

**CALIFORNIA STATE UNIVERSITY,
CHANNEL ISLANDS FOUNDATION**

**Financial Statements and Supplementary
Information for the Year Ended June 30, 2017
and Independent Auditors' Report**

**CALIFORNIA STATE UNIVERSITY, CHANNEL ISLANDS FOUNDATION
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
California State University, Channel Islands Foundation (Foundation)
Camarillo, California

We have audited the accompanying financial statements of California State University, Channel Islands Foundation as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the organization's basic 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. 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 auditors' 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 respective financial position of California State University, Channel Islands Foundation as of June 30, 2017, and the respective changes in financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT - Continued

Report on Summarized Comparative Information

We previously audited the California State University, Channel Islands Foundation's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 12, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

The summary financial statements do not contain all the disclosures required by accounting principles generally accepted in the United States of America. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of California State University, Channel Islands Foundation.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 7 be presented to supplement the basic financial statements. 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 GASB Schedule of Net Position, GASB Schedule of Revenues, Expenses and Changes in Net Position, Expenses by Natural Classification, and Other Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The GASB Schedule of Net Position, GASB Schedule of Revenues, Expenses and Changes in Net Position, Expenses by Natural Classification, and Other Information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 GASB Schedule of Net Position, GASB Schedule of Revenues, Expenses and Changes in Net Position, Expenses by Natural Classification, and Other Information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Vorwin, Hryn + Co.

Calabasas, California
September 12, 2017

**CALIFORNIA STATE UNIVERSITY, CHANNEL ISLANDS FOUNDATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017**

This section of California State University, Channel Islands Foundation (Foundation) annual financial report presents our discussion and analysis of the financial performance of the Foundation for the fiscal year ended June 30, 2017. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes.

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) Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*. For reporting purposes, the University is considered a special-purpose government engaged only in business-type activities, which best represent the activities of the Foundation.

The financial statements include the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. These statements are supported by the notes to the financial statements 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 includes all assets and liabilities. Assets and liabilities are reported at their book value, on an accrual basis, as of the statement date. It also identifies major categories of restrictions on the net position of the Foundation.

Statement of Revenues, Expenses, and Changes in Net Position – The statement of revenues, expenses, and changes in net position presents the revenues earned and expenses incurred during the year on an accrual basis.

Statement of Cash Flows – The statement of cash flows presents the inflows and outflows of cash for the year and is summarized by operating, noncapital financing, capital and related financing, and investing activities. The statement is prepared using the direct method of cash flows and, therefore, presents gross rather than net amounts for the year's activities.

Analytical Overview

Summary

The following discussion highlights management's understanding of the key financial aspects of the Foundation's financial activities. Included is an analysis of current year activities and balances; a discussion of restrictions of Foundation net position; a discussion of capital assets and long-term debt; and factors impacting future reporting periods.

**CALIFORNIA STATE UNIVERSITY, CHANNEL ISLANDS FOUNDATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017**

The Foundation's summary of net position as of June 30, 2017 and 2016 are as follows:

Condensed Summary of Net Position

	<u>June 30</u>			
	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>	<u>% Change</u>
Assets:				
Current assets	\$ 3,557,244	\$ 3,043,807	\$ 513,437	16.9%
Other noncurrent assets	<u>21,846,118</u>	<u>19,567,022</u>	<u>2,279,096</u>	<u>11.6%</u>
Total assets	<u>25,403,362</u>	<u>22,610,829</u>	<u>2,792,533</u>	<u>12.4%</u>
Liabilities:				
Current liabilities	268,017	752,614	(484,597)	(64.4%)
Other noncurrent liabilities	<u>204,279</u>	<u>255,668</u>	<u>(51,389)</u>	<u>(20.1%)</u>
Total liabilities	<u>472,296</u>	<u>1,008,282</u>	<u>(535,986)</u>	<u>(53.2%)</u>
Net position:				
Restricted	22,335,311	19,397,019	2,938,292	15.1%
Unrestricted	<u>2,595,755</u>	<u>2,205,528</u>	<u>390,227</u>	<u>17.7%</u>
Total net position	<u>\$ 24,931,066</u>	<u>\$ 21,602,547</u>	<u>\$ 3,328,519</u>	<u>15.4%</u>

Assets

Total assets increased by \$2.8M compared to prior year. This is due to a \$1.0M transfer to the Foundation from the Site Authority following the sale of University Glen and Town Center Apartments which was used to establish and administer an Academic Affairs Fund to enhance, expand, or initiate student success programs with the California State University Channel Islands Academic Affairs Division. In addition, investment earnings increased by \$1.5M.

Liabilities

Total liabilities decreased by \$536K compared to prior. This is primarily a result of a decrease in deferred revenue of \$281K. Accounts Payable decreased by \$267K as a result of timing of payments to vendors.

Net Position

Total net position increased by \$3.3M compared to prior year. This is due to the transfer from the Site Authority \$1.0M, increased investment earnings \$1.5M, as well as increased gift and grant activity \$800K.

**CALIFORNIA STATE UNIVERSITY, CHANNEL ISLANDS FOUNDATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017**

Restricted Resources

Net position of the Foundation includes funds that are restricted by donor or law. The following table summarizes which funds are restricted, the type of restriction, and the amount:

Restricted Net Position

	<u>June 30</u>			
	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>	<u>% Change</u>
Non Expendable Endowments	\$ 7,437,280	\$ 6,833,673	\$ 603,607	8.8%
Expendable:				
Scholarships and fellowships	1,281,921	1,294,417	(12,496)	(1.0%)
Research	977,234	16,291	960,943	5,898.6%
Instruction	2,448,052	3,143,168	(695,116)	(22.1%)
Capital Projects	35,004	34,955	49	0.1%
Other	<u>10,155,820</u>	<u>8,074,515</u>	<u>2,081,305</u>	<u>25.8%</u>
Total restricted net position	<u>\$ 22,335,311</u>	<u>\$ 19,397,019</u>	<u>\$ 2,938,292</u>	<u>15.1%</u>

**CALIFORNIA STATE UNIVERSITY, CHANNEL ISLANDS FOUNDATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017**

Designated Resources

The Foundation's condensed summary of revenues, expenses, and changes in net position for the years ended June 30, 2017 and 2016 is as follows:

