



CALIFORNIA STATE UNIVERSITY
LONG BEACH
RESEARCH FOUNDATION

Financial Statements
with Supplementary Financial Information
June 30, 2018 and 2017

CONTENTS

Independent Auditors' Report.....	1-3
Management's Discussion and Analysis (Unaudited)	4-15
Statement of Net Position.....	16-17
Statement of Revenues, Expenses, and Changes in Net Position.....	18-19
Statement of Cash Flows.....	20-21
Notes to the Financial Statements	22-51
Required Supplementary Information.....	52
Supplementary Financial Information	53-62

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, 2018 and 2017, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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, 2018 and 2017, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 and Note 2 to the financial statements, California State University, Long Beach Research Foundation adopted Governmental Accounting Standards Board's Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and No. 81, *Irrevocable Split-Interest Agreement*. The adoptions of these standards requires additional note disclosures and required supplemental information. Our opinion is not modified with respect to this matter.

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 and the Required Supplementary Information (RSI) on page 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, are 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 53-62 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 18, 2018 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.



Long Beach, California
September 18, 2018

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2018 AND 2017

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, 2018 and 2017. 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 asset 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, 2018 AND 2017

Statement of Net Position

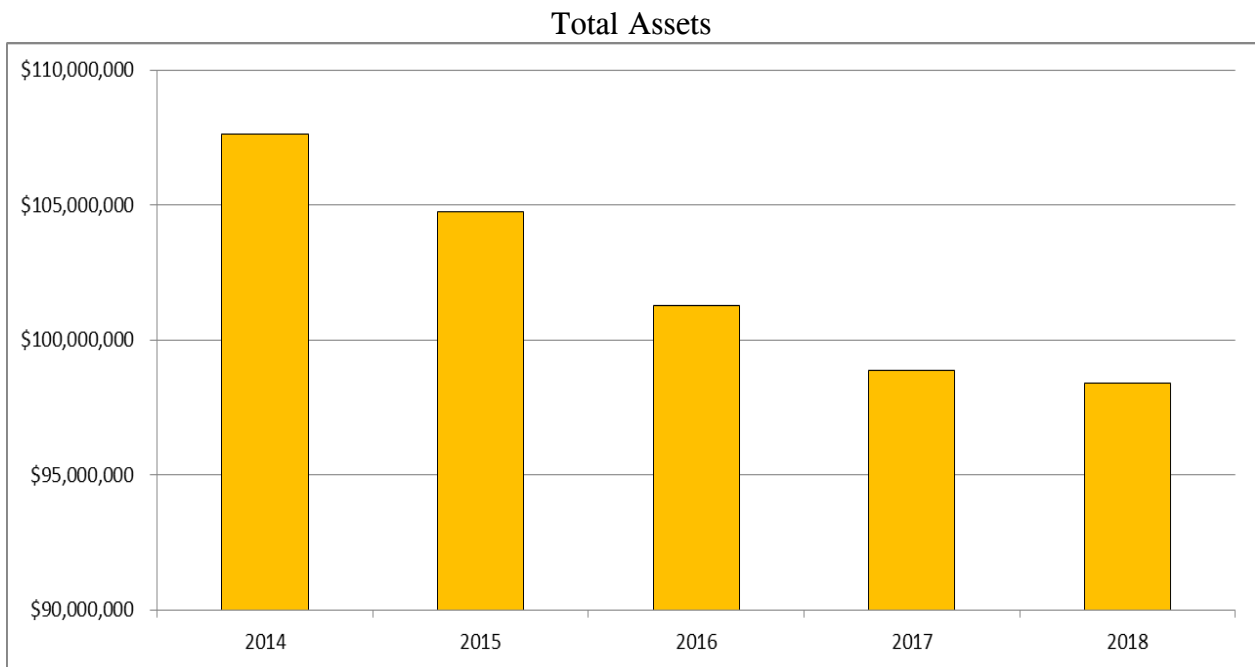
The statement of net position presents the financial position of the Foundation at the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities, and deferred outflows of resources of the Foundation. The difference between total assets, total liabilities, and net total of deferred outflow and inflow of resources – 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, liabilities, and deferred inflow of resources 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, deferred inflow of resources and net position at June 30, 2018 and 2017 is as follows:

	June 30,	
	2018	2017
		(As Restated)
Current assets	\$ 35,250,000	\$ 34,200,000
Noncurrent assets		
Accounts receivable, net	16,350,000	16,300,000
Pledges receivable, net	1,350,000	1,500,000
Other investments	3,800,000	3,850,000
Capital assets	<u>41,650,000</u>	<u>43,000,000</u>
Total assets	<u>98,400,000</u>	<u>98,850,000</u>
Deferred outflows of resources	<u>1,900,000</u>	<u>2,000,000</u>
Current liabilities	9,100,000	11,000,000
Noncurrent liabilities	<u>48,400,000</u>	<u>49,550,000</u>
Total liabilities	<u>57,500,000</u>	<u>60,550,000</u>
Deferred inflows of resources	<u>12,600,000</u>	<u>12,350,000</u>
Net Position	<u>\$ 30,200,000</u>	<u>\$ 27,950,000</u>

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2018 AND 2017**

Total assets decreased \$450,000, or 0.5%, during fiscal year 2018 and decreased \$2.5 million, or 2.4%, during fiscal year 2017. The decrease in total assets in 2018 is due to decrease in pledge receivables and capital assets. The decrease in total assets in 2017 is due to decrease of grants and pledges receivable and a decrease in long-term investments. Current assets of \$35.3 million were \$1.05 million, or 3% higher than 2017 due to increase in grants receivable. Current assets of \$34.2 million in 2017 were \$500,000, or 1.5% less than 2016.



Total liabilities during fiscal year 2018 of \$57.5 million decreased \$3.05 million, or 5.0%, due to lower unearned revenues and long-term debt obligations. Total liabilities of \$60.55 million decreased \$1.05 million, or 2%, during fiscal year 2017. Current liabilities in fiscal year 2018 include accounts payable of \$2 million, accrued salaries, benefits, and compensated absences payable of \$1.8 million, unearned revenues of \$2.7 million, and the current portion of long-term debt of \$1.1 million.

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

Net position increased by \$2.3 million, or 8.1%, during fiscal year 2018. The increase is attributed to the other post-employment adjustment in compliance with GASB 75 reporting standard. Net position for the fiscal year-end 2017 was retrospectively adjusted by \$10.7 million as a result of the required implementation of GASB 75 and 81 reporting standards.

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2018 AND 2017

Other Investments

The other long-term investments were \$3.8 million in 2018 and \$3.9 million in 2017. 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, 2018, the Foundation had \$41.6 million invested in capital assets, net of accumulated depreciation of \$15.7 million.

At June 30, 2017, the Foundation had \$43 million invested in capital assets, net of accumulated depreciation of \$15.1 million.

Depreciation charges for the years ended June 30, 2018 and 2017 totaled 1.12 million and \$1.14 million, respectively. A summary of capital assets, net of accumulated depreciation, is as follows:

	June 30,	
	2018	2017
Building and improvements	\$32,300,000	\$ 33,000,000
Furniture and fixtures	1,700,000	1,700,000
	<u>34,000,000</u>	<u>34,700,000</u>
Less: accumulated depreciation and amortization	<u>(15,750,000)</u>	<u>(15,100,000)</u>
	18,250,000	19,600,000
Collection items (works of art)	6,300,000	6,300,000
Land and land improvements	<u>17,100,000</u>	<u>17,100,000</u>
	<u>\$41,650,000</u>	<u>\$ 43,000,000</u>

Capital assets during fiscal year 2018 of \$34 million decreased \$700,000, or 2%, due to retirement of assets.

Capital assets of \$300,000 were added in 2017.

Long-term debt obligations consist of bonds of \$27.8 million in 2018 and \$29.1 million in 2017.

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2018 AND 2017

Net Position

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

	June 30,	
	2018	2017
		(As Restated)
Invested in capital assets, net of related debt	\$12,750,000	\$ 12,750,000
Restricted:		
Nonexpendable	-	-
Expendable	12,550,000	11,250,000
Unrestricted	<u>4,900,000</u>	<u>3,950,000</u>
Net Position	<u>\$30,200,000</u>	<u>\$ 27,950,000</u>

Net position of \$30.2 million increased \$2.25 million, or 8%, during fiscal year 2018 due to the other post-employment benefit (OPEB) valuation in compliance with GASB 75 reporting standards.

