



CALIFORNIA STATE UNIVERSITY
FULLERTON

Philanthropic Foundation

Financial Statements
June 30, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Cal State Fullerton Philanthropic Foundation (a nonprofit organization, the Foundation), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cal State Fullerton Philanthropic Foundation as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2021 on our consideration of the 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 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 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 the Foundation's internal control over financial reporting and compliance.

Emphasis of Matter

As discussed in Note 1, during the year ended June 30, 2021, California State Fullerton Philanthropic Foundation adopted Accounting Standard Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). Our opinion is not modified with respect to this matter.



Irvine, California
September 9, 2021

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents, including restricted cash	\$ 78,191,950	\$ 38,511,550
Investments	102,350,084	73,139,942
Contributions receivable, net of allowance	6,066,562	5,707,012
Accounts receivable	131,505	367,929
Prepaid expenses	9,350	75,549
Other receivables	212,191	200,801
Other assets	<u>272,003</u>	<u>275,611</u>
TOTAL ASSETS	<u>\$ 187,233,645</u>	<u>\$ 118,278,394</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued liabilities	\$ 449,381	\$ 668,455
Deposits held in custody for others	-	4,051,436
Total Liabilities	<u>449,381</u>	<u>4,719,891</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Undesignated	44,451,755	3,694,271
Board designated endowment	<u>243,645</u>	<u>-</u>
Total net assets without donor restrictions	<u>44,695,400</u>	<u>3,694,271</u>
NET ASSETS WITH DONOR RESTRICTIONS		
With donor restrictions for purpose or time	76,065,750	48,125,243
With donor restrictions in perpetuity	<u>66,023,114</u>	<u>61,738,989</u>
Total net assets with donor restrictions	<u>142,088,864</u>	<u>109,864,232</u>
Total Net Assets	<u>186,784,264</u>	<u>113,558,503</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 187,233,645</u>	<u>\$ 118,278,394</u>

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

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT			
Contributions and gifts	\$ 40,351,471	\$ 18,307,638	\$ 58,659,109
Campus programs	-	298,230	298,230
Alumni Association membership fees and programs	-	400,487	400,487
Investment income, net	1,147,877	21,151,216	22,299,093
Other income (expense)	(247,752)	381,564	133,812
Change in value of split interest agreements	-	187,891	187,891
Net assets released from restrictions	<u>8,502,394</u>	<u>(8,502,394)</u>	<u>-</u>
 Total Revenues and Support	 <u>49,753,990</u>	 <u>32,224,632</u>	 <u>81,978,622</u>
EXPENSES			
Program Expenses:			
University Support for Campus Programs	5,042,993	-	5,042,993
University Support for Scholarships	3,171,927	-	3,171,927
University Support for Alumni Association	278,791	-	278,791
University Support for Fundraising Activities	8,683	-	8,683
Total Program Expenses	<u>8,502,394</u>	<u>-</u>	<u>8,502,394</u>
Supporting Services:			
Professional Services	117,603	-	117,603
General, Administrative, & Office Expenses	87,020	-	87,020
Compensation & Benefits	45,700	-	45,700
Conferences and Travel	144	-	144
Total Supporting Services	<u>250,467</u>	<u>-</u>	<u>250,467</u>
 Total Expenses	 <u>8,752,861</u>	 <u>-</u>	 <u>8,752,861</u>
 CHANGES IN NET ASSETS	 41,001,129	 32,224,632	 73,225,761
 NET ASSETS AT BEGINNING OF YEAR	 <u>3,694,271</u>	 <u>109,864,232</u>	 <u>113,558,503</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 44,695,400</u>	 <u>\$ 142,088,864</u>	 <u>\$ 186,784,264</u>

