

The University Foundation at Sacramento State

Sacramento, California

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORT**

June 30, 2018 and 2017



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The University Foundation at Sacramento State

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The University Foundation
at Sacramento State
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of The University Foundation at Sacramento State (the Foundation), a component unit of California State University, Sacramento, as of and for the years ended June 30, 2018 and 2017; and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Foundation'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 Foundation'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.

INDEPENDENT AUDITORS' REPORT

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2018 and 2017, and the changes in financial position and cash flows thereof, for the years 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 4 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 audits 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 that collectively comprise the Foundation's basic financial statements. The supplementary information on pages 27 through 38 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

KCoe Isom, LLP

September 12, 2018
Chico, California

MANAGEMENT'S DISCUSSION AND ANALYSIS

The University Foundation at Sacramento State

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of The University Foundation at Sacramento State's (the "Foundation") annual financial report presents management's discussion and analysis of the financial performance of the Foundation during the fiscal years ended June 30, 2018 and 2017. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with, and is qualified in its entirety by, the financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management.

Financial Highlights

- Total restricted contributions and gifts along with return on investments and additions to permanent endowments received during fiscal year 2018 amounted to \$12.3 million.
- Total Foundation funds used in support of University projects in fiscal year 2018 totaled \$3.9 million.
- Foundation operating gain during fiscal year 2018 was \$6.7 million.
- Total increase in net position, including additions to permanent endowments, amounted to \$7.5 million.

Overview of the Financial Statements

The financial statements presented herein include all the activities of the Foundation as prescribed by statements of the Governmental Accounting Standards Board (GASB). The Foundation is a component unit of the California State University, Sacramento (University or CSUS).

The *Statement of Net Position* presents information on all the Foundation's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Foundation is improving or deteriorating.

The *Statement of Revenues, Expenses, and Changes in Net Position* present information showing how net position changed during the most recent two fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected pledges receivable).

The *Statement of Cash Flows* presents information about the cash receipts and cash payments of the Foundation during the two most recent fiscal years. When used with related disclosures and information in the other financial statements, the information provided in these statements 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.

The University Foundation at Sacramento State

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the Foundation's basic financial statements. The notes are included immediately following the basic financial statements within this report.

The Foundation's Net Position (Amounts Expressed in Thousands)

June 30	2018	2017	2016
Assets			
Current assets	\$ 15,025	\$ 9,961	\$ 6,543
Noncurrent assets	52,318	49,177	39,745
Total Assets	\$ 67,343	\$ 59,138	\$ 46,288
Liabilities			
Current liabilities	\$ 314	\$ 133	\$ 144
Noncurrent liabilities	453	936	985
Total Liabilities	\$ 767	\$ 1,069	\$ 1,129
Deferred Inflows			
Deferred inflows from remainder interest	\$ 966	-	-
Total Deferred Inflows	\$ 966	-	-
Net Position			
Restricted:			
Expendable	\$ 25,643	\$ 19,345	\$ 14,061
Nonexpendable	39,077	38,108	30,625
Unrestricted	890	616	473
Total Net Position	\$ 65,610	\$ 58,069	\$ 45,159

The \$8.2 million increase in total assets between fiscal years 2018 and 2017 was primarily due to a \$3.1 million increase in restricted long-term investments along with a \$5.1 million increase in restricted cash not yet invested.

The \$302 thousand decrease in total liabilities in 2018, compared to 2017, was primarily due to a decrease of \$484 thousand in funds held in trust for others offset by an increase of \$182 thousand in accounts payable. The reason for the decrease in funds held in trust for others was due to the reclassification from liabilities to deferred inflows from remainder interest because of the implementation of GASB Statement No. 81, *Irrevocable Split-Interest Agreements*.

The \$966 thousand in deferred inflows from remainder interest shown in 2018 was also due to the implementation of GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. Prior to GASB Statement No. 81 implementation, the value of the trust was recognized as revenue when received. After GASB Statement No. 81, the value of the trust held for others should be recognized as deferred inflows. As such, the balance of \$966 thousand in 2018 consisted of restatement of \$925 thousand from prior years, and current-year value of the trust in the amount of \$41 thousand.

The University Foundation at Sacramento State

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

The \$12.9 million increase in total assets between fiscal years 2017 and 2016 was primarily due to a \$9.4 million increase in restricted long-term investments along with a \$3.1 million increase in restricted cash not yet invested.

The \$60 thousand decrease in total liabilities in 2017, compared to 2016, was primarily due to a decrease of \$49 thousand in funds held in trust for others.

The Foundation's Changes in Net Position (Amounts Expressed in Thousands)

June 30	2018	2017	2016
Operating Revenues			
Contributions and gifts	\$ 6,794	\$ 5,423	\$ 2,710
Fees and other	580	569	461
Investment income (loss)	3,669	3,379	(36)
Total Operating Revenues	11,043	9,371	3,135
Operating Expenses			
University projects	3,874	3,419	3,248
General and administration	449	511	441
Charitable remainder unitrust payments	-	14	14
Total Operating Expenses	4,323	3,944	3,703
Operating Income (Loss)	6,720	5,427	(568)
Income (Loss) before additions to permanent endowments	6,720	5,427	(568)
Additions to permanent endowments	1,252	7,483	6,710
Changes in net position	7,972	12,910	6,142
Net Position - Beginning of Year	58,069	45,159	39,017
Cumulative Change in Accounting Principle	(431)	-	-
Net Position as Restated - Beginning of Year	57,638	45,159	39,017
Net Position as Restated - End of Year	\$ 65,610	\$ 58,069	\$ 45,159

The Foundation's receipt of contributions and gifts showed an increase of \$1.4 million in fiscal year 2018 compared to 2017. This is due primarily to a large gift in the amount of \$2.0 million in support of a new science complex, currently under construction on campus.

Operating expenses increased by \$379 thousand in 2018, compared to 2017, mainly due to the following: 1) a \$314 thousand increase in scholarship payments to students, and 2) expenditures of \$65 thousand in software support for the new computer stations recently installed in the College of Business Administration.

