



CALIFORNIA STATE UNIVERSITY
FULLERTON

Philanthropic Foundation

Financial Statements
June 30, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Cal State Fullerton Philanthropic Foundation, a nonprofit organization, which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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 (the Foundation) as of June 30, 2023 and 2022, 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.

Basis for Opinion

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

Responsibilities of Management for the Consolidated 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.

In preparing these consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that these consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2023 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, 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.

Winder, Inc.

Irvine, California
September 18, 2023

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	2023	2022
ASSETS		
Cash and cash equivalents, including restricted cash	\$ 41,734,719	\$ 43,099,236
Investments	145,734,013	134,739,913
Contributions receivable, net of allowance	11,638,170	7,281,122
Accounts receivable	440,540	324,755
Prepaid expenses	31,604	13,751
Other receivables	186,477	202,080
Other assets	272,995	278,183
TOTAL ASSETS	\$ 200,038,518	\$ 185,939,040

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,888,573	\$ 900,098
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Undesignated	11,090,068	15,537,816
Board designated endowment	22,056,283	21,113,671
Total net assets without donor restrictions	33,146,351	36,651,487
NET ASSETS WITH DONOR RESTRICTIONS		
With donor restrictions for purpose or time	88,481,586	72,156,338
With donor restrictions in perpetuity	76,522,008	76,231,117
Total net assets with donor restrictions	165,003,594	148,387,455
Total Net Assets	198,149,945	185,038,942
TOTAL LIABILITIES AND NET ASSETS	\$ 200,038,518	\$ 185,939,040

