



CALIFORNIA STATE UNIVERSITY  
**LONG BEACH**  
RESEARCH FOUNDATION

Financial Statements  
with Supplementary Financial Information  
June 30, 2013 and 2012

## 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.....                             | 22-41 |
| Supplementary Financial Information.....                           | 42    |



## **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 (the Research Foundation), which comprise the statement of net position as of June 30, 2013 and 2012, 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2013 and 2012, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

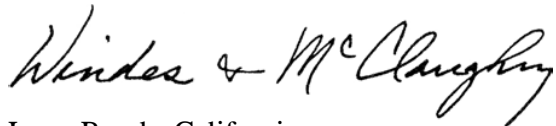
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 4-15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The supplemental informational schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental informational schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental informational schedule is 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 24, 2013 on our consideration of California State University, Long Beach Research Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering California State University, Long Beach Research Foundation's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Windes & McCaughy".

Long Beach, California  
September 24, 2013

**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2013 AND 2012**

**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 Research Foundation) for the years ended June 30, 2013 and 2012. 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 Research 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 Research 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 Research 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. The Research Foundation has adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and GASB No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, GASB No. 38, *Certain Financial Statement Note Disclosures*, and GASB No. 63, *Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position*, and applied those standards on a retroactive basis. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a basis to focus on the reporting entity as a whole, with resources classified for accounting and reporting purposes into the following four net position categories:

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

**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2013 AND 2012**

**Statement of Net Position**

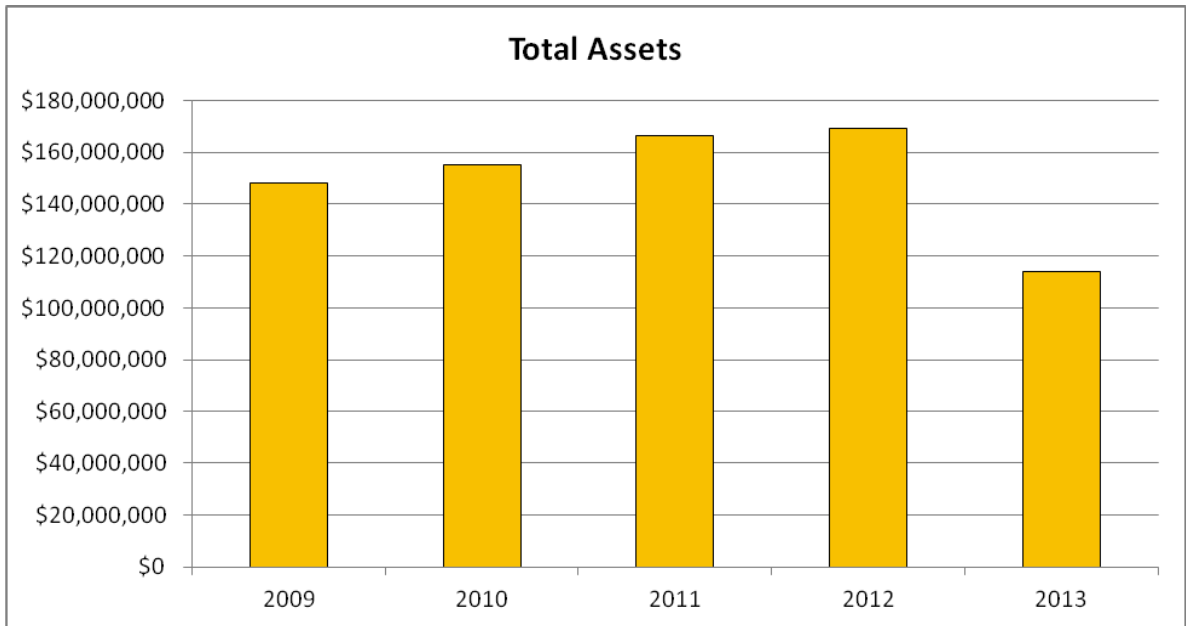
The statement of net position presents the financial position of the Research Foundation at the end of the fiscal year and includes all assets and liabilities of the Research Foundation. The difference between total assets and total liabilities – net position – is one indicator of the current financial condition of the Research Foundation, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical costs less an allowance for depreciation. For the purpose of distinguishing between current and noncurrent assets and liabilities, current assets and liabilities are those that can be reasonably expected to either generate or use cash, as part of normal business operations, within one year of the financial statement date. A summary of the Research Foundation's position, liabilities, and net assets at June 30, 2013 and 2012 is as follows:

|                                    | <b>June 30,</b>   |                    |
|------------------------------------|-------------------|--------------------|
|                                    | <b>2013</b>       | <b>2012</b>        |
| Current assets                     | \$ 44,400,000     | \$ 53,800,000      |
| Noncurrent assets                  |                   |                    |
| Accounts receivable, net           | 16,700,000        | 16,800,000         |
| Pledges receivable, net            | 2,000,000         | 4,000,000          |
| Endowment investments              | 0                 | 42,500,000         |
| Other long-term investments        | 4,400,000         | 4,700,000          |
| Capital assets, net                | 46,000,000        | 47,200,000         |
| Total assets                       | 113,500,000       | 169,000,000        |
| <br>Deferred outflows of resources | <br>300,000       | <br>300,000        |
| Current liabilities                | 14,500,000        | 13,800,000         |
| Noncurrent liabilities             | 49,100,000        | 48,700,000         |
| Total liabilities                  | 63,600,000        | 62,500,000         |
| <br>Total Net Position             | <br>\$ 50,200,000 | <br>\$ 106,800,000 |

Total assets decreased \$55.5 million, or 53%, during fiscal year 2013 and increased \$2.6 million, or 1.56%, during fiscal year 2012. The change in 2013 is attributed to the transfer of endowment assets to the 49er Foundation at the start of the fiscal year. Current assets of \$44.4 million were \$9.4 million, or 17% less than 2012 due to transfer cash of scholarship and program funds to the 49er Foundation.

**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2013 AND 2012**

**Statement of Net Position (Continued)**



Total liabilities increased \$1.1 million, or 2%, during fiscal year 2013. Current liabilities include accounts payable of \$4.3 million, accrued salaries, benefits, and compensated absences payable of \$2.5 million, unearned revenues of \$6.8 million, and the current portion of long-term debt of \$900,000. In 2012, total liabilities increased \$800,000, or 1.3%.

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

Net position decreased by \$56.6 million, or 53%, from \$106.8 million in 2012 to \$50.2 million in 2013. This decrease was due to the transfer of endowment and scholarship net assets to 49er Foundation. In comparison, in 2012 net position increased slightly by \$1.8 million, or 1.7%, from \$105 million in 2011 to \$106.8 million in 2012.



**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2013 AND 2012**

**Endowment and Other Long-term Investments**

At the beginning of fiscal year 2013, endowments of \$42.5 million were transferred to 49er Foundation. This item will no longer continue to be reported by the Research Foundation.

Other long-term investments were \$4.4 million in 2013 and \$4.7 million in 2012. These investments consist of funds that have been allocated by the Research Foundation for long-term investment purposes without donor restrictions.

**Capital Assets and Long-Term Debt Activities**

At June 30, 2013, the Research Foundation had \$46 million invested in capital assets, net of accumulated depreciation of \$12 million.

At June 30, 2012, the Research Foundation had \$47.2 million invested in capital assets, net of accumulated depreciation of \$10.6 million. Depreciation charges for the years ended June 30, 2013 and 2012 totaled \$1.4 million for both years. A summary of capital assets, net of accumulated depreciation, is as follows:

|  | <b>June 30,</b>     |                      |
|--|---------------------|----------------------|
|  | <b>2013</b>         | <b>2012</b>          |
| Building and improvements                          | \$33,100,000        | \$ 32,900,000        |
| Furniture and fixtures                             | 3,300,000           | 3,300,000            |
|  | 36,400,000          | 36,200,000           |
| Less: accumulated depreciation<br>and amortization | ( 12,000,000)       | ( 10,600,000)        |
|  | 24,400,000          | 25,600,000           |
| Collection items (works of art)                    | 4,500,000           | 4,500,000            |
| Land and land improvements                         | 17,100,000          | 17,100,000           |
|  | <b>\$46,000,000</b> | <b>\$ 47,200,000</b> |

Capital assets of \$183,000 and \$326,000 were added in 2013 and 2012, respectively.

