



CALIFORNIA STATE UNIVERSITY, FULLERTON

Cal State Fullerton Philanthropic Foundation

***Financial Statements
June 30, 2008 and 2007***

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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, 2008 and 2007, 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, 2008 and 2007, 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 18 2008

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION

STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents, including restricted cash	\$ 12,960,632	\$ 15,067,493
Investments	18,633,904	16,535,561
Contributions receivable, net of allowance for doubtful pledges	18,130,531	7,394,998
Accounts receivable	28,598	19,093
Prepaid expenses	8,785	—
Other receivables	<u>216,084</u>	<u>197,387</u>
TOTAL ASSETS	<u>\$ 49,978,534</u>	<u>\$ 39,214,532</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued liabilities	\$ 323,762	\$ 123,676
Refundable advance	—	76,500
Total Liabilities	<u>323,762</u>	<u>200,176</u>
NET ASSETS		
Unrestricted	2,740,394	3,870,599
Temporarily restricted	17,307,546	20,300,792
Permanently restricted	<u>29,606,832</u>	<u>14,842,965</u>
Total Net Assets	<u>49,654,772</u>	<u>39,014,356</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 49,978,534</u>	<u>\$ 39,214,532</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, 2008**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT				
Contributions and gifts	—	\$ 8,173,463	\$ 13,831,374	\$ 22,004,837
Campus programs	—	940,793	—	940,793
Alumni Association membership fees and programs	—	375,420	—	375,420
Investment income (loss), net	(\$ 693,320)	503,590	23,930	(165,800)
Other income	1,399	20,500	1,305	23,204
Change in value of split interest agreements	—	(772,046)	907,258	135,212
Net assets released from restriction	<u>12,234,966</u>	<u>(12,234,966)</u>	<u>—</u>	<u>—</u>
Total Revenues and Support	<u>11,543,045</u>	<u>(2,993,246)</u>	<u>14,763,867</u>	<u>23,313,666</u>
EXPENSES				
Program Expenses:				
Campus	10,987,304	—	—	10,987,304
Scholarships	1,035,118	—	—	1,035,118
Alumni association	<u>212,544</u>	<u>—</u>	<u>—</u>	<u>212,544</u>
Total Program Expenses	<u>12,234,966</u>	<u>—</u>	<u>—</u>	<u>12,234,966</u>
Supporting Services:				
General and administrative	<u>438,284</u>	<u>—</u>	<u>—</u>	<u>438,284</u>
Total Supporting Services	<u>438,284</u>	<u>—</u>	<u>—</u>	<u>438,284</u>
Total Expenses	<u>12,673,250</u>	<u>—</u>	<u>—</u>	<u>12,673,250</u>
CHANGES IN NET ASSETS	(1,130,205)	(2,993,246)	14,763,867	10,640,416
NET ASSETS AT BEGINNING OF YEAR	<u>3,870,599</u>	<u>20,300,792</u>	<u>14,842,965</u>	<u>39,014,356</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,740,394</u>	<u>\$ 17,307,546</u>	<u>\$ 29,606,832</u>	<u>\$ 49,654,772</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**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT				
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>
EXPENSES				
Program Expenses:				
Campus	3,085,820	—	—	3,085,820
Scholarships	1,004,250	—	—	1,004,250
Alumni association	<u>192,248</u>	<u>—</u>	<u>—</u>	<u>192,248</u>
Total Program Expenses	<u>4,282,318</u>	<u>—</u>	<u>—</u>	<u>4,282,318</u>
Supporting Services:				
General and administrative	<u>187,053</u>	<u>—</u>	<u>—</u>	<u>187,053</u>
Total Supporting Services	<u>187,053</u>	<u>—</u>	<u>—</u>	<u>187,053</u>
Total Expenses	<u>4,469,371</u>	<u>—</u>	<u>—</u>	<u>4,469,371</u>
CHANGES IN NET ASSETS	2,258,813	2,669,762	1,969,610	6,898,185
NET ASSETS AT BEGINNING OF YEAR	<u>1,611,786</u>	<u>17,631,030</u>	<u>12,873,355</u>	<u>32,116,171</u>
NET ASSETS AT END OF YEAR	<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