The University Foundation at Sacramento State

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

The Foundation experienced an increase of \$2.7 million in contributions and gifts in fiscal year 2017, compared to 2016, mainly due to receipt of three large gifts from donors totaling \$2.2 million. Investment income increased by \$3.4 million in 2017 due mainly to a stronger financial market resulting in: 1) realized gains of \$1.2 million in 2017 versus realized losses of \$1.2 million in 2016, and 2) unrealized gains of \$1.1 million in 2017 versus \$328 thousand in 2016. Endowment gifts increased by \$773 thousand in 2017 versus 2016 due mostly to the following: 1) an increase of transfer from University Trust from \$1.4 million in 2016 to \$4.5 million in 2017, offset by 2) a decrease in endowment gifts from \$5.3 million in 2016 to \$3.0 million in 2017.

Operating expenses increased by \$241 thousand in 2017, compared to 2016, mainly due to the following: 1) a \$45 thousand expenditure in College of Business Administration for outdoor signage and digital design and setup of the College's design source file, 2) expenditure of \$71 thousand for computer stations installed in College of Business Administration, 3) an increase of \$64 thousand in campus development costs related to fundraising campaign, and 4) a \$56 thousand increase in scholarship payments to students.

Request for Information

The financial report is designed to provide a general overview of the Foundation's finances. For questions concerning any information in this report or for additional financial information, please contact University Enterprises, Inc., Craig Barth, Chief Financial Officer, 6000 J Street, Sacramento, California, 95819, or call (916) 278-7326.

FINANCIAL SECTION

The University Foundation at Sacramento State
STATEMENTS OF NET POSITION

June 30	2018	2017
ASSETS		
Current Assets		
Cash	\$ 281,320	\$ 458,443
Restricted cash	1,200,443	3,957,497
Short-term investments	438,669	-
Restricted short-term investments	12,999,301	5,452,086
Total Cash and Cash Equivalents	14,919,733	9,868,026
Receivables:		
Unrestricted receivables	28,634	17,472
Restricted receivables	76,576	33,738
Restricted pledges receivable	-	42,000
Total Current Assets	15,024,943	9,961,236
Noncurrent assets:		
Cash surrender value of life insurance policies	156,985	152,127
Restricted long-term investments	52,160,939	49,024,306
Total Noncurrent Assets	52,317,924	49,176,433
TOTAL ASSETS	\$ 67,342,867	\$ 59,137,669
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 15,855	\$ 11,808
Accounts payable and accrued expenses from restricted accounts	298,495	121,041
Total Current Liabilities	314,350	132,849
Noncurrent liabilities:		
Funds held in trust for others	452,359	936,191
Total Liabilities	766,709	1,069,040
Deferred Inflows of Resources		
Deferred inflows from remainder interest	966,359	-
Net Position		
Restricted:		
Expendable	25,643,023	19,344,696
Nonexpendable	39,077,022	38,107,699
Unrestricted	889,754	616,234
Total Net Position	65,609,799	58,068,629
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 67,342,867	\$ 59,137,669

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

The University Foundation at Sacramento State

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years Ended June 30	2018	2017
Operating Revenues		
Contributions and gifts - noncapital	\$ 6,793,945	\$ 5,422,642
Fees and other	580,573	569,474
Investment income	3,668,916	3,378,712
Total Operating Revenues	11,043,434	9,370,828
Operating Expenses		
University projects	3,874,199	3,418,561
General and administrative	448,964	510,851
Charitable remainder unitrust payments	-	14,659
Total Operating Expenses	4,323,163	3,944,071
Operating Income	6,720,271	5,426,757
Nonoperating Revenues		
Additions to permanent endowments	1,251,664	7,483,213
Change in Net Position	7,971,935	12,909,970
Total Net Position - as Previously Reported	58,068,629	45,158,659
Cumulative Change in Accounting Principle	(430,765)	-
Total Net Position - as Restated	57,637,864	45,158,659
Total Net Position - End of Year	\$ 65,609,799	\$ 58,068,629

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

The University Foundation at Sacramento State
STATEMENTS OF CASH FLOWS

Years Ended June 30	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from campus community	\$ 7,357,660	\$ 5,978,964
Investment income received	1,527,469	1,082,759
Cash paid to suppliers	(4,089,900)	(4,004,150)
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,795,229	3,057,573
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Endowments received	1,251,664	7,483,213
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of long-term investments	16,624,011	13,427,954
Long-term investments purchased	(17,619,197)	(20,561,516)
NET CASH USED IN INVESTING ACTIVITIES	(995,186)	(7,133,562)
Net Increase in Cash and Cash Equivalents	5,051,707	3,407,224
Cash and Cash Equivalents - Beginning of Year	9,868,026	6,460,802
Cash and Cash Equivalents - End of Year	\$ 14,919,733	\$ 9,868,026
RECONCILIATION OF OPERATING INCOME TO CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 6,720,271	\$ 5,426,757
Adjustments to reconcile operating income to net cash provided by operating activities:		
Change in fair value of investments	(1,302,422)	(1,065,250)
Gain on sale of investments	(839,025)	(1,230,703)
(Increase) Decrease due to noncash assets:		
Cash surrender value of life insurance policies	(4,858)	(5,645)
Unrestricted accounts receivable	(11,162)	(4,457)
Restricted receivables	(42,838)	(8,400)
Restricted pledges receivable	42,000	5,350
Increase (Decrease) due to noncash liabilities:		
Accounts payable and accrued expenses	4,047	(3,249)
Accounts payable from restricted assets	177,454	(8,132)
Funds held in trust for others	10,126	(48,698)
Deferred inflows from remainder interest	41,636	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 4,795,229	\$ 3,057,573

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

The University Foundation at Sacramento State

NOTES TO THE FINANCIAL STATEMENTS

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity The California State University Sacramento Trust Foundation was established in 1986 as the philanthropic arm of California State University, Sacramento (the University or CSUS), to promote, assist, and enhance the educational mission of CSUS. In May 2006, the California State University Sacramento Trust Foundation changed its name to The University Foundation at Sacramento State (the Foundation). The Foundation is a governmental not-for-profit, tax-exempt California State University auxiliary organization located on the campus of California State University, Sacramento.

The Foundation receives contributions and performs activities for the benefit of the University community.

Basis of Presentation The Foundation operates as a business enterprise and is a component unit of the University. The accompanying financial statements reflect the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Foundation accounts for the general activities of the organization, gifts and contributions to the Foundation that have been restricted by donors as to the purposes for which the funds may be used, and endowment funds that have been contributed to the Foundation for which the donor has specified that the principal may not be expended. Income earned from the investment of endowment funds is generally expendable within the restrictions specified by the donors.

