

California State University, Bakersfield Foundation

Financial Statements and Supplemental Information

Years Ended June 30, 2019 and 2018



CALIFORNIA STATE UNIVERSITY, BAKERSFIELD FOUNDATION

Financial Statements and Supplemental Information

Years Ended June 30, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
California State University, Bakersfield Foundation

We have audited the accompanying financial statements of California State University, Bakersfield Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California State University, Bakersfield Foundation as of June 30, 2019 and 2018, 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.

INDEPENDENT AUDITORS' REPORT, CONTINUED

Emphasis-of-Matter Regarding a Change in Accounting Principle

As discussed in Note 1 to the financial statements, California State University, Bakersfield Foundation adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958); Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on pages 24 – 31 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Aldrich CPAs + Advisors LLP

San Diego, California
September 18, 2019

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD FOUNDATION**Statements of Financial Position**

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 3,907,424	\$ 3,658,987
Current portion of promises to give, net of allowance for doubtful promises	782,364	689,683
Accounts receivable, net of allowance for doubtful accounts of \$15,775 (2019) and \$29,198 (2018)	7,016	18,130
Due from related parties	99,393	278,166
Other current assets	<u>-</u>	<u>733</u>
Total Current Assets	4,796,197	4,645,699
Non-Current Assets:		
Investments	33,489,942	34,567,815
Promises to give, net of discount and current portion	787,900	776,620
Property and equipment, net of accumulated depreciation	798,058	839,487
Collections	91,670	91,670
Life insurance policies	<u>427,327</u>	<u>528,222</u>
Total Non-Current Assets	<u>35,594,897</u>	<u>36,803,814</u>
Total Assets	<u>\$ 40,391,094</u>	<u>\$ 41,449,513</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 65,599	\$ 121,791
Accrued expenses	24,253	2,437
Due to related parties	240,811	369,552
Current portion of accrued post-employment benefits other than pensions	74,243	75,242
Receipts in excess of expenditures on sponsored programs	165,100	-
Deposits in excess of withdrawals for agency accounts	<u>45,500</u>	<u>170,651</u>
Total Current Liabilities	615,506	739,673
Non-Current Liabilities:		
Accrued post-employment benefits other than pensions, net of current portion	<u>1,019,725</u>	<u>1,069,185</u>
Total Liabilities	1,635,231	1,808,858
Net Assets:		
Without Donor Restrictions:		
Operating	5,062,883	5,782,270
Board designated endowment	<u>3,586,892</u>	<u>3,666,603</u>
	8,649,775	9,448,873
With Donor Restrictions:		
Time restricted only	105,711	46,246
Purpose restricted	12,577,931	13,051,525
Perpetual in nature	<u>17,422,446</u>	<u>17,094,011</u>
	<u>30,106,088</u>	<u>30,191,782</u>
Total Net Assets	<u>38,755,863</u>	<u>39,640,655</u>
Total Liabilities and Net Assets	<u>\$ 40,391,094</u>	<u>\$ 41,449,513</u>

See accompanying notes to financial statements.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD FOUNDATION**Statements of Activities**

Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Revenue and Other Support:		
Contributions	\$ 4,265,031	\$ 3,807,307
Investment Income	756,954	2,437,883
Other	<u>1,766,719</u>	<u>988,381</u>
Total Revenue and Other Support	6,788,704	7,233,571
Expenses:		
Program services:		
Alumni engagement	104,765	94,748
Athletics	2,628,609	2,499,091
Scholarships and academic support	2,519,278	2,624,337
Endowments	306,056	302,834
Reserves	1,094,131	608,736
Supporting services:		
General and administrative	440,426	256,049
Fundraising	<u>580,231</u>	<u>358,718</u>
Total Expenses	<u>7,673,496</u>	<u>6,744,513</u>
Change in Net Assets	(884,792)	489,058
Net Assets, beginning	<u>39,640,655</u>	<u>39,151,597</u>
Net Assets, ending	<u>\$ 38,755,863</u>	<u>\$ 39,640,655</u>

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD FOUNDATION**Statement of Activities**

Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Other Support:			
Contributions	\$ 146,942	\$ 4,118,089	\$ 4,265,031
Investment income	15,319	741,635	756,954
Other	1,142,091	624,628	1,766,719
Net assets released from restriction	<u>5,570,046</u>	<u>(5,570,046)</u>	<u>-</u>
Total Revenue and Other Support	6,874,398	(85,694)	6,788,704
Expenses:			
Program services:			
Alumni engagement	104,765	-	104,765
Athletics	2,628,609	-	2,628,609
Scholarships and academic support	2,519,278	-	2,519,278
Endowments	306,056	-	306,056
Reserves	1,094,131	-	1,094,131
Supporting services:			
General and administrative	440,426	-	440,426
Fundraising	<u>580,231</u>	<u>-</u>	<u>580,231</u>
Total Expenses	<u>7,673,496</u>	<u>-</u>	<u>7,673,496</u>
Change in Net Assets	(799,098)	(85,694)	(884,792)
Net Assets, beginning	<u>9,448,873</u>	<u>30,191,782</u>	<u>39,640,655</u>
Net Assets, ending	<u>\$ 8,649,775</u>	<u>\$ 30,106,088</u>	<u>\$ 38,755,863</u>

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD FOUNDATION**Statement of Activities**

Year Ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Other Support:			
Contributions	\$ 490,940	\$ 3,316,367	\$ 3,807,307
Investment income	742,890	1,694,993	2,437,883
Other	596,364	392,017	988,381
Net assets released from restriction	<u>5,734,534</u>	<u>(5,734,534)</u>	<u>-</u>
Total Revenue and Other Support	7,564,728	(331,157)	7,233,571
Expenses:			
Program services:			
Alumni engagement	94,748	-	94,748
Athletics	2,499,091	-	2,499,091
Scholarships and academic support	2,624,337	-	2,624,337
Endowments	302,834	-	302,834
Reserves	608,736	-	608,736
Supporting services:			
General and administrative	256,049	-	256,049
Fundraising	<u>358,718</u>	<u>-</u>	<u>358,718</u>
Total Expenses	<u>6,744,513</u>	<u>-</u>	<u>6,744,513</u>
Change in Net Assets	820,215	(331,157)	489,058
Net Assets, beginning	<u>8,628,658</u>	<u>30,522,939</u>	<u>39,151,597</u>
Net Assets, ending	<u>\$ 9,448,873</u>	<u>\$ 30,191,782</u>	<u>\$ 39,640,655</u>

