



CALIFORNIA STATE UNIVERSITY
LONG BEACH
RESEARCH FOUNDATION

Financial Statements
with Supplementary Financial Information
June 30, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of California State University, Long Beach Research Foundation, which comprise the statement of net position as of June 30, 2017 and 2016, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California State University, Long Beach Research Foundation as of June 30, 2017 and 2016, 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's Discussion and Analysis (MD&A) on pages 4-15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The supplemental informational schedules on pages 44-53 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental informational schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental informational schedules are fairly stated, in all material respects, in relation to the basic 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 13, 2017 on our consideration of California State University, Long Beach Research 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 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 California State University, Long Beach Research Foundation's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Windes, Inc.".

Long Beach, California
September 13, 2017

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2017 AND 2016

Introduction

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

The 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, and public service goals.

Using the Financial Statements

The Foundation's financial report includes three statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. These financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) principles. GASB establishes standards for external financial reporting for public colleges and universities and requires 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 position categories:

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

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

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

Statement of Net Position

The statement of net position 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, total deferred outflow of resources, and total liabilities – net position – is one indicator of the current financial condition of the Foundation, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets, deferred outflow of resources, 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, deferred outflow of resources, liabilities, and net assets at June 30, 2017 and 2016 is as follows:

	June 30,	
	2017	2016
Current assets	\$ 34,200,000	\$ 33,700,000
Noncurrent assets		
Accounts receivable, net	16,300,000	16,300,000
Pledges receivable, net	1,500,000	2,000,000
Other long-term investments	3,850,000	5,500,000
Capital assets	<u>43,000,000</u>	<u>43,800,000</u>
Total assets	<u>98,850,000</u>	<u>101,300,000</u>
 Deferred outflows of resources	 <u>2,000,000</u>	 <u>2,200,000</u>
 Current liabilities	 11,000,000	 10,000,000
Noncurrent liabilities	<u>51,200,000</u>	<u>51,600,000</u>
Total liabilities	<u>62,200,000</u>	<u>61,600,000</u>
 Net Position	 <u>\$ 38,650,000</u>	 <u>\$ 41,900,000</u>

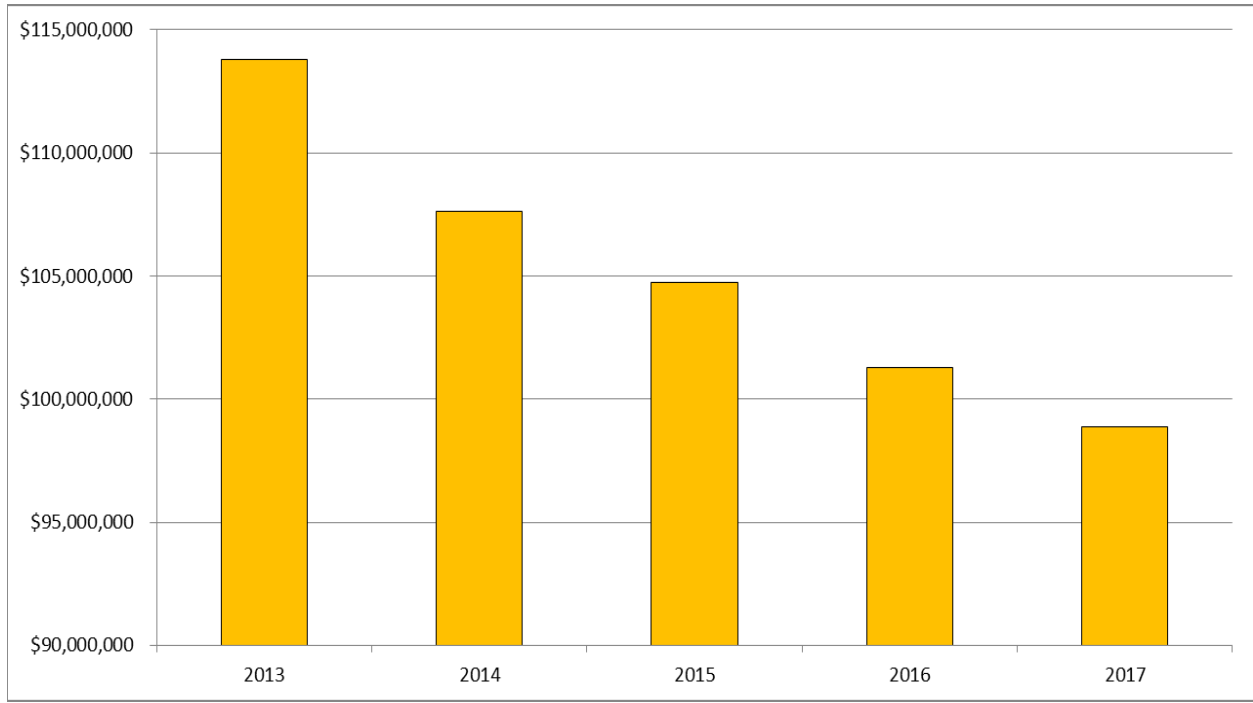
Total assets decreased \$2.5 million, or 2.4%, during fiscal year 2017 and decreased \$3.5 million, or 3.3%, during fiscal year 2016. The decrease in total assets in 2017 is due to a decrease of grants and pledge receivables and a decrease in long-term investments. The decrease in total assets in 2016 is due to a decrease of investments and grant receivables. Current assets of \$34.2 million were \$500,000, or 1.5% less than 2016. Current assets of \$33.7 million in 2016 were \$3.7 million, or 10% less than 2015.

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

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

Statement of Net Position (Continued)

Total Assets



Total liabilities of \$62.2 million increased \$600,000, or 1%, during fiscal year 2017. Total liabilities of \$61.6 million increased \$2.7 million, or 5%, during fiscal year 2016. Current liabilities include accounts payable of \$1.7 million, accrued salaries, benefits, and compensated absences payable of \$3.1 million, unearned revenues of \$5 million, the current portion of long-term debt of \$1.1 million, and other liabilities of \$100,000.

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

Net position decreased by \$3.3 million, or 7.8%, during fiscal year 2017 due to the transfer of net position to CSULB 49er Foundation and disposition of long-term investments. The net position decreased \$4.2 million, or 9%, during fiscal year 2016 due to a decrease in lease and other operating revenues.

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2017 AND 2016

Other Investments

The other long-term investments were \$3.9 million in 2017 and \$5.5 million in 2016. 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, 2017, The Foundation had \$43 million invested in capital assets, net of accumulated depreciation of \$15.1 million.

At June 30, 2016, The Foundation had \$43.8 million invested in capital assets, net of accumulated depreciation of \$14.1 million.

Depreciation charges for the years ended June 30, 2017 and 2016 totaled \$1.1 million and \$1.2 million, respectively. A summary of capital assets, net of accumulated depreciation, is as follows:

	June 30,	
	2017	2016
Building and improvements	\$33,000,000	\$ 33,000,000
Furniture and fixtures	<u>1,700,000</u>	<u>1,800,000</u>
	34,700,000	34,800,000
Less: accumulated depreciation and amortization	<u>(15,100,000)</u>	<u>(14,100,000)</u>
	19,600,000	20,700,000
Collection items (works of art)	6,300,000	6,000,000
Land and land improvements	<u>17,100,000</u>	<u>17,100,000</u>
	<u>\$43,000,000</u>	<u>\$ 43,800,000</u>

Capital assets of \$300,000 and \$42,000 were added in 2017 and 2016, respectively.

Long-term debt obligations consist of bonds of \$29.1 million in 2017 and \$30.5 million in 2016.

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2017 AND 2016

Net Position

Net position represents the residual interest in the Foundation's assets and deferred outflow of resources after liabilities are deducted. The Foundation's net position is as follows:

	June 30,	
	2017	2016
Invested in capital assets, net of related debt	\$12,750,000	\$ 12,300,000
Restricted:		
Nonexpendable	-	-
Expendable	23,550,000	25,300,000
Unrestricted	<u>2,350,000</u>	<u>4,300,000</u>
Net Position	<u>\$38,650,000</u>	<u>\$ 41,900,000</u>

Net position decreased \$3.3 million, or 7.8%, during fiscal year 2017. It decreased by \$4.2 million, or 9%, during fiscal year 2016. Net 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 2017, restricted net position decreased \$1.8 million, or 7%. The invested in capital assets, net of related debt, increased by \$450,000, or 4%, primarily due to the works of art donation.