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, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions and gifts	\$ 802	\$ 19,776,153	\$ 19,776,955
Campus programs	-	1,127,729	1,127,729
Alumni Association membership fees and programs	-	271,847	271,847
Investment income, net	2,937,699	8,497,819	11,435,518
Other income (expense)	830	20	850
Change in value of split interest agreements	-	10,373	10,373
Net assets released to restrictions	(4,804,050)	4,804,050	-
Net assets released from restrictions	<u>17,871,852</u>	<u>(17,871,852)</u>	<u>-</u>
Total Revenues and Support	<u>16,007,133</u>	<u>16,616,139</u>	<u>32,623,272</u>
EXPENSES			
Program Expenses:			
University support for campus programs	13,121,306	-	13,121,306
University support for scholarships	4,023,036	-	4,023,036
University support for Alumni Association	351,022	-	351,022
University support for fundraising activities	<u>376,488</u>	<u>-</u>	<u>376,488</u>
Total Program Expenses	<u>17,871,852</u>	<u>-</u>	<u>17,871,852</u>
Supporting Services:			
Professional services	129,488	-	129,488
General, administrative, and office expenses	1,372,032	-	1,372,032
Compensation and benefits	123,131	-	123,131
Conferences and travel	<u>15,766</u>	<u>-</u>	<u>15,766</u>
Total Supporting Services	<u>1,640,417</u>	<u>-</u>	<u>1,640,417</u>
Total Expenses	<u>19,512,269</u>	<u>-</u>	<u>19,512,269</u>
CHANGES IN NET ASSETS	(3,505,136)	16,616,139	13,111,003
NET ASSETS AT BEGINNING OF YEAR	<u>36,651,487</u>	<u>148,387,455</u>	<u>185,038,942</u>
NET ASSETS AT END OF YEAR	<u>\$ 33,146,351</u>	<u>\$ 165,003,594</u>	<u>\$ 198,149,945</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, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions and gifts	\$ 2,008	\$ 19,384,783	\$ 19,386,791
Campus programs	-	719,614	719,614
Alumni Association membership fees and programs	-	289,188	289,188
Investment loss, net	(1,727,230)	(10,210,340)	(11,937,570)
Other income (expense)	5,452	(30,466)	(25,014)
Change in value of split interest agreements	-	(21,834)	(21,834)
Net assets released to restrictions	(5,890,224)	5,890,224	-
Net assets released from restrictions	<u>9,722,578</u>	<u>(9,722,578)</u>	<u>-</u>
Total Revenues and Support	<u>2,112,584</u>	<u>6,298,591</u>	<u>8,411,175</u>
EXPENSES			
Program Expenses:			
University support for campus programs	5,311,784	-	5,311,784
University support for scholarships	3,774,252	-	3,774,252
University support for Alumni Association	158,544	-	158,544
University support for fundraising activities	<u>477,998</u>	<u>-</u>	<u>477,998</u>
Total Program Expenses	<u>9,722,578</u>	<u>-</u>	<u>9,722,578</u>
Supporting Services:			
Professional Services	108,770	-	108,770
General, administrative, and office expenses	294,607	-	294,607
Compensation and benefits	29,948	-	29,948
Conferences and travel	<u>594</u>	<u>-</u>	<u>594</u>
Total Supporting Services	<u>433,919</u>	<u>-</u>	<u>433,919</u>
Total Expenses	<u>10,156,497</u>	<u>-</u>	<u>10,156,497</u>
CHANGES IN NET ASSETS	(8,043,913)	6,298,591	(1,745,322)
NET ASSETS AT BEGINNING OF YEAR	<u>44,695,400</u>	<u>142,088,864</u>	<u>186,784,264</u>
NET ASSETS AT END OF YEAR	<u>\$ 36,651,487</u>	<u>\$ 148,387,455</u>	<u>\$ 185,038,942</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>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 13,111,003	\$ (1,745,322)
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Contributions of investments	(472,003)	(2,795,834)
Contributions restricted for long-term investments	(524,316)	(6,870,878)
Change in discount on contributions receivable	(42,511)	(30,892)
Change in allowance for doubtful pledges	543,142	(39,615)
Noncash change in split-interest agreements	(10,373)	21,834
Realized (gains) losses on sale of contributed investments	(690)	23,125
Net realized and unrealized (income) loss on investments	(7,521,767)	15,046,388
Net (increase) decrease in:		
Contributions receivable	(4,847,306)	(1,165,885)
Accounts receivable	(115,785)	(193,251)
Prepaid expenses	(17,853)	(4,401)
Other assets and receivables	20,791	3,931
Net (decrease) in:		
Accounts payable and accrued liabilities	988,475	450,716
Net Cash Provided By Operating Activities	<u>1,110,807</u>	<u>2,699,916</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(22,659,586)	(62,566,516)
Proceeds from sale of investments	19,187,098	15,130,296
Proceeds from sale of contributed investments	472,848	2,772,712
Net Cash Used In Investing Activities	<u>(2,999,640)</u>	<u>(44,663,508)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long-term investments	524,316	6,870,878
Net Cash Provided By Financing Activities	<u>524,316</u>	<u>6,870,878</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS INCLUSIVE OF RESTRICTED CASH	(1,364,517)	(35,092,714)
CASH AND CASH EQUIVALENTS INCLUSIVE OF RESTRICTED CASH AT BEGINNING OF YEAR	<u>43,099,236</u>	<u>78,191,950</u>
CASH AND CASH EQUIVALENTS INCLUSIVE OF RESTRICTED CASH AT END OF YEAR	<u>\$ 41,734,719</u>	<u>\$ 43,099,236</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, 2023 AND 2022

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

In February 2016, the FASB issued new lease accounting guidance in Accounting Standards Update (ASU) 2016-02 *Leases* (Topic 842), which modifies lease accounting for lessees to increase transparency and comparability by requiring the Foundation to recognize a lease liability and related right-of-use assets for all leases (with the exception of short-term leases) at the commencement date of the lease and disclose key information about leasing arrangements. Effective July 1, 2022, the Foundation adopted ASU 2016-02. The Foundation has not entered into any leases and, therefore, this adoption did not have any effect on the consolidated financial statements.

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, 2023 AND 2022**

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.