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

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT			
Contributions and gifts	\$ -	\$ 20,126,011	\$ 20,126,011
Campus programs	-	865,202	865,202
Alumni Association membership fees and programs	-	294,790	294,790
Investment income, net	1,024,134	1,882,056	2,906,190
Other income (expense)	(104,509)	610,387	505,878
Change in value of split interest agreements	-	(84,679)	(84,679)
Net assets released from restrictions	<u>9,173,909</u>	<u>(9,173,909)</u>	<u>-</u>
 Total Revenues and Support	 <u>10,093,534</u>	 <u>14,519,858</u>	 <u>24,613,392</u>
EXPENSES			
Program Expenses:			
University Support for Campus Programs	5,912,635	-	5,912,635
University Support for Scholarships	2,576,075	-	2,576,075
University Support for Alumni Association	262,207	-	262,207
University Support for Fundraising Activities	422,992	-	422,992
Total Program Expenses	<u>9,173,909</u>	<u>-</u>	<u>9,173,909</u>
Supporting Services:			
Professional Services	111,801	-	111,801
General, Administrative, & Office Expenses	174,465	-	174,465
Compensation & Benefits	23,239	-	23,239
Conferences and Travel	1,655	-	1,655
Total Supporting Services	<u>311,160</u>	<u>-</u>	<u>311,160</u>
 Total Expenses	 <u>9,485,069</u>	 <u>-</u>	 <u>9,485,069</u>
 CHANGES IN NET ASSETS	 608,465	 14,519,858	 15,128,323
 NET ASSETS AT BEGINNING OF YEAR	 <u>3,085,806</u>	 <u>95,344,374</u>	 <u>98,430,180</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 3,694,271</u>	 <u>\$ 109,864,232</u>	 <u>\$ 113,558,503</u>

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

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended June 30,	
	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 73,225,761	\$ 15,128,323
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Contributions of investments	(1,272,233)	(244,142)
Contributions restricted for long-term investments	(3,602,328)	(147,471)
Change in discount on contributions receivable	124,896	51,000
Change in allowance for doubtful pledges	36,070	(6,762,750)
Noncash change in split-interest agreements	(187,891)	84,679
Redemption of split-interest agreements	516,425	-
Realized (gains) losses on sale of contributed investments	(7,816)	(547)
Net realized and unrealized income on investments	(20,668,709)	(547,732)
Net (increase) decrease in:		
Contributions receivable	(849,050)	5,230,448
Accounts receivable	236,424	(120,367)
Prepaid expenses	66,199	(5,223)
Other assets and receivables	(7,783)	(52,226)
Net increase (decrease) in:		
Accounts payable and accrued liabilities	(219,074)	(433,676)
Deposits held in custody for others	(4,051,436)	1,767,197
Net Cash Provided By Operating Activities	<u>43,339,455</u>	<u>13,947,513</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(12,918,790)	(15,466,598)
Proceeds from sale of investments	4,377,341	8,861,694
Proceeds from sale of contributed investments	<u>1,280,066</u>	<u>244,707</u>
Net Cash Used In Investing Activities	<u>(7,261,383)</u>	<u>(6,360,197)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long-term investments	<u>3,602,328</u>	<u>147,471</u>
Net Cash Provided By Financing Activities	<u>3,602,328</u>	<u>147,471</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS INCLUSIVE OF RESTRICTED CASH		
	39,680,400	7,734,787
CASH AND CASH EQUIVALENTS INCLUSIVE OF RESTRICTED CASH AT BEGINNING OF YEAR		
	<u>38,511,550</u>	<u>30,776,763</u>
CASH AND CASH EQUIVALENTS INCLUSIVE OF RESTRICTED CASH AT END OF YEAR		
	<u>\$ 78,191,950</u>	<u>\$ 38,511,550</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 consolidated financial statements.

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 – Nature of Activities and Significant Accounting Policies

Nature of Activities

The Cal State Fullerton Philanthropic Foundation (the 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.

The consolidated financial statements of the Foundation include the financial information of the Cal State Fullerton Alumni Association (the Alumni Association), which is a nonprofit organization within the University. The mission of the Alumni Association is to build lifelong alumni relationships by contributing to a positive image of the University, promoting accomplishments of the University and alumni, providing environments and opportunities for alumni engagement, encouraging educational, social and economic benefits for our student and alumni communities, and advocating on behalf of the University to promote student success.

All intercompany accounts and transactions have been eliminated in the consolidation.