Proprietary funds distinguish operating from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are contributions and gifts, fees and other, and investment income. Operating expenses include university projects and general and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

Cash and Cash Equivalents For purposes of the statements of cash flows, cash and cash equivalents consist of cash on hand, cash in commercial accounts, short-term money market funds (excluding the charitable remainder unitrusts), and deposits in the State of California Investment Pooled Money Investment Account-Local Agency Investment Fund (LAIF).

Restricted Cash and Short-Term Investments Restricted cash and short-term investments represent restricted donations.

The University Foundation at Sacramento State

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Investments Excess cash is pooled for investing purposes. Interest, dividend income, and net realized gains and losses from the sale of such marketable securities are recorded as investment income on the statement of revenues, expenses, and changes in net position. The Foundation's policies authorize investment of excess funds in certificates of deposit, savings accounts, federally guaranteed notes and bills, money market funds, equity, and other fixed income securities and mutual funds.

These investment securities are exposed to risks, such as interest rate and various capital market fluctuations. 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 changes could materially affect the financial statements.

Fair Value Measurements The Foundation categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

That framework provides a fair value hierarchy that classifies assets and liabilities into three levels based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. Valuations within these levels are based upon the following:

Level 1: Quoted market prices for identical instruments traded in active exchange markets.

Level 2: Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

Level 3: Model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the Foundation's estimates of assumptions that market participants would use on pricing the asset or liability. Valuation techniques include management's judgment and estimation which may be significant.

Following is a description of the valuation methodologies used for assets measured at fair value for the years ended June 30, 2018 and 2017.

Money Market Funds and Certificates of Deposit: Amounts are in interest-bearing deposit accounts, which at times may be more than the Federal Deposit Insurance Corporation insurance limit. The Foundation does not consider these amounts for use in general operations; therefore, they are not classified as cash and cash equivalents.

The University Foundation at Sacramento State

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Mutual Funds, Equity Securities, and Exchange Traded Funds: Each investor will typically receive units of participation or shares. These shares are valued daily, based on the underlying securities owned, and are usually publicly traded equity securities. Equity securities are instruments that signify an ownership position in a corporation and represents a claim on its proportional share in the corporation's assets and profits. Ownership is determined by the number of shares an investor owns divided by the total number of shares outstanding. Mutual funds, equity securities, and exchange traded funds are valued daily based on the closing market price in the active exchange markets.

Bonds and Fixed Income Securities: Corporate and municipal bonds and other debt and fixed income securities are generally valued by a computerized pricing service or, for less actively traded issues, by utilizing a yield-based matrix system to arrive at an estimated market value. Each bond series has a unique set of variables including coupon payment, number of payments, interest rate, and the maturity value. These factors are used to determine the estimated market value and can be determined daily.

Real Estate: Investment in real estate is carried at the fair value of the interest as of the date the interest was donated and is periodically adjusted upon the performance of an appraisal.

LAIF: The investment in LAIF is measured and reported at fair value based on quoted prices for similar assets in an active market and is part of the State of California Pooled Money Investment Account (PMIA), which, as of June 30, 2018 and 2017, had a balance of \$88.9 billion and \$77.6 billion, respectively. The weighted average maturity of PMIA investments was 193 days and 194 days as of June 30, 2018 and 2017, respectively. The total amount invested by all public agencies in LAIF as of June 30, 2018 and 2017, was \$22.5 billion and \$22.8 billion, respectively. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by state statute. The value of the pool shares in LAIF which may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the Foundation's portion of the pool. PMIA funds are on deposit with the State's Centralized Treasury System and are not SEC registered, but are managed in compliance with the *California Government Code*, according to a statement of investment policy which sets forth permitted investment vehicles, liquidity parameters, and maximum maturity of investments. These investments consist of U.S. government securities, securities of federally-sponsored agencies, domestic corporate bonds, interest-bearing time deposits in California banks, prime-rated commercial paper, bankers' acceptances, negotiable certificates of deposit, and repurchase and reverse repurchase agreements. The PMIA policy limits the use of reverse-repurchase agreements, subject to limits of no more than 10% of PMIA. The PMIA does not invest in leveraged products or inverse floating rate securities. Included in PMIA's investment portfolio are asset-backed securities totaling \$1.55 billion and \$1.42 billion, respectively, as of June 30, 2018 and 2017.

The University Foundation at Sacramento State

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Restricted Pledges Receivable Restricted pledges receivable represent private pledge donations, which are recorded at the net realizable value. Pledges are analyzed for collectability, and the future cash flows are discounted at a rate of 5%.

Conditional pledges, and pledges in which eligibility requirements have not been met, are not recorded until the conditions and eligibility requirements have been met. In the Foundation's experience, the time requirement is the most common eligibility requirement that leads to a pledge not being recorded. One donor represented 64% of restricted pledges receivable for the year ended June 30, 2017. There were no restricted pledges receivable at June 30, 2018.

Funds Held in Trust for Others Funds held in trust for others consist of charitable remainder unitrusts partially attributable to other beneficiaries, where the Foundation is either the principal beneficiary or remainder interest beneficiary and has been named as trustee. All activity of the unitrusts are allocated ratably among the beneficiaries.

Deferred Inflows of Resources The Foundation adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 81, *Irrevocable Split-Interest Agreements*, for the fiscal year ended June 30, 2018. This statement improves the accounting and financial reporting for irrevocable split-interest agreements created through trusts by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Prior to GASB Statement No. 81 implementation, the value of the trust was recognized as revenue when received. After GASB Statement No. 81 implementation, the value of the trust is recognized as a deferred inflow or as amounts held in trust for others depending on whether the Foundation is the ultimate beneficiary or whether there is another beneficiary. Due to this classification change, net position has been adjusted to reverse the previously recognized revenue. Net position as of June 30, 2017, has been restated as follows for implementation of GASB Statement No. 81.

Net Position as Previously Reported - June 30, 2017	\$ 58,068,629
Cumulative Change in Accounting Principle	
Amounts held in trust for others	493,958
Deferred inflow for remainder interest in charitable remainder unitrusts	(924,723)
Total Cumulative Change in Accounting Principle	(430,765)
Net Position as Restated - June 30, 2017	\$ 57,637,864

Net Position Certain amounts within net position have been designated by the Board of Directors with the intention of providing funds for certain University programs and activities.

