



CALIFORNIA STATE UNIVERSITY, FULLERTON

**Cal State Fullerton Philanthropic Foundation**

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***Financial Statements  
June 30, 2007 and 2006***

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Cal State Fullerton Philanthropic Foundation:

We have audited the accompanying statements of financial position of Cal State Fullerton Philanthropic Foundation (a nonprofit organization, the Foundation) as of June 30, 2007 and 2006, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cal State Fullerton Philanthropic Foundation as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Long Beach, California  
September 19, 2007

**CAL STATE FULLERTON PHILANTHROPIC FOUNDATION**

**STATEMENTS OF FINANCIAL POSITION**

**ASSETS**

	<b>June 30,</b>	
	<u><b>2007</b></u>	<u><b>2006</b></u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 15,067,493	\$ 10,873,114
Investments	16,535,561	12,525,801
Contributions receivable, net of allowance for doubtful pledges	7,394,998	8,623,641
Accounts receivable	19,093	22,092
Other receivables	<u>197,387</u>	<u>184,921</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 39,214,532</b></u>	<u><b>\$ 32,229,569</b></u>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 123,676	\$ 113,398
Refundable advance	<u>76,500</u>	
Total Liabilities	<u>200,176</u>	<u>113,398</u>
<b>NET ASSETS</b>		
Unrestricted	3,870,599	1,611,786
Temporarily restricted	20,300,792	17,631,030
Permanently restricted	<u>14,842,965</u>	<u>12,873,355</u>
Total Net Assets	<u>39,014,356</u>	<u>32,116,171</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 39,214,532</b></u>	<u><b>\$ 32,229,569</b></u>

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

**CAL STATE FULLERTON PHILANTHROPIC FOUNDATION**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>REVENUES AND SUPPORT</b>				
Contributions and gifts		\$ 5,170,662	\$ 1,938,854	\$ 7,109,516
Campus programs		766,694		766,694
Alumni Association membership fees and programs		358,464		358,464
Investment income, net	\$ 2,445,166	332,458	5,055	2,782,679
Other income	700		1,819	2,519
Change in value of split interest agreements		305,802	41,882	347,684
Net assets released from restriction	<u>4,282,318</u>	<u>( 4,264,318)</u>	<u>( 18,000)</u>	<u>                  </u>
Total Revenues and Support	<u>6,728,184</u>	<u>2,669,762</u>	<u>1,969,610</u>	<u>11,367,556</u>
<b>EXPENSES</b>				
Program Expenses:				
Campus	3,085,820			3,085,820
Scholarships	1,004,250			1,004,250
Alumni association	<u>192,248</u>			<u>192,248</u>
Total Program Expenses	<u>4,282,318</u>			<u>4,282,318</u>
Supporting Services:				
General and administrative	<u>187,053</u>			<u>187,053</u>
Total Supporting Services	<u>187,053</u>			<u>187,053</u>
Total Expenses	<u>4,469,371</u>			<u>4,469,371</u>
<b>CHANGES IN NET ASSETS</b>	2,258,813	2,669,762	1,969,610	6,898,185
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>1,611,786</u>	<u>17,631,030</u>	<u>12,873,355</u>	<u>32,116,171</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 3,870,599</u>	<u>\$ 20,300,792</u>	<u>\$ 14,842,965</u>	<u>\$ 39,014,356</u>