In 2016, restricted net position increased \$1.7 million, or 6%. The invested in capital assets, net of related debt, decreased by \$2 million, or 14%, due to increase in debt attributed to premium in refunding the bonds.

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

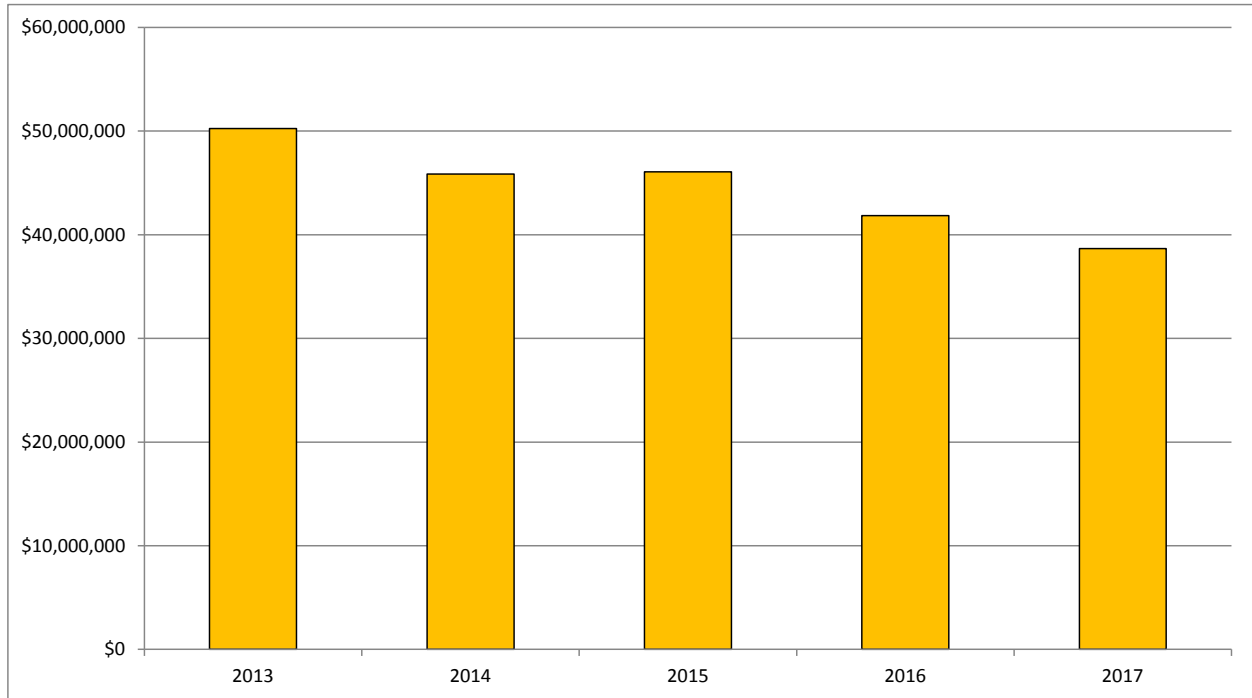
CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2017 AND 2016

Net Position (Continued)

Net Position



CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2017 AND 2016

Statement of Revenues, Expenses, and Changes in Net Position

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

	For the Year Ended	
	June 30,	
	<u>2017</u>	<u>2016</u>
Operating revenues:		
Grants and contracts	\$ 35,100,000	\$ 33,400,000
Other	<u>10,600,000</u>	<u>9,500,000</u>
Total operating revenues	<u>45,700,000</u>	<u>42,900,000</u>
Operating expenses	<u>(50,150,000)</u>	<u>(47,100,000)</u>
Operating loss	<u>(4,450,000)</u>	<u>(4,200,000)</u>
Nonoperating revenues (expenses):		
Gifts, noncapital	1,260,000	1,200,000
Investment income (loss), net	2,600,000	100,000
Nonoperating expenses	<u>(1,260,000)</u>	<u>(1,300,000)</u>
Total nonoperating revenues, net	<u>2,600,000</u>	<u>-</u>
Change in net position	(1,850,000)	(4,200,000)
Special item:		
Transfer of net position to CSULB 49er Foundation	(1,400,000)	-
Net position at beginning of year	<u>41,900,000</u>	<u>46,100,000</u>
Net position at end of year	<u>\$ 38,650,000</u>	<u>\$ 41,900,000</u>

During fiscal year 2017, total nonoperating revenues increased \$2.6 million due to investment income.

During fiscal year 2016, total nonoperating revenues decreased \$700,000, primarily due to reduction in gifts received and the decline of investment market value during the first half of the fiscal year.

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2017 AND 2016

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

The operating loss is affected by Foundation program activities, which 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 fiscal year 2017, grants and contracts revenues consist of federal grants and contracts of \$23.3 million, state and local grants and contracts of \$7.5 million, and non-governmental grants and contracts of \$4.3 million.

During fiscal year 2016, grants and contracts revenues consist of federal grants and contracts of \$22.1 million, state and local grants and contracts of \$6.2 million, and non-governmental grants and contracts of \$5.1 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 \$2.6 million in 2017 and \$100,000 in 2016.

In 2017, operating expenses consist of salaries and fringe benefits of \$27.9 million, supplies and services of \$16.7 million, scholarships and fellowships of \$4.4 million, and depreciation of \$1.1 million.

In 2016, operating expenses consist of salaries and fringe benefits of \$26.6 million, supplies and services of \$15.1 million, scholarships and fellowships of \$4.3 million, and depreciation of \$1.2 million.