Board-designated net assets are net assets without donor restrictions that are subject to self-imposed limits by action of the governing board. As of June 30, 2023, board-designated net assets of \$22,056,283 were invested into the endowment from a single unrestricted gift to provide income for a long, but not necessarily specified, period. The board-designated endowment was designated to programs that will provide the greatest impact to the University's student success, diversity, equity and inclusion, faculty research, support, and retention. The board-designated endowment and all investment returns are free of donor restrictions and are reported in net assets without donor restrictions.

- **With Donor Restrictions** – Net assets subject to donor-imposed stipulations that 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 consolidated statements of activities as net assets released from restrictions. Other donor stipulations are 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.

Contributions

The two forms of contributions are unconditional contributions and conditional contributions. Unconditional contributions are recognized as revenues in the period in which the Foundation receives the contribution. Conditional contributions are recognized when the conditions on which they depend are substantially met. 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 consolidated 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, 2023 AND 2022

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

Contributions (Continued)

For the year ended June 30, 2022, the Foundation received \$7,644,000 of conditional promises to give for which the conditions had not been met as of June 30, 2022. Related to this, the Foundation received \$550,000 of these funds in advance and these unearned funds were included in accounts payable and accrued liabilities on the consolidated statement of financial position as of June 30, 2022. These conditions were met in the fiscal year ended June 30, 2023, and recognized as contribution revenue in the year therein.

For the year ended June 30, 2023, the Foundation did not receive any conditional promises to give.

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, 2023 and 2022 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, 2023 and 2022 is \$1,657,457 and \$10,071,611, respectively, restricted for endowment purposes.

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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 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.

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 \$234,430 and \$166,057 on June 30, 2023 and 2022, 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 \$186,477 and \$202,080 on June 30, 2023 and 2022, 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, 2023 or 2022.

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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

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.

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, 2023 AND 2022**

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

Subsequent Events

The Foundation’s management has evaluated subsequent events through September 18, 2023, the date the consolidated financial statements were available to be issued for the year ended June 30, 2023, and determined that there were no other items to disclose.

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 consolidated statement of financial position date, comprise the following:

	June 30,	
	2023	2022
Financial assets at year-end:		
Cash and cash equivalents	\$ 41,734,719	\$ 43,099,236
Investments	145,734,013	134,739,913
Contributions receivable, net	11,638,170	7,281,122
Accounts receivable	440,540	324,755
Endowment earnings anticipated to be available via appropriation for general expenditure in the next 12 months	2,839,328	2,592,611
	202,386,770	188,037,637
Less amounts not available to be used within one year due to donor-imposed purpose or time restrictions, or assets held for related party	(120,753,893)	(120,968,390)
Less amounts not available as set aside for board-designated endowments	(22,056,283)	(21,113,671)
	\$ 59,576,594	\$ 45,955,576

The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations comes due. The Foundation’s board also has ultimate control over the board-designated endowments and could utilize those assets as needed.

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 3 – Investments

Investments consists of the following:

	June 30,	
	<u>2023</u>	<u>2022</u>
Domestic equity index funds	\$ 64,800,353	\$ 64,848,760
Fixed income index funds	55,806,082	46,099,411
International equity index funds	16,278,875	14,742,091
Certificates of deposit	23,800	-
Capital partners fund	193,325	312,913
Private equity/alternative investments	<u>8,631,578</u>	<u>8,736,738</u>
	<u>\$145,734,013</u>	<u>\$134,739,913</u>

Investment income (loss), net, is summarized as follows:

	For the Year Ended	
	June 30,	
	<u>2023</u>	<u>2022</u>
Reinvested interest and dividend income	\$ 3,561,536	\$ 2,969,580
Unrealized gains (losses)	7,231,930	(15,655,016)
Realized gains (losses)	289,147	444,390
Realized gains (losses) on sale of contributed investments	690	(23,125)
Short-term interest income	690,625	487,567
Less investment fees	<u>(182,732)</u>	<u>(160,966)</u>
	<u>\$ 11,591,196</u>	<u>\$ (11,937,570)</u>

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 4 – Contributions Receivable