Recently Adopted Pronouncement

Beginning July 1, 2020, the Foundation adopted Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and has applied it prospectively. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP and requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. No significant reclassifications to prior-year amounts were necessary in order to adopt the new standard.

Financial Statement Presentation

The Foundation is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions.

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

Financial Statement Presentation (Continued)

Revenues, gains, expenses, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- **Without Donor Restrictions** – Net assets without donor restrictions represent net assets that are not subject to donor-imposed restrictions and that may be expendable for any purpose in performing the primary objectives of the Foundation.
- **With Donor Restrictions** – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation or the passage of time. As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions. Other donor stipulations may be perpetual in nature, where the donor stipulates that the corpus be maintained intact in perpetuity. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law.

Reclassifications

Certain reclassifications have been made to the 2020 consolidated financial statements presentation in order to correspond to the current year's format.

Contributions

Contributions received are recorded as support without donor restrictions or with donor restrictions depending on the existence and nature of any donor restrictions. All contributions are considered to be available for without donor restriction use unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions. When a donor's stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions. Net assets that have restrictions stipulated by the donor that the corpus be invested in perpetuity and only income be made available for operations are classified as net assets with donor restrictions in perpetuity.

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing consolidated 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, support, and expenses. Actual results can vary from the estimates that were assumed in preparing the consolidated financial statements. Significant items subject to such estimates and assumptions include the valuation of contributions receivable.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Foundation considers all highly liquid, short-term investments with a maturity of 12 months or less when purchased to be cash equivalents.

As of June 30, 2021 and 2020 and at times throughout the years, the Foundation has maintained cash balances at its financial institutions in excess of federally insured limits.

Included in cash and cash equivalents at June 30, 2021 and 2020 is \$4,241,007 and \$10,174,268, respectively, restricted for endowment purposes.

Investments

The Foundation manages a significant number of individual endowment fund accounts. The purpose of an 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 directed toward funds managed by Goldman Sachs Institutional Wealth Management.

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

Investment income is allocated to net assets without donor restrictions and net assets with donor restrictions as stipulated by the individual agreements.

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

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. (See Note 6.) Distributions from the trusts are recorded as adjustments to the carrying value of the assets. Charitable remainder trusts amount to \$187,891 and \$516,425 on June 30, 2021 and 2020, respectively, and are included in contributions receivable in the consolidated statements of financial position.

Charitable Gift Annuities

The Foundation is the beneficiary of certain charitable annuities held and administered by others. The present value of the estimated future cash receipts from the annuities are recognized as assets and contribution revenues at the date the annuities are established. (See Note 6.) Distributions from the annuities are recorded as adjustments to the carrying value of the assets. Charitable gift annuities amount to approximately \$212,191 and \$200,801 on June 30, 2021 and 2020, respectively, and are included in other receivables in the consolidated statements of financial position.

Accounts Receivable

Accounts receivable mainly consists of accrued interest that is due and payable to the Foundation at year-end. Management provides for probable uncollectible amounts through a charge to revenue and a credit to a valuation allowance based on its assessment of the current status of the receivables. There is no valuation allowance against accounts receivable as of June 30, 2021 or 2020.

Contributions Receivable

The two forms of contributions 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. Allowances for uncollectible amounts are calculated based on historical collection rates and specific identification of uncollectible accounts. Uncollectible pledges are charged to the allowance. An expense is recorded at the time the allowance is adjusted.

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

Deposits Held in Custody for Others

Funds held by the Foundation on behalf of University-affiliated ancillary organizations are recorded within the consolidated statements of financial position as deposits held in custody for others. The Foundation is acting as an agent for the transactions of these units, and the revenue and expense activity of the affiliate organization is not recorded. These funds are recorded in cash and cash equivalents and investments in the consolidated statements of financial position, and totaled \$921,478 and \$3,129,958, respectively, at June 30, 2020. During the year ended June 30, 2021, deposits held in custody for others of \$4,759,262 were contributed to the Foundation and are included as contributions with donor restrictions on the statements of activities.