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2017 AND 2016

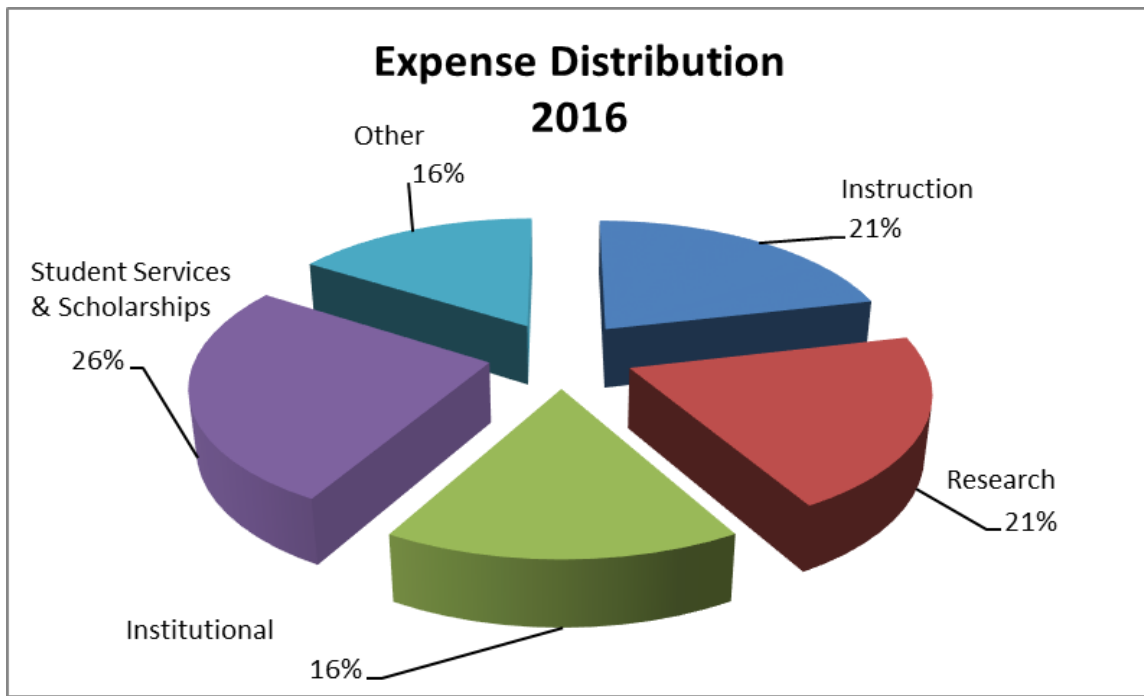
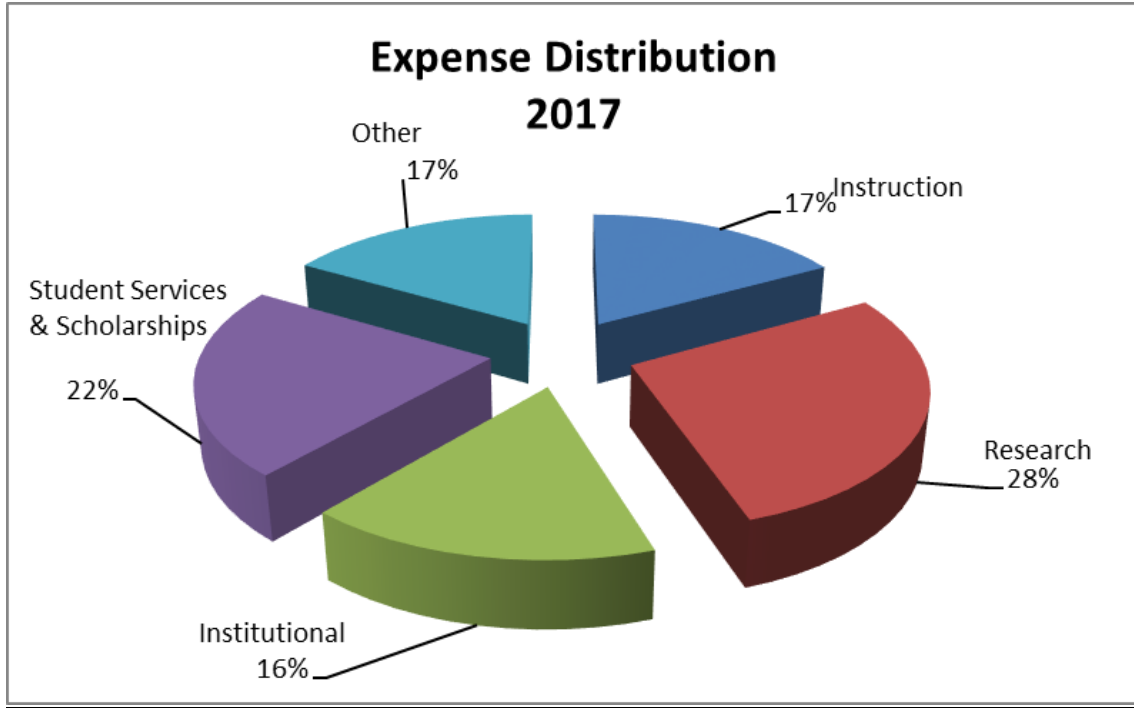
Statement of Revenues, Expenses, and Changes in Net Position (Continued)

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,	
	2017	2016
Operating		
Instruction	\$ 8,150,000	\$ 9,500,000
Research	13,500,000	9,200,000
Public service	3,800,000	3,600,000
Academic support	4,100,000	3,500,000
Student services	6,100,000	7,400,000
Institutional support	7,900,000	7,300,000
Student grants and scholarships	4,400,000	4,300,000
Auxiliary enterprise expenses	1,000,000	1,100,000
Depreciation and amortization	<u>1,200,000</u>	<u>1,200,000</u>
Total Operating Expenses	<u>\$ 50,150,000</u>	<u>\$ 47,100,000</u>

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

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



CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2017 AND 2016

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,	
	2017	2016
Cash received from operations	\$ 47,300,000	\$ 44,470,000
Cash expended from operations	<u>(47,450,000)</u>	<u>(44,920,000)</u>
Net cash used in operating activities	(150,000)	(450,000)
Net cash provided by noncapital financing activities (gifts and grants)	1,400,000	1,550,000
Net cash used in capital and related financing activities	(2,350,000)	(2,550,000)
Net cash provided by investing activities	<u>2,800,000</u>	<u>1,700,000</u>
Net change in cash and cash equivalents	1,700,000	250,000
Cash transfer to CSULB 49er Foundation	(1,400,000)	-
Cash and cash equivalents at beginning of year	<u>1,650,000</u>	<u>1,400,000</u>
Cash and cash equivalents at end of year	<u>\$ 1,950,000</u>	<u>\$ 1,650,000</u>

During fiscal year 2017, the cash position increased \$300,000, primarily due to a decrease in receivables.

During fiscal year 2016, the cash position increased \$250,000, primarily due to a decrease in receivables and an increase in deferred revenues.

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2017 AND 2016

Economic Factors That Will Affect the Future

The primary mission of the CSULB Research Foundation is to support the endeavors of externally sponsored programs as a means of enhancing the academic experience of our faculty, students, and staff. The CSULB Research Foundation, along with the CSULB Office of Research and Sponsored Programs, offers a full range of pre- and post- award administrative services to support our externally sponsored programs.

Revenue received for providing these services makes up a significant portion of the operating revenue for the CSULB Research Foundation. In FY 2016-17, there were 169 new grant awards (an 18% increase over FY 2015-16) which totaled approximately \$53 million (a 55% increase over FY 2015-16). Agencies providing grant funding included 60 federal agencies, 40 state agencies, 22 local agencies, and 47 private corporations and foundations. The new grants awards will have a positive impact on our economic future. We also look at the number of proposals and dollar value of those proposals as added assurance of continued growth. Also in FY 2016-17, 302 (a 5.6% increase over FY 2015-16) grant proposals valued at approximately \$96 million (an 18.3% increase over FY 2015-16) were submitted. Given the number of new awards and new proposals, we remain optimistic that there will continue to be a consistent revenue stream to support the operations of the CSULB Research Foundation. Similarly, we feel that the ever-increasing efforts of our faculty, students, and staff will further strengthen a research-focused culture at CSULB.

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

STATEMENT OF NET POSITION

ASSETS

	June 30,	
	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,937,369	\$ 1,634,194
Short-term investments	25,334,918	23,836,245
Accounts receivable, net	6,703,125	7,976,417
Pledges receivable, net	120,716	140,630
Prepaid expenses and other assets	99,667	143,548
	<u>34,195,795</u>	<u>33,731,034</u>
NONCURRENT ASSETS		
Accounts receivable, net	16,351,934	16,241,611
Pledges receivable, net	1,514,082	2,028,662
Other long-term investments	3,834,180	5,516,573
Capital assets, net	42,971,279	43,763,663
	<u>64,671,475</u>	<u>67,550,509</u>
TOTAL ASSETS	<u>98,867,270</u>	<u>101,281,543</u>
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on refunding	<u>2,031,657</u>	<u>2,174,792</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,031,657</u>	<u>2,174,792</u>

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

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

**STATEMENT OF NET POSITION
(Continued)**

LIABILITIES

	June 30,	
	<u>2017</u>	<u>2016</u>
CURRENT LIABILITIES		
Accounts payable	1,733,323	1,212,327
Accrued salaries and benefits payable	1,699,334	1,561,219
Accrued compensated absences, current portion	1,428,700	1,078,708
Unearned revenue	5,012,051	4,621,317
Long-term debt obligations, current portion	1,110,000	1,040,000
Other liabilities	60,946	468,777
	<u>11,044,354</u>	<u>9,982,348</u>
NONCURRENT LIABILITIES		
Long-term debt obligations, net of current portion	29,114,609	30,468,678
Other postemployment benefit obligations	13,853,472	13,024,543
Other liabilities	8,221,778	8,125,273
	<u>51,189,859</u>	<u>51,618,494</u>
TOTAL LIABILITIES	<u>62,234,213</u>	<u>61,600,842</u>

NET POSITION

NET POSITION		
Net investment in capital assets	12,746,670	12,254,985
Restricted for:		
Expendable:		
Research	3,355,670	6,652,269
Other	20,197,067	18,694,239
Unrestricted	<u>2,365,307</u>	<u>4,254,000</u>
TOTAL NET POSITION	<u>\$ 38,664,714</u>	<u>\$ 41,855,493</u>