STATEMENTS OF CASH FLOWS

	For the Year Ended June 30,	
	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 10,640,416	\$ 6,898,185
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Contributions of investments	(319,237)	(368,574)
Contributions restricted for long-term investments	(13,831,374)	(1,938,854)
Change in discount on contributions receivable	1,732,427	(247,714)
Change in allowance for doubtful pledges	(19,933)	62,000
Noncash change in split interest agreements	(1,041,986)	(347,684)
Realized loss on sale of contributed investments	215	519
Unrealized (gain) loss on investments	1,086,115	(1,678,598)
Net (increase) decrease in:		
Contributions receivable	(11,406,041)	1,762,041
Accounts receivable	(9,505)	2,999
Prepaid expenses	(8,785)	-
Other receivables	(18,697)	(12,466)
Net increase (decrease) in:		
Accounts payable and accrued liabilities	200,086	10,278
Refundable advance	(76,500)	76,500
Net Cash Provided By (Used In) Operating Activities	<u>(13,072,799)</u>	<u>4,218,632</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(3,184,458)	(3,330,162)
Proceeds from sale of investments	-	999,000
Proceeds from sale of contributed investments	319,022	368,055
Net Cash Used In Investing Activities	<u>(2,865,436)</u>	<u>(1,963,107)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long-term investment	13,831,374	1,938,854
Net Cash Provided By Financing Activities	<u>13,831,374</u>	<u>1,938,854</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,106,861)	4,194,379
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>15,067,493</u>	<u>10,873,114</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 12,960,632</u>	<u>\$ 15,067,493</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for:		
Income taxes	None	None
Interest	None	None

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

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 1 – Nature of Activities and Significant Accounting Policies

Nature of Activities

The Cal State Fullerton Philanthropic Foundation (the Foundation), formerly known as the University Advancement Foundation, is a nonprofit organization serving as an auxiliary to California State University, Fullerton (the University). The mission of the Foundation is to actively promote, pursue and steward private support mainly in Southern California for the advancement of the University.

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, liabilities, and net assets, the disclosure of contingent assets, liabilities, and net assets 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, an investment fund managed by a nonprofit group.

As of June 30, 2008 and at times throughout the year, the Foundation has maintained cash balances at its financial institution in excess of federally insured limits.

Included in cash and cash equivalents at June 30, 2008 is approximately \$1,092,000 restricted for endowment purposes.

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

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. Substantially all investments are invested in funds managed by the Commonfund.

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. Investments in the Commonfund where the fair value is not readily determinable, are valued using third-party pricing sources and/or as determined by the pricing committee of the Commonfund. Unrealized gains and losses are included in the statements of activities.

Investment income is allocated to unrestricted, temporarily restricted, and permanently restricted as stipulated by the individual agreements.

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 \$640,000 and \$1,682,000 on June 30, 2008 and 2007, 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.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

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

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.”

Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes: an Interpretation of FASB Statement No. 109* (FIN No. 48). FIN No. 48 requires that management determines whether a tax position is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Once it is determined that a position meets this recognition threshold, the position is measured to determine the amount of benefit to be recognized in the financial statements. FIN No. 48 is effective for the Foundation for the fiscal year ending June 30, 2009. The Foundation is currently evaluating the effect, if any, of the adoption of FIN No. 48.

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*, (SFAS 157). This standard defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosure about fair value measurements. This pronouncement applies to the fair value requirements as applicable in other accounting standards that require or permit fair value measurements. Accordingly, this statement does not require any new fair value measurement. In February 2008, the FASB issued FASB Staff Position No. 157-2, *Effective Date of FASB Statement No. 157*, which delays the effective date of SFAS 157 until January 1, 2009 for all non-financial assets and liabilities, except those that are recognized and disclosed at fair value in the financial statements on a recurring basis. SFAS 157 is effective for fiscal years beginning after November 15, 2007 for financial assets and liabilities as well as non-financial assets and liabilities excluded from the deferral above. The Foundation is currently evaluating the requirements of SFAS 157 and has not yet determined the impact, if any, on its financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, (SFAS 159), which provides organizations with an option to report selected financial assets and liabilities at fair value in an attempt to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. SFAS 159 is effective as of the beginning of an entity’s first fiscal year beginning after November 15, 2007. The Foundation is currently evaluating the requirements of SFAS 159 and has not yet determined the impact, if any, on its financial statements.