Functional Allocation of Expenses

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

Fair Value Measurements

The Foundation recognizes or discloses financial assets, financial liabilities and nonfinancial items at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The availability of inputs observable in the market varies from instrument to instrument and depends on a variety of factors including the type of instrument, whether the instrument is actively traded, and other characteristics particular to the transaction. For many financial instruments, pricing inputs are readily observable in the market, the valuation methodology used is widely accepted by market participants, and the valuation does not require significant management discretion. For other financial instruments, pricing inputs are less observable in the market and may require management judgment.

Tax Status

The Foundation is exempt from federal and California state income taxes under Section 501(c)(3) of the Internal Revenue Code and 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. The Foundation recognizes the financial statement benefit of tax positions, such as its filing status as tax-exempt, only after determining that the relevant tax authority would more likely than not sustain the position following an audit. The Foundation is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal purposes is three years and for state purposes is generally four years.

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

Recently Issued Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in *Leases (Topic 840)*. This update increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. During June 2020, the FASB voted to delay the effective date of this accounting standard until fiscal years beginning after December 15, 2021. The Foundation is currently evaluating the impact of the adoption of the new standard on the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash or other financial assets. Additionally, the standard requires a not-for-profit to disclose a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of nonfinancial assets and additional information related to the monetization, utilization, and valuation of the contributed nonfinancial assets. The ASU is effective for annual reporting periods beginning after June 15, 2021. The Foundation is currently evaluating the impact of the adoption of the new standard on the financial statements.

Subsequent Events

The Foundation's management has evaluated subsequent events through September 9, 2021, the date the consolidated financial statements were available to be issued for the year ended June 30, 2021, and determined that there were no other items to disclose.

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	June 30,	
	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	\$ 78,191,950	\$ 38,511,550
Investments	102,350,084	73,139,942
Contributions receivable, net	6,066,562	5,707,012
Accounts receivable	131,505	367,929
Endowment earnings anticipated to be available via appropriation for general expenditure in the next 12 months	2,376,902	2,097,708
	189,117,003	119,824,141
Less amounts not available to be used within one year due to donor-imposed purpose or time restrictions, or assets held for related party	(135,042,244)	(105,707,052)
	\$ 54,074,759	\$ 14,117,089

The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations comes due.

NOTE 3 – Investments

Investments consists of the following:

	June 30,	
	2021	2020
Domestic equity index funds	\$ 55,790,010	\$ 33,403,294
Fixed income index funds	26,592,450	26,083,414
International equity index funds	12,253,053	8,172,753
Capital partners fund	396,879	344,425
Private equity/alternative investments	7,317,692	5,136,056
	\$102,350,084	\$ 73,139,942

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3 – Investments (Continued)

Investment income, net, is summarized as follows:

	For the Year Ended	
	June 30,	
	2021	2020
Reinvested interest and dividend income	\$ 1,889,991	\$ 1,898,039
Unrealized gains	19,992,517	507,681
Realized gains	187,693	40,051
Realized gains on sale of contributed investments	7,816	547
Short-term interest income	326,182	540,505
Less investment fees	(105,106)	(80,633)
	\$ 22,299,093	\$ 2,906,190

NOTE 4 – Contributions Receivable

Contributions receivable includes pledges and trusts that have been discounted at rates ranging from 1.25% to 4.81%. The following is a summary of the Foundation’s contributions receivable classified by the expected date of collection:

	June 30,	
	2021	2020
Receivable in less than one year	\$ 2,199,024	\$ 2,273,720
Receivable in one to five years	3,170,171	2,948,844
Receivable in more than five years	1,108,419	406,000
	6,477,614	5,628,564
Less discount to reflect present value	(267,354)	(142,458)
Less allowance for doubtful contributions	(331,589)	(295,519)
Net contributions receivable	5,878,671	5,190,587
Net charitable remainder trusts receivable	187,891	516,425
	\$ 6,066,562	\$ 5,707,012

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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, 2021 and 2020, these reimbursements were \$2,042,834 and \$2,276,346, respectively. At June 30, 2021 and 2020, the Foundation had \$572,050 and \$765,581, respectively, payable to the University, which is included in accounts payable and accrued liabilities on the accompanying consolidated statements of financial position.