Net position as of 2017 was restated to \$27.95 million, a restatement of \$10.7 million. The restatement was driven by required retrospective implementation of reporting standards GASB 75 and 81.

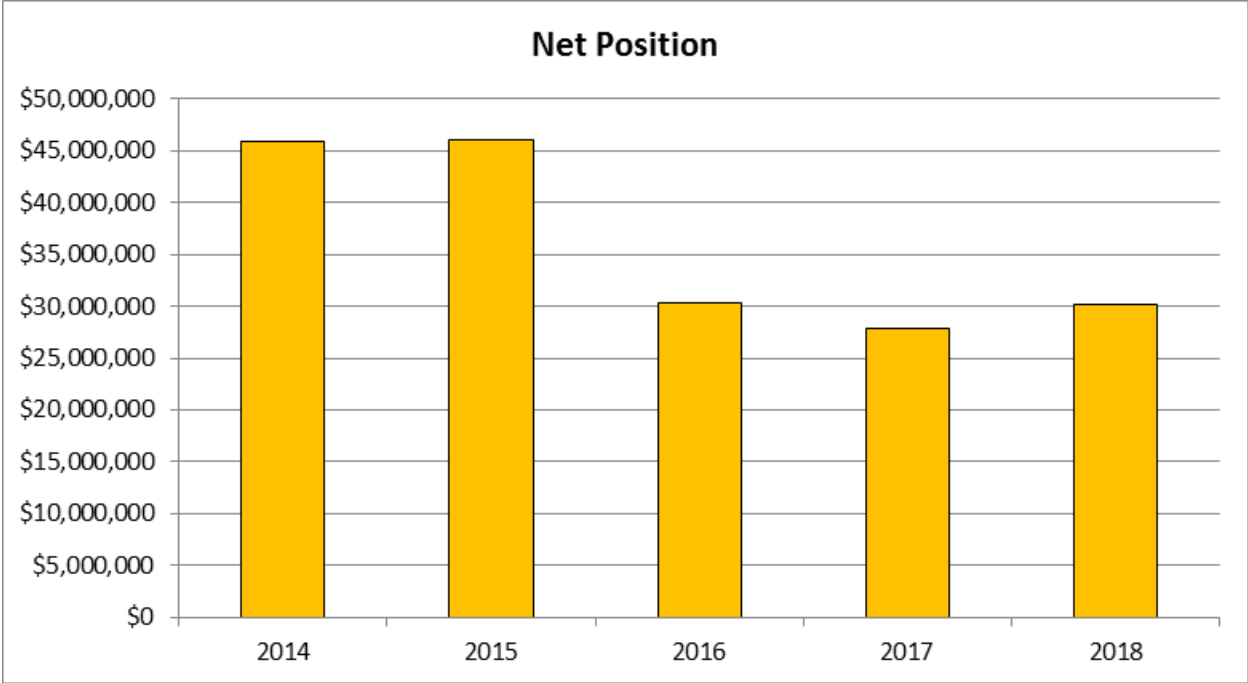
Net invested in capital assets, net of related debt, represent the Foundation's capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of these assets.

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, 2018 AND 2017**

Net Position (Continued)



CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2018 AND 2017

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,	
	2018	2017
		(As Restated)
Operating revenues:		
Grants and contracts	\$ 39,550,000	\$ 35,100,000
Other	<u>10,400,000</u>	<u>10,600,000</u>
Total operating revenues	49,950,000	45,700,000
Operating expenses	<u>(47,800,000)</u>	<u>(49,350,000)</u>
Operating income (loss)	<u>2,150,000</u>	<u>(3,650,000)</u>
Nonoperating revenues (expenses):		
Gifts, noncapital	1,200,000	1,250,000
Investment income, net	1,400,000	2,300,000
Nonoperating expenses	<u>(1,850,000)</u>	<u>(950,000)</u>
Total nonoperating revenues, net	<u>750,000</u>	<u>2,600,000</u>
Change in net position	(2,900,000)	(1,050,000)
Special item:		
Transfer of net positions to CSULB 49er Foundation	(650,000)	(1,400,000)
Net position at beginning of year, as restated	<u>27,950,000</u>	<u>30,400,000</u>
Net position at end of year	<u>\$ 30,200,000</u>	<u>\$ 27,950,000</u>

During fiscal year 2018, total operating revenues of \$49.9 million increased \$4.3 million, or 9.3%, due to increase in grant revenues. Total nonoperating revenues of \$750,000 decreased \$1.9 million, or 71.2%, due to other post-employment benefit (opeb) valuation adjustment.

During fiscal year 2017, total operating revenues of \$45.7 million increased \$2.8 million, or 6.5%, due to increase in grants and campus program revenues. The total nonoperating revenues increased \$2.6 million due to investment income.

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2018 AND 2017

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

The operating income (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 2018, grants and contracts revenues consist of federal grants and contracts of \$23.9 million, state and local grants and contracts of \$9.1 million, and non-governmental grants and contracts of \$6.5 million.

During fiscal year 2017, grant and contract 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.

Investment income, net of fees, consists of a change in the fair market value of investments, including interest, dividends, and realized and unrealized gains of \$1.4 million in 2018 and \$2.3 million in 2017.

In 2018, operating expenses consist of salaries and fringe benefits of \$25 million, supplies and services of \$16.8 million, scholarships and fellowship of \$4.9 million, and depreciation of \$1.1 million.

In 2017, operating expenses consist of salaries and fringe benefits of \$27 million, supplies and services of \$16.7 million, scholarships and fellowship of \$4.4 million, and depreciation of \$1.1 million.

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2018 AND 2017

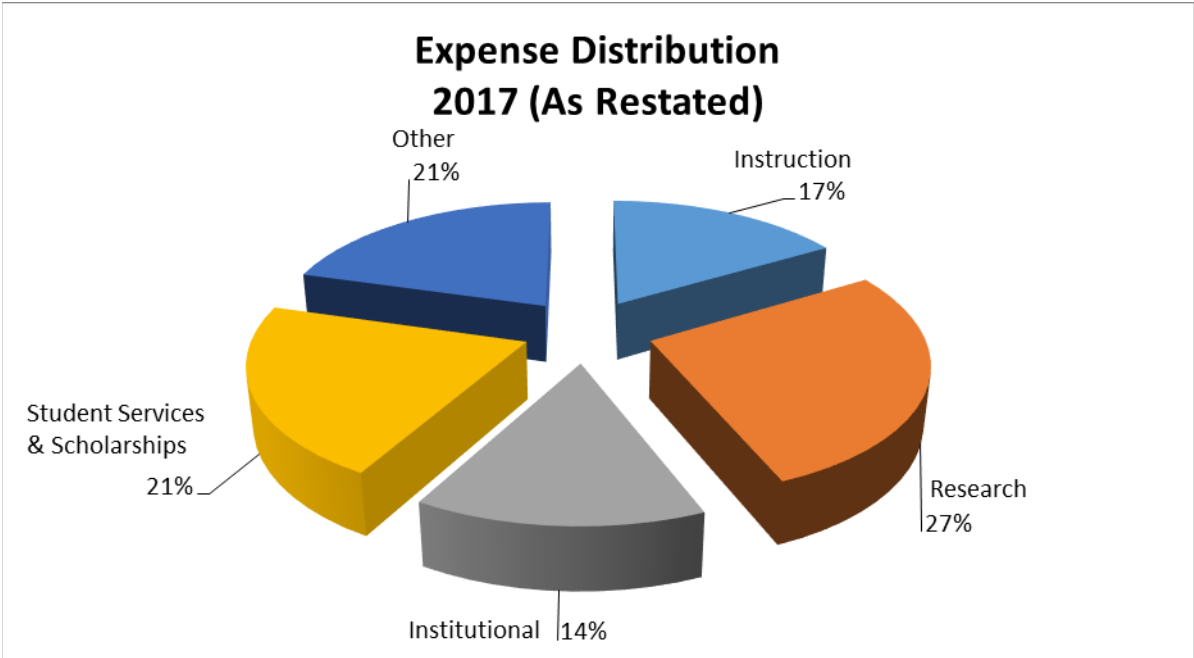
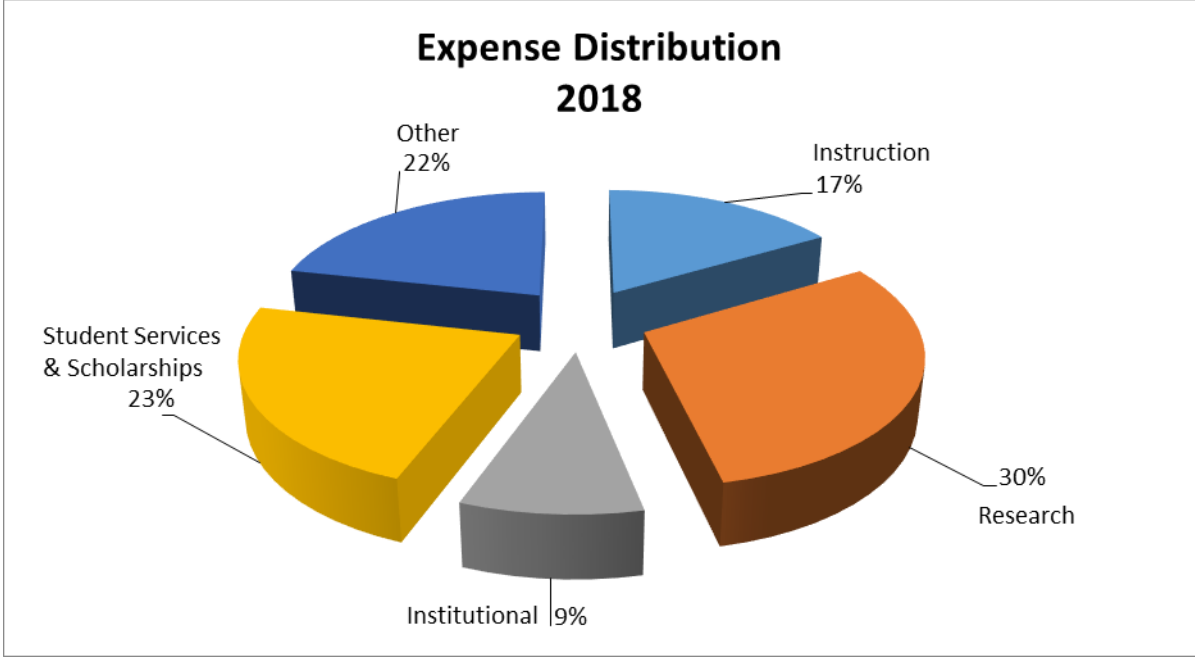
Statement of Revenues, Expenses, and Changes in Net Position (Continued)