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

**CAL STATE FULLERTON PHILANTHROPIC FOUNDATION**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>REVENUES AND SUPPORT</b>				
Contributions and gifts	\$ 13,008	\$ 8,633,940	\$ 3,088,536	\$ 11,735,484
Campus programs		755,571		755,571
Alumni Association membership fees and programs		174,007		174,007
Investment income, net	822,979	218,244	17,800	1,059,023
Other income	659		2,034	2,693
Change in value of split interest agreements		1,491	92,019	93,510
Net assets released from restriction	<u>5,411,751</u>	<u>( 5,411,751)</u>		
Total Revenues and Support	<u>6,248,397</u>	<u>4,371,502</u>	<u>3,200,389</u>	<u>13,820,288</u>
<b>EXPENSES</b>				
Program Expenses:				
Campus	4,286,282			4,286,282
Scholarships	954,849			954,849
Alumni association	170,620			170,620
Total Program Expenses	<u>5,411,751</u>			<u>5,411,751</u>
Supporting Services:				
General and administrative	173,404			173,404
Total Supporting Services	<u>173,404</u>			<u>173,404</u>
Total Expenses	<u>5,585,155</u>			<u>5,585,155</u>
<b>CHANGES IN NET ASSETS</b>	663,242	4,371,502	3,200,389	8,235,133
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>948,544</u>	<u>13,259,528</u>	<u>9,672,966</u>	<u>23,881,038</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,611,786</u>	<u>\$ 17,631,030</u>	<u>\$ 12,873,355</u>	<u>\$ 32,116,171</u>

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

**CAL STATE FULLERTON PHILANTHROPIC FOUNDATION**

**STATEMENTS OF CASH FLOWS**

	<b>For the Year Ended</b>	
	<b>June 30,</b>	
	<u><b>2007</b></u>	<u><b>2006</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 6,898,185	\$ 8,235,133
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Contributions of investments	( 368,574)	( 157,172)
Contributions restricted for long-term investments	( 1,938,854)	( 3,088,536)
Change in discount on contributions receivable	( 247,714)	457,084
Change in allowance for doubtful pledges	62,000	
Noncash change in split interest agreements	( 347,684)	( 93,510)
Realized loss on sale of contributed investments	519	140
Unrealized gain on investments	( 1,678,598)	( 450,344)
Net (increase) decrease in:		
Contributions receivable	1,762,041	( 3,574,443)
Accounts receivable	2,999	1,641
Other receivables	( 12,466)	( 49,208)
Net increase (decrease) in:		
Accounts payable and accrued liabilities	10,278	( 5,392)
Refundable advance	<u>76,500</u>	<u>( 50,000)</u>
Net Cash Provided By Operating Activities	<u>4,218,632</u>	<u>1,225,393</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	( 3,330,162)	( 3,412,173)
Proceeds from sale of investments	999,000	
Proceeds from sale of contributed investments	<u>368,055</u>	<u>157,032</u>
Net Cash Used In Investing Activities	<u>( 1,963,107)</u>	<u>( 3,255,141)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for long-term investment	<u>1,938,854</u>	<u>3,088,536</u>
Net Cash Provided By Financing Activities	<u>1,938,854</u>	<u>3,088,536</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	4,194,379	1,058,788
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>10,873,114</u>	<u>9,814,326</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 15,067,493</u>	<u>\$ 10,873,114</u>

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

**CAL STATE FULLERTON PHILANTHROPIC FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007 AND 2006**

**NOTE 1 – Nature of Activities and Significant Accounting Policies**

*Nature of Activities*

The Cal State Fullerton Philanthropic Foundation (the Foundation), formerly known as University Advancement Foundation, is a nonprofit organization serving as an auxiliary to California State University, Fullerton (the University). The Foundation administers endowments, scholarships, gifts, and public support funding to promote and assist the University in its educational enrichment programs.

*Financial Statement Presentation*

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

*Contributions*

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Upon expiration of the restriction, the contributions are reclassified to unrestricted net assets.

*Use of Estimates and Assumptions*

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

*Cash and Cash Equivalents*

For purposes of the statements of cash flows, the Foundation considers all highly liquid, short-term investments purchased with an original maturity of three months or less to be cash equivalents. The cash and cash equivalents are predominantly invested in the Commonfund and certificates of deposit.

As of June 30, 2007 and at times throughout the year, the Foundation has maintained cash balances at its financial institution in excess of federally insured limits.



**CAL STATE FULLERTON PHILANTHROPIC FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007 AND 2006**

**NOTE 1 – Nature of Activities and Significant Accounting Policies (Continued)**

***Investments***

The Foundation manages a significant number of individual endowment fund accounts. The purpose of the endowment fund is to ensure that the original contribution is held in perpetuity, its value grows consistent with inflation, and that a portion of the investment income is used for scholarships or other University support. The Foundation pools all of the endowment funds for investment purposes and annually sets a percentage of endowment investment income that may be spent on scholarships and other University support.