Long-term debt obligations consist of bonds of \$32 million in 2013 and \$32.8 million in 2012.

**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2013 AND 2012**

**Net Position**

Net position represents the residual interest in the Research Foundation's assets after liabilities are deducted. The Research Foundation's net position is as follows:

|   | <b>June 30,</b>      |                       |
|---|----------------------|-----------------------|
|   | <b>2013</b>          | <b>2012</b>           |
| Invested in capital assets, net of related debt | \$ 13,500,000        | \$ 14,400,000         |
| Restricted:                                     |                      |                       |
| Nonexpendable                                   | 0                    | 41,000,000            |
| Expendable                                      | 27,300,000           | 45,600,000            |
| Unrestricted                                    | 9,400,000            | 5,800,000             |
| Total Net Position                              | <b>\$ 50,200,000</b> | <b>\$ 106,800,000</b> |

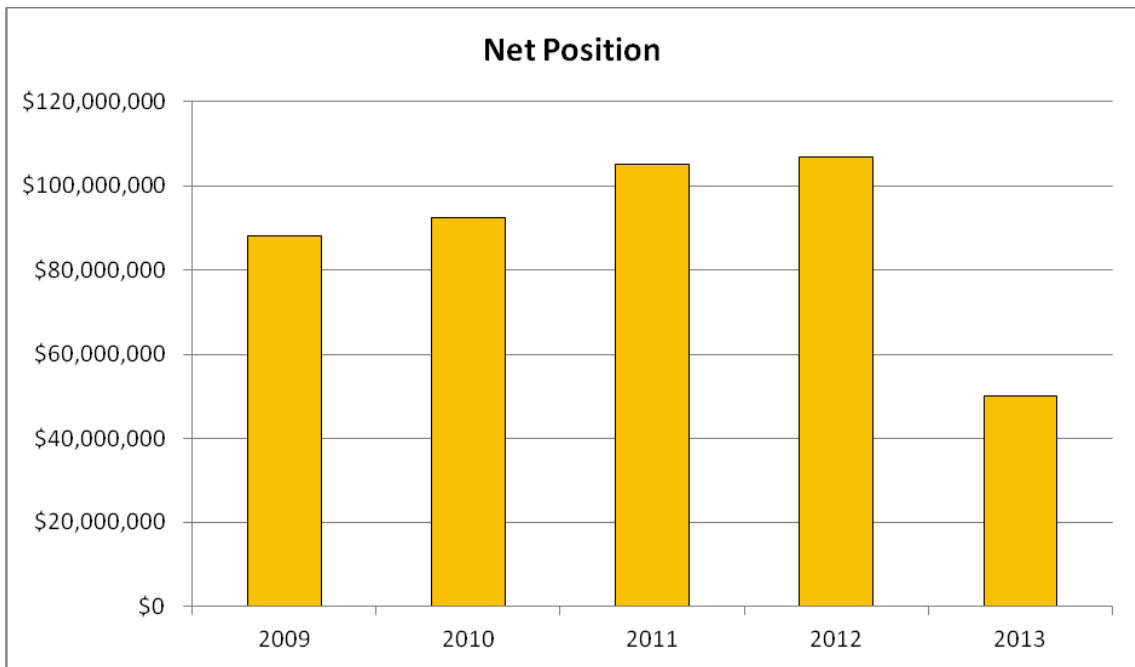
Net position decreased \$56.6 million, or 53%, in 2013 and increased \$1.8 million, or 1.7%, in 2012. Net invested in capital assets, net of related debt, represents the Research Foundation's capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of these assets.

In 2013, restricted net position decreased \$59.3 million due to the transfer of the scholarship and endowment funds to the newly created CSULB 49er Foundation. In 2012, restricted net position remained the same as 2011.