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,	
	2018	2017
		(As Restated)
Operating		
Instruction	\$ 7,900,000	\$ 8,150,000
Research	14,400,000	13,500,000
Public service	4,300,000	3,800,000
Academic support	3,650,000	4,100,000
Student services	6,000,000	6,150,000
Institutional support	4,350,000	7,050,000
Student grants and scholarships	4,850,000	4,400,000
Auxiliary enterprise expenses	1,200,000	1,000,000
Depreciation and amortization	1,150,000	1,200,000
Total Operating Expenses	<u>\$ 47,800,000</u>	<u>\$ 49,350,000</u>

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2018 AND 2017**



CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2018 AND 2017**

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,	
	<u>2018</u>	<u>2017</u>
Cash received from operations	\$ 46,450,000	\$ 47,300,000
Cash expended from operations	<u>(45,650,000)</u>	<u>(47,450,000)</u>
Net cash provided by (used in) operating activities	800,000	(150,000)
Net cash provided by noncapital financing activities (gifts and grants)	650,000	1,400,000
Net cash used in capital and related financing activities	(2,400,000)	(2,350,000)
Net cash provided by investing activities	<u>600,000</u>	<u>2,800,000</u>
Net change in cash and cash equivalents	(350,000)	1,700,000
Cash transfer to CSULB 49er Foundation	(650,000)	(1,400,000)
Cash and cash equivalents at beginning of year	<u>1,950,000</u>	<u>1,650,000</u>
Cash and cash equivalents at end of year	<u><u>\$ 950,000</u></u>	<u><u>\$ 1,950,000</u></u>

During fiscal year 2018, the cash position of \$950,000 decreased \$1 million, or 51% due to increase in grants receivable.

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

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2018 AND 2017

Economic Factors That Will Affect the Future

The CSULB Research Foundation serves to support the endeavors of externally sponsored programs as a means of enhancing the academic experience of our faculty, students, and staff. This externally sponsored research allows faculty and students to engage in nationally recognized scholarly endeavors, and is a cornerstone of CSULB's academic excellence. The CSULB Research Foundation along with the Office of Research and Sponsored Programs, offers a full range of pre- and post-award administrative services to support our externally sponsored programs.

Revenue generated for providing these services makes up a significant portion of our operating revenue. In FY 2017-18, there were 174 new grant awards, which is a 3% increase over FY 2016-17. These new awards totaled \$32,473,591. Agencies providing funding for these awards included 70 federal agencies, 34 state agencies, 15 local agencies, and 55 private corporations and foundations. These new grant awards will have a positive impact on our economic future. We also look at the number of proposals and the dollar value of those proposals as added assurance of continued growth. In FY 2017-18, 267 grant proposals valued at \$129,983,040 were submitted. This is an increase of 8.7% increase over FY 2016-17. 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.

Subsequent to fiscal year-end closing, the California State University successfully refunded a series of state revenue bonds, a portion of which included financing for the Research Foundation headquarters building. The refunding will result in a significant savings in interest expense on the building.

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

STATEMENT OF NET POSITION

ASSETS

	June 30,	
	2018	2017
		(As restated)
CURRENT ASSETS		
Cash and cash equivalents	\$ 960,175	\$ 1,937,369
Short-term investments	26,199,550	25,334,918
Accounts receivable, net	7,789,810	6,703,125
Pledges receivable, net	126,332	120,716
Prepaid expenses and other assets	153,868	99,667
	<u>35,229,735</u>	<u>34,195,795</u>
NONCURRENT ASSETS		
Accounts receivable, net	16,385,251	16,351,934
Pledges receivable, net	1,334,912	1,514,082
Other long-term investments	3,815,398	3,834,180
Capital assets, net	41,623,735	42,971,279
	<u>63,159,296</u>	<u>64,671,475</u>
TOTAL ASSETS	<u>98,389,031</u>	<u>98,867,270</u>
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on refunding	<u>1,888,522</u>	<u>2,031,657</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>2018</u>	<u>2017</u>
		(As restated)
CURRENT LIABILITIES		
Accounts payable	\$ 2,027,926	\$ 1,733,323
Accrued salaries and benefits payable	1,752,875	1,699,334
Accrued compensated absences, current portion	1,327,889	1,428,700
Unearned revenue	2,670,068	5,012,051
Long-term debt obligations, current portion	1,115,000	1,110,000
Other liabilities	221,254	60,946
	<u>9,115,012</u>	<u>11,044,354</u>
NONCURRENT LIABILITIES		
Long-term debt obligations, net of current portion	27,755,540	29,114,609
Other postemployment benefit obligations	12,710,651	12,234,421
Other liabilities	7,937,417	8,221,778
	<u>48,403,608</u>	<u>49,570,808</u>
TOTAL LIABILITIES	<u>57,518,620</u>	<u>60,615,162</u>
DEFERRED INFLOW OF RESOURCES		
Net differences in OPEB liabilities	63,710	64,598
Non-exchange transactions	12,514,194	12,291,819
	<u>12,577,904</u>	<u>12,356,417</u>
NET POSITION		
NET POSITION		
Net investment in capital assets	12,753,195	12,746,670
Restricted for:		
Expendable:		
Research	3,705,547	3,355,670
Other	8,835,804	7,905,248
Unrestricted	<u>4,886,483</u>	<u>3,919,760</u>
TOTAL NET POSITION	<u>\$ 30,181,029</u>	<u>\$ 27,927,348</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>2018</u>	<u>2017</u>
		(As restated)
REVENUES		
Operating Revenues:		
Grants and contracts, noncapital:		
Federal	\$ 23,894,350	\$ 23,351,139
State	6,947,275	5,372,533
Local	2,140,551	2,100,593
Nongovernmental	6,545,388	4,303,005
Sales and services of auxiliary enterprises	4,241,735	4,063,937
Other operating revenues	6,166,916	6,519,827
	<u>49,936,215</u>	<u>45,711,034</u>
EXPENSES		
Operating Expenses:		
Instruction	7,873,658	8,155,140
Research	14,370,935	13,491,857
Public service	4,305,521	3,780,047
Academic support	3,668,723	4,133,462
Student services	5,990,245	6,144,830
Institutional support	4,382,805	7,039,822
Student grants and scholarships	4,862,118	4,379,066
Auxiliary enterprise expenses	1,211,671	1,061,583
Depreciation and amortization	1,127,433	1,145,634
	<u>47,793,109</u>	<u>49,331,441</u>
OPERATING INCOME (LOSS)	<u>2,143,106</u>	<u>(3,620,407)</u>
NONOPERATING REVENUES (EXPENSES)		
Gifts, noncapital	1,221,328	1,246,231
Investment income, net	1,428,647	2,269,342
Interest expense	(1,156,488)	(1,223,320)
Other nonoperating revenues (expenses)	(728,097)	239,317
	<u>765,390</u>	<u>2,531,570</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,	
	2018	2017
		(As restated)
INCREASE (DECREASE) IN NET POSITION BEFORE SPECIAL ITEM	2,908,496	(1,088,837)
SPECIAL ITEM		
Transfer of net position to CSULB 49er Foundation	(654,815)	(1,365,743)
INCREASE (DECREASE) IN NET POSITION	2,253,681	(2,454,580)
NET POSITION AT BEGINNING OF YEAR, AS RESTATED	27,927,348	30,381,928
NET POSITION AT END OF YEAR	\$ 30,181,029	\$ 27,927,348

