

Financial Statements, Supplementary Information
and Report of Independent Certified Public
Accountants

**San Francisco State University Foundation
(Component Unit of San Francisco State
University)**

June 30, 2018 and 2017

Contents

	Page
Report of Independent Certified Public Accountants	3-5
Management Discussion and Analysis	6-13
Statements of Net Position	14
Statements of Revenues, Expenses, and Changes in Net Position	15
Statements of Cash Flows	16-17
Notes to Financial Statements	18-30
Supplementary Information	
Schedule of Net Position	31
Schedule of Revenues, Expenses, and Changes in Net Position	32
Other Information	33-42

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
San Francisco State University Foundation

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We have audited the accompanying financial statements of San Francisco State University Foundation (Component Unit of San Francisco State University) (the “Foundation”), which comprise the statements of net position as of June 30, 2018 and 2017, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management’s responsibility for the financial statements

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

Auditor’s 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 and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Francisco State Foundation (Component Unit of San Francisco State University) as of June 30, 2018 and 2017, and the changes in its net position and its cash flows 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 Discussion and Analysis on pages 6-13 be presented to supplement the financial statements. Such information, although not a required part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing financial statement in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquires of management about the methods of preparing the information for consistency with management's responses to our inquires, the financial statements, and other knowledge we obtained during our audit of the 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.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Foundation's financial statements. The supplementary information on pages 31-42 is presented for purposes of additional analysis and is not a required part of the financial statements. Such 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the 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 supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other reporting required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report, dated September 21, 2018, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and to provide an opinion of the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Associated Students' internal control over financial reporting and compliance.

Grant Thornton LLP

San Francisco, California
September 21, 2018

**San Francisco State University Foundation
(Component Unit of San Francisco State University)**

**Management Discussion and Analysis
(Unaudited)**

This section of the San Francisco State University Foundation (the “Foundation”) annual financial report presents management's discussion and analysis of the financial performance of the Foundation for the fiscal years ended June 30, 2018 and 2017.

The San Francisco State University Foundation (the Foundation) presents its management discussion and analysis for fiscal year 2018, with comparative data presented for fiscal years 2017 and 2016. The emphasis of the discussions concerning these statements will be on the fiscal years ended June 30, 2018 and 2017 (2018 and 2017, respectively). There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The following discussion and analysis is intended to help readers of the Foundation’s financial statements to better understand its financial position and operating activities. It should be read in conjunction with, and is qualified in its entirety by, the related financial statements and footnotes. The financial statements, footnotes and this discussion and analysis were prepared by the Foundation and are the responsibility of its management.

The Foundation

The Foundation is a non-profit auxiliary organization of San Francisco State University (the University) with a 501(c)(3) designation with the Internal Revenue Service. The Foundation’s purpose is to provide private financial support to assist the University in meeting its educational mission.

The Business-Type Activity (“BTA”) reporting model has been adopted by the California State University (CSU) system for use by all of its member campuses. The CSU determined the BTA model best represents the combined activities of the CSU and its auxiliary corporations.

Two out of the three auxiliary not-for-profit corporations serving the University, of which the Foundation is one, have also adopted the BTA reporting model, primarily for efficiencies gained in combining the three auxiliaries’ annual financial statements with the University and ultimately, the combined CSU financial statements.

The Foundation’s June 30, 2018 and 2017 financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (“GASB”). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**San Francisco State University Foundation
(Component Unit of San Francisco State University)**

**Management Discussion and Analysis
(Unaudited)**

Highlights of Financial Operations

- **Operating Revenues and Expenses**

In fiscal year 2018, the Foundation updated its investment policy with assistance from Cambridge Associates its Outsourced Chief Investment Officer (OCIO). The Foundation changed its portfolio mix and closed a substantial amount of the accounts custodied by UBS and purchased new investments recommended by Cambridge Associates. The new accounts are currently being managed by Cambridge until a new custodian is chosen. The Foundation has a total of approximately \$19,700,000 still in custody of UBS.

The Foundation's operating revenue for 2018 increased from the previous fiscal year. Operating revenue consists primarily of administrative fees earned from the management of the endowments. The fee is determined based on the average quarterly balance of the endowment, which can fluctuate with endowment payouts, interest/dividends and realized and unrealized income earned. The Foundation also charges an additional fee to the endowments for external investment fees incurred. The Foundation reports investment return net, which includes interest, dividends, realized and unrealized gains(losses) and investment fees. The operational expenses for the year were \$1,065,747, which are primarily composed of the administrative cost for accounting services performed by the University Corporation, San Francisco State (the "Corporation"), Auxiliary Business Services unit, auditing services, legal, professional consultancy and investment fees.

- **Non-Operating Revenue**

Total non-operating revenue decreased in 2018 from 2017 by 30% due primarily to investment income being lower in 2018 over the previous fiscal year. Equities continued to post strong returns in 2018.

During 2018, additions to the permanent endowment increased by 69% from 2017 due to an increase in contributions. Transfers to the University Corporation increased in 2018 60%. The transfers from the endowments are for scholarships, endowed chairs and other programs carried out by the Corporation. These transfers are in accordance with the Foundation's spending policy.

Financial Position

The statements of net position present the financial position of the Foundation at the end of fiscal year 2018 and 2017. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal summary of the Foundation. From the data presented, the readers of the Statement of Net Position are able to determine the assets available to continue the operations of the Foundation. The readers are also able to determine how much the Foundation owes its vendors as well as assessing other liabilities. Finally, the Statement of Net position provides the overview of the net position (assets minus liabilities) and their availability for expenditures.

San Francisco State University Foundation
(Component Unit of San Francisco State University)

Management Discussion and Analysis
(Unaudited)

Net position is divided into two major categories. The first category is Restricted Assets, which is divided into two categories, Nonexpendable and Expendable. The corpus of nonexpendable restricted resources are available for investment purposes and in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), where prudent when carrying out the purpose of the donor. Expendable restricted assets are available for expenditure by the Foundation, but must be spent for purposes as determined by the donors and /or external entities that have placed time, purpose or legal restrictions on the use of the assets. The final category is Unrestricted Assets that are available to the Foundation for any lawful purpose of the Foundation.

