

Cal Poly Pomona Foundation, Inc.

Financial Statements and Supplementary Information

Year Ended June 30, 2019



CAL POLY POMONA FOUNDATION, INC.
Financial Statements and Supplementary Information
Year Ended June 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Audit Committee of
Cal Poly Pomona Foundation, Inc.

We have audited the accompanying financial statements of Cal Poly Pomona Foundation, Inc. (a nonprofit organization referred to as the Foundation), which comprise the statement of net position as of June 30, 2019, and the related statements of revenue, expense, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, as listed in the table of contents.

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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 that 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 Cal Poly Pomona Foundation, Inc. as of June 30, 2019, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 24, the schedule of the Foundation's proportionate share of net pension liability for the California Public Employees Retirement Plan on page 65, the schedule of Foundation contributions to the California Public Employees Retirement Plan on page 66, the schedule of funding progress and the schedule of employer contributions on page 67, and the schedule of changes in net OPEB liability and expense on page 68 and 69 to be presented to supplement the basic financial statements.

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Matters, continued

Required Supplementary Information, continued

Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information for the California State University Chancellor's Office, beginning on page 70, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2019, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Report on Summarized Comparative Information

We have previously audited the Foundation's June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 20, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Aldrich CPAs + Advisors LLP

San Diego, California
September 17, 2019

CAL POLY POMONA FOUNDATION, INC.
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2019

Introduction

The Cal Poly Pomona Foundation, Inc. (Foundation) is a nonprofit organization formed to support and advance the mission of California State Polytechnic University, Pomona (University). To fulfill this mission, the Foundation pursues a wide range of opportunities in the areas of the development and administration of research and educational grants and contracts; conducting enterprise activities including dining services, bookstores, conference center and hotel, apartment style housing, continuing education and agricultural aid to instruction; the management of Foundation programs, real estate activities, student scholarship and endowment funds, the development and administration of faculty staff housing, a research park, special programs, and other activities on behalf of the University.

The following discussion and analysis provides an overview of the financial position and activities of the Foundation for the year ended June 30, 2019. The discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto, which follow this section.

Introduction to the Financial Statements

This annual report consists of a series of financial statements prepared in accordance with the Governmental Accounting Standards Board (GASB) principles. One of the most important questions asked about the Foundation's finances is whether the Foundation is better or worse off as a result of this year's activities. The keys to understanding this question are the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

The Foundation's net position (the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources), which is reported in the Statement of Net Position, is one indicator of the Foundation's financial health. Over time, increases or decreases in net position are one indicator of the improvement or erosion of the Foundation's financial condition when considered in combination with other non-financial information.

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CAL POLY POMONA FOUNDATION, INC.
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The Statement of Revenues, Expenses, and Changes in Net Position presents revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating; with the above mentioned activities reported as operating revenues and expenses and investment results reported as non-operating revenues and expenses. This statement is prepared using the accrual basis of accounting, whereby revenues and receivables are recognized when the service is provided and expenses and liabilities are recognized when incurred, regardless of when cash is exchanged.

Another way to assess the financial health of the Foundation is to review the Statement of Cash Flows. Its primary purpose is to provide relevant information about the sources and uses of cash of an entity during a given period. The information provided in this statement should help financial report users assess the Foundation's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing. It also provides insight into the reasons for differences between operating income and associated cash receipts and payments; and the effects on the Foundation's financial position of its cash and its noncash investing, capital, and related financing transactions during the year.

These statements are supported by notes to the basic financial statements, required supplementary information, as appropriate, and this section. All sections must be considered together to obtain a complete understanding of the financial picture of the Foundation.

Statement of Net Position

The Statement of Net Position presents the financial position of the Foundation at the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities and deferred inflows of resources of the Foundation. The difference between total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources – net position – is one indicator of the current financial condition of the Foundation, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. Two notable exceptions are investments and capital assets, with investments measured at either fair value using quoted market prices or net asset value (NAV) and capital assets at historical costs less an allowance for depreciation. For the purpose of distinguishing between current and noncurrent assets and liabilities, current assets and liabilities are those that can be reasonably expected to either generate or use cash, as part of normal business operations, within one year of the Statement of Net Position date.

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Year Ended June 30, 2019

A summary of the Foundation's assets, deferred outflows, liabilities, deferred inflows, and net position is as follows:

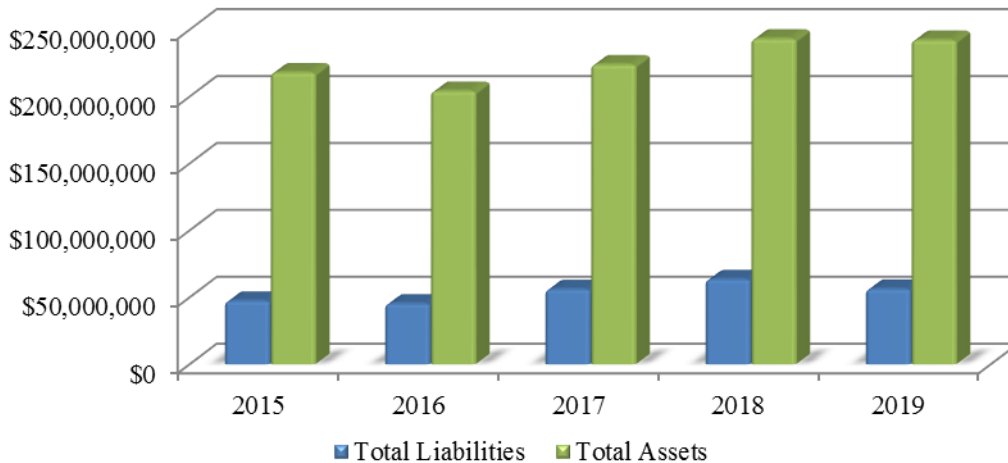
	2019	2018
	<u>(in thousands)</u>	<u>(in thousands)</u>
Assets:		
Current assets	\$ 83,875	\$ 88,605
Noncurrent assets:		
Restricted cash and cash equivalents	3,445	1,254
Pledges receivable, net	2,354	2,249
Endowment investments	100,039	98,739
Capital assets, net	<u>46,147</u>	<u>44,873</u>
Total noncurrent assets	<u>151,985</u>	<u>147,115</u>
Total Assets	<u>235,860</u>	<u>235,720</u>
Deferred outflows of resources:		
Unamortized loss on debt refunding	312	350
Net pension obligation	4,261	4,914
Net OPEB obligation	<u>1,935</u>	<u>2,325</u>
Total deferred outflows of resources	<u>6,508</u>	<u>7,589</u>
Liabilities:		
Current liabilities	14,626	19,776
Noncurrent liabilities	<u>39,677</u>	<u>40,597</u>
Total Liabilities	<u>54,303</u>	<u>60,373</u>
Deferred inflows of resources:		
Net pension obligation	-	911
Unamortized gain on debt refunding	55	64
Net OPEB obligation	654	2,190
Split interest agreements	<u>1,334</u>	<u>-</u>
Total deferred inflows of resources	<u>2,043</u>	<u>3,165</u>
Net Position:		
Net investment in capital assets	22,974	20,465
Restricted:		
Nonexpendable-endowments	85,782	82,219
Expendable	61,387	61,035
Unrestricted	<u>15,878</u>	<u>16,052</u>
Total Net Position	<u>\$ 186,021</u>	<u>\$ 179,771</u>

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CAL POLY POMONA FOUNDATION, INC.
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Total assets and deferred outflows were \$242 million and \$243 million for fiscal years 2019 and 2018, respectively. The decrease between 2019 and 2018 of \$942,000 or 0.4% is mainly attributable to the reduction in deferred outflows of \$1.08 million.

Total Assets and Liabilities



Total liabilities and deferred inflows were \$56 million and \$63 million for the fiscal years 2019 and 2018, respectively. This change is primarily due to the reduction in the line of credit of \$4 million and the decrease in the net OPEB and pension deferred inflows of \$2 million.

Subsequent to the fiscal year ended June 30, 2019, the Foundation transferred-by-gift approximately \$132 million of restricted assets to the Cal Poly Pomona Philanthropic Foundation (Philanthropic Foundation). The restricted assets transferred include the endowments, scholarships and programs, the majority consisting of investments along with pledge receivables and fixed assets. The Philanthropic Foundation will manage functions related to the development and use of non-governmental resources. The Foundation has entered into an agreement with the Philanthropic Foundation to provide services related to financial reporting, accounting, budgeting, payroll and human resources.

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CAL POLY POMONA FOUNDATION, INC.
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The Foundation participates in the Auxiliaries Multiple Employer VEBA (Voluntary Employees' Beneficiary Association), a separate 501(c)(9) organization to assist in funding postemployment benefits for recognized auxiliaries of the California State University System. As of June 30, 2018 (the most recent actuarial report), the actuarial accrued liability for benefits was \$16,316,966 and the unfunded actuarial accrued liability (UAAL) was \$7,943,627 and the actuarial plan's market value of assets was \$8,373,339 or 51% funded. The covered payroll (annual payroll of active employees covered by the plan) was \$4,010,771, and the ratio of the UAAL to the covered payroll was 198%. The Foundation's current plan is to fund the OPEB obligation up to the retirees' and surviving spouse actuarial obligation. Detailed information is presented in Note 12 of the financial statements.

The Foundation participates in a cost sharing multiple-employer defined benefit plan through the California Public Employees' Retirement System (CalPERS) which covers substantially all regular full-time employees of the Foundation. CalPERS acts as a common investment and administrative agent for participating public entities with the state of California and reports information to the Foundation in accordance with reporting standards established by the Governmental Accounting Standards Board (GASB). The Public Agency Cost-Sharing Multiple-Employer Plan is comprised of a Miscellaneous Risk Pool and a Safety Risk Pool. The Foundation sponsors three Miscellaneous Risk Pool plans. The plans provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

As of June 30, 2019, the Foundation reported net pension liabilities for its proportionate share of the Miscellaneous Risk Pool net pension liability totaling \$8,194,358, pension expense of \$1,972,279, deferred inflow of resources of \$0 and a deferred outflow of resources of \$4,261,373 for the plan. The Foundation's proportion was based on a projection of the Foundation's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of June 30, 2019, the measurement period applicable to these financial statements, the Foundation's proportion was 0.0021743%. Detailed information is presented in Note 11 of the financial statements.

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 Management's Discussion and Analysis (MD&A)
 Year Ended June 30, 2019

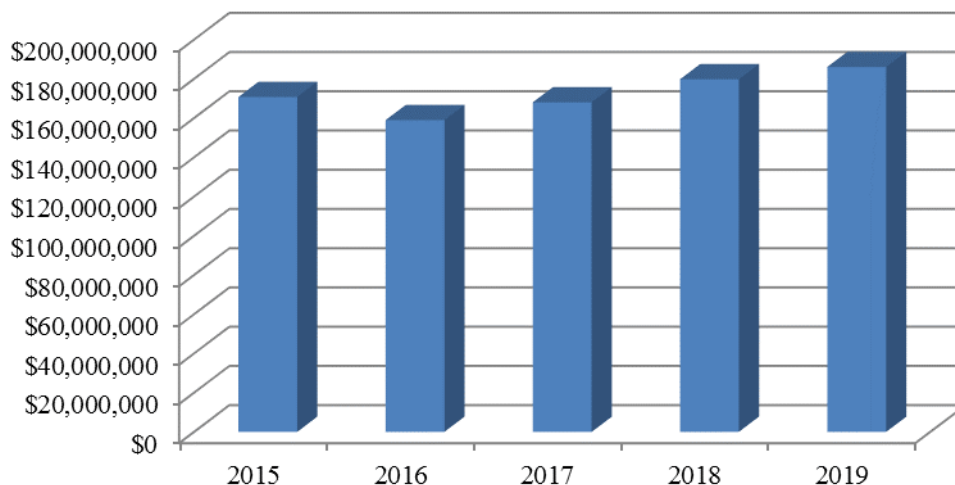
Net Position

Net position represents the residual interest in the Foundation's assets after liabilities are deducted. The Foundation's net position is as follows:

	2019 <u>(in thousands)</u>	2018 <u>(in thousands)</u>
Net investment in capital assets	\$ 22,974	\$ 20,465
Restricted:		
Nonexpendable - endowments	85,782	82,219
Expendable	61,387	61,035
Unrestricted	<u>15,878</u>	<u>16,052</u>
Net position	<u>\$ 186,021</u>	<u>\$ 179,771</u>

Net position increased 3.48% or \$6.25 million primarily due to the increase in net investment in capital assets of \$2.5 million and non-expendable – endowments due to donations and investment realized and unrealized gains of \$3.5 million. Restricted nonexpendable net position includes the permanent endowment funds and restricted expendable net position includes activities and program funds designated to support scholarships and fellowships, research, expendable endowment funds, and other program activities. Unrestricted net position includes the enterprise or entrepreneurial activities of the Foundation.

Net Position

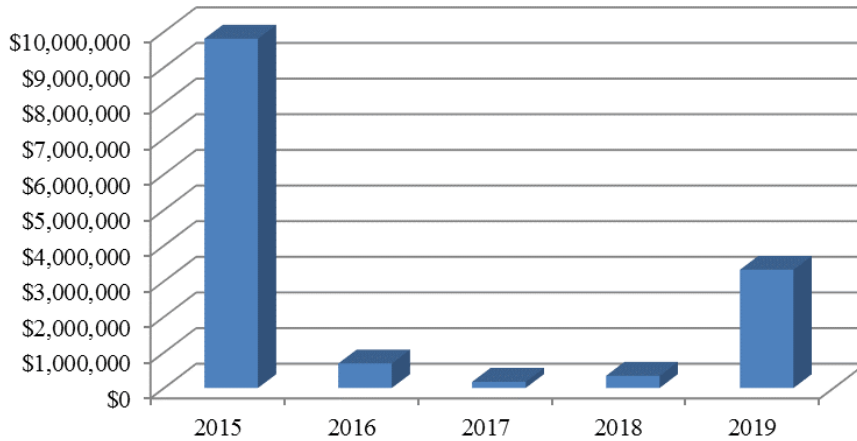


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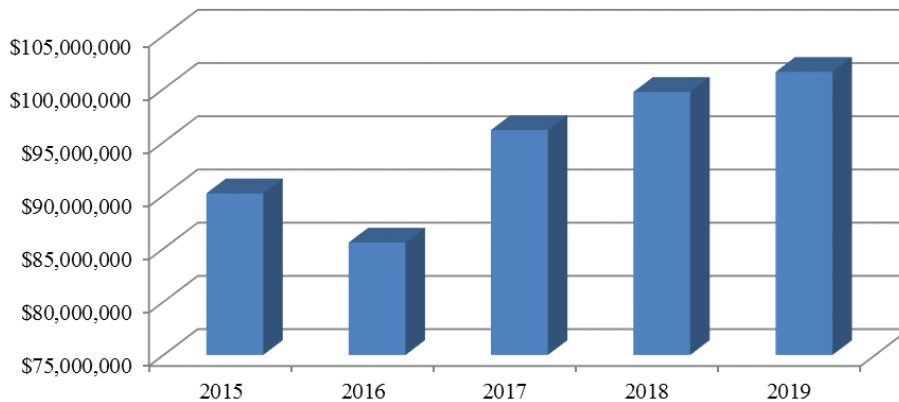
Endowment Investments and Donations

Endowment Donations



During fiscal year 2018-19 more donations were contributed than prior years. Endowment contributions were \$3,317,504 for the fiscal year ended June 30, 2019. The endowment portfolio increased by \$1.9 million, or 1.9% from \$99.7 million at June 30, 2018 to \$101.6 million at June 30, 2019, mainly due to investment gains of \$3.0 million or 3.0% (net of fees) as a result of capital markets influencing asset values and over-performance to the benchmark; offset by endowment distributions of \$4,682,787 or 4.7% and administrative and investment fees of \$164,432. Total return (loss) on investments (net of fees), consists of a change in the fair market value of endowment investments, including interest, dividends, and realized and unrealized gains and losses. The Foundation's endowment investment policy is designed to obtain the highest return available while investments meet the criteria established for safety (preservation of capital), return and liquidity. The Foundation has planned giving endowment pledges of \$10.4 million receivable over the next five years.