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 2 – Investments

Investments consists of the following:

	June 30,	
	<u>2008</u>	<u>2007</u>
Multi-strategy equity fund	\$ 10,640,932	\$ 10,598,832
Multi-strategy bond fund	5,854,608	5,057,923
Multi-strategy international equity fund	1,303,385	877,805
Realty fund	740,116	–
Capital partners fund	93,862	–
Other	<u>1,001</u>	<u>1,001</u>
	<u>\$ 18,633,904</u>	<u>\$ 16,535,561</u>

All of the investments, except for other investments, are permanently restricted for endowment purposes.

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

	For the Year Ended	
	June 30,	
	<u>2008</u>	<u>2007</u>
Endowment investment income	\$ 473,059	\$ 579,877
Less endowment investment expenses	(<u>59,905</u>)	(<u>48,138</u>)
Net endowment investment income	413,154	531,739
Realized loss on sale of contributed investments	(215)	(519)
Unrealized gain (loss) on endowment and other investments	(<u>1,086,115</u>)	<u>1,678,598</u>
	(<u>673,176</u>)	2,209,818
Short-term interest income	<u>507,376</u>	<u>572,861</u>
	<u>(\$ 165,800)</u>	<u>\$ 2,782,679</u>

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 3 – Contributions Receivable

Contributions receivable include pledges and trusts that have been discounted at rates ranging from 4.23% to 5.05%. The following is a summary of the Foundation's contributions receivable classified by the expected date of collection:

	<u>June 30,</u>	
	<u>2008</u>	<u>2007</u>
Receivable in less than one year	\$ 6,390,397	\$ 1,919,837
Receivable in one to five years	8,606,545	4,287,092
Receivable in more than five years	<u>4,800,000</u>	<u>100,000</u>
	19,796,942	6,306,929
Less discount to reflect present value	(2,264,082)	(531,655)
Less allowance for doubtful pledges	(<u>42,067</u>)	(<u>62,000</u>)
Net Pledges Receivable	17,490,793	5,713,274
 Net charitable remainder trusts receivable	 <u>639,738</u>	 <u>1,681,724</u>
	<u>\$ 18,130,531</u>	<u>\$ 7,394,998</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>2008</u>	<u>2007</u>
Time and performance restriction – contributions receivable	\$ 6,344,406	\$ 6,636,110
Scholarships and campus programs	<u>10,963,140</u>	<u>13,664,682</u>
	<u>\$ 17,307,546</u>	<u>\$ 20,300,792</u>

Permanently Restricted Net Assets

Receivable – endowments	\$ 12,044,276	\$ 1,018,274
Scholarships	10,553,805	9,670,369
Other University support	<u>7,008,751</u>	<u>4,154,322</u>
	<u>\$ 29,606,832</u>	<u>\$ 14,842,965</u>

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 5 – Related-Party Transactions

The University processes certain transactions on behalf of the Foundation, which consist mainly of payroll-related and contract-service transactions. The Foundation reimburses the University for these transactions on a monthly basis. For the years ended June 30, 2008 and 2007, these reimbursements were \$610,440 and \$429,940, respectively. At June 30, 2008 and 2007, the Foundation had \$158,711 and \$89,464, respectively, payable to the University, which is included in accounts payable and accrued liabilities on the accompanying statements of financial position. At June 30, 2008, the Foundation had a \$2,533 receivable from the University, which is included in accounts receivable on the accompanying statements of financial position. There was no receivable from the University as of June 30, 2007.

The Foundation receives payments from the University for various advancement activities which totaled \$98,641 and \$36,457, respectively, for the years ended June 30, 2008 and 2007. The Foundation purchases equipment for various campus program accounts and then transfers title to the University. For the years ended June 30, 2008 and 2007, these purchases were \$38,514 and \$131,120, respectively.