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD FOUNDATION

Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services					Supporting Services				Total
	Alumni Engagement	Athletics	Scholarships and Academic Support	Endowments	Reserves	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Transfers to CSUB	\$ -	\$ 1,029,357	\$ 585,553	\$ -	\$ 915,227	\$ 2,530,137	\$ -	\$ -	\$ -	\$ 2,530,137
Scholarships	-	259,146	1,175,916	-	-	1,435,062	-	-	-	1,435,062
Office expenses	27,618	139,212	77,349	-	11,289	255,468	42,590	139,900	182,490	437,958
Salaries and wages	-	319,661	115,672	-	-	435,333	-	2,344	2,344	437,677
Foundation administration fees	-	-	-	306,056	86,789	392,845	-	-	-	392,845
Supplies	32,207	67,950	188,204	-	8,582	296,943	54,795	38,418	93,213	390,156
Travel	1,219	230,417	37,700	-	11,023	280,359	17	30,685	30,702	311,061
In-kind expenses	-	197,094	6,240	-	9,986	213,320	74,892	-	74,892	288,212
Events	-	-	76,886	-	-	76,886	21,686	159,667	181,353	258,239
Employee benefits	-	117,698	10,102	-	-	127,800	93,390	-	93,390	221,190
Miscellaneous	1,912	88,757	62,352	-	3,548	156,569	3,098	5,996	9,094	165,663
Other professional fees	28,918	66,804	42,290	-	-	138,012	15,365	9,509	24,874	162,886
Dues and subscriptions	2,100	3,218	107,424	-	2,000	114,742	7,321	19,199	26,520	141,262
Advertising and promotion	4,414	65,263	1,596	-	-	71,273	8,941	49,043	57,984	129,257
Information technology	-	1,259	1,798	-	-	3,057	2,601	83,364	85,965	89,022
Conference, conventions, and meetings	-	12,915	8,348	-	567	21,830	3,886	18,464	22,350	44,180
Bad debt	-	-	-	-	-	-	42,596	-	42,596	42,596
Depreciation	-	3,520	-	-	37,909	41,429	-	-	-	41,429
Accounting	-	-	-	-	-	-	34,450	-	34,450	34,450
Occupancy	4,605	300	12,305	-	-	17,210	5,122	1,507	6,629	23,839
Professional fundraising	-	-	-	-	-	-	-	20,966	20,966	20,966
Payroll taxes	-	18,102	1,255	-	-	19,357	490	-	490	19,847
Change in post-employment benefits other than pensions	-	-	-	-	-	-	18,759	-	18,759	18,759
Insurance	1,772	3,357	1,652	-	43	6,824	10,427	1,169	11,596	18,420
Minor equipment	-	4,579	6,636	-	7,168	18,383	-	-	-	18,383
Total expenses	\$ 104,765	\$ 2,628,609	\$ 2,519,278	\$ 306,056	\$ 1,094,131	\$ 6,652,839	\$ 440,426	\$ 580,231	\$ 1,020,657	\$ 7,673,496

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD FOUNDATION

Statement of Functional Expenses

Year Ended June 30, 2018

	Program Services					Supporting Services				Total
	Alumni Engagement	Athletics	Scholarships and Academic Support	Endowments	Reserves	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Transfers to CSUB	\$ -	\$ 994,919	\$ 1,030,484	\$ -	\$ 368,479	\$ 2,393,882	\$ -	\$ -	\$ -	\$ 2,393,882
Scholarships	-	254,068	944,280	-	-	1,198,348	-	-	-	1,198,348
Supplies	67,412	63,562	336,164	2,925	4,613	474,676	24,291	24,566	48,857	523,533
Salaries and wages	150	379,845	65,266	-	13,675	458,936	-	-	-	458,936
Foundation administration fees	-	-	-	299,909	117,371	417,280	-	-	-	417,280
Office expenses	12,545	129,844	102,130	-	19,283	263,802	36,277	98,802	135,079	398,881
In-kind expenses	-	216,963	1,195	-	-	218,158	-	56,516	56,516	274,674
Travel	931	115,549	31,176	-	15,037	162,693	1,304	9,946	11,250	173,943
Information technology	-	7,992	6,168	-	3,312	17,472	-	119,952	119,952	137,424
Bad debt	-	-	-	-	-	-	134,073	-	134,073	134,073
Employee benefits	-	118,456	11,555	-	8,772	138,783	63,683	-	63,683	202,466
Miscellaneous	803	62,544	21,840	-	2,111	87,298	-	3,644	3,644	90,942
Other professional fees	-	37,030	18,630	-	2,113	57,773	31,200	1,331	32,531	90,304
Dues and subscriptions	160	6,017	39,878	-	11,105	57,160	9,717	8,726	18,443	75,603
Advertising and promotion	6,650	46,287	1,669	-	86	54,692	300	17,164	17,464	72,156
Conference, conventions, and meetings	110	32,693	1,775	-	-	34,578	-	6,584	6,584	41,162
Depreciation	-	6,241	-	-	34,750	40,991	-	-	-	40,991
Accounting	-	-	-	-	-	-	27,627	-	27,627	27,627
Payroll taxes	14	25,259	879	-	-	26,152	-	-	-	26,152
Occupancy	3,332	-	6,912	-	-	10,244	11,441	2,593	14,034	24,278
Insurance	2,101	277	2,069	-	-	4,447	11,968	769	12,737	17,184
Events	540	1,545	789	-	-	2,874	10,043	509	10,552	13,426
Minor equipment	-	-	1,478	-	8,029	9,507	-	-	-	9,507
Professional fundraising	-	-	-	-	-	-	-	7,616	7,616	7,616
Change in post-employment benefits other than pensions	-	-	-	-	-	-	(105,875)	-	(105,875)	(105,875)
Total expenses	\$ 94,748	\$ 2,499,091	\$ 2,624,337	\$ 302,834	\$ 608,736	\$ 6,129,746	\$ 256,049	\$ 358,718	\$ 614,767	\$ 6,744,513

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD FOUNDATION**Statements of Cash Flows**

Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (884,792)	\$ 489,058
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	41,429	40,990
Donation of investments	(10,620)	(52,475)
Gains on investments	(2,007,842)	(2,439,198)
Endowment contributions	269,380	607,424
Changes in operating assets and liabilities:		
Receivables	85,926	665,047
Life insurance policies	100,895	(478,222)
Other current assets	733	(733)
Accounts payable and accrued expenses	(34,376)	74,413
Other liabilities	<u>(139,251)</u>	<u>(633,259)</u>
Net Cash Used by Operating Activities	(2,578,518)	(1,726,955)
Cash Flows from Investing Activities:		
Purchases of investments	(6,486,818)	(2,404,942)
Proceeds from sale of investments	<u>9,583,153</u>	<u>3,050,288</u>
Net Cash Provided by Investing Activities	3,096,335	645,346
Cash Flows from Financing Activities:		
Endowment contributions	<u>(269,380)</u>	<u>(607,424)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	248,437	(1,689,033)
Cash and Cash Equivalents, beginning	<u>3,658,987</u>	<u>5,348,020</u>
Cash and Cash Equivalents, ending	<u>\$ 3,907,424</u>	<u>\$ 3,658,987</u>

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD FOUNDATION

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

Note 1 – Organization and Summary of Significant Accounting Policies

Nature of Activities

The California State University, Bakersfield Foundation (Foundation), was incorporated in the State of California on February 5, 1969. The Foundation was formed and operates as a non-profit auxiliary organization of California State University, Bakersfield (CSU Bakersfield or the University), which is located in Bakersfield, California. The Foundation supports the University by advocating for the University to government and to the community, fundraising for University programs and activities, managing the finances of the Foundation and the University endowment, and advising the administrations of California State University and the University.

New Accounting Pronouncement

During the year ended June 30, 2019, the Foundation adopted ASU No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions until the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets with donor restrictions, liquidity, and expenses by both their natural and functional classification.