Donations and Contributions Unrestricted contributions are recorded as revenue when received. Under the accrual basis of accounting, receivables, and revenues from private donations that are voluntary nonexchange transactions are recognized when all applicable eligibility requirements (required characteristics of recipients, time requirements, reimbursements, and contingencies) are met. When the revenue recognition requirements have not been met, amounts are reported as unearned revenue. Noncash donations are recorded at estimated fair market value on the date of donation.

The University Foundation at Sacramento State

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Contributions received with donor restrictions are recorded as revenue when all applicable eligibility requirements, generally timing restrictions, have been met. Unexpended contributions with donor-purpose restrictions are classified as expendable restricted net position. Additions to permanent endowments are classified as nonexpendable restricted net position because the principal is required to be retained in perpetuity pursuant to the donor agreements.

Beginning with the year ended June 30, 2014, University Trust, a component of the University, began transferring all endowments currently residing with the University to the Foundation for a better rate of return on the endowment investments. The Foundation received approximately \$4.46 million of these monies in the year ended June 30, 2017. These endowments were recorded as revenue and included in the caption "Additions to Permanent Endowments" on the statements of revenues, expenses, and net position. As of June 30, 2017, all endowments from the University Trust were transferred.

The Foundation has received contributions in the form of charitable remainder unitrust funds. These are funds contributed to the Foundation subject to the requirement that the Foundation periodically pay a percentage of the fair market value of the unitrust to the donor or lead interest beneficiary for the remainder of their lives. The balance of principal and accumulated earnings, if any, upon the death of the donor or lead interest beneficiary will become available to be used in accordance with the designation of the gift. If the Foundation is named as a beneficiary of a charitable remainder unitrust but the funds are held by others, the Foundation does not record the contribution until received, either upon the death of the donor or when the Foundation is named as trustee and receives the unitrust funds to manage in accordance with the terms of the respective unitrust agreement.

The Foundation has received contributions by being named owners and beneficiaries of life insurance policies. Revenues are recognized when cash surrender values are established and upon receipt of any death benefit proceeds from the policies.

Approximately 62% and 37% of all donation revenues were received from five donors and three donors at June 30, 2018 and 2017, respectively.

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

Income Taxes The Foundation is exempt from federal income tax under Section 501(c)(3) of the *Internal Revenue Code* (IRC) and comparable state statutes, and is not classified as a private foundation under (509)(a) of the IRC. Contributions to the Foundation qualify as charitable contributions.

The University Foundation at Sacramento State

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS

The Foundation had the following cash and investments:

June 30	2018	2017
Cash on hand	\$ 1,000	\$ 1,000
Deposits	1,480,763	4,414,940
Subtotal Cash and Restricted Cash	1,481,763	4,415,940
Money market deposit	85,620	100,069
Certificate of deposit	1,354,035	2,132,068
Corporate bonds	1,161,258	2,053,264
Municipal bonds	1,321,257	1,937,522
LAIF	13,437,970	6,945,994
Mutual funds:		
Equity	3,694,350	4,538,095
Fixed income	10,612,973	7,940,663
Real assets	1,878,862	1,691,109
Other	2,733,749	2,767,089
Exchange traded funds:		
Equity	22,696,656	19,925,583
Fixed income	5,136,873	3,204,350
Real estate	1,069,101	824,855
Equity securities	166,205	165,731
Real estate	250,000	250,000
Subtotal Investments	65,598,909	54,476,392
Total Cash and Investments	\$ 67,080,672	\$ 58,892,332

The University Foundation at Sacramento State

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The following is a schedule of the assets at fair value, by level within the fair value hierarchy:

June 30, 2018	Level 1	Level 2	Level 3	Total
Investments				
Money market funds	\$ 85,620	\$ -	\$ -	\$ 85,620
Certificate of deposit	-	1,354,035	-	1,354,035
Pooled investments:				
Local Agency Investment Fund	-	13,437,970	-	13,437,970
Debt and fixed income securities:				
Corporate	-	1,161,258	-	1,161,258
States and municipalities	-	1,321,257	-	1,321,257
Mutual funds by investment objective:				
Bond and fixed income funds	10,612,973	-	-	10,612,973
International funds	2,609,182	-	-	2,609,182
Growth funds	937,791	-	-	937,791
Blend funds	147,377	-	-	147,377
Real assets funds	1,878,862	-	-	1,878,862
Total return funds	2,586,166	-	-	2,586,166
Other	147,583	-	-	147,583
Exchange traded funds by investment objective:				
Bond and fixed income funds	5,136,873	-	-	5,136,873
Blend funds	11,610,666	-	-	11,610,666
Value funds	3,268,844	-	-	3,268,844
Growth funds	996,856	-	-	996,856
Real assets funds	1,069,101	-	-	1,069,101
International funds	5,852,098	-	-	5,852,098
Financial funds	968,192	-	-	968,192
Equity securities by industry type:				
Consumer cyclical	23,117	-	-	23,117
Consumer defensive	5,109	-	-	5,109
Energy	2,489	-	-	2,489
Financials	22,895	-	-	22,895
Health care	21,009	-	-	21,009
Industrials	12,703	-	-	12,703
Information technology	37,030	-	-	37,030
Materials	4,553	-	-	4,553
Telecommunications	2,858	-	-	2,858
International	34,442	-	-	34,442
Real estate	-	-	250,000	250,000
Total Assets at Fair Value	\$ 48,074,389	\$ 17,274,520	\$ 250,000	\$ 65,598,909

The University Foundation at Sacramento State

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

June 30, 2017	Level 1	Level 2	Level 3	Total
Investments				
Money market funds	\$ 100,069	\$ -	\$ -	\$ 100,069
Certificate of deposit	-	2,132,068	-	2,132,068
Pooled investments:				
Local Agency Investment Fund	-	6,945,994	-	6,945,994
Debt and fixed income securities:				
Corporate	-	2,053,264	-	2,053,264
States and municipalities	-	1,937,522	-	1,937,522
Mutual funds by investment objective:				
Bond and fixed income funds	7,940,663	-	-	7,940,663
International funds	2,907,166	-	-	2,907,166
Growth funds	769,331	-	-	769,331
Blend funds	861,598	-	-	861,598
Real assets funds	1,691,109	-	-	1,691,109
Total return funds	2,624,255	-	-	2,624,255
Other	142,834	-	-	142,834
Exchange traded funds by investment objective:				
Bond and fixed income funds	3,204,350	-	-	3,204,350
Blend funds	9,082,979	-	-	9,082,979
Value funds	5,170,183	-	-	5,170,183
Growth funds	1,747,672	-	-	1,747,672
Real assets funds	824,855	-	-	824,855
International funds	3,924,749	-	-	3,924,749
Equity securities by industry type:				
Consumer cyclical	18,743	-	-	18,743
Consumer defensive	5,834	-	-	5,834
Financials	31,216	-	-	31,216
Health care	23,953	-	-	23,953
Industrials	16,208	-	-	16,208
Information technology	33,453	-	-	33,453
Materials	5,222	-	-	5,222
International	31,102	-	-	31,102
Real estate	-	-	250,000	250,000
Total Assets at Fair Value	\$ 41,157,544	\$ 13,068,848	\$ 250,000	\$ 54,476,392

