	-
4.5 Unamortized net bond premium/(discount)	-		-			-	-	-
Total long-term debt obligations	-	-	-	-	-	-	-	-
Total long-term liabilities	\$ -	-	-	-	-	\$ -	-	\$ -

5 Capital lease obligations schedule:

	Capital lease obligations related to SRB			All other capital lease obligations			Total capital lease obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2021			-			-	-	-	-
2022			-			-	-	-	-
2023			-			-	-	-	-
2024			-			-	-	-	-
2025			-			-	-	-	-
2026 - 2030			-			-	-	-	-
2031 - 2035			-			-	-	-	-
2036 - 2040			-			-	-	-	-
2041 - 2045			-			-	-	-	-
2046 - 2050			-			-	-	-	-
Thereafter			-			-	-	-	-
Total minimum lease payments	\$ -	-	-	-	-	-	-	-	-
Less: amounts representing interest									-
Present value of future minimum lease payments									-
Unamortized net premium/(discount)									-
Total capital lease obligations									-
Less: current portion									-
Capital lease obligations, net of current portion									\$ -

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
Year ending June 30:									
2021			-			-	-	-	-
2022			-			-	-	-	-
2023			-			-	-	-	-
2024			-			-	-	-	-
2025			-			-	-	-	-
2026 - 2030			-			-	-	-	-
2031 - 2035			-			-	-	-	-
2036 - 2040			-			-	-	-	-
2041 - 2045			-			-	-	-	-
2046 - 2050			-			-	-	-	-
Thereafter			-			-	-	-	-
Total minimum payments	\$ -	-	-	-	-	-	-	-	-
Less: amounts representing interest									-
Present value of future minimum payments									-
Unamortized net premium/(discount)									-
Total long-term debt obligations									-
Less: current portion									-
Long-term debt obligations, net of current portion									\$ -

California Polytechnic State University Foundation (San Luis Obispo)  
Other Information  
June 30, 2020  
(for inclusion in the California State University)

**7 Transactions with related entities:**

Payments to University for salaries of University personnel working on contracts, grants, and other programs	3,519,020
Payments to University for other than salaries of University personnel	11,724,484
Payments received from University for services, space, and programs	0
Gifts-in-kind to the University from discretely presented component units	0
Gifts (cash or assets) to the University from discretely presented component units	19,755,438
Accounts (payable to) University	(36,874)
Other amounts (payable to) University	
Accounts receivable from University	17,285
Other amounts receivable from University	

**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	To properly record amortization of pledge discount at 6.30.20	
		-
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	-	-	-	-		3,060,025		3,060,025
Research	-	-	-	-		1,355,160		1,355,160
Public service	-	-	-	-		339,648		339,648
Academic support	-	-	-	-		13,063,112		13,063,112
Student services	-	-	-	-		1,211,468		1,211,468
Institutional support	-	-	-	-		6,345,029		6,345,029
Operation and maintenance of plant	-	-	-	-		10,693,800		10,693,800
Student grants and scholarships	-	-	-	-	4,045,821			4,045,821
Auxiliary enterprise expenses	-	-	-	-		-		-
Depreciation and amortization							-	-
<b>Total operating expenses</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,045,821</b>	<b>36,068,242</b>	<b>-</b>	<b>40,114,063</b>

California Polytechnic State University Foundation (San Luis Obispo)  
Other Information  
June 30, 2020  
(for inclusion in the California State University)

**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 - 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 - 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  
    Split interest trusts

5,253,825

Total deferred inflows - others

**Total deferred inflows of resources**

5,253,825
\$ 5,253,825



**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, 2020 and 2019, 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 29, 2020.

***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.

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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.

***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.

GLENN BURDETTE ATTEST CORPORATION

Glenn Burdette Attest Corporation  
San Luis Obispo, California  
September 29, 2020