The Foundation receives payments from the University for various advancement activities that totaled \$117,200 and \$120,126 for the years ended June 30, 2021 and 2020, respectively. The Foundation purchases equipment for various campus program accounts and then transfers title and the equipment at cost to the University. For the years ended June 30, 2021 and 2020, these purchases were \$117,036 and \$115,438, respectively.

The Foundation receives contributed services from the University for various administrative duties. The value of such contributed services totaled approximately \$578,000 and \$482,000, for the years ended June 30, 2021 and 2020, respectively. These amounts are not included in the accompanying consolidated statements of activities; however, if recorded, amounts would be recorded as contributions without donor restrictions and administrative expenses.

NOTE 6 – Fair Value Measurements

Accounting standards establish 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) and the lowest priority to measurements involving significant unobservable inputs (level 3). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. Also included in level 2 are investments measured using a net asset value (“NAV”) per share, or its equivalent, that may be redeemed at that NAV at the date of the statement of financial position or in the near term, which is generally considered to be within 95 days.
- Level 3 inputs are unobservable inputs for the asset or liability. This valuation is accomplished using management’s best estimate of fair value, with inputs into the determination of fair value that require significant management judgment or estimation. Also included in level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at the NAV.

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 6 – Fair Value Measurements (Continued)

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

The following is a description of valuation methodologies used for assets and liabilities recorded at fair value:

Investments in equity and index funds: The fair value of the investments is measured using quoted prices in active markets for identical assets.

Contributions receivable from charitable remainder trusts: The fair value of the contributions receivable from charitable remainder trusts is estimated as the present value of the projected proceeds that will be received from the charitable remainder trust.

Investments in limited partnerships: Since the investments in limited partnerships are valued utilizing unobservable inputs, and do not permit redemption at the measurement date, such investments are classified within level 3. The limited partnership investments are presented at fair value, as determined by the General Partner. The General Partner's determination of fair value is based upon the best available information provided by the limited partnerships and may incorporate management assumptions. These investments are included in the Private equity/alternative investments line item on Note 3.

Investments in private equity/alternative investments: The Foundation follows the authoritative guidance under US GAAP for estimating the fair value of investments in investment companies that have calculated net asset value (NAV) in accordance with the specialized accounting guidance for investment companies. According to this guidance, a reporting entity is permitted, as a practical expedient, to estimate the fair value of an investment in an investment company using the NAV of the investment without further adjustment, if the NAV of the investment is determined in accordance with the specialized accounting guidance for investment companies as of the reporting entity's measurement date. The guidance also requires certain additional disclosures.

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. The Foundation generally uses the NAV reported by the investment fund as the primary input to its valuation. However, adjustments to the reported NAV may be made based on various factors including, but not limited to, the basis of accounting used in determining the NAV, the reporting date of the NAV, and probable sales of any individual investment funds as of the measurement date.

An individual investment fund's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the investment manager.

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 6 – Fair Value Measurements (Continued)

The investment manager considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by multiple, independent sources that are actively involved in the relevant market.

The investment funds are generally open-end hedge funds, as they typically offer subscription and redemption options to investors. The frequency of such subscriptions and redemptions is dictated by the investment fund’s governing documents. The Foundation’s total investment in a particular investment fund may be comprised of investments made at different points in time with differing liquidity terms that may result in differences in the effective minimum holding period, lockup or participation in sidepocket investments. Liquidity may also be impacted by gate provisions or redemption suspensions imposed by the board of directors or investment managers of the hedge funds. An investment is generally classified as level 2 if the Foundation has the ability to redeem its investment with the investment fund at NAV within 95 days after the measurement date upon no greater than 90 days prior written notice, with no other potential liquidity restrictions. All other investments are classified as level 3. The categorization of an investment fund within the hierarchy is based upon the Foundation’s ability to redeem that investment fund and does not necessarily correspond to the investment manager’s perceived risk of that investment fund. Transfers between level 2 and level 3 are typically the result of changes in the liquidity terms of investment funds or investments made in investment funds where the Foundation’s right to redeem the investment without penalty is based on a rolling anniversary date greater than one year apart such that at a given year-end, the investment may or may not meet the requirement to be classified as level 2.