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,	
	2018	2017
		(As restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Federal grants and contracts	\$ 21,801,586	\$ 24,383,975
State grants and contracts	6,338,804	5,610,164
Local grants and contracts	1,953,073	2,193,504
Nongovernmental grants and contracts	5,972,116	4,493,330
Payments to suppliers	(16,174,541)	(16,569,686)
Payments to employees	(24,634,361)	(26,479,025)
Payments to students	(4,862,119)	(4,379,067)
Sales and services of auxiliary enterprises	4,241,734	4,063,936
Other receipts	6,166,917	6,519,827
Net Cash Provided By (Used In) Operating Activities	<u>803,209</u>	<u>(163,042)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gifts received for other than capital purposes	1,394,883	1,655,513
Other noncapital financing activities	(728,097)	(237,631)
Net Cash Provided By Noncapital Financing Activities	<u>666,786</u>	<u>1,417,882</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments to retire bonds	(1,110,000)	(1,040,000)
Interest paid on capital-related debt	(1,265,171)	(1,340,625)
Net Cash Used In Capital and Related Financing Activities	<u>(2,375,171)</u>	<u>(2,380,625)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	1,954,150	4,174,408
Investment income, net	1,428,647	2,610,983
Purchase of investments	(2,800,000)	(3,990,688)
Net Cash Provided By Investing Activities	<u>582,797</u>	<u>2,794,703</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(322,379)	1,668,918
CASH TRANSFER TO CSULB 49ER FOUNDATION	(654,815)	(1,365,743)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,937,369</u>	<u>1,634,194</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 960,175</u>	<u>\$ 1,937,369</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>2018</u>	<u>2017</u>
		(As restated)
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH		
FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$ 2,143,106	\$ (3,620,407)
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation and amortization	1,127,433	1,145,634
Loss on disposal of capital assets	220,111	-
Change in assets and liabilities:		
Accounts receivable, net	(1,120,002)	1,162,969
Prepaid expenses and other assets	(54,201)	43,881
Accounts payable	302,352	537,367
Accrued salaries and benefits payable	53,541	138,115
Accrued compensated absences	(100,811)	349,992
Unearned revenue	(2,341,983)	390,734
Other liabilities	<u>573,663</u>	<u>(311,327)</u>
 Net Cash Provided By (Used In) Operating Activities	 <u>\$ 803,209</u>	 <u>\$ (163,042)</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, 2018 AND 2017**

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, 2018 AND 2017

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 until 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.

During the year ended June 30, 2018, the Research Foundation adopted GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of 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 disclosure of certain OPEB information in the Organization’s financial statements. (See Note 2.)

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 – Statement of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

During the year ended June 30, 2018, the Research Foundation adopted GASB 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 requires an organization that enters into an irrevocable split-interest agreement to recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Assets could be resources (i.e. cash or investment) received or administered by a third party. Liabilities would be amounts due to other beneficiaries and deferred inflow of resources would be the organization’s share of the agreement. Changes to the asset or liabilities are recognized as increases or decreases in the deferred inflow of resources. Revenue is only recognized at the termination of the split-interest agreement. (See Note 2.)

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, 2018 AND 2017

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, 2018 AND 2017**

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, 2018 AND 2017**

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 \$850,000 and \$1,100,000 at June 30, 2018 and 2017, respectively). 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, 2018 AND 2017**

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. There were no donated collection items during the year ended June 30, 2018. The fair market value of donated collection items was approximately \$353,000 for the year ended June 30, 2017.

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, 2018 AND 2017**

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 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.

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 2 – Restatement of Net Position

During the year ended June 30, 2018, management adopted, as required, GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB Statement No. 81 – *Irrevocable Split-Interest Agreements*. Both statements required retrospective application and the Research Foundation has restated liabilities, net position, expenses, and deferred inflows as of June 30, 2017.

Amounts for and as of June 30, 2017 have been adjusted as follows:

	<u>As Previously Stated</u>	<u>Adjustment</u>	<u>As Restated</u>
Statement of Net Position:			
Other post-employment			
Obligations, net	\$ 13,853,472	\$ (1,619,051)	\$ 12,234,421
Deferred inflow of resources	\$ -	\$ 12,356,417	\$ 12,356,417
Net Position			
Net investment in capital assets			
Restricted for others	\$ 20,197,067	\$ (12,291,819)	\$ 7,905,248
Unrestricted	\$ 2,365,307	\$ 1,554,453	\$ 3,919,760
Total net position	\$ 38,664,714	\$ (10,737,366)	\$ 27,927,348
Statement of Revenues, Expenses, and Changes in Net Position:			
Operating expenses			
Institutional support	\$ 7,868,751	\$ (828,929)	\$ 7,039,882
Total operating expense	\$ 50,160,370	\$ (828,929)	\$ 49,331,441
Operating loss	\$ (4,449,336)	\$ 828,929	\$ (3,620,407)
Nonoperating revenues			
Gifts, noncapital	\$ 1,260,558	\$ (14,327)	\$ 1,246,231
Investment income, net	\$ 2,610,983	\$ (341,641)	\$ 2,269,342
Other nonoperating revenues (expenses)	\$ (23,921)	\$ 263,238	\$ 239,317
Total nonoperating	\$ 2,624,300	\$ (92,730)	\$ 2,531,570
Decrease in net position	\$ (3,190,779)	\$ 736,199	\$ (2,454,580)
Net Position at beginning of year	\$ 41,855,493	\$ (11,473,565)	\$ 30,381,928
Net Position at end of year	\$ 38,664,714	\$ (10,737,366)	\$ 27,927,348

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 3 – Accounts Receivable

The composition of accounts receivable is summarized as follows:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Grants and contracts	\$ 7,692,442	\$ 6,514,711
Other	<u>16,640,447</u>	<u>16,698,176</u>
	24,332,889	23,212,887
Less allowance for uncollectible accounts	<u>(157,828)</u>	<u>(157,828)</u>
	24,175,061	23,055,059
Less current portion	<u>(7,789,810)</u>	<u>(6,703,125)</u>
Noncurrent portion	<u>\$ 16,385,251</u>	<u>\$ 16,351,934</u>

NOTE 4 – 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, 2018 using an interest rate of 3.39%, which approximated the Research Foundation's rate of return on treasury notes at the time the pledges were made. Pledges receivable as of June 30, 2018 are summarized as follows:

<u>Due in the Year</u> <u>Ending June 30,</u>	
2019	\$ 200,000
2020	200,000
2021	200,000
2022	200,000
2023	200,000
Thereafter	<u>1,975,555</u>
	2,975,555
Less allowance for uncollectible pledges	(852,095)
Less present value discounts	<u>(662,216)</u>
	1,461,244
Less current portion of pledges receivable	<u>(126,332)</u>
Long-term portion of pledges receivable	<u>\$ 1,334,912</u>

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 5 – Investments

At June 30, 2018, the Research Foundation’s investment portfolio consists primarily of investments held in mutual funds, 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.