The University Foundation at Sacramento State

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

There were no changes in the fair value of the Foundation's Level 3 assets for the years ended June 30, 2018 and 2017. Real estate holdings are periodically evaluated for changes in fair value when market conditions warrant appraisals.

The Foundation's Board of Directors periodically reviews and updates, as necessary, the Foundation's investment policies. These policies establish investment guidelines, asset allocation targets, and allowable investments for endowment funds, current funds, and charitable remainder unitrust funds.

The Foundation applies the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment to GASB Statement No. 3*, which requires governmental entities to provide proper disclosures on common deposit and investment risks related to interest rate risk, credit risk, custodial credit risk, and concentration of credit risk.

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 arising from rising interest rates, the Foundation's investment policy for current funds limits its investment portfolio for fixed income securities to an average maturity of between one-and-one-half to three years. Generally, endowment funds invested in fixed income securities are limited to between 23% and 38% of total endowment funds invested; charitable remainder unitrust funds invested in fixed income securities are limited to between 20% and 70% of total charitable remainder unitrust funds; and current funds are limited entirely to either fixed income securities or cash equivalents. There is no interest rate risk for money market accounts as they are available on demand. Refer to the tables on page 22 for the interest rate risk disclosure as of June 30, 2018 and 2017.

Credit Risk This is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations. Credit risk is measured by the assignment of ratings by nationally recognized statistical rating organizations. Investments in commercial paper should be rated A-1 by Standard & Poor's and P-1 by Moody's Investors Service, and the senior long-term debt of the issuer must be rated above investment grade. Refer to the tables on page 23 for the credit risk disclosure as of June 30, 2018 and 2017.

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 *California Government Code* requires that a financial institution 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. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. The Foundation does not have a policy regarding custodial credit risk for deposits.

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. The Foundation does not have an investment policy for custodial credit risk.

The University Foundation at Sacramento State

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Concentration of Credit Risk This is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Foundation's investment policy generally limits fixed income securities to those rated above investment grade. The Foundation's Board of Directors may give permission for some investment managers to purchase bonds below investment grade, but no more than 10% of the portfolio may be invested in securities below investment grade. The Foundation's investment policy generally prohibits investments in the following vehicles without prior permission from the Foundation's Board of Directors: short sales, derivatives, margin purchases, acting as an underwriter, options trading, restricted or private placement investments, foreign securities (except those traded on an organized exchange), securities of the investment manager's firm or affiliated firms, futures, commodities, currency hedges, working interests in oil or gas wells, and tobacco stocks. For fixed income securities, except for U.S. Treasury and agency obligations, no more than 5% of the portfolio assets should be invested in the securities of a single issuer. Generally, no more than 15% of the endowment or charitable remainder unitrust portfolios shall be invested in a single industry. Bankers' acceptances and certificates of deposit should only be purchased from institutions with equity in excess of 5% of assets and profitable operations. The Foundation is not exposed to concentration of credit risk as of June 30, 2018 and 2017.

The University Foundation at Sacramento State

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The following indicates the credit and interest rate risk of investments as of June 30, 2018 and 2017. The credit ratings listed are for Standard and Poor's and Moody's Investor Services, whichever rating is lower.

June 30, 2018	Fair Value		Less Than One Year	One to Five Years	Five to Ten Years	More Than Ten Years	Weighted Average Maturity
LAIF	\$	13,437,970	\$	-	\$	-	193 days
Corporate bonds	\$	1,161,258	\$	224,921	\$	-	-
Municipal bonds	\$	1,321,257	\$	201,706	\$	-	-
Certificates of deposit	\$	1,354,035	\$	673,994	\$	-	-
Mutual funds:							
Fixed income	\$	10,612,973	\$	1,579,629	\$	2,956,316	783,649
Exchange traded funds:							
Fixed income	\$	5,136,873	\$	1,054,441	\$	1,479,342	756,176

June 30, 2017	Fair Value		Less Than One Year	One to Five Years	Five to Ten Years	More Than Ten Years	Weighted Average Maturity
LAIF	\$	6,945,994	\$	-	\$	-	194 days
Corporate bonds	\$	2,053,264	\$	945,878	\$	-	-
Municipal bonds	\$	1,937,522	\$	1,055,425	\$	-	-
Certificates of deposit	\$	2,132,068	\$	1,400,097	\$	-	-
Mutual funds:							
Fixed income	\$	7,940,663	\$	430,315	\$	3,104,062	835,209
Exchange traded funds:							
Fixed income	\$	3,204,350	\$	72,597	\$	1,310,818	669,586

The University Foundation at Sacramento State
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

June 30, 2018	Fair Value	AAA	AA+	AA	AA-	A+	A	A-	BBB	BB	B	Below B	Not Rated
LAIF	\$ 13,437,970	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,437,970
Corporate bonds	\$ 1,161,258	\$ 100,657	\$ -	\$ 100,166	\$ 227,392	\$ 49,206	\$ 121,975	\$ 561,862	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal bonds	\$ 1,321,257	\$ 77,684	\$ 52,067	\$ 636,076	\$ 555,430	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Certificates of deposit	\$ 1,354,035	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,354,035
Mutual funds:													
Fixed income	\$ 10,612,973	\$ 28,869	\$ -	\$ 4,164,139	\$ -	\$ -	\$ 2,095,755	\$ -	\$ 984,632	\$ 3,304,145	\$ 22,786	\$ 9,163	\$ 3,484
Exchange traded funds:													
Fixed income	\$ 5,136,873	\$ 110,390	\$ -	\$ 3,542,813	\$ -	\$ -	\$ 1,435,423	\$ -	\$ 40,774	\$ 3,568	\$ 3,114	\$ 791	\$ -