Financial Statement Presentation

The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Foundation to report information regarding their financial position and activities according to the following net asset classifications:

- Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.
- Net assets with donor restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Foundation is a qualified nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. However, the Foundation remains subject to taxes on any net income which is derived from a trade or business, regularly carried on, and unrelated to its exempt purpose.

The Foundation follows accounting standards generally accepted in the United States of America related to the recognition of uncertain tax positions. The Foundation recognizes accrued interest and penalties associated with uncertain tax positions as part of the statements of activities, when applicable. Management has determined that the Foundation has no uncertain tax positions at June 30, 2019 and 2018 and therefore no amounts have been accrued.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD FOUNDATION

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

Note 1 – Organization and Summary of Significant Accounting Policies, continued

Promises to Give

Promises that are expected to be collected within one year are recorded at their net realizable value. Promises that are expected to be collected in future years are discounted to their estimated net present value. After promises are originally recorded, an allowance for uncollectible promises may be established based on specific circumstances.

Accounts Receivable

The accounts receivable arise in the normal course of operations. It is the policy of management to review the outstanding accounts receivable at year-end, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts.

Investments

The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. The fair value is determined using quoted market prices. Alternative investments, for which quoted market prices are not readily available, are valued at fair value by the investment manager based on factors deemed relevant by the manager including, but not limited to, market conditions, purchase price, estimated liquidation value, restrictions on transfer and meaningful third party transactions in the private market. Because of the inherent uncertainty of valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material. Unrealized gains and losses are included in the change in net assets in the statements of activities.

Property and Equipment

The Foundation capitalizes all expenditures for property and equipment in excess of \$5,000. Equipment and improvements are recorded at cost or at estimated fair value at date of gift donated. Expenditures for maintenance and repairs are charged against operations. Depreciation is provided on a straight-line basis over the estimated useful lives of the asset of three to 30 years.

Collections

The Foundation capitalizes its collections at cost if purchased and at appraised or fair value at the date of accession if donated. There were no acquisitions in 2019 or 2018. Capitalized collections are not depreciated.

Life Insurance Policies

The Foundation receives life insurance policies as gifts. These policies are irrevocable and the Foundation is the sole beneficiary. These policies are valued at their fair market value as of year-end.

Revenue Recognition

All contributions are considered available for the Foundation's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as net assets with donor restrictions and increase the respective class of net assets. Investment income that is limited to specific uses by donor restrictions is reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the income is recognized.

Gifts In-kind

Contributions of tangible assets are recognized at fair market value when received. In-kind contributions are recognized as net assets without donor restrictions, unless donor stipulation requires them to be recognized as net assets with donor restrictions.

Advertising

The Foundation follows the policy of charging the costs of advertising to expenses as incurred.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD FOUNDATION

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

Note 1 – Organization and Summary of Significant Accounting Policies, continued

Functional Allocation of Expenses

The Foundation's accounting system is established to record expenses by fund, department and natural expense. Expense function is determined by either fund alone or by a combination of fund and department. One fund is used to accumulate expenses considered to be either general and administrative or fundraising in nature. Within that fund, the department determines whether the expense is general and administrative or fundraising in nature. The remaining funds accumulate expenses considered to be programmatic in nature. Certain costs initially captured within the program funds, such as investment brokerage fees and professional fund raising fees, are presented as general and administrative and fundraising costs instead of program costs.

Fair Value Measurements

The Foundation defines fair value as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market. The Foundation applies fair value measurements to assets and liabilities that are required to be recorded at fair value under generally accepted accounting principles. Fair value measurement techniques maximize the use of observable inputs and minimize the use of unobservable inputs, and are categorized in a fair value hierarchy based on the transparency of inputs.

The three levels are defined as follows:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

As a practical expedient, certain financial instruments may be valued using net asset value (NAV) per share. NAV is the amount of net assets attributable to each share of outstanding capital stock at the end of the period.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019 and 2018.

Mutual funds, bonds and equity securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Hedge funds: Valued at the partner's reported capital account balance, which approximates fair value.

Future Accounting Standards

The Financial Accounting Standards Board (FASB) has issued three substantial ASUs which will become effective in future years.

The amendments in ASU 2014-09 *Revenue from Contracts with Customers* and subsequent updates require that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Adoption of the new standard is to be applied on a full retrospective basis or modified retrospective basis. The Foundation is in the process of assessing how this new ASU and subsequent updates will affect the Foundation's reporting of revenues. This assessment includes determining the effect of the new standard on the Foundation's financial statements, accounting systems, business processes, and internal controls.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD FOUNDATION

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

Note 1 – Organization and Summary of Significant Accounting Policies, continued

Future Accounting Standards, continued

Based on its assessment to date, the Foundation does not currently expect adoption to have a material effect on their revenues. Adoption of ASU 2014-09 will also require enhanced financial statement disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

In June 2018, ASU 2018-08 *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* was issued to provide guidance on the accounting and reporting of grants and contributions. This guidance will assist nonprofit organizations in evaluating if a transaction is an exchange transaction or a contribution. Clarification was also added to determine if a contribution is conditional or unconditional and how each of these should be recorded. This update is effective for transactions in which the entity serves as the resource recipient for fiscal years beginning after December 15, 2018. The Foundation is evaluating the effect that the provisions of ASU 2018-08 will have on its financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02 *Leases*. The primary change in US GAAP addressed by ASU 2016-02 is the requirement for a lessee to recognize on the statement of financial position a liability to make lease payments (“lease liability”) and a right-of-use asset representing its right to use the underlying asset for the lease term. ASU 2016-02 also requires qualitative and quantitative disclosures to enable users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019. On July 17, 2019 the FASB voted to propose delaying the effective date by one year. Lessees must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The Foundation is evaluating the effect that the provisions of ASU 2016-02 will have on its financial statements and related disclosures.

Subsequent Events

The Foundation has evaluated subsequent events through September 18, 2019, which is the date the financial statements were available to be issued.

Note 2 – Liquidity and Availability

The following reflects the Foundation’s financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual obligations within one year of the statement of financial position date.

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 3,907,424	\$ 3,658,987
Promises to give, net	1,570,264	1,466,303
Accounts receivable, net	7,016	18,130
Due from related parties	99,393	278,166
Other current assets	-	733
Investments	33,489,942	34,567,815
Anticipated distributions from endowments	<u>908,230</u>	<u>1,341,120</u>
Total financial assets	39,982,269	41,331,254
Less amounts not available to be used within one year:		
Restricted by donor with purpose or time restrictions	(30,068,805)	(30,167,381)
Board designations: quasi-endowment fund, primarily for long-term investing	<u>(3,586,892)</u>	<u>(3,666,603)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>6,326,572</u></u>	\$ <u><u>7,497,270</u></u>

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD FOUNDATION

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

Note 2 – Liquidity and Availability, continued

The Foundation is substantially supported by donor-restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation invests cash in excess of daily requirements in Certificates of Deposit. The Foundation has a quasi-endowment of \$3,586,892. Although the Foundation does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual appropriation process, amounts from its quasi-endowment could be made available if necessary. There are reserve funds established by the governing board that may be drawn upon in the event of financial distress or a liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

Note 3 – Concentrations of Credit Risk

The Foundation maintains its cash in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation up to a limit of \$250,000 per depositor. As of June 30, 2019, the Foundation's uninsured cash balance was \$2,698,186. The Foundation manages this risk by using high-quality financial institutions.