Endowment Investments



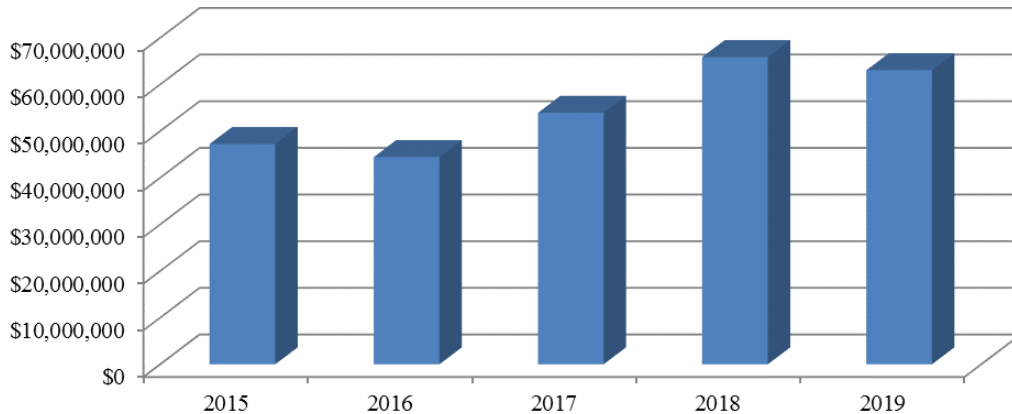
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Permanent endowments are funds received from donors with the stipulation that the principal remains intact and invested in perpetuity to produce income that will be distributed and expended for purposes specified by the donor.

General investments consist of expendable funds that have been invested in the Foundation's general investment portfolio. The Foundation's general investment policy is designed to obtain the highest yield available, while investments meet the criteria established for safety (preservation of capital), liquidity and yield. During fiscal year 2018-19, general investments decreased by 2.8 million, or 4.3% mainly due to the construction of dining commons. The net investment gains was \$2.2 million (net of fees) as a result of capital markets influencing asset values and over-performance to the benchmark. Investment returns, net of fees, consists of a change in the fair market value of general investments, including interest, dividends, and realized and unrealized gains and losses.

General Investments



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CAL POLY POMONA FOUNDATION, INC.
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During fiscal year 2018-19 the University generated gifts of \$10.2 million. The commitments by source are reported by University Advancement following Council for Advancement and Support Education (CASE) standards as follows:

Commitments by Source
Campaign and Non-Campaign
Year Ended June 30, 2019

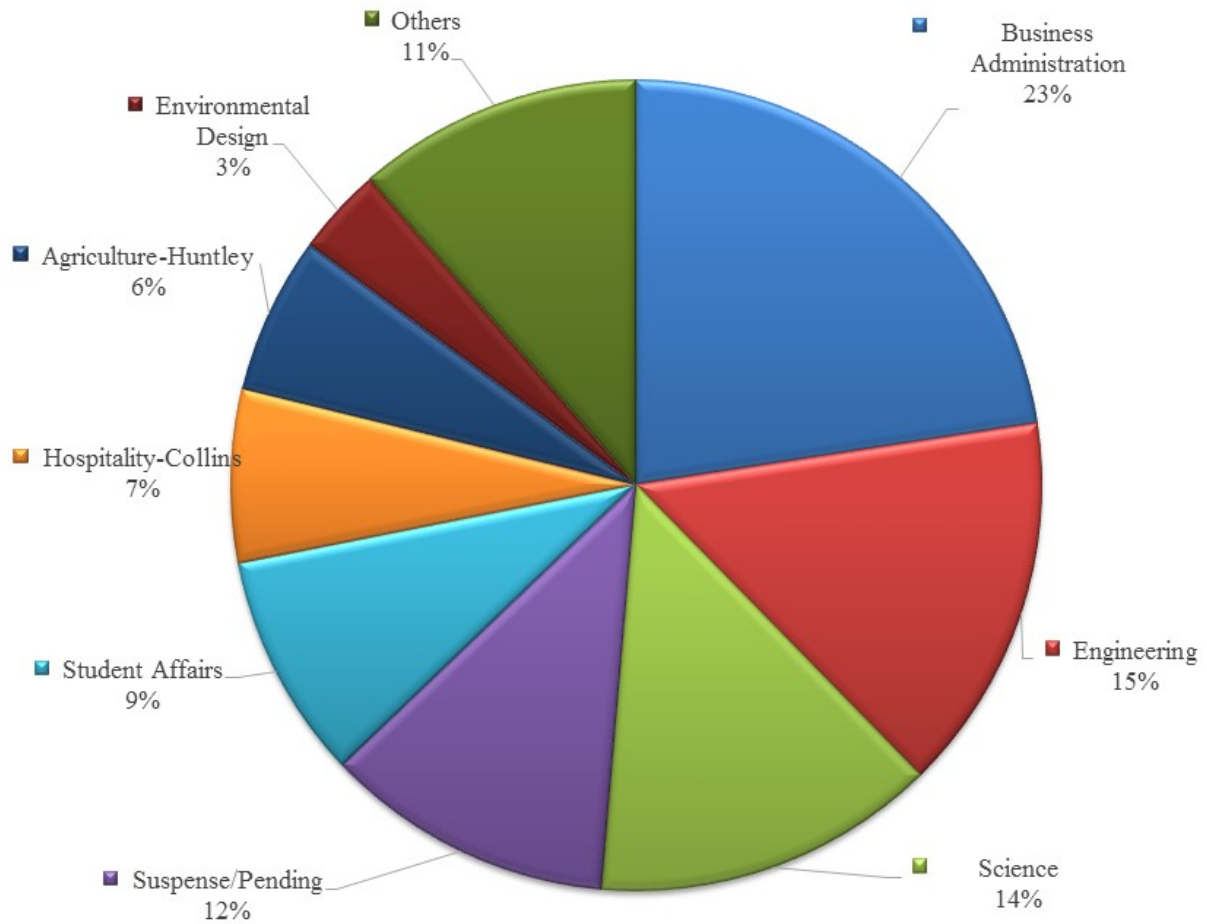
College/Area	Cash, GIK, Stock, Current Yr Pledge Payments	New Pledges	Planned Giving	Grand Total of New Gifts and Commitments
Agriculture-Huntley	\$ 401,218	\$ 38,400	\$ 200,000	\$ 639,618
Athletics	\$ 169,090	\$ 25,000	\$ -	\$ 194,090
Business Administration	\$ 1,094,252	\$ 664,466	\$ 534,000	\$ 2,292,718
Education & Integrative Studies	\$ 119,984	\$ -	\$ -	\$ 119,984
Engineering	\$ 1,343,301	\$ 189,500	\$ -	\$ 1,532,801
Environmental Design	\$ 331,047	\$ 26,500	\$ -	\$ 357,547
General Development	\$ 275,122	\$ -	\$ -	\$ 275,122
Hospitality-Collins	\$ 353,456	\$ 46,000	\$ 300,000	\$ 699,456
Letters, Arts & Social Sciences	\$ 239,725	\$ -	\$ -	\$ 239,725
Library	\$ 154,217	\$ -	\$ -	\$ 154,217
Other-Acad Affairs, Alum, CEU, IT, NCD	\$ 69,520	\$ -	\$ 102,507	\$ 172,027
Science	\$ 899,268	\$ 237,439	\$ 254,821	\$ 1,391,529
Student Affairs	\$ 508,698	\$ 8,000	\$ 400,000	\$ 916,698
Suspense/Pending	\$ 13,650	\$ 1,157,500	\$ -	\$ 1,171,150
Grand Total	\$ 5,972,549	\$ 2,392,805	\$ 1,791,328	\$ 10,156,682

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.
Management's Discussion and Analysis (MD&A)
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Commitments by Source

Total Gift: \$10.2 million
Year Ended June 30, 2019



*Others. Includes: General Development, Letters, Arts & Social Sciences, Athletics, Education & Integrative Studies, Library, and Suspense/Pending.

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CAL POLY POMONA FOUNDATION, INC.
Management's Discussion and Analysis (MD&A)
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Capital Assets, Capitalized Lease Obligations and Net Investment

The Foundation's investment in capital assets, net of related debt increased by \$2.5 million or 12.26% for fiscal year 2018-19 mainly due to a \$4.0 million equity investment in the University's new dining commons currently under construction and a \$1.5 million donation of fine art less the transfer of building improvements of \$2.9 million to the University. Depreciation and amortization expenses for the years ended June 30, 2019 and 2018 totaled \$3.4 and \$3.6 million, respectively. A summary of capital assets, net of accumulated depreciation and capitalized lease obligations is as follows:

	2019 <u>(in thousands)</u>	2018 <u>(in thousands)</u>
Building and improvements	\$ 65,779	\$ 68,432
Equipment, furniture and fixtures	11,180	10,831
Infrastructure	8,651	8,651
Land	7,387	8,005
Construction work in progress	5,555	1,411
Works of art	1,663	171
Orchards	144	144
	<u>100,359</u>	<u>97,645</u>
Less: accumulated depreciation and amortization	(54,213)	(52,772)
Plus: unamortized loss on refunding	<u>312</u>	<u>350</u>
	46,458	45,223
Less: capitalized lease obligations	(23,484)	(24,656)
Less: note payable	<u>-</u>	<u>(102)</u>
Invested in capital assets	<u><u>\$ 22,974</u></u>	<u><u>\$ 20,465</u></u>

Net position invested in capital assets, net of related debt, represents the Foundation's capital assets, net of accumulated depreciation, unamortized loss on refunding and outstanding principal balances of debt attributable to the acquisition, construction or improvement of these assets. Capitalized lease obligations consist primarily of system revenue bonds of \$21 million. The majority of this obligation of \$19.45 million was incurred in 2003-04 fiscal year with respect to the construction of the University Village Phase III student housing complex and those bonds were advance refunded and defeased in 2013-14 and 2014-15 fiscal years. The balance of this obligation of \$1.55 million was incurred for the construction of a continuing education complex in fiscal years 2000-01 and those bonds were advance refunded and defeased in 2016-2017 fiscal year.

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The Foundation has been working on a collaborative project with the University including the planning, construction and financing for a \$24.0 million replacement dining commons that will open in January 2020. The University has requested the Foundation enter into a facility lease agreement and an operating agreement to operate the dining commons and repay the financing under the same terms and conditions as the dining portion of the System Revenue Bonds, Series 2017A & 2017B. The Foundation has contributed \$4.0 million to the project and over the next 30 years, the Foundation will be obligated to repay \$20.0 million of bonds with a 3.81% all in total interest cost upon a fully executed facility lease, master operating and various supplemental operating agreements.

Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents the Foundation's results of operations. A summary of the Foundation's revenues, expenses, and changes in net position is as follows:

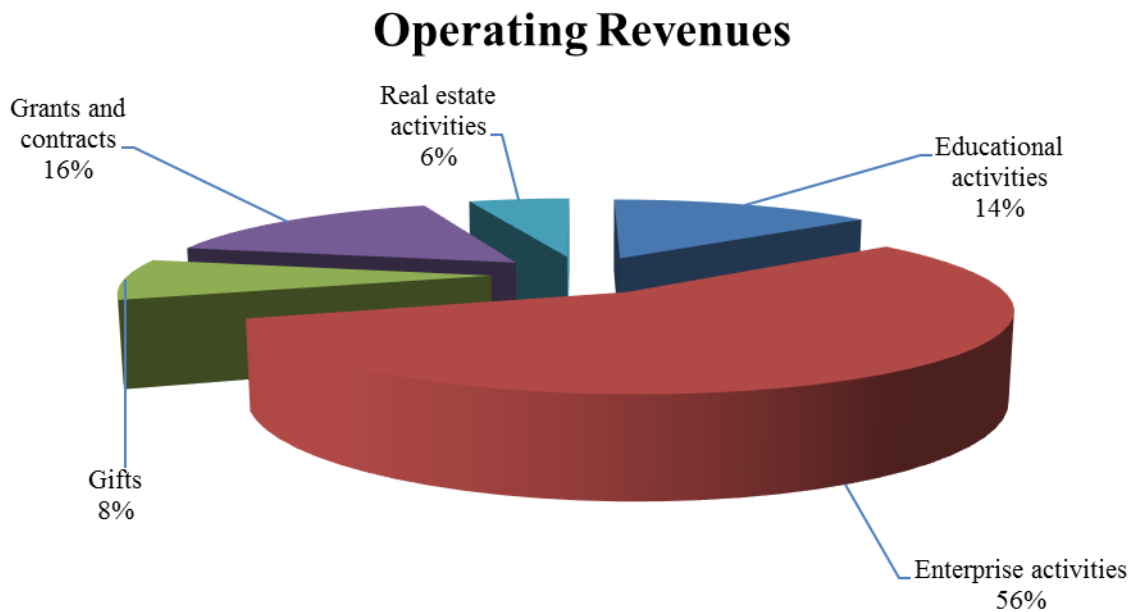
	2019 <u>(in thousands)</u>	2018 <u>(in thousands)</u>
Operating revenues:		
Educational activities	\$ 12,405	\$ 6,465
Enterprise activities	48,257	47,060
Gifts, noncapital	7,181	7,207
Grants and contracts	13,951	15,243
Real estate activities	4,739	4,558
Total operating revenues	<u>86,533</u>	<u>80,533</u>
Operating expenses	<u>85,263</u>	<u>75,639</u>
Operating income	<u>1,270</u>	<u>4,894</u>
Nonoperating revenues (expenses):		
Contributions restricted for long term purposes	3,318	-
Investment income, net	2,396	2,112
Endowment income, net	2,997	7,240
Interest expenses	(1,116)	(948)
Transfer to the University	<u>(2,615)</u>	<u>(1,522)</u>
Total nonoperating revenues, net	<u>4,980</u>	<u>6,882</u>
Increase in net position	6,250	11,776
Net position:		
Net position at beginning of year	<u>179,771</u>	<u>167,995</u>
Net position at end of year	<u>\$ 186,021</u>	<u>\$ 179,771</u>

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CAL POLY POMONA FOUNDATION, INC.
Management's Discussion and Analysis (MD&A)
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During the fiscal year 2018-19, total operating revenues increased 7.5% or \$6 million due to higher revenue in educational activities and total non-operating revenues decreased 27.6% or \$1.9 million due to the decreased investment unrealized and realized gains as a result of capital markets influencing asset values and under-performance to the benchmark. Operating expenses increased 12.7% or \$9.6 million primarily due to enterprise, instruction and institutional support expenses.

The operating revenues include gifts and can be affected by the timing of when a pledge payment is received, correspondingly the expenditures (i.e., instruction, academic and institutional support) may not be incurred in the same fiscal year. Educational activities may use gifts to support their expenditure activities in the same or subsequent years. Since these programs are allowed to use funds from prior years, revenues and expenditures may not have a correlation in the same year.

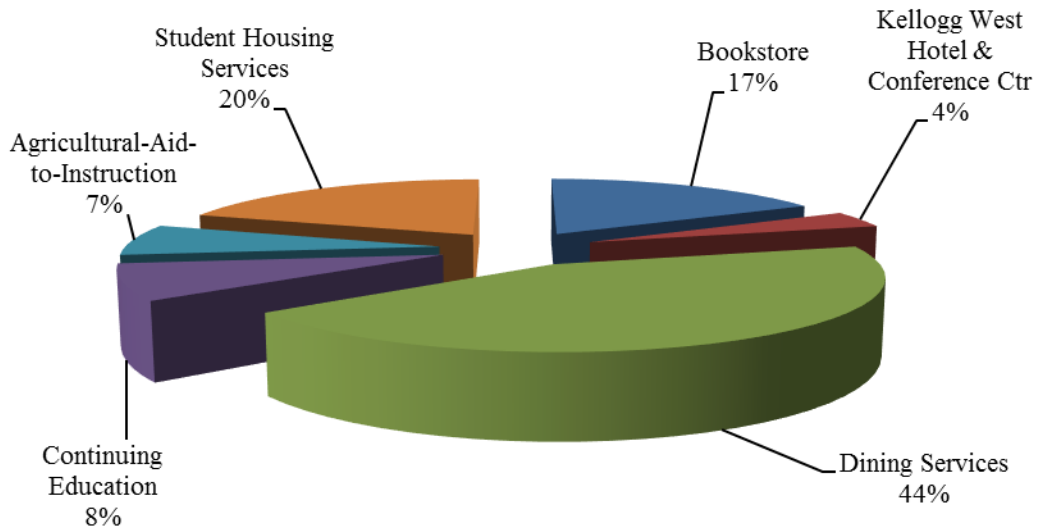


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Auxiliary enterprise operating revenues consist of the following programs:

Enterprise Revenues

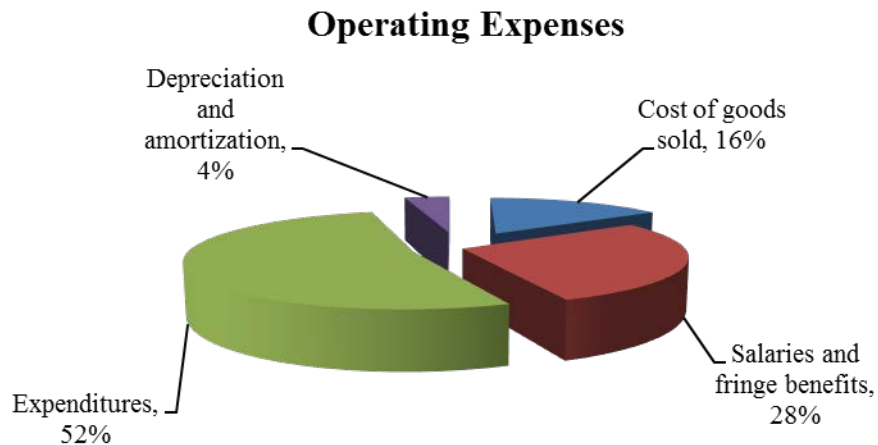


In August 2000, the Foundation entered into a twenty-five year master operating agreement and various supplemental operating agreements with the Trustees of the California State University on behalf of the University that expire in February 2025 and allow the Foundation to operate various activities including the above enterprise activities. All the activities of the Foundation support the students, faculty and staff and provide convenient and appropriate goods and services at reasonable prices for the development of additional resources for the University.