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 POSITION

	For the Year Ended June 30,	
	<u>2017</u>	<u>2016</u>
REVENUES		
Operating Revenues:		
Grants and contracts, noncapital:		
Federal	\$ 23,351,139	\$ 22,140,526
State	5,372,533	5,002,284
Local	2,100,593	1,150,453
Nongovernmental	4,303,005	5,077,044
Sales and services of auxiliary enterprises	4,063,937	2,947,314
Other operating revenues	<u>6,519,827</u>	<u>6,559,915</u>
	<u>45,711,034</u>	<u>42,877,536</u>
EXPENSES		
Operating Expenses:		
Instruction	8,155,140	9,544,797
Research	13,491,857	9,210,383
Public service	3,780,047	3,572,940
Academic support	4,133,462	3,542,244
Student services	6,144,830	7,416,228
Institutional support	7,868,751	7,293,471
Student grants and scholarships	4,379,066	4,258,719
Auxiliary enterprise expenses	1,061,583	1,129,940
Depreciation and amortization	<u>1,145,634</u>	<u>1,154,182</u>
	<u>50,160,370</u>	<u>47,122,904</u>
OPERATING LOSS	<u>(4,449,336)</u>	<u>(4,245,368)</u>
NONOPERATING REVENUES (EXPENSES)		
Gifts, noncapital	1,260,558	1,232,504
Investment income, net	2,610,983	119,394
Interest expense	(1,223,320)	(1,486,341)
Other nonoperating revenues (expenses)	<u>(23,921)</u>	<u>167,344</u>
	<u>2,624,300</u>	<u>32,901</u>

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 POSITION
(Continued)

	For the Year Ended June 30,	
	2017	2016
DECREASE IN NET POSITION BEFORE SPECIAL ITEM	(1,825,036)	(4,212,467)
SPECIAL ITEM		
Transfer of net position to CSULB 49er Foundation	(1,365,743)	-
DECREASE IN NET POSITION	(3,190,779)	(4,212,467)
NET POSITION AT BEGINNING OF YEAR	41,855,493	46,067,960
NET POSITION AT END OF YEAR	\$ 38,664,714	\$ 41,855,493

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,	
	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Federal grants and contracts	\$ 24,383,975	\$ 23,211,033
State grants and contracts	5,610,164	5,244,146
Local grants and contracts	2,193,504	1,206,078
Nongovernmental grants and contracts	4,493,330	5,322,522
Payments to suppliers	(16,569,686)	(19,279,283)
Payments to employees	(26,479,025)	(17,950,675)
Payments to students	(4,379,067)	(7,690,093)
Sales and services of auxiliary enterprises	4,063,936	2,947,314
Other receipts	<u>6,519,827</u>	<u>6,544,339</u>
Net Cash Used In Operating Activities	<u>(163,042)</u>	<u>(444,619)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gifts received for other than capital purposes	1,655,513	2,217,890
Other noncapital financing activities	<u>(237,631)</u>	<u>(675,305)</u>
Net Cash Provided By Noncapital Financing Activities	<u>1,417,882</u>	<u>1,542,585</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	-	(42,000)
Payments to retire bonds	(1,040,000)	(1,000,000)
Interest paid on capital-related debt	<u>(1,340,625)</u>	<u>(1,495,159)</u>
Net Cash Used In Capital and Related Financing Activities	<u>(2,380,625)</u>	<u>(2,537,159)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	4,174,408	3,298,529
Investment income, net	2,610,983	119,394
Purchase of investments	<u>(3,990,688)</u>	<u>(1,737,013)</u>
Net Cash Provided By Financing Activities	<u>2,794,703</u>	<u>1,680,910</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,668,918	241,717
CASH TRANSFER TO CSULB 49ER FOUNDATION	(1,365,743)	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,634,194</u>	<u>1,392,477</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,937,369</u>	<u>\$ 1,634,194</u>

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,	
	<u>2017</u>	<u>2016</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES:		
Operating loss	\$ (4,449,336)	\$ (4,245,368)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization	1,145,634	1,154,182
Change in assets and liabilities:		
Accounts receivable, net	1,162,969	894,708
Prepaid expenses and other assets	43,881	(17,812)
Accounts payable	537,367	(461,416)
Accrued salaries and benefits payable	138,115	84,960
Accrued compensated absences	349,992	201,613
Unearned revenue	390,734	718,765
Other liabilities	<u>517,602</u>	<u>1,225,749</u>
 Net Cash Used In Operating Activities	 <u>\$ (163,042)</u>	 <u>\$ (444,619)</u>

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

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

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

NOTE 1 – Statement of Significant Accounting Policies

Organization

The California State University, Long Beach Research Foundation (the Research Foundation) is a nonprofit, tax-exempt corporation, incorporated in the state of California on October 3, 1956. The Research 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). The Research Foundation has accepted donations, gifts, and bequests for any University-related use and is currently only administering gifts and bequests made to the Research Foundation prior to the start of CSULB 49er Foundation, which now accepts such donations for any University-related use. The Research 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 Research Foundation reports as a Business Type Activity and, accordingly, has reported its activities within a single column in the basic financial statements.

The Research Foundation's policy for defining operating activities as reported on the statement of revenues, expenses, and changes in net position 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 Research Foundation's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues as defined by GASB, including gifts and investment income.

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 – Statement of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

The Research Foundation has adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, 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 Research 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 position categories: Invested in capital assets, net of related debt; Restricted, non-expendable; Restricted, expendable; and Unrestricted.

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Foundation reports separate sections for Deferred Outflows of Resources and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources – represent outflow of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense at that time.

Deferred Inflows of Resources – (acquisition of net position) that apply to future periods and that, therefore, are not to be recognized as revenue until that time.

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

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

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 – Statement of Significant Accounting Policies (Continued)

Net Position

The Research Foundation's net position is classified into the following net position 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 position subject to externally imposed stipulations that they be maintained permanently by the Research Foundation.

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

- *Unrestricted*

Unrestricted net positions are those that are not subject to externally imposed stipulations. Unrestricted net positions 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 positions are designated for any University-related use, which includes academic and research programs and initiatives, and capital programs.

Reporting Entity

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

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

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

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 of capital assets, postemployment benefit obligations, and charitable unitrust agreements. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Cash and Cash Equivalents

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

Custodial Credit Risk for Deposits

Custodial credit risk for deposits is the risk that the Research 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 a depository regulated under state law. The Research Foundation mitigates the risk by maintaining the deposits at financial institutions that are fully insured or collateralized as required by state law.

Investments

The Research 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 position. Realized and unrealized gains and losses are included in the accompanying statement of revenues, expenses, and changes in net position.

The Research Foundation has adopted GASB Statement No. 72, *Fair Value Measurement and Application*. GASB 72 establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value.

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

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

NOTE 1 – Statement of Significant Accounting Policies (Continued)

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 Research 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 \$1,100,000 at June 30, 2017 and 2016). The determination includes such factors as prior collection history, type of gift, and nature of fund-raising.

Capital Assets

Capital assets of the Research 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.

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

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

NOTE 1 – Statement of Significant Accounting Policies (Continued)

Collection Items and Works of Art

The Research 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 \$353,000 and \$42,000 for the years ended June 30, 2017 and 2016, respectively.

Unearned Revenue

Unearned 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

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

Classification of Revenues and Expenses

The Research Foundation considers operating revenues and expenses in the statement of revenues, expenses, and changes in net position to be those revenues and expenses that result from exchange transactions or from other activities that are connected directly to the Research 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.

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

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

NOTE 1 – Statement of Significant Accounting Policies (Continued)

Income Taxes

The Research 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.

Recent Accounting Pronouncements

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

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

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 – Statement of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

In January 2017, GASB issued Statement No. 84 – *Fiduciary Activities*. This Statement provides specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business type activities should report their fiduciary activities. The provisions of this Statement are effective beginning in fiscal year ending June 30, 2020 and is retroactively applied to all fiscal years presented in the financial statements. The Research Foundation is currently evaluating the impact of this Statement.