Contributions receivable includes pledges and trusts that have been discounted at rates ranging from 1.25% to 3.98%. The following is a summary of the Foundation’s contributions receivable classified by the expected date of collection:

	June 30,	
	2023	2022
Receivable in less than one year	\$ 8,965,535	\$ 2,826,633
Receivable in one to five years	3,006,373	3,953,468
Receivable in more than five years	460,900	863,400
	12,432,808	7,643,501
Less discount to reflect present value	(193,951)	(236,461)
Less allowance for doubtful contributions	(835,117)	(291,975)
Net contributions receivable	11,403,740	7,115,065
Net charitable remainder trusts receivable	234,430	166,057
	\$ 11,638,170	\$ 7,281,122

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, 2023 and 2022, these reimbursements were \$5,321,681 and \$2,131,033, respectively. At June 30, 2023 and 2022, the Foundation had \$1,568,722 and \$370,448, 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 \$171,784 and \$161,117 for the years ended June 30, 2023 and 2022, respectively. The Foundation purchases equipment for various campus program accounts and then transfers the title and the equipment at cost to the University. For the years ended June 30, 2023 and 2022, these purchases were \$157,278 and \$353,256, respectively.

The Foundation receives contributed services from the University for various administrative duties. The value of such contributed services totaled approximately \$783,000 and \$627,000, for the years ended June 30, 2023 and 2022, 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.

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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 consolidated statements 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.

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 at 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 in Note 3.

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 6 – Fair Value Measurements (Continued)

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 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.

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 side pocket 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.

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 6 – Fair Value Measurements (Continued)

The following tables present assets that are measured at fair value on a recurring basis at June 30, 2023 and 2022:

<u>June 30, 2023:</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)	\$ 145,734,013	\$ 136,909,110	\$ -	\$ 8,824,903
Contributions receivable from charitable remainder trusts	234,430	-	-	234,430
Other receivables from charitable gift annuities	<u>186,477</u>	<u>-</u>	<u>-</u>	<u>186,477</u>
	<u>\$ 146,154,920</u>	<u>\$ 136,909,110</u>	<u>\$ -</u>	<u>\$ 9,245,810</u>

<u>June 30, 2022:</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)	\$ 134,739,913	\$ 125,690,263	\$ -	\$ 9,049,650
Contributions receivable from charitable remainder trusts	166,057	-	-	166,057
Other receivables from charitable gift annuities	<u>202,080</u>	<u>-</u>	<u>-</u>	<u>202,080</u>
	<u>\$ 135,108,050</u>	<u>\$ 125,690,263</u>	<u>\$ -</u>	<u>\$ 9,417,787</u>

As of June 30, 2023 and 2022, the Foundation has no liabilities measured at fair value.

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 6 – Fair Value Measurements (Continued)

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, 2021	\$ 187,891	\$ 212,191	\$ 7,714,571
Additions	-	-	1,087,062
Redemption	-	-	(1,902,932)
Change in value	<u>(21,834)</u>	<u>(10,111)</u>	<u>2,150,949</u>
Balance at June 30, 2022	166,057	202,080	9,049,650
Additions	58,000	-	1,390,872
Redemption	-	-	(967,042)
Change in value	<u>10,373</u>	<u>(15,603)</u>	<u>(648,577)</u>
Balance at June 30, 2023	<u>\$ 234,430</u>	<u>\$ 186,477</u>	<u>\$ 8,824,903</u>

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, 2023:

	<u>Fair Value June 30, 2023</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period (Days)</u>	<u>Unfunded Commitment</u>
Level 3:				
Private equity LP fund (a)	\$ 197,116	N/A	N/A	\$ 46,750

- (a) Commonfund Capital Partners IV is a partnership that manages a broadly diversified multi-strategy program that provides access to U.S. 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 has since gone into liquidation and will continue until the last investment is disposed of.