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Year Ended June 30, 2019

In fiscal year 2018-19, operating expenses consist of cost of goods sold of \$13.3 million, salaries and fringe benefits of \$23.9 million, payments to vendors of \$44.8 million, and depreciation and amortization of \$3.4 million.



In addition to their natural classifications, it is also informative to review operating expenses by function. A summary of the Foundation's expenses by functional classification for the fiscal years ended is as follows:

	2019 (in thousands)	2018 (in thousands)
Operating:		
Instruction	\$ 10,601	\$ 8,989
Research	7,772	8,409
Public service	1,144	1,266
Academic support	6,691	6,122
Student services	867	945
Institutional support	5,313	2,188
Operation and maintenance of plant	160	45
Student grants and scholarships	1,418	1,285
Administrative and real estate activities	10,089	6,752
Enterprise expenses	37,796	35,993
Depreciation and amortization	3,412	3,645
Total operating expenses	<u>\$ 85,263</u>	<u>\$ 75,639</u>

During fiscal year 2018-19, total operating expenses increased 12.7% or \$9.6 million mainly due to enterprise, instruction and institutional support expenses.

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2019

Financial Highlights

The Foundation budget is developed and approved by the Board prior to the fiscal year beginning and the forecast is developed and approved by the board during the last quarter of the fiscal year. For the fiscal year 2018-19 the Foundation reports a \$6.2 million surplus consisting of an unrestricted surplus of \$3.5 million and a restricted surplus of \$2.7 million. Overall, the operations exceeded their forecasts except for the Administration deficit due to the year-end OPEB adjustment required by GASB 75. The California State University System requires a debt coverage ratio for a campus auxiliary debt program be equal to a minimum of 1.25, including stand-alone projects per executive order 994. The Foundation's unrestricted debt coverage service ratio is 3.27. In addition, all reserves were in line with budget and forecast.

	<u>Budget</u>	<u>Forecast</u>	<u>Actual</u>
Administration	\$ (803,380)	\$ 945,755	\$ (1,686,059)
Real Estate	169,451	504,537	184,638
Investments	1,837,929	399,156	1,200,858
Bookstore	319,852	63,732	324,776
Dining Services	1,187,431	437,374	949,770
Kellogg West Conference Center	70,161	6,089	111,649
University Village	3,038,874	3,290,795	3,057,415
Designated Gifts	(1,696,832)	(1,692,096)	(1,454,003)
Research Office	20,000	20,000	20,000
Agriculture	106,333	230,302	211,440
Continuing Education	535,170	449,208	255,182
Unrestricted Programs	(2)	-	305,127
Foundation Total Unrestricted	<u>4,784,987</u>	<u>4,654,852</u>	<u>3,480,793</u>
Restricted Programs/Scholarships	4,346,338	3,981,557	3,626,482
Restricted Endowments/Donations	1,824,618	(383,128)	1,758,022
Assets Transferred to University	-	-	(2,615,095)
Total Surplus/Deficit	<u>\$ 10,955,943</u>	<u>\$ 8,253,281</u>	<u>\$ 6,250,202</u>

The above presentation provides an analysis of budget, forecast, and actual amounts in their respective activities. The surplus/deficits within these activities include inter-company revenue and expenses and administrative fees and transfers that are eliminated in the audited financial statements.

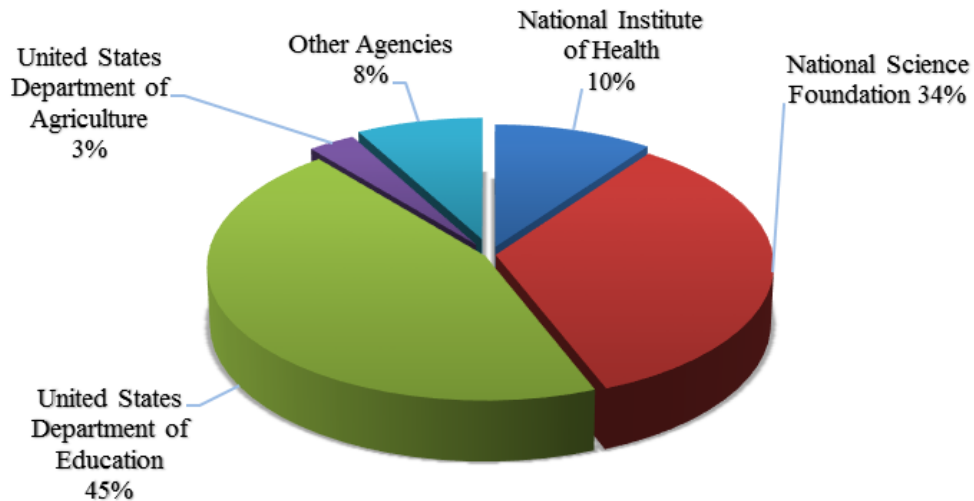
See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2019

The Foundation is the recipient of all externally-funded sponsored projects awarded on behalf of the University. For the last two years, University faculty and staff have secured over \$34.9 million in external funds representing 199 projects.

Federal grant and contract awards received represents 82% of the sponsored program activity and includes support from a variety of agencies including:

Federal Grant and Contract Revenue



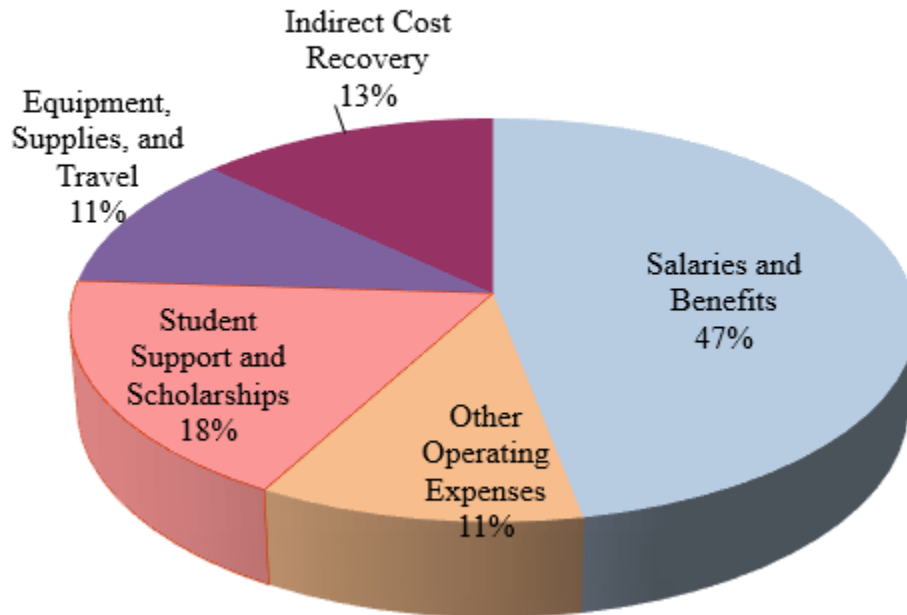
See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2019

During the last two fiscal years, grants and contracts expenditures totaled \$29.2 million consisting of federal grants and contracts of \$22.2 million, state grants and contracts of \$4.3 million, and non-governmental grants and contracts of \$2.7 million.

The expenditures relating to grant and contract projects consisted of the following items:

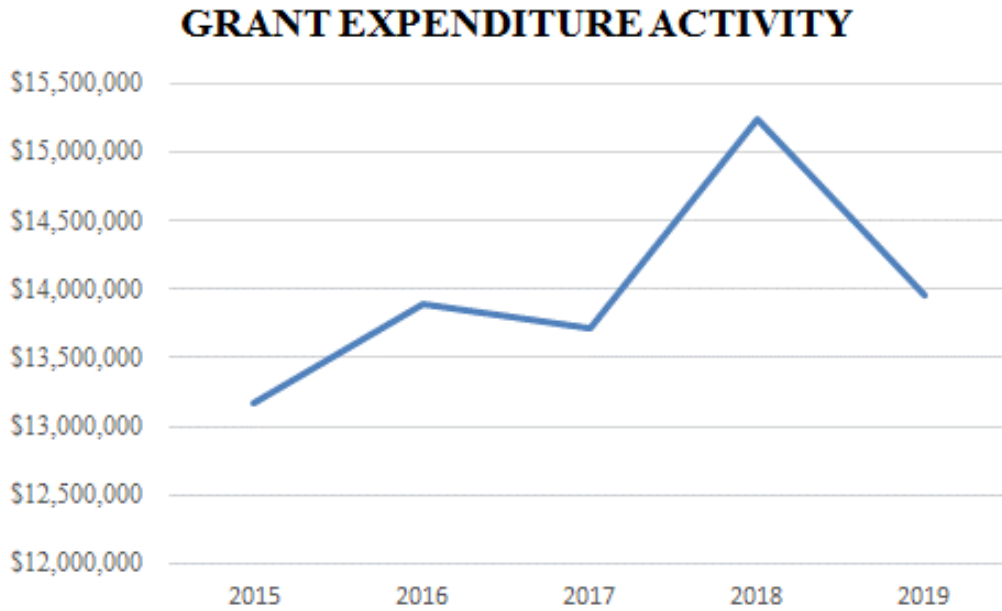
Grant and Contract Expenditures



See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2019

Over the past five years, the grant expenditure totals have ranged from between \$13.1 million and \$15.2 million.

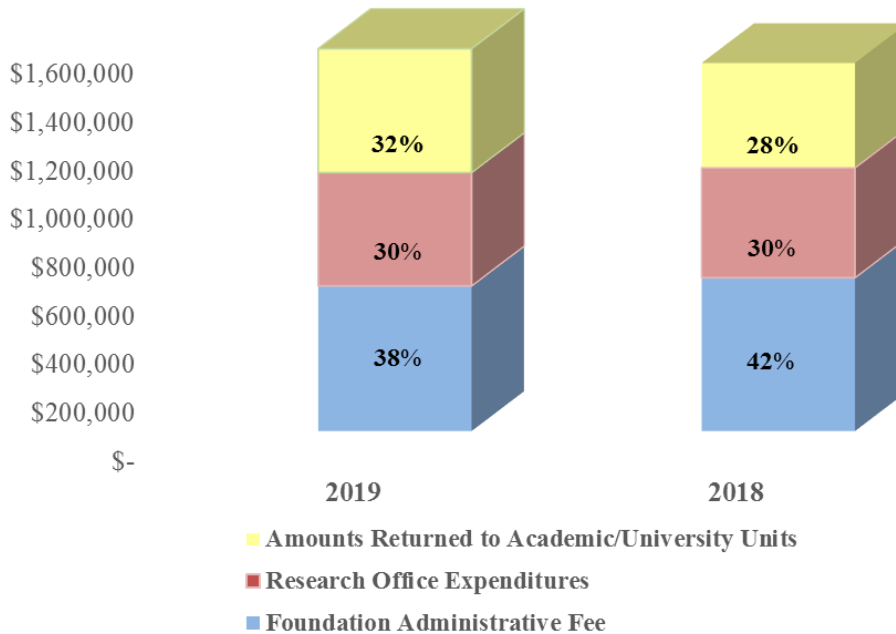


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CAL POLY POMONA FOUNDATION, INC.
 Management's Discussion and Analysis (MD&A)
 Year Ended June 30, 2019

The total amount of indirect cost recovery income collected from grant and contract projects has totaled \$1.6 million in 2019 and \$1.5 million in 2018. This income is used to pay for the pre-award operating costs of the Office of Research and Sponsored Programs, the Foundation's post award administrative fee, with the excess being returned to Academic Affairs for distribution back to the Academic/University units that generated the activity.

**Total Distribution of Indirect Cost Recovery Income
 (\$3.1 Million)**



See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2019

Statement of Cash Flows

The statement of cash flows provides additional information on the Foundation's financial results by reporting the major sources and uses of cash. A summary of the statement of cash flows is as follows:

	2019 <u>(in thousands)</u>	2018 <u>(in thousands)</u>
Cash received from operations	\$ 84,369	\$ 82,319
Cash expended from operations	<u>(82,536)</u>	<u>(75,333)</u>
Net cash provided by operating activities	1,833	6,986
Net cash provided by non-capital financing activities	(1,380)	5,821
Net cash used in capital and related financing activities	(8,037)	(4,273)
Net cash used in investing activities	<u>8,266</u>	<u>(6,085)</u>
Net change in cash and cash equivalents	682	2,449
Cash and cash equivalents at beginning of year	<u>6,962</u>	<u>4,513</u>
Cash and cash equivalents at end of year	<u><u>\$ 7,644</u></u>	<u><u>\$ 6,962</u></u>

During fiscal year 2018-19, the cash position at end of year increased \$681,993 mainly due to net cash provided by investing activities.

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2019

Factors Impacting Future Periods

The Foundation's fiscal year 2019-20 proposed budgeted projections include the following Board approved assumptions:

- Provide students in the resident halls with a range of meal plans from 140 to 220 plus 630 meal points per semester (a 240% increase from the current 185 points). There is also an unlimited meals plan that includes 250 meal points per semester. For the students living in the Suites, provide 70 meals including 750 meal points per semester. Board rates are proposed to increase 3% for the students in the resident halls;
- Allow for a 3.0% increase in license fee rates at University Village and assume occupancy rates during the academic year of 96%, winter break occupancy of 96% and summer occupancy of 30%;
- Foundation has three different pension formulas (or "Plan") for its employees including the 2% @55 Plan, the 2% @60 Plan, and the 2% @62 Plan. An employee's hire date determines which Plan is applicable for the employee along with their status as a "benefited employee". Foundation and its benefited employees jointly contribute to their respective pension Plan. The rates paid by employees are 5%, 7%, and 6.25% respectively, and the weighted average rate for all three Plans paid by Foundation is 17.36%. The weighted average rate increased from 12.86% to 17.36% resulting in a budgeted increase of \$208,892. All three pension Plans in their respective Risk Pool with CalPERS are projected to contribute the Normal Cost of \$1,120,112;
- Contribute an additional \$705,473 to the minimum UAL required amount of \$617,400 for total of \$1,322,873 to the 2% @55 Plan to continue to reduce the UAL based on a 8 year model (3rd year of 10 year plan), \$0 to the 2% @60 Plan and \$0 to the 2% @62 Plan as those funds are currently fully funded;
- A 3% or approximately \$242,000 wage adjustment for 149 employees;
- A 5% annual increase cap for Foundation's portion of health insurance premium;
- Parking subsidy of \$80,000 for full time employees (excluding MCP employees) and part time employees of \$25,000; and
- Contribute \$1.0 million to the VEBA Trust. The Plan Fiduciary Net Position as a percentage of the Total OPEB Liability is 51% or \$7.9 million unfunded per the latest actuarial study dated July 1, 2018.

The fiscal year 2019-20 proposed surplus generates a debt service coverage of 3.81 before and 3.16 after the designated gifts. The proposed budget and forecast meets the California State University Executive Order 994 with a debt coverage ratio of at least 1.25.

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.