The Foundation invests in various types of money market funds, certificates of deposit, and mutual funds. The Foundation has established guidelines relative to diversification and maturities that target certain safety and liquidity risk levels. These guidelines are periodically reviewed and modified.

The Foundation also invests in various investment securities. Investment securities in general are subject to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that the changes in the value of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

Four donors comprised 79% and three donors comprised 70% of promises to give at June 30, 2019 and 2018, respectively. Two donors comprised 32% and 33% of contributions for the years ended June 30, 2019 and 2018, respectively.

Note 4 – Investments and Fair Value Measurement

Investments consist of the following as of June 30, 2019:

	Level 1	Level 2	Level 3	NAV	Total
Common stock	\$ 39,286	\$ -	\$ -	\$ -	\$ 39,286
Certificates of deposit	-	1,408,964	-	-	1,408,964
Mutual funds:					
Large cap	1,670,603	-	-	-	1,670,603
Domestic	5,969,551	-	-	-	5,969,551
International	2,848,890	-	-	-	2,848,890
Nontraditional	2,122,091	-	-	-	2,122,091
Emerging markets	610,417	-	-	-	610,417
Strategic investment group equity	-	-	-	7,945,283	7,945,283
Strategic investment group bonds	-	-	-	3,256,567	3,256,567
Alternative investments:					
Hedge funds	-	-	-	7,156,124	7,156,124
Real assets	-	-	-	462,166	462,166
	<u>\$ 13,260,837</u>	<u>\$ 1,408,964</u>	<u>\$ -</u>	<u>\$ 18,820,140</u>	<u>\$ 33,489,942</u>

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD FOUNDATION

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

Note 4 – Investments and Fair Value Measurement, continued

Investments consist of the following as of June 30, 2018:

	Level 1	Level 2	Level 3	NAV	Total
Common stock	\$ 66,988	\$ -	\$ -	\$ -	\$ 66,988
Certificates of deposit	-	393,982	-	-	393,982
Mutual funds:					
Large cap	4,105,381	-	-	-	4,105,381
Domestic	1,064,136	-	-	-	1,064,136
International	5,020,853	-	-	-	5,020,853
Mid cap	1,205,198	-	-	-	1,205,198
Nontraditional	1,772,550	-	-	-	1,772,550
Emerging markets	1,185,616	-	-	-	1,185,616
Strategic investment group equity	-	-	-	8,454,965	8,454,965
Strategic investment group bonds	-	-	-	2,866,554	2,866,554
Alternative investments:					
Hedge funds	-	-	-	7,900,471	7,900,471
Real assets	-	-	-	531,121	531,121
	<u>\$ 14,420,722</u>	<u>\$ 393,982</u>	<u>\$ -</u>	<u>\$ 19,753,111</u>	<u>\$ 34,567,815</u>

Commitments and redemptions schedule for those investments valued based on net asset values are as follows:

	Fair value at June 30, 2019	Unfunded commitment	Redemption frequency	Redemption notice period
Ironwood Inst MS Hedge Fund [a]	\$ 1,386,221	none	semi-annually	120 days
Skybridge Multi-advisor Hedge Fund [b]	1,126,630	none	quarterly	60 days
ACL ALT LTD USD A [c]	721,457	none	daily	1 day
Strategic Funds Alpha Portfolio [d]	3,921,816	none	monthly	1 month
Real Assets [d]	462,166	none	monthly	1 month
Strategic Funds Equity [d]	7,945,283	none	monthly	1 month & 1 business day
Strategic Funds Bonds [d]	3,256,567	none	monthly	1 month & 1 business day

[a] Ironwood Inst MS Hedge Fund are fund of hedge funds which are relative value and event driven, equity market neutral, distressed securities and credit opportunities.

[b] Skybridge Multi-advisor Hedge Funds are fund of hedge funds which are relative value and event driven.

[c] ACL ALT LTD USD A Funds are fund of hedge funds focused on managed futures and foreign exchange transactions.

[d] Strategic Funds Portfolio are fund of funds which are relative value and event driven, focused on equities, hedge funds, fixed income, and real assets.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD FOUNDATION

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

Note 4 – Investments and Fair Value Measurement, continued

	Fair value at June 30, 2018	Unfunded commitment	Redemption frequency	Redemption notice period
Ironwood Inst MS Hedge Fund [a]	\$ 1,352,347	none	semi-annually	120 days
Skybridge Multi-advisor Hedge Fund [b]	1,096,778	none	quarterly	60 days
ACL ALT LTD USD A [c]	385,841	none	daily	1 day
Strategic Funds Alpha Portfolio [d]	5,065,505	none	monthly	1 month
Real Assets [d]	531,121	none	monthly	1 month
Strategic Funds Equity [d]	8,454,965	none	monthly	1 month & 1 business day
Strategic Funds Bonds [d]	2,866,554	none	monthly	1 month & 1 business day

[a] Ironwood Inst MS Hedge Fund are fund of hedge funds which are relative value and event driven, equity market neutral, distressed securities and credit opportunities.

[b] Skybridge Multi-advisor Hedge Funds are fund of hedge funds which are relative value and event driven.

[c] ACL ALT LTD USD A Funds are fund of hedge funds focused on managed futures and foreign exchange transactions.

[d] Strategic Funds Portfolio are fund of funds which are relative value and event driven, focused on equities, hedge funds, fixed income, and real assets.

Note 5 – Promises to Give

Promises to give consist of the following:

	2019	2018
Due in less than one year	\$ 1,171,813	\$ 1,052,541
Due in one to five years	731,089	816,224
Due in more than five years	150,000	-
Gross promises to give	2,052,902	1,868,765
Less:		
Allowance for doubtful promises to give	(389,449)	(362,858)
Discount on promises to give (average imputed rate of 3%)	(93,189)	(39,604)
Promises to give, net	\$ 1,570,264	\$ 1,466,303

Promises to give consist of the following on the statements of financial position:

	2019	2018
Current	\$ 782,364	\$ 689,683
Non-current	787,900	776,620
	\$ 1,570,264	\$ 1,466,303

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD FOUNDATION

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

Note 6 – Property and Equipment

Property and equipment consist of the following:

	<u>2019</u>	<u>2018</u>
Equipment	\$ 1,598,724	\$ 1,598,724
Buildings and improvements	1,588,494	1,588,494
Leasehold improvements	<u>72,963</u>	<u>72,963</u>
	3,260,181	3,260,181
Less accumulated depreciation	<u>(2,465,262)</u>	<u>(2,423,833)</u>
	794,919	836,348
Land	<u>3,139</u>	<u>3,139</u>
	<u>\$ 798,058</u>	<u>\$ 839,487</u>

Note 7 – Defined Benefit Pension Plan

In previous years, the Foundation contributed to the Public Employees' Retirement System of the State of California (CalPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public agencies in California. During the year ended June 30, 2018, the employees were transferred to CSU Bakersfield. As such, during the year ended June 30, 2019, the benefit obligation contribution was made by CSU Bakersfield.