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 6 – Fair Value Measurements (Continued)

Alternative Investments Reported at Net Asset Value (Continued)

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, 2022:

	<u>Fair Value June 30, 2023</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period (Days)</u>	<u>Unfunded Commitment</u>
Level 3:				
Private equity LP fund (a)	\$ 312,913	N/A	N/A	\$ 53,215

(a) Commonfund Capital Partners IV is a partnership that manages a broadly diversified multi-strategy program that provides access to U.S. 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.

NOTE 7 – Net Assets

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

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
<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	\$ 10,583,309	\$ 4,224,819
Subject to expenditure for specified purpose:		
With donor restriction	<u>45,596,766</u>	<u>40,105,917</u>
Endowment net assets subject to appropriation and expenditure for specified purpose:		
Scholarships	7,997,678	6,366,388
Campus programs	<u>14,279,309</u>	<u>11,614,656</u>
	<u>22,276,987</u>	<u>17,981,044</u>
Quasi endowment	<u>10,024,524</u>	<u>9,844,558</u>
Total	<u>88,481,586</u>	<u>72,156,338</u>

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 7 – Net Assets (Continued)

	June 30,	
	2023	2022
<i>Net assets with donor restrictions in perpetuity:</i>		
Endowment net assets:		
Scholarships	34,654,184	33,115,018
Campus programs	41,867,824	43,116,099
	76,522,008	76,231,117
 <i>Total net assets with donor restrictions</i>	 \$ 165,003,594	 \$ 148,387,455

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.

Net Assets Released to Restrictions

During the fiscal years ended June 30, 2023 and 2022, the Foundation solicited contributions that included a matching rate of 1:2 (50 cents for every dollar) for new donor gifts contributed to endowment or other restricted funds. These matching funds were approved by the Board of Governors through the budget line item entitled “Matching Challenge” and will be classified as either transfer from net assets without donor restrictions to endowment and subject to donor restrictions, or in non-endowment net assets subject to donor restrictions depending on the terms of the agreement. All requests and transfers from these established funds must be consistent with donor intent for the donor contributions. During the year ended June 30, 2023, \$4,804,050 was transferred from net assets without donor restrictions to net assets with donor restrictions in accordance with donor agreements. This included \$409,050, which was transferred to net assets with donor restrictions in perpetuity (see Note 8) and \$4,395,000 that was transferred to net assets with donor restrictions for purpose and time. During the year ended June 30, 2022, \$5,890,224 was transferred from net assets without donor restrictions to net assets with donor restrictions in accordance with donor agreements. This included \$3,380,724 which was transferred to net assets with donor restrictions in perpetuity (see Note 8) and \$2,509,500 that was transferred to net assets with donor restrictions for purpose and time.

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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.

The Foundation's management and investment of donor-restricted endowment funds is subject to the provisions of the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA).

The Foundation has interpreted the California UPMIFA 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, 2023 AND 2022**

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, 2023 and 2022, 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 \$3,533,408 and \$2,473,100 were made during the years ended 2023 and 2022, respectively.

Endowment net asset composition by type of fund and net changes in endowment funds for the year ended June 30, 2023 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Original donor-restricted gift amount	\$ -	\$ 76,522,008	\$ 76,522,008
Quasi endowment gift amount	-	10,024,524	10,024,524
Board-designated endowment gift amount	23,237,500	-	23,237,500
Accumulated investment gains (losses)	<u>(1,181,217)</u>	<u>22,276,987</u>	<u>21,095,770</u>
Endowment net assets, 6/30/23	<u>\$ 22,056,283</u>	<u>\$ 108,823,519</u>	<u>\$ 130,879,802</u>