The following tables present assets that are measured at fair value on a recurring basis at June 30, 2021 and 2020:

<u>June 30, 2021:</u>	<u>Assets at Fair Value</u>	<u>Fair Value Measurements at Reporting Date Using Quoted Prices</u>		
		<u>in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments (see Note 3)	\$ 102,350,084	\$ 94,635,513	\$ -	\$ 7,714,571
Contributions receivable from charitable remainder trusts	187,891	-	-	187,891
Other receivables from charitable gift annuities	<u>212,191</u>	<u>-</u>	<u>-</u>	<u>212,191</u>
	<u>\$ 102,750,166</u>	<u>\$ 94,635,513</u>	<u>\$ -</u>	<u>\$ 8,114,653</u>

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 6 – Fair Value Measurements (Continued)

<u>June 30, 2020:</u>	<u>Assets at Fair Value</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments (see Note 3)	\$ 73,139,942	\$ 67,659,461	\$ -	\$ 5,480,481
Contributions receivable from charitable remainder trusts	516,425	-	-	516,425
Other receivables from charitable gift annuities	<u>200,801</u>	<u>-</u>	<u>-</u>	<u>200,801</u>
	<u>\$ 73,857,168</u>	<u>\$ 67,659,461</u>	<u>\$ -</u>	<u>\$ 6,197,707</u>

As of June 30, 2021 and 2020, the Foundation has no liabilities measured at fair value.

Accounting standards require a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3) during the period. For the level 3 assets, the reconciliation is as follows:

	<u>Contributions Receivable From Charitable Remainder Trusts</u>	<u>Contributions Receivable From Charitable Gift Annuities</u>	<u>Investments</u>
Balance at June 30, 2019	\$ 601,104	\$ 180,829	\$ 4,726,540
Additions	-	-	1,132,477
Redemption	-	-	(468,483)
Change in value	<u>(84,679)</u>	<u>19,972</u>	<u>89,947</u>
Balance at June 30, 2020	516,425	200,801	5,480,481
Additions	187,891	10,000	1,317,106
Redemption	(516,425)	-	(944,432)
Change in value	<u>-</u>	<u>1,390</u>	<u>1,861,416</u>
Balance at June 30, 2021	<u>\$ 187,891</u>	<u>\$ 212,191</u>	<u>\$ 7,714,571</u>

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 6 – Fair Value Measurements (Continued)

Alternative Investments Reported at Net Asset Value

The following table summarizes the Foundation’s alternative investments in funds valued using the fair value practical expedient of net asset value as of June 30, 2021:

	<u>Fair Value June 30, 2021</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period (Days)</u>	<u>Unfunded Commitment</u>
Level 3:				
Private equity LP fund (a)	\$ 396,879	N/A	N/A	\$ 53,125

- (a) Commonfund Capital Partners IV is a partnership that manages a broadly diversified multistrategy program that provides access to US private equity and global private equity with the objective of obtaining long-term capital growth. This is an illiquid investment and redemptions are not permitted. Quarterly distributions will be made by the partnership as individual investments reach maturity. The partnership was scheduled to terminate in July 2019, however the General Partner extended the terms of the partnership until August 2022 in accordance with the terms of the partnership agreement. The partnership will continue until the last investment is disposed of and liquidation occurs.

The following table summarizes the Foundation’s alternative investments in funds valued using the fair value practical expedient of net asset value as of June 30, 2020:

	<u>Fair Value June 30, 2020</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period (Days)</u>	<u>Unfunded Commitment</u>
Level 3:				
Private equity LP fund (a)	\$ 344,425	N/A	N/A	\$ 53,125

- (a) Commonfund Capital Partners IV is a partnership that manages a broadly diversified multistrategy program that provides access to US private equity and global private equity with the objective of obtaining long-term capital growth. This is an illiquid investment and redemptions are not permitted. Quarterly distributions will be made by the partnership as individual investments reach maturity. The partnership was scheduled to terminate in July 2019, however the General Partner extended the terms of the partnership until August 2022 in accordance with the terms of the partnership agreement. The partnership will continue until the last investment is disposed of and liquidation occurs.

