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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 3-12 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

CSULB 49er FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) JUNE 30, 2017 AND 2016

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the CSULB 49er Foundation (the 49er Foundation) for the years ended June 30, 2017 and 2016. The discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto, which follow this section.

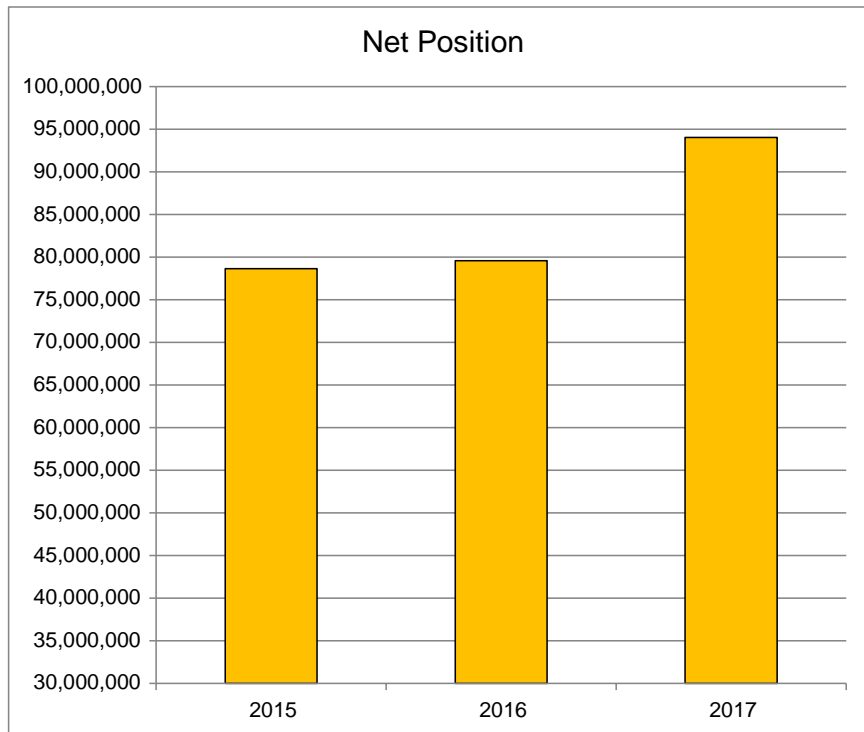
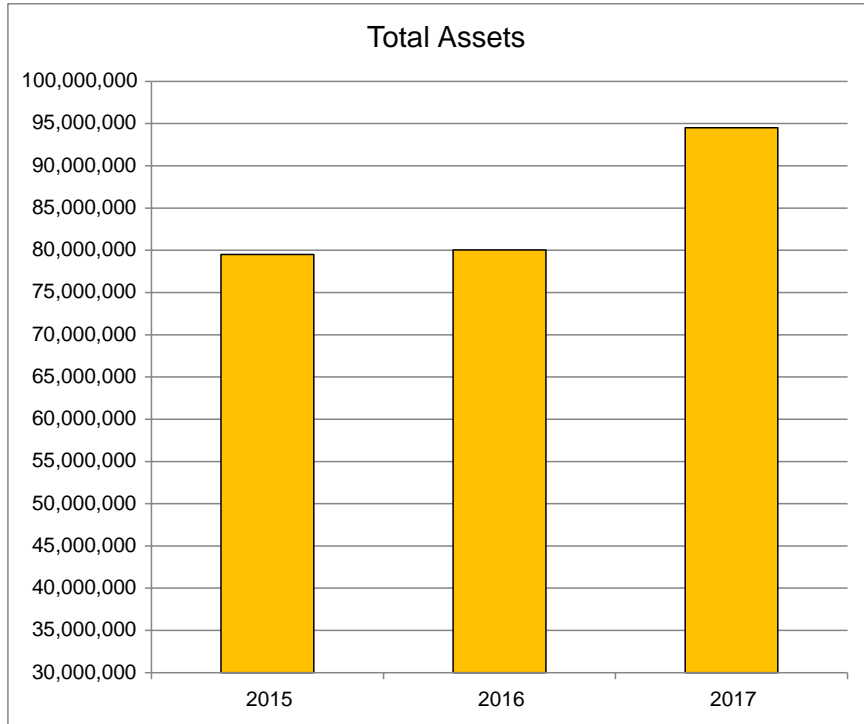
The 49er Foundation is a nonprofit organization formed to support and advance the philanthropic mission of California State University, Long Beach (the University). To fulfill this mission, the 49er Foundation actively promotes philanthropy and manages donated resources for the advancement of the University.

Using the Financial Statements

The 49er Foundation's financial report includes three statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. These financial statements have been prepared in accordance with Governmental Accounting Standards Board (Gaints

CSULB 49er FOUNDATION

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2017 AND 2016**



CSULB 49er FOUNDATION

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2017 AND 2016**

Endowment Investments

The 49er Foundation's endowment is \$66.6 million and \$56.4 million at June 30, 2017 and 2016, respectively. The increase is attributed to additional donations and market returns during the fiscal year. The 49er Foundation's investment policies are designed to protect the long-term viability of its endowment and seek a total return that provides for the annual spending policy disbursement, fees and inflation protection.