Condensed Summary of Revenues, Expenses, and Changes in Net Position				
<u>Year ended June 30</u>				
	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>	<u>% Change</u>
Operating Revenues:				
Other operating income	\$ 179,293	\$ 266,571	\$ (87,278)	(32.7%)
Total operating revenues	179,293	266,571	(87,278)	(32.7%)
Operating Expenses				
Operating income (loss)	(2,273,208)	(4,291,515)	(2,018,307)	(47.0%)
	(2,093,915)	(4,024,944)	1,931,029	48.0%
Nonoperating revenues (expenses):				
Nongovernmental grants, noncapital	808,500	115,000	693,500	603.0%
Gifts non capital	1,966,787	1,417,779	549,008	38.7%
Gifts in-kind	33,276	1,806,935	(1,773,659)	(98.2%)
Investment income (loss)	1,437,212	(93,566)	1,530,778	1,636.0%
Other	1,010,644	19,249	991,395	5,150.4%
Total nonoperating revenues (expenses)	5,256,419	3,265,397	1,991,022	61.0%
Income (loss) before other additions	3,162,504	(759,547)	3,922,051	516.4%
Additions to permanent endowment	166,015	496,992	(330,977)	(66.6%)
Increase (decrease) in net position	3,328,519	(262,555)	3,591,074	1,367.7%
Beginning net position	21,602,547	21,865,102	(262,555)	(1.2%)
Ending net position	\$ 24,931,066	\$ 21,602,547	\$ 3,328,519	15.4%

Operating Revenues and Expenses

Operating revenues and expenses come from sources that are connected directly to the Foundation's business function. Revenues come from other operating revenues which include sales of goods and services associated with fundraising activities and other miscellaneous revenue. Expenses include categories such as gift to university, supplies and other services, scholarships and fellowships. In this discussion and analysis, expenses are reported by functional program such as instruction, research, public service, academic support, student services, institutional support, operation and maintenance of plant, student grants and scholarships.

Operating Revenues

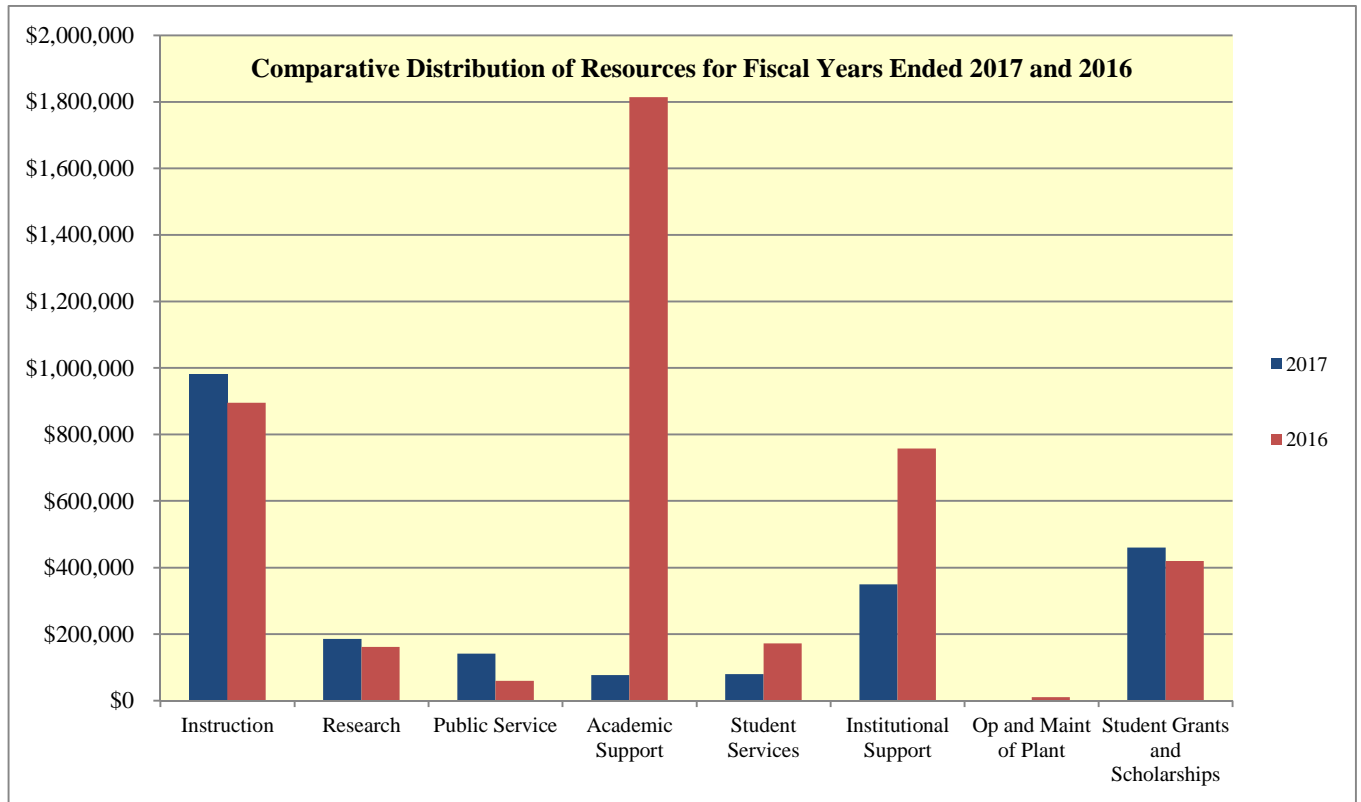
Total operating revenues show a decrease from prior year of \$87K. This is primarily due to funds raised for the President's Farewell Dinner.

**CALIFORNIA STATE UNIVERSITY, CHANNEL ISLANDS FOUNDATION
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017**

Operating Expenses

Total operating expenses decreased by \$2M versus prior year and are attributable to a gift of original photographic prints by renowned photographer Santi Visalli in the prior year.

The following chart presents the distribution of resources in support of the Foundation’s mission for fiscal years 2017 and 2016:



Nonoperating Revenues (Expenses)

Nonoperating revenues (expenses) come from sources that are not part of the Foundation’s primary business functions. Included in this classification are categories such as gifts noncapital, gifts in-kind, and investment income. Total nonoperating revenues (expenses) increased by \$2M due to increases in investment income of \$1.5M, nongovernmental grants, noncapital of \$693K, gifts of \$549K, and decreases of in-kind gifts of \$1.8M (gift of photographic prints) and a \$1M transfer to the Foundation from the Site Authority following the sale of University Glen and Town Center Apartments which was used to establish and administer an Academic Affairs Fund to enhance, expand, or initiate student success programs with the California State University Channel Islands Academic Affairs Division.