June 30, 2017	Fair Value	AAA	AA+	AA	AA-	A+	A	A-	BBB	BB	B	Below B	Not Rated
LAIF	\$ 6,945,994	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,945,994
Corporate bonds	\$ 2,053,264	\$ -	\$ -	\$ 368,712	\$ 414,204	\$ 402,293	\$ 641,771	\$ 226,284	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal bonds	\$ 1,937,522	\$ 101,778	\$ -	\$ 1,083,818	\$ 547,254	\$ 51,759	\$ -	\$ 75,257	\$ -	\$ -	\$ -	\$ -	\$ 77,656
Certificates of deposit	\$ 2,132,068	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,132,068
Mutual funds:													
Fixed income	\$ 7,940,663	\$ 38,365	\$ -	\$ 4,292,522	\$ -	\$ -	\$ 10,067	\$ -	\$ 1,357,325	\$ 1,392,952	\$ 836,858	\$ 10,007	\$ 2,567
Exchange traded funds:													
Fixed income	\$ 3,204,350	\$ 914,175	\$ -	\$ 1,452,012	\$ -	\$ -	\$ 788,128	\$ -	\$ 42,182	\$ 3,838	\$ 3,069	\$ 946	\$ -

The University Foundation at Sacramento State

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Investment Income The rate of return on investments varies with the rate of return of the underlying portfolios. For the years ended June 30, 2018 and 2017, the rate of return earned on investments governed under the Foundation's investment policy approximated 6.0% and 6.3%, respectively.

Investment income for the years ended June 30, 2018 and 2017, were 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.

3. RELATED-PARTY TRANSACTIONS

Other than those disclosed elsewhere in these financial statements, transactions between the Foundation and related organizations during the years ended June 30, 2018 and 2017, included the payments by the Foundation to University Enterprises, Inc. (UEI), of \$237,500 and \$200,000, respectively, for accounting, tax, and administrative services. Amounts due to UEI totaled \$-0- and \$-0- at June 30, 2018 and 2017, respectively. The Foundation made reimbursements to the University for salaries of University personnel working on contracts, grants and other programs that amounted to \$255,307 and \$378,221, as well as for expenses other than salaries of University personnel that amounted to \$587,908 and \$568,321 for the years ended June 30, 2018 and 2017, respectively. Amounts due to the University totaled \$284,043 and \$88,347 at June 30, 2018 and 2017, respectively. During the years ended June 30, 2018 and 2017, the Foundation paid on behalf of the University, from expendable resources, \$280,947 and \$171,478, respectively, for capital improvements and equipment owned by the University. These amounts are presented as part of University projects' expense on the statement of revenues, expenses, and changes in net position. Payments received from the University for services, space, and programs amounted to \$32,213 and \$28,399, respectively, for the years ended June 30, 2018 and 2017.

4. ENDOWMENTS

The Foundation's endowments consist of multiple individual donor-restricted funds for a variety of purposes. The amounts of net appreciation on investments of donor-restricted endowments that are available for authorization for expenditure as of June 30, 2018 and 2017, were \$1,674,549 and \$1,093,402, respectively, and are included in the balance of restricted expendable net position as reported in the statement of net position.

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) has been adopted by the state of California and is codified in the *Uniform Probate Code* in Sections 18501 – 18510. UPMIFA applies to institutional funds existing or established after January 1, 2009, and governs decisions made after that date.

The University Foundation at Sacramento State

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

In its *Investment Policy and Administrative Guidelines*, the Foundation's Board of Directors has set forth the following investing goals and objectives for endowment funds:

1. The primary goal is to preserve the real value of the endowment corpus by achieving a growth rate on the principal amount of the endowment over a market cycle (3 to 5 years) of 250 basis points over the rate of inflation as measured by the Consumer Price Index.
2. The secondary goal is to provide spendable income equivalent to the spending rate as defined in the disbursement guidelines.
3. To the extent compatible with objectives 1 and 2, investment strategy should maximize long-term total return while assuming a prudent level of investment risk.

The Foundation's endowment fund spending policy allows for the allocation of income equivalent to 3% to 7% of the moving average market value of the endowment portfolio. This average market value is computed using the previous twelve quarters of portfolio activity. Income earned in excess of the spending rate may be reinvested in endowment principal.

The Foundation's Board has allowed spending within the above *Investment Policy and Administrative Guidelines* in the years ended June 30, 2018 and 2017, in the amount of 4%.

5. UNRESTRICTED NET POSITION DESIGNATED BY BOARD OF DIRECTORS

The Foundation's Board of Directors has established designations of its unrestricted net position for certain University programs and activities. As of June 30, 2018 and 2017, designated unrestricted net position totaled \$48,506 and \$51,466, respectively.

SUPPLEMENTARY INFORMATION SECTION

The University Foundation at Sacramento State

SCHEDULE OF NET POSITION

June 30, 2018

(for inclusion in the California State University)

Assets:

Current assets:	
Cash and cash equivalents	\$ 281,320
Short-term investments	13,437,970
Accounts receivable, net	105,210
Capital lease receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	—
Prepaid expenses and other current assets	—
Total current assets	<u>13,824,500</u>

Noncurrent assets:	
Restricted cash and cash equivalents	1,200,443
Accounts receivable, net	—
Capital lease receivable, net of current portion	—
Notes receivable, net of current portion	—
Student loans receivable, net	—
Pledges receivable, net	—
Endowment investments	43,513,347
Other long-term investments	8,647,592
Capital assets, net	—
Other assets	156,985
Total noncurrent assets	<u>53,518,367</u>
Total assets	<u>67,342,867</u>

Deferred outflows of resources:	
Unamortized loss on debt refunding	—
Net pension liability	—
Net OPEB liability	—
Others	—
Total deferred outflows of resources	<u>—</u>

Liabilities:

Current liabilities:	
Accounts payable	314,350
Accrued salaries and benefits	—
Accrued compensated absences, current portion	—
Unearned revenues	—
Capital lease obligations, current portion	—
Long-term debt obligations, current portion	—
Claims liability for losses and loss adjustment expenses, current portion	—
Depository accounts	—
Other liabilities	—
Total current liabilities	<u>314,350</u>