Statement of Net Position

June 30, 2019

(with Comparative Totals for June 30, 2018)

	2019	2018
Assets:		
Current assets:		
Cash and cash equivalents	\$ 4,199,107	\$ 5,707,489
Short-term investments	64,266,000	68,438,837
Accounts receivable, net	8,894,192	8,346,440
Accounts receivable from the University	947,034	950,343
Inventories	1,890,984	1,946,415
Assets held for sale	1,331,071	645,000
Pledges receivable, net	2,198,278	2,321,798
Prepaid expenses and other assets	148,367	249,175
Total current assets	83,875,033	88,605,497
Noncurrent assets:		
Restricted cash and cash equivalents	3,444,568	1,254,193
Pledges receivable, net	2,354,494	2,249,436
Endowment investments	100,039,068	98,738,780
Capital assets, net	46,146,545	44,873,082
Total noncurrent assets	151,984,675	147,115,491
Total assets	235,859,708	235,720,988
Deferred outflows of resources:		
Unamortized loss on debt refunding	311,663	350,437
Net pension obligation	4,261,373	4,913,557
Net OPEB obligation	1,934,932	2,325,170
Total deferred outflows of resources	6,507,968	7,589,164

See the accompanying notes to financial statements.

CAL POLY POMONA FOUNDATION, INC.

Statement of Net Position

June 30, 2019

(with Comparative Totals for June 30, 2018)

	2019	2018
Liabilities:		
Current liabilities:		
Accounts payable	709,409	1,258,075
Accounts payable to the University	3,679,921	1,154,397
Accrued salaries and benefits payable	1,299,814	1,390,097
Accrued compensated absences, current portion	688,958	640,130
Unearned revenue	1,516,256	1,775,334
Capitalized lease obligations, current portion	990,000	940,000
Long-term debt obligations, current portion	—	102,204
Line of credit	3,000,000	7,000,000
Other liabilities	2,741,633	5,515,992
Total current liabilities	14,625,991	19,776,229
Noncurrent liabilities:		
Accrued compensated absences, net of current portion	154,275	184,292
Capitalized lease obligations, net of current portion	22,494,352	23,716,092
Pension obligation	8,194,358	9,589,146
Net OPEB liability	7,943,627	6,529,718
Unitrust liability	890,408	577,859
Total noncurrent liabilities	39,677,020	40,597,107
Total liabilities	54,303,011	60,373,336
Deferred inflows of resources:		
Net pension obligation	—	911,035
Unamortized gain on debt refunding	54,988	64,413
Net OPEB obligation	654,435	2,190,313
Split interest agreements	1,333,985	—
Total deferred inflows of resources	2,043,408	3,165,761
Net Position:		
Net investment in capital assets	22,973,856	20,465,223
Restricted for:		
Nonexpendable – endowments	85,782,248	82,218,836
Expendable:		
Scholarships and fellowships	5,261,715	5,027,520
Capital projects	1,912,790	1,962,501
Endowments	15,693,092	17,498,481
Programs	38,519,341	36,546,066
Unrestricted	15,878,215	16,052,428
Total net position	\$ 186,021,257	\$ 179,771,055

See the accompanying notes to financial statements.

CAL POLY POMONA FOUNDATION, INC.
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2019
(with Comparative Totals for the Year Ended June 30, 2018)

Revenues:	2019	2018
Operating revenues:		
Educational activities	\$ 12,405,498	\$ 6,464,927
Enterprise activities	48,256,562	47,059,586
Gifts, noncapital	7,181,179	7,206,786
Grants and contracts	13,951,151	15,243,493
Real estate activities	4,738,568	4,558,032
	86,532,958	80,532,824
Total operating revenues		
Expenses:		
Operating expenses:		
Educational activities	20,014,822	14,004,490
Enterprise activities	37,796,266	35,993,781
Grants and contract	13,951,151	15,243,493
Administrative and real estate activities	10,088,849	6,751,590
Depreciation and amortization	3,411,791	3,645,344
	85,262,879	75,638,698
Total operating expenses		
Operating income	1,270,079	4,894,126
Nonoperating revenues (expenses):		
Contributions restricted for long term purposes	3,317,504	—
Investment income, net	2,396,544	2,111,642
Endowment income, net	2,997,354	7,240,228
Interest expense	(1,116,184)	(947,849)
Other nonoperating expenses	(2,615,095)	(1,522,226)
	4,980,123	6,881,795
Net nonoperating revenues		
Income before other additions	6,250,202	11,775,921
Net position:		
Net position at beginning of year	179,771,055	167,995,134
Net position at end of year	\$ 186,021,257	\$ 179,771,055

See the accompanying notes to financial statements.

CAL POLY POMONA FOUNDATION, INC.
Statement of Cash Flows
For the Year Ended June 30, 2019
(with comparative information for the Year Ended June 30, 2018)

	2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Receipts from federal grants and contracts	\$ 11,158,843	\$ 10,917,197
Receipts from state and local grants and contracts	1,993,966	2,291,059
Receipts from nongovernmental grants and contracts	3,499,962	1,676,530
Gifts and grants received for other than capital purposes	5,707,176	7,406,498
Payments to suppliers	(47,698,673)	(44,222,490)
Payments to employees	(32,051,738)	(27,399,884)
Payments for benefits	(1,366,559)	(2,425,208)
Payments to students	(1,418,376)	(1,285,387)
Sales and services of educational activities	10,324,514	10,478,054
Sales and services of enterprise activities	43,165,295	44,011,432
Other receipts	8,518,609	5,538,481
Net cash provided by operating activities	1,833,019	6,986,282
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Net borrowings on line of credit	(4,000,000)	7,000,000
Contributions restricted for long term purposes	3,317,504	342,946
Other noncapital financing activities	(697,688)	(1,522,226)
Net cash provided (used) by noncapital financing activities	(1,380,184)	5,820,720
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Acquisitions of capital assets	(6,854,538)	(5,224,741)
Proceeds from sale of capital assets	1,178,029	3,087,264
Principal paid on capital debt and lease	(1,042,204)	(985,289)
Interest paid on capital debt and lease	(1,318,575)	(1,150,261)
Net cash used by capital and related financing activities	(8,037,288)	(4,273,027)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Proceeds from sales and maturities of investments	75,384,562	43,220,382
Purchases of investments	(77,549,999)	(57,792,018)
Investment income	10,431,883	8,486,119
Net cash provided (used) by investing activities	8,266,446	(6,085,517)
Net increase in cash and cash equivalents	681,993	2,448,458
Cash and cash equivalents, and restricted cash at beginning of year	6,961,682	4,513,224
Cash and cash equivalents, and restricted cash at end of year	\$ 7,643,675	\$ 6,961,682

See the accompanying notes to financial statements.

CAL POLY POMONA FOUNDATION, INC.

Statement of Cash Flows

Year Ended June 30, 2019

(with comparative information for the Year Ended June 30, 2018)

	2019	2018
Reconciliation of operating gain to net cash provided by operating activities:		
Operating income	\$ 1,270,079	\$ 4,894,126
Adjustments to reconcile operating gain to net cash provided by operating activities:		
Depreciation	3,411,791	3,645,344
Loss on sale of capital assets	566,314	—
Noncash contribution of artwork	(1,492,465)	—
Contributions restricted for long term purposes	—	(342,946)
Change in assets and liabilities:		
Accounts receivable, net	(544,443)	(641,945)
Pledges receivable, net	18,462	542,658
Prepaid and other assets	(529,832)	(317,334)
Deferred outflows of resources	1,042,422	(2,456,035)
Accounts payable and amounts payable to the University	1,976,858	(93,049)
Accrued salaries and benefits	(90,283)	534,486
Accrued compensated absences	18,811	85,815
Unearned revenue	(259,078)	297,868
Net other postemployment benefits liability	1,413,909	—
Net pension obligation	(1,394,788)	1,236,423
Other liabilities	(2,461,810)	1,426,768
Deferred inflows of resources	(1,112,928)	(1,825,897)
Net cash provided by operating activities	\$ 1,833,019	\$ 6,986,282
 Breakdown of ending cash balance:		
Cash and cash equivalents	\$ 4,199,107	\$ 5,707,489
Restricted cash and cash equivalents	3,444,568	1,254,193
	\$ 7,643,675	\$ 6,961,682
 Supplemental schedule of noncash transactions:		
Amortization of bond premium	\$ (231,740)	\$ (231,760)
Amortization of loss on debt refundings	\$ 48,200	\$ 48,200
Pledges receivable during the year	\$ 1,212,640	\$ 2,084,390
Gifts and grants received for capital purposes	\$ (1,492,465)	\$ —
Transfers of capital assets to the University	\$ (1,917,407)	\$ —

See the accompanying notes to financial statements.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2019

Note (1) Organization

Cal Poly Pomona Foundation, Inc. (Foundation) was organized as a nonprofit corporation and auxiliary organization of California State Polytechnic University, Pomona (University) in 1966. The Foundation assists the University in several ways, including the development and administration of research and educational grants and contracts; conducting enterprise activities including, dining service, bookstores, conference center and hotel, apartment style housing, continuing education and agricultural aid to instruction; the management of Foundation programs, real estate activities, student scholarship and endowment funds; the development and administration of faculty staff housing and a research park, special programs, and other activities on behalf of the University.

Note (2) Summary of Significant Accounting Policies

(a) Financial Reporting Entity

The Foundation is a legally separate tax-exempt component unit of the University. The University is part of the California State University (CSU) system. Cost are allocated to specific activities where possible. Costs not identified with specific activities that relate to the full scope of the Foundation's activities are allocated to operational activities.

The Foundation's board appointments require approval from the University President, and as a result, the Foundation follows the reporting principles promulgated by the Government Accounting Standards Board (GASB). The basic financial statements present only the Statements of Net Position, Statements of Revenue, Expenses, and Changes in Net Position, and the Statements of Cash Flows of the Foundation. These statements do not purport to present financial information of the CSU system as a whole.

(b) Basis of Presentation

The Foundation records revenue in part from assisting the University in various activities as described in Note 1 above and accordingly, has chosen to present its basic financial statements using the reporting model for special-purpose governments engaged only in business-type activities. This model allows all financial information for the Foundation to be reported in a single column each year in each of the basic financial statements. The effect of any internal activity between funds or groups of funds has been eliminated from these basic financial statements.

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2019

Note (2) Summary of Significant Accounting Policies (continued)

(c) *Basis of Accounting*

The accompanying basic financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

(d) *Classification of Current and Noncurrent Assets and Liabilities*

The Foundation considers assets to be current that can reasonably be expected, as part of its normal business operations, to be converted to cash and be available for liquidation within 12 months of the statement of net position date. Liabilities that reasonably can be expected, as part of normal Foundation business operations, to be liquidated within 12 months of the statement of net assets date are considered to be current. All other assets and liabilities are considered to be noncurrent.

(e) *Federal Grants and Contracts*

The Foundation serves as administrator for various grants and contracts awarded by governmental and private institutions. Amounts administered by the Foundation are recorded as revenue and expense in the financial statements.

(f) *Cash and Cash Equivalents*

The Foundation considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents.

(g) *Accounts Receivable*

Accounts receivable include receivables due from federal, state and local governments for contract and grant reimbursements. Accounts receivables also include receivables from enterprise sales and services and for real estate rents and leases.

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.
Notes to Financial Statements
Year Ended June 30, 2019

Note (2) Summary of Significant Accounting Policies (continued)

(h) Inventories

Inventories are presented at the lower of cost and net realizable value based on the average cost method and are expensed when used. Inventory consists of textbooks held for resale in the bookstore and ancillary instructional, apparel and other supplies held for educational purposes.

(i) Pledges Receivable

Pledges receivable expected to be received beyond one year are recorded at the net present value of anticipated future cash flows. The discount rate used ranges from 1.41% to 5.75% depending upon the year the pledge began.

(j) Investments and Endowment Investments

Investments are reflected at fair value using quoted market prices or net asset value (NAV). Fair value 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. Gains and losses are included in the statement of revenues, expenses, and changes in net position as investment income (loss), net.

The Foundation's general investment policy authorizes the investment of excess funds in a range of investments to seek an average total annual return of 2.0% plus the percentage change in the greater Higher Education Price Index (HEPI). The Foundation's endowment investment policy authorizes the investment of endowment funds in a range of investments to seek an average total annual return of 4.0% plus the percentage change in the greater Los Angeles area consumer price index.

These 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 may occur in the near term and that such change could materially affect the financial statements. Although the market value of investments is subject to fluctuations, management believes the investment policies are prudent for the long-term welfare of the Foundation.

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2019

Note (2) Summary of Significant Accounting Policies (continued)

(k) Capital Assets

Capital assets are stated at cost or estimated historical cost if purchased or if donated, at estimated fair value at date of donation. Capital assets with a value of less than \$5,000 are not capitalized. Title to all assets, whether purchased, constructed, or donated, is held by the Foundation or title to an asset is transferred to the University and not included in the Foundation's capital assets. Depreciation is determined using the straight-line method over the estimated lives of the assets ranging from 3 to 40 years. Leasehold improvements are amortized using the straight-line method over the shorter of their estimated useful lives or the term of the lease. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

(l) Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The Foundation has a deferred loss on advance refunding reported in the statement of net position. A deferred loss on advance refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The deferred outflows of resources related to the net pension and other postemployment benefit (OPEB) obligations resulted from the Foundation's contributions to employee pension and OPEB plans subsequent to the measurement date of the actuarial valuations for the pension and OPEB plans, the difference between actual and expected experience and the difference between projected and actual earnings on pension and OPEB plan investments. The deferred outflows related to the net pension and OPEB obligations will be deferred and amortized as detailed in Notes 11 and 12 to the financial statements.

(m) Unearned Revenue

Unearned revenue consists primarily of funds received in advance of earnings related to enterprise activities and continuing education.

(n) Other Liabilities

Other liabilities consists of grant and contracts funds received in advance of expenditures and the remainder interest associated with charitable remainder trust agreements.

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2019

Note (2) Summary of Significant Accounting Policies (continued)

(o) Pension Obligation

For purposes of measuring the net pension obligation and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California Public Employees' Retirement System (CalPERS) plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

(p) Net OPEB Obligation

For purposes of measuring the net OPEB obligation and deferred outflows/inflows of resources related to OPEB, and OPEB expense, the fiduciary net position of the Foundation's plans and additions to/deductions from the Plans' fiduciary net position have been determined by Actuarial Standards of Practice and applicable Federal and State laws.

(q) Unitrust Liability

The Foundation administers irrevocable charitable remainder trusts and gift annuities that provide for the payment of lifetime distributions to the trustors or other designated beneficiaries. Upon the demise of the lifetime beneficiary, the trusts and gift annuities provide for the distribution of assets to the Foundation for the benefit of the campus. Remainder trust and gift annuity funds designated to the campus are recorded as deferred inflow per GASB 81 in the accompanying financial statements in the years received and as a donation in the year the trust matures. The fair value of the trusts' assets has been included in the accompanying statement of net position and a corresponding liability has been recorded to reflect the present value of required lifetime payments to the named beneficiaries.

(r) Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net assets by the Foundation that is applicable to a future reporting period and thus, will not be recognized as an inflow of resources (income) until then. The Foundation has a deferred gain on split interest agreements with charitable trusts and advance refunding reported in the statement of net position. A deferred gain on advance refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2019

Note (2) Summary of Significant Accounting Policies (continued)

(r) Deferred Inflows of Resources, continued

The deferred inflow of resources, related to the net pension and OPEB obligations, results from the difference between the estimated and actual return on pension and OPEB plan investments, change in actuary assumptions, and the change in the Foundation's proportionate share of pension and OPEB contributions. These amounts are deferred and amortized as detailed in Notes 11 and 12 to the financial statements.

(s) Net Position

The Foundation's net position is classified into the following categories:

Net investment in capital assets: Capital assets, net of accumulated depreciation, amortization, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted - nonexpendable: Amounts subject to externally imposed conditions that the Foundation retains in perpetuity.

Restricted - expendable: Amounts subject to externally imposed conditions that can be fulfilled by the actions of the Foundation or by the passage of time. When both restricted and unrestricted resources are available for use, it is the Foundation's policy to use restricted resources first, then unrestricted resources as they are needed.

Unrestricted: All other categories of net position. In addition, unrestricted net position may be designated for use by the Foundation Board of Directors.

(t) Classification of Revenues and Expenses

The Foundation considers operating revenues and expenses in the Statement of Revenues, Expenses, and Changes in Net Position to be those revenues and expenses that result from exchange transactions or from other activities that are connected directly to the Foundation's primary functions. Exchange transactions include charges for services rendered and the acquisition of goods and services. Certain other transactions are reported as non-operating revenues and expenses in accordance with GASB Statement No. 33. These non-operating activities include the Foundation's net investment, endowment income/loss, interest expense and transfer of assets to the University.

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2019

Note (2) Summary of Significant Accounting Policies (continued)

(u) *Income Taxes*

The Foundation is organized under the nonprofit public benefit laws of California and is recognized as an exempt organization for both federal and California purposes under Section 501(c)(3) and 23701(d), respectively.