CALIFORNIA STATE UNIVERSITY, CHANNEL ISLANDS FOUNDATION
STATEMENT OF NET POSITION
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 596,461	\$ 634,967
Short-term investments	1,288,545	1,301,104
Accounts receivable	45,164	40,506
Related party receivables	3,775	53,046
Pledges receivable, net	<u>1,623,299</u>	<u>1,014,184</u>
Total current assets	3,557,244	3,043,807
Noncurrent assets		
Restricted cash and cash equivalents	5,735,065	3,529,391
Long-term investments	15,357,297	14,629,704
Pledges receivable, net	<u>753,756</u>	<u>1,407,927</u>
Total noncurrent assets	<u>21,846,118</u>	<u>19,567,022</u>
 Total assets	 <u>25,403,362</u>	 <u>22,610,829</u>
LIABILITIES		
Current liabilities		
Accounts payable	23,230	290,725
Deferred revenue	53,500	334,000
Related party payables	<u>191,287</u>	<u>127,889</u>
Total current liabilities	268,017	752,614
Noncurrent liabilities		
Liability to beneficiaries	<u>204,279</u>	<u>255,668</u>
Total noncurrent liabilities	<u>204,279</u>	<u>255,668</u>
 Total liabilities	 <u>472,296</u>	 <u>1,008,282</u>
NET POSITION		
Invested in capital assets, net of related debt	-	-
Restricted for:		
Nonexpendable - endowments	7,437,280	6,833,673
Expendable:		
Scholarships and fellowships	1,281,921	1,294,417
Research	977,234	16,291
Instruction	2,448,052	3,143,168
Capital projects	35,004	34,955
Other	10,155,820	8,074,515
Unrestricted	<u>2,595,755</u>	<u>2,205,528</u>
 Total net position	 <u>\$ 24,931,066</u>	 <u>\$ 21,602,547</u>

See accompanying auditors' report and notes to financial statements.

**CALIFORNIA STATE UNIVERSITY, CHANNEL ISLANDS FOUNDATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)**

	<u>2017</u>	<u>2016</u>
REVENUES		
Operating revenues		
Other operating income	\$ <u>179,293</u>	\$ <u>266,571</u>
 Total operating revenues	 179,293	 266,571
 EXPENSES		
Operating expenses		
Instruction	981,804	895,906
Research	185,552	161,486
Public service	140,841	59,547
Academic support	76,327	1,814,528
Student services	79,363	171,667
Institutional support	349,439	758,519
Operation and maintenance of plant	-	10,000
Student grants and scholarships	<u>459,882</u>	<u>419,862</u>
 Total operating expenses	 <u>2,273,208</u>	 <u>4,291,515</u>
 Operating income (loss)	 (2,093,915)	 (4,024,944)
 NONOPERATING REVENUES (EXPENSES)		
Nongovernmental grants, noncapital	808,500	115,000
Gifts, noncapital	1,966,787	1,417,779
In-kind contributions	33,276	1,806,935
Investment income (loss)	1,437,212	(93,566)
Other nonoperating revenues (expenses)	<u>1,010,644</u>	<u>19,249</u>
 Net nonoperating revenues (expenses)	 <u>5,256,419</u>	 <u>3,265,397</u>
 INCOME BEFORE ADDITIONS	 3,162,504	 (759,547)
 ADDITIONS TO PERMANENT ENDOWMENTS	 <u>166,015</u>	 <u>496,992</u>
 INCREASE (DECREASE) IN NET POSITION	 3,328,519	 (262,555)
 NET POSITION - beginning of year	 <u>21,602,547</u>	 <u>21,865,102</u>
 NET POSITION - end of year	 <u>\$ 24,931,066</u>	 <u>\$ 21,602,547</u>

See accompanying auditors' report and notes to financial statements.

CALIFORNIA STATE UNIVERSITY, CHANNEL ISLANDS FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Payments to suppliers	\$ (1,746,443)	\$ (1,734,655)
Payments to University	(638,476)	(1,854,189)
Payments to students	(419,033)	(468,139)
Other receipts (payments)	<u>218,664</u>	<u>376,895</u>
Net Cash Provided (Used) by Operating Activities	(2,585,288)	(3,680,088)
Cash flows from noncapital financing activities:		
Gifts and Grants Received for other than Capital Purposes	3,211,134	3,758,482
Pledges	<u>808,500</u>	<u>115,000</u>
Net Cash Provided (Used) by noncapital financing activities	4,019,634	3,873,482
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	5,094,130	2,161,989
Purchases of investments	(4,817,174)	(3,208,894)
Investment income received	<u>455,866</u>	<u>303,148</u>
Net Cash Provided (Used) by Investing Activities	<u>732,822</u>	<u>(743,757)</u>
Net increase (decrease) in cash and cash equivalents	2,167,168	(550,363)
Cash and cash equivalents at beginning of year	<u>4,164,358</u>	<u>4,714,721</u>
Cash and cash equivalents at end of year	<u>\$ 6,331,526</u>	<u>\$ 4,164,358</u>
Summary of cash and cash equivalents at end of year:		
Cash and cash equivalents	\$ 596,461	\$ 634,967
Restricted cash and cash equivalents	<u>5,735,065</u>	<u>3,529,391</u>
Total cash and cash equivalents	<u>\$ 6,331,526</u>	<u>\$ 4,164,358</u>
Reconciliation of net operating income (loss) to net cash provided by (used by) operating activities		
Operating income	\$ (2,093,915)	\$ (4,024,944)
Adjustments to reconcile net operating income (loss) to net cash provided by (used by) operating activities:		
Change in assets and liabilities:		
Accounts receivable	(4,658)	150,386
Related party receivables	49,271	(31,954)
Prepaid expenses	-	25,000
Accounts payable	(267,495)	240,189
Deferred revenue	(280,500)	184,000
Related party payables	63,398	(244,971)
Liability to beneficiaries	<u>(51,389)</u>	<u>22,206</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (2,585,288)</u>	<u>\$ (3,680,088)</u>
Supplemental Non-Cash information:		
Non Cash Activities	<u>\$ 33,276</u>	<u>\$ 1,806,935</u>

See accompanying auditors' report and notes to financial statements.

**CALIFORNIA STATE UNIVERSITY, CHANNEL ISLANDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

1. ORGANIZATION

California State University, Channel Islands Foundation (Foundation) was created on August 28, 1996, pursuant to the General Nonprofit Corporation Law of the State of California and was organized to promote and assist education, administration and related services of the California State University, Channel Islands. The Foundation operates as an auxiliary organization of the California State University, Channel Islands (University) under an operating agreement with the Trustees of the California State University (the Trustees), which goes through June 30, 2017.

2. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles, 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.

Election of Applicable FASB Statements

The Foundation has elected to follow standards of accounting and financial reporting issued by the Financial Accounting Standards Board (FASB) prior to November 30, 1989, unless those standards conflict with or contradict guidance of the GASB. The Foundation also has the option of following subsequent private-sector guidance subject to the same limitation. The Foundation has elected not to adopt the pronouncements issued by the FASB after November 30, 1989.

Financial Reporting Entity

The financial statements include the accounts of the Foundation. The Foundation is a government organization under accounting principles generally accepted in the United States of America and is also a component unit of the University, a public university under the California State University system. The Foundation has chosen to use the reporting model for special-purpose governments engage only in business type activities.