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, 2013 AND 2012**

**Net Position (Continued)**



**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2013 AND 2012**

**Statement of Revenues, Expenses, and Changes in Net Position**

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

|  | <b>For the Year Ended</b> |                       |
|--|---------------------------|-----------------------|
|  | <b>June 30,</b>           |                       |
|  | <b>2013</b>               | <b>2012</b>           |
| Operating revenues:                      |                           |                       |
| Grants and contracts                     | \$ 34,400,000             | \$ 36,900,000         |
| Other                                    | <u>13,900,000</u>         | <u>12,800,000</u>     |
| Total operating revenues                 | 48,300,000                | 49,700,000            |
| Operating expenses                       | ( 52,100,000)             | ( 55,500,000)         |
| Operating loss                           | <u>( 3,800,000)</u>       | <u>( 5,800,000)</u>   |
| Nonoperating revenues (expenses):        |                           |                       |
| Gifts                                    | 200,000                   | 8,700,000             |
| Investment income (loss), net            | 2,600,000                 | ( 1,100,000)          |
| Endowment income (loss)                  | 0                         | ( 700,000)            |
| Nonoperating expenses                    | ( 2,000,000)              | ( 1,400,000)          |
| Endowment gifts                          | <u>0</u>                  | <u>2,100,000</u>      |
| Total nonoperating revenues, net         | <u>800,000</u>            | <u>7,600,000</u>      |
| Increase (decrease) in net position      | ( 3,000,000)              | 1,800,000             |
| Special item-transfer to 49er Foundation | ( 53,600,000)             | 0                     |
| Net position at beginning of year        | <u>106,800,000</u>        | <u>105,000,000</u>    |
| Net position at end of year              | <u>\$ 50,200,000</u>      | <u>\$ 106,800,000</u> |

During fiscal year 2013, total nonoperating revenues decreased \$6.8 million, or 89%. This change is attributed to the significant decrease in gifts which were accepted by the 49er Foundation.

**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2013 AND 2012**

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

The operating loss is affected by Research 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 2013, grants and contracts revenues consist of federal grants and contracts of \$23.3 million, state and local grants and contracts of \$7.2 million, and non-governmental grants and contracts of \$3.8 million. During 2012, grants and contracts revenues consist of federal grants and contracts of \$26.2 million, state and local grants and contracts of \$6.1 million, and non-governmental grants and contracts of \$4.6 million.

Investment income, net of fees, consists of a change in the fair market value of investments, including interest, dividends, and realized and unrealized gains and losses of a positive \$2.6 million in 2013 and negative \$1.1 million in 2012.

In 2013, operating expenses consist of salaries and fringe benefits of \$26.2 million, supplies and services of \$21 million, scholarships and fellowship of \$3.5 million, and depreciation of \$1.4 million. In 2012, operating expenses consist of salaries and fringe benefits of \$26.7 million, supplies and services of \$24.2 million, scholarships and fellowship of \$3.2 million, and depreciation of \$1.4 million.