Noncurrent liabilities:	
Accrued compensated absences, net of current portion	—
Unearned revenues	—
Grants refundable	—
Capital lease obligations, net of current portion	—
Long-term debt obligations, net of current portion	—
Claims liability for losses and loss adjustment expenses, net of current portion	—
Depository accounts	—
Net other postemployment benefits liability	—
Net pension liability	—
Other liabilities	452,359
Total noncurrent liabilities	<u>452,359</u>
Total liabilities	<u>766,709</u>

Deferred inflows of resources:	
Service concession arrangements	—
Net pension liability	—
Net OPEB liability	—
Unamortized gain on debt refunding	—
Nonexchange transactions	—
Others	966,359
Total deferred inflows of resources	<u>966,359</u>

Net Position:

Net investment in capital assets	—
Restricted for:	
Nonexpendable – endowments	39,077,022
Expendable:	
Scholarships and fellowships	5,698,542
Research	—
Loans	—
Capital projects	—
Debt service	—
Others	19,944,481
Unrestricted	<u>889,754</u>
Total net position	<u>\$ 65,609,799</u>

The University Foundation at Sacramento State
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended June 30, 2018
(for inclusion in the California State University)

Revenues:

Operating revenues:	
Student tuition and fees, gross	\$ —
Scholarship allowances (enter as negative)	—
Grants and contracts, noncapital:	
Federal	—
State	—
Local	—
Nongovernmental	—
Sales and services of educational activities	—
Sales and services of auxiliary enterprises, gross	580,573
Scholarship allowances (enter as negative)	—
Other operating revenues	—
Total operating revenues	<u>580,573</u>

Expenses:

Operating expenses:	
Instruction	—
Research	—
Public service	—
Academic support	1,369,104
Student services	798,097
Institutional support	848,842
Operation and maintenance of plant	—
Student grants and scholarships	1,307,120
Auxiliary enterprise expenses	—
Depreciation and amortization	—
Total operating expenses	<u>4,323,163</u>
Operating income (loss)	<u>(3,742,590)</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	6,793,945
Investment income (loss), net	3,668,916
Endowment income (loss), net	—
Interest expense	—
Other nonoperating revenues (expenses) - excl. interagency transfers	—
Other nonoperating revenues (expenses) - interagency transfers	—
Net nonoperating revenues (expenses)	<u>10,462,861</u>

Income (loss) before other revenues (expenses)	6,720,271
--	-----------

State appropriations, capital	—
Grants and gifts, capital	—
Additions (reductions) to permanent endowments	1,251,664
Increase (decrease) in net position	7,971,935

Net position:

Net position at beginning of year, as previously reported	58,068,629
Restatements	(430,765)
Net position at beginning of year, as restated	<u>57,637,864</u>
Net position at end of year	<u>\$ 65,609,799</u>

The University Foundation at Sacramento State

OTHER INFORMATION

June 30, 2018

(for inclusion in the California State University)

1 Restricted cash and cash equivalents at June 30, 2018:

Portion of restricted cash and cash equivalents related to endowments	\$ 1,200,443
All other restricted cash and cash equivalents	—
Total restricted cash and cash equivalents	<u>\$ 1,200,443</u>

2.1 Composition of investments at June 30, 2018:

	Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
State of California Surplus Money Investment Fund (SMIF)	\$ —	—	—	—	—	—	—
State of California Local Agency Investment Fund (LAIF)	—	13,437,970	13,437,970	—	—	—	13,437,970
Corporate bonds	—	—	—	—	1,161,258	1,161,258	1,161,258
Certificates of deposit	—	—	—	—	1,354,035	1,354,035	1,354,035
Mutual funds	—	—	—	—	18,919,934	18,919,934	18,919,934
Money Market funds	—	—	—	—	85,620	85,620	85,620
Repurchase agreements	—	—	—	—	—	—	—
Commercial paper	—	—	—	—	—	—	—
Asset backed securities	—	—	—	—	—	—	—
Mortgage backed securities	—	—	—	—	—	—	—
Municipal bonds	—	—	—	—	1,321,257	1,321,257	1,321,257
U.S. agency securities	—	—	—	—	—	—	—
U.S. treasury securities	—	—	—	—	—	—	—
Equity securities	—	—	—	—	166,205	166,205	166,205
Exchange traded funds (ETFs)	—	—	—	—	28,902,630	28,902,630	28,902,630
Alternative investments:							
Private equity (including limited partnerships)	—	—	—	—	—	—	—
Hedge funds	—	—	—	—	—	—	—
Managed futures	—	—	—	—	—	—	—
Real estate investments (including REITs)	—	—	—	—	250,000	250,000	250,000
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	<u>—</u>	<u>13,437,970</u>	<u>13,437,970</u>	<u>—</u>	<u>52,160,939</u>	<u>52,160,939</u>	<u>65,598,909</u>
Less endowment investments (enter as negative number)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(43,513,347)</u>	<u>(43,513,347)</u>	<u>(43,513,347)</u>
Total investments	<u>—</u>	<u>13,437,970</u>	<u>13,437,970</u>	<u>—</u>	<u>8,647,592</u>	<u>8,647,592</u>	<u>22,085,562</u>

2.2 Investments held by the University under contractual agreements at June 30, 2018:

Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2018 :	—	—	—	—	—	—	—
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The University Foundation at Sacramento State

OTHER INFORMATION

June 30, 2018

(for inclusion in the California State University)

(Continued)

2.3 Restricted current investments at June 30, 2018 related to:	Amount
LAIF	\$ 13,437,970
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Total restricted current investments at June 30, 2018	\$ 13,437,970

2.4 Restricted noncurrent investments at June 30, 2018 related to:	Amount
Endowment investment	\$ 43,513,347
Non Endowment Investment	8,647,592
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Total restricted noncurrent investments at June 30, 2018	\$ 52,160,939