In June 2017, GASB issued Statement No. 87 – *Leases*. This Statement requires the recognition of lease assets and liabilities that previously were classified as operating leases and recognize as inflows of resources or outflows of resources based on the payment provisions of the applicable lease agreement. This Statement will require a lessee to recognize a lease liability and an intangible right-to-use lease asset. A lessor would recognize a lease receivable and a deferred inflow of resources. The provisions of this Statement are effective beginning in fiscal year ending June 30, 2021 and is retroactively applied to all fiscal years presented in the financial statements. The Research Foundation is currently evaluating the impact of this Statement.

NOTE 2 – Accounts Receivable

The composition of accounts receivable is summarized as follows:

	June 30,	
	2017	2016
Grants and contracts	\$ 6,514,711	\$ 7,698,129
Other	<u>16,698,176</u>	<u>16,677,727</u>
	23,212,887	24,375,856
Less allowance for uncollectible accounts	<u>(157,828)</u>	<u>(157,828)</u>
	23,055,059	24,218,028
Less current portion	<u>(6,703,125)</u>	<u>(7,976,417)</u>
Noncurrent portion	<u>\$ 16,351,934</u>	<u>\$ 16,241,611</u>

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

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

NOTE 3 – Pledges Receivable

Pledges receivable are recorded in the statement of net position at estimated net realizable value in accordance with GASB Statement No. 33. Pledges receivable were discounted as of June 30, 2017 using an interest rate of 3.39%, which approximated the Research Foundation's rate of return on treasury notes at the time the pledge is made. Pledges receivable as of June 30, 2017 are summarized as follows:

<u>Due in the Year Ending June 30,</u>	
2018	\$ 200,000
2019	200,000
2020	200,000
2021	200,000
2022	200,000
Thereafter	<u>2,663,586</u>
	3,663,586
Less allowance for uncollectible pledges	(1,073,712)
Less present value discounts	<u>(955,076)</u>
	1,634,798
Less current portion of pledges receivable	<u>(120,716)</u>
Long-term portion of pledges receivable	<u>\$ 1,514,082</u>

NOTE 4 – Investments

At June 30, 2017, the Research Foundation's investment portfolio consists primarily of investments held in the investment pool, as well as interest-bearing accounts.

Investment Policy

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

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

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

NOTE 4 – Investments (Continued)

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 Research 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 statement of net position.

The following is a summary of investments:

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Investments at fair value as determined by quoted market price or estimated fair value:		
Common stock	\$ 111,976	\$ 23,429
Mutual funds	24,284,116	25,758,752
Bonds	448,485	567,053
LAIF	<u>4,324,521</u>	<u>3,003,584</u>
	<u>\$ 29,169,098</u>	<u>\$ 29,352,818</u>
	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Investments by classification:		
Current portion	\$ 25,334,918	\$ 23,836,245
Noncurrent portion	<u>3,834,180</u>	<u>5,516,573</u>
	<u>\$ 29,169,098</u>	<u>\$ 29,352,818</u>

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

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

NOTE 4 – Investments (Continued)

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,	
	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 1,220,318	\$ 1,318,318
Net unrealized gains (losses)	1,209,438	(1,733,894)
Net realized gains	<u>181,227</u>	<u>534,970</u>
	<u><u>\$ 2,610,983</u></u>	<u><u>\$ 119,394</u></u>

Investment fees totaled \$113,627 and \$107,499 for the years ended June 30, 2017 and 2016, respectively, and are included in investment income on the accompanying statement of revenues, expenses, and changes in net position.

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

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

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

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

NOTE 4 – Investments (Continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation’s investments at fair value measurements:

	Fair Value Measurements at June 30, 2017			
	(Level 1)	(Level 2)	(Level 3)	Total
Common Stock	\$ 111,976	\$ -	\$ -	\$ 111,976
US Treasury Securities:				
Intermediate-Term Bond	448,485	-	-	448,485
Equity Mutual Funds:				
Large blend	24,284,116	-	-	24,284,116
State of California Local Agency Investment Fund	<u>-</u>	<u>4,324,521</u>	<u>-</u>	<u>4,324,521</u>
Total assets at fair value	<u>\$ 24,844,577</u>	<u>\$ 4,324,521</u>	<u>\$ -</u>	<u>\$ 29,169,098</u>

	Fair Value Measurements at June 30, 2016			
	(Level 1)	(Level 2)	(Level 3)	Total
Common Stock	\$ 23,429	\$ -	\$ -	\$ 23,429
US Treasury Securities:				
Intermediate-Term Bond	491,880	-	-	491,880
Short-Term Bond	75,173	-	-	75,173
Equity Mutual Funds:				
Large blend	25,758,752	-	-	25,758,752
State of California Local Agency Investment Fund	<u>-</u>	<u>3,003,584</u>	<u>-</u>	<u>3,003,584</u>
Total assets at fair value	<u>\$ 26,349,234</u>	<u>\$ 3,003,584</u>	<u>\$ -</u>	<u>\$ 29,352,818</u>

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

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

NOTE 5 – Capital Assets

Capital assets activity for the year ended June 30, 2017 is summarized below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land	\$ 17,066,474	\$ -	\$ -	\$ 17,066,474
Building and improvements	33,017,208	-	-	33,017,208
Furniture and fixtures	1,810,525	-	(122,763)	1,687,762
Collection items	<u>5,964,491</u>	<u>353,250</u>	-	<u>6,317,741</u>
	57,858,698	353,250	(122,763)	58,089,185
Less accumulated depreciation and amortization	<u>(14,095,035)</u>	<u>(1,145,634)</u>	<u>122,763</u>	<u>(15,117,906)</u>
	<u>\$ 43,763,663</u>	<u>\$ (792,384)</u>	<u>\$ -</u>	<u>\$ 42,971,279</u>

Capital assets activity for the year ended June 30, 2016 is summarized below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land	\$ 17,066,474	\$ -	\$ -	\$ 17,066,474
Building and improvements	33,017,208	-	-	33,017,208
Furniture and fixtures	1,810,525	-	-	1,810,525
Collection items	<u>5,922,491</u>	<u>42,000</u>	-	<u>5,964,491</u>
	57,816,698	42,000	-	57,858,698
Less accumulated depreciation and amortization	<u>(12,940,853)</u>	<u>(1,154,182)</u>	<u>-</u>	<u>(14,095,035)</u>
	<u>\$ 44,875,845</u>	<u>\$ (1,112,182)</u>	<u>\$ -</u>	<u>\$ 43,763,663</u>

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

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

NOTE 6 – Long-Term Debt

Long-term debt consists of:

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
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	\$ 8,005,000	\$ 8,370,000
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	6,505,000	6,765,000
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	<u>11,710,000</u>	<u>12,125,000</u>
	26,220,000	27,260,000
Unamortized Bond Premium	4,004,609	4,248,678
Less current portion	<u>(1,110,000)</u>	<u>(1,040,000)</u>
Noncurrent portion	<u>\$ 29,114,609</u>	<u>\$ 30,468,678</u>

Long-term debt activity for the year ended June 30, 2017 is summarized as follows:

	<u>Beginning Balance</u>	<u>Borrowings</u>	<u>Refunding</u>	<u>Principal Repayment</u>	<u>Ending Balance</u>
Bonds payable	<u>\$ 27,260,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,040,000)</u>	<u>\$ 26,220,000</u>

Long-term debt activity for the year ended June 30, 2016 is summarized as follows:

	<u>Beginning Balance</u>	<u>Borrowings</u>	<u>Refunding</u>	<u>Principal Repayment</u>	<u>Ending Balance</u>
Bonds payable	<u>\$ 30,100,000</u>	<u>\$ -</u>	<u>\$ (1,840,000)</u>	<u>\$ (1,000,000)</u>	<u>\$ 27,260,000</u>

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

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

NOTE 6 – Long-Term Debt (Continued)

Future maturities of long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 1,110,000	\$ 1,255,950
2019	1,115,000	1,205,750
2020	1,125,000	1,150,900
2021	1,175,000	1,092,983
2022	1,240,000	1,032,066
2023-2027	7,205,000	4,138,868
2028-2032	9,250,000	2,077,167
Thereafter	<u>4,000,000</u>	<u>184,750</u>
	<u>\$ 26,220,000</u>	<u>\$ 12,138,434</u>

The bonds contain certain covenants with respect to a minimum debt service coverage ratio and minimum unrestricted net assets for which the Research Foundation is in compliance, or obtained a waiver, at June 30, 2017.