Note 8 – Post-Employment Benefits Other Than Pensions

The Foundation provides postretirement health care benefits through CalPERS to full-time employees who have retired from the Foundation on or after attaining age 50 with at least 5 years of service. Continued participation in the existing health and dental plans is offered. Once the individual is eligible for Medicare, coverage may be continued in the CalPERS health plan by enrolling in a supplement to Medicare or a Managed Medicare Plan. The following information is based on an actuarial study performed as of June 30, 2019:

Net periodic postretirement benefit cost included the following components for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Service cost	\$ -	\$ -
Interest cost	44,272	47,954
Amortization net gain	<u>(129,421)</u>	<u>(120,693)</u>
Net periodic postretirement benefit cost	<u>\$ (85,149)</u>	<u>\$ (72,739)</u>

The net periodic postretirement benefit cost was determined using the following weighted average assumptions:

	<u>2019</u>	<u>2018</u>
Discount rate	4.00%	3.75%
Expected long-term rate of return	N/A	N/A
Health care cost trend rate:		
Present rate before 65	5.75%	6.25%
Present rate 65 and older	5.75%	6.25%
Ultimate rate before age 65 (year reached)	5.00%	5.00%
Ultimate rate age 65 and older (year reached)	5.00%	5.00%

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD FOUNDATION

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

Note 8 – Post-Employment Benefits Other Than Pensions, continued

Accumulated postretirement and projected benefit obligation:

	<u>2019</u>	<u>2018</u>
Retirees	\$ <u>1,093,968</u>	\$ <u>1,144,427</u>

Funded status:

	<u>2019</u>	<u>2018</u>
Beginning accrued postretirement benefit obligation	\$ 1,144,427	\$ 1,320,221
Actuarial gain	106,574	(28,840)
Retiree contributions:		
Net periodic postretirement cost	(85,149)	(72,739)
Estimated benefit payments	<u>(71,884)</u>	<u>(74,215)</u>
Ending accrued postretirement benefit obligation	\$ <u>1,093,968</u>	\$ <u>1,144,427</u>

The projected accrued postretirement benefit obligation was determined using the following weighted average assumptions:

	<u>2019</u>	<u>2018</u>
Discount rate	4.00%	4.00%
Health care cost trend rate:		
Present rate before 65	5.25%	5.75%
Present rate 65 and older	5.25%	5.75%
Ultimate rate before age 65 (year reached)	5.00%	5.00%
Ultimate rate age 65 and older (year reached)	5.00%	5.00%

The expected net periodic post-retirement benefit cost for fiscal year 2020:

Service cost	\$ -
Interest cost	42,274
Amortization of unrecognized net gain	<u>(132,141)</u>
Net periodic postretirement benefit costs	\$ <u>(89,867)</u>

The expected contribution for the next 10 years:

2020	74,243
2021	74,252
2022	74,162
2023	74,095
2024	74,163
2025-2029	343,574

An actuarial study is completed annually. The schedule presented above is based on the study completed on July 19, 2019 as of and for the year then ended June 30, 2019.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD FOUNDATION

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

Note 9 – Restricted Net Assets

Net assets with donor restrictions consist of the following:

	<u>2019</u>	<u>2018</u>
Purpose restrictions		
Scholarships	\$ 5,061,746	\$ 5,830,504
Academic programs	5,561,739	4,673,016
Athletic programs	<u>489,893</u>	<u>1,127,948</u>
	11,113,378	11,631,468
Time restricted		
Athletic programs	877,280	654,263
Scholarships	419,969	451,520
Academic programs	167,304	314,274
General use	<u>105,711</u>	<u>46,246</u>
	1,570,264	1,466,303
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Scholarships	<u>17,422,446</u>	<u>17,094,011</u>
	<u>\$ 30,106,088</u>	<u>\$ 30,191,782</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows:

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions:		
Athletic programs	\$ 2,822,143	\$ 2,506,700
Scholarships	1,305,892	1,022,451
Academic programs	<u>1,417,309</u>	<u>2,205,383</u>
	5,545,344	5,734,534
Satisfaction of time restrictions:		
General use	<u>24,701</u>	<u>-</u>
	<u>\$ 5,570,045</u>	<u>\$ 5,734,534</u>

Note 10 – Endowments

The Foundation has adopted the guidance on net classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the State Prudent Management of Institutional Funds Act (SPMIFA) and also requires disclosures about endowment funds, both donor-restricted endowment funds and institution-designated endowment funds.

The Foundation's endowments consist of funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD FOUNDATION

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

Note 10 – Endowments, continued

The Foundation has interpreted SPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the 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 retained in perpetuity is subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, 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 fund
- 2) The purposes of the Foundation and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Foundation
- 7) The investment policies of the Foundation

Spending policy: The Foundation's spending policy allocates total earnings from the portfolio between current spending and reinvestment for future earnings and has been designed with three objectives in mind: (a) provide current programs with a predictable, stable stream of revenues; (b) ensure that the purchasing power of real value of this revenue stream does not decline over time; and (c) ensure that the purchasing power or real value of the Endowment assets does not decline over time. The cost of current operating programs will likely increase over time at least as fast as inflation. If the endowment is to cover a reasonably constant portion of current operating expenses, endowment spending must increase at least as fast as inflation. The Foundation's policy is designed to preserve both the purchasing power of their endowments and of their endowment withdrawals. Such a policy also ensures that the competing needs of current and future generations of students and faculty are in financial equilibrium. Lastly the Foundation has adopted an annual spending rate target of 4% of the Endowment's Fair Market Value (FMV), computed based on the December 31 FMV and available for the next academic year commencing July 1.

Investment policy: The objective is to promote growth in the investment funds sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant-dollar value and purchasing power of the funds for future generations, and to preserve the principal of operating cash and reserves while producing market-level income. The minimum total-return objective for the full portfolio shall be inflation plus 5%.

At times, the fair value of assets associated with these endowment funds may fall below the level that the donors require the Foundation to retain as funds of perpetual duration. These deficiencies results from unfavorable market fluctuations. In accordance with generally accepting accounting principles deficits of this nature are reported as net assets without donor restrictions.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD FOUNDATION

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

Note 10 – Endowments, continued

As of June 30, 2019, the endowment net assets composition by type of fund consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$ 3,586,892	\$ -	\$ 3,586,892
Donor designated funds:			
Original donor-restricted gift amount required to be maintained in perpetuity by donor	-	17,422,446	17,422,446
Accumulated investment gains	-	4,464,736	4,464,736
	<u>\$ 3,586,892</u>	<u>\$ 21,887,182</u>	<u>\$ 25,474,074</u>

As of June 30, 2018, the endowment net assets composition by type of fund consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$ 3,666,603	\$ -	\$ 3,666,603
Donor designated funds:			
Original donor-restricted gift amount required to be maintained in perpetuity by donor	-	17,094,011	17,094,011
Accumulated investment gains	-	4,969,138	4,969,138
	<u>\$ 3,666,603</u>	<u>\$ 22,063,149</u>	<u>\$ 25,729,752</u>