**CALIFORNIA STATE UNIVERSITY, CHANNEL ISLANDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

2. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

Net Position

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

Restricted – non expendable endowments – Net position resulted from contributions restricted by the donor for investment in perpetuity. The investment incomes generated by the endowments are to be used for scholarships for University students and programs described by the respective donors.

Restricted – expendable – Net position subject to externally imposed conditions that can be fulfilled by the actions of the Foundation or by the passage of time.

Unrestricted – All other categories of net position. In addition, unrestricted net position may be designated for use by management of the Foundation or have legislative or bond indenture requirements associated with their use. These requirements limit the area of operations for which expenditures of net position may be made and require that unrestricted net position be designated to support future operations in these areas.

The Foundation has adopted a policy of generally utilizing restricted-expendable funds, prior to unrestricted funds when an expense is incurred for purposes for which both are related.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with a maturity of three months or less from date of purchase. The Foundation maintains its cash and cash equivalents in bank accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Receivables

Receivables consists of a charitable gift annuity and other miscellaneous receivables. The Foundation uses the allowance method of accounting for receivables determined to be potentially uncollectable. In management's opinion, all receivables were collectible at year-end and therefore no allowance has been established.

Pledges Receivable

Unconditional promises of private gifts to the Foundation are recorded as pledges receivable and revenue in the year promised at the present value of expected cash flows including consideration of collectability. Conditional promises and intentions to give are recognized as receivables and revenue when the specific condition and/or eligibility and recognition requirements are met. There were no conditional promises to give at June 30, 2017.

**CALIFORNIA STATE UNIVERSITY, CHANNEL ISLANDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

2. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of net position. Unrealized gains and losses are included in the change in net position in the accompanying Statement of Revenue, Expenses, and Changes in Net Position.

The fair value of investments in securities is based on the quoted market price of the underlying securities.

Investment income is reported net of related expenses as increases or decreases in unrestricted net position unless a donor restricts their use.

Deferred Revenue

Deferred revenue consists of advance payments received for special events.

Revenues

The Foundation derives its operating revenues primarily from sales and services of goods through fundraising activities; raffle tickets, bazaar and art sales.

Classification of Revenues

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 or in accordance with GASB Statement No. 35.

Gifts-In-Kind

Gifts-in-kind consist of donations of nonmonetary supply items and are recorded at their fair market value at the date of the gift. Total gifts-in-kind consists primarily of books, materials and supplies and are reflected as In-kind contributions with a balance of \$33,276 in the accompanying statement of revenues, expenses, and changes in net position.

Allocation of Costs

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of revenues, expenses and changes in net position. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**CALIFORNIA STATE UNIVERSITY, CHANNEL ISLANDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

2. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

Income Taxes

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California income taxes under section 23701(d) of the California Revenue and Taxation Code. The IRS classified the organization as one that is not a private foundation within the meaning of section 509(a) of the Code because it is an organization described in section(s) 509(a)(1) and 170(b)(1)(A)(vi).

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 will more likely than not be sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

The Foundation's Forms 990, *Return of Organization Exempt from Income Tax*, for each of the tax years ended June 30, 2016, 2015, 2014, are subject to examination by the IRS, generally for 3 years after they were filed.

Estimates

The preparation of these financial statements requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Management also determines the accounting principles to be used in the preparation of the financial statements.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2016 from which the summarized information was derived.

**CALIFORNIA STATE UNIVERSITY, CHANNEL ISLANDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

2. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES – Continued

Fair Value Measurements

The Foundation reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value in accordance with GASB 72, *Fair Value Measurement and Application*. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal or most advantageous market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. GASB 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- *Level 1* - Quoted prices for identical assets or liabilities in active markets to which the Foundation has access on the measurement date.
- *Level 2* - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3* - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The carrying amounts of cash and cash equivalents and accounts receivable approximate fair value because of the terms and relatively short maturity of these financial instruments.

The carrying amounts of liabilities, approximate fair value because of the relatively short maturity of these financial instruments.

When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

**CALIFORNIA STATE UNIVERSITY, CHANNEL ISLANDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(CONTINUED)**

3. CASH AND CASH EQUIVALENTS

The Foundation's cash and cash equivalents as of June 30, 2017 are classified in the accompanying statement of net position as follows:

Cash and cash equivalents	\$ 596,461
Restricted cash and cash equivalents	<u>5,735,065</u>
Total cash and cash equivalents	<u>\$ 6,331,526</u>

(a) Cash and Cash Equivalents

At June 30, 2017, cash and cash equivalents consisted of demand deposits maintained at the bank. Total cash and cash equivalents of \$6,331,526 had a corresponding carrying value balance with the bank of \$6,363,598 at June 30, 2017. The difference is related primarily to outstanding checks in the amount of \$32,164 and deposits in transit of \$92.

(b) Custodial Credit Risk for Deposits

Custodial credit risk for deposits is the risk that the Foundation will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The California Government Code and Education Code do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the provision that a financial institution must secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. This risk is mitigated in that the Foundation's deposits are maintained at financial institutions that are fully insured or collateralized as required by state law.

4. ACCOUNTS RECEIVABLE

Accounts Receivable at June 30, 2017 consisted of the following:

	<u>Current</u>	<u>Non-Current</u>	<u>Total</u>
Accounts Receivable	\$ 45,164	\$ -	\$ 45,164
Less allowance for Doubtful Accounts	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 45,164</u>	<u>\$ -</u>	<u>\$ 45,164</u>

The Foundation uses the allowance method of accounting for receivables determined to be potentially uncollectable. In management's opinion, all receivables were collectible at year-end and therefore no allowance has been established.

**CALIFORNIA STATE UNIVERSITY, CHANNEL ISLANDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(CONTINUED)**

5. RELATED PARTY TRANSACTIONS

The Foundation has entered into certain transactions with the Campus and recognized auxiliary organizations of the Campus relating primarily to payroll reimbursement and commercial food services. The accompanying financial statements include all such transactions for the year ended June 30, 2017:

Related party receivables consist of the following:

	<u>June 30, 2017</u>
California State University, Channel Islands	\$ 3,775
Total	<u>\$ 3,775</u>

Related party payables consist of the following:

	<u>June 30, 2017</u>
California State University, Channel Islands	\$ 185,525
CI University Auxiliary Services, Inc.	<u>5,762</u>
Total	<u>\$ 191,287</u>

6. PLEDGES RECEIVABLE, NET

Pledges receivable are measured using market prices and are stated at fair value. Pledges receivable at June 30, 2017 are as follows:

Less than one year	\$ 1,530,948
One to five years	<u>996,218</u>
Total pledges receivable	2,527,166
Less discount to present value	<u>(150,111)</u>
Net, pledges receivable	<u>\$ 2,377,055</u>

The unamortized discount is based on a risk free rate and additional market risk factor in total 4.4%. In management's opinion, all pledges receivables were collectible at June 30, 2017 and therefore no allowance has been established.