The Foundation has evaluated its tax positions and the certainty as to whether those tax positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated are related to the Foundation's continued qualification as a tax-exempt organization and whether there is unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

(v) *Estimates*

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, outflows, liabilities, inflows, revenues, and expenses in the accompanying basic financial statements. Actual results could differ from those estimates.

(w) *Subsequent Events*

The Foundation has evaluated subsequent events through September 17, 2019, which is the date the financial statements were available to be issued, see Note 15 for further details.

Note (3) Cash, Cash Equivalents, and Investments

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Foundation's deposits may not be returned. The cash and cash equivalents of the Foundation are maintained at financial institutions and are fully insured or collateralized up to \$250,000 per financial institution. As of June 30, 2019, \$3,628,229 of the Foundation's bank balance of \$3,878,229 was exposed to credit risk as category three, uninsured and uncollateralized.

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2019

Note (3) Cash, Cash Equivalents, and Investments (continued)

Securities Investor Protection Corporation (SIPC) protects against the loss of cash and securities – such as stocks and bonds – held by a customer at a financially-troubled SIPC-member brokerage firm. The limit of SIPC protection is \$500,000, which includes a \$250,000 limit for cash. The Foundation has \$3,047,787 in uninsured money market funds as of June 30, 2019.

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments that are in the possession of the counterparty. As of June 30, 2019, all investments are in the name of the Foundation, and the Foundation is not exposed to custodial credit risk associated with its investments.

Following is a list of acceptable instruments to invest in as of June 30, 2019:

Description	General Portfolio	Endowment Portfolio
Money Market Funds	X	X
Certificate of Deposits	X	X
Common and Preferred Stocks		X
US Government or Agency Obligations	X	X
International Bonds	X	
Mortgage Backed Securities	X	X
Corporate Debt	X	X
Repurchase Agreements	X	X
Mutual Funds (Debt or Equity)	X	X
Real Estate Investment Trusts		X
Real Estate	X	
Real Assets	X	X
Alternative Investments	X	
Hedge Funds		X
Private Equity		X

Interest Rate Risk

This is the risk of loss due to the fair value of an investment falling due to rising interest rates. As a means of limiting its exposure to fair value losses from rising interest rates, in accordance with its investment policies, the Foundation authorizes investment of up to 10% of the market value of the asset class in non-investment grade debt provided that all such investments shall be made through mutual funds so as to diversify risk.

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2019

Note (3) Cash, Cash Equivalents, and Investments (continued)

As of June 30, 2019 all mutual funds invest in fixed income securities, with total fair value of \$71,833,001, and have a duration between 1 and 4 years. \$44,634,657 were in general investments and \$27,198,345 were in endowment investments.

Credit Risk

This is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations. This is measured by the assignment of ratings by nationally recognized statistical rating organizations. Specifically, the Foundation’s investment policy requires that corporate debt must carry an investment grade rating by at least two of three rating agencies at the time of purchase. The debt mutual funds are unrated.

The Foundation had the following investments subject to credit risk:

<u>Investment Type</u>	<u>Rating (S&P/Moody's)</u>	<u>Fair Value</u>
Mutual Funds - Fixed Income	Not rated	\$ 71,833,002
Local Agency Investment Fund	Not rated	\$ 1,082,175

Concentration of Credit Risk

The Foundation’s general and endowment investment policies allow for no more than 5% of the asset class to be invested in any single equity or fixed income issuer, with the exception of U.S. Treasury and Agency securities and exposure to any industry sector is generally limited to 20% of the asset class. This is the risk of loss attributed to the magnitude of an entity’s investment in a single issuer. In order to maximize returns in the investment portfolio while preserving capital, the Foundation’s investment policy provides for a range and target weighted asset allocation as follows:

<u>Asset Class</u>	<u>Target Asset Mix Table General Investments</u>		<u>Target Asset Mix Table Endowment Investments</u>	
	<u>Range</u>	<u>Target Weight</u>	<u>Range</u>	<u>Target Weight</u>
Equities	10-65%	27%	N/A	N/A
Domestic Equities	N/A	N/A	20-50%	29.5%
International Equities	N/A	N/A	15-35%	33.0%
Fixed Income-Mutual Funds	40-85%	65%	20-50%	27.5%
Cash Equivalents	0-20%	0%	0-20%	0.0%
Real Estate	0-10%	0%	0-10%	0.0%
Real Assets	0-10%	0%	0-10%	0.0%
Alternative Investments	0-25%	8%	N/A	N/A
Hedge Funds	N/A	N/A	0-20%	5.0%
Private Equity	N/A	N/A	0-20%	5.0%

See independent auditors’ report.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2019

Note (3) Cash, Cash Equivalents, and Investments (continued)

As of June 30, 2019 the Foundation was not exposed to concentration of credit risk as there were no investments in a single issuer in excess of 5%.

Fair Value Measurement

Investments are presented in the financial statements at fair value in accordance with accounting principles generally accepted in the United States of America. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. Valuation techniques are used to determine fair value which consists of the market, cost and income approach.

The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted prices (unadjusted) for identical investments in active markets at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an investment, either directly or indirectly. Level 3 inputs are unobservable inputs for an investment. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

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.

The carrying value of cash, receivables, and payables approximates fair value as of June 30, 2019 due to the relative short maturities of these instruments.

	Assets at Fair Value				
	Total	Level 1	Level 2	Level 3	NAV
Mutual Funds:					
Domestic Fixed Income	\$ 66,783,338	\$ 66,783,338	\$ -	\$ -	\$ -
Global Fixed Income	5,049,663	5,049,663	-	-	-
Int'l & EM Equities	40,876,945	40,876,945	-	-	-
Large Cap Equities	31,476,069	31,476,069	-	-	-
Small-Mid Cap Equities	8,285,092	8,285,092	-	-	-
Hedge Funds	1,424,975	1,424,975	-	-	-
REITs	20,039	20,039	-	-	-
Credit Fixed Income Funds	22,416	22,416	-	-	-
Indexed Annuity	280,426	280,426	-	-	-
Alternative Investments:					
Hedge Funds	3,633,176	-	-	-	3,633,176
Private Equities	5,370,754	-	-	-	5,370,754
Local Agency Investment Fund	1,082,175	-	-	-	1,082,175
	<u>\$ 164,305,068</u>	<u>\$ 154,218,963</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,086,105</u>

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements
Year Ended June 30, 2019

Note (3) Cash, Cash Equivalents, and Investments (continued)

Fair Value Measurement (continued)

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.

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.

- a) Mutual funds are managed by separate investment management firms. These mutual funds are valued using quoted market prices for identical investments in active markets which approximate fair value.
- b) Hedge Funds are managed by three separate investment management firms in either pooled master limited partnerships or mutual funds. Hedge Funds are valued using net asset value per share.
- c) Indexed annuities are long-term insurance products with guaranteed payments backed by the claims-paying ability of the issuing insurance company. Index annuity products are valued by the issuing insurance company.
- d) Private Equities are master limited partnership multi-manager program investments valued using net asset value per share.
- e) Local Agency Investment Fund (LAIF) is valued using net asset value per share.

Investments Measured at Net Asset Value (NAV)

Commitments and redemption schedules for those investments value based on net asset values are as follows:

<u>Description</u>	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Private equity funds - Commonfunds	\$ 565,566	79,750	None	None
Private equity funds - Hamilton Lane	\$ 4,805,188	6,188,301	None	None
Hedge fund of funds - Balyasny	\$ 1,179,005	-	semi-annual	95 days
Hedge fund of funds - Graham	\$ 1,191,109	-	quarterly	30 days
Hedge fund of funds - Ironwood	\$ 1,263,062	-	quarterly	65 days
Local Agency Investment Fund	\$ 1,082,175	None	None	None

The Foundation has invested in the private equity funds - Commonfund and contributed \$920,250 against its commitment of \$1.0 million in the general portfolio and received distributions of \$1,230,214 (since inception September 2007) and the market value is \$565,566 as of March 2019 (the latest valuation date).

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CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2019

Note (3) Cash, Cash Equivalents, and Investments (continued)

Investments Measured at Net Asset Value (NAV) (continued)

The Foundation invested in the private equity, Hamilton Lane and contributed \$3,541,922 against its commitment of \$7,000,000 million in the endowment portfolio and has received distributions of \$561,978 since March 2017, the market value is \$3,363,631 as of June 2019. The Foundation invested in Hamilton Lane and contributed \$1,517,967 against its commitment of \$3,000,000 million in the general portfolio and has received distributions of \$240,848 since March 2017, the market value is \$1,441,557 as of June 2019. These funds are managed by two separate general partnerships and are not redeemable during the term of 12 years with a three year option to extend by the general partner.

The Foundation's hedge fund investments are managed by three separate investment management firms in either pooled limited partnerships or mutual funds. Hedge Funds have historically provided a differentiated risk and rate-of-return profile than equities or fixed income and thus are expected to increase portfolio diversification and help smooth overall portfolio returns. The market value of the hedge fund investments is \$3,633,176 as of June 2019.

Investment Earnings

Net investment gains were \$5,393,898 for the year ended June 30, 2019, which is comprised of interest, dividends, realized gains and losses, and unrealized gains and losses due to changes in the fair value of investments held at year-end, net of investment fees. Investment income or losses are distributed ratably to participating funds.

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CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2019

Note (4) Accounts and Pledges Receivable

Receivables consisted of the following:

Pledges receivable:

Within one year	\$ 2,233,407
Within two to five years	2,524,616
Less allowance for uncollectible pledges	(35,129)
Less discount to reflect pledges receivable at present value	<u>(170,122)</u>
Pledge receivable, net	4,552,772

Other activities:

Real estate	2,655,012
Enterprise activities	2,367,200
Grants and contracts	2,879,499
Educational activities	1,019,091
Less allowance for uncollectible contributions	<u>(26,610)</u>
Subtotal accounts receivable	8,894,192
Due from University	<u>947,034</u>
Total receivables, net	<u>9,841,226</u>

Total accounts and pledges receivable \$ 14,393,998

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2019

Note (5) Endowments

Endowments are administered in an investment pool using the dollar weighted daily average methodology. Contributions to an individual endowment increase the percentage of the endowment's dollar weighted daily average thus increasing the endowment's share of investment returns for the month. It is the goal of the Foundation that the total return from endowment investments should be adequate to meet the following objectives:

- Preserve investment capital and its purchasing power;
- Generate sufficient resources to meet spending needs (distributions); and
- Attain reasonable capital appreciation through prudent acceptance of risk to enhance the future purchasing power of the investment capital.

The Foundation follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by the Board of Directors in November 2008. UPMIFA does not set specific expenditure limits; instead, a charity can spend the amount the charity deems prudent after considering the donor's intent that the endowment continue permanently, the purpose of the fund, and relevant economic factors. The Foundation's administration of endowment funds policy provides the guidance for the distribution of the net appreciation of restricted endowments. It is the Foundation's policy to distribute annually an amount equal to 4% of the endowment average value. The endowment average value equals the prior 12 quarterly market values. The effective rate of the amount distributed (effective rate equals amount distributed divided by the market value on December 31st) shall be no less than 3% or no greater than 5%. Only earnings are allowed to be distributed, no principal or corpus shall be eligible for distribution unless allowed by the terms and conditions of the endowment. Endowment earning distribution will occur as approved by the Board.

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CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2019

Note (6) Capital Assets

The following provides a summary of changes in capital assets for the year ended June 30, 2019:

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2019</u>
Capital assets not being depreciated:				
Land	\$ 8,005,340	\$ -	\$ 618,618	\$ 7,386,722
Works of art and historical treasures	170,600	1,492,465	-	1,663,065
Construction work in progress (CWIP)	<u>1,410,947</u>	<u>6,372,424</u>	<u>2,228,361</u>	<u>5,555,010</u>
Total capital assets not being depreciated	<u>9,586,887</u>	<u>7,864,889</u>	<u>2,846,979</u>	<u>14,604,797</u>
Capital assets being depreciated:				
Buildings and buildings improvements	68,431,991	787,677	3,440,843	65,778,825
Orchards	143,638	-	-	143,638
Infrastructure	8,651,467	-	-	8,651,467
Equipment, furniture, and vehicles	<u>10,830,871</u>	<u>639,630</u>	<u>290,011</u>	<u>11,180,490</u>
Total capital assets being depreciated	<u>88,057,967</u>	<u>1,427,307</u>	<u>3,730,854</u>	<u>85,754,420</u>
Total capital assets	<u>97,644,854</u>	<u>9,292,196</u>	<u>6,577,833</u>	<u>100,359,217</u>
Less accumulated depreciation for:				
Buildings and building improvements	41,878,109	2,321,132	1,760,471	42,438,770
Orchards	129,009	1,177	-	130,186
Infrastructure	2,139,959	218,203	-	2,358,162
Equipment	<u>8,624,695</u>	<u>871,279</u>	<u>210,420</u>	<u>9,285,554</u>
Total accumulated depreciation	<u>52,771,772</u>	<u>3,411,791</u>	<u>1,970,891</u>	<u>54,212,672</u>
Depreciable assets, net	<u>35,286,195</u>	<u>(1,984,484)</u>	<u>1,759,963</u>	<u>31,541,748</u>
Total capital assets, net	<u>\$44,873,082</u>	<u>\$ 5,880,405</u>	<u>\$ 4,606,942</u>	<u>\$46,146,545</u>

Note (7) Line of Credit

In March 2018, the Foundation entered into an unsecured revolving line of credit note with its relationship banking institution expiring in February 2019 that was extended through June 2019 and again through June 2020. The note is subordinate to all existing and future indebtedness of the Foundation with the Trustees of the California State University. The maximum principal sum of up to \$8,000,000 million was decreased to \$6,000,000 million when the line was extended and may be advanced for operating purposes pursuant to the terms of the credit agreement. The principal balance of \$3,000,000 million is outstanding at June 30, 2019 and each advance bears interest at LIBOR plus 1.2%, any undrawn capacity shall be charged a rate of 0.12% or twelve basis points.

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2019

Note (7) Line of Credit (continued)

The Foundation may select LIBOR interest periods of one, three, or six months for each advance, or may select the one month LIBOR reset daily. The Foundation selected the one month LIBOR reset daily for all advances and the interest rate on June 30, 2019 was 3.6%. The Foundation shall maintain a zero balance on advances under the line of credit for a period of at least thirty (30) consecutive days during each 12-month period. The Foundation must maintain a minimum unrestricted liquidity of not less than \$8,000,000 million that was decreased to \$6,000,000 million when extended at any time. For purposes of this note, minimum unrestricted liquidity is the sum of the total cash, cash equivalents, and investments less amounts listed on the Statement of Net Position that are Restricted for Nonexpendable and Expendable purposes.

Note (8) Leasing Commitments

Operating Leases as Lessee

The Foundation has a dining service agreement with the Trustees of the California State University. The agreement is renegotiated annually and requires that the Foundation pay for the use of Los Olivos Commons, Vista Market and Denny's based on 6% of gross annual sales at these dining venues. For the year ended June 30, 2019 the amount totaled \$530,410, which was included in rent expense.

Land and certain facilities used in the Foundation operations are leased from the University. As consideration, the Foundation operates such land and certain facilities at no cost to the University and annually the Foundation provides specified funds as designated by the Board of Directors, subject to bond debt service requirements. The leases are in effect with various termination dates during the 2019 and 2036 fiscal years.

The Foundation has various non-cancelable operating lease agreements for office and conference space and office equipment, with terms of 60 months.

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements
Year Ended June 30, 2019

Note (8) Leasing Commitments (continued)

Future minimum payments under non-cancelable operating lease agreements at June 30, 2019 are as follows:

Year ending June 30:

2020	\$	18,443
2021		12,563
2022		9,883
2023		634
TOTAL	\$	<u>41,523</u>

Capital Leases As Lessee

During the 2006-07 fiscal year, the Foundation entered into a ground and facilities lease agreement (Capital Lease) with the State of California, acting through the Board of Trustees of the California State University (Board) to refund and defease a portion of the 2000 Series Bonds.

The Board assisted the Foundation by issuing its System Revenue Bonds in 2006-07 and applied the proceeds of such Bonds to redeem the 2000 series bonds maturing on and after 2013 through 2025 callable on February 1, 2011. The Board leased the Project to the Foundation pursuant to the Capital Lease, subject to the following general terms and conditions: (i) the maximum annual debt service under the Capital Lease is \$332,750 and the scheduled term of the Capital Lease is 18 years from March 2007 through May 2025.