2.5 Fair value hierarchy in investments at June 30, 2018:

		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)	
	Total				
State of California Surplus Money Investment Fund (SMIF)	\$ —	—	—	—	—
State of California Local Agency Investment Fund (LAIF)	13,437,970	—	—	—	13,437,970
Corporate bonds	1,161,258	—	1,161,258	—	—
Certificates of deposit	1,354,035	—	1,354,035	—	—
Mutual funds	18,919,934	18,919,934	—	—	—
Money Market funds	85,620	85,620	—	—	—
Repurchase agreements	—	—	—	—	—
Commercial paper	—	—	—	—	—
Asset backed securities	—	—	—	—	—
Mortgage backed securities	—	—	—	—	—
Municipal bonds	1,321,257	—	1,321,257	—	—
U.S. agency securities	—	—	—	—	—
U.S. treasury securities	—	—	—	—	—
Equity securities	166,205	166,205	—	—	—
Exchange traded funds (ETFs)	28,902,630	28,902,630	—	—	—
Alternative investments:					
Private equity (including limited partnerships)	—	—	—	—	—
Hedge funds	—	—	—	—	—
Managed futures	—	—	—	—	—
Real estate investments (including REITs)	250,000	—	—	250,000	—
Commodities	—	—	—	—	—
Derivatives	—	—	—	—	—
Other alternative investment types	—	—	—	—	—
Other external investment pools (excluding SWIFT)					
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Other major investments:					
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Total investments	65,598,909	48,074,389	3,836,550	250,000	13,437,970

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3.1 Composition of capital assets at June 30, 2018:

	Balance June 30, 2017	Prior period Adjustments	Reclassifications	Balance June 30, 2017 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2018
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:								
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
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:								
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
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:								
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
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, 2018:

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, 2017	Prior period adjustments	Reclassifications	Balance June 30, 2017 (restated)	Additions	Reductions	Balance June 30, 2018	Current portion	Long-term portion
Accrued compensated absences	\$ —	—	—	—	—	—	—	—	—
Claims liability for losses and loss adjustment expenses	—	—	—	—	—	—	—	—	—
Capital lease obligations:									
Gross balance	—	—	—	—	—	—	—	—	—
Unamortized premium / (discount) on capital 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	\$ —	—	—	—	—	—	—	—	—

5 Future minimum lease payments - Capital lease obligations:

	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:									
2019	—	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—	—	—
2023	—	—	—	—	—	—	—	—	—
2024 - 2028	—	—	—	—	—	—	—	—	—
2029 - 2033	—	—	—	—	—	—	—	—	—
2034 - 2038	—	—	—	—	—	—	—	—	—
2039 - 2043	—	—	—	—	—	—	—	—	—
2044 - 2048	—	—	—	—	—	—	—	—	—
2049 - 2053	—	—	—	—	—	—	—	—	—
2054 - 2058	—	—	—	—	—	—	—	—	—
2059 - 2063	—	—	—	—	—	—	—	—	—
2064 - thereafter	—	—	—	—	—	—	—	—	—
Total minimum lease payments	—	—	—	—	—	—	—	—	—
Less amounts representing interest									—
Present value of future minimum lease payments									—
Unamortized net premium (discount)									—
Total capital lease obligations									—
Less: current portion									—
Capital lease obligations, net of current portion									\$ —

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6 Long-term debt obligations 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:									
2019	\$ —	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—	—	—
2023	—	—	—	—	—	—	—	—	—
2024 - 2028	—	—	—	—	—	—	—	—	—
2029 - 2033	—	—	—	—	—	—	—	—	—
2034 - 2038	—	—	—	—	—	—	—	—	—
2039 - 2043	—	—	—	—	—	—	—	—	—
2044 - 2048	—	—	—	—	—	—	—	—	—
2049 - 2053	—	—	—	—	—	—	—	—	—
2054 - 2058	—	—	—	—	—	—	—	—	—
2059 - 2063	—	—	—	—	—	—	—	—	—
2064 - 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									\$ —

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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	\$	—
Capital lease obligations, current portion		—
Capital 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 (enter as positive numl		—
Other adjustments: (please list)		
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Net position - Net investment in capital assets	\$	—

7.2 Calculation of net position - Restricted for nonexpendable - endowments

Portion of restricted cash and cash equivalents related to endowments	\$	1,200,443
Endowment investments		43,513,347
Other adjustments: (please list)		
Adjustment for Cumulative Activity	(4,218,050)	
Funds Held in Trust for Others	(452,359)	
Deferred Inflows from Remainder Interest	(966,359)	
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Net position - Restricted for nonexpendable - endowments	\$	39,077,022

8 Transactions with related entities:

	<u>Amount</u>
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 255,307
Payments to University for other than salaries of University personnel	587,908
Payments received from University for services, space, and programs	32,213
Gifts-in-kind to the University from discretely presented component units	—
Gifts (cash or assets) to the University from discretely presented component units	280,947
Accounts (payable to) University (enter as negative number)	(284,043)
Other amounts (payable to) University (enter as negative number)	—
Accounts receivable from University (enter as positive number)	—
Other amounts receivable from University	

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9 Other postemployment benefits (OPEB) liability

Intentionally left blank - not required/applicable eff FY17/18

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	—

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, 2017, as previously reported		\$ 58,068,629
Prior period adjustments:		
1 Restatements GASB 81		(430,765)
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, 2017, as restated		\$ 57,637,864

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

	<u>Debit</u>	<u>Credit</u>
Net position class: <u>Restricted</u>		
1 (breakdown of adjusting journal entry)		
Net Position-Restricted for Nonexpendable-Endows	282,341	
Net Position-Restricted for Expendable-Others	148,424	—
Other Liabilities	493,958	—
Deferred Inflows-Others		924,723
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)	—	—

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12 Natural Classifications of Operating Expenses:	Supplies and other services					Total operating expenses
	Salaries	Benefits	Scholarships and fellowships		Depreciation and amortization	
Instruction	—	—	—	—	—	—
Research	—	—	—	—	—	—
Public service	—	—	—	—	—	—
Academic support	236,273	17,875	46,252	1,068,704	—	1,369,104
Student services	15,360	1,595	—	781,142	—	798,097
Institutional support	129,750	27,742	—	691,350	—	848,842
Operation and maintenance of plant	—	—	—	—	—	—
Student grants and scholarships	5,139	(5,555)	1,288,361	19,175	—	1,307,120
Auxiliary enterprise expenses	—	—	—	—	—	—
Depreciation and amortization	—	—	—	—	—	—
Total	386,522	41,657	1,334,613	2,560,371	—	4,323,163

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NOTE TO THE SUPPLEMENTARY SCHEDULES

These schedules are prepared in accordance with the instructions listed in an Administrative Directive dated June 24, 2003: *Financial Reporting Requirements for Auxiliary Organizations*, from the California State University Office of the Chancellor. As a result, these schedules do not purport to represent financial statements prepared fully in accordance with generally accepted accounting standards of the United States of America applicable to governmental not-for-profit organizations.