During the fiscal year ended June 30, 2016, the Research Foundation entered into two refunding agreements where two series of bonds payable (\$20,285,000) were refunded with proceeds of \$18,445,000 from new bonds payable issued during the year. The net effect for the Research Foundation was a reduction of bonds payable of \$1,840,000.

NOTE 7 – Pension Plan and Postemployment Health Care Plan

Pension Plan

The Research 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 \$589,000 and \$598,000 for the years ended June 30, 2017 and 2016, respectively.

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

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

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

Postemployment Health Care Plan

Plan Description. CSULB Research Foundation’s defined benefit postemployment health care 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 Research Foundation are established and may be amended by the Research Foundation’s board of directors. The 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 26.25% of annual covered payroll.

Annual OPEB Cost. For fiscal year ending June 30, 2017, the Research Foundation’s annual OPEB (expense) of \$1,333,217 approximated the ARC. The Research Foundation’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Annual OPEB Obligation</u>	<u>Net OPEB Obligation</u>
6/30/15	\$2,108,634	20.63%	\$1,673,646	\$11,674,830
6/30/16	\$1,349,713	0%	\$1,349,713	\$13,024,543
6/30/17	\$1,333,217	37.82%	\$828,929	\$13,853,472

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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

Postemployment Health Care Plan (Continued)

Funded Status and Funding Progress. The funded status of the plan as of June 30, 2017, was follows:

Actuarial accrued liability (AAL)	\$ 17,167,112
Actuarial value of plan assets	<u>(1,843,564)</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 15,323,548</u>
Funded ratio (actuarial value of plan assets/AAL)	10.74%
Covered payroll (active plan members)	\$ 4,355,086
UAAL as a percentage of covered payroll	351.85%

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.

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.

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

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

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

Postemployment Health Care Plan (Continued)

At June 30, 2017, using the assumptions based on the July 2015 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 4% discount rate.

NOTE 8 – Commitments and Contingencies

Charitable Unitrust Agreements

The Research 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 Research 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 position.

Contingencies

The Research 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.

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

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

NOTE 8 – Commitments and Contingencies (Continued)

As Lessor

The total investment in the land and building is approximately \$50,000,000 with \$46,000,000 allocated to the space available for lease, and approximately \$11,200,000 of accumulated depreciation at June 30, 2017.

Lease terms range from three to four 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, 2017:

<u>Year Ending June 30,</u>	
2018	\$ 2,896,278

Rental income was approximately \$3,790,000 and \$2,713,000 for the years ended June 30, 2017 and 2016, respectively.

As Lessee

The Research Foundation has entered into multiple leases at different locations under agreements expiring at various dates through April 2018, 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, 2017:

<u>Year Ending June 30,</u>	
2018	\$ 48,781

Rental expense under all operating leases was approximately \$573,000 and \$615,000 for the years ended June 30, 2017 and 2016, respectively.

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

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

NOTE 9 – Operating Expenses by Function

	For the Year Ended June 30, 2017				Total
	Compensation and Benefits	Supplies and Services	Scholarship and Fellowship	Depreciation and Amortization	
Instruction	\$ 5,309,110	\$ 2,846,030	\$ -	\$ -	\$ 8,155,140
Research	8,136,326	5,355,531	-	-	13,491,857
Public service	1,825,144	1,954,903	-	-	3,780,047
Academic support	2,008,231	2,125,231	-	-	4,133,462
Student services	4,991,906	1,152,924	-	-	6,144,830
Institutional support	5,224,353	2,644,396	-	-	7,868,751
Student grants and scholarships	-	-	4,379,066	-	4,379,066
Auxiliary enterprise expenses	397,496	664,089	-	-	1,061,583
Depreciation and amortization	-	-	-	1,145,634	1,145,634
Total Operating Expenses	\$ 27,892,566	\$ 16,743,104	\$ 4,379,066	\$ 1,145,634	\$ 50,160,370

	For the Year Ended June 30, 2016				Total
	Compensation and Benefits	Supplies and Services	Scholarship and Fellowship	Depreciation and Amortization	
Instruction	\$ 5,958,554	\$ 3,586,243	\$ -	\$ -	\$ 9,544,797
Research	6,483,611	2,726,772	-	-	9,210,383
Public service	1,573,381	1,999,559	-	-	3,572,940
Academic support	1,609,967	1,932,277	-	-	3,542,244
Student services	5,227,863	2,188,365	-	-	7,416,228
Institutional support	5,252,897	2,040,574	-	-	7,293,471
Student grants and scholarships	-	-	4,258,719	-	4,258,719
Auxiliary enterprise expenses	470,014	659,926	-	-	1,129,940
Depreciation and amortization	-	-	-	1,154,182	1,154,182
Total Operating Expenses	\$ 26,576,287	\$ 15,133,716	\$ 4,258,719	\$ 1,154,182	\$ 47,122,904

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

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

NOTE 10 – Transactions with Related Entities

As described in Note 1, the Research Foundation is an auxiliary organization affiliated with the University and the California State University (CSU) System statewide. The Research Foundation is also affiliated with CSULB 49er Foundation (49er Foundation), an auxiliary organization of the University and CSU. The accompanying financial statements include transactions with related parties as of and for the years ended June 30, 2017 and 2016, as follows:

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Payments to the University for salaries, wages, and benefits of University employees working on contracts, grants, and other programs	\$ 3,570,200	\$ 3,783,797
Payments to the University for other than salaries of University personnel	\$11,255,015	\$ 9,687,730
Payments received from the University for services, space, and programs	\$ 5,009,496	\$ 5,427,999
Gifts to the University from recognized auxiliary organizations	\$ 6,616,571	\$ 6,348,741
Amounts receivable from CSU entities and recognized auxiliary organizations	\$ 114,554	\$ 563,262
Amounts due to the University	\$ 686,888	\$ 648,560
Amounts receivable from the University	\$ 68,542	\$ 283,862

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

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

NOTE 11 – Transfer of Net Position

The 49er Foundation began operations July 1, 2012 with the purpose to promote philanthropy and manage the resources previously donated to the Research Foundation but designated for University-related uses. Assets relating to endowments, scholarships, and certain pledges were transferred from the Research Foundation to the 49er Foundation at the inception of operations. Some assets related to campus program donations were retained in the Research Foundation until specified obligations were satisfied. Once the specified obligations are satisfied, the assets are transferred to the 49er Foundation in the year the obligation is satisfied. In addition, the Research Foundation administered several philanthropic events on behalf of the 49er Foundation during the year. The purpose of those events were to generate donations designated for University-related uses. The proceeds net of any associated expenses are transferred to the 49er Foundation after the event. During the year ended June 30, 2017, the Research Foundation transferred \$1,365,743 of cash related to obligations satisfied and net proceeds from philanthropic events to the 49er Foundation.

SUPPLEMENTARY FINANCIAL INFORMATION

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

SUPPLEMENTARY FINANCIAL INFORMATION

Schedule of Funding Progress

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)
6/30/15	\$ -	\$ 18,406,892	\$ 18,406,892	0%	\$ 5,682,943	323.90%
6/30/16	\$ 1,670,916	\$ 14,982,131	\$ 13,311,215	11%	\$ 5,140,810	258.93%
6/30/17	\$ 1,843,564	\$ 17,167,112	\$ 15,323,548	11%	\$ 4,355,086	351.85%

See Independent Auditors' Report

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

**SUPPLEMENTARY FINANCIAL INFORMATION
OTHER INFORMATION
JUNE 30, 2017**

1. RESTRICTED CASH AND CASH EQUIVALENTS AT JUNE 30, 2017:

Portion of restricted cash and cash equivalents related to endowments	\$ -
All other restricted cash and cash equivalents	<u>-</u>
Total restricted cash and cash equivalents	<u><u>\$ -</u></u>