**CALIFORNIA STATE UNIVERSITY, CHANNEL ISLANDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(CONTINUED)**

7. RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments have a combined total of \$17,502,435 at June 30, 2017. Restricted cash as of June 30, 2017 consist of the following:

	Level 1
Cash restricted for endowments	\$ 2,145,138

Restricted investments as of June 30, 2017 consist of the following:

	Level 1
Fixed income intermediate term investments	\$ 1,899,632
Equity funds	356,219
Mutual funds	222,960
Endowment investments:	
Balanced funds	\$ 680,898
Equity funds	8,543,323
Fixed income securities	3,654,265
Total endowment investments	12,878,486
Total restricted investments	\$ 15,357,297

At June 30, 2017, the Foundation does not have any investments measured using Level 2 or Level 3 inputs.

Investment Policy

The Foundation’s investment policy (the Policy) sets forth the guidelines for the investment of all endowments funds of the Foundation. As a general rule, the Policy conforms to the Prudent Investor guidelines Investor guidelines widely used in the investment management industry, the guidelines of Uniform Management of Association for CFA Institute (formerly AIMR), the professional standards established by the Uniform Prudent Management of Institutional Funds Act and the general fiduciary standards described in the Uniform Investment Act.

The long-term investment objective of the policy is to preserve the endowment funds’ capital, protect the purchasing power of the endowment funds and provide cash flows to assist in the funding of the Foundation’s spending goals. With this in mind, the portfolio shall be invested to provide safety through diversification in a portfolio of common, stocks, bonds, cash equivalents and other investments, all of which may reflect varying rates of returns. The return objective will be to outperform the Higher Education Price Index (HEPI) plus 5%.

**CALIFORNIA STATE UNIVERSITY, CHANNEL ISLANDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

7. RESTRICTED CASH AND INVESTMENTS - Continued

Interest Rate Risk

Interest rate risk is the risk that the changes in market interest rates will adversely affect the fair value of an investment. In accordance with the Policy, the Foundation manages the risk of market value fluctuations due to overall changes in general levels of interest rates by limiting its average maturity of investments within the portfolios.

Credit Risk

Fixed income securities are subject to credit risk, which is the risk that a bond issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. The circumstances may arise due to a variety of factors, such as financial weakness, bankruptcy, litigation and/or adverse political developments. A bond's credit quality is an assessment of the issuer's ability to pay interest on a bond and ultimately, to pay the principal. Credit quality is evaluated by one of the independent bond rating agencies such as Moody's Investors Service or Standard & Poor's. The lower the rating, the greater the chance that the bond issuer will default or fail to meet its payment obligations. Generally, the lower the bond's credit rating, the higher the yield should be to compensate for the additional risk.

Certain fixed income securities, including obligations of the U.S. Government or those explicitly guaranteed by the U.S. government, are not considered to have risk.

The credit risk profile for fixed income securities at June 30, is as follows:

<u>Fixed Income Securities</u>	<u>2017</u>	<u>Average Credit Rating</u>
U.S. intermediate term bonds	\$ 1,110,607	BBB
U.S. intermediate term bonds	<u>1,088,776</u>	AAA
	2,199,383	
U.S. intermediate term note	<u>\$ 270,000</u>	
	270,000	
Global intermediate term bonds	\$ 91,879	AA
Global intermediate term bonds	<u>1,093,003</u>	A
	1,184,882	
U.S. short term bonds	\$ 1,288,545	AAA-BBB+
U.S. short term bonds	<u>1,899,632</u>	AA
	<u>3,188,177</u>	
Total fixed income securities	<u>\$ 6,842,442</u>	

**CALIFORNIA STATE UNIVERSITY, CHANNEL ISLANDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(CONTINUED)**

8. INVESTMENTS

The Foundation measures fair value in accordance with GASB 72, *Fair Value Measurement and Application*. GASB 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels; Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs, other than the quoted prices in active markets, are observable either directly or indirectly, and Level 3 unobservable inputs in which there is little or no market data, which requires the Foundation to develop its own assumptions. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. Assets reported at fair value at June 30, 2017, are Level 1 inputs.

Investments consist of the following at June 30, 2017:

	Fair Value Measurements Using				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)	
Corporate bonds	\$ 5,553,896	-	-	-	\$ 5,553,896
Mutual funds	903,858	-	-	-	903,858
Municipal bonds	1,288,545	-	-	-	1,288,545
Equity securities	<u>8,899,543</u>	-	-	-	<u>8,899,543</u>
Total investments	<u>\$ 16,645,842</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$16,645,842</u>

At June 30, 2017, the Foundation did not have any investments measured using Level 2 or Level 3 inputs.

The composition of the investment return reported in the statement of activities as follows:

Interest and dividend income	\$ 286,953
Realized and unrealized gain (loss) on investments	<u>1,150,259</u>
Total investment return	<u>\$ 1,437,212</u>

Concentration Credit Risk

The Policy of the Foundation contains certain limitations on the amount that can be invested in any one issuer and is listed in the table above. The Foundation did not have any investments in any other issuer (other than U.S Treasury securities, mutual funds and external investment pools) that represents 18.0% percent or more of the Foundation's total investments as of the year ended June 30, 2017.

**CALIFORNIA STATE UNIVERSITY, CHANNEL ISLANDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

8. INVESTMENTS - Continued

Custodial Credit Risk

Custodial credit risk for investment deposits is the risk that the Foundation will not be able to recover its deposits in the event of a failure of a depository institution. In the ordinary course of the Foundation's operations, deposit balances in checking accounts can exceed the Federal Deposit Insurance Corporation insured limits. In accordance with the Foundation's investment policy, all certificates of deposit are FDIC-insured and limited to \$250,000 at any one institution.

Custodial credit risk for investments is the risk that if the counterparty to an investment transaction were to fail, the Foundation would not be able to recover its investment. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to indirect investment in securities through the use of mutual funds and government investment pools. U.S. Treasury issues and Federally Sponsored Enterprise issues are held by Securities Investor Protection Corporation insured brokers and are not registered with the issuer in the Foundation's name.

9. LIABILITY TO BENEFICIARIES

Long term liability activity for the year ended at June 30, 2017 consisted of the following:

	Beginning Balance as of July 1, 2016	Additions	Reductions	Ending Balance as of June 30, 2017
Liability to Beneficiaries	<u>\$ 255,668</u>	<u>\$ 76,455</u>	<u>\$ (127,844)</u>	<u>\$ 204,279</u>

Liability to Beneficiaries consists of a Charitable Remainder Trust net of discount to present value which provides for payments to the beneficiary as defined with the remainder reverting to the Foundation at maturity.