Permanent endowments are funds received from donors with the stipulation that the fund be invested in perpetuity to produce a return, a portion of which is to be expended for purposes specified by the donor.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2017 AND 2016**

Statement of Revenues, Expenses and Changes in Net Position (Continued)

The operating loss is mainly affected by the gift revenues which are treated as nonoperating revenues, while corresponding gift expenditures (e.g., student grants, scholarships, supplies and services) are treated as operating expenses. The 49er Foundation's program activities are allowed to use balances from prior years. Expenditures in the current year may be more or less than revenues recorded during the same year.

Endowment and investment income, net of fees, consists of a change in the fair market value of investments, including interest, dividends, and realized and unrealized gains and losses of \$7.5 million in 2017 and (\$490,000) in 2016.

In 2017, operating expenses consist of salaries and benefits of \$1.4 million, supplies and services of \$6.2 million, and scholarships of \$5.4 million. Total operating expenses increased \$3.6 million, or 38.5%.

In 2016, operating expenses consist of salaries and benefits of \$1.3 million, supplies and services of \$4.25 million, and scholarships of \$3.8 million. Total operating expenses increased by \$680 thousand, or 8%.

Supplies and services in the institutional support category includes administrative expenses, travel, postage, telephone, fundraising, contractual services and office supplies for development funds such as Annual fund, program funds, and administrative operating fund.

CSULB 49er FOUNDATION

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2017 AND 2016**

CSULB 49er FOUNDATION

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2017 AND 2016**

Economic Factors That Will Affect the Future

The CSULB 49er Foundation assets are comprised of primarily invested assets, as well as funds on deposit for short-term expenditure. Invested assets are subject to future volatility of the equity and fixed income markets.

The fundraising activity (new contributions) is largely tied to the general health of the economy, and could be altered if we experience a significant downturn in economic activity.

Significant Development

The founding members of the Board of Directors termed out at the end of June 2017. New members have been recruited and recruitment will continue until we meet our maximum number of authorized board members. n1(oa)4(r)1(d of)4(Da)4(nd)-dN(9)-f D 4Tw -12.64 -2t1(d of)4(i)-6(n)

CSULB 49er FOUNDATION
STATEMENT OF NET POSITION

ASSETS

	June 30,	
	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,295,369	\$ 2,004,963
Short-term investments	17,990,248	15,349,442
Accounts receivable, net	21,225	51,086
Pledges receivable, net	3,231,279	1,584,895
Prepaid expenses and other assets	1,742	54,765
	23,539,863	19,045,151
NONCURRENT ASSETS		
Restricted cash	-	181,237
Pledges receivable, net	4,335,269	4,359,862
Long-term investments	20,526	-
Endowment investments	66,613,450	56,442,378
	70,969,245	60,983,477
TOTAL ASSETS	94,509,108	80,028,628

LIABILITIES

CURRENT LIABILITIES		
Accounts payable	87,057	97,209
Other liabilities	379,949	343,619
	467,006	440,828

NET POSITION

NET POSITION		
Restricted for:		
Nonexpendable - endowments	57,090,813	50,462,721
Expendable:		
Scholarships and fellowships	2,908,097	3,854,916
Other	24,367,726	18,882,975
Unrestricted	9,675,466	6,387,188
TOTAL NET POSITION	\$ 94,042,102	\$ 79,587,800

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

CSULB 49er FOUNDATION

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	For the Year Ended June 30,	
	2017	2016
REVENUES		
Operating revenues	\$ 421,969	\$ 334,837
EXPENSES		
Operating Expenses		
Public service	16,242	9,336
Academic support	3,319,544	3,162,449
Student services	1,054,902	61,642
Institutional support	3,185,390	2,347,492
Student grants and scholarships	5,385,461	3,775,487
	<u>12,961,539</u>	<u>9,356,406</u>
OPERATING LOSS	<u>(12,539,570)</u>	<u>(9,021,569)</u>
NONOPERATING REVENUES		
Gifts, noncapital	11,549,542	8,087,925
Investment income (loss), net	951,779	(92,624)
Endowment income (loss), net	6,589,203	(397,406)
Other nonoperating income	-	5,614
	<u>19,090,524</u>	<u>7,603,509</u>
INCOME (LOSS) BEFORE OTHER ADDITIONS	6,550,954	(1,418,060)
ADDITIONS TO PERMANENT ENDOWMENTS	<u>6,537,605</u>	<u>2,346,843</u>
INCREASE IN NET POSITION BEFORE SPECIAL ITEM	<u>13,088,559</u>	<u>928,783</u>
SPECIAL ITEM		
Transfer of net position from CSULB Research Foundation, net	<u>1,365,743</u>	<u>-</u>
INCREASE IN NET POSITION	14,454,302	928,783
NET POSITION AT BEGINNING OF YEAR	<u>79,587,800</u>	<u>78,659,017</u>
NET POSITION AT END OF YEAR	<u>\$ 94,042,102</u>	<u>\$ 79,587,800</u>