2.1. COMPOSITION OF INVESTMENTS AT JUNE 30, 2017:

	<u>Current Unrestricted</u>	<u>Current Restricted</u>	<u>Total Current</u>	<u>Noncurrent Unrestricted</u>	<u>Noncurrent Restricted</u>	<u>Total Noncurrent</u>	<u>Total</u>
State of California Surplus Money Investment Fund (SMIF)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State of California Local Agency Investment Fund (LAIF)	4,324,521	-	4,324,521	-	-	-	4,324,521
Corporate bonds	-	-	-	-	-	-	-
Certificates of deposit	-	-	-	-	-	-	-
Mutual funds	20,898,421	-	20,898,421	3,385,695	-	3,385,695	24,284,116
Money Market funds	-	-	-	-	-	-	-
Repurchase agreements	-	-	-	-	-	-	-
Commercial paper	-	-	-	-	-	-	-
Asset-backed securities	-	-	-	-	-	-	-
Mortgage-backed securities	-	-	-	-	-	-	-
Municipal bonds	-	-	-	-	-	-	-
U.S. agency securities	-	-	-	-	-	-	-
U.S. treasury securities	-	-	-	448,485	-	448,485	448,485
Equity securities	111,976	-	111,976	-	-	-	111,976
Exchange traded funds (ETFs)	-	-	-	-	-	-	-
Alternative investments:	-	-	-	-	-	-	-
Private equity (including limited partnerships)	-	-	-	-	-	-	-
Hedge funds	-	-	-	-	-	-	-
Managed futures	-	-	-	-	-	-	-
Real estate investments (including REITs)	-	-	-	-	-	-	-
Commodities	-	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-	-
Other alternative investment types	-	-	-	-	-	-	-
Other external investment pools (excluding SWIFT)	-	-	-	-	-	-	-
Other major investments:	-	-	-	-	-	-	-
Closed-end funds	-	-	-	-	-	-	-
Sovereign securities	-	-	-	-	-	-	-
Total investments	<u>25,334,918</u>	<u>-</u>	<u>25,334,918</u>	<u>3,834,180</u>	<u>-</u>	<u>3,834,180</u>	<u>29,169,098</u>
Less endowment investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 25,334,918</u>	<u>\$ -</u>	<u>\$ 25,334,918</u>	<u>\$ 3,834,180</u>	<u>\$ -</u>	<u>\$ 3,834,180</u>	<u>\$ 29,169,098</u>

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CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

**SUPPLEMENTARY FINANCIAL INFORMATION
OTHER INFORMATION
JUNE 30, 2017
(Continued)**

2.2. INVESTMENTS HELD BY THE UNIVERSITY UNDER CONTRACTUAL AGREEMENTS AT June 30, 2017:

	<u>Current Unrestricted</u>	<u>Current Restricted</u>	<u>Total Current</u>	<u>Noncurrent Unrestricted</u>	<u>Noncurrent Restricted</u>	<u>Total Noncurrent</u>	<u>Total</u>
Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

2.3 RESTRICTED CURRENT INVESTMENTS AT June 30, 2017 RELATED TO:

	<u>Amount</u>
Total restricted current investments at June 30, 2017	\$ -

2.4 RESTRICTED NONCURRENT INVESTMENTS AT June 30, 2017 RELATED TO:

	<u>Amount</u>
Endowment investments	\$ -
Total restricted noncurrent investments at June 30, 2017	\$ -

2.5 FAIR VALUE HIERARCHY IN INVESTMENTS AT June 30, 2017:

	<u>FAIR VALUE MEASUREMENTS USING</u>				
	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Net Asset Value (NAV)</u>	
State of California Surplus Money Investment Fund (SMIF)	\$ -	\$ -	\$ -	\$ -	\$ -
State of California Local Agency Investment Fund (LAIF)	4,324,521	-	4,324,521	-	-
Corporate bonds	-	-	-	-	-
Certificates of deposit	-	-	-	-	-
Mutual funds	24,284,116	24,284,116	-	-	-
Money Market funds	-	-	-	-	-
Repurchase agreements	-	-	-	-	-
Commercial paper	-	-	-	-	-
Asset-backed securities	-	-	-	-	-
Mortgage-backed securities	-	-	-	-	-
Municipal bonds	-	-	-	-	-
U.S. agency securities	-	-	-	-	-
U.S. treasury securities	448,485	448,485	-	-	-
Equity securities	111,976	111,976	-	-	-
Exchange traded funds (ETFs)	-	-	-	-	-
Alternative investments:	-	-	-	-	-
Other external investment pools (excluding SWIFT)	-	-	-	-	-
Other major investments:					
Closed-end funds	-	-	-	-	-
Sovereign securities	-	-	-	-	-
Total investments	<u>\$ 29,169,098</u>	<u>\$ 24,844,577</u>	<u>\$ 4,324,521</u>	<u>\$ -</u>	<u>\$ -</u>

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CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

**SUPPLEMENTARY FINANCIAL INFORMATION
OTHER INFORMATION
JUNE 30, 2017
(Continued)**

3.1. COMPOSITION OF CAPITAL ASSETS AT June 30, 2017:

	Balance June 30, 2016	Prior-Period Adjustments	Reclassifications	Balance June 30, 2016 (Restated)
Nondepreciable/nonamortizable capital assets:				
Land and land improvements	\$ 17,066,474	\$ -	\$ -	\$ 17,066,474
Works of art and historical treasures	5,964,491	-	-	5,964,491
Construction work in progress (CWIP)	-	-	-	-
Intangible assets:	-	-	-	-
Rights and easements	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-
Internally generated intangible assets in progress	-	-	-	-
Licenses and permits	-	-	-	-
Other intangible assets	-	-	-	-
Total intangible assets	-	-	-	-
Total nondepreciable/nonamortizable capital assets	23,030,965	-	-	23,030,965
Depreciable/amortizable capital assets:				
Buildings and building improvements	33,017,208	-	-	33,017,208
Improvements, other than buildings	-	-	-	-
Infrastructure	-	-	-	-
Leasehold improvements	-	-	-	-
Personal property:				
Equipment	1,810,525	-	-	1,810,525
Library books and materials	-	-	-	-
Intangible assets:				
Software and websites	-	-	-	-
Rights and easements	-	-	-	-
Patents, copyright and trademarks	-	-	-	-
Licenses and permits	-	-	-	-
Other intangible assets	-	-	-	-
Total intangible assets	-	-	-	-
Total depreciable/amortizable capital assets	34,827,733	-	-	34,827,733
Total capital assets	57,858,698	-	-	57,858,698
Less accumulated depreciation/amortization:				
Buildings and building improvements	(12,284,510)	-	-	(12,284,510)
Improvements, other than buildings	-	-	-	-
Infrastructure	-	-	-	-
Leasehold improvements	-	-	-	-
Personal property:				
Equipment	(1,810,525)	-	-	(1,810,525)
Library books and materials	-	-	-	-
Intangible assets:				
Software and websites	-	-	-	-
Rights and easements	-	-	-	-
Patents, copyright and trademarks	-	-	-	-
Licenses and permits	-	-	-	-
Other intangible assets	-	-	-	-
Total intangible assets	-	-	-	-
Total accumulated depreciation/amortization	(14,095,035)	-	-	(14,095,035)
Total capital assets, net	\$ 43,763,663	\$ -	\$ -	\$ 43,763,663

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Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2017
\$ -	\$ -	\$ -	\$ 17,066,474
353,250	-	-	6,317,741
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>353,250</u>	<u>-</u>	<u>-</u>	<u>23,384,215</u>
-	-	-	33,017,208
-	-	-	-
-	-	-	-
-	-	-	-
-	(122,763)	-	1,687,762
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	(122,763)	-	34,704,970
<u>353,250</u>	<u>(122,763)</u>	<u>-</u>	<u>58,089,185</u>
(1,145,634)	122,763	-	(13,307,381)
-	-	-	-
-	-	-	-
-	-	-	(1,810,525)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>(1,145,634)</u>	<u>122,763</u>	<u>-</u>	<u>(15,117,906)</u>
<u>\$ (792,384)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,971,279</u>

CALIFORNIA STATE UNIVERISTY, LONG BEACH RESEARCH FOUNDATION

**SUPPLEMENTARY FINANCIAL INFORMATION
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JUNE 30, 2017

(Continued)