**CALIFORNIA STATE UNIVERSITY, CHANNEL ISLANDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(CONTINUED)**

10. CLASSIFICATION OF OPERATING EXPENSES

The University has elected to report operating expenses by functional classification in the statements of revenues, expenses, and changes in net position, but to provide the natural classification of those expenses as an additional disclosure. For the year ended June 30, 2017, operating expenses by natural classification consisted of the following:

	<u>Salaries</u>	<u>Benefits</u>	<u>Fellowships</u>	<u>Other Services</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ -	\$ -	\$ -	\$ 981,804	\$ -	\$ 981,804
Research	-	-	-	185,552	-	185,552
Public service	-	-	-	140,841	-	140,841
Academic support	-	-	-	76,327	-	76,327
Student services	-	-	-	79,363	-	79,363
Institutional support	-	-	-	349,439	-	349,439
Operation and maintenance of plant	-	-	-	-	-	-
Student grants and scholarships	<u>-</u>	<u>-</u>	<u>459,882</u>	<u>-</u>	<u>-</u>	<u>459,882</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 459,882</u>	<u>\$1,813,326</u>	<u>\$ -</u>	<u>\$2,273,208</u>

11. TRANSACTIONS WITH RELATED PARTIES

As discussed in Note 1, the Foundation operates under an agreement with the Trustees as an auxiliary organization of the University. Accordingly, essentially all revenues, and realization of certain position, are dependent upon the continuation of this agreement.

The accompanying financial statements also include the following transactions with the University and other related parties as of and for the year ended June 30, 2017:

Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 634,864
Payments to University for other than salaries of University personnel	760,137
Accounts (payable to) University	(185,525)
Accounts receivable from University	3,775

During the year ended June 30, 2017 The Foundation received a \$1 million contribution from the California State University, Site Authority to establish and administer an Academic Affairs Fund to enhance, expand, or initiate student success programs within the California State University, Channel Islands Academic Affairs Division that are supportive of the University Mission and Strategic Plan.

**CALIFORNIA STATE UNIVERSITY, CHANNEL ISLANDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(CONTINUED)**

12. SUBSEQUENT EVENTS

The Foundation has evaluated events subsequent to June 30, 2017, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through September 12, 2017, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

CALIFORNIA STATE UNIVERSITY, CHANNEL ISLANDS FOUNDATION
GASB SCHEDULE OF NET POSITION
JUNE 30, 2017

sets:	
Current assets:	
Cash and cash equivalents	\$ 596,461
Short-term investments	1,288,545
Accounts receivable, net	48,939
Leases receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	1,623,299
Prepaid expenses and other current assets	—
Total current assets	3,557,244
Noncurrent assets:	
Restricted cash and cash equivalents	5,735,065
Accounts receivable, net	—
Leases receivable, net of current portion	—
Notes receivable, net of current portion	—
Student loans receivable, net	—
Pledges receivable, net	753,756
Endowment investments	12,878,486
Other long-term investments	2,478,811
Capital assets, net	—
Other assets	—
Total noncurrent assets	21,846,118
Total assets	25,403,362
Deferred outflows of resources:	
Unamortized loss on debt refunding	—
Net pension liability	—
Others	—
Total deferred outflows of resources	—
Liabilities:	
Current liabilities:	
Accounts payable	23,230
Accrued salaries and benefits	—
Accrued compensated absences, current portion	—
Unearned revenue	—
Capitalized lease obligations, current portion	—
Long-term debt obligations, current portion	—
Claims liability for losses and loss adjustment expenses, current portion	—
Depository accounts	53,500
Other liabilities	191,287
Total current liabilities	268,017
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	—
Unearned revenue	—
Grants refundable	—
Capitalized lease obligations, net of current portion	—
Long-term debt obligations, net of current portion	—
Claims liability for losses and loss adjustment expenses, net of current portion	—
Depository accounts	—
Other postemployment benefits obligations	—
Net pension liability	—
Other liabilities	204,279
Total noncurrent liabilities	204,279
Total liabilities	472,296
Deferred inflows of resources:	
Service concession arrangements	—
Net pension liability	—
Unamortized gain on debt refunding	—
Nonexchange transactions	—
Others	—
Total deferred inflows of resources	—
Net Position:	
Net investment in capital assets	—
Restricted for:	
Nonexpendable – endowments	7,437,280
Expendable:	
Scholarships and fellowships	1,281,921
Research	977,234
Loans	—
Capital projects	35,004
Debt service	—
Others	12,603,872
Unrestricted	2,595,755
Total net position	\$ 24,931,066

**CALIFORNIA STATE UNIVERSITY, CHANNEL ISLANDS FOUNDATION
GASB SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

Revenues:	
Operating revenues:	
Student tuition and fees (net of scholarship allowances of \$_____)	\$ —
Grants and contracts, noncapital:	
Federal	—
State	—
Local	—
Nongovernmental	—
Sales and services of educational activities	—
Sales and services of auxiliary enterprises (net of scholarship allowances of \$_____)	—
Other operating revenues	179,293
Total operating revenues	<u>179,293</u>
Expenses:	
Operating expenses:	
Instruction	981,804
Research	185,552
Public service	140,841
Academic support	76,327
Student services	79,363
Institutional support	349,439
Operation and maintenance of plant	—
Student grants and scholarships	459,882
Auxiliary enterprise expenses	—
Depreciation and amortization	—
Total operating expenses	<u>2,273,208</u>
Operating income (loss)	<u>(2,093,915)</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	808,500
Other federal nonoperating grants, noncapital	—
Gifts, noncapital	2,000,063
Investment income (loss), net	1,437,212
Endowment income (loss), net	—
Interest expense	—
Other nonoperating revenues (expenses)	1,010,644
Net nonoperating revenues (expenses)	<u>5,256,419</u>
Income (loss) before other revenues (expenses)	3,162,504
State appropriations, capital	—
Grants and gifts, capital	—
Additions (reductions) to permanent endowments	166,015
Increase (decrease) in net position	<u>3,328,519</u>
Net position:	
Net position at beginning of year, as previously reported	21,602,547
Restatements	—
Net position at beginning of year, as restated	<u>21,602,547</u>
Net position at end of year	<u>\$ 24,931,066</u>