During the fiscal year 2016-2017, the Foundation entered into a ground and facilities lease agreement (Capital Lease) with the State of California, acting through the Board of Trustees of the California State University (Board) to refund and defease the 2007 Series Bonds. The Board assisted the Foundation by issuing its System Revenue Bonds in fiscal year 2016-17 (Series 2017A&B) and applied the proceeds of such Bonds to redeem the 2007 series bonds maturing on and after 2017 through 2024. The Board leased the Project to the Foundation pursuant to the Capital Lease, subject to the following general terms and conditions: (i) the maximum annual debt service under the Capital Lease is \$302,875 and the scheduled term of the Capital Lease is 7 years from February 2017 through November 2024. The refunding generated a cash flow savings of \$306,116 and a net present value of \$289,963.

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CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2019

Note (8) Leasing Commitments (Continued)

Capital Leases As Lessee (continued)

Proceeds received in excess of the debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series 2017A&B bonds included a premium of \$274,958, which is amortized using the straight-line method. Amortization for the Series 2017A&B Bonds recognized during fiscal year 2018-19 was \$33,328.

The difference between the reacquisition price and the net carrying amount on the Series 2007 refunded debt is deferred and amortized as a component of interest expense over the life of the new debt. Payments to the refunding escrow agent were less than the existing carrying value of the refunded debt by \$77,767. Amortization of \$9,426 was recognized during fiscal year 2018-19.

During fiscal year 2003-04, the Foundation entered into a ground and facilities lease agreement (Capital Lease) with the State of California, acting through the Board of Trustees of the California State University (Board) and agreed to undertake the financing of certain capital costs with respect to the University Village Phase III construction by the Board of an additional 466 bed-spaces (the "Project") at the University Village student housing complex located at California State Polytechnic University, Pomona. The Board assisted the Foundation by issuing its System Revenue Bonds series 2005A and applied the proceeds of such Bonds to the construction and acquisition of the Project by the Board. As noted below, these bonds were subsequently refunded and are considered in substance defeased and are no longer recorded on the financial statements.

During fiscal year 2013-14, the Foundation entered into a ground and facilities lease agreement (Capital Lease) with the State of California, acting through the Board of Trustees of the California State University (Board) to refund and defease a portion of the 2005A Series Bonds. The Board assisted the Foundation by issuing its System Revenue Bonds in fiscal year 2013-14 (Series 2013A) and applied the proceeds of such Bonds to redeem the 2005A series bonds maturing on and after 2015 through 2027. The Board leased the Project to the Foundation pursuant to the Capital Lease, subject to the following general terms and conditions: (i) the maximum annual debt service under the Capital Lease is \$1,443,375 and the scheduled term of the Capital Lease is 23 years from July 2013 through November 2035.

Proceeds received in excess of the debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series 2013A bonds included a premium of \$1,524,589, which is amortized using the straight-line method. Amortization for the Series 2013A Bonds recognized during fiscal year 2018-19 was \$110,879.

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CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2019

Note (8) Leasing Commitments (continued)

Capital Leases As Lessee (continued)

The difference between the reacquisition price and the net carrying amount on the Series 2005A refunded debt is deferred and amortized as a component of interest expense over the life of the new debt. Payments to the refunding escrow agent exceeded the existing carrying value of the refunded debt by \$520,246. Amortization of \$37,836 was recognized during fiscal year 2018-19.

During fiscal year 2014-15, the Foundation entered into a ground and facilities lease agreement (Capital Lease) with the State of California, acting through the Board of Trustees of the California State University (Board) to refund and defease the remaining portion of the 2005A Series Bonds. The Board assisted the Foundation by issuing its System Revenue Bonds in 2014-2015 (Series 2014A) and applied the proceeds of such Bonds to redeem the 2005A series bonds maturing on and after 2027 through 2035. The Board leased the Project to the Foundation pursuant to the Capital Lease, subject to the following general terms and conditions: (i) the maximum annual debt service under the Capital Lease is \$1,676,000 and the scheduled term of the Capital Lease is 22 years from July 2014 through November 2035.

Proceeds received in excess of the debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series 2014A bonds included a premium of \$1,856,853, which is amortized using the straight-line method. Amortization of \$87,553 was recognized during fiscal year 2018-19 for Series 2014A bonds.

The difference between the reacquisition price and the net carrying amount on the Series 2005A refunded debt is deferred and amortized as a component of interest expense over the life of the new debt. Payments to the refunding escrow agent exceeded the existing carrying value of the refunded debt by \$19,891. Amortization of \$938 was recognized during fiscal year 2018-19.

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CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2019

Note (8) Leasing Commitments (continued)

Capital Leases As Lessee (continued)

Future minimum payments under non-cancelable capital lease agreements at June 30, 2019 were as follows:

Year ending June 30:

2020	\$	2,015,000
2021		2,014,250
2022		2,020,750
2023		2,019,375
2024		2,015,250
2025-2029		8,791,500
2030-2034		8,355,250
2035-2036		3,341,000
		<u>30,572,375</u>
Less amount representing interest		(9,577,375)
Add - Premium Bond		<u>2,489,352</u>
Present value of net Minimum lease payments	\$	<u>23,484,352</u>

Operating Leases As Lessor

Land, office and certain facilities are leased to the American National Red Cross, Southern California Edison, the University, and other entities. Some of the leases are all-inclusive while other leases require the tenants to pay a pro-rata share of common area maintenance and are in effect with various termination dates during the 2020 and 2089 fiscal years.

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.
Notes to Financial Statements
Year Ended June 30, 2019

Note (8) Leasing Commitments (continued)

Operating Leases As Lessor (continued)

Future minimum payments under non-cancelable operating lease agreements at June 30, 2019 are as follows:

Year ending June 30:	
2020	\$ 2,937,345
2021	1,805,474
2022	1,508,375
2023	1,445,369
2024	1,409,138
2025-2029	7,033,343
2030-2034	7,747,611
2035-2039	8,534,443
2040-2044	9,401,214
2045-2049	10,356,050
2050-2054	11,407,901
2055-2059	12,398,396
2060-2064	8,485,099
2065-2069	9,333,609
2070-2074	10,266,969
2075-2079	11,293,666
2080-2084	8,697,845
2085-2089	5,480,929
Total	<u><u>\$ 129,542,776</u></u>

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2019

Note (9) Long Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2019 is shown below:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Amount due in</u> <u>one year</u>
Capital Lease Obligations	\$ 24,656,092	\$ -	\$ 1,171,740	\$ 23,484,352	\$ 990,000
Note Payable	102,204	-	102,204	-	-
Compensated Absences	824,422	706,769	688,958	842,233	688,958
Pension Obligation	9,589,146	-	1,394,788	8,194,358	-
Unitrust Liability	577,859	312,549	-	890,408	-
Net OPEB Liability	6,529,718	1,413,909	-	7,943,627	-
	<u>\$ 42,279,441</u>	<u>\$ 2,433,227</u>	<u>\$ 3,357,690</u>	<u>\$ 41,354,978</u>	<u>\$ 1,678,958</u>

Note (10) Transactions with the University

The Foundation and the University provide various services on each other's behalf. Such services are appropriately billed. At June 30, 2019, receivables from other activities and due from the University are \$947,034. Accounts payable include \$3,679,921 due to the University at June 30, 2019.

Amounts paid by the Foundation for the year ended June 30, 2019 totaled \$15,780,934. Amounts paid to the Foundation for the year ended June 30, 2019 totaled \$14,356,414.

During the year ended June 30, 2019, the Foundation transferred capital assets totaling \$2,165,095 comprised of building improvements, equipment and renovations to various facilities at the University. The University assumed ownership and management of the building improvements, equipment and facilities.

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.
Notes to Financial Statements
Year Ended June 30, 2019

Note (11) Pension Plan – California Public Employees’ Retirement System (CalPERS)

The Foundation participates in a cost sharing multiple-employer defined benefit plan through the California Public Employees’ Retirement System (CalPERS) which covers substantially all regular full-time employees of the Foundation. CalPERS acts as a common investment and administrative agent for participating public entities with the state of California and reports information to the Foundation in accordance with reporting standards established by the Governmental Accounting Standards Board (GASB).

As of June 30, 2019, the Foundation’s proportionate share of the net pension liability, pension expense and deferred inflows of resources and deferred outflows of resources for the above plans is as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflow of Resources	Deferred Inflow of Resources	Proportionate Share of Pension Expense
CalPERS	\$ 8,194,358	\$ 4,261,372	-	\$ 1,972,279

Plan Description

Qualified employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Plan under the California Public Employees’ Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The Public Agency Cost-Sharing Multiple-Employer Plan is comprised of a Miscellaneous Risk Pool and a Safety Risk Pool. Individual employers may sponsor more than one Miscellaneous or Safety plan. The Foundation sponsors three Miscellaneous Risk Pool plans, however, the information presented represents the sum of the allocated pension amounts for each of the Foundation’s respective plans (the Plan). The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees’ Retirement Law.

See independent auditors’ report.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2019

**Note (11) Pension Plan – California Public Employees’ Retirement System (CalPERS)
(continued)**

Benefits Provided

The Plan provides service retirement and disability benefits, annual cost of living adjustments and death benefits to eligible plan members. Benefits are based on years of service credit, a benefit factor and the member’s final compensation. All members are eligible for employment related disability benefits regardless of length of service and non-duty disability benefits after 5 years of service. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The Post-Retirement Death Benefit is a one-time payment made to a retiree’s designated survivor or estate upon the retiree’s death. The Basic Death Benefit is a lump sum paid to any member’s beneficiary if the member dies while actively employed. The spouse or registered domestic partner of a deceased member, who was eligible to retire for service at the time of death, may elect to receive the Pre-Retirement Option 2W Death Benefit in lieu of the Basic Death Benefit lump sum. The Pre-Retirement Option 2W Death Benefit is a monthly allowance equal to the amount the member would have received if he/she had retired for service on the date of death and elected Option 2W, the highest monthly allowance a member can leave a spouse or domestic partner. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The First Tier Plan closed to new entrants on or after June 26, 2011. The Second Tier Plan was closed to new entrants on or after December 31, 2012.

The Plan provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Miscellaneous Risk Pool		
	First Tier Plan	Second Tier Plan	PEPRA Misc Plan
Hire date	On or Before June 25, 2011	June 26, 2011 - December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	55	60	62
Required employee contribution rate	6.250%	6.912%	6.250%
Required employer contribution rate	6.842%	7.634%	6.842%

See independent auditors’ report.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2019

**Note (11) Pension Plan – California Public Employees’ Retirement System (CalPERS)
(continued)**

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are determined annually through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Foundation is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019 are presented above and the total Foundation contributions were \$2,159,281.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2019, the Foundation reported net pension liabilities for its proportionate share of the Miscellaneous Risk Pool net pension liability totaling \$8,194,358. The net pension liability was measured as of June 30, 2018. The Foundation’s proportion of the net pension liability was based on a projection of the Foundation’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Foundation’s proportion was 0.0021743.

See independent auditors’ report.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2019

**Note (11) Pension Plan – California Public Employees’ Retirement System (CalPERS)
(continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions (continued)**

For the year ended June 30, 2019, the Foundation recognized pension expense of \$1,972,279. At June 30, 2019, the Foundation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 2,159,283	\$ -
Effect of changes in assumptions	1,093,730	-
Difference between actual and expected experience	321,674	-
Net difference between projected and actual earnings		
on pension plan investments	62,827	-
Effect of change in proportion	309,586	-
Differences between contributions and proportionate share of contributions	314,273	-
	<u>\$ 4,261,373</u>	<u>\$ -</u>

The deferred outflow of resources related to pensions resulting from Foundation contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

The net differences between projected and actual earnings on plan investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred inflows or resources and deferred outflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the Miscellaneous Plan for the June 30, 2018 measurement date is 3.8 years.

See independent auditors’ report.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2019

**Note (11) Pension Plan – California Public Employees’ Retirement System (CalPERS)
(continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions (continued)**

The amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 3.8 years.

The deferred inflows of resources and outflows of resources will be recognized in pension expense as follows:

Year Ended June 30:	Deferred Outflows(Inflows) of Resources
2020	\$ 3,046,753
2021	843,463
2022	(72,076)
2023	<u>82,009</u>
	<u>\$ 3,900,149</u>

Actuarial Methods and Assumptions

For the measurement period ended June 30, 2018, the total pension liability was determined by rolling forward the June 30, 2017 actuarial accounting valuation to June 30, 2017. The June 30, 2018 total pension liability was based on the following actuarial methods and assumptions:

Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB 68
Actuarial Assumptions	
Discount rate	7.15%
Consumer price inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power Applies.

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2019

**Note (11) Pension Plan – California Public Employees’ Retirement System (CalPERS)
(continued)**

Actuarial Methods and Assumptions (continued)

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 20 years of mortality improvement using Scale BB published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the Plan’s asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for the Plan. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target allocation and best estimates of long-term expected real rate of return by asset class are summarized in the following table:

<u>Asset Class</u>	<u>Policy Target Allocation</u>	<u>Real Return Years 1 - 10</u>
Global equity	47%	4.90%
Global Debt Securities	19%	0.80%
Inflation Assets	6%	0.60%
Private Equity	12%	6.60%
Real Estate	11%	2.80%
Infrastructure and Forestland	3%	3.90%
Liquidity	2%	-0.40%

See independent auditors’ report.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2019

**Note (11) Pension Plan – California Public Employees’ Retirement System (CalPERS)
(continued)**

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the Foundation’s proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 13,162,414
Current discount rate (7.15%)	8,194,358
1% increase (8.15%)	4,093,910

Plan Fiduciary Net Position

Detailed information about CalPERS Miscellaneous Risk Plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

See independent auditors’ report.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2019

Note (12) Other Postretirement Benefits

Plan Description

The Foundation sponsors a single-employer defined benefit postretirement health care plan to pay a portion of the retiree's insurance premiums. Based on the eligibility criteria shown below, this plan allows for employer paid retiree healthcare premiums for the retiree and their dependents. A retiree is eligible to enroll in the Plan on an annual basis during open enrollment or at any time the retiree experiences a qualifying event as defined by COBRA regulations.

Beginning in the fiscal year ended June 2011 the Foundation participated in the Auxiliaries Multiple Employer VEBA (Voluntary Employees' Beneficiary Association). The Auxiliaries Multiple Employer VEBA is a separate 501(c)(9) organization established in August 2010 to assist in funding post-retirement healthcare benefits for recognized auxiliaries of the California State University System. The Auxiliaries Multiple Employer VEBA issues separate audited financial statements. Copies of the annual report may be obtained from Keenan Associates, 2355 Crenshaw Blvd., Suite 200, Torrance, CA 90501.

The Auxiliaries Multiple Employer VEBA Board is comprised of at least three Trustees and no more than sixteen Trustees. The Board consists of at least three officers, a Chairman, a Vice Chair and a Past Chair who serve one, one-year term in each officer seat. The Vice Chair is selected by the Nominating Committee and elected by a majority vote of the primary member of the participating auxiliaries. The Trustees of the Board are nominated by their respective auxiliary and elected by a majority vote of the primary member of the participating auxiliaries.

Eligibility and Benefits

The Foundation pays a portion of the health care premium for an eligible retiree, eligible retiree plus 1 and eligible retiree plus 2 or more dependents. Eligibility is determined as a combination of age and service. The Foundation's portion of the health care premium is fixed at an annual increase of 5% as approved by the Board of Directors. A minimum of 1,720 hours of compensated employment in a regular benefited full time status qualifies as one year of service. Employees who retired before July 1, 2004 with at least 5 years of service and were age 50 or older qualify for 100% of the eligible portion of the premiums paid by the Foundation.

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2019

Note (12) Other Postretirement Benefits (continued)

Plan Description (continued)

Employees who were hired before October 1, 2004, are at least 50 years of age, and have attained 10 years of service qualify to have 75% of the eligible portion of the premiums paid by the Foundation. For each additional year of service, the Foundation will increase the eligible portion of the premium by 5% until the employee attains 15 years of service and 100% of the eligible portion of the premiums paid by the Foundation. Additionally, employees who are at least 50 years of age and have at least 10 years of service may add together their age and years of service at retirement; when that amount totals 70, the employees qualify for 100% of the eligible portion of the premiums paid by the Foundation.

Employees who were hired on or after October 1, 2004 and before March 1, 2009, are at least 50 years of age, and have attained 10 years of service qualify to have 50% of the eligible portion of the premiums paid by the Foundation and earn an additional 5% for each year of service completed after 10 years of service. Employees reach 100% of the eligible portion of the premiums paid by the Foundation once attaining 20 years of service.