The changes in endowment net assets for the year ended June 30, 2019, consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 3,666,603	\$ 22,063,149	\$ 25,729,752
Contributions	20,866	248,514	269,380
Transfer to endowment (Note 11)	-	79,921	79,921
Appropriated expenditures	(199,854)	(1,141,266)	(1,341,120)
Investment return, net	99,277	636,864	736,141
Endowment net assets, end of year	<u>\$ 3,586,892</u>	<u>\$ 21,887,182</u>	<u>\$ 25,474,074</u>

The changes in endowment net assets for the year ended June 30, 2018, consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 3,541,345	\$ 20,398,195	\$ 23,939,540
Contributions	-	607,424	607,424
Transfer to endowment (Note 11)	-	453,193	453,193
Appropriated expenditures	(178,570)	(1,079,398)	(1,257,968)
Investment return, net	303,828	1,683,735	1,987,563
Endowment net assets, end of year	<u>\$ 3,666,603</u>	<u>\$ 22,063,149</u>	<u>\$ 25,729,752</u>

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD FOUNDATION

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

Note 10 – Endowments, continued

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the State Prudent Management of Institutional Funds Act (SPMIFA) requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature exist in 4 donor-restricted endowment funds, which together have an original gift value of \$216,451, a current fair value of \$176,271, and a deficiency of \$40,180 as of June 30, 2019. Deficiencies of this nature exist in 8 donor-restricted endowment funds, which together have an original gift value of \$968,349, a current fair value of \$921,531, and a deficiency of \$46,817 as of June 30, 2018. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds.

The Foundation does not permit spending from underwater donor-restricted endowment funds unless otherwise permitted by donor intent. The governing board appropriated for expenditure \$1,000 from underwater endowment funds during the year, which represents 12.6% of the 3-year moving average, not the 4% it generally draws from its endowment.

Note 11 – Donor Transfers

During the years ended June 30, 2019 and 2018, donors changed their gifts from those that were temporary in nature to those that were perpetual in nature. As a result, \$79,921 and \$453,193 were transferred to the endowment during the years ended June 30, 2019 and 2018, respectively, where funds will be maintained in perpetuity.

Note 12 – Transactions with Related Parties

The Foundation functions to benefit the University by operating various campus programs. The Foundation purchases various services such as printing, utilities, telephone, mail service, etc. from the University.

California State University, Bakersfield Auxiliary for Sponsored Programs Administration (Sponsored Programs Administration) functions to benefit the student body of the University by administering grants on behalf of the campus. The Sponsored Programs Administration also provides program services for student services for the Children's Center. The Foundation pays the Sponsored Programs Administration for these services as provided by the student body.

Associated Students, California State University, Bakersfield, Inc. (Associated Students) functions to benefit the student body of the University by operating various campus programs. The Foundation pays the Associated Students for these services as provided by the student body.

California State University, Bakersfield Student Union, Inc. (Student Union) functions to benefit the student body of the University by operating various campus programs. The Foundation pays the Student Union for the use of these facilities as provided by the student body.

Transactions for the years ended June 30, 2019 and 2018 with related parties are reflected in the accompanying financial statements as follows:

	<u>2019</u>	<u>2018</u>
Revenue:		
University:		
Student services	\$ 580,752	\$ 326,756
Program fees	13,459	29,663
Sponsored Programs Administration	5,223	7,240
Associated Students	1,324	4,241
Student Union	4,874	16,060
	<u>\$ 605,632</u>	<u>\$ 383,960</u>

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD FOUNDATION

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

Note 12 – Transactions with Related Parties, continued

	<u>2019</u>	<u>2018</u>
Expenses:		
University:		
Administrative services	\$ 4,523,847	\$ 4,005,967
Interest	26,984	28,468
Sponsored Programs Administration	48	47,483
Associated Students	206,252	60,347
Student Union	51,284	6,818
	<u>\$ 4,808,415</u>	<u>\$ 4,149,083</u>
Due from:		
University	\$ 99,069	\$ 268,145
Sponsored Programs Administration	-	39
Associated Students	-	1,350
Student Union	324	8,632
	<u>\$ 99,393</u>	<u>\$ 278,166</u>
Due to:		
University	\$ 54,132	\$ 318,729
Sponsored Programs Administration	-	47,480
Associated Students	155,009	1,674
Student Union	31,670	1,669
	<u>\$ 240,811</u>	<u>\$ 369,552</u>

Note 13 – Risks and Uncertainties

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect account balance and the amounts reported on the statements of net activities.

Note 14 – Conditional Promise to Give

The Foundation received a \$1,000,000 gift during the year ended June 30, 2019 to make improvements at the Icardo Center. Of that amount, \$600,000 is unconditional and the remaining \$400,000 is conditional on the initial improvements being substantially completed. A conditional promise to give does not meet the standard for revenue recognition, as such, the \$400,000 conditional portion of the promise to give has not recognized in the statement of activities for the year ended June 30, 2019.

Note 15 – Reclassifications

Certain items in the 2018 financial statements have been reclassified to conform to current year classifications, specifically the natural and functional classifications in the statements of functional expenses and activities. Such reclassifications had no effect on previously reported changes in net assets.

SUPPLEMENTAL INFORMATION

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD FOUNDATION

Schedule of Net Position

June 30, 2019

(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 3,907,424
Short-term investments	—
Accounts receivable, net	106,409
Capital lease receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	782,364
Prepaid expenses and other current assets	—
Total current assets	4,796,197
Noncurrent assets:	
Restricted cash and cash equivalents	—
Accounts receivable, net	—
Capital lease receivable, net of current portion	—
Notes receivable, net of current portion	—
Student loans receivable, net	—
Pledges receivable, net	787,900
Endowment investments	24,993,749
Other long-term investments	8,496,193
Capital assets, net	889,728
Other assets	427,327
Total noncurrent assets	35,594,897
Total assets	40,391,094
Deferred outflows of resources:	
Unamortized loss on debt refunding	—
Net pension liability	—
Net OPEB liability	—
Others	—
Total deferred outflows of resources	—
Liabilities:	
Current liabilities:	
Accounts payable	65,599
Accrued salaries and benefits	—
Accrued compensated absences, current portion	—
Unearned revenues	165,100
Capital lease obligations, current portion	—
Long-term debt obligations, current portion	—
Claims liability for losses and loss adjustment expenses, current portion	—
Depository accounts	—
Other liabilities	384,807
Total current liabilities	615,506
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	—
Unearned revenues	—
Grants refundable	—
Capital lease obligations, net of current portion	—
Long-term debt obligations, net of current portion	—
Claims liability for losses and loss adjustment expenses, net of current portion	—
Depository accounts	—
Net other postemployment benefits liability	1,019,725
Net pension liability	—
Other liabilities	—
Total noncurrent liabilities	1,019,725
Total liabilities	1,635,231
Deferred inflows of resources:	
Service concession arrangements	—
Net pension liability	—
Net OPEB liability	—
Unamortized gain on debt refunding	—
Nonexchange transactions	—
Others	—
Total deferred inflows of resources	—
Net Position:	
Net investment in capital assets	889,728
Restricted for:	—
Nonexpendable – endowments	17,422,446
Expendable:	—
Scholarships and fellowships	5,481,715
Research	—
Loans	—
Capital projects	—
Debt service	—
Others	7,201,927
Unrestricted	7,760,047
Total net position	\$ 38,755,863