CALIFORNIA STATE UNIVERSITY, CHANNEL ISLANDS FOUNDATION
EXPENSES BY NATURAL CLASSIFICATION
FOR THE YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	<u>2017</u>	<u>2016</u>
EXPENSES		
Accounting fees and other CSUCI services	\$ 113,637	\$ 114,838
Advertising and promotion	18,474	9,100
Awards and recognition items	10,547	46,372
Bank and credit card fees	7,356	8,308
Books and subscriptions	-	21,499
Business meals and hospitality	64,359	189,446
Conferences and meetings	1,090	17,693
Education and training	598	6,630
Equipment	28,542	19,587
Gift to university	41,026	1,831,650
Honoraria	1,700	20,346
Insurance	3,283	2,773
Investment fees	80,499	79,844
Membership dues and fees	805	1,592
Office expense	53,812	49,676
OPC chargebacks	-	9,286
Outside services	724,261	669,624
Postage	1,548	5,214
Printing	18,598	23,534
Professional fees	121,205	104,511
Rent	28,216	76,855
Scholarships	421,633	469,011
Software	1,359	445
Stipends	25,537	-
Supplies	494,431	483,995
Telephone	687	408
Travel	<u>10,005</u>	<u>29,278</u>
 Total expenses	 <u>\$2,273,208</u>	 <u>\$4,291,515</u>

**CALIFORNIA STATE UNIVERSITY, CHANNEL ISLANDS FOUNDATION
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

1	Restricted cash and cash equivalents at June 30, 2017:		
	Portion of restricted cash and cash equivalents related to endowments	\$	2,145,138
	All other restricted cash and cash equivalents		<u>3,589,927</u>
	Total restricted cash and cash equivalents	\$	<u><u>5,735,065</u></u>

**CALIFORNIA STATE UNIVERSITY, CHANNEL ISLANDS FOUNDATION
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017
(CONTINUED)**

2.2 Investments held by the University under contractual agreements at June 30, 2017:										
Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2017 :										
2.3 Restricted current investments at June 30, 2017 related to:		Amount								
Municiple Bonds	\$	<u>1,288,545</u>								
		—								
		—								
		—								
		—								
		—								
Total restricted current investments at June 30, 2017	\$	<u><u>1,288,545</u></u>								
2.4 Restricted noncurrent investments at June 30, 2017 related to:		Amount								
Endowment investment	\$	<u>12,878,486</u>								
Corporate Bonds		1,899,631								
Mutual Funds		222,960								
Equity Securities		356,220								
		—								
		—								
		—								
		—								
Total restricted noncurrent investments at June 30, 2017	\$	<u><u>15,357,297</u></u>								

CALIFORNIA STATE UNIVERSITY, CHANNEL ISLANDS FOUNDATION
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017
(CONTINUED)

2.5 Fair value hierarchy in investments at June 30, 2017:

	Total	Fair Value Measurements Using			Net Asset Value (NAV)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
State of California Surplus Money Investment Fund (SMIF)	\$ —	—	—	—	—
State of California Local Agency Investment Fund (LAIF)	—	—	—	—	—
Corporate bonds	5,553,896	5,553,896	—	—	—
Certificates of deposit	—	—	—	—	—
Mutual funds	903,858	903,858	—	—	—
Money Market funds	—	—	—	—	—
Repurchase agreements	—	—	—	—	—
Commercial paper	—	—	—	—	—
Asset backed securities	—	—	—	—	—
Mortgage backed securities	—	—	—	—	—
Municipal bonds	1,288,545	1,288,545	—	—	—
U.S. agency securities	—	—	—	—	—
U.S. treasury securities	—	—	—	—	—
Equity securities	8,899,543	8,899,543	—	—	—
Exchange traded funds (ETFs)	—	—	—	—	—
Alternative investments:					
Private equity (including limited partnerships)	—	—	—	—	—
Hedge funds	—	—	—	—	—
Managed futures	—	—	—	—	—
Real estate investments (including REITs)	—	—	—	—	—
Commodities	—	—	—	—	—
Derivatives	—	—	—	—	—
Other alternative investment types	—	—	—	—	—
Other external investment pools (excluding SWIFT)					
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Other major investments:					
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Total investments	16,645,842	16,645,842	—	—	—

**CALIFORNIA STATE UNIVERSITY, CHANNEL ISLANDS FOUNDATION
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3.1 Composition of capital assets at June 30, 2017:

	<u>Balance June 30, 2016</u>	<u>Prior period Adjustments</u>	<u>Reclassifications</u>	<u>Balance June 30, 2016 (restated)</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers of Completed CWIP</u>	<u>Balance June 30, 2017</u>
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	\$ ---	---	---	---	---	---	---	---
Works of art and historical treasures	---	---	---	---	---	---	---	---
Construction work in progress (CWIP)	---	---	---	---	---	---	---	---
Intangible assets:								
Rights and easements	---	---	---	---	---	---	---	---
Patents, copyrights and trademarks	---	---	---	---	---	---	---	---
Internally generated intangible assets in progress	---	---	---	---	---	---	---	---
Licenses and permits	---	---	---	---	---	---	---	---
Other intangible assets:	---	---	---	---	---	---	---	---
	---	---	---	---	---	---	---	---
	---	---	---	---	---	---	---	---
	---	---	---	---	---	---	---	---
	---	---	---	---	---	---	---	---
Total intangible assets	---	---	---	---	---	---	---	---
Total nondepreciable/nonamortizable capital assets	---	---	---	---	---	---	---	---
Depreciable/amortizable capital assets:								
Buildings and building improvements	---	---	---	---	---	---	---	---
Improvements, other than buildings	---	---	---	---	---	---	---	---
Infrastructure	---	---	---	---	---	---	---	---
Leasehold improvements	---	---	---	---	---	---	---	---
Personal property:								
Equipment	---	---	---	---	---	---	---	---
Library books and materials	---	---	---	---	---	---	---	---
Intangible assets:								
Software and websites	---	---	---	---	---	---	---	---
Rights and easements	---	---	---	---	---	---	---	---
Patents, copyright and trademarks	---	---	---	---	---	---	---	---
Licenses and permits	---	---	---	---	---	---	---	---
Other intangible assets:	---	---	---	---	---	---	---	---
	---	---	---	---	---	---	---	---
	---	---	---	---	---	---	---	---
	---	---	---	---	---	---	---	---
	---	---	---	---	---	---	---	---
Total intangible assets	---	---	---	---	---	---	---	---
Total depreciable/amortizable capital assets	---	---	---	---	---	---	---	---
Total capital assets	---	---	---	---	---	---	---	---
Less accumulated depreciation/amortization:								
Buildings and building improvements	---	---	---	---	---	---	---	---
Improvements, other than buildings	---	---	---	---	---	---	---	---
Infrastructure	---	---	---	---	---	---	---	---
Leasehold improvements	---	---	---	---	---	---	---	---
Personal property:								
Equipment	---	---	---	---	---	---	---	---
Library books and materials	---	---	---	---	---	---	---	---
Intangible assets:								
Software and websites	---	---	---	---	---	---	---	---
Rights and easements	---	---	---	---	---	---	---	---
Patents, copyright and trademarks	---	---	---	---	---	---	---	---
Licenses and permits	---	---	---	---	---	---	---	---
Other intangible assets:	---	---	---	---	---	---	---	---
	---	---	---	---	---	---	---	---
	---	---	---	---	---	---	---	---
	---	---	---	---	---	---	---	---
	---	---	---	---	---	---	---	---
Total intangible assets	---	---	---	---	---	---	---	---
Total accumulated depreciation/amortization	---	---	---	---	---	---	---	---
Total capital assets, net	\$ ---	---	---	---	---	---	---	---