Employees hired on or after March 1, 2009, are ineligible for benefits under the defined benefit healthcare plan for retirees.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The Foundation's contribution to and withdrawal from the defined benefit healthcare plan is annually approved by the Board of Directors. During the fiscal year ended June 30, 2019, the Foundation contributed \$1.0 million. In addition to the above contribution, the Foundation also paid \$647,375 for retiree benefit expenses and withdrew \$0 from the VEBA to pay premiums on behalf of retirees in the fiscal year ending June 30, 2019.

The Foundation's annual OPEB cost (expense) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The actuarially determined contribution (ADC) is an amount actuarially determined by Actuarial Standards of Practice and applicable Federal and State laws. The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

At June 30, 2019, the Foundation reported a net OPEB Liability of \$7,943,627 per the GASB Actuarial Report. The net OPEB Liability was measured as of June 30, 2018 and the total OPEB Liability used to calculate the net OPEB Liability was determined by an actuarial valuation as of that date. The total Plan Fiduciary Net Position (assets) as a percentage of the Total OPEB Liability is 51% or \$8,373,339 as of June 30, 2018.

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2019

Note (12) Other Postretirement Benefits (continued)

The census data as of June 2018 used in the measurement of the Total OPEB Liability included sixty-three (63) active members, average age is 54 and average years of service is 18; one hundred and one (101) retired members including nineteen (19) under age 65, eighty-two (82) age 65 and over and an average age of seventy-three (73) and forty-seven (47) covered dependents of retirees for a grand total of two hundred and eleven (211) covered dependents and retirees.

For the year ended June 30, 2019, the Foundation recognized OPEB expense of \$558,238. At June 30, 2019, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience in the measurement of the TOL	\$ 604,937	\$ -
Changes in assumptions	329,955	489,189
Net difference between projected and actual earnings of OPEB plan investments	-	165,246
Contributions to OPEB plan after measurement date	1,000,000	-
Withdrawals from OPEB plan after measurement date	-	-
Total	<u><u>\$ 1,934,892</u></u>	<u><u>\$ 654,435</u></u>

Amounts reported as deferred outflows and inflows of resources related to OPEB resulting from Employer contributions and withdrawals subsequent to the measurement date will be recognized as a net reduction of the net OPEB liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ended June 30:	Deferred Outflows(Inflows) of Resources
2020	\$ (26,145)
2021	263,969
2022	31620
2023	<u>(15,091)</u>
	<u><u>\$ 254,353</u></u>

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2019

Note (12) Other Postretirement Benefits (continued)

Actuarial Assumptions

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.0%
Salary increases	3.25% annual increases
Premium increases	7.7% for pre-Medicare and 5.15% for Medicare (Foundation's portion of the premium is fixed at 5% per annum increase)
Investment rate of return	6.50%, net of investment expenses
Morbidity Factors	CalPERS 2013 Study
Mortality Rate	CalPERS 2014 Study and CalPERS 2017 Study
Discount Rate	6.5% based on a blend of the Bond Buyer 20-Bond GO Index and increased 0.29% since the July 2017 measurement date
Funding Policy	Annual contributions of \$1,000,000 to the VEBA Trust.

For disabled retirees, we did not value disability due to the anticipated low incidents.

The long-term expected investment rate of return assumption for each major investment class in the Plan's portfolio are summarized in the following table:

Investment Class	Target	Strategy	Secular
	Allocation	Expected Real Rate of Return	Expected Real Rate of Return
Equity	43.00%	3.59%	6.78%
REITS	7.00%	2.80%	5.30%
Fixed Income	50.00%	0.80%	2.60%

The discount rate is based on a blend of the long-term expected rate of return on assets for benefits covered by plan assets and a yield or index for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or better for benefits not covered by plan assets.

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2019

Note (12) Other Postretirement Benefits (continued)

Sensitivity of the Net OPEB Liability to changes in the discount rate – The following presents the Foundation’s Net OPEB Liability if it were calculated using a discount rate that is 1% point lower (5.50%) or 1% point higher (7.50%) than the current rate:

Discount Rate		\$ Change	% Change
+1%	\$ 6,095,978	\$ (1,847,649)	-23%
Base	\$ 7,943,627	\$ -	-
-1%	\$ 10,063,441	\$ 2,119,814	27%

Sensitivity of the Net OPEB Liability to changes in the Trend rate – The following presents the Foundation’s Net OPEB Liability if it were calculated using a trend table that is 1% point lower or 1% point higher than the current rate:

Trend Rate		\$ Change	% Change
+1%	\$ 9,849,280	\$ 1,905,653	24%
Base	\$ 7,943,627	\$ -	-
-1%	\$ 6,168,617	\$ (1,775,010)	-22%

Note (13) Assets held for Sale

The Foundation purchases faculty/staff housing in support of the California State Polytechnic University, Pomona’s mission to develop affordable faculty staff housing options to attract and retain employees for the University.

At June 30, 2019, total assets held for sale include three faculty/staff houses. Fair values of assets measured on a nonrecurring basis held for sale at June 30, 2019 were \$1,331,071. Assets held for sale are recorded at cost which approximates fair value. Cost to sell and unrealized losses are immaterial and will not be recognized until the assets are sold.

See independent auditors’ report.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2019

Note (14) Commitments

The Foundation has approved a collaborative project with the University for the planning, construction and financing of a new replacement dining commons. The Foundation has contributed \$4 million of capital reserves and will enter into a facility lease agreement with the University for \$20 million upon completion of the dining commons in January 2020 along with a master operating and various supplemental operating agreements. The facility lease agreement will have the same terms and conditions as the bonds, issued by the Board of Trustees of the California State University in March 2017. The bonds mature over 30 years with a 3.81% all in total interest cost.

Note (15) Subsequent Events

Subsequent to the fiscal year ended June 30, 2019, the Foundation transferred-by-gift approximately \$132 million of restricted assets to the Cal Poly Pomona Philanthropic Foundation (Philanthropic Foundation). The restricted assets transferred include the endowments of \$101.6 million, scholarships of \$4.6 million and programs of \$21.5 million, and pledges receivable of \$4.6 million, the majority consisting of investments. Pledge receivables, capital assets and charitable remainder trusts will be transferred during fiscal year 2019-20. The Philanthropic Foundation will manage functions related to the development and use of non-state funded resources. The Foundation has entered into an agreement with the Philanthropic Foundation to provide services related to financial reporting, accounting, budgeting, payroll and human resources.

See independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION

CAL POLY POMONA FOUNDATION, INC.

Schedule of the Foundation's Proportionate Share of Net Pension Liability for the California Public Employees Retirement Plan (Unaudited)
Year Ended June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Foundation's proportion of the net pension liability	0.21743%	0.24325%	0.21200%	0.07771%	0.07957%
Foundation's proportionate share of the net pension liability (asset)	\$ 8,194,358	\$ 9,589,146	\$ 8,352,723	\$ 5,338,104	\$ 4,998,351
Foundation's covered-employee payroll	\$ 11,541,499	\$ 11,061,078	\$ 11,198,164	\$ 10,995,860	\$ 10,862,791
Foundation's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	71.0%	86.7%	74.6%	48.5%	46.0%
Plan fiduciary net position as a percentage of the total pension liability	85.6%	82.2%	86.1%	88.3%	89.1%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

Amounts for covered payroll are reported as of the previous fiscal year to align with the measurement date of the net pension liability.

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.

Schedule of Foundation Contributions to the California Public Employees Retirement Plan (Unaudited)
Year Ended June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,159,281	\$ 2,331,544	\$ 1,786,168	\$ 1,010,227	\$ 865,756	\$ 813,893
Contributions in relation to the contractually required contribution	<u>(2,159,281)</u>	<u>(2,331,544)</u>	<u>(1,786,168)</u>	<u>(1,010,227)</u>	<u>(865,756)</u>	<u>(813,893)</u>
Contribution deficiency (excess)	-	-	-	-	-	-
Foundation's covered-employee payroll	\$ 11,541,499	\$ 11,061,078	\$ 11,198,164	\$ 10,995,860	\$ 10,862,791	\$ 8,879,184
Contributions as a percentage of covered employee payroll	18.71%	21.08%	15.95%	9.19%	7.97%	9.17%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.
Other Postemployment Benefits Plan (Unaudited)
Year Ended June 30, 2019

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2018	\$ 8,373,339	\$ 16,316,966	\$ 7,943,627	51.3%	\$ 4,010,771	198.1%
7/1/2017	\$ 7,332,228	\$ 13,861,946	\$ 6,529,718	52.9%	\$ 4,550,937	143.5%
7/1/2016	\$ 6,095,336	\$ 15,158,690	\$ 9,063,354	40.2%	\$ 5,532,266	163.8%
7/1/2015	\$ 5,480,443	\$ 14,679,147	\$ 9,198,704	37.3%	\$ 4,679,582	196.6%

Schedule of Employer Contributions

Year Ended June 30	Actuarially Determined Contribution	Contribution in Relation to Actuarially Required	Contribution Excess (Deficiency)	Covered Payroll	Percentage of Covered Payroll Contributed
2018	\$ 610,900	\$ 1,000,000	\$ 389,100	\$ 4,010,771	24.9%
2017	\$ 730,432	\$ 1,111,120	\$ 380,688	\$ 4,550,937	24.4%
2016	\$ 785,313	\$ 1,000,000	\$ 214,687	\$ 5,532,266	18.1%
2015	\$ 613,262	\$ 1,000,000	\$ 386,738	\$ 4,679,582	21.4%

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.
Other Postemployment Benefits Plan (Unaudited)
Year Ended June 30, 2019

Year Ended June 30	2018	2017
<u>Total OPEB Liability</u>		
Service cost	\$ 142,277	\$ 148,176
Interest	894,698	1,051,372
Change of benefit terms	-	-
Differences between expected and actual experience	1,014,722	1,680,006
Change of assumptions	890,259	(3,591,876)
Benefit payments, including refunds of employee contributions	(486,936)	(584,422)
Net change in Total OPEB Liability	2,455,020	(1,296,744)
Total OPEB Liability - beginning	13,861,946	15,158,690
Total OPEB Liability - ending	\$ 16,316,966	\$ 13,861,946
<u>Plan Fiduciary Net Position</u>		
Contributions - employer	\$ 1,000,000	\$ 1,111,120
Contributions - employee	-	-
Net investment income	567,209	743,578
Benefits payments, including refunds of employee contributions	(486,936)	(584,422)
Administrative expense	(39,162)	(33,384)
Net Change in Fiduciary Net Position	1,041,111	1,236,892
Plan Fiduciary Net Position - beginning	7,332,228	6,095,336
Plan Fiduciary Net Position - ending	\$ 8,373,339	\$ 7,332,228
Net OPEB liability - ending	\$ 7,943,627	\$ 6,529,718
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	51.32%	52.89%
Covered employee payroll	\$ 4,010,771	\$ 4,550,937
Plan Net OPEB Liability as percentage of covered employee payroll	198.06%	143.48%

Schedule is intended to show information for 10 years. Since 2017 is the first year for this presentation, no other data, prior to 2017 is available.

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.
Other Postemployment Benefits Plan (Unaudited)
Year Ended June 30, 2019

Year Ended June 30	2018	2017
Service Cost	\$ 142,277	\$ 148,176
Interest on Total OPEB Liability	894,698	1,051,372
Recognized Differences between Expected and Actual Experience	803,029	483,733
Recognized Changes of Assumptions	(754,097)	(1,034,229)
Projected Earnings on OPEB Plan Investments	(491,754)	(443,647)
Plan Investments	(75,077)	(59,986)
Administrative Expense	39,162	33,384
Aggregate OPEB Expense	<u>\$ 558,238</u>	<u>\$ 178,803</u>

Schedule is intended to show information for 10 years. Since 2017 is the first year for this presentation, no other data, prior to 2017 is available.

SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS (UNAUDITED)

Year Ended June 30	2018	2017
Actuarially Determined Employer Contribution		
Service Cost	\$ 142,277	\$ 148,176
Amortization of unfunded liability	<u>\$ 468,623</u>	<u>\$ 582,256</u>
Recommended contribution	\$ 610,900	\$ 730,432
Contribution/benefit payments made	<u>1,000,000</u>	<u>(1,111,120)</u>
Contribution deficiency (excess)	<u>\$ 1,610,900</u>	<u>\$ (380,688)</u>
Covered Employee Payroll	\$ 4,010,771	\$ 4,550,937
Contribution as a Percentage of Covered Employee Payroll	-24.93%	24.42%

Schedule is intended to show information for 10 years. Since 2017 is the first year for this presentation, no other data, prior to 2017 is available.

SCHEDULE OF OPEB INVESTMENT RETURNS (UNAUDITED)

Year Ended June 30	2018	2017
Annual money-weighted rate of return, net of investment expense	4.88%	10.88%

Schedule is intended to show information for 10 years. Since 2017 is the first year for this presentation, no other data, prior to 2017 is available.

See independent auditors' report.

SUPPLEMENTARY INFORMATION

CAL POLY POMONA FOUNDATION, INC.

Schedule of Net Position

June 30, 2019

(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 4,199,107
Short-term investments	64,266,000
Accounts receivable, net	9,841,226
Capital lease receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	2,198,278
Prepaid expenses and other current assets	3,370,422
Total current assets	<u>83,875,033</u>
Noncurrent assets:	
Restricted cash and cash equivalents	3,444,568
Accounts receivable, net	—
Capital lease receivable, net of current portion	—
Notes receivable, net of current portion	—
Student loans receivable, net	—
Pledges receivable, net	2,354,494
Endowment investments	100,039,068
Other long-term investments	—
Capital assets, net	46,146,545
Other assets	—
Total noncurrent assets	<u>151,984,675</u>
Total assets	<u>235,859,708</u>
Deferred outflows of resources:	
Unamortized loss on debt refunding	311,663
Net pension liability	4,261,373
Net OPEB liability	1,934,932
Others	—
Total deferred outflows of resources	<u>6,507,968</u>
Liabilities:	
Current liabilities:	
Accounts payable	4,389,330
Accrued salaries and benefits	1,299,814
Accrued compensated absences, current portion	688,958
Unearned revenues	1,516,256
Capital lease obligations, current portion	990,000
Long-term debt obligations, current portion	—
Claims liability for losses and loss adjustment expenses, current portion	—
Depository accounts	—
Other liabilities	5,741,633
Total current liabilities	<u>14,625,991</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	154,275
Unearned revenues	—
Grants refundable	—
Capital lease obligations, net of current portion	22,494,352
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	7,943,627
Net pension liability	8,194,358
Other liabilities	890,408
Total noncurrent liabilities	<u>39,677,020</u>
Total liabilities	<u>54,303,011</u>
Deferred inflows of resources:	
Service concession arrangements	—
Net pension liability	—
Net OPEB liability	654,435
Unamortized gain on debt refunding	54,988
Nonexchange transactions	—
Others	1,333,985
Total deferred inflows of resources	<u>2,043,408</u>
Net Position:	
Net investment in capital assets	22,973,856
Restricted for:	—
Nonexpendable – endowments	85,782,248
Expendable:	—
Scholarships and fellowships	5,261,715
Research	—
Loans	—
Capital projects	1,912,790
Debt service	—
Others	54,212,433
Unrestricted	15,878,215
Total net position	<u>\$ 186,021,257</u>

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.
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	\$	4,058,480
Scholarship allowances (enter as negative)		—
Grants and contracts, noncapital:		
Federal		10,932,886
State		1,993,966
Local		—
Nongovernmental		1,024,299
Sales and services of educational activities		12,405,498
Sales and services of auxiliary enterprises, gross		44,198,082
Scholarship allowances (enter as negative)		—
Other operating revenues		4,738,568
Total operating revenues		<u>79,351,779</u>

Expenses:

Operating expenses:		
Instruction		10,600,582
Research		7,772,270
Public service		1,143,909
Academic support		6,690,466
Student services		867,257
Institutional support		5,312,650
Operation and maintenance of plant		160,463
Student grants and scholarships		1,418,376
Auxiliary enterprise expenses		47,885,115
Depreciation and amortization		3,411,791
Total operating expenses		<u>85,262,879</u>
Operating income (loss)		<u>(5,911,100)</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		10,498,683
Investment income (loss), net		2,396,544
Endowment income (loss), net		2,997,354
Interest expense		(1,116,184)
Other nonoperating revenues (expenses) - excl. interagency transfers		—
Other nonoperating revenues (expenses) - interagency transfers		(2,615,095)
Net nonoperating revenues (expenses)		<u>12,161,302</u>
Income (loss) before other revenues (expenses)		6,250,202

State appropriations, capital

Grants and gifts, capital	—
Additions (reductions) to permanent endowments	—
Increase (decrease) in net position	6,250,202

Net position:

Net position at beginning of year, as previously reported	179,771,055
Restatements	—
Net position at beginning of year, as restated	<u>179,771,055</u>
Net position at end of year	<u>\$ 186,021,257</u>

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.