See independent auditors' report.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD FOUNDATION**Schedule of Revenues, Expenses, and Changes in Net Position**

Year Ended June 30, 2019

(for inclusion in the California State University)

Revenues:		
Operating revenues:		
Student tuition and fees, gross	\$	—
Scholarship allowances (enter as negative)		—
Grants and contracts, noncapital:		
Federal		—
State		—
Local		—
Nongovernmental		—
Sales and services of educational activities		—
Sales and services of auxiliary enterprises, gross		—
Scholarship allowances (enter as negative)		—
Other operating revenues		1,766,719
Total operating revenues		<u>1,766,719</u>
Expenses:		
Operating expenses:		
Instruction		70,643
Research		—
Public service		—
Academic support		—
Student services		2,563,742
Institutional support		2,559,108
Operation and maintenance of plant		1,003,512
Student grants and scholarships		1,435,062
Auxiliary enterprise expenses		—
Depreciation and amortization		41,429
Total operating expenses		<u>7,673,496</u>
Operating income (loss)		<u>(5,906,777)</u>
Nonoperating revenues (expenses):		
State appropriations, noncapital		—
Federal financial aid grants, noncapital		—
State financial aid grants, noncapital		—
Local financial aid grants, noncapital		—
Nongovernmental and other financial aid grants, noncapital		—
Other federal nonoperating grants, noncapital		—
Gifts, noncapital		3,936,596
Investment income (loss), net		15,319
Endowment income (loss), net		741,635
Interest expense		—
Other nonoperating revenues (expenses) - excl. interagency transfers		—
Other nonoperating revenues (expenses) - interagency transfers		—
Net nonoperating revenues (expenses)		<u>4,693,550</u>
Income (loss) before other revenues (expenses)		(1,213,227)
State appropriations, capital		—
Grants and gifts, capital		—
Additions (reductions) to permanent endowments		328,435
Increase (decrease) in net position		(884,792)
Net position:		
Net position at beginning of year, as previously reported		39,640,655
Restatements		—
Net position at beginning of year, as restated		<u>39,640,655</u>
Net position at end of year	\$	<u>38,755,863</u>

See independent auditors' report.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD FOUNDATION

Other Information

June 30, 2019

(for inclusion in the California State University)

1 Cash and cash equivalents:

Portion of restricted cash and cash equivalents related to endowments
 All other restricted cash and cash equivalents
Noncurrent restricted cash and cash equivalents
 Current cash and cash equivalents
Total

-
-
3,907,424
\$ 3,907,424

2.1 Composition of investments:

	Current	Noncurrent	Total
Money market funds	-	-	-
Repurchase agreements	-	-	-
Certificates of deposit	-	1,408,964	1,408,964
U.S. agency securities	-	-	-
U.S. treasury securities	-	-	-
Municipal bonds	-	-	-
Corporate bonds	-	3,256,567	3,256,567
Asset backed securities	-	-	-
Mortgage backed securities	-	-	-
Commercial paper	-	-	-
Mutual funds	-	13,221,552	13,221,552
Exchange traded funds	-	-	-
Equity securities	-	7,984,569	7,984,569
Alternative investments:			
Private equity (including limited partnerships)	-	-	-
Hedge funds	-	7,156,124	7,156,124
Managed futures	-	-	-
Real estate investments (including REITs)	-	-	-
Commodities	-	-	-
Derivatives	-	-	-
Other alternative investment types	-	462,166	462,166
Other external investment pools (excluding SWIFT)	-	-	-
Other investments	-	-	-
State of California Local Agency Investment Fund (LAIF)	-	-	-
State of California Surplus Money Investment Fund (SMIF)	-	-	-
Total investments	-	33,489,942	33,489,942
Less endowment investments (enter as negative number)	-	-	-
Total investments, net of endowments	\$ -	33,489,942	33,489,942

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD FOUNDATION

Other Information

June 30, 2019

(for inclusion in the California State University)

2.2 Fair value hierarchy in investments:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Money market funds	\$ -	-	-	-	-
Repurchase agreements	-	-	-	-	-
Certificates of deposit	1,408,964	-	1,408,964	-	-
U.S. agency securities	-	-	-	-	-
U.S. treasury securities	-	-	-	-	-
Municipal bonds	-	-	-	-	-
Corporate bonds	3,256,567	-	-	-	3,256,567
Asset backed securities	-	-	-	-	-
Mortgage backed securities	-	-	-	-	-
Commercial paper	-	-	-	-	-
Mutual funds	13,221,552	13,221,552	-	-	-
Exchange traded funds	-	-	-	-	-
Equity securities	7,984,569	39,286	-	-	7,945,283
Alternative investments:					
Private equity (including limited partnerships)	-	-	-	-	-
Hedge funds	7,156,124	-	-	-	7,156,124
Managed futures	-	-	-	-	-
Real estate investments (including REITs)	-	-	-	-	-
Commodities	-	-	-	-	-
Derivatives	-	-	-	-	-
Other alternative investment types	462,166	-	-	-	462,166
Other external investment pools (excluding SWIFT)	-	-	-	-	-
Other investments	-	-	-	-	-
State of California Local Agency Investment Fund (LAIF)	-	-	-	-	-
State of California Surplus Money Investment Fund (SMIF)	-	-	-	-	-
Total investments	\$ 33,489,942	13,260,838	1,408,964	-	18,820,140

2.3 Investments held by the University under contractual agreements:

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

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD FOUNDATION

Other Information

June 30, 2019

(for inclusion in the California State University)