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.

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 5 – Investments (Continued)

Credit Risk (Continued)

The following is a summary of investments:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Investments at fair value as determined by quoted market price or estimated fair value:		
Common stock	\$ 275,378	\$ 111,976
Mutual funds	22,830,512	24,284,116
Bonds	293,485	448,485
LAIF	<u>6,615,573</u>	<u>4,324,521</u>
	<u>\$ 30,014,948</u>	<u>\$ 29,169,098</u>

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Investments by classification:		
Current portion	\$ 26,199,550	\$ 25,334,918
Noncurrent portion	<u>3,815,398</u>	<u>3,834,180</u>
	<u>\$ 30,014,948</u>	<u>\$ 29,169,098</u>

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 is summarized as follows:

	<u>For the Year Ended</u>	
	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
		(As Restated)
Interest and dividend income	\$ 594,468	\$ 1,220,318
Net unrealized gains	377,492	867,797
Net realized gains	<u>456,687</u>	<u>181,227</u>
	<u>\$ 1,428,647</u>	<u>\$ 2,269,342</u>

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 5 – Investments (Continued)

Investment fees totaled \$100,720 and \$113,627 for the years ended June 30, 2018 and 2017, 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.

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, 2018			
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Common Stock	\$ 275,378	\$ -	\$ -	\$ 275,378
US Treasury Securities:				
Intermediate-Term Bond	293,485	-	-	293,485
Equity Mutual Funds:				
Large blend	22,830,512	-	-	22,830,512
State of California Local Agency Investment Fund	<u>-</u>	<u>6,615,573</u>	<u>-</u>	<u>6,615,573</u>
Total assets at fair value	<u>\$ 23,399,375</u>	<u>\$ 6,615,573</u>	<u>\$ -</u>	<u>\$ 30,014,948</u>

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 5 – Investments (Continued)

	Fair Value Measurements at June 30, 2017			
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
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>

NOTE 6 – Capital Assets

Capital assets activity for the year ended June 30, 2018 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	-	(733,706)	32,283,502
Furniture and fixtures	1,687,762	-	-	1,687,762
Collection items	<u>6,317,741</u>	<u>-</u>	<u>-</u>	<u>6,317,741</u>
	58,089,185	-	(733,706)	57,355,479
Less accumulated depreciation and amortization	<u>(15,167,906)</u>	<u>(1,127,433)</u>	<u>513,595</u>	<u>(15,731,744)</u>
	<u>\$ 42,971,279</u>	<u>\$ (1,127,433)</u>	<u>\$ (220,111)</u>	<u>\$ 41,623,735</u>

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 6 – Capital Assets (Continued)

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>-</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>

NOTE 7 – Long-Term Debt

Long-term debt consists of:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</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	\$ 7,625,000	\$ 8,005,000
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	6,230,000	6,505,000
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>11,255,000</u>	<u>11,710,000</u>
	25,110,000	26,220,000
Unamortized Bond Premium	3,760,540	4,004,609
Less current portion	<u>(1,115,000)</u>	<u>(1,110,000)</u>
Noncurrent portion	<u>\$ 27,755,540</u>	<u>\$ 29,114,609</u>

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 7 – Long-Term Debt (Continued)

Long-term debt activity for the year ended June 30, 2018 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>\$ 26,220,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,110,000)</u>	<u>\$ 25,110,000</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>

Future maturities of long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
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	1,300,000	968,066
2024-2028	7,580,000	3,767,969
2029-2033	9,720,000	1,599,000
Thereafter	<u>1,855,000</u>	<u>65,750</u>
	<u>\$ 25,110,000</u>	<u>\$ 10,882,484</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, 2018.

Subsequent to the year ending June 30, 2018, the Research Foundation refunded \$ 5,940,000 of bonds payable with a new bonds payable of \$ 5,390,000, and interest rates ranging between 4% and 5%, and final principal payments due November 2032.

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 8 – 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 \$634,000 and \$589,000 for the years ended June 30, 2018 and 2017, respectively.

Postemployment Health Care Plan

The Foundation maintains the same plans for its retirees as for its active employees, as well as Medicare Replacement Plans for retirees age 65 and over.

The Foundation contributes to the cost of insurance according to a Policy Statement which is summarized below:

Group 1 employees (Benefitted Research Foundation Central Office Employees and Benefitted Office of Research and Sponsored Programs) and Group 2 employees (Benefitted Grant, Contract, Research and Special Project Employees) hired before January 1, 2012 are eligible to retire and receive Foundation-paid benefits after the later of age 50 and 5 years of continuous employment by the Foundation immediately prior to retirement. The Foundation contributes an amount up to 100% of the cap for active employees, which varies by tier.

Group 1 employees hired on or after January 1, 2012 are eligible to retire after the later of age 60 and 10 years of continuous employment by the Foundation immediately prior to retirement. The Foundation contributes an amount up to 50% of the cap for active employees. Group 2 employees hired on or after January 1, 2012 are not eligible for retiree health benefits.

At July 1, 2017, membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	47
Active plan members	58

The Foundation currently finances benefits on a pay-as-you-go basis.

Benefits continue for the lifetime of the retiree and spouse or domestic partner. Spouses and domestic partners will be covered only if married or partnered at the time of retirement.

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 8 – Pension Plan and Postemployment Health Care Plan (Continued)

Postemployment Health Care Plan (Continued)

Reconciliation of Benefit Obligations

The following tables provide a reconciliation of the changes in the Plan’s benefit obligations and a statement of the funded status as of June 30, 2018 and 2017:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 14,077,985	\$ 13,501,473
Service cost	362,545	351,985
Interest cost	760,021	728,897
Benefits paid	<u>(525,863)</u>	<u>(504,370)</u>
Obligation at end of year	<u>14,674,688</u>	<u>14,077,985</u>
Change in plan assets		
Fair value of plan assets at beginning of year	1,843,564	1,670,916
Employer contributions	525,863	504,370
Net investment income	134,072	184,836
Administrative expenses	(13,599)	(12,188)
Benefit payments	<u>(525,863)</u>	<u>(504,370)</u>
Fair value of plan assets at end of year	<u>1,964,037</u>	<u>1,843,564</u>
Net amount recognized in the statements of financial position	<u>\$ 12,710,651</u>	<u>\$ 12,234,421</u>

The following table provides the components of the net periodic benefit cost for the plan for the years ended June 30, 2018 and 2017:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Service cost	\$ 362,545	\$ 351,985
Interest cost	760,021	728,897
Expected return on assets	(101,396)	(91,900)
Difference between projected and actual investments	<u>(19,965)</u>	<u>(16,150)</u>
Net periodic post-retirement benefit cost	<u>\$ 1,001,205</u>	<u>\$ 972,832</u>

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 8 – Pension Plan and Postemployment Health Care Plan (Continued)

Postemployment Health Care Plan (Continued)

Assumptions

Assumptions used to determine benefit obligations at June 30, 2018 and 2017:

	June 30,	
	2018	2017
Discount rate	5.50%	5.50%
Healthcare cost trend rate	6.00%	5.50%
Long-term rate of return on plan assets	5.50%	5.50%

Assumptions used to determine net periodic benefit cost for years ended June 30, 2018 and 2017:

Discount rate	5.50%	5.50%
General inflation	6.00%	5.50%
Long-term rate of return on plan assets	5.50%	5.50%

Assumed health care cost trend at June 30, 2018 and 2017:

Net Periodic Benefit Cost and Accumulated Post-Retirement Benefit Obligation:

Health care cost trend rate assumed for next year	5.50%	6.00%
---	-------	-------

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 8 – Pension Plan and Postemployment Health Care Plan (Continued)

Postemployment Health Care Plan (Continued)

Assumptions (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. To achieve the goal set by the investment policy, plan assets will be managed to earn, on a long-term basis, a rate of return equal to or more than the target rate of return of 5.50 percent. The discount rate reflects the following:

- a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan’s fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;
- b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A 1% change in assumed health care cost trend rates would have the following effects for the year ended June 30, 2018:

	<u>1% Increase</u>	<u>1% Decrease</u>
Effect on the accumulated post-retirement benefit obligation	\$ 2,453,000	\$ (1,990,000)

Assumed discount rates have a significant effect on the amounts reported for the health care plan. A 1% change in assumed discount rates would have the following effects for the year ended June 30, 2018:

	<u>1% Increase</u>	<u>1% Decrease</u>
Effect on the accumulated post-retirement benefit obligation	\$ (1,741,000)	\$ 2,127,000

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 8 – Pension Plan and Postemployment Health Care Plan (Continued)

Postemployment Health Care Plan (Continued)

Contributions

The Foundation expects to contribute \$525,863 to its post-retirement health care plan for the year ending June 30, 2018.