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	\$ 3,297,789
All other restricted cash and cash equivalents	<u>146,779</u>
Noncurrent restricted cash and cash equivalents	<u>3,444,568</u>
Current cash and cash equivalents	<u>4,199,107</u>
Total	<u><u>\$ 7,643,675</u></u>

2.1 Composition of investments:

	Current	Noncurrent	Total
Money market funds	\$ —	—	—
Repurchase agreements	—	—	—
Certificates of deposit	—	—	—
U.S. agency securities	—	—	—
U.S. treasury securities	—	—	—
Municipal bonds	—	—	—
Corporate bonds	—	—	—
Asset backed securities	—	—	—
Mortgage backed securities	—	—	—
Commercial paper	—	—	—
Mutual funds	61,176,702	92,761,835	153,938,537
Exchange traded funds	—	—	—
Equity securities	—	—	—
Alternative investments:			
Private equity (including limited partnerships)	2,007,123	3,363,631	5,370,754
Hedge funds	—	3,633,176	3,633,176
Managed futures	—	—	—
Real estate investments (including REITs)	—	—	—
Commodities	—	—	—
Derivatives	—	—	—
Other alternative investment types	—	280,426	280,426
Other external investment pools (excluding SWIFT)	—	—	—
Other investments	—	—	—
State of California Local Agency Investment Fund (LAIF)	1,082,175	—	1,082,175
State of California Surplus Money Investment Fund (SMIF)	—	—	—
Total investments	<u>64,266,000</u>	<u>100,039,068</u>	<u>164,305,068</u>
Less endowment investments (enter as negative number)	—	—	—
Total investments, net of endowments	<u><u>\$ 64,266,000</u></u>	<u><u>100,039,068</u></u>	<u><u>164,305,068</u></u>

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.

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	—	—	—	—	—
U.S. agency securities	—	—	—	—	—
U.S. treasury securities	—	—	—	—	—
Municipal bonds	—	—	—	—	—
Corporate bonds	—	—	—	—	—
Asset backed securities	—	—	—	—	—
Mortgage backed securities	—	—	—	—	—
Commercial paper	—	—	—	—	—
Mutual funds	153,938,537	153,938,537	—	—	—
Exchange traded funds	—	—	—	—	—
Equity securities	—	—	—	—	—
Alternative investments:					
Private equity (including limited partnerships)	5,370,754	—	—	—	5,370,754
Hedge funds	3,633,176	—	—	—	3,633,176
Managed futures	—	—	—	—	—
Real estate investments (including REITs)	—	—	—	—	—
Commodities	—	—	—	—	—
Derivatives	—	—	—	—	—
Other alternative investment types	280,426	280,426	—	—	—
Other external investment pools (excluding SWIFT)	—	—	—	—	—
Other investments	—	—	—	—	—
State of California Local Agency Investment Fund (LAIF)	1,082,175	—	—	—	1,082,175
State of California Surplus Money Investment Fund (SMIF)	—	—	—	—	—
Total investments	\$ 164,305,068	154,218,963	—	—	10,086,105

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):	—	—	—

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.

Other Information

June 30, 2019

(for inclusion in the California State University)

Less accumulated depreciation/amortization:									
Buildings and building improvements	\$ (41,283,733)	—	—	—	(41,283,733)	(2,281,141)	1,760,471	—	(41,804,403)
Improvements, other than buildings	(129,009)	—	—	—	(129,009)	(1,177)	—	—	(130,186)
Infrastructure	(2,139,959)	—	—	—	(2,139,959)	(218,203)	—	—	(2,358,162)
Leasehold improvements	—	—	—	—	—	—	—	—	—
Personal property:									
Equipment	(8,624,695)	—	—	—	(8,624,695)	(871,279)	210,420	—	(9,285,554)
Library books and materials	—	—	—	—	—	—	—	—	—
Intangible assets:									
Software and websites	—	—	—	—	—	—	—	—	—
Rights and easements	—	—	—	—	—	—	—	—	—
Patents, copyrights and trademarks	—	—	—	—	—	—	—	—	—
Licenses and permits	—	—	—	—	—	—	—	—	—
Other intangible assets:									
Interest Capital	(594,376)	—	—	—	(594,376)	(39,991)	—	—	(634,367)
	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—
Total intangible assets	<u>(594,376)</u>	—	—	—	<u>(594,376)</u>	<u>(39,991)</u>	—	—	<u>(634,367)</u>
Total accumulated depreciation/amortization	<u>(52,771,772)</u>	—	—	—	<u>(52,771,772)</u>	<u>(3,411,791)</u>	1,970,891	—	<u>(54,212,672)</u>
Total capital assets, net	<u>\$ 44,873,082</u>	—	—	—	<u>44,873,082</u>	<u>4,935,213</u>	<u>(3,661,750)</u>	—	<u>46,146,545</u>

3.2 Detail of depreciation and amortization expense:

Depreciation and amortization expense related to capital assets	\$ 3,411,791
Amortization expense related to other assets	—
Total depreciation and amortization	<u>\$ 3,411,791</u>

4 Long-term liabilities:

	Balance June 30, 2018	Prior Period Adjustments/Recla ssifications	Balance June 30, 2018 (Restated)	Additions	Reductions	Balance June 30, 2019	Current Portion	Noncurrent Portion
1. Accrued compensated absences	\$ 824,422	—	824,422	707,769	(688,958)	843,233	688,958	154,275
2. Claims liability for losses and loss adjustment expenses	—	—	—	—	—	—	—	—
3. Capital lease obligations:								
Gross balance	21,935,000	—	21,935,000	—	(940,000)	20,995,000	990,000	20,005,000
Unamortized net premium/(discount)	2,721,092	—	2,721,092	—	(231,740)	2,489,352	—	2,489,352
Total capital lease obligations	<u>24,656,092</u>	—	<u>24,656,092</u>	—	<u>(1,171,740)</u>	<u>23,484,352</u>	<u>990,000</u>	<u>22,494,352</u>
						-Agree with		
						-Agree with below- below-		
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: Bargain Purchase Sale	102,204	—	102,204	—	(102,204)	—	—	—
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
Total others	<u>102,204</u>	—	<u>102,204</u>	—	<u>(102,204)</u>	—	—	—
Sub-total long-term debt	<u>102,204</u>	—	<u>102,204</u>	—	<u>(102,204)</u>	—	—	—
4.5 Unamortized net bond premium/(discount)	—	—	—	—	—	—	—	—
Total long-term debt obligations	<u>102,204</u>	—	<u>102,204</u>	—	<u>(102,204)</u>	—	—	—
Total long-term liabilities	<u>\$ 25,582,718</u>	—	<u>25,582,718</u>	<u>707,769</u>	<u>(1,962,902)</u>	<u>24,327,585</u>	<u>1,678,958</u>	<u>22,648,627</u>

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.

Other Information

June 30, 2019

(for inclusion in the California State University)

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	\$ 990,000	1,025,000	2,015,000	—	—	—	990,000	1,025,000	2,015,000
2021	1,040,000	974,250	2,014,250	—	—	—	1,040,000	974,250	2,014,250
2022	1,100,000	920,750	2,020,750	—	—	—	1,100,000	920,750	2,020,750
2023	1,155,000	864,375	2,019,375	—	—	—	1,155,000	864,375	2,019,375
2024	1,210,000	805,250	2,015,250	—	—	—	1,210,000	805,250	2,015,250
2025 - 2029	5,630,000	3,161,500	8,791,500	—	—	—	5,630,000	3,161,500	8,791,500
2030 - 2034	6,690,000	1,665,250	8,355,250	—	—	—	6,690,000	1,665,250	8,355,250
2035 - 2039	3,180,000	161,000	3,341,000	—	—	—	3,180,000	161,000	3,341,000
2040 - 2044	—	—	—	—	—	—	—	—	—
2045 - 2049	—	—	—	—	—	—	—	—	—
Thereafter	—	—	—	—	—	—	—	—	—
Total minimum lease payments	\$ 20,995,000	9,577,375	30,572,375	—	—	—	20,995,000	9,577,375	30,572,375
Less: amounts representing interest									(9,577,375)
Present value of future minimum lease payments									<u>20,995,000</u>
Unamortized net premium/(discount)									2,489,352
Total capital lease obligations									<u>23,484,352</u>
Less: current portion									(990,000)
Capital lease obligations, net of current portion									<u><u>\$ 22,494,352</u></u>

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.

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	\$ 1,746,414
Payments to University for other than salaries of University personnel	14,034,520
Payments received from University for services, space, and programs	14,356,414
Gifts-in-kind to the University from discretely presented component units	—
Gifts (cash or assets) to the University from discretely presented component units	2,615,095
Accounts (payable to) University	(3,679,921)
Other amounts (payable to) University	-
Accounts receivable from University	947,034
Other amounts receivable from University	\$ -

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	

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.

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	\$ 3,619,010	842,439	138,139	39,099	—	5,961,896	—	10,600,583
Research	3,195,949	372,743	201,898	57,146	—	3,944,533	—	7,772,269
Public service	305,243	52,173	21,661	6,131	—	758,701	—	1,143,909
Academic support	1,192,198	153,103	76,119	21,545	—	5,247,502	—	6,690,467
Student services	174,922	53,552	—	—	—	638,784	—	867,258
Institutional support	171,644	24,793	11,660	3,300	—	5,101,253	—	5,312,650
Operation and maintenance of plant	4,797	90	—	—	—	155,576	—	160,463
Student grants and scholarships	—	—	—	—	1,418,376	—	—	1,418,376
Auxiliary enterprise expenses	15,859,378	3,399,001	1,522,804	431,018	—	26,672,912	—	47,885,113
Depreciation and amortization	—	—	—	—	—	—	3,411,791	3,411,791
Total operating expenses	\$ 24,523,141	4,897,894	1,972,281	558,239	1,418,376	48,481,157	3,411,791	85,262,879

10 Deferred outflows/inflows of resources:

1. Deferred Outflows of Resources

Deferred outflows - unamortized loss on refunding(s)	\$ 311,663
Deferred outflows - net pension liability	4,261,373
Deferred outflows - net OPEB liability	1,934,932
Deferred outflows - others:	—

Total deferred outflows - others	<u>—</u>
Total deferred outflows of resources	\$ <u>6,507,968</u>

2. Deferred Inflows of Resources

Deferred inflows - service concession arrangements	\$ —
Deferred inflows - net pension liability	—
Deferred inflows - net OPEB liability	654,435
Deferred inflows - unamortized gain on debt refunding(s)	54,988
Deferred inflows - nonexchange transactions	—
Deferred inflows - others:	—
Deferred inflows - Split interest agreement	1,333,985

Total deferred inflows - others	<u>1,333,985</u>
Total deferred inflows of resources	\$ <u>2,043,408</u>

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.

Schedule of Revenues, Expenses, and Changes in Net Position for the Debt Service Coverage Ratio

(Unaudited)

For the Year Ended June 30, 2019

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Operating revenues:			
Educational activities	\$ 3,404,928	\$ 9,000,570	\$ 12,405,498
Enterprise activities	48,256,562	—	48,256,562
Gifts, noncapital	2,593	7,178,586	7,181,179
Grants and contracts	13,951,151		13,951,151
Real estate activities	<u>4,738,568</u>	<u>—</u>	<u>4,738,568</u>
Total operating revenues	<u>70,353,802</u>	<u>16,179,156</u>	<u>86,532,958</u>
Operating expenses:			
Educational activities	3,298,795	16,716,027	20,014,822
Enterprise activities	37,796,266	—	37,796,266
Grants and contract	13,951,151	—	13,951,151
Administrative and real estate activities	10,088,849	—	10,088,849
Depreciation and amortization	<u>3,297,014</u>	<u>114,777</u>	<u>3,411,791</u>
Total operating expenses	<u>68,432,075</u>	<u>16,830,804</u>	<u>85,262,879</u>
Operating income	<u>1,921,727</u>	<u>(651,648)</u>	<u>1,270,079</u>
Nonoperating revenues (expenses):			
Contributions restricted for long term purposes	—	3,317,504	3,317,504
Investment income (loss), net	1,368,359	1,028,185	2,396,544
Endowment income (loss), net	—	2,997,354	2,997,354
Interest expense	(1,114,232)	(1,952)	(1,116,184)
Other nonoperating revenues (expenses)	<u>(1,145,940)</u>	<u>(1,469,155)</u>	<u>(2,615,095)</u>
Net nonoperating revenues (expenses)	<u>(891,813)</u>	<u>5,871,936</u>	<u>4,980,123</u>
Income before other additions	1,029,914	5,220,288	6,250,202
Net position:			
Net position at beginning of year	<u>36,517,651</u>	<u>143,253,404</u>	<u>179,771,055</u>
Net position at end of year	\$ <u>37,547,565</u>	\$ <u>148,473,692</u>	\$ <u>186,021,257</u>
Add back depreciation and interest	\$ 4,411,246		
Transfer of assets to the University	<u>1,145,940</u>		
Net Income Available for Debt Service	\$ <u>6,587,100</u>		
Debt Service			
2013	\$ 1,110,125		
2014	605,500		
2017	297,625		
Total Debt Service	\$ <u>2,013,250</u>		
Debt Service Coverage Ratio	<u>3.27</u>		

Note: The net income available for debt service includes only the unrestricted activities and excludes the restricted activities i.e. gifts, grants, donations and contributions per the system revenue bond indenture.

See independent auditors' report

CAL POLY POMONA FOUNDATION, INC.

Schedule of Revenues, Expenses, and Changes in Net Position for the Debt Service Coverage Ratio

(Unaudited)

For the Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Operating revenues:			
Educational activities	\$ 2,857,932	\$ 3,606,995	\$ 6,464,927
Enterprise activities	47,059,586	—	47,059,586
Gifts, noncapital	41,281	7,165,505	7,206,786
Grants and contracts	—	15,243,493	15,243,493
Real estate activities	4,558,032	—	4,558,032
Total operating revenues	<u>54,516,831</u>	<u>26,015,993</u>	<u>80,532,824</u>
Operating expenses:			
Educational activities	3,149,044	10,855,446	14,004,490
Enterprise activities	35,993,781	—	35,993,781
Grants and contract	—	15,243,493	15,243,493
Administrative and real estate activities	6,751,590	—	6,751,590
Depreciation and amortization	3,540,509	104,835	3,645,344
Total operating expenses	<u>49,434,924</u>	<u>26,203,774</u>	<u>75,638,698</u>
Operating income	<u>5,081,907</u>	<u>(187,781)</u>	<u>4,894,126</u>
Nonoperating revenues (expenses):			
Investment income, net	1,208,980	902,662	2,111,642
Endowment income, net	—	7,240,228	7,240,228
Interest expense	(943,981)	(3,868)	(947,849)
Other nonoperating revenues (expenses)	<u>(1,966,049)</u>	<u>443,823</u>	<u>(1,522,226)</u>
Total nonoperating revenues	<u>(1,701,050)</u>	<u>8,582,845</u>	<u>6,881,795</u>
Income before other additions	3,380,857	8,395,064	11,775,921
Net position:			
Net position at beginning of year, as previously reported	33,136,794	134,858,340	167,995,134
Cumulative effect of change in accounting principle	—	—	—
Net position at beginning of year, after cumulative effect	<u>33,136,794</u>	<u>134,858,340</u>	<u>167,995,134</u>
Net position at end of year	\$ <u>36,517,651</u>	\$ <u>143,253,404</u>	\$ <u>179,771,055</u>
Add back depreciation and interest	\$ 4,484,490		
Transfer of assets to the University	<u>1,966,049</u>		
Net Income Available for Debt Service	\$ <u>9,831,396</u>		
Debt Service			
2013	\$ 1,115,625		
2014	605,500		
2017	<u>332,750</u>		
Total Debt Service	\$ <u>2,053,875</u>		
Debt Service Coverage Ratio	<u>4.79</u>		

Note: The net income available for debt service includes only the unrestricted activities and excludes the restricted activities i.e. gifts, grants, donations and contributions per the system revenue bond indenture.

See independent auditors' report

**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***

**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 Audit Committee
Cal Poly Pomona Foundation, Inc.

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, the financial statements of Cal Poly Pomona Foundation, Inc. (a nonprofit organization referred to as the Foundation), which comprise the statement of net position as of June 30, 2019, and the related statements of revenue, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 17, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the 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 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. Material weaknesses may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's 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 determination of financial statement amounts. 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*.

**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, CONTINUED***

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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Aldrich CPAs + Advisors LLP

San Diego, California
September 17, 2019