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 7 – Net Assets

The following is a summary of the Foundation’s net assets with donor restrictions:

	June 30,	
	2021	2020
<i>Net assets with donor restrictions that expire upon passage of time or expenditure for specified purpose:</i>		
Subject to passage of time and for expenditure for specified purpose:		
Contributions receivable – with donor restriction	<u>\$ 4,054,880</u>	<u>\$ 3,956,237</u>
Subject to expenditure for specified purpose:		
With donor restriction	32,262,572	22,772,282
Endowment net assets subject to appropriation and expenditure for specified purpose:		
Scholarships	10,883,859	3,968,005
Campus programs	<u>17,871,713</u>	<u>8,860,519</u>
	<u>28,755,572</u>	<u>12,828,524</u>
Quasi endowment	<u>10,992,726</u>	<u>8,568,200</u>
Total	<u>76,065,750</u>	<u>48,125,243</u>
<i>Net assets with donor restrictions in perpetuity:</i>		
Endowment net assets:		
Scholarships	28,664,461	28,077,583
Campus programs	<u>37,358,653</u>	<u>33,661,406</u>
	<u>66,023,114</u>	<u>61,738,989</u>
<i>Total net assets with donor restrictions</i>	<u><u>\$ 142,088,864</u></u>	<u><u>\$ 109,864,232</u></u>

Quasi Endowment

The Quasi endowment was established at the Foundation in 2020 and, per the donors’ request, supports the operations of the mission critical research for science and educating the next generation of scientists. The Foundation authorized the sale of a car collection that was distributed to the Foundation through a trust. The collection was sold in 2020 for a purchase price of \$10,000,000 and \$8,568,200 was transferred to the Quasi endowment.

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 8 – Endowments

The Foundation's endowments consist of individual donor-designated funds established for the purpose of supporting education. Net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Through December 31, 2008, the Foundation's management and investment of donor-restricted endowment funds was subject to the provisions of the *Uniform Management of Institutional Funds Act* (UMIFA). In 2006, the Uniform Law Commission approved the model act, *Uniform Prudent Management of Institutional Funds Act* (UPMIFA) that serves as a guideline to states to use in enacting legislation. Among UPMIFA's most significant changes is the elimination of UMIFA's concept of historic dollar value threshold, the amount below which an organization could not spend from a donor-designated endowment fund, in favor of a more robust set of guidelines about what constitutes prudent spending. Effective January 1, 2009, the state of California has enacted UPMIFA, the provisions of which apply to endowment funds existing on or established after that date.

The Foundation has interpreted the California *Uniform Prudent Management of Institutional Funds Act* as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions in perpetuity: (a) the original value of the gifts donated to the perpetually restricted endowment, (b) the original value of subsequent gifts to the perpetually restricted endowment, and (c) accumulations to the perpetually restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions for purpose and time until those amounts are appropriated for expenditure by the Foundation. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the endowment fund
- (2) The purposes of the institution and the endowment fund
- (3) General economic conditions
- (4) The expected total return from income and the appreciation of investments
- (5) Other resources of the institution
- (6) The investment policy of the institution

The Finance and Investment Committee of the Board of Governors is charged with the responsibility of managing the investment of endowment assets for the Foundation. The objective in management of these funds is to achieve an average annual rate of return, over a period of five years, of the S&P 500 Index plus 1% for the aggregate equity investments, and the Barclay's U.S. Aggregate Bond Index plus 0.5% for the aggregate fixed income investments.

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 8 – Endowments (Continued)

The Finance and Investment Committee of the Board of Governors adheres to modern portfolio theory, which has, as its basis, risk reduction through diversification. Diversification is obtained through the use of multiple asset classes, as well as multiple investments within these asset classes. Asset classes that may be used include (but are not limited to) domestic and international corporate stocks and bonds, hedge funds, and government-issued debt securities. The investment strategy is implemented through the selection of external advisors and managers with the expertise and successful histories in the management of specific asset classes.