Participant contributions are determined for both active employees and retirees on an annual basis.

Investment Policy

Beginning in the fiscal year ended June 2016, the Foundation participated in the Auxiliaries Multiple Employer VEBA (Voluntary Employees' Beneficiary Association). The Auxiliaries Multiple Employer VEBA is a separate 501(c)(9) organization established in August 2010 to assist in funding post-retirement healthcare benefits for recognized auxiliaries of the California State University System. The Foundation's initial contribution to the Plan was in the amount of \$1,637,134. No further contributions have been made as of this time but are planned for the future. No withdrawals to cover retiree health benefits have been made yet as the Foundation plans to build up the fund for a few years before making withdrawals.

The purpose of the investment policy is to invest the contributions for funding the Foundations' retiree welfare benefits. The policy establishes appropriate risk and return objectives considering the Board's risk tolerance.

The return objectives of the investment portfolio are viewed from two perspectives: Absolute - Real (net of inflation) rate-of-return; and Relative - Time-weighted rates of return versus capital market indices.

1. The Absolute Objective is to seek an average total annual return net of fees and expenses of 4.0% plus the percentage change in the Consumer Price Index for All Urban Consumers: U.S. City Average – All Items.
2. The Relative Objective of the Auxiliaries VEBA's investment portfolio is to seek competitive investment performance versus appropriate capital market benchmarks or indices.

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 8 – Pension Plan and Postemployment Health Care Plan (Continued)

Postemployment Health Care Plan (Continued)

Investment Policy (Continued)

To achieve its return objectives, the investment portfolio shall be allocated among several asset classes, which may include domestic equity, domestic fixed income, international equity, international fixed income, real estate, and cash. The purpose of allocating among asset classes is to ensure the proper level of diversification within the portfolio. It is understood that assets may temporarily be placed in a cash equivalent account prior to investing in longer term instruments.

The general policy is to diversify investments among equities, fixed income and possibly other securities, such as real estate, to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category.

The portfolio shall be rebalanced at least annually in accordance with market fluctuations, keeping in mind that rebalancing is a function of expected returns, volatility, and return correlations of the portfolio. Rebalancing should also be weighed against the additional costs of frequent trading and internal resources.

Asset Category

The percentages of the fair value of total plan assets held in trust were as follows:

	June 30,	
	2018	2017
Mutual funds	100%	100%

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 8 – Pension Plan and Postemployment Health Care Plan (Continued)

Postemployment Health Care Plan (Continued)

Asset Category (Continued)

The fair values of the Foundation’s plan assets as of June 30, 2018 and 2017 were as follows:

<u>June 30, 2018</u>	<u>Total</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>
Mutual funds:				
Fixed income	\$ 766,361	\$ 766,361		
Domestic equity	871,812	871,812		
International equity	215,034	215,034		
Real estate	<u>110,830</u>	<u>110,830</u>		
Total assets at fair value	<u>\$ 1,964,037</u>	<u>\$ 1,964,037</u>	<u>None</u>	<u>None</u>

<u>June 30, 2017</u>	<u>Total</u>	<u>In Active Markets for Identical Assets (Level 1)</u>	<u>Quoted Prices Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual funds:				
Fixed income	\$ 909,795	\$ 909,795		
Domestic equity	495,587	495,587		
International equity	310,457	310,457		
Real estate	<u>127,725</u>	<u>127,725</u>		
Total assets at fair value	<u>\$ 1,843,564</u>	<u>\$ 1,843,564</u>	<u>None</u>	<u>None</u>

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 8 – Pension Plan and Postemployment Health Care Plan (Continued)

Postemployment Health Care Plan (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018 and 2017, the Foundation’s deferred outflows of resources and deferred inflows of resources to OPEB from the following sources are:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>June 30, 2018</u>		
Differences between projected and actual return investments	-	\$ 63,710
<u>June 30, 2017</u>		
Differences between projected and actual return investments	-	\$ 64,598

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year Ended June 30:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2019	-	\$ (19,965)
2020	-	\$ (19,965)
2021	-	\$ (19,965)
2022	-	\$ (3,815)

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 9 – 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.

As Lessor

The total investment in the land and building is approximately \$49,000,000, with \$45,000,000 allocated to the space available for lease, and approximately \$12,000,000 of accumulated depreciation at June 30, 2018.

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 9 – Commitments and Contingencies (Continued)

As Lessor (Continued)

Lease terms range from one to eight 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, 2018:

<u>Year Ending June 30,</u>	
2019	\$ 2,894,736
2020	1,697,625
2021	1,690,500
2022	1,691,375
2023	1,690,000
Thereafter	<u>5,077,000</u>
	<u>\$ 14,741,236</u>

Rental income was approximately \$3,871,000 and \$3,790,000 for the years ended June 30, 2018 and 2017, respectively.

As Lessee

The Research Foundation has entered into multiple leases at different locations under agreements expiring at various dates through July 2020, not including any renewal options. Generally, these agreements provide for periodic adjustments to base rents based upon changes in the CPI.

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 9 – Commitments and Contingencies (Continued)

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, 2018:

<u>Year Ending June 30,</u>	
2019	\$ 54,440
2020	<u>4,949</u>
	<u>\$ 59,389</u>

Rental expense under all operating leases was approximately \$296,000 and \$573,000 for the years ended June 30, 2018 and 2017, respectively.

NOTE 10 – Operating Expenses by Function

	<u>For the Year Ended June 30, 2018</u>				
	<u>Compensation and Benefits</u>	<u>Supplies and Services</u>	<u>Scholarship and Fellowship</u>	<u>Depreciation and Amortization</u>	<u>Total</u>
Instruction	\$ 4,999,075	\$ 2,874,583	\$ -	\$ -	\$ 7,873,658
Research	8,620,154	5,750,781	-	-	14,370,935
Public service	2,295,909	2,009,612	-	-	4,305,521
Academic support	1,466,985	2,201,738	-	-	3,668,723
Student services	4,587,990	1,402,255	-	-	5,990,245
Institutional support	2,750,880	1,631,925	-	-	4,382,805
Student grants and scholarships	-	-	4,862,118	-	4,862,118
Auxiliary enterprise expenses	279,454	932,217	-	-	1,211,671
Depreciation and amortization	-	-	-	<u>1,127,433</u>	<u>1,127,433</u>
Total Operating Expenses	<u>\$ 25,000,447</u>	<u>\$ 16,803,111</u>	<u>\$ 4,862,118</u>	<u>\$ 1,127,433</u>	<u>\$ 47,793,109</u>

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 10 – Operating Expenses by Function (Continued)

	For the Year Ended June 30, 2017 (As Restated)				
	Compensation and Benefits	Supplies and Services	Scholarship and Fellowship	Depreciation and Amortization	Total
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	4,395,424	2,644,396	-	-	7,039,822
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	<u>\$ 27,063,637</u>	<u>\$ 16,743,104</u>	<u>\$ 4,379,066</u>	<u>\$ 1,145,634</u>	<u>\$ 49,331,441</u>

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 11 – 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, 2018 and 2017, as follows:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Payments to the University for salaries, wages, and benefits of University employees working on contracts, grants, and other programs	\$ 4,660,946	\$ 3,570,200
Payments to the University for other than salaries of University personnel	\$ 9,575,196	\$ 11,255,015
Payments received from the University for services, space, and programs	\$ 4,078,112	\$ 5,009,496
Gifts to the University from recognized auxiliary organizations	\$ 5,729,751	\$ 6,616,571
Amounts receivable from CSU entities and recognized auxiliary organizations	\$ 67,084	\$ 114,554
Amounts due to the University	\$ 608,555	\$ 686,888
Amounts receivable from the University	\$ 64,212	\$ 68,542

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 12 – 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 was 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 years ended June 30, 2018 and 2017, the Research Foundation transferred \$654,815 and \$1,365,743, respectively, of cash related to obligations satisfied and net proceeds from philanthropic events to the 49er Foundation.