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 8 – Endowments (Continued)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, 6/30/22:			
Original donor-restricted amount	\$ -	\$ 76,231,117	\$ 76,231,117
Quasi endowment per donor agreement	-	9,844,558	9,844,558
Board-designated endowment gift amount	23,237,500	-	23,237,500
Accumulated investment gains	<u>(2,123,829)</u>	<u>17,981,044</u>	<u>15,857,215</u>
Total endowment net assets, 6/30/22	21,113,671	104,056,719	125,170,390
Investment return:			
Investment income (loss)	(609,302)	1,306,210	696,908
Net appreciation (realized and unrealized)	<u>1,551,914</u>	<u>6,613,410</u>	<u>8,165,324</u>
Total investment return	942,612	7,919,620	8,862,232
Contributions to perpetual endowment	-	524,316	524,316
Contributions to Quasi endowment	-	20,000	20,000
Net assets released from endowment in accordance with donor agreement	-	(1,000,000)	(1,000,000)
Net assets released to endowment in accordance with donor agreement	-	409,050	409,050
Change in value of charitable remainder trusts receivable	-	10,372	10,372
Contributions to charitable remainder trusts receivable	-	58,000	58,000
Other income	-	358,850	358,850
Appropriated for expenditure	<u>-</u>	<u>(3,533,408)</u>	<u>(3,533,408)</u>
Endowment net assets, 6/30/23	<u>\$ 22,056,283</u>	<u>\$ 108,823,519</u>	<u>\$ 130,879,802</u>

Endowment net asset composition by type of fund and net changes in endowment funds for the year ended June 30, 2022 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Original donor-restricted gift amount	\$ -	\$ 76,231,117	\$ 76,231,117
Quasi endowment gift amount	-	9,844,558	9,844,558
Board-designated endowment gift amount	23,237,500	-	23,237,500
Accumulated investment gains (losses)	<u>(2,123,829)</u>	<u>17,981,044</u>	<u>15,857,215</u>
Endowment net assets, 6/30/22	<u>\$ 21,113,671</u>	<u>\$ 104,056,719</u>	<u>\$ 125,170,390</u>

CAL STATE FULLERTON PHILANTHROPIC FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 8 – Endowments (Continued)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, 6/30/21:			
Original donor-restricted amount	\$ -	\$ 66,023,114	\$ 66,023,114
Quasi endowment per donor agreement	-	10,992,726	10,992,726
Board-designated endowment gift amount	237,500	-	237,500
Accumulated investment gains	6,145	28,755,572	28,761,717
Total endowment net assets, 6/30/21	<u>243,645</u>	<u>105,771,412</u>	<u>106,015,057</u>
Investment return:			
Investment income (loss)	(1,502)	(2,495,338)	(2,496,840)
Net depreciation (realized and unrealized)	<u>(2,128,472)</u>	<u>(6,945,690)</u>	<u>(9,074,162)</u>
Total investment return	<u>(2,129,974)</u>	<u>(9,441,028)</u>	<u>(11,571,002)</u>
Contributions to perpetual endowment	-	6,870,878	6,870,878
Unrestricted net assets designated by board as endowment	23,000,000	-	23,000,000
Net assets released to endowment in accordance with donor agreement	-	3,380,724	3,380,724
Change in value of charitable remainder trusts receivable	-	(21,834)	(21,834)
Other income	-	(30,333)	(30,333)
Appropriated for expenditure	<u>-</u>	<u>(2,473,100)</u>	<u>(2,473,100)</u>
Endowment net assets, 6/30/22	<u>\$ 21,113,671</u>	<u>\$ 104,056,719</u>	<u>\$125,170,390</u>

Included in the endowment net assets are contributions receivable, net of reserve, restricted to the endowment of \$2,094,756 and \$4,273,847 as of June 30, 2023 and 2022, 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. For June 30, 2023, there were 95 deficient funds, with an aggregate deficit of \$432,046. For June 30, 2022, there were 120 deficient funds, with an aggregate deficit of \$748,655.

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 Governors of
Cal State Fullerton Philanthropic Foundation:

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 of America, the consolidated financial statements of Cal State Fullerton Philanthropic Foundation, a nonprofit organization, which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 18, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Cal State Fullerton Philanthropic Foundation's (the Foundation's) internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 consolidated 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.

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 the Foundation's consolidated 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 consolidated financial statements. 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Windes, Inc.".

Irvine, California
September 18, 2023