3.2 Detail of depreciation and amortization expense for the year ended June 30, 2017:

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

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4 Long-term liabilities activity schedule:

	Balance June 30, 2016	Prior period adjustments	Reclassifications	Balance June 30, 2016 (restated)	Additions	Reductions	Balance June 30, 2017	Current portion	Long-term portion
Accrued compensated absences	\$ —	—	—	—	—	—	—	—	—
Claims liability for losses and loss adjustment expenses	—	—	—	—	—	—	—	—	—
Capitalized lease obligations:									
Gross balance	—	—	—	—	—	—	—	—	—
Unamortized premium / (discount) on capitalized lease obligations	—	—	—	—	—	—	—	—	—
Total capitalized lease obligations	—	—	—	—	—	—	—	—	—
Long-term debt obligations:									
Auxiliary revenue bonds	—	—	—	—	—	—	—	—	—
Commercial paper	—	—	—	—	—	—	—	—	—
Notes payable related to SRB	—	—	—	—	—	—	—	—	—
Others: (list by type)									
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Total long-term debt obligations	—	—	—	—	—	—	—	—	—
Unamortized bond premium / (discount)	—	—	—	—	—	—	—	—	—
Total long-term debt obligations, net	—	—	—	—	—	—	—	—	—
Total long-term liabilities	\$ —	—	—	—	—	—	—	—	—

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5 Future minimum lease payments - capitalized lease obligations:

	Capitalized lease obligations related to SRB			All other capitalized lease obligations			Total capitalized 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:									
2018	—	—	—	—	—	—	—	—	—
2019	—	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—	—	—
2023 - 2027	—	—	—	—	—	—	—	—	—
2028 - 2032	—	—	—	—	—	—	—	—	—
2033 - 2037	—	—	—	—	—	—	—	—	—
2038 - 2042	—	—	—	—	—	—	—	—	—
2043 - 2047	—	—	—	—	—	—	—	—	—
2048 - 2052	—	—	—	—	—	—	—	—	—
2053 - 2057	—	—	—	—	—	—	—	—	—
2058 - 2062	—	—	—	—	—	—	—	—	—
2063 - 2067	—	—	—	—	—	—	—	—	—
Total minimum lease payments	—	—	—	—	—	—	—	—	—
Less amounts representing interest									—
Present value of future minimum lease payments									—
Unamortized net premium (discount)									—
Total capitalized lease obligations									—
Less: current portion									—
Capitalized lease obligation, net of current portion									\$ —

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6 Long-term debt obligation schedule

	Auxiliary revenue bonds			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:									
2018	\$ —	—	—	—	—	—	—	—	—
2019	—	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—	—	—
2023 - 2027	—	—	—	—	—	—	—	—	—
2028 - 2032	—	—	—	—	—	—	—	—	—
2033 - 2037	—	—	—	—	—	—	—	—	—
2038 - 2042	—	—	—	—	—	—	—	—	—
2043 - 2047	—	—	—	—	—	—	—	—	—
2048 - 2052	—	—	—	—	—	—	—	—	—
2053 - 2057	—	—	—	—	—	—	—	—	—
2058 - 2062	—	—	—	—	—	—	—	—	—
2063 - 2067	—	—	—	—	—	—	—	—	—
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									\$ —

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7 Calculation of net position

7.1 Calculation of net position - net investment in capital assets

Capital assets, net of accumulated depreciation	\$	—
Capitalized lease obligations, current portion		—
Capitalized lease obligations, net of current portion		—
Long-term debt obligations, current portion		—
Long-term debt obligations, net of current portion		—
Portion of outstanding debt that is unspent at year-end		—
Other adjustments: (please list)		
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Net position - net investment in capital asset	\$	<u>—</u>

7.2 Calculation of net position - restricted for nonexpendable - endowments

Portion of restricted cash and cash equivalents related to endowments	\$	2,145,138
Endowment investments		12,878,486
Other adjustments: (please list)		
Expendable endowments		(7,586,344)
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Net position - Restricted for nonexpendable - endowments per SNP	\$	<u>7,437,280</u>

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8 Transactions with related entities

	Amount
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 634,864
Payments to University for other than salaries of University personnel	760,137
Payments received from University for services, space, and programs	—
Gifts-in-kind to the University from discretely presented component units	—
Gifts (cash or assets) to the University from discretely presented component units	—
Accounts (payable to) University (enter as negative number)	(185,525)
Other amounts (payable to) University (enter as negative number)	—
Accounts receivable from University	3,775
Other amounts receivable from University	—

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9 Other postemployment benefits obligation (OPEB)

Annual required contribution (ARC)	\$	—
Contributions during the year		—
		<hr style="border: 1px solid black;"/>
Increase (decrease) in net OPEB obligation (NOO)		—
Other adjustments		—
NOO - beginning of year		—
NOO - end of year	\$	—
		<hr style="border-top: 3px double black;"/>

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10 Pollution remediation liabilities under GASB Statement No. 49:

Description	Amount
Add description	\$ —
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Total pollution remediation liabilities	\$ —
Less: current portion	—
Pollution remediation liabilities, net of current portion	—

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11 The nature and amount of the prior period adjustment(s) recorded to beginning net position

	Net Position Class	Amount Dr. (Cr.)
Net position as of June 30, 2016, as previously reported		\$ 21,602,547
Prior period adjustments:		
1 (list description of each adjustment)		—
2 (list description of each adjustment)		—
3 (list description of each adjustment)		—
4 (list description of each adjustment)		—
5 (list description of each adjustment)		—
6 (list description of each adjustment)		—
7 (list description of each adjustment)		—
8 (list description of each adjustment)		—
9 (list description of each adjustment)		—
10 (list description of each adjustment)		—
Net position as of June 30, 2016, as restated		\$ 21,602,547

Provide a detailed breakdown of the journal entries (at the financial statement line item level) booked to record each prior period adjustment:

	Debit	Credit
Net position class: _____		
1 (breakdown of adjusting journal entry)	\$ —	—
Net position class: _____		
2 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
3 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
4 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
5 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
6 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
7 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
8 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
9 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
10 (breakdown of adjusting journal entry)	—	—