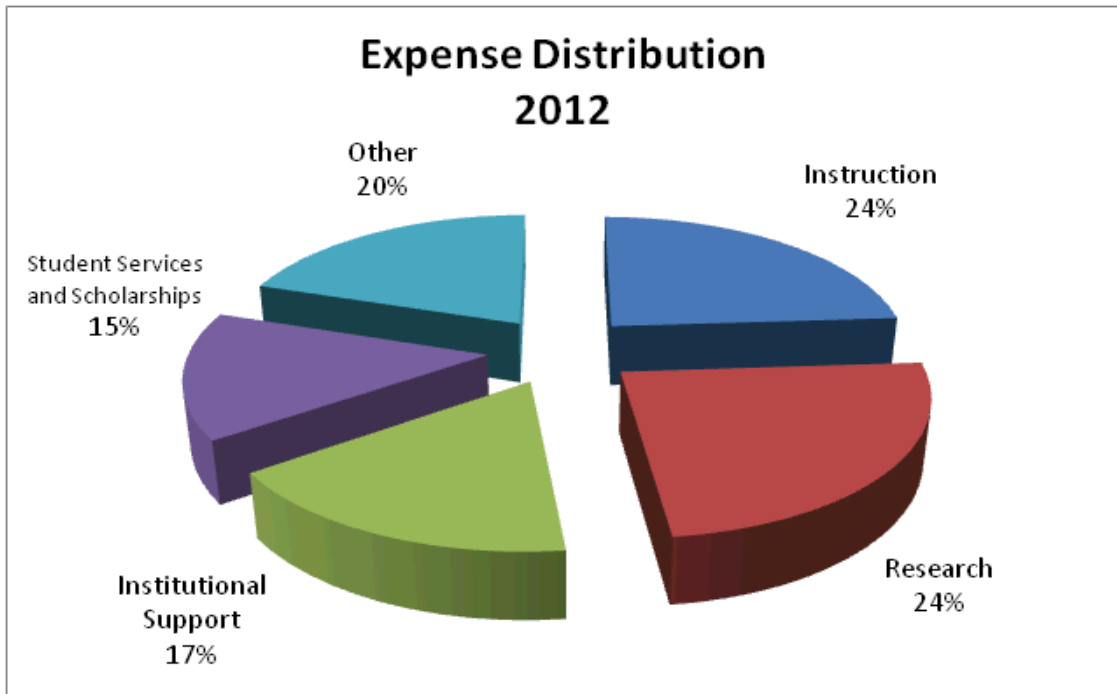
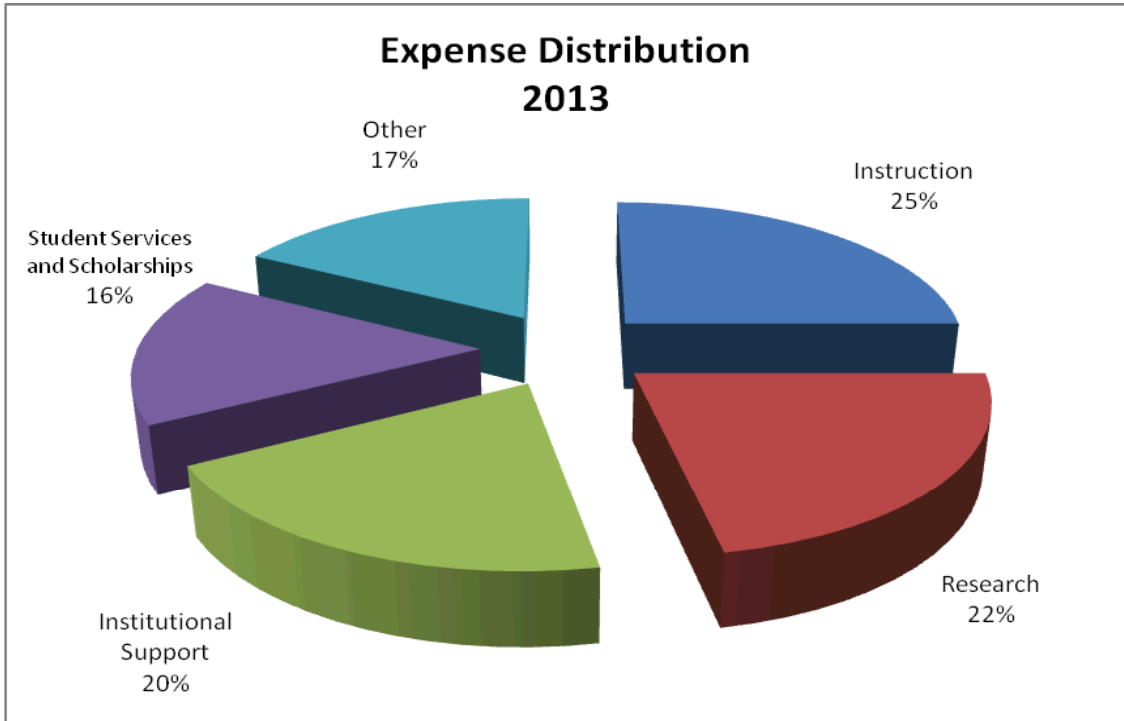
**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2013 AND 2012**

**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 Research Foundation's expenses by functional classification is as follows:

|                                 | <b>For the Year Ended<br/>June 30,</b> |                          |
|---------------------------------|--|--------------------------|
|                                 | <b><u>2013</u></b>                     | <b><u>2012</u></b>       |
| Operating expenses              |  |                          |
| Instruction                     | \$ 13,700,000                          | \$ 13,300,000            |
| Research                        | 11,300,000                             | 13,500,000               |
| Public service                  | 4,200,000                              | 5,900,000                |
| Academic support                | 2,000,000                              | 2,500,000                |
| Student services                | 7,200,000                              | 6,700,000                |
| Institutional support           | 10,300,000                             | 9,400,000                |
| Student grants and scholarships | 900,000                                | 1,600,000                |
| Auxiliary enterprise expenses   | 1,100,000                              | 1,300,000                |
| Depreciation and amortization   | <u>1,400,000</u>                       | <u>1,300,000</u>         |
| <br>Total Operating Expenses    | <br><u>\$ 52,100,000</u>               | <br><u>\$ 55,500,000</u> |