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

REQUIRED SUPPLEMENTAL INFORMATION

Schedule of Changes in Plan's Net OPEB Liability and Related Ratios

	<u>FYE 6/30/18</u>	<u>FYE 6/30/17</u>
Total OPEB Liability		
Service costs	\$ 362,545	\$ 351,985
Interest	760,021	728,897
Benefit payments	<u>(525,863)</u>	<u>(504,370)</u>
Net change in total OPEB liability	596,703	576,512
Total OPEB liability – beginning of year	<u>14,077,985</u>	<u>13,501,473</u>
Total OPEB liability – end of year (a)	<u>14,674,688</u>	<u>14,077,985</u>
 Plan Fiduciary Net Position		
Contributions – employer	525,863	504,370
Net investment income	134,072	184,836
Benefit payments	<u>(525,863)</u>	<u>(504,370)</u>
Administrative expenses	<u>(13,599)</u>	<u>(12,188)</u>
Net change in plan fiduciary net position	120,473	172,648
Plan fiduciary net position – beginning of year	<u>1,843,564</u>	<u>1,670,916</u>
Plan fiduciary net position – end of year (b)	<u>1,964,037</u>	<u>1,843,564</u>
 Net OPEB liability (a) – (b)	<u><u>\$ 12,710,651</u></u>	<u><u>\$ 12,234,421</u></u>
 Plan fiduciary net position as a percentage of total OPEB liability	13.38%	13.10%
 Covered payroll	\$ 4,018,056	\$ 4,355,086
 Net OPEB liability as a percentage of covered payroll	316.34%	280.92%
 Measurement date	30-Jun-18	30-Jun-17

Note: GASB 75 was implemented during fiscal year ended June 30, 2018, therefore only two years of information was available.

SUPPLEMENTARY FINANCIAL INFORMATION

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

**SUPPLEMENTARY FINANCIAL INFORMATION
OTHER INFORMATION
JUNE 30, 2018**

1. RESTRICTED CASH AND CASH EQUIVALENTS AT JUNE 30, 2018:

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, 2018:

	<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)	6,615,573	-	6,615,573	-	-	-	6,615,573
Corporate bonds	-	-	-	-	-	-	-
Certificates of deposit	-	-	-	-	-	-	-
Mutual funds	19,445,488	-	19,445,488	3,385,024	-	3,385,024	22,830,512
Money Market funds	-	-	-	-	-	-	-
Repurchase agreements	-	-	-	-	-	-	-
Commercial paper	-	-	-	-	-	-	-
Asset-backed securities	-	-	-	-	-	-	-
Mortgage-backed securities	-	-	-	-	-	-	-
Municipal bonds	-	-	-	-	-	-	-
U.S. agency securities	-	-	-	-	-	-	-
U.S. treasury securities	-	-	-	293,485	-	293,485	293,485
Equity securities	138,489	-	138,489	136,889	-	136,889	275,378
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>26,199,550</u>	<u>-</u>	<u>26,199,550</u>	<u>3,815,398</u>	<u>-</u>	<u>3,815,398</u>	<u>30,014,948</u>
Less endowment investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u><u>\$ 26,199,550</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 26,199,550</u></u>	<u><u>\$ 3,815,398</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,815,398</u></u>	<u><u>\$ 30,014,948</u></u>

See Independent Auditors' Report

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

**SUPPLEMENTARY FINANCIAL INFORMATION
OTHER INFORMATION
JUNE 30, 2018
(Continued)**

2.2. INVESTMENTS HELD BY THE UNIVERSITY UNDER CONTRACTUAL AGREEMENTS AT JUNE 30, 2018:

	<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, 2018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

2.3 RESTRICTED CURRENT INVESTMENTS AT JUNE 30, 2018 RELATED TO:

	<u>Amount</u>
Total restricted current investments at June 30, 2018	\$ -

2.4 RESTRICTED NONCURRENT INVESTMENTS AT JUNE 30, 2018 RELATED TO:

	<u>Amount</u>
Endowment investments	\$ -
Total restricted noncurrent investments at June 30, 2018	\$ -

2.5 FAIR VALUE HIERARCHY IN INVESTMENTS AT JUNE 30, 2018:

	<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)	6,615,573	-	6,615,573	-	-
Corporate bonds	-	-	-	-	-
Certificates of deposit	-	-	-	-	-
Mutual funds	22,830,512	22,830,512	-	-	-
Money Market funds	-	-	-	-	-
Repurchase agreements	-	-	-	-	-
Commercial paper	-	-	-	-	-
Asset-backed securities	-	-	-	-	-
Mortgage-backed securities	-	-	-	-	-
Municipal bonds	-	-	-	-	-
U.S. agency securities	-	-	-	-	-
U.S. treasury securities	293,485	293,485	-	-	-
Equity securities	275,378	275,378	-	-	-
Exchange traded funds (ETFs)	-	-	-	-	-
Alternative investments:	-	-	-	-	-
Other external investment pools (excluding SWIFT)	-	-	-	-	-
Other major investments:					
Closed-end funds	-	-	-	-	-
Sovereign securities	-	-	-	-	-
Total investments	<u>\$ 30,014,948</u>	<u>\$ 23,399,375</u>	<u>\$ 6,615,573</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditors' Report

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

**SUPPLEMENTARY FINANCIAL INFORMATION
OTHER INFORMATION
JUNE 30, 2018
(Continued)**

3.1. COMPOSITION OF CAPITAL ASSETS AT JUNE 30, 2018:

	Balance June 30, 2017	Prior-Period Adjustments	Reclassifications	Balance June 30, 2017 (Restated)
Nondepreciable/nonamortizable capital assets:				
Land and land improvements	\$ 17,066,474	\$ -	\$ -	\$ 17,066,474
Works of art and historical treasures	6,317,741	-	-	6,317,741
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	23,384,215	-	-	23,384,215
Depreciable/amortizable capital assets:				
Buildings and building improvements	33,017,208	-	-	33,017,208
Improvements, other than buildings	-	-	-	-
Infrastructure	-	-	-	-
Leasehold improvements	-	-	-	-
Personal property:				
Equipment	1,687,762	-	-	1,687,762
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	34,704,970	-	-	34,704,970
Total capital assets	58,089,185	-	-	58,089,185
Less accumulated depreciation/amortization:				
Buildings and building improvements	(13,430,144)	-	-	(13,430,144)
Improvements, other than buildings	-	-	-	-
Infrastructure	-	-	-	-
Leasehold improvements	-	-	-	-
Personal property:				
Equipment	(1,687,762)	-	-	(1,687,762)
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	(15,117,906)	-	-	(15,117,906)
Total capital assets, net	\$ 42,971,279	\$ -	\$ -	\$ 42,971,279

See Independent Auditors' Report

Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2018
\$ -	\$ -	\$ -	\$ 17,066,474
-	-	-	6,317,741
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	23,384,215
-	(733,706)	-	32,283,502
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	1,687,762
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	(733,706)	-	33,971,264
-	(733,706)	-	57,355,479
(1,127,433)	513,595	-	(14,043,982)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	(1,687,762)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
(1,127,433)	513,595	-	(15,731,744)
\$ (1,127,433)	\$ (220,111)	\$ -	\$ 41,623,735

CALIFORNIA STATE UNIVERISTY, LONG BEACH RESEARCH FOUNDATION

**SUPPLEMENTARY FINANCIAL INFORMATION
OTHER INFORMATION
JUNE 30, 2018
(Continued)**

3.2 DETAIL OF DEPRECIATION AND AMORTIZATION EXPENSE FOR THE YEAR ENDED JUNE 30, 2018:

	<u>Amount</u>
Depreciation and amortization expense related to capital assets	\$ 1,127,433
Amortization expense related to other assets	<u>-</u>
Total depreciation and amortization	<u>\$ 1,127,433</u>