3.1 Composition of capital assets:

	Balance June 30, 2018	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2018 (Restated)	Additions	Retirements	Transfer of completed CWIP	Balance June 30, 2019
Non-depreciable/Non-amortizable capital assets:									
Land and land improvements	\$ 3,139	-	-	-	3,139	-	-	-	3,139
Works of art and historical treasures	205,263	-	-	-	205,263	-	-	-	205,263
Construction work in progress (CWIP)	-	-	-	-	-	-	-	-	-
Intangible assets:									
Rights and easements	-	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-	-
Intangible assets in progress (PWIP)	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Other intangible assets:									
Other intangible assets:	15,500	-	-	-	15,500	-	-	-	15,500
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Total intangible assets	15,500	-	-	-	15,500	-	-	-	15,500
Total non-depreciable/non-amortizable capital assets	223,902	-	-	-	223,902	-	-	-	223,902
Depreciable/Amortizable capital assets:									
Buildings and building improvements	1,356,171	-	-	-	1,356,171	-	-	-	1,356,171
Improvements, other than buildings	72,963	-	-	-	72,963	-	-	-	72,963
Infrastructure	-	-	-	-	-	-	-	-	-
Leasehold improvements	232,323	-	-	-	232,323	-	-	-	232,323
Personal property:									
Equipment	1,598,724	-	-	-	1,598,724	-	-	-	1,598,724
Library books and materials	-	-	-	-	-	-	-	-	-
Intangible assets:									
Software and websites	-	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Other intangible assets:									
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-	-
Total depreciable/amortizable capital assets	3,260,181	-	-	-	3,260,181	-	-	-	3,260,181
Total capital assets	3,484,083	-	-	-	3,484,083	-	-	-	3,484,083
Less accumulated depreciation/amortization: (enter as negative number, except for reductions enter as positive number)									
Buildings and building improvements	(585,957)	-	-	-	(585,957)	-34,207	-	-	(620,164)
Improvements, other than buildings	(33,593)	-	-	-	(33,593)	-3,649	-	-	(37,242)
Infrastructure	-	-	-	-	-	-	-	-	-
Leasehold improvements	(232,323)	-	-	-	(232,323)	-	-	-	(232,323)
Personal property:									
Equipment	(1,701,053)	-	-	-	(1,701,053)	-35,733	-	-	(1,736,786)
Library books and materials	-	-	-	-	-	-	-	-	-
Intangible assets:									
Software and websites	-	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Other intangible assets:									
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-	-
Total accumulated depreciation/amortization	(2,552,926)	-	-	-	(2,552,926)	(41,429)	-	-	(2,594,355)
Total capital assets, net	\$ 931,157	-	-	-	\$ 931,157	(41,429)	-	-	889,728

See independent auditors' report.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD FOUNDATION

Other Information

June 30, 2019

(for inclusion in the California State University)

3.2 Detail of depreciation and amortization expense:

Depreciation and amortization expense related to capital assets	\$ 41,429
Amortization expense related to other assets	-
Total depreciation and amortization	\$ 41,429

4 Long-term liabilities:

	Balance June 30, 2018	Prior Period Adjustments/Reclass ifications	Balance June 30, 2018 (Restated)	Additions	Reductions	Balance June 30, 2019	Current Portion	Noncurrent Portion
1. Accrued compensated absences	\$ -	-	-	-	-	-	-	-
2. Claims liability for losses and loss adjustment expenses	-	-	-	-	-	-	-	-
3. Capital lease obligations:								
Gross balance	-	-	-	-	-	-	-	-
Unamortized net premium/(discount)	-	-	-	-	-	-	-	-
Total capital lease obligations	-	-	-	-	-	-	-	-
4. Long-term debt obligations:								
4.1 Auxiliary revenue bonds (non-SRB related)	-	-	-	-	-	-	-	-
4.2 Commercial paper	-	-	-	-	-	-	-	-
4.3 Notes payable (SRB related)	-	-	-	-	-	-	-	-
4.4 Others:	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total others	-	-	-	-	-	-	-	-
Sub-total long-term debt	-	-	-	-	-	-	-	-
4.5 Unamortized net bond premium/(discount)	-	-	-	-	-	-	-	-
Total long-term debt obligations	-	-	-	-	-	-	-	-
Total long-term liabilities	\$ -	-	-	-	-	-	-	-

5 Capital lease obligations schedule:

	Capital lease obligations related to SRB			All other capital lease obligations			Total capital lease obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2020	-	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-
2025 - 2029	-	-	-	-	-	-	-	-	-
2030 - 2034	-	-	-	-	-	-	-	-	-
2035 - 2039	-	-	-	-	-	-	-	-	-
2040 - 2044	-	-	-	-	-	-	-	-	-
2045 - 2049	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-
Total minimum lease payments	\$ -	-	-	-	-	-	-	-	-
Less: amounts representing interest									-
Present value of future minimum lease payments									-
Unamortized net premium/(discount)									-
Total capital lease obligations									-
Less: current portion									-
Capital lease obligations, net of current portion									\$ -

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD FOUNDATION

Other Information

June 30, 2019

(for inclusion in the California State University)

6 Long-term debt obligations schedule:

	Auxiliary revenue bonds (non-SRB related)			All other long-term debt obligations			Total long-term debt obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2020	-	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-
2025 - 2029	-	-	-	-	-	-	-	-	-
2030 - 2034	-	-	-	-	-	-	-	-	-
2035 - 2039	-	-	-	-	-	-	-	-	-
2040 - 2044	-	-	-	-	-	-	-	-	-
2045 - 2049	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-
Total minimum payments	\$ -	-	-	-	-	-	-	-	-
Less: amounts representing interest									-
Present value of future minimum payments									-
Unamortized net premium/(discount)									-
Total long-term debt obligations									-
Less: current portion									-
Long-term debt obligations, net of current portion									\$ -

7 Transactions with related entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs	330,224
Payments to University for other than salaries of University personnel	4,220,607
Payments received from University for services, space, and programs	594,211
Gifts-in-kind to the University from discretely presented component units	-
Gifts (cash or assets) to the University from discretely presented component units	-
Accounts (payable to) University (enter as negative number)	(54,132)
Other amounts (payable to) University (enter as negative number)	-
Accounts receivable from University (enter as positive number)	99,069
Other amounts receivable from University (enter as positive number)	-

8 Restatements/Prior period adjustments:

Provide a detailed breakdown of the journal entries (at the financial statement line items level) booked to record each restatement/PPA:

Transaction #1	Enter transaction description	Debit/(Credit)
		-
		-
		-
		-
		-
		-
Transaction #2	Enter transaction description	-
		-
		-
		-
		-

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD FOUNDATION

Other Information

June 30, 2019

(for inclusion in the California State University)

9 Natural classifications of operating expenses:

	Salaries	Benefits - Other	Benefits - Pension	Benefits - OPEB	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total operating expenses
Instruction	-	-	-	-	-	70,643	-	70,643
Research	-	-	-	-	-	-	-	-
Public service	-	-	-	-	-	-	-	-
Academic support	-	-	-	-	-	-	-	-
Student services	319,660	135,799	-	-	-	2,108,283	-	2,563,742
Institutional support	118,017	105,238	-	18,759	-	2,317,094	-	2,559,108
Operation and maintenance of plant	-	-	-	-	-	1,003,512	-	1,003,512
Student grants and scholarships	-	-	-	-	1,435,062	-	-	1,435,062
Auxiliary enterprise expenses	-	-	-	-	-	-	-	-
Depreciation and amortization	-	-	-	-	-	-	41,429	41,429
Total operating expenses	437,677	241,037	-	18,759	1,435,062	5,499,532	41,429	7,673,496

10 Deferred outflows/inflows of resources:

1. Deferred Outflows of Resources

Deferred outflows - unamortized loss on refunding(s)	-
Deferred outflows - net pension liability	-
Deferred outflows - net OPEB liability	-
Deferred outflows - others:	-
-	-
-	-
-	-
-	-
-	-
-	-
Total deferred outflows - others	-
Total deferred outflows of resources	\$ -

2. Deferred Inflows of Resources

Deferred inflows - service concession arrangements	-
Deferred inflows - net pension liability	-
Deferred inflows - net OPEB liability	-
Deferred inflows - unamortized gain on debt refunding(s)	-
Deferred inflows - nonexchange transactions	-
Deferred inflows - others:	-
-	-
-	-
-	-
-	-
-	-
Total deferred inflows - others	-
Total deferred inflows of resources	\$ -