The detailed statements of net position are included in the financial statements. A condensed version is shown below:

Condensed Statements of Net Position - 2018, 2017, and 2016

	2018	2017	2016
Assets:			
Current assets	\$ 31,251,869	\$ 36,680,901	\$ 23,136,518
Noncurrent assets	59,718,908	47,187,857	49,239,305
Total assets	\$ 90,970,777	\$ 83,868,758	\$ 72,375,823
Liabilities:			
Current liabilities	\$ 147,268	\$ 125,247	\$ 169,144
Deferred Inflows of Resources (Note 2)	44,849	-	-
Net Position:			
Restricted net assets:			
Nonexpendable - endowments	\$ 57,209,082	\$ 52,593,569	\$ 43,746,989
Expendable - scholarships, fellowships and capital projects	27,828,518	30,397,551	27,749,527
Unrestricted net assets	5,741,060	752,391	710,163
Total net position	\$ 90,778,660	\$ 83,743,511	\$ 72,206,679

**San Francisco State University Foundation
(Component Unit of San Francisco State University)**

**Management Discussion and Analysis
(Unaudited)**

Assets

As of June 30, 2018, total assets increased \$7,102,019 when compared to the prior year. The increase was primarily attributed to an increase in investment income in 2018. Current assets are primarily comprised of short-term investments, accounts receivables, other assets and cash. Accounts receivables increased \$53,855 as a result of the Foundation recognizing revenue remaining from a trust that the Foundation is a remainder interest beneficiary. Receivables from related parties decreased by \$3,864 (8%) during 2018 compared to 2017. The receivable is from the Corporation, a related party, and relate to donations received, by the Corporation, which are payable to the Foundation. The Foundation had other assets in fiscal year 2018, which consist of prepaid expenses paid to the Internal Revenue and Franchise Tax Board for estimated Unrelated Business Income Tax (UBIT) cost. Based on the prior fiscal year, the Foundation anticipates having UBIT expenses related to alternative investments held. Cash held decreased in 2018 by \$2,175,586 (81%). The cash fluctuations are attributed to a large deposit received from the campus in 2017 for endowments transferred over to the Foundation for management. Short-term investments decreased \$3,338,714 (-10%). The decrease was attributed to the allocation of the Foundation investment holdings, which are based on the investment maturities at year-end. The Foundation held more equities and less bonds in 2018 as well as held more cash in LAIF than the prior fiscal year.

As of June 30, 2017, total assets increased approximately \$11,542,000 when compared to the prior year. The increase was mainly attributed to an increase in contributions and investment income in 2017. Current assets are primarily comprised of short-term investments, accounts receivables and cash. Accounts receivables decreased by \$13,332 (-22%) during 2017 compared to 2016. The receivables are from the Corporation, a related party, and relate to donations received by the Corporation, which are payable to the Foundation. Cash held increased in 2017 by \$2,547,600 (1751%). The cash fluctuations are attributed to funds held at year-end related to expected disbursements in July of fiscal year 2018. Short-term investments increased \$11,059,454 (48%). The increase was attributed to the allocation of the Foundation investment holdings, which are based on the investment maturities at year-end.

The Foundation and the Corporation have an ongoing relationship where assets will be transferred between the two organizations throughout the year. The Corporation receives contributions where the allocations are split between the two organizations. In that case, the Corporation would issue a check to the Foundation for its portion as well as contributions that are received by the Corporation that need to be rerouted to the Foundation to record as its contribution.

Liabilities

Accounts payable at June 30, 2018 decreased by approximately \$29,700 (-24%), mostly as a result of increased related-party transactions to the campus.

Accounts payable at June 30, 2017 increased by approximately \$5,400 (5%), mostly as a result of increased related-party transactions to the campus.

**San Francisco State University Foundation
(Component Unit of San Francisco State University)**

**Management Discussion and Analysis
(Unaudited)**

Deferred inflows of resources was \$44,849 in 2018. In fiscal year 2018 the Foundation recorded a charitable annuity held by the California State University Foundation.

Net Position

The Foundation's net position for fiscal year 2018 was \$90,778,660, which is an increase of approximately \$7,035,149 (8%) from the previous year. The overall increase is primarily attributed to increase in contribution revenue and investment income over the previous year.

The Foundation's net position for fiscal year 2017 was \$83,743,511, which is an increase of approximately \$11,536,800 (16%) from the previous year. The overall increase is primarily attributed to increase in contribution revenue and investment income over the previous year.

Results of Operations

The Statement of Revenues, Expenses, and Changes in Net Position presents the Foundation's operating results, as well as the non-operating revenues and expenses. Operating revenues consist primarily of revenue earned from administrative fees. Gifts and investment income are classified, as prescribed by GASB, as net non-operating revenues or expenses. This is an integral component in determining the increase or decrease in net assets.

The detailed statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2018 and 2017 are included in the financial statements. A condensed version is shown below:

Condensed Statements of Revenues, Expenses, and Changes in Net Position - for the years ended June 30, 2018, 2017, and 2016

	2018	2017	2016
Operating Revenues (Expenses):			
Revenues	\$ 1,666,641	\$ 1,445,565	\$ 1,364,592
Expenses	1,065,747	887,867	817,342
Operating (loss) income	600,894	557,698	547,250
Non-operating Revenues (Expenses):			
Contributions	2,179,377	2,943,013	6,804,388
Endowment management fees	(1,665,991)	(1,445,565)	(1,363,592)
Investment return	5,202,168	6,722,276	(448,209)
Additions to permanent endowments	3,462,948	2,045,425	655,881
Transfer to the University Corporation, SF State	(2,744,247)	(1,716,097)	(1,642,628)
Transfer from the University	-	2,430,082	-
Total other non-operating revenues (expenses)	6,434,255	10,979,134	4,005,840
Change in Net Position	\$ 7,035,149	\$ 11,536,832	\$ 4,553,090

**San Francisco State University Foundation
(Component Unit of San Francisco State University)**

**Management Discussion and Analysis
(Unaudited)**

REVENUES

Operating Revenue

For the year, ending June 30, 2018, total operating revenue was approximately \$1,666,600, which is an increase of approximately \$221,000 (15%) from the prior year.

For the year, ending June 30, 2017, total operating revenue was approximately \$1,445,500, which is an increase of approximately \$80,900 (6%) from the prior year.

Administrative fees are the main component of operating revenue earned by the Foundation for management of the endowments. The administrative fee earned is based on the annual 1.25% fee and recoupment of investment fees charged for the external management of the endowment funds. The fees are charged quarterly based on the endowments' calculated quarterly average daily balance per the Foundation's Endowment Establishment & Administration policy, which can fluctuate based on earnings and endowment distributions.

OPERATING EXPENSES

Operating Expenses

Operating Expenses are tied to the use of both restricted and unrestricted funds. Use of unrestricted operating funds are primarily for accounting services provided by the Corporation through its unit, Auxiliary Business Service, audit, consulting, legal and insurance expenses. The use of restricted operating funds is from the Foundation's administrative fees charged to the endowments. The expenses related to accounting services were approximately \$296,700 for fiscal year 2018. For fiscal year 2017, expenses related to accounting services were approximately \$286,600.

NON-OPERATING REVENUES AND EXPENSES

Contributions

Contributions are recognized as revenue when they are verifiable, measurable, probable of collection, and the Foundation has met all time and eligibility requirements. Contributions were \$2,179,377 for the 2018 fiscal year. Contributions decreased in fiscal year 2018 compared to fiscal year 2017 by approximately \$763,635 related to Quasi endowments that the Foundation holds. Endowments established in 2017 with significant contributions included the Mary MacWilliam Library Endowment and the Joseph M & Lotte M Dadone Endowment. Though contributions were less in fiscal year 2018, the Foundation continued to receive strong donor support such as \$704,824 for the College of Liberal and Creative Arts from estate of Frauke Gries, Professional Development Endowment, \$351,884 also from the estate of Frauke Gries and \$2,010,553 from the estate of Serena de Bellis are a few of the notable donations received.

**San Francisco State University Foundation
(Component Unit of San Francisco State University)**

**Management Discussion and Analysis
(Unaudited)**

Contributions were \$2,943,000 for the 2017 fiscal year. Contributions decreased in fiscal year 2017 compared to fiscal year 2016 by approximately \$3,861,000 due to primarily to the one large gift of \$5,000,000 that the Foundation received. Though contributions were less in fiscal year 2017, the Foundation continued to receive strong donor support such as \$1,055,000 for the College of Humanities, \$269,000 from Root Revocable, \$170,000 from the estate of Valerie Hashimoto and \$165,900, from the Judith Anne Ott Trust are a few of the notable donations received.

Investment Return

The Foundation investment income continued to perform well during fiscal year 2018 though investment income decreased over the previous year. Investment returns for the fiscal year was approximately \$5,202,000, which decreased, compared to last year by \$1,520,000 (22.61%). During fiscal year 2018, equities continued to post strong earnings. The Foundation's total portfolio consists of approximately 58% equities of which approximately 17% belongs to global equities. The Foundation paid \$65,503 in taxes associated with Unrelated Business Income Tax (UBIT) as a result, primarily of earnings from their alternative investment holdings in March Capital, which invest in real estate. The Foundation has hired Cambridge Associates as its new OCIO; Cambridge Associates has been guiding and reviewing the Foundation's portfolio, continually looking at investment vehicles that will increase earnings, help reduce the Foundation's exposure to inflation and keep its risks manageable. The Foundation's portfolio continues to outperform policy benchmarks.

Investment income had a strong rally during fiscal year 2017 over the previous year. Investment returns for the fiscal year was approximately \$6,722,200 with significant earnings compared to last year by \$7,170,400 (1599%). During fiscal year 2017, the market had strong performance in equities and bonds. The Foundation's portfolio consists of 51% equities of which 16% belongs to global equities. International stocks were up 37% for fiscal year 2017. The Foundation paid \$167,945 in taxes associated with Unrelated Business Income Tax (UBIT) as a result of earnings from their alternative investment holdings in March Capital, which invest in real estate. The Foundation's portfolio continues to outperform policy benchmarks. The board continues to monitor investments throughout the year along with the investment managers and adjust targets as well as allocation mix where and when necessary.

Other Additions and Transfers

Other additions highlight contributions received for capital projects generally carried out by the University and permanent endowments. Transfers highlight the funds transferred to related parties to fund campus programs, scholarships, endowed chairs and projects carried out by the University or the Corporation which are not true operational expenses of the Foundation. Contributions for additions to the permanent endowments increased during fiscal year 2018 by approximately \$1,417,000 (69.30%). This increase was mainly attributed to the generous gift of approximately \$1,500,000 to create the Iranian Diaspora Studies Endowment. The Foundation transferred approximately \$2,744,000 to the Corporation where the spending accounts related to the endowments are held to cover expenses for scholarships, endowed chairs and projects as stated above.

**San Francisco State University Foundation
(Component Unit of San Francisco State University)**

**Management Discussion and Analysis
(Unaudited)**

Contributions for additions to the permanent endowments increased during fiscal year 2017 by approximately \$1,389,543 (212%). Major contributions were received for creating new endowments for scholarships to support students. The Foundation received approximately \$2,430,000 from the University for Endowments, which were previously held by the campus. It was determined by the Chancellors Office that these funds would be better managed and administered if held by the auxiliary units. The Foundation was determined to be the appropriate unit at the University to receive the funds. The Foundation transferred approximately \$1,716,000 to the Corporation where the spending accounts related to the endowments are held to cover expenses for scholarships, endowed chairs and projects as stated above.

SIGNIFICANT ITEMS

In fiscal year 2019, the Foundation will move to a new method for making distributions from the endowment. That is, the Foundation will no longer make distributions based on the average daily balance but will implement a unitization policy where the investment pool will be based on units or shares. Similar to a mutual fund, each fund in the investment pool will hold units representing its proportionate share of the pool's investments.

In addition, the Foundation will engage in a strategic planning process in fiscal year 2019. After a decade of operation, the Foundation has contracted with Sutherland-Edwards to develop its very first Strategic Plan – a blueprint for its growth and development over the next 5 to 10 years.

We believe all other significant items have already been disclosed and either they do not have a significant effect on future operations, or these effects have already been included in the current financial statements.

**San Francisco State University Foundation
(Component Unit of San Francisco State University)**

Statements of Net Position

June 30, 2018 and 2017

	2018	2017
Assets		
Current Assets:		
Cash and cash equivalents	\$ 517,579	\$ 2,693,166
Investments, restricted	30,601,084	33,939,798
Receivable from related parties	44,074	47,937
Accounts Receivable	53,855	-
Other Assets	35,277	-
Total current assets	31,251,869	36,680,901
Noncurrent Assets:		
Investments, restricted	59,674,059	47,187,857
Pledge Receivables, net	44,849	-
Total noncurrent assets	59,718,908	47,187,857
Total assets	90,970,777	83,868,758
Deferred Outflows of Resources (Note 2)		
Total assets and deferred outflows of resources	\$ 90,970,777	\$ 83,868,758
Liabilities		
Current Liabilities:		
Accounts payable	\$ 95,509	\$ 125,247
Payable to the University Corporation, SF State	51,759	-
Total current liabilities	147,268	125,247
Deferred Inflows of Resources (Note 2)		
Total liabilities, deferred inflows of resources and net position	44,849	-
Net Position:		
Restricted for:		
Nonexpendable - endowments	57,209,082	52,593,569
Expendable - scholarships, fellowships, capital projects	27,828,518	30,397,551
Unrestricted	5,741,060	752,391
Total net position	90,778,660	83,743,511
Total liabilities, deferred inflows of resources and net position	\$ 90,970,777	\$ 83,868,758

San Francisco State University Foundation
(Component Unit of San Francisco State University)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2018 and 2017

	2018	2017
Operating Revenues:		
Administrative fees	\$ 1,665,991	\$ 1,445,565
Other revenues	650	-
Total operating revenues	1,666,641	1,445,565
Operating Expenses:		
Management and general	1,065,747	887,867
Total operating expenses	1,065,747	887,867
Operating income, net	600,894	557,698
Nonoperating Revenues (Expenses):		
Contributions	2,179,377	2,943,013
Endowment management fees	(1,665,991)	(1,445,565)
Investment return, net	5,202,168	6,722,276
Net nonoperating revenues	5,715,554	8,219,724
Income before other additions and transfers	6,316,448	8,777,422
Other Additions and Transfers:		
Additions to permanent endowments	3,462,948	2,045,425
Transfers to the University Corporation, SF State	(2,744,247)	(1,716,097)
Transfer received from the University	-	2,430,082
Total other additions and transfers	718,701	2,759,410
Change in Net Position	7,035,149	11,536,832
Net Position, beginning of the year	83,743,511	72,206,679
Net Position, end of the year	\$ 90,778,660	\$ 83,743,511

**San Francisco State University Foundation
(Component Unit of San Francisco State University)**

Statements of Cash Flows

Years ended June 30, 2018 and 2017

	2018	2016
Cash Flows from Operating Activities:		
Receipts from endowment fees	\$ 1,665,991	\$ 1,445,565
Payments to suppliers	(1,050,636)	(882,371)
Other receipts	650	-
Net cash provided by operating activities	616,005	563,194
Cash Flows from Noncapital Financing Activities:		
Donations received	5,642,326	4,988,438
Endowment management fees	(1,665,991)	(1,445,565)
Transfers to the University Corporation, SF State	(2,744,247)	(1,716,097)
Transfer from the University	-	2,430,082
Net cash provided by noncapital financing activities	1,232,088	4,256,858
Cash Flows from Capital and Related Financing Activities:		
Donations received restricted for capital	-	-
Net cash provided by capital and related financing activities	-	-
Cash Flows from Investing Activities:		
Proceeds from sales and maturities of investments	8,570,818	12,991,663
Purchase of investments	(17,796,666)	(21,986,337)
Investment income (loss)	5,202,168	6,722,276
Net cash used in investing activities	(4,023,680)	(2,272,398)
Net Change in Cash and Cash Equivalents	(2,175,588)	2,547,654
Cash and Cash Equivalents, beginning of year	2,693,166	145,512
Cash and Cash Equivalents, end of year	\$ 517,579	\$ 2,693,166

**San Francisco State University Foundation
(Component Unit of San Francisco State University)**

Statements of Cash Flows

Years ended June 30, 2018 and 2017

	2018	2017
Reconciliation of Operating Income to Net Cash		
Flows Provided by Operating Activities:		
Operating income	\$ 600,894	\$ 557,698
Adjustments to reconcile operating income to net cash		
flows provided by operating activities:		
Changes in assets and liabilities:		
Accounts payable	(29,738)	5,496
Deferred Revenue	44,849	-
Total adjustments	15,111	5,496
Net cash provided by operating activities	\$ 616,005	\$ 563,194
Supplemental Disclosures of Cash Flow Activity:		
Non-cash activity:		
Donations of stock received	\$ 217,567	\$ 503,835
Unrealized gain(loss)	\$ (2,826,587)	\$ 5,926,991

San Francisco State University Foundation
(Component Unit of San Francisco State University)

Notes to Financial Statements
June 30, 2018 and 2017

Note 1 - Organization:

The San Francisco State University Foundation (the “Foundation”) is a non-profit, tax-exempt California corporation. The Foundation serves as an auxiliary organization of San Francisco State University (the “University”). The Foundation was established in 2007 for the purpose of philanthropy. The Foundation encourages the solicitation and acceptance of private gifts, trusts, and bequests that will help the Foundation in the furtherance of its mission to foster private financial support for the University.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Presentation

The basic financial statements required by the Governmental Accounting Standards Board (“GASB”), Statement numbers 34, 35 and 63, include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position and a Statement of Cash Flows. As a component unit of a public institution, the Foundation has chosen to present its basic financial statements using the reporting model for special purpose governments engaged only in business-type activities. This model allows all financial information for the Foundation to be reported in a single column in each of the basic financial statements. In accordance with the business-type activities reporting model, the Foundation prepares its Statement of Cash Flows using the direct method.

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

San Francisco State University Foundation
(Component Unit of San Francisco State University)

Notes to Financial Statements
June 30, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies, Continued:

a. Basis of Presentation, Continued

The Foundation considers assets to be current when they can reasonably be expected, as part of its normal business operations, to be converted to cash and be available for liquidation of current liabilities within twelve months of the date of the Statement of Net Position. Liabilities that reasonably can be expected, as part of the Foundation's normal business operations, to be liquidated within twelve months of the date of the Statement of Net Position are considered to be current. All other assets and liabilities are considered to be non-current, with the exception of those amounts that are required to be reported as deferred outflows or inflows of resources. The Foundation follows GASB 63 and 65 which provide guidance for reporting deferred outflows of resources, deferred inflows of resources and net position in a Statement of Financial Position and related disclosures. The standard defines deferred outflows or inflows of resources as transactions that result in the consumption or acquisition of net assets in one period that are applicable to future periods. As of June 30, 2018 and 2017, the Foundation did not enter into transactions that meet the definition of deferred outflows or inflows of resources.

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

- *Restricted, non-expendable:* Net assets subject to externally imposed conditions that the Foundation retains in perpetuity. Net assets in this category consist of endowments.
- *Restricted, expendable:* Net assets subject to externally imposed conditions that can be fulfilled by the actions of the Foundation or by the passage of time. Net assets in this category also include endowments for capital projects which can be fulfilled by the actions of the University.
- *Unrestricted:* This represents all unrestricted net assets. Unrestricted net assets may be designated for use by management or the Board of Directors. As of June 30, 2018 and 2017, the Foundation maintains operating reserves of \$300,160 and \$284,961, respectively.

b. Cash and Cash Equivalents

Cash and cash equivalents consist of unrestricted cash, checking accounts, savings accounts and money market funds held outside of investment brokerage accounts with an original maturity date of three months or less.

San Francisco State University Foundation
(Component Unit of San Francisco State University)

Notes to Financial Statements
June 30, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies, Continued:

b. Cash and Cash Equivalents, Continued

Custodial credit risk - In the case of bank deposits, this is the risk that in the event of a bank failure, the Foundation's deposits may not be returned. The Foundation does not have a formal policy addressing custodial credit risk for its bank deposits. Though the Foundation is not a government agency, the financial institutions, in which the Foundation makes its deposits, have collateralized the deposits in accordance with section 53601 et. Seq. of the California Government Code. Wells Fargo is a financial institution whereby Federal Deposit Insurance Corporation ("FDIC") insures deposits. Deposits of more than the \$250,000 insured amount will be collateralized by the bank by pledging identifiable collateral according to statute. Periodically, as of and throughout the years ended June 30, 2018 and 2017, the Foundation maintained balances in excess of the federally insured limits.

c. Related Party Receivable and Payables

Related party receivables and payables include amounts due from the University Corporation, San Francisco State (the "Corporation"). Account receivables are presented net of an allowance for uncollectible accounts. There is no allowance for uncollectible accounts at June 30, 2018 and 2017.

d. Investments

Investments are stated at fair value. The Foundation pools available resources into savings, management and investment accounts. Interest and dividends earned are allocated to the respective funds, based on the ratio of a fund's invested resources to the total amount invested.

Investments in alternative investments are based upon fair values of the underlying assets as reported by the entities in their financial statements or as determined by the fund manager. In some cases, the underlying assets are marketable securities with quoted market prices. In other situations, the underlying assets are not marketable and valuations are determined by the fund managers. Due to the inherent uncertainty of valuation of non-marketable and restricted investments, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed and the differences could be material. Additionally, these investments may have liquidity constraints, including lock up periods of a quarter or longer.

San Francisco State University Foundation
(Component Unit of San Francisco State University)

Notes to Financial Statements
June 30, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies, Continued:

e. Restricted Investments

Investments made from donor-restricted endowments are pooled with the Foundation's other investments. Any appreciation of such investments is tracked separately and recorded in restricted net assets. The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") passed in July 2006 and as adopted by California in 2008 authorizes an institution to spend the amount it deems prudent considering the donor's intent, the purposes of the fund and relevant economic factors. According to the Foundation's policy, up to 4% of the earnings may be distributed each year. Earnings available for distribution are identified as interest, dividends and realized gains and losses and are calculated quarterly based on the average daily balance of the portfolio.

The Foundation invests these funds to produce current income to meet spending needs and to preserve the real value of the endowment principal. The Payout Policy Objective is interlinked with the Investment Objectives for the Total Fund and has been formulated in the context of the overarching goal for prudent management of endowments: to optimize the balance between preserving the real (after inflation) long-term purchasing power of the endowment principal with the need to make annual distributions to campus beneficiaries.

f. Real Estate Held by Endowments

The Foundation follows GASB 52, *Land and Other Real Estate Held as Investments by Endowments*, and it has been determined to have no material impact to the Foundation.

g. Revenue and Expenses

The Foundation currently has two categories classified as operating revenue. Administrative Fees are costs associated with administering endowments and other revenue.

Non-Operating revenue and expenses category includes revenue from restricted and unrestricted contributions where the restrictions have been met, transfers and expenses related to endowment expendable administrative fees charged per the investment policy. This category also includes investment returns (such as interest, dividends and net realized and unrealized gains and losses).

Other Addition and Transfers category includes contributions related to capital projects and permanent endowments and transfers related to funds given to the Corporation and the University as a gift.

San Francisco State University Foundation
(Component Unit of San Francisco State University)

Notes to Financial Statements
June 30, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies, Continued:

h. 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. Accordingly, actual results could differ from those estimates.

i. Income Taxes

The Foundation is a not-for-profit Foundation and is exempt from federal and state income taxes under provisions of section 501(c)(3) of the Internal Revenue Code and the California Tax Code. Continuance of such exemption is subject to compliance with laws and regulations of the taxing authorities. Certain activities considered unrelated to the tax exempt purposes of the Foundation may generate income that is taxable. The Foundation paid \$65,503 and \$167,945 for unrelated business income in fiscal year 2018 and 2017, respectively, due to Foundation's alternative investments. The open tax years are generally the years ended June 30, 2014 through June 30, 2018 for federal tax purposes and the years ended June 30, 2013 through June 30, 2018 for California tax purposes.

j. Fair Value Measurement

The GASB issued Statement No. 72, *Fair Value Measurement and Application (February 2015)*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
- Level 2 - Inputs (other than quoted market prices included within Level 1) that are observable for the asset/liability, either directly or indirectly.
- Level 3 - Unobservable inputs for the asset/liability; used to the extent that observable inputs are not available.

**San Francisco State University Foundation
(Component Unit of San Francisco State University)**

Notes to Financial Statements
June 30, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies, Continued:

j. Fair Value Measurement, Continued

- Net Asset Value (NAV) - the fair value of underlying assets as reported by the entities in their financial statements or as determined by the fund manager. In some cases, the underlying assets are marketable securities with quoted market prices. In other situations, the underlying assets are not marketable, and valuations are determined by the fund managers. Due to the inherent uncertainty of valuation of non-marketable and restricted investments, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material. Additionally, these investments may have liquidity constraints, including lock up periods of a quarter or longer.

k. Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and would only be recognized as an inflow of resources (revenue) at that time. The Foundation has one item that qualifies for reporting in this category: deferred inflows from charitable gift annuities held by California State University Foundation.

Note 3 - Investments:

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

	Fair value	Maturities				Other
		<1 year	1 – 5 years	6 – 10 years	10+ years	
Local agency investment fund	\$ 10,584,273	\$ 10,584,273	\$ -	\$ -	\$ -	\$ -
Broker money market funds	2,243,874	2,243,874	-	-	-	-
Treasury securities	2,468,138	601,417	1,039,925	\$ 826,796	-	-
Asset-backed securities	302,639	302,639	-	-	-	-
Municipal securities	1,925,248	61,136	610,254	1,253,858	-	-
Corporate debt securities	2,947,695	152,770	1,916,671	878,254	-	-
Mutual funds	16,654,975	16,654,975	-	-	-	-
Equity securities	42,543,068	-	-	-	-	42,543,068
Alternative investments	10,605,233	-	-	-	-	10,605,233
	\$ 90,275,143	\$ 30,601,084	\$ 3,566,850	\$ 2,958,908	\$ -	\$ 53,148,301

San Francisco State University Foundation
(Component Unit of San Francisco State University)

Notes to Financial Statements
June 30, 2018 and 2017

Note 3 - Investments, Continued:

Investments consist of the following as of June 30, 2017:

	Fair value	Maturities				
		<1 year	1 – 5 years	6 – 10 years	10+ years	Other
Local agency investment fund	\$ 6,393,056	\$ 6,389,056	-	-	-	-
Broker money market funds	16,261,155	16,261,155	-	-	-	-
Treasury securities	3,687,554	216,916	\$ 2,286,620	\$ 1,184,018	-	-
Asset-backed securities	1,073,199	-	308,565	231,609	\$ 533,025	-
Municipal securities	544,925	64,328	454,981	25,616	-	-
Corporate debt securities	3,043,314	149,431	1,194,380	1,589,087	110,416	-
Mutual funds	10,854,912	10,854,912	-	-	-	\$ -
Equity securities	30,341,769	-	-	-	-	\$ 30,341,769
Alternative investments	8,927,771	-	-	-	-	8,927,771
	\$ 81,127,655	\$ 33,935,798	\$ 4,244,546	\$ 3,030,330	\$ 643,441	\$ 39,269,540

Investment return for the years ended June 30, 2018 and 2017 consist of the following:

	2018	2017
Interest and dividends	\$ 1,632,625	\$ 1,322,600
Realized and unrealized gain/loss	3,569,543	5,399,676
	\$ 5,202,168	\$ 6,722,276

Interest rate risk - The Foundation mitigates its interest rate risk through the use of professional money managers that use their judgment on the selection of debt securities. The Foundation does not currently have a formal policy on future maturity limitations.

Credit risk - The Foundation's investment policy provides that all investments must be rated at least investment grade by one nationally recognized ratings agency. In the event that an investment falls below investment grade, the manager must notify the Foundation of the downgrade and provide a recommended course of action. Securities rated BBB are limited to 10% of the managers' bond portfolio.

Concentration of credit risk - Securities held in any one issuer are limited to 5% of the Foundation's total fixed income holdings. Individual equities are also mandated to be no more than 5% of the stock portfolio. As a result, no one issuer exceeds 5% of the Foundation's total investments.

San Francisco State University Foundation
(Component Unit of San Francisco State University)

Notes to Financial Statements
June 30, 2018 and 2017

Note 3 - Investments, Continued:

Custodial credit risk - Custodial credit risk represents the risk that, in the event of the failure of counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. UBS Financial Services account is insured with a combination of SIPC and other commercial insurance. SIPC coverage protects customers of a U.S. registered broker-dealer in the event the broker-dealer becomes financially insolvent and cannot return the full value of a customer's securities and cash in the broker-dealer's possession or control. SIPC covers each customer's account up to \$500,000, of which up to \$250,000 may be cash. Excess coverage follows the terms of SIPC coverage but covers each account up to its full net equity value, including all cash balances. UBS Financial Services and certain affiliates have purchased supplemental insurance from London Insurers to augment the SIPC protection. The supplemental policy is subject to policy conditions and limitations and has an aggregate policy limit of \$500,000,000. Within this aggregate policy limit, each separate client has up to \$1,900,000 in protection for cash held in all of the client's accounts. The Foundation does not have a formal policy covering custodial credit risk for its investments.

Local Agency Investment Fund (LAIF)

Under Federal Law, the State of California cannot declare bankruptcy, thereby allowing the Government Code Section 16429.3 to stand. This section states that "moneys placed with the Treasurer for deposit in the LAIF by cities, counties, special districts, nonprofit Foundations, or qualified quasi-governmental agencies shall not be subject to either of the following: (a) transfer or loan pursuant to Sections 16310, 16312, or 16313, or (b) impoundment or seizure by any state official or state agency."

During a legislative session, California Government Code Section 16429.4 was added to the LAIF's enabling legislation. The section states that "the right of a city, county, city and county, special district, nonprofit Foundation, or qualified quasi-governmental agency to withdraw its deposited moneys from the LAIF, upon demand, may not be altered, impaired, or denied in any way, by any state official or state agency based upon the state's failure to adopt a State Budget by July 1 of each new fiscal year."

Participating agencies' portions of the fund are held at fair value using net asset value ("NAV") information provided by LAIF.

San Francisco State University Foundation
(Component Unit of San Francisco State University)

Notes to Financial Statements
June 30, 2018 and 2017

Note 4 - Fair Value Measurement:

At June 30, 2018 and June 30, 2017, the Foundation's investment consist of cash and money market funds of \$2,243,874 and \$16,261,155, respectively, and the following assets which are classified by level within the valuation hierarchy on a recurring basis at June 30:

	2018				Total
	Level 1	Level 2	Level 3	NAV	
Local agency investment fund	\$ -	\$ -	\$ -	\$ 10,584,273	\$ 10,584,273
Treasury securities	\$ 2,468,138	-	-	-	2,468,138
Asset-backed securities	302,639	\$ -	-	-	302,639
Municipal securities	106,138	1,819,110	-	-	1,925,248
Corporate debt securities	2,770,632	177,063	-	-	2,947,695
Mutual funds	16,654,975	-	-	-	16,654,975
Equity securities	2,829,596	10,937	-	39,702,535	42,543,068
Alternative Investments	-	-	-	10,605,233	10,605,233
	\$ 25,132,118	\$ 2,007,110	\$ -	\$ 60,892,041	\$ 88,031,269

	2017				Total
	Level 1	Level 2	Level 3	NAV	
Local agency investment fund	\$ -	\$ -	\$ -	\$ 6,393,056	\$ 6,393,056
Treasury securities	\$ 3,687,554	-	-	-	3,687,554
Asset-backed securities	-	1,073,199	-	-	1,073,199
Municipal securities	-	544,925	-	-	544,925
Corporate debt securities	-	3,043,314	-	-	3,043,314
Mutual funds	10,854,912	-	-	-	10,854,912
Equity securities	26,565,912	3,775,857	-	-	30,341,769
Alternative Investments	-	-	-	8,927,771	8,927,771
	\$ 41,108,378	\$ 8,437,295	\$ -	\$ 15,320,827	\$ 64,866,500

**San Francisco State University Foundation
(Component Unit of San Francisco State University)**

Notes to Financial Statements
June 30, 2018 and 2017

Note 4 - Fair Value Measurement, Continued:

Alternative Investments Measured at NAV

	Fair Value	Unfunded Commitments (1)	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equity long/short hedge funds	2,023,465	-	N/A	10 -30 days
Private Equity	193,476	-	N/A	N/A
Global opportunities hedge funds	5,231,469	-	N/A	0 - 90 days
Multi-strategy hedge funds	1,713,420	-	N/A	60 days
Real estate funds *	1,443,403	-	N/A	N/A
<hr/>				
Total alternative investments measured at the NAV	10,605,233			
<hr/>				
Global Equity	8,530,500	-	N/A	5-15 days
Emerging Markets Equity	8,866,773	-	N/A	10 - 30 days
Fixed Income	4,207,626	-	N/A	10 - 60 days
International Equity	7,779,065	-	N/A	30 days
US Equity	8,388,591	-	N/A	Monthly
Real Assets	1,929,980	-	N/A	Daily
<hr/>				
Total NAV assets	50,307,768			

1. Equity long/short hedge funds. This type includes investments in small cap public companies as a long term and value-added shareholder. This is a hedge fund that invest in both long and short in U.S. common stocks. The fair value for of the investments in this type have been determined using the NAV per share of the investments.
2. Private Equities. This type includes one private equity fund that invests in technology and business services sectors represent the largest exposure. The nature of the investment in this type is that distributions are received through the liquidation of the underlying assets of the fund.
3. Global opportunities hedge funds. This type includes four hedge funds that hold investments securities in multi-strategy, equity long and short and distressed. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments. For one investment, valued at \$ 2,601,036 can redeem all or part of its initial or additional investment, the close of business on the last calendar of the first full calendar quarter that follows three calendar months advance written notice of such withdrawal.

San Francisco State University Foundation
(Component Unit of San Francisco State University)

Notes to Financial Statements
June 30, 2018 and 2017

Note 4 - Fair Value Measurement, Continued:

Alternative Investments Measured at NAV, Continued

4. Multi-strategy hedge funds. This type of includes investments in two hedge funds that pursue multiple strategies to diversity risks and reduce volatility. The fair values of the investments in this type have been determined using the NAV per share (or equivalent) of the investments. Investments representing over 90 percent of the value of the investments in this type can be redeemed 50 percent semi-annually June/December.
5. Real estate funds. This type includes three real estate funds that invest in the U.S. residential and commercial real estate. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. One of the funds has been liquidated but 5 percent was held back.
6. Global Equity. This type of fund invests in companies international and in the U.S. The fair values of the investments in this have been determined using NAV per share (or its equivalent) of the investments. For one investment, valued at \$ 5,761,078 can be redeemed in part 25% monthly.
7. Emerging Market Equity. This type of fund invests primarily in equity securities of companies located in less-developed countries. This type includes three funds. The fair values of the investments in this have been determined using NAV per share (or its equivalent) of the investments. The fund can be redeemed daily for one and monthly for two.
8. Fixed Income. This type of funds invests in fixed income securities with a focus on higher yields. This type includes two funds. The fund can be redeemed daily to monthly.
9. Private equity funds international. This type includes two private equity funds. The fund can be redeemed monthly.
10. U.S. Equity. This type of fund invests in equity securities. This type includes two funds. The fair value of the investments in this have been determined using NAV per share (or its equivalent) of the investments. The fund can be redeemed monthly.

**San Francisco State University Foundation
(Component Unit of San Francisco State University)**

Notes to Financial Statements
June 30, 2018 and 2017

Note 4 - Fair Value Measurement, Continued:

Alternative Investments Measured at NAV, Continued

11. Real Assets. This type of fund invests in physical or tangible assets that have value, due to their substance and properties. This type includes investments in industrials, basic materials, technology, utilities, consumer defensive, and other in the following regions: United States, Eurozone, Japan, Emerging Asia, Europe-ex Euro and other. The fund can be redeemed daily.

Note 5 - Endowments:

Endowments held and administered by the Foundation at June 30, 2018 are as follows:

	Restricted net assets		Total
	Nonexpendable	Expendable	
Endowments	\$ 57,209,082	\$ 27,828,518	\$ 85,037,600

Endowments held and administered by the Foundation at June 30, 2017 are as follows:

	Restricted net assets		Total
	Nonexpendable	Expendable	
Endowments	\$ 52,593,569	\$ 30,397,551	\$ 82,991,120

The Foundation's endowment policy during fiscal years 2018 and 2017 allowed up to a 4% annual payout based on the quarterly average daily balance of the fund. The 4% annual payout was not changed during the year and disbursements were allowed if the particular endowment was not underwater. The Foundation's endowment funds were underwater by \$0 and \$13,191 at June 30, 2018 and 2017, respectively. Underwater is defined as the current endowment value of an endowment gift being less than the value of the original endowment gift.

Note 6 - Related Parties:

During the years ended June 30, 2018 and 2017, the Foundation paid \$103,603 and \$312,400, respectively, to the University for reimbursements and funding for salary reimbursements, cost allocation, other expense reimbursements.

**San Francisco State University Foundation
(Component Unit of San Francisco State University)**

**Notes to Financial Statements
June 30, 2018 and 2017**

Note 6 - Related Parties, Continued:

During the years ended June 30, 2018 and 2017, the Foundation paid \$3,108,689 and \$2,152,401, respectively, for scholarships, other endowment spendable accounts, donations received by the Foundation that belong to the Corporation, fee for accounting services provided by the Corporation and other various reimbursements to the Corporation. The total paid includes \$2,744,248 paid to the Corporation for funds released from the endowments for scholarships, department chairs and allowable support to the endowments spending accounts managed by the Corporation. The Corporation paid \$62,644 and \$324,235 to the Foundation in 2018 and 2017, respectively.

At June 30, 2018 and 2017, the Foundation recorded receivables from the Corporation totaling \$3,864 and \$34,016, respectively, and payables to the University totaling \$51,758 and \$0, respectively.

Note 7 - Risk Financing Activities:

The Foundation is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Foundation carries commercial insurance. The Foundation has not had any significant reduction in insurance coverage, and there have been no claims in excess of coverage, in any of the past three years.

Note 8 - Litigation:

From time to time, the Foundation is subject to various claims and legal proceedings covering a range of matters that arise in the ordinary course of its business activities. In the opinion of management, although the outcome of any legal proceedings cannot be predicted with certainty, the ultimate liability of the Foundation in connection with its legal proceedings is not expected to have a material adverse effect on the Foundation's financial position and activities.

Note 9 - Administrative Fee:

The Foundation charges an administrative fee of 1.25% annually plus recoupment of investment fees paid to manage the endowment funds. This is calculated on the quarterly average daily balance of all endowments managed by the Foundation per the endowment policy. Administrative fees of 1.25% plus recoupment of external investment fees in the amounts of \$1,665,991 and \$1,445,565 were earned by the Foundation during the years ended June 30, 2018 and 2017, respectively. The Foundation administrative fee charged for fiscal year 2018 includes \$591,234 recouped to offset investment management fees. In fiscal year 2017, the Foundation earned \$515,470 to offset investment management fees.

San Francisco State University Foundation
Schedule of Net Position
June 30, 2018
(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 517,579
Short-term investments	30,601,084
Accounts receivable, net	97,929
Capital lease receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	—
Prepaid expenses and other current assets	35,277
Total current assets	<u>31,251,869</u>
Noncurrent assets:	
Restricted cash and cash equivalents	—
Accounts receivable, net	—
Capital lease receivable, net of current portion	—
Notes receivable, net of current portion	—
Student loans receivable, net	—
Pledges receivable, net	44,849
Endowment investments	57,209,082
Other long-term investments	2,464,977
Capital assets, net	—
Other assets	—
Total noncurrent assets	<u>59,718,908</u>
Total assets	<u>90,970,777</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	147,268
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>147,268</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	—
Total noncurrent liabilities	<u>—</u>
Total liabilities	<u>147,268</u>
Deferred inflows of resources:	
Service concession arrangements	—
Net pension liability	—
Net OPEB liability	—
Unamortized gain on debt refunding	—
Nonexchange transactions	44,849
Others	—
Total deferred inflows of resources	<u>44,849</u>
Net Position:	
Net investment in capital assets	—
Restricted for:	
Nonexpendable – endowments	57,209,082.08
Expendable:	
Scholarships and fellowships	27,828,518
Research	—
Loans	—
Capital projects	—
Debt service	—
Others	—
Unrestricted	5,741,060
Total net position	<u>\$ 90,778,660</u>

San Francisco State University Foundation

Schedule of Revenues, Expenses, and Changes in Net Position

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	—
Scholarship allowances (enter as negative)	—
Other operating revenues	1,666,641
Total operating revenues	<u>1,666,641</u>
Expenses:	
Operating expenses:	
Instruction	—
Research	—
Public service	—
Academic support	—
Student services	—
Institutional support	—
Operation and maintenance of plant	—
Student grants and scholarships	—
Auxiliary enterprise expenses	1,065,747
Depreciation and amortization	—
Total operating expenses	<u>1,065,747</u>
Operating income (loss)	<u>600,894</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	2,179,377
Investment income (loss), net	5,202,168
Endowment income (loss), net	—
Interest expense	—
Other nonoperating revenues (expenses) - excl. interagency transfers	(2,639,998)
Other nonoperating revenues (expenses) - interagency transfers	—
Net nonoperating revenues (expenses)	<u>4,741,548</u>
Income (loss) before other revenues (expenses)	5,342,442
State appropriations, capital	—
Grants and gifts, capital	—
Additions (reductions) to permanent endowments	1,692,706
Increase (decrease) in net position	7,035,148
Net position:	
Net position at beginning of year, as previously reported	83,743,511
Restatements	—
Net position at beginning of year, as restated	<u>83,743,511</u>
Net position at end of year	\$ <u>90,778,660</u>

San Francisco State University Foundation
 Other Information
 June 30, 2018
 (for inclusion in the California State University)

		<u>Amount</u>
2.3 Restricted current investments at June 30, 2018 related to:		
Add description	\$	30,601,084
Add description		—
Total restricted current investments at June 30, 2018	\$	<u>30,601,084</u>
2.4 Restricted noncurrent investments at June 30, 2018 related to:		
Endowment investment	\$	57,209,082
Scholarships		—
Inflation reserves		—
University projects		—
Other long-term Investment		2,464,977
Add description		—
Add description		—
Add description		—
Total restricted noncurrent investments at June 30, 2018	\$	<u>59,674,059</u>

San Francisco State University Foundation
Other Information
June 30, 2018
(for inclusion in the California State University)

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

	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)	10,584,273	—	—	—	10,584,273
Corporate bonds	2,947,695	2,770,632	177,063	—	—
Certificates of deposit	—	—	—	—	—
Mutual funds	16,654,975	16,654,975	—	—	—
Money Market funds	2,243,874	2,243,874	—	—	—
Repurchase agreements	—	—	—	—	—
Commercial paper	—	—	—	—	—
Asset backed securities	302,639	302,639	—	—	—
Mortgage backed securities	—	—	—	—	—
Municipal bonds	1,925,248	106,138	1,819,110	—	—
U.S. agency securities	—	—	—	—	—
U.S. treasury securities	2,468,138	2,468,138	—	—	—
Equity securities	42,543,069	2,829,596	10,937	—	39,702,536
Exchange traded funds (ETFs)	—	—	—	—	—
Alternative investments:					
Private equity (including limited partnerships)	193,476	—	—	—	193,476
Hedge funds	8,968,353	—	—	—	8,968,353
Managed futures	—	—	—	—	—
Real estate investments (including REITs)	1,443,403	—	—	—	1,443,403
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	90,275,143	27,375,992	2,007,110	—	60,892,041

San Francisco State University Foundation
Other Information
June 30, 2018
(for inclusion in the California State University)

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	\$ —	—	—	—	—	—	—	—

San Francisco State University Foundation
Other Information
June 30, 2018
(for inclusion in the California State University)

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		<u>—</u>
Total depreciation and amortization	\$	<u><u>—</u></u>

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	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
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	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Unamortized bond premium / (discount)	—	—	—	—	—	—	—	—	—
Total long-term debt obligations, net	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total long-term liabilities	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

San Francisco State University Foundation
Other Information
June 30, 2018
(for inclusion in the California State University)

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									\$ —

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									\$ —

San Francisco State University Foundation
 Other Information
 June 30, 2018
 (for inclusion in the California State University)

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)		—
Other adjustments: (please list)		
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	\$	—
Endowment investments		57,209,082
Other adjustments: (please list)		
Other Restricted Endowments		
Add description		—
Net position - Restricted for nonexpendable - endowments	\$	57,209,082

San Francisco State University Foundation
 Other Information
 June 30, 2018
 (for inclusion in the California State University)

8 Transactions with related entities:

	Amount
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 21,000
Payments to University for other than salaries of University personnel	82,603
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)	(5,831)
Other amounts (payable to) University (enter as negative number)	—
Accounts receivable from University (enter as positive number)	—
Other amounts receivable from University	—

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

San Francisco State University Foundation
 Other Information
 June 30, 2018
 (for inclusion in the California State University)

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

	<u>Net Position Class</u>	<u>Amount Dr. (Cr.)</u>
Net position as of June 30, 2017, as previously reported		\$ 83,743,511
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, 2017, as restated		<u>\$ 83,743,511</u>

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: _____		
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)	—	—

San Francisco State University Foundation
 Other Information
 June 30, 2018
 (for inclusion in the California State University)

12 Natural Classifications of Operating Expenses:

	Salaries	Benefits	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total operating expenses
Instruction	—	—	—	—	—	—
Research	—	—	—	—	—	—
Public service	—	—	—	—	—	—
Academic support	—	—	—	—	—	—
Student services	—	—	—	—	—	—
Institutional support	—	—	—	—	—	—
Operation and maintenance of plant	—	—	—	—	—	—
Student grants and scholarships	—	—	—	—	—	—
Auxiliary enterprise expenses	13,422	—	—	1,052,325	—	1,065,747
Depreciation and amortization	—	—	—	—	—	—
Total	<u>13,422</u>	<u>—</u>	<u>—</u>	<u>1,052,325</u>	<u>—</u>	<u>1,065,747</u>