CSULB 49er FOUNDATION
STATEMENT OF CASH FLOWS

For the Year Ended
June 30,

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CSULB 49er FOUNDATION
STATEMENT OF CASH FLOWS
(Continued)

	For the Year Ended June 30,	
	2017	2016
RECONCILIATION OF OPERATING LOSS TO NET CASH		
FROM OPERATING ACTIVITIES:		
Operating loss	\$ (12,539,570)	\$ (9,021,569)
Change in assets and liabilities:		
Restricted cash	181,237	(181,237)
Accounts receivable, net	29,861	(1,736)
Prepaid expenses and other assets	53,023	14,043
Accounts payable	(10,152)	68,801
Other liabilities	36,330	(478,057)
Net Cash Used In Operating Activities	\$ (12,249,271)	\$ (9,599,755)

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

CSULB 49er FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 1 – Statement of Significant Accounting Policies (Continued)

CSULB 49er FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 1 – Statement of Significant Accounting Policies (Continued)

The 49er Foundation has adopted GASB Statement No. 72, *Fair Value Measurement and Application*. GASB 72

CSULB 49er FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 1 – Statement of Significant Accounting Policies (Continued)

In June 2015, GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement is to improve accounting and financial reporting by the Organization for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by employers about financial support for OPEB that is provided by other entities. This Statement provides guidelines for reporting and discloses certain OPEB information in the Organization's financial statements. The provisions of this Statement are effective beginning in fiscal year ending June 30, 2018. The 49er Foundation is currently evaluating the impact of this Statement.

In March 2016, GASB issued Statement No. 81 – *Irrevocable Split-Interest Agreements*. This Statement provides recognition and measurement guidance for irrevocable split-interest agreements. Split-interest agreements are types of donor arrangements where resources are provided to two or more beneficiaries, including the 49er Foundation. This Statement will require an organization that enters into an irrevocable split-interest agreement to recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Assets could be resources (i.e. cash or investment) received or administered by a third party. Liabilities would be amounts due to other beneficiaries and deferred inflow of resources would be the organization's share of the agreement. Changes to the asset or liabilities are recognized as increases or decreases in the deferred inflow of resources. Revenue is only recognized at the termination of the split-interest agreement. The provisions of this Statement are effective beginning in fiscal year ending June 30, 2018 and is retroactively applied to all fiscal years presented in the financial statements. The 49er Foundation is currently evaluating the impact of this Statement.

CSULB 49er FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

<u>Due in the Year</u>	
<u>Ending June 30,</u>	
2018	\$ 3,372,755
2019	873,888
2020	316,733
2021	80,445
2022	6,000
Thereafter	<u>4,144,000</u>
	8,793,821
Less allowance for uncollectible pledges	(331,288)
Less present value discounts	<u>(895,985)</u>
	7,566,548
Less current portion of pledges receivable	<u>(3,231,279)</u>
Long-term portion of pledges receivable	<u>\$ 4,335,269</u>

CSULB 49er FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 3 – Investments (Continued)

CSULB 49er FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 3 – Investments (Continued)

The following is a summary of investments:

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Investments at fair value as determined by quoted market price or estimated fair value:		
Local Agency Investment Fund (LAIF)	\$ 9,313,587	\$ 10,048,026
Corporate bonds	1,568,017	1,433,708
Mutual funds	25,080,633	21,735,687
Government securities	3,468,996	2,819,545
Equity securities	30,640,927	19,345,485
Exchange traded funds (ETFs)	14,343,754	16,263,517
Other investments	<u>208,310</u>	<u>145,852</u>
	84,624,224	71,791,820
Less short-term portion of investments	(17,990,248)	(15,349,442)
Less long-term portion of investments	<u>(20,526)</u>	<u>-</u>
 Endowment investments	 <u>\$ 66,613,450</u>	 <u>\$ 56,442,378</u>

The Foundation follows the provisions of GASB No. 72 for fair value measurements of financial assets and financial liabilities and for fair value measurements that are recognized or disclosed at fair value in the financial statements on a recurring basis. GASB No. 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows:

- x Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets that the Foundation has the ability to access at the measurement date.
- x Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly.
- x Level 3 inputs are unobservable inputs for the asset.

CSULB 49er FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 5 – Transactions with Related Entities

As described in Note 1, the 49er Foundation is an auxiliary organization affiliated with the University and the California State University (CSU) System statewide. The 49er Foundation is also affiliated with CSULB Research Foundation (Research Foundation), an auxiliary organization of the University and CSU. The Research Foundation provides accounting services to the 49er Foundation



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**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**

To the Board of Directors of
CSULB 49er Foundation:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of CSULB 49er Foundation (a nonprofit organization), which comprise the statement of net position as of June 30, 2017, and the related statements of revenues, 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 13, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CSULB 49er Foundation

CSULB 49er FOUNDATION

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements