CALIFORNIA STATE UNIVERSITY
LONG BEACH
RESEARCH FOUNDATION

Financial Statements
with Supplementary Financial Information
June 30, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
California State University, Long Beach Research Foundation:

We have audited the accompanying statement of net assets of the California State University, Long Beach Research Foundation (the Foundation), a direct support organization and component unit of California State University, Long Beach, as of June 30, 2012 and 2011, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

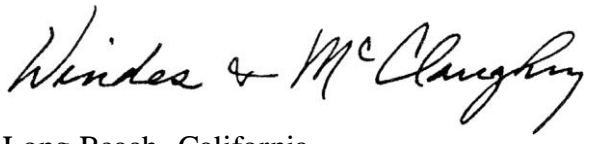
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the California State University, Long Beach Research Foundation as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2012 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Management's Discussion and Analysis (MD&A) on pages 3 - 15 is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The other information on pages 45 - 54 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.



Long Beach, California
September 25, 2012

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2012 AND 2011

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the California State University, Long Beach Research Foundation (the Foundation) for the years ended June 30, 2012 and 2011. The discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto, which follow this section.

The Foundation is a nonprofit organization formed to support and advance the mission of California State University, Long Beach (the University). To fulfill this mission, the Foundation pursues a wide range of opportunities in the areas of grants and contracts, campus programs, public-private partnerships, technology transfer, and other entrepreneurial activities to complement and strengthen the University's teaching, research, scholarly, creative, fund-raising, and public service goals.

Using the Financial Statements

The Foundation's financial report includes three statements: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. These financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) principles. The Foundation has adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and GASB No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and GASB No. 38, *Certain Financial Statement Note Disclosures*. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the reporting entity as a whole, with resources classified for accounting and reporting purposes into the following four net asset categories:

- Invested in capital assets, net of related debt
- Restricted, non-expendable
- Restricted, expendable
- Unrestricted

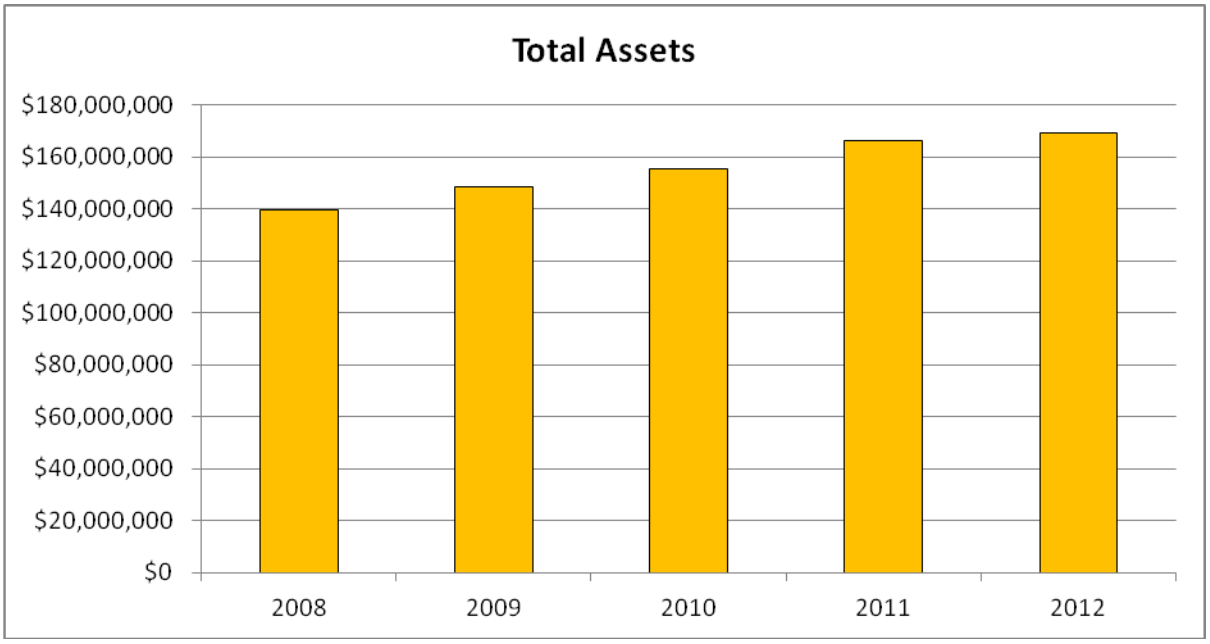
Statement of Net Assets

The statement of net assets presents the financial position of the Foundation at the end of the fiscal year and includes all assets and liabilities of the Foundation. The difference between total assets and total liabilities – net assets – is one indicator of the current financial condition of the Foundation, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical costs less an allowance for depreciation. For the purpose of distinguishing between current and noncurrent assets and liabilities, current assets and liabilities are those that can be reasonably expected to either generate or use cash, as part of normal business operations, within one year of the financial statement date. A summary of the Foundation's assets, liabilities, and net assets at June 30, 2012 and 2011 is as follows:

	June 30,	
	2012	2011
Current assets	$ 53,800,000	$ 48,300,000
Noncurrent assets		
Accounts receivable, net	16,800,000	17,100,000
Pledges receivable, net	4,000,000	3,700,000
Endowment and other investments	42,500,000	44,800,000
Other investments	4,700,000	4,200,000
Capital assets	47,200,000	48,300,000
Total assets	169,000,000	166,400,000
Current liabilities	13,700,000	12,700,000
Noncurrent liabilities	48,500,000	48,700,000
Total liabilities	62,200,000	61,400,000
Net Assets	$ 106,800,000	$ 105,000,000

Total assets increased $2.6 million, or 1.56%, during fiscal year 2012 and increased $11.2 million, or 7.2%, during fiscal year 2011. The change in 2012 is attributed to the increase in current receivables and decrease of 5% in endowment investments. Current assets of $53.8 million were $5.5 million, or 11.4%, more than 2011.

Statement of Net Assets (Continued)



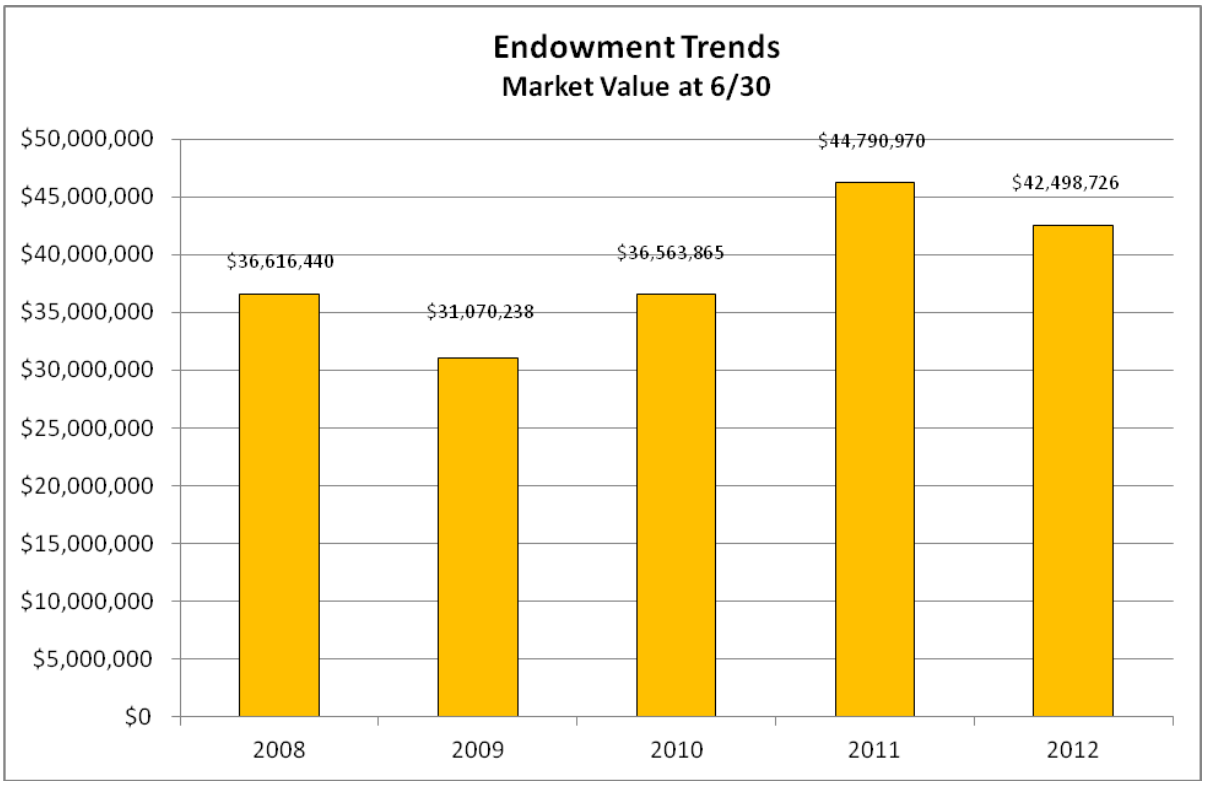
Total liabilities increased $800,000, or 1.3%, during fiscal year 2012. Current liabilities include accounts payable of $3.7 million, accrued salaries, benefits, and compensated absences payable of $2.7 million, deferred revenues of $6.4 million, and the current portion of long-term debt of $868,000. In 2011, total liabilities decreased $1.4 million, or 2.2%.

Current deferred revenues represent unexpended cash advances received for sponsored programs.

Net assets increased slightly by $1.8 million, or 1.7%, from $105 million in 2011 to $106.8 million in 2012. This increase was due to an increase in unrestricted net assets. In comparison, in 2011 net assets increased $12.6 million, or 13.7%, from $92.4 million in 2010 to $105 million in 2011. This increase was primarily because of unrealized gains in investments and new gifts.

Endowment and Other Investments

During fiscal year 2012, endowments decreased by $2.3 million, or 5.1%, from $44.8 million to $42.5 million, as a result of unrealized investment losses, spending distribution and $1.6 million of new endowment money was recorded in short-term investments in anticipation of transferring to Wells Fargo Advisors. This amount is included in the Short Term Investments total in the Statement of Net Assets. During fiscal year 2011, endowments increased by $8.2 million, or 22%, from $36.6 million to $44.8 million, as a result of unrealized investment gains and new gifts. The Foundation's investment policies are designed to maximize long-term return, while its income distribution policies are designed to preserve the value of the endowments and to generate a predictable stream of expendable income.



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

In addition, other long-term investments were $4.7 million in 2012 and $4.2 million in 2011. These investments consist of funds that have been allocated by the Foundation for long-term investment purposes without donor restrictions.

Capital Assets and Long-Term Debt Activities

At June 30, 2012, the Foundation had $47.2 million invested in capital assets, net of accumulated depreciation of $10.7 million.

At June 30, 2011, the Foundation had $48.3 million invested in capital assets, net of accumulated depreciation of $9.3 million. Depreciation charges for the years ended June 30, 2012 and 2011 totaled $1.38 million and $1.43 million, respectively. A summary of capital assets, net of accumulated depreciation, is as follows:

	June 30, 2012	June 30, 2011
Building and improvements	$32,900,000	$32,700,000
Furniture and fixtures	3,300,000	3,400,000
	36,200,000	36,100,000
Less: accumulated depreciation and amortization	(10,600,000)	(9,300,000)
	25,600,000	26,800,000
Collection items (works of art)	4,500,000	4,400,000
Land and land improvements	17,100,000	17,100,000
	$47,200,000	$48,300,000

Capital assets of $326,000 and $248,000 were added in 2012 and 2011, respectively. Although assets were added in 2012, fully depreciated obsolete ones were deleted.

Long-term debt obligations consist of bonds of $32.8 million in 2012 and $33.7 million in 2011.

Net Assets

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

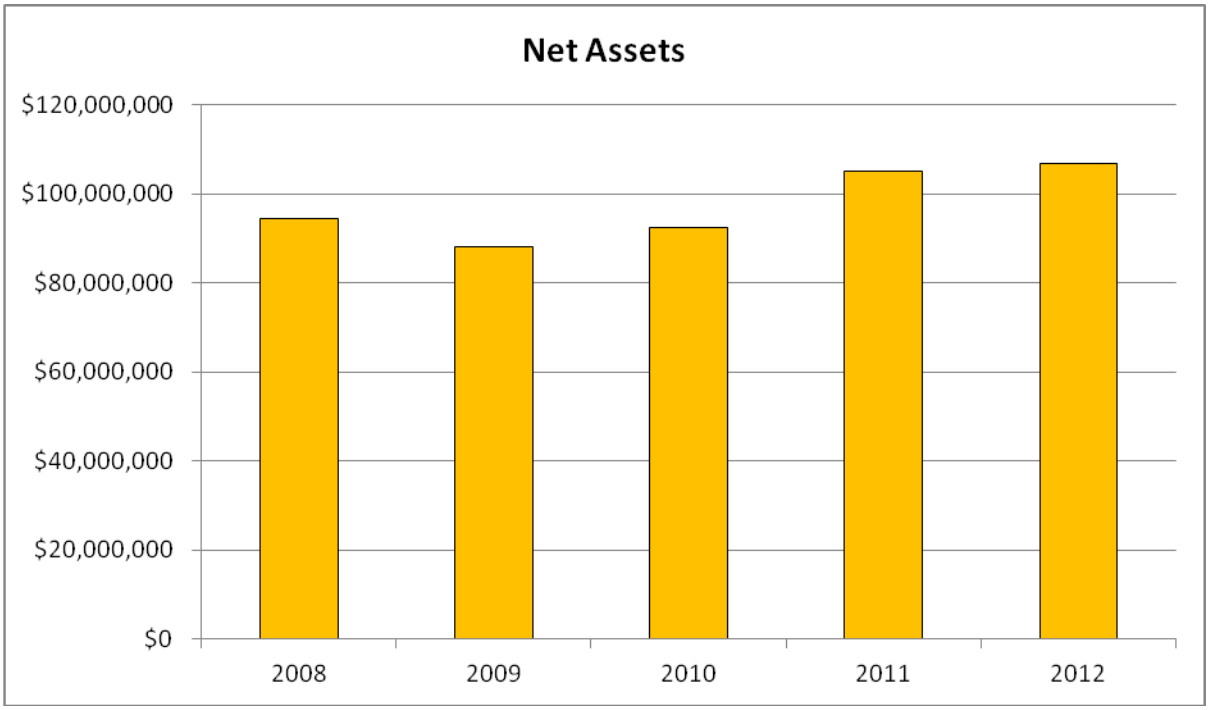
	June 30, 2012	June 30, 2011
Invested in capital assets, net of related debt	$ 14,400,000	$ 14,600,000
Restricted:		
Nonexpendable	41,000,000	40,600,000
Expendable	45,600,000	46,000,000
Unrestricted	5,800,000	3,800,000
Net Assets	$ 106,800,000	$ 105,000,000

Net assets increased $1.8 million, or 1.7%, in 2012 and increased $12.6 million, or 13.6%, in 2011. Net assets invested in capital assets, net of related debt, represent the Foundation's capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of these assets.

In 2012, restricted net assets remained the same as 2011. In 2011, restricted net assets increased $10.1 million, or 13.3%. Restricted nonexpendable net assets, which primarily include the Foundation's permanent endowment funds, increased by $400,000, or 0.98% in 2012 and increased by $4.1 million, or 11.2%, in 2011. Restricted expendable net assets decreased by $400,000, or 0.86%, in 2012 and increased by $6.0 million, or 15%, in 2011.

Items included in the restricted expendable net assets are program funds designated to support scholarships and fellowships, research, and other program activities.

Net Assets (Continued)



Statement of Revenues, Expenses and Changes in Net Assets

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

	For the Year Ended June 30,	
	2012	2011
Operating revenues:		
Grants and contracts	$ 36,900,000	$ 36,500,000
Other	12,800,000	10,000,000
Total operating revenues	49,700,000	46,500,000
Operating expenses	(55,500,000)	(54,700,000)
Operating loss	(5,800,000)	(8,200,000)
Nonoperating revenues (expenses):		
Gifts	8,700,000	10,200,000
Investment income (loss), net	(1,100,000)	3,600,000
Endowment income (loss)	(700,000)	6,400,000
Nonoperating expenses	(1,400,000)	(3,200,000)
Endowment gifts	2,100,000	3,800,000
Total nonoperating revenues, net	7,600,000	20,800,000
Increase in net assets	1,800,000	12,600,000
Net assets at beginning of year	105,000,000	92,400,000
Net assets at end of year	$ 106,800,000	$ 105,000,000

During fiscal year 2012, total nonoperating revenues decreased $13.2 million, or 63.5%. This change is attributed to unfavorable market return on investments and a 23% decline in gifts.

During fiscal year 2011, total nonoperating revenues increased $12.6 million, or 143%. This change is attributed to a positive return on investments and new gifts.

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

The operating loss is affected by two factors. First, although gift revenues are treated as nonoperating revenues, corresponding gift expenditures (i.e., student grants and scholarships) are treated as operating expenditures. Second, restricted net assets report the activities of the grants, contracts and Foundation programs where the use of funds is restricted for specific purposes. Since Foundation program activities are allowed to use balances from prior years, expenditures in the current year may be more or less than revenues recorded during the same year.

During 2012, grants and contracts revenues consist of federal grants and contracts of $26.2 million, state and local grants and contracts of $6.1 million, and non-governmental grants and contracts of $4.6 million. During 2011, grants and contracts revenues consist of federal grants and contracts of $27 million, state and local grants and contracts of $5.7 million, and non-governmental grants and contracts of $3.7 million.

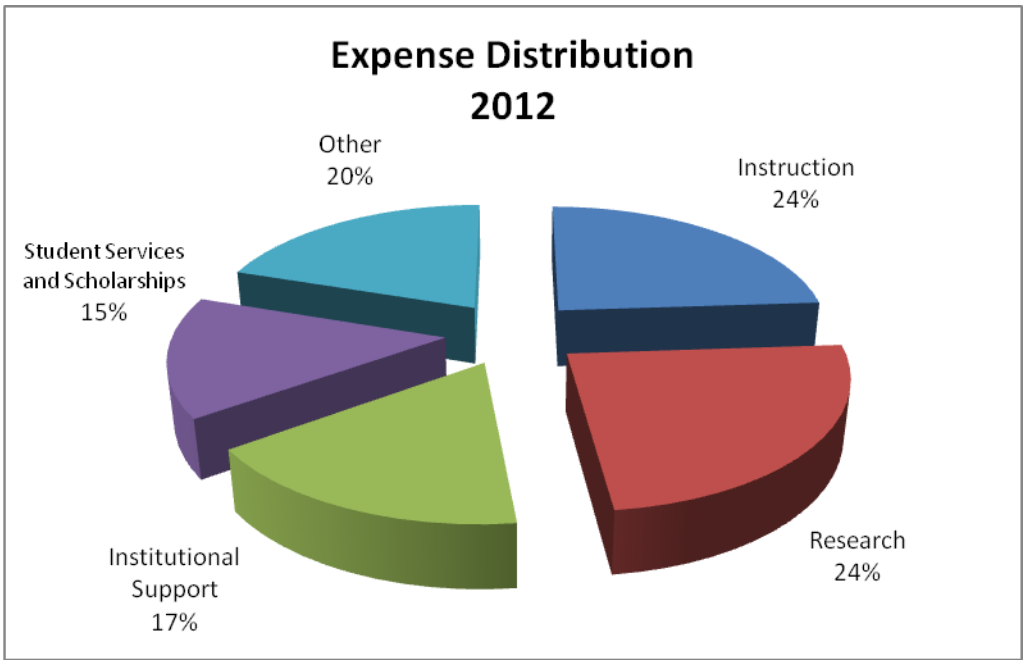
Investment income, net of fees, consists of a change in the fair market value of investments, including interest, dividends, and realized and unrealized gains and losses of a negative $1.1 million in 2012 and positive $3.6 million in 2011.

In 2012, operating expenses consist of salaries and fringe benefits of $26.7 million, supplies and services of $24.2 million, scholarship and fellowship of $3.2 million, and depreciation of $1.4 million. In 2011, operating expenses consist of salaries and fringe benefits of $26.3 million, supplies and services of $23.4 million, scholarships and fellowship of $3.6 million, and depreciation and amortization of $1.4 million.

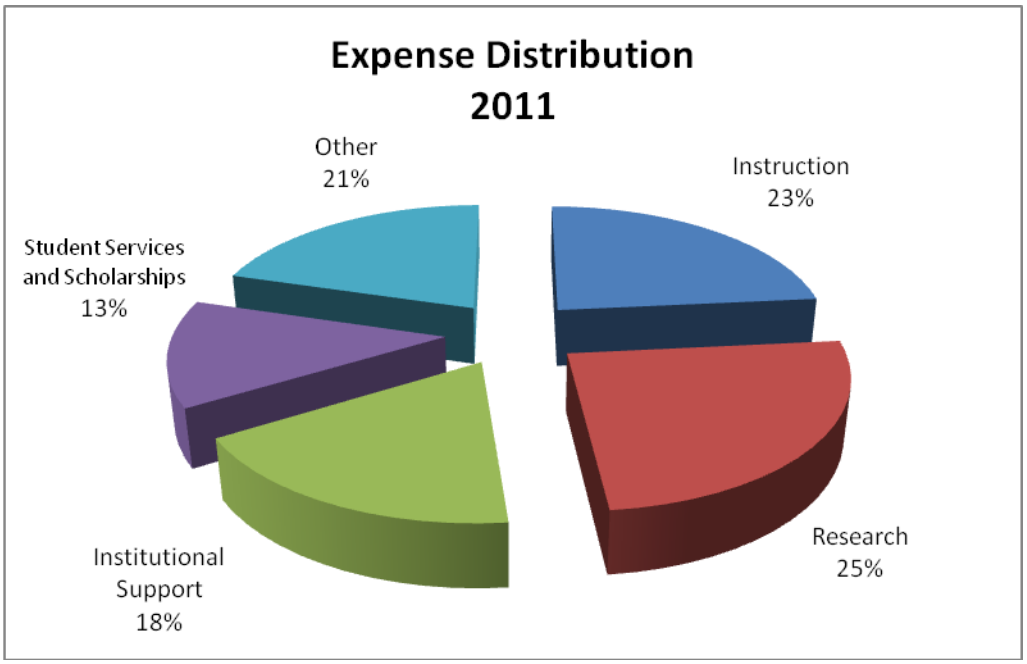
Statement of Revenues, Expenses and Changes in Net Assets (Continued)

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

	For the Year Ended June 30,	
	2012	2011
Operating		
Instruction	$ 13,300,000	$ 13,000,000
Research	13,500,000	13,800,000
Public service	5,900,000	5,800,000
Academic support	2,500,000	2,700,000
Student services	6,700,000	5,000,000
Institutional support	9,400,000	9,300,000
Student grants and scholarships	1,600,000	2,300,000
Auxiliary enterprise expenses	1,300,000	1,400,000
Depreciation and amortization	1,300,000	1,400,000
Total Operating Expenses	$ 55,500,000	$ 54,700,000



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



During fiscal year 2012, total operating expenses increased by $800,000, or 1.5%. During fiscal year 2011, total operating expenses increased $800,000, or 1.5%. This change is primarily attributed to overall increase in activities.

Statement of Cash Flows

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

	For the Year Ended June 30, 2012	2011
Cash received from operations	$ 46,100,000	$ 47,200,000
Cash expended from operations	(52,200,000)	(53,800,000)
Net cash provided by (used in) operating activities	(6,100,000)	(6,600,000)
Net cash provided by noncapital financing activities (gifts and grants)	8,000,000	8,500,000
Net cash used in capital and related financing activities	(2,800,000)	(2,700,000)
Net cash used in investing activities	(1,200,000)	(4,100,000)
Net change in cash and cash equivalents	(2,100,000)	(4,900,000)
Cash and cash equivalents at beginning of year	2,800,000	7,700,000
Cash and cash equivalents at end of year	$ 700,000	$ 2,800,000

During fiscal year 2012, the cash position at end of year decreased $2.1 million because $1.48 million was distributed to endowment spending accounts. During fiscal year 2011, the cash position at end of year decreased $4.9 million, or 64% due to additional investments in mutual funds and transfer of some Foundation programs accounts to state.

Economic Factors That Will Affect the Future

California State University, Long Beach recently created a separate 501(c)(3) public benefit corporation, the CSULB 49er Foundation, whose mission is to promote philanthropy and manage donated resources on behalf of the University. The CSULB Research Foundation has entered into an agreement to provide accounting and administrative services for the CSULB 49er Foundation. On July 1, 2012, the CSULB Research Foundation transferred the endowment funds to the 49er Foundation. The CSULB Research Foundation will continue to administer grants, contracts, and other externally-funded programs. Because the activities of the CSULB Research Foundation will be more focused on research and other similar endeavors, the CSULB Research Foundation Board of Directors intends to review its composition and make any adjustment they deem appropriate.

Economic Factors That Will Affect the Future (Continued)

The CSULB Research Foundation is currently undergoing a conversion of its financial accounting system to PeopleSoft. The CSULB Research Foundation will operate as a separate business unit on the CSULB PeopleSoft System. The conversion will be completed by the beginning of the second quarter of FY 2012-13.

While it is not possible to predict the ultimate long-term financial impact of these events, management believes that the Foundation's financial condition is strong enough to weather economic uncertainties.

Significant Development

For many years the CSULB Research Foundation has provided medical insurance to its eligible employees through the Public Employees Retirement System (PERS). One requirement of PERS was that the employer provide a retiree medical insurance benefit to the plan participants. Over time, the financial obligation for this benefit increased dramatically. In an effort to limit the ever-increasing post-employment medical benefit obligation the CSULB Research Foundation ended its contract with the Public Employees Retirement System (PERS) for the provision of medical insurance effective December 31, 2011. A new medical insurance program was established through an Auxiliary Organizations Association group contract with Wells Fargo. The new program, which provides comparable medical insurance options, began on January 1, 2012. Through the new program, the CSULB Research Foundation was able to limit the eligibility for the post-employment medical benefit to Central Office employees. Over time it is anticipated that the financial obligation for the post-employment medical benefit will decrease to a more manageable level.

There are several GASB pronouncements that may affect future financial reporting. GASB statements 60 to 64 are effective July 1, 2012 whereas statements 65 and 66 will take effect on July 1, 2013. CSULB Research Foundation will be evaluating and determining the effects of these pronouncements with the Chancellor's Office guidance.

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

STATEMENT OF NET ASSETS

ASSETS

	June 30, 2012	June 30, 2011
CURRENT ASSETS		
Cash and cash equivalents	$ 720,486	$ 1,361,313
Restricted cash and cash equivalents		1,478,046
Short-term investments	34,907,915	31,536,008
Accounts receivable, net	16,314,249	11,775,850
Pledges receivable, net	1,469,767	1,645,684
Prepaid expenses and other assets	392,304	486,863
	53,804,721	48,283,764
NONCURRENT ASSETS		
Accounts receivable, net	16,803,209	17,113,360
Pledges receivable, net	3,997,728	3,665,125
Endowment investments	42,498,726	44,790,970
Other long-term investments	4,673,627	4,203,864
Capital assets, net	47,221,119	48,295,133
	115,194,409	118,068,452
TOTAL ASSETS	168,999,130	166,352,216

LIABILITIES

CURRENT LIABILITIES		
Accounts payable	3,675,132	3,089,514
Accrued salaries and benefits payable	1,745,461	1,877,600
Accrued compensated absences	1,010,980	1,015,093
Deferred revenue	6,430,578	5,853,460
Long-term debt, current portion	868,354	843,354
Other liabilities	33,138	20,253
	13,763,643	12,699,274

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

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

STATEMENT OF NET ASSETS
(Continued)

LIABILITIES
(Continued)

	June 30, 2012	June 30, 2011
NONCURRENT LIABILITIES		
Long-term debt, net of current portion	32,172,754	33,041,108
Other postemployment benefits obligations	6,899,458	5,560,064
Other liabilities	9,397,754	10,114,244
	48,469,966	48,715,416
TOTAL LIABILITIES	62,233,609	61,414,690
NET ASSETS		
Invested in capital assets, net of related debt	14,381,119	14,605,133
Restricted for:		
Nonexpendable – endowments	41,064,571	40,544,166
Expendable:		
Scholarships and fellowships	4,719,829	3,361,070
Research	4,844,974	4,369,632
Other	35,994,395	38,281,162
Unrestricted	5,760,633	3,776,363
TOTAL NET ASSETS	$ 106,765,521	$104,937,526

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

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	For the Year Ended June 30,	
	2012	**2011**
REVENUES		
Operating Revenues:		
Grants and contracts, noncapital:		
Federal	$ 26,257,167	$ 27,041,343
State	4,476,082	4,664,048
Local	1,552,738	1,063,290
Nongovernmental	4,585,332	3,683,101
Sales and services of auxiliary enterprises	5,416,076	5,113,861
Other operating revenues	7,440,692	4,945,145
	49,728,087	46,510,788
EXPENSES		
Operating Expenses:		
Instruction	13,300,595	12,978,345
Research	13,466,919	13,801,893
Public service	5,863,749	5,744,445
Academic support	2,527,645	2,651,996
Student services	6,686,235	5,017,228
Institutional support	9,406,525	9,355,688
Student grants and scholarships	1,643,297	2,319,267
Auxiliary enterprise expenses	1,272,217	1,440,294
Depreciation and amortization	1,377,847	1,438,466
	55,545,029	54,747,622
OPERATING LOSS	(5,816,942)	(8,236,834)

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

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
(Continued)

	For the Year Ended June 30,	
	2012	**2011**
NONOPERATING REVENUES (EXPENSES)		
Gifts, noncapital	8,683,914	10,209,050
Investment income, net	(1,060,913)	3,649,910
Endowment income, net	(722,008)	6,357,528
Interest expense	(1,580,507)	(1,666,585)
Other nonoperating income (expense)	171,697	(1,531,282)
	5,492,183	17,018,621
INCOME (LOSS) BEFORE ADDITIONS	(324,759)	8,781,787
ADDITIONS TO PERMANENT ENDOWMENTS	2,152,754	3,798,362
INCREASE IN NET ASSETS	1,827,995	12,580,149
NET ASSETS AT BEGINNING OF YEAR	104,937,526	92,357,377
NET ASSETS AT END OF YEAR	$ 106,765,521	$104,937,526

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

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

STATEMENT OF CASH FLOWS

	For the Year Ended June 30, 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Federal grants and contracts	$ 22,442,842	$ 25,792,111
State grants and contracts	4,476,082	4,664,048
Local grants and contracts	1,552,738	1,063,290
Nongovernmental grants and contracts	4,585,332	3,683,101
Payments to suppliers	(22,139,380)	(23,822,807)
Payments to employees	(26,853,569)	(26,267,048)
Payments to students	(3,228,794)	(3,620,715)
Sales and services of auxiliary enterprises	5,351,182	4,742,902
Other receipts	7,668,780	7,209,276
Net Cash Used In Operating Activities	(6,144,787)	(6,555,842)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gifts and grants received for other than capital purposes	8,527,228	9,992,668
Other noncapital financing activities	(566,778)	(1,519,319)
Net Cash Provided By Noncapital Financing Activities	7,960,450	8,473,349
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(281,848)	(210,239)
Payments to retire bonds	(843,354)	(803,354)
Interest paid on capital-related debt	(1,629,741)	(1,672,093)
Net Cash Used In Capital and Related Financing Activities	(2,754,943)	(2,685,686)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	19,122,898	16,832,964
Investment income (loss), net	(1,060,913)	3,649,910
Endowment income, net	(722,008)	6,357,528
Additions to permanent endowments	2,152,754	3,798,362
Purchase of investments	(20,672,324)	(34,707,207)
Net Cash Used In Investing Activities	(1,179,593)	(4,068,443)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,118,873)	(4,836,622)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,839,359	7,675,981
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 720,486	$ 2,839,359

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

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

STATEMENT OF CASH FLOWS
(Continued)

	For the Year Ended June 30, 2012	For the Year Ended June 30, 2011
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM IN OPERATING ACTIVITIES:		
Operating loss	($ 5,816,942)	($ 8,236,834)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization	1,377,847	1,438,466
Change in assets and liabilities		
Accounts receivable, net	(4,228,248)	779,125
Prepaid expenses and other assets	94,559	79,948
Accounts payable	634,852	(1,338,208)
Accrued salaries and benefits payable	(132,139)	78,920
Accrued compensated absences	(4,113)	(38,035)
Deferred revenue	577,118	(135,180)
Other liabilities	1,352,279	815,956
Net Cash Used In Operating Activities	($ 6,144,787)	($ 6,555,842)

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

NOTE 1 – Statement of Significant Accounting Policies

Organization

The California State University, Long Beach Foundation is a nonprofit, tax-exempt corporation, incorporated in the state of California on October 3, 1956. In November 2011, the corporation amended its articles of incorporation and changed its name to the California State University, Long Beach Research Foundation (the Foundation). The Foundation is organized to administer grants from governmental and private agencies for research and other activities related to the programs of California State University, Long Beach (the University), and to accept donations, gifts, and bequests for any University-related use. The Foundation is a direct support organization and component of the University.

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB).

The accompanying financial statements have been prepared on the accrual basis. The Foundation reports as a Business Type Activity and, accordingly, has reported its activities within a single column in the basic financial statements, as defined by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. Business Type Activities are those that are financed in whole or in part by fees charged to external parties for goods and services.

The Foundation's policy for defining operating activities as reported on the statement of revenues, expenses, and changes in net assets are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Nearly all of the Foundation's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues as defined by GASB Statement No. 35, including gifts and investment income.

NOTE 1 – Statement of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

The Foundation has adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and GASB Statement No. 35, as amended by GASB Statements No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. GASB Statement No. 33 requires that unconditional promises to give be recorded as receivables and revenues when the Foundation has met all applicable eligibility requirements. This statement also requires that unspent cash advances received for sponsored programs be recorded as deferred revenue rather than as restricted expendable net assets. GASB Statement No. 35 established standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following four net asset categories: Invested in capital assets, net of related debt; Restricted, non-expendable; Restricted, expendable; and Unrestricted.

Election of Applicable FASB Statements

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

Classification of Current and Noncurrent Assets (Other than Investments) and Liabilities

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

NOTE 1 – Statement of Significant Accounting Policies (Continued)

Net Assets

The Foundation's net assets are classified into the following net asset categories:

- ***Invested in capital assets, net of related debt***

  Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- ***Restricted***

  Nonexpendable – Net assets subject to externally imposed stipulations that they be maintained permanently by the Foundation. Such assets include the Foundation's permanent endowment funds.

  Expendable – Net assets whose use by the Foundation is subject to externally imposed stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations or that expire by the passage of time.

- ***Unrestricted***

  Unrestricted net assets are those that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for any University-related use, which includes academic and research programs and initiatives, and capital programs.

Reporting Entity

The Foundation is an affiliated organization component unit of the University. As such, the Foundation's financial data will be included in the financial statements of the University.

NOTE 1 – Statement of Significant Accounting Policies (Continued)

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. The most significant estimates relate to allowance for uncollectible accounts receivable and pledges receivable, estimated useful lives on capital assets, post employment benefit obligation, and charitable unitrust agreements. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Cash and Cash Equivalents

The Foundation considers all highly liquid, short-term investments purchased with an original maturity of three months or less to be cash equivalents. The Foundation maintains cash with financial institutions in excess of federally insured limits.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consist of amounts allocated from endowment investments to cash and cash equivalents during the year. The amount is designated for payments to the respective endowments, with the majority of the payments for scholarships granted during the year and paid shortly after year-end.

Custodial Credit Risk for Deposits

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

NOTE 1 – Statement of Significant Accounting Policies (Continued)

Investments

The Foundation has adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under GASB Statement No. 31, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values using quoted market prices in the statement of net assets. Realized and unrealized gains and losses are included in the accompanying statement of revenues, expenses, and changes in net assets.

Accounts Receivable

Accounts receivable primarily consists of amounts due from the federal government, state and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Accounts receivable also includes charges for auxiliary enterprises' sales and services. Management provides for probable uncollectible amounts through a charge to revenue and a credit to a valuation allowance based on its assessment of the current status of the receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables.

Pledges Receivable

The Foundation receives pledges and bequests of financial support from corporations, foundations, and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements, including time requirements, have been met. In the absence of such promise, revenue is recognized when the gift is received. Endowment pledges do not meet eligibility requirements, as defined by GASB Statement No. 33, and are not recorded as assets until the related gift is received. An allowance for uncollectible pledges receivable is provided based on management's judgment of potential uncollectible amounts (approximately $485,000 and $690,000 at June 30, 2012 and 2011, respectively). The determination includes such factors as prior collection history, type of gift, and nature of fund-raising.

NOTE 1 – Statement of Significant Accounting Policies (Continued)

Capital Assets

Capital assets of the Foundation are stated at cost or, if acquired by gift, at estimated fair value at the date of donation. Major renewals and betterments are charged to capital assets, while replacements, maintenance and repairs that do not improve or extend the life of the respective assets are currently expensed. Depreciation and amortization is charged on a straight-line basis over the lives of the assets, which range from five to forty years.

Collection Items and Works of Art

The Foundation's collection items are made up of artifacts of historical significance and art objects that are held for educational research and curatorial purposes. Each of the items is cataloged, preserved and cared for, and activities verifying their existence and assessing their condition are performed continuously. Monies recovered from any collections that are sold must be used to acquire other items for collections.

Collection items acquired on or after July 1, 1996 are capitalized at cost, if the items were purchased, or at their appraised or fair market value on the accession date, if the items were contributed. The fair market value of donated collection items was approximately $73,000 and $230,000 for the years ended June 30, 2012 and 2011, respectively.

Deferred Revenue

Deferred revenue consists primarily of amounts received from grant and contract sponsors which have not yet been earned under the terms of the agreement, and lease payments received in advance from lessees on long-term leases.

Compensated Absences

Foundation employees accrue annual leave at rates based on length of service and job classification.

NOTE 1 – Statement of Significant Accounting Policies (Continued)

Classification of Revenues and Expenses

The Foundation considers operating revenues and expenses in the statement of revenues, expenses, and changes in net assets to be those revenues and expenses that result from exchange transactions or from other activities that are connected directly to the Foundation's primary functions. Exchange transactions include charges for services rendered and the acquisition of goods and services. Certain other transactions are reported as nonoperating revenues and expenses in accordance with GASB Statement No. 35. These nonoperating activities include net investment income, gifts (noncapital), endowments and interest expense.

Income Taxes

The Foundation is tax-exempt under Internal Revenue Code Section 501(c)(3) for federal income taxes, as well as the related provisions for state income tax purposes.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

New Accounting Pronouncements

In November 2010, the Government Account Standards Board (GASB) issued GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The Statement's objective is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The Statement is effective for periods beginning after December 15, 2011. The Foundation is currently evaluating the impact of adopting Statement No. 60 on the Foundation's financial statements.

NOTE 1 – Statement of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

In November 2010, the Government Account Standards Board (GASB) issued GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34.* The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units as if they were part of primary government. The Statement is effective for periods beginning after June 15, 2012. The Foundation is currently evaluating the impact of adopting Statement No. 61 on the Foundation's financial statements.

In December 2010, the Government Account Standards Board (GASB) issued GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement incorporates into GASB's authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedures that were issued on or before November 30, 1989. The Statement is effective for periods beginning after December 15, 2011. The Foundation is currently evaluating the impact of adopting Statement No. 62 on the Foundation's financial statements.

NOTE 1 – Statement of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

In June 2011, the Government Account Standards Board (GASB) issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Statement is effective for periods beginning after December 15, 2011. The Foundation is currently evaluating the impact of adopting Statement No. 63 on the Foundation's financial statements.

In June 2011, the Government Account Standards Board (GASB) issued GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The Statement is effective for periods beginning after June 15, 2011. The Foundation has evaluated its investment portfolio and determined it has no derivative instruments and Statement No. 64 does not apply.

In March 2012, the Government Account Standards Board (GASB) issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Statement is effective for periods beginning after December 15, 2012. The Foundation is currently evaluating the impact of adopting Statement No. 65 on the Foundation's financial statements.

NOTE 1 – Statement of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

In March 2012, the Government Account Standards Board (GASB) issued GASB Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62.* This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments. This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively. The Statement is effective for periods beginning after December 15, 2012. The Foundation is currently evaluating the impact of adopting Statement No. 66 on the Foundation's financial statements.

In June 2012, the Government Account Standards Board (GASB) issued GASB Statement No. 67 *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25* and GASB Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.* These Statements establish accounting and financial reporting requirements related to pensions for government whose employees are provided pension through pension plans. The Statement details the note disclosure requirements for defined benefit pension plans and valuation of net pension liability. The Statement is effective for periods beginning after June 15, 2013. The Foundation is currently evaluating the impact of adopting Statement No. 67 on the Foundation's financial statements.

NOTE 2 – Accounts Receivable

The composition of accounts receivable is summarized as follows:

	June 30, 2012	June 30, 2011
Grants and contracts	$ 16,069,435	$ 11,841,660
Other	17,205,851	17,204,838
	33,275,286	29,046,498
Less allowance for uncollectible accounts	(157,828)	(157,288)
	33,117,458	28,889,210
Less current portion	(16,314,249)	(11,775,850)
Noncurrent portion	$ 16,803,209	$ 17,113,360

NOTE 3 – Pledges Receivable

Pledges receivable are recorded in the balance sheet at estimated net realizable value in accordance with GASB Statement No. 33. Pledges receivable were discounted using a risk-free interest rate ranging from 2.11% to 4.58% as of June 30, 2012. Pledges receivable as of June 30, 2012 are summarized as follows:

Due in the Year Ending June 30,	
2013	$ 1,600,258
2014	970,250
2015	657,250
2016	331,000
2017	206,000
Thereafter	3,816,355
	7,581,113
Less allowance for uncollectible pledges	(485,423)
Less present value discounts	(1,628,195)
	5,467,495
Less current portion of pledges receivable	(1,469,767)
Long-term portion of pledges receivable	$ 3,997,728

NOTE 4 – Investments

At June 30, 2012, the Foundation's investment portfolio consists primarily of investments held in the investment pool, as well as interest-bearing accounts. Separate accounting is maintained as to the amounts allocable to the various funds and programs.

Investment Policy

The primary objective of the Foundation's investment policy is to safeguard the principal. The secondary objective is to meet the liquidity needs of the Foundation. The third objective is to return an acceptable yield. In general, the Foundation's investment policy permits investments in obligations of the federal and state governments, equities, corporate bonds, and certain other investment instruments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The Foundation may invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of revenues, expenses, and changes in net assets.

NOTE 4 – Investments (Continued)

Credit Risk (Continued)

The following is a summary of investments:

	June 30, 2012	June 30, 2011
Investments at fair value as determined by quoted market price or estimated fair value:		
Common stock	$ 15,150	$ 27,950
Mutual funds	67,194,904	66,339,139
Bonds	1,137,870	1,183,331
LAIF	13,732,344	12,980,422
	$82,080,268	$80,530,842

	June 30, 2012	June 30, 2011
Investments by classification:		
Current portion	$34,907,915	$31,536,008
Endowment investments	42,498,726	44,790,970
Noncurrent portion	4,673,627	4,203,864
	$82,080,268	$80,530,842

Investments are valued at quoted market price if available, otherwise they are recorded at estimated fair value. Other investments consists of a treasury note that is valued at fair value based on market prices.

Investment income (loss) is summarized as follows:

	For the Year Ended June 30, 2012	For the Year Ended June 30, 2011
Interest and dividend income	$ 292,380	$ 928,695
Net unrealized gains (losses)	(291,114)	2,198,430
Net realized gains (losses)	(1,062,179)	522,785
	($ 1,060,913)	$ 3,649,910

NOTE 4 – Investments (Continued)

Credit Risk (Continued)

Investment fees totaled $821,015 and $772,823 for the years ended June 30, 2012 and 2011, respectively, and are included in investment income and endowment income on the accompanying statement of revenues, expenses, and changes in net assets.

NOTE 5 – Capital Assets

Capital assets activity for the year ended June 30, 2012 is summarized below:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	$ 17,066,474			$ 17,066,474
Building and improvements	32,709,305	$ 253,175	($ 25,846)	32,936,634
Furniture and fixtures	3,404,641		(97,018)	3,307,623
Collections items	4,416,097	73,001		4,489,098
	57,596,517	326,176	(122,864)	57,799,829
Less accumulated depreciation and amortization	(9,301,384)	(1,355,862)	78,536	(10,578,710)
	$ 48,295,133	($ 1,029,686)	($ 44,328)	$ 47,221,119

Capital assets activity for the year ended June 30, 2011 is summarized below:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	$ 17,066,474			$ 17,066,474
Building and improvements	32,707,977	$ 14,746	($ 13,418)	32,709,305
Furniture and fixtures	3,662,306	5,913	(263,578)	3,404,641
Collections items	4,188,592	227,505		4,416,097
	57,625,349	248,164	(276,996)	57,596,517
Less accumulated depreciation and amortization	(8,123,970)	(1,428,517)	251,103	(9,301,384)
	$ 49,501,379	($ 1,180,353)	($ 25,893)	$ 48,295,133

NOTE 6 – Long-Term Debt

Long-term debt consists of:

	June 30, 2012	June 30, 2011
Bonds payable with interest at rates ranging from 3.5% to 5.00%, due semi-annually, principal payments due annually, final installment due May 2033	$ 10,675,000	$ 10,970,000
Bonds payable with interest at rates ranging from 3.50% to 5.00%, due semi-annually, principal payments due annually, final installment due May 2033	7,710,000	7,925,000
Bonds payable with interest at rates ranging from 2.5% to 5.75%, due semi-annually, principal payments due annually, final installment due May 2035	14,455,000	14,795,000
	32,840,000	33,690,000
Unamortized Bond Premium	503,290	527,375
Unamortized loss on refundings	(302,182)	(332,913)
Less current portion	(868,354)	(843,354)
Noncurrent portion	$ 32,172,754	$ 33,041,108

Long-term debt activity for the year ended June 30, 2012 is summarized as follows:

	Beginning Balance	Borrowings	Principal Repayment	Ending Balance
Bonds payable	$ 33,690,000	None	($ 850,000)	$ 32,840,000

NOTE 6 – Long-Term Debt (Continued)

Long-term debt activity for the year ended June 30, 2011 is summarized as follows:

	Beginning Balance	Borrowings	Principal Repayment	Ending Balance
Bonds payable	$ 34,500,000	None	($ 810,000)	$ 33,690,000

Future maturities of long-term debt are as follows:

Year Ending June 30,	Principal	Interest
2013	$ 875,000	$ 1,608,469
2014	910,000	1,568,735
2015	955,000	1,528,119
2016	1,000,000	1,482,418
2017	1,040,000	1,437,601
2018-2022	6,010,000	6,386,594
2023-2027	7,700,000	4,668,014
2028-2032	9,975,000	2,381,798
2033-2035	4,375,000	239,325
	$ 32,840,000	$ 21,301,073

The bonds contain certain covenants with respect to a minimum debt service coverage ratio and minimum unrestricted net assets for which the Foundation is in compliance at June 30, 2012. Included in invested in capital assets, net of related debt, are unrestricted net assets of approximately $14,400,000 and $14,600,000 for the years ended 2012 and 2011, respectively.

NOTE 7 – Pension Plan and Postemployment Health Care Plan

Pension Plan

The Foundation has a defined contribution retirement plan (the Plan) which covers all regular full-time employees and part-time employees who have provided services of at least 1,000 hours during the year. There is a two-year waiting period to enter the Plan. The basic plan contribution rate is equal to 10% of gross earnings. Pension expense was approximately $701,000 and $699,000 for the years ended June 30, 2012 and 2011, respectively.

Postemployment Health Care Plan

Plan Description. CSULB Research Foundation's defined benefit postemployment healthcare plan, California Public Employees Retirement System (CalPERS), provides medical benefits to eligible retired Foundation employees and their beneficiaries through December 31, 2011. Effective January 1, 2012, a new medical insurance program was established through an Auxiliary Organizations Association group contract with Wells Fargo to provide comparable coverages.

Funding Policy. The contribution requirements of plan members and the Foundation are established and may be amended by the Foundation's board of directors. CSULB Research Foundation is required to contribute the *annual required contribution of the employer (ARC),* an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 18.94% of annual covered payroll.

NOTE 7 – Pension Plan and Postemployment Health Care Plan (Continued)

Annual OPEB Cost. For 2012, the Foundation's annual OPEB (expense) of $1,568,294 approximated the ARC. The Foundation's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Annual OPEB Obligation	Net OPEB Obligation
6/30/10	$1,314,489	12.11%	$1,155,303	$4,304,750
6/30/11	$1,423,493	11.81%	$1,255,314	$5,560,064
6/30/12	$1,568,294	14.60%	$1,339,394	$6,899,458

Funded Status and Funding Progress. The funded status of the plan as of June 30, 2012, was follows:

Actuarial accrued liability (AAL)	$ 12,066,863
Actuarial value of plan assets	0
Unfunded actuarial accrued liability (UAAL)	$ 12,066,863
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	$ 8,204,700
UAAL as a percentage of covered payroll	147.07%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 7 – Pension Plan and Postemployment Health Care Plan (Continued)

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

At June 30, 2012, using the same assumptions as 2010 actuarial valuation, the entry age actuarial cost method was used. An actuarial cost method is a procedure for allocating the actuarial present value of benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a normal cost and an actuarial accrued liability. The entry age normal cost method allocates the present value of future benefits on a level basis over the earnings or service (which in this case, earnings were used) of each employee between the hire date and assumed retirement age. The portion of the present value of future benefits allocated to a valuation year is called the normal cost. The portion allocated to all prior years is called the actuarial accrued liability. Valuation results were computed at a 5.5% discount rate.

NOTE 8 – Commitments and Contingencies

Charitable Unitrust Agreements

The Foundation is obligated under various charitable unitrust agreements. The trusts provide a fixed percentage of the fair market value to be paid periodically to the trustor. Certain trusts limit the payment to the net income earned on the assets, while the remaining trusts allow for invasion of the principal to make the required payments. Upon termination, the remaining trust assets are to be distributed to designated beneficiaries and the Foundation in a manner designated by the grantor. The amounts due to the designated beneficiaries are reported as other liabilities on the statement of net assets.

NOTE 8 – Commitments and Contingencies (Continued)

Contingencies

The Foundation receives a significant portion of its support and revenue from government grants, which are subject to government audit. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the government. Until any such audits have been completed and final settlement reached, there exists a contingent liability to refund any amount received in excess of allowable costs. Based on prior history, management believes that no material liability will result from such audits.

As Lessor

The total investment in the land and building is approximately $39,288,000, with $35,439,000 allocated to the space available for lease, net of $6,281,000 accumulated depreciation at June 30, 2012.

Lease terms range from three to five years and require tenants to pay a pro-rata share of common area maintenance. The following is a schedule by years of future minimum rents receivable under noncancellable operating leases that have initial or remaining lease terms in excess of one year as of June 30, 2012:

Year Ending June 30,	
2013	$ 3,598,625
2014	2,965,545
2015	8,257
	$ 6,572,427

Rental income was approximately $4,980,000 and $5,000,000 for the years ended June 30, 2012 and 2011, respectively.

NOTE 8 – Commitments and Contingencies (Continued)

As Lessee

The Foundation has entered into multiple leases at different locations under agreements expiring at various dates through December 2015, not including any renewal options. Generally, these agreements provide for periodic adjustments to base rents based upon changes in the CPI.

The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year at June 30, 2012:

Year Ending June 30,	
2013	$ 129,988
2014	120,412
2015	107,663
Thereafter	33,420
	$ 391,483

Rental expense under all operating leases was approximately $790,000 and $880,000 for the years ended June 30, 2012 and 2011, respectively.

NOTE 9 – Operating Expenses by Function

	For the Year Ended June 30, 2012				
	Compensation and Benefits	Supplies and Services	Scholarship and Fellowship	Depreciation and Amortization	Total
Instruction	$ 5,609,508	$ 6,596,694	$ 1,094,393		$ 13,300,595
Research	7,790,771	5,470,827	205,321		13,466,919
Public service	3,139,234	2,671,743	52,772		5,863,749
Academic support	594,380	1,909,395	23,870		2,527,645
Student services	3,784,837	2,618,971	282,427		6,686,235
Institutional support	5,255,342	4,134,939	16,244		9,406,525
Student grants and scholarships		89,529	1,553,768		1,643,297
Auxiliary enterprise expenses	543,248	728,969			1,272,217
Depreciation and amortization				$ 1,377,847	1,377,847
Total Operating Expenses	$ 26,717,320	$ 24,221,067	$ 3,228,795	$ 1,377,847	$ 55,545,029

	For the Year Ended June 30, 2011				
	Compensation and Benefits	Supplies and Services	Scholarship and Fellowship	Depreciation and Amortization	Total
Instruction	$ 5,753,290	$ 6,701,955	$ 523,100		$ 12,978,345
Research	7,863,110	5,868,552	70,231		13,801,893
Public service	3,039,500	2,678,845	26,100		5,744,445
Academic support	711,349	1,903,836	36,811		2,651,996
Student services	3,469,769	1,244,655	302,804		5,017,228
Institutional support	4,919,927	3,556,720	879,041		9,355,688
Student grants and scholarships		536,639	1,782,628		2,319,267
Auxiliary enterprise expenses	550,987	889,307			1,440,294
Depreciation and amortization				$ 1,438,466	1,438,466
Total Operating Expenses	$ 26,307,932	$ 23,380,509	$ 3,620,715	$ 1,438,466	$ 54,747,622

NOTE 10 – Transactions with Related Entities

As described in Note 1, the Foundation is an auxiliary organization affiliated with the University and the California State University (CSU) System statewide. The accompanying financial statements include transactions with related parties as of and for the years ended June 30, 2012 and 2011, as follows:

	June 30, 2012	June 30, 2011
Reimbursements to the University for salaries, wages, and benefits of University employees working on contracts, grants, and other programs	$ 4,160,685	$ 3,455,540
Payments received from the University for services, space, and programs	$ 5,029,829	$ 8,382,420
Gifts to the University from recognized auxiliary organizations	$ 3,039,771	$ 2,927,009
Reimbursements to the University for tuition, housing, services, space, and programs	$ 3,098,008	$ 1,675,396
Transfers to the University of projects maintained by the University	$ 0	$ 2,058,197
Amounts receivable from CSU entities and recognized auxiliary organizations	$ 123,301	$ 149,952
Amounts due to the University, CSU entities and recognized auxiliary organizations	$ 2,255,176	$ 1,402,051
Amounts receivable from the University	$ 94,837	$ 105,292

NOTE 11 – Subsequent Events

On July 1, 2012, the Foundation transferred approximately $1,600,000 of assets related to charitable remainder trusts agreements to Wells Fargo for custody and administration.

On July 1, 2012, the Foundation transferred approximately $42,500,000 of investments to the CSULB 49er Foundation whose mission is to promote philanthropy and manage donated resources on behalf of the University. The Foundation's management will perform administrative duties for the 49er Foundation.

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CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

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Schedule of Funding Progress for CalPERS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/10	$ 0	$ 9,610,571	$ 9,610,571	0%	$ 8,656,387	111.02%
6/30/11	$ 0	$ 10,790,558	$ 10,790,558	0%	$ 8,387,424	128.65%
6/30/12	$ 0	$ 12,066,863	$ 12,066,863	0%	$ 8,204,700	147.07%

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

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1. RESTRICTED CASH AND CASH EQUIVALENTS AT JUNE 30, 2012

Portion of restricted cash and cash equivalents related to endowments	$ 0
All other restricted cash and cash equivalents	0
Total restricted cash and cash equivalents	$ 0

2.1 COMPOSITION OF INVESTMENTS AT JUNE 30, 2012

	Current Unrestricted	Current Restricted	Total Current
State of California Surplus Money Investment Fund (SMIF)	$ 0	$ 0	$ 0
State of California Local Agency Investment Fund (LAIF)	13,732,344	0	13,732,344
Wachovia Short-Term Fund	0	0	0
Wachovia Medium-Term Fund	0	0	0
Wachovia Equity Fund	0	0	0
US Bank Swift Pool	0	0	0
Common Fund – Short-Term Fund	0	0	0
Common Fund – others	0	0	0
Debt securities	0	0	0
Equity securities	36	0	36
Fixed income securities (Treasury notes, GNMA's)	23,023	0	23,023
Land and other real estate	0	0	0
Certificates of deposit		0	
Notes receivable	0	0	0
Mutual funds	21,152,512	0	21,152,512
Money market funds	0	0	0
Collateralized mortgage obligations:			
Inverse floaters	0	0	0
Interest-only strips	0	0	0
Agency pass-through	0	0	0
Private pass-through	0	0	0
Other major investments:	0	0	0
Total investments	34,907,915	0	34,907,915
Less endowment investments	(0)	(0)	(0)
Total investments	$ 34,907,915	$ 0	$ 34,907,915

Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
$ 0	$ 0	$ 0	$ 0
0	0	0	13,732,344
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	15,114	15,114	15,150
0	1,114,847	1,114,847	1,137,870
0	0	0	0
0	0	0	0
0	0	0	0
0	46,042,392	46,042,392	67,194,904
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	47,172,353	47,172,353	82,080,268
(0)	(42,498,726)	(42,498,726)	(42,498,726)
$ 0	$ 4,673,627	$ 4,673,627	$ 39,581,542

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2.2 INVESTMENTS HELD BY THE UNIVERSITY UNDER CONTRACTUAL AGREEMENTS AT JUNE 30, 2012:

Portion of investments in Note 2.1 held by the University under contractual agreements at June 30, 2012:	$ 0

2.3 RESTRICTED CURRENT INVESTMENTS AT JUNE 30, 2012:

Total restricted current investments at June 30, 2012	$ 0

2.4 RESTRICTED NONCURRENT INVESTMENTS AT JUNE 30, 2012 RELATED TO:

	Amount
Endowment investment	$ 42,498,726
Trust accounts	4,673,627
Total restricted noncurrent investments at June 30, 2012	$ 47,172,353

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

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3.1 COMPOSITION OF CAPITAL ASSETS AT JUNE 30, 2012

	Balance June 30, 2011	Prior-Period Additions	Reclassifications	Balance June 30, 2011 (Restated)
Nondepreciable Capital Assets				
Land and land improvements	$ 17,066,474	$ 0	$ 0	$ 17,066,474
Works of art and historical treasures	4,416,097	0	0	4,416,097
Construction Work in Progress (CWIP)	0	0	0	0
Intangible assets	0	0	0	0
Total nondepreciable capital assets	21,482,571	0	0	21,482,571
Depreciable Capital Assets				
Buildings and building improvements	32,709,305	0	0	32,709,305
Improvements, other than buildings	0	0	0	0
Infrastructure	0	0	0	0
Leasehold improvements	0	0	0	0
Personal property:				
Equipment	3,114,679	0	0	3,114,679
Library books and materials	0	0	0	0
Intangible assets				
Software and websites	289,962	0	0	289,962
Total depreciable capital assets	36,113,946	0	0	36,113,946
Total capital assets	57,596,517	0	0	57,596,517
Less Accumulated Depreciation				
Buildings and building improvements	(6,538,666)	0	0	(6,538,666)
Improvements, other than buildings	0	0	0	0
Infrastructure	0	0	0	0
Leasehold improvements	0	0	0	0
Personal property:				
Equipment	(2,472,756)	0	0	(2,472,756)
Library books and materials	0	0	0	0
Intangible assets				
Software and websites	(289,962)	0	0	(289,962)
Total accumulated depreciation	(9,301,384)	(0)	(0)	(9,301,384)
Total capital assets, net	$ 48,295,133	$ 0	$ 0	$ 48,295,133

3.2 Detail of depreciation and amortization expense for the year ended June 30, 2012:

Depreciation and amortization expense related to capital assets	$ 1,355,862
Amortization expense related to other assets	21,985
Total depreciation and amortization	$ 1,377,847

See Independent Auditors' Report

Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2012
$ 0	$ 0	$ 0	$ 17,066,474
73,001	0	0	4,489,098
0	0	0	0
0	0	0	0
73,001	0	0	21,555,572
253,175	(25,846)	0	32,936,634
0	0	0	0
0	0	0	0
0	0	0	0
	(97,018)	0	3,017,661
0	0	0	0
0	0	0	289,962
253,175	(122,864)	0	36,244,257
326,176	(122,864)	0	57,799,829
(1,128,026)	0	0	(7,666,692)
0	0	0	0
0	0	0	0
0	0	0	0
(227,836)	78,536	0	(2,622,056)
0	0	0	0
0	0	0	(289,962)
(1,355,862)	78,536	0	(10,578,710)
($ 1,029,686)	($ 44,328)	$ 0	$ 47,221,119

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

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4. LONG-TERM LIABILITIES ACTIVITY SCHEDULE

	Balance June 30, 2011	Prior-Period Adjustments	Reclassifications	Balance June 30, 2011 (Restated)	Additions	Reductions
Accrued compensated absences	$ 1,015,093	$ 0	$ 0	$ 1,015,093	$ 0	($ 4,113)
Capitalized lease obligations:						
Gross balance	0	0	0	0	0	0
Unamortized premium on capitalized lease obligations	0	0	0	0	0	0
Total Capitalized Lease Obligations	0	0	0	0	0	0
Long-term debt obligations:						
Revenue Bonds	33,690,000	0	0	33,690,000	0	(850,000)
Other bonds (non-revenue bonds)	0	0	0	0	0	0
Commercial Paper	0	0	0	0	0	0
Other:	0	0	0	0	0	0
Total Long-Term Debt Obligations	33,690,000	0	0	33,690,000	0	(850,000)
Unamortized Bond Premium/ (discount)	527,375	0	0	527,375	0	(24,085)
Unamortized Loss on Refunding	(332,913)	0	0	(332,913)	0	30,731
Total Long-Term Debt Obligations, Net	33,884,462	0	0	33,884,462	0	(843,354)
Total Long-Term Liabilities	$ 34,899,555	$ 0	$ 0	$ 34,899,555	$ 0	($ 847,467)

Balance June 30, 2012	Current Portion	Long-Term Portion
$ 1,010,980	$ 1,010,980	$ 0
0	0	0
0	0	0
0	0	0
32,840,000	875,000	31,965,000
0	0	0
0	0	0
0	0	0
32,840,000	875,000	31,965,000
503,290	24,084	479,206
(302,182)	(30,730)	(271,452)
33,041,108	868,354	32,172,754
$ 34,052,088	$ 1,879,334	$ 32,172,754

5. FUTURE MINIMUM LEASE PAYMENTS – CAPITAL LEASE OBLIGATIONS

Year Ending June 30,	Principal	Interest	Principal and Interest
2013	$ 0	$ 0	$ 0
2014	0	0	0
2015	0	0	0
2016	0	0	0
2017	0	0	0
2018 - 2022	0	0	0
2023 - 2027	0	0	0
2028 - 2032	0	0	0
2033 – 2037	0	0	0
2038 - 2042	0	0	0
2043 - 2047	0	0	0
2048 - 2052	0	0	0
2053 - 2057	0	0	0
2058 - 2062	0	0	0
Total minimum lease payments			0
Less amounts representing interest			(0)
Present value of future minimum lease payments			0
Less current portion			(0)
Capitalized lease obligation, net of current portion			$ 0

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

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6. LONG-TERM DEBT OBLIGATION SCHEDULE

	Revenue Bonds			All other long-term debt obligations		
Year ending June 30,	**Principal**	**Interest**	**Principal & Interest**	**Principal**	**Interest**	**Principal & Interest**
2013	$ 875,000	$ 1,608,469	$ 2,483,469	$ 0	$ 0	$ 0
2014	910,000	1,568,735	2,478,735	0	0	0
2015	955,000	1,528,119	2,483,119	0	0	0
2016	1,000,000	1,482,418	2,482,418	0	0	0
2017	1,040,000	1,437,601	2,477,601	0	0	0
2018 - 2022	6,010,000	6,386,594	12,396,594	0	0	0
2023 - 2027	7,700,000	4,668,014	12,368,014	0	0	0
2028 - 2032	9,975,000	2,381,798	12,356,798	0	0	0
2033 - 2037	4,375,000	239,325	4,614,325	0	0	0
2038 - 2042	0	0	0	0	0	0
2043 - 2047	0	0	0	0	0	0
2048 - 2052	0	0	0	0	0	0
2053 - 2057	0	0	0	0	0	0
Total	$ 32,840,000	$ 21,301,073	$ 54,141,073	$ 0	$ 0	$ 0

Total		
Principal	**Interest**	**Principal & Interest**
$ 875,000	$ 1,608,469	$ 2,483,469
910,000	1,568,735	2,478,735
955,000	1,528,119	2,483,119
1,000,000	1,482,418	2,482,418
1,040,000	1,437,601	2,477,601
6,010,000	6,386,594	12,396,594
7,700,000	4,668,014	12,368,014
9,975,000	2,381,798	12,356,798
4,375,000	239,325	4,614,325
0	0	0
0	0	0
0	0	0
0	0	0
$ 32,840,000	$ 21,301,073	$ 54,141,073

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7.1 CALCULATION OF NET ASSETS – INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT

	Auxiliary Organizations		Total
	GASB	FASB	Auxiliaries
Capital assets, net of accumulated depreciation	$ 47,221,119	$ 0	$ 47,221,119
Capital lease obligations, current portion	0	0	0
Capital lease obligations, net of current portion	0	0	0
Long-term debt obligations, current portion	(868,354)	0	(868,354)
Long-term debt obligations, net of current portion	(32,172,754)	0	(32,172,754)
Portion of outstanding debt that is unspent at year-end	0	0	0
Other adjustments:			
Unamortized bond premium	503,290	0	503,290
Unamortized loss on refunding	(302,182)	0	(302,182)
Net assets – invested in capital assets, net of related debt	$ 14,381,119	$ 0	$ 14,381,119

7.2. CALCULATION OF NET ASSETS – RESTRICTED FOR NON-EXPENDABLE ENDOWMENTS

Portion of restricted cash and cash equivalents related to endowments	$ 0	$ 0	$ 0
Endowment investments	42,498,726	0	42,498,726
Other adjustments:			
Quasi endowment	(1,434,155)	0	(1,434,155)
Net assets – restricted for non-expendable endowments per SNA	$ 41,064,571	$ 0	$ 41,064,571

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8. TRANSACTIONS WITH RELATED ENTITIES

	Amount
Payments to University for salaries of University personnel working on contracts, grants, and other programs	$ 4,160,685
Payments to University for other than salaries of University personnel	3,098,008
Payments received from University for services, space, and programs	5,029,829
Gifts-in-kind to the University from Auxiliary Organizations	0
Gifts (cash or assets) to the University from recognized Auxiliary Organizations	3,039,771
Amounts (payable to) University	(2,255,176)
Other amounts payable to University	0
Amounts receivable from University	94,837
Other amounts receivable from University	0

9. OTHER POSTEMPLOYMENT BENEFITS OBLIGATION (OPEB)

	Amount
Annual required contribution (ARC)	$ 1,339,394
Contributions during the year	0
Increase (decrease) in net OPEB obligation (NOO)	1,339,394
NOO – beginning of year	5,560,064
NOO – end of year	$ 6,899,458

10. POLLUTION REMEDIATION LIABILITIES UNDER GASB STATEMENT NO. 49:

Total pollution remediation liabilities	$ 0
Less: current portion	0
Pollution remediation liabilities, net of current portion	$ 0

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11. THE NATURE AND AMOUNT OF THE PRIOR-PERIOD ADJUSTMENT(S) RECORDED TO BEGINNING NET ASSETS

	Net Asset Class	Amount Dr. (Cr.)
Net assets as of June 30, 2011, as previously reported		$104,937,526
Prior-period adjustments:		0
Net assets as of June 30, 2011, as restated		$104,937,526

PROVIDE A DETAILED BREAKDOWN OF THE JOURNAL ENTRIES BOOKED TO RECORD EACH PRIOR-PERIOD ADJUSTMENT

	Debit	Credit
Net asset class:		
	$ 0	$ 0