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value in the statements of financial position. Unrealized gains and losses are included in the statements of activities.

***Charitable Remainder Trusts***

The Foundation is the beneficiary of certain charitable remainder trusts held and administered by others. The present value of the estimated future cash receipts from the trusts are recognized as assets and contribution revenues at the dates the trusts are established. Distributions from the trusts are recorded as investment returns and the carrying value of the assets is adjusted for the changes in the estimates of future amounts. Charitable remainder trusts amount to approximately \$1,682,000 and \$1,334,000 on June 30, 2007 and 2006, respectively, and are included in contributions receivable in the statements of financial position.

***Promises to Give***

The two forms of pledges receivable are unconditional promises to give and conditional promises to give. Unconditional promises to give are recognized as receivables and as revenues in the period in which the Foundation is notified by the donor of his or her commitment to make a contribution. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

***Tax Status***

The Foundation has received tax-exempt status from the Internal Revenue Service and California Franchise Tax Board under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code, respectively. In addition, the Foundation has been determined by the Internal Revenue Service to be a public charity and not a “private foundation.”

**CAL STATE FULLERTON PHILANTHROPIC FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007 AND 2006**

**NOTE 2 – Investments**

Investments consists of the following:

	<b>June 30,</b>	
	<b>2007</b>	<b>2006</b>
Multi-strategy equity fund – endowment	\$ 10,598,832	\$ 7,522,542
Multi-strategy bond fund – endowment	5,057,923	4,003,258
Multi-strategy international equity fund – endowment	877,805	
Certificates of deposit		999,000
Other	1,001	1,001
	<b>\$ 16,535,561</b>	<b>\$ 12,525,801</b>

Investment income, net, is comprised of the following amounts in the accompanying statements of activities:

	<b>For the Year Ended June 30,</b>	
	<b>2007</b>	<b>2006</b>
Endowment investment income	\$ 579,877	\$ 257,589
Less endowment investment expenses	( 48,138)	( 35,249)
Net endowment investment income	531,739	222,340
Realized loss on sale of contributed investments	( 519)	( 140)
Unrealized gain on endowment and other investments	1,678,598	450,344
	2,209,818	672,544
Short-term interest income	572,861	386,479
	<b>\$ 2,782,679</b>	<b>\$ 1,059,023</b>

**CAL STATE FULLERTON PHILANTHROPIC FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007 AND 2006**

**NOTE 3 – Contributions Receivable**

Contributions receivable include pledges and trusts that have been discounted at rates ranging from 4.2% to 5.2%. The following is a summary of the Foundation's contributions receivable classified by the expected date of collection:

	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
Receivable in less than one year	\$ 1,919,837	\$ 1,836,030
Receivable in one to five years	4,287,092	5,130,540
Receivable in more than five years	<u>100,000</u>	<u>1,102,400</u>
	6,306,929	8,068,970
Less discount to reflect present value	( 531,655)	( 779,369)
Less allowance for doubtful pledges	<u>( 62,000)</u>	<u>                    </u>
Net Pledges Receivable	5,713,274	7,289,601
Net trusts receivable	<u>1,681,724</u>	<u>1,334,040</u>
	<u>\$ 7,394,998</u>	<u>\$ 8,623,641</u>

**NOTE 4 – Net Assets**

The following is a summary of the Foundation's temporarily and permanently restricted net assets:

*Temporarily Restricted Net Assets*

	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
Time and performance restriction – contributions receivable	\$ 6,636,110	\$ 7,713,229
Scholarships and campus programs	<u>13,664,682</u>	<u>9,917,801</u>
	<u>\$20,300,792</u>	<u>\$17,631,030</u>

*Permanently Restricted Net Assets*

Receivable – endowment	\$ 1,018,274	\$ 1,095,334
Scholarships	9,670,369	8,310,479
Other University support	<u>4,154,322</u>	<u>3,467,542</u>
	<u>\$14,842,965</u>	<u>\$12,873,355</u>