3.2 **DETAIL OF DEPRECIATION AND AMORTIZATION EXPENSE FOR THE YEAR ENDED June 30, 2017:**

	<u>Amount</u>
Depreciation and amortization expense related to capital assets	\$ 1,145,634
Amortization expense related to other assets	<u>-</u>
Total depreciation and amortization	<u>\$ 1,145,634</u>

4. LONG-TERM LIABILITIES ACTIVITY SCHEDULE:

	<u>Balance</u>	<u>Prior-Period</u>		<u>Balance</u>		
	<u>June 30, 2016</u>	<u>Adjustments</u>	<u>Reclassifications</u>	<u>June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>
				<u>(Restated)</u>		
Accrued compensated absences	\$ 1,078,708	\$ -	\$ -	\$ 1,078,708	\$ 349,992	\$ -
Capitalized lease obligations:						
Gross balance	-	-	-	-	-	-
Unamortized premium/(discount) on capitalized lease obligations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capitalized lease obligations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Long-term debt obligations:						
Revenue Bonds	-	-	-	-	-	-
Other bonds (non-Revenue Bonds)	-	-	-	-	-	-
Commercial Paper	-	-	-	-	-	-
Note payable related to SRB	27,260,000	-	-	27,260,000	-	(1,040,000)
Other:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total long-term debt obligations	<u>27,260,000</u>	<u>-</u>	<u>-</u>	<u>27,260,000</u>	<u>-</u>	<u>(1,040,000)</u>
Unamortized bond premium/(discount)	<u>4,248,678</u>	<u>-</u>	<u>-</u>	<u>4,248,678</u>	<u>-</u>	<u>(244,069)</u>
Total long-term debt obligations, net	<u>31,508,678</u>	<u>-</u>	<u>-</u>	<u>31,508,678</u>	<u>-</u>	<u>(1,284,069)</u>
Total long-term liabilities	<u>\$ 32,587,386</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,587,386</u>	<u>\$ 349,992</u>	<u>\$ (1,284,069)</u>

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<u>Balance</u> <u>June 30, 2017</u>	<u>Current</u> <u>Portion</u>	<u>Long-Term</u> <u>Portion</u>
\$ 1,428,700	\$ 1,428,700	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
26,220,000	1,110,000	25,110,000
-	-	-
<u>26,220,000</u>	<u>1,110,000</u>	<u>25,110,000</u>
<u>4,004,609</u>	<u>-</u>	<u>4,004,609</u>
<u>30,224,609</u>	<u>1,110,000</u>	<u>29,114,609</u>
<u>\$ 31,653,309</u>	<u>\$ 2,538,700</u>	<u>\$ 29,114,609</u>

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

**SUPPLEMENTARY FINANCIAL INFORMATION
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JUNE 30, 2017

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5. FUTURE MINIMUM LEASE PAYMENTS - CAPITALIZED LEASE OBLIGATIONS:

Year Ending June 30,	Capitalized Lease Obligations Related to SRB			All Other Capitalized Lease Obligations		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
2018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023 - 2027	-	-	-	-	-	-
2028 - 2032	-	-	-	-	-	-
2033 - 2037	-	-	-	-	-	-
2038 - 2042	-	-	-	-	-	-
2043 - 2047	-	-	-	-	-	-
2048 - 2052	-	-	-	-	-	-
2053 - 2057	-	-	-	-	-	-
2058 - 2062	-	-	-	-	-	-
2063 - 2067	-	-	-	-	-	-
Total Minimum Lease Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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Total Capital Lease Obligations

Principal	Interest	Principal and Interest
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
\$ -	\$ -	\$ -
Less amounts representing interest		-
Present value of future minimum payments		-
Unamortized net premium (discount)		-
Total capital lease obligations		-
Less current portion	-	-
Capital lease obligations, net of current portion		\$ -

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6. LONG-TERM DEBT OBLIGATION SCHEDULE:

<u>Year Ending June 30,</u>	<u>Auxiliary Revenue Bonds</u>			<u>All Other Long-Term Debt Obligations</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal and Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal and Interest</u>
2018	\$ -	\$ -	\$ -	\$ 1,110,000	\$ 1,255,950	\$ 2,365,950
2019	-	-	-	1,115,000	1,205,750	2,320,750
2020	-	-	-	1,125,000	1,150,900	2,275,900
2021	-	-	-	1,175,000	1,092,983	2,267,983
2022	-	-	-	1,240,000	1,032,066	2,272,066
2023 - 2027	-	-	-	7,205,000	4,138,868	11,343,868
2028 - 2032	-	-	-	9,250,000	2,077,167	11,327,167
2033 - 2037	-	-	-	4,000,000	184,750	4,184,750
2038 - 2042	-	-	-	-	-	-
2043 - 2047	-	-	-	-	-	-
2048 - 2052	-	-	-	-	-	-
2053 - 2057	-	-	-	-	-	-
2058 - 2062	-	-	-	-	-	-
2063 - 2067	-	-	-	-	-	-
Total Minimum Payment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$26,220,000</u>	<u>\$12,138,434</u>	<u>\$38,358,434</u>

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Total Long-Term Debt Obligations

Principal	Interest	Principal and Interest
\$ 1,110,000	\$ 1,255,950	\$ 2,365,950
1,115,000	1,205,750	2,320,750
1,125,000	1,150,900	2,275,900
1,175,000	1,092,983	2,267,983
1,240,000	1,032,066	2,272,066
7,205,000	4,138,868	11,343,868
9,250,000	2,077,167	11,327,167
4,000,000	184,750	4,184,750
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
\$ 26,220,000	\$ 12,138,434	\$ 38,358,434
Less amounts representing interest		(12,138,434)
Present value of future minimum payments		26,220,000
Unamortized net premium (discount)		4,004,609
Total long-term debt obligations		30,224,609
Less current portion		(1,110,000)
Long-term debt obligations, net of current portion		\$ 29,114,609

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7. CALCULATION OF NET POSITION:

7.1 CALCULATION OF NET POSITION - NET INVESTMENT IN CAPITAL ASSETS

Capital assets, net of accumulated depreciation	\$ 42,971,279
Capitalized lease obligations - current portion	-
Long-term debt obligations - current portion	(1,110,000)
Long-term debt obligations, net of current portion	(29,114,609)
Portion of outstanding debt that is unspent at year-end	-
Other adjustments:	<u>-</u>
Net position - net investment in capital asset	<u>\$ 12,746,670</u>

7.2 CALCULATION OF NET POSITION - RESTRICTED FOR NONEXPENDABLE - ENDOWMENTS

Portion of restricted cash and cash equivalents related to endowments	\$ -
Endowment investments	-
Other adjustments:	<u>-</u>
Net position - restricted for nonexpendable - endowments per SNP	<u>\$ -</u>

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8. TRANSACTIONS WITH RELATED ENTITIES

	<u>Amount</u>
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 3,570,200
Payments to University for other than salaries of University personnel	\$ 11,255,015
Payments received from University for services, space, and programs	\$ 5,009,496
Gifts-in-kind to the University from discretely presented component units	\$ 120,263
Gifts (cash or assets) to the University from discretely presented component units	\$ 6,496,308
Accounts (payable to) University	\$ (686,888)
Other amounts (payable to) University	\$ -
Accounts receivable from University	\$ 68,542
Other amounts receivable from University	\$ -

9. OTHER POSTEMPLOYMENT BENEFITS OBLIGATION (OPEB):

Annual required contribution (ARC)	\$ 1,333,217
Contributions during the year	<u>(504,288)</u>
Increase (decrease) in net OPEB obligation (NOO)	828,929
Other adjustments	-
NOO - beginning of year	<u>13,024,543</u>
NOO - end of year \$	<u><u>\$ 13,853,472</u></u>

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

<u>Description</u>	<u>Amount</u>
Total pollution remediation liabilities	\$ -
Less: current portion	<u>-</u>
Pollution remediation liabilities, net of current portion	<u><u>\$ -</u></u>

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

	<u>Net Position</u> <u>Class</u>	<u>Amount</u>
Net position as of June 30, 2016, as previously reported		\$ 41,855,493
Prior-period adjustments:		<u>-</u>
Net position as of June 30, 2016, as restated		<u>\$ 41,855,493</u>

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

	<u>Debit</u>	<u>Credit</u>
Net position class:	\$ -	\$ -