4. LONG-TERM LIABILITIES ACTIVITY SCHEDULE:

	<u>Balance</u>	<u>Prior-Period</u>		<u>Balance</u>		
	<u>June 30, 2017</u>	<u>Adjustments</u>	<u>Reclassifications</u>	<u>June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>
				<u>(Restated)</u>		
Accrued compensated absences	\$ 1,428,700	\$ -	\$ -	\$ 1,428,700	\$ -	\$ (100,811)
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	26,220,000	-	-	26,220,000	-	(1,110,000)
Other:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total long-term debt obligations	<u>26,220,000</u>	<u>-</u>	<u>-</u>	<u>26,220,000</u>	<u>-</u>	<u>(1,110,000)</u>
Unamortized bond premium/(discount)	<u>4,004,609</u>	<u>-</u>	<u>-</u>	<u>4,004,609</u>	<u>-</u>	<u>(244,069)</u>
Total long-term debt obligations, net	<u>30,224,609</u>	<u>-</u>	<u>-</u>	<u>30,224,609</u>	<u>-</u>	<u>(1,354,069)</u>
Total long-term liabilities	<u>\$ 31,653,309</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,653,309</u>	<u>\$ -</u>	<u>\$ (1,454,880)</u>

See Independent Auditors' Report

<u>Balance</u> <u>June 30, 2018</u>	<u>Current</u> <u>Portion</u>	<u>Long-Term</u> <u>Portion</u>
\$ 1,327,889	\$ 1,327,889	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
25,110,000	1,115,000	23,995,000
-	-	-
<u>25,110,000</u>	<u>1,115,000</u>	<u>23,995,000</u>
<u>3,760,540</u>	<u>-</u>	<u>3,760,540</u>
<u>28,870,540</u>	<u>1,115,000</u>	<u>27,755,540</u>
<u>\$ 30,198,429</u>	<u>\$ 2,442,889</u>	<u>\$ 27,755,540</u>

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

**SUPPLEMENTARY FINANCIAL INFORMATION
OTHER INFORMATION**

JUNE 30, 2018

(Continued)

5. FUTURE MINIMUM LEASE PAYMENTS - CAPITALIZED LEASE OBLIGATIONS:

<u>Year Ending June 30,</u>	<u>Capitalized Lease Obligations Related to SRB</u>			<u>All Other Capitalized Lease Obligations</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal and Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal and Interest</u>
2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024 - 2028	-	-	-	-	-	-
2029 - 2033	-	-	-	-	-	-
2034 - 2038	-	-	-	-	-	-
2039 - 2043	-	-	-	-	-	-
2044 - 2048	-	-	-	-	-	-
2049 - 2053	-	-	-	-	-	-
2054 - 2058	-	-	-	-	-	-
2059 - 2063	-	-	-	-	-	-
2064 - 2068	-	-	-	-	-	-
Total Minimum Lease Payment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditors' Report

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

SUPPLEMENTARY FINANCIAL INFORMATION

OTHER INFORMATION

JUNE 30, 2018

(Continued)

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>
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	-	-	-	1,300,000	968,066	2,268,066
2024 - 2028	-	-	-	7,580,000	3,767,969	11,347,969
2029 - 2033	-	-	-	9,720,000	1,599,000	11,319,000
2034 - 2038	-	-	-	1,855,000	65,750	1,920,750
2039 - 2043	-	-	-	-	-	-
2044 - 2048	-	-	-	-	-	-
2049 - 2053	-	-	-	-	-	-
2054 - 2058	-	-	-	-	-	-
2059 - 2063	-	-	-	-	-	-
2064 - 2068	-	-	-	-	-	-
Total Minimum Payment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$25,110,000</u>	<u>\$10,882,484</u>	<u>\$35,992,484</u>

See Independent Auditors' Report

Total Long-Term Debt Obligations

Principal	Interest	Principal and Interest
\$ 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
1,300,000	968,066	2,268,066
7,580,000	3,767,969	11,347,969
9,720,000	1,599,000	11,319,000
1,855,000	65,750	1,920,750
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
\$ 25,110,000	\$ 10,882,484	\$ 35,992,484
Less amounts representing interest		(10,882,484)
Present value of future minimum payments		25,110,000
Unamortized net premium (discount)		3,760,540
Total long-term debt obligations		28,870,540
Less current portion		(1,115,000)
Long-term debt obligations, net of current portion		\$ 27,755,540

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

**SUPPLEMENTARY FINANCIAL INFORMATION
OTHER INFORMATION**

JUNE 30, 2018

(Continued)

7. CALCULATION OF NET POSITION:

7.1 CALCULATION OF NET POSITION - NET INVESTMENT IN CAPITAL ASSETS

Capital assets, net of accumulated depreciation	\$ 41,623,735
Capitalized lease obligations - current portion	-
Long-term debt obligations - current portion	(1,115,000)
Long-term debt obligations, net of current portion	(27,755,540)
Portion of outstanding debt that is unspent at year-end	-
Other adjustments:	<u>-</u>
Net position - net investment in capital asset	<u>\$ 12,753,195</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>

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

SUPPLEMENTARY FINANCIAL INFORMATION

OTHER INFORMATION

JUNE 30, 2018

(Continued)

8. TRANSACTIONS WITH RELATED ENTITIES

	<u>Amount</u>
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 4,660,946
Payments to University for other than salaries of University personnel	\$ 9,576,196
Payments received from University for services, space, and programs	\$ 4,078,112
Gifts-in-kind to the University from discretely presented component units	\$ 317,982
Gifts (cash or assets) to the University from discretely presented component units	\$ 5,411,859
Accounts (payable to) University	\$ (608,555)
Other amounts (payable to) University	\$ -
Accounts receivable from University	\$ 64,212
Other amounts receivable from University	\$ -

9. OTHER POSTEMPLOYMENT BENEFITS OBLIGATION (OPEB):

Intentional left blank - not required/applicable - effective FY 17/18

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

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

See Independent Auditors' Report

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

**SUPPLEMENTARY FINANCIAL INFORMATION
OTHER INFORMATION
JUNE 30, 2018
(Continued)**

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

	<u>Net Position Class</u>	<u>Amount</u>
Net position as of June 30, 2017, as previously reported		\$ 38,664,714
GASB No. 75 retrospective adoption		1,554,453
GASB No. 81 retrospective adoption		<u>(12,291,819)</u>
 Net position as of June 30, 2017, as restated		 <u>\$ 27,927,348</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:		
Deferred inflow of resources	\$ -	\$ (64,598)
Other post-employment benefit obligations	\$ 1,619,051	\$ -
Institutional support	\$ -	\$ (828,929)
Net position - unrestricted at beginning of year	\$ -	\$ (725,524)
Deferred inflow of resources	\$ -	\$ (12,291,819)
Gifts, noncapital	\$ 14,327	\$ -
Investment income, net	\$ 341,641	\$ -
Other nonoperating revenues	\$ -	\$ (263,238)
Net position - unrestricted at beginning of year	\$ 12,199,089	\$ -

See Independent Auditors' Report

CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION

**SUPPLEMENTARY FINANCIAL INFORMATION
OTHER INFORMATION
JUNE 30, 2018
(Continued)**

12. NATURAL CLASSIFICATIONS OF OPERATING EXPENSES:

	<u>Salaries</u>	<u>Benefits</u>	<u>Scholarships and Fellowships</u>	<u>Supplies and Other Services</u>	<u>Depreciation and Amortization</u>	<u>Total Operating Expenses</u>
Instruction	\$ 3,615,510	\$ 1,383,565	\$ -	\$ 2,874,583	\$ -	\$ 7,873,658
Research	6,856,094	1,764,060	-	5,750,781	-	14,370,935
Public service	1,784,094	511,815	-	2,009,612	-	4,305,521
Academic support	1,146,009	320,975	-	2,201,739	-	3,668,723
Student services	3,482,585	1,105,405	-	1,402,255	-	5,990,245
Institutional support	2,095,139	655,742	-	1,631,924	-	4,382,805
Operation and maintenance of plant	-	-	-	-	-	-
Student grants and scholarships	-	-	4,862,118	-	-	4,862,118
Auxiliary enterprise expenses	160,228	119,225	-	932,218	-	1,211,671
Depreciation and amortization	-	-	-	-	1,127,433	1,127,433
Total	<u>\$ 19,139,659</u>	<u>\$ 5,860,787</u>	<u>\$ 4,862,118</u>	<u>\$ 16,803,112</u>	<u>\$ 1,127,433</u>	<u>\$ 47,793,109</u>

See Independent Auditors' Report