The Foundation’s investment policy stipulates that the Board of Governors will distribute earnings on an annual basis to further the purposes of the individual donor-designated funds. The intent of this policy is to provide a stable spending distribution policy to allow university departments to effectively manage programs funded by endowment funds, while maintaining the purchasing power of the endowment funds’ assets.

For the fiscal years ended June 30, 2021 and 2020, the Foundation’s Board of Governors approved earnings distribution equal to 3.0% for both years of the endowment funds’ market value over a rolling five-year average. Distributions of \$2,112,622 and \$1,955,453 were made during the years ended 2021 and 2020, respectively.

Endowment net asset composition by type of fund and net changes in endowment funds for the year ended June 30, 2021 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Original donor-restricted gift amount	\$ -	\$ 66,023,114	\$ 66,023,114
Quasi endowment gift amount	-	10,992,726	10,992,726
Board designated endowment gift amount	237,500	-	237,500
Accumulated investment gains	<u>6,145</u>	<u>28,755,572</u>	<u>28,761,717</u>
Endowment net assets, 6/30/21	<u>\$ 243,645</u>	<u>\$ 105,771,412</u>	<u>\$106,015,057</u>

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 8 – Endowments (Continued)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, 7/1/20:			
Original donor-restricted amount	\$ -	\$ 61,738,989	\$ 61,738,989
Quasi endowment gift amount	-	8,568,200	8,568,200
Accumulated investment gains	-	12,828,524	12,828,524
Investment return:			
Investment income	6,145	3,618,206	3,624,351
Net appreciation (realized and unrealized)	-	<u>17,206,436</u>	<u>17,206,436</u>
Total investment return	<u>6,145</u>	<u>20,824,642</u>	<u>20,830,787</u>
Contributions to perpetual endowment	237,500	3,602,328	3,839,828
Change in value of charitable remainder trusts receivable	-	187,891	187,891
Other income	-	133,460	133,460
Appropriated for expenditure	-	<u>(2,112,622)</u>	<u>(2,112,622)</u>
Endowment net assets, 6/30/21	<u>\$ 243,645</u>	<u>\$ 105,771,412</u>	<u>\$106,015,057</u>

Endowment net asset composition by type of fund and net changes in endowment funds for the year ended June 30, 2020 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Original donor-restricted gift amount	\$ -	\$ 61,738,989	\$ 61,738,989
Accumulated investment gains	-	12,828,524	12,828,524
Quasi endowment gift amount	-	<u>8,568,200</u>	<u>8,568,200</u>
Endowment net assets, 6/30/20	<u>\$ -</u>	<u>\$ 83,135,713</u>	<u>\$ 83,135,713</u>

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 8 – Endowments (Continued)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, 7/1/19:			
Original donor-restricted amount	\$ -	\$ 57,787,930	\$ 57,787,930
Accumulated investment gains	-	12,647,640	12,647,640
Investment return:			
Investment income	-	1,534,040	1,534,040
Net appreciation (realized and unrealized)	-	<u>305,001</u>	<u>305,001</u>
Total investment return	-	1,839,041	1,839,041
Contributions to perpetual endowment	-	3,886,789	3,886,789
Contributions to Quasi endowment	-	8,568,200	8,568,200
Change in value of charitable remainder trusts receivable	-	(84,679)	(84,679)
Other income	-	446,245	446,245
Appropriated for expenditure	-	<u>(1,955,453)</u>	<u>(1,955,453)</u>
Endowment net assets, 6/30/20	<u>\$ -</u>	<u>\$ 83,135,713</u>	<u>\$ 83,135,713</u>

Included in the endowment net assets are contributions receivable, net of reserve, restricted to the endowment of \$2,555,463 and \$2,247,092 as of June 30, 2021 and 2020, respectively.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of June 30, 2021 and 2020, there were no deficient funds.