**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2013 AND 2012**



**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2013 AND 2012**

**Statement of Cash Flows**

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

|   | <b>For the Year Ended</b>  |                          |
|---|----------------------------|--------------------------|
|   | <b>June 30,</b>            |                          |
|   | <u><b>2013</b></u>         | <u><b>2012</b></u>       |
| Cash received from operations   | \$ 51,500,000              | \$ 46,100,000            |
| Cash expended from operations   | ( 49,000,000)              | ( 52,200,000)            |
| Net cash provided by (used in) operating activities                     | 2,500,000                  | ( 6,100,000)             |
| Net cash provided by noncapital financing activities (gifts and grants) | 1,100,000                  | 8,000,000                |
| Net cash used in capital and related financing activities               | ( 2,900,000)               | ( 2,800,000)             |
| Net cash provided by (used in) investing activities                     | <u>10,100,000</u>          | <u>( 1,200,000)</u>      |
| Net change in cash and cash equivalents                                 | 10,800,000                 | ( 2,100,000)             |
| Cash transfer to CSULB 49er Foundation                                  | ( 9,100,000)               |                          |
| Cash and cash equivalents at beginning of year                          | <u>700,000</u>             | <u>2,800,000</u>         |
| Cash and cash equivalents at end of year                                | <u><u>\$ 2,400,000</u></u> | <u><u>\$ 700,000</u></u> |

During fiscal year 2013, the cash position at end of year increased \$1.7 million was mainly due to year-end payroll expense disbursed during the first week of July. During fiscal year 2012, the cash position at end of year decreased \$2.1 million because \$1.48 million was distributed to endowment spending accounts.



**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2013 AND 2012**

**Economic Factors That Will Affect the Future**

With research as the primary mission of the organization, the Board of Directors felt a change in Board membership would aid in focusing the organization in the pursuit of its mission. Accordingly, in June, 2013, the Board of Directors approved a change to the corporate Bylaws which effected this change. Previously, the ex officio corporate officers included: the CSULB President as Chair of the Board, the CSULB Vice President for University Relations and Development as Vice Chair of the Board, the CSULB Provost as Secretary of the Board, and the CSULB Vice President for Administration and Finance as Treasurer of the Board. As of June 2013, the ex officio corporate officers include: the CSULB President as Chair of the Board, the CSULB Provost as Vice Chair of the Board, the CSULB Associate Vice President for Research and External Support as Secretary of the Board, and the CSULB Vice President for Administration and Finance as Treasurer of the Board.

Revenue received for providing support services to programs funded by grants and contracts makes up a significant portion of the operating revenue for the Research Foundation, and a large number of these grants and contracts are federally funded. In FY 2012-13, we saw a 6.7% reduction in grant and contract expenditures resulting in a reduction in revenue to the Research Foundation. Management believes that the implementation of a federal budget sequestration in early 2013 was responsible, in part, for this reduction. At this time, it is unknown how long federal budget sequestration may continue.

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

**Significant Development**

California State University, Long Beach recently created a separate 501(c)(3) public benefit corporation, the CSULB 49er Foundation, whose mission is to promote philanthropy and manage donated resources on behalf of the University. The CSULB Research Foundation has entered into an agreement to provide accounting and administrative services for the CSULB 49er Foundation. On July 1, 2012, the CSULB Research Foundation transferred the endowment funds to the 49er Foundation. The CSULB Research Foundation will continue to administer grants, contracts, and other externally funded programs.

In FY 2012-13, the CSULB Research Foundation underwent a conversion of its financial accounting system to PeopleSoft. This conversion was completed on October 1, 2012. Both the CSULB 49er Foundation and the CSULB Research Foundation operate as separate business units on the CSULB PeopleSoft System.

**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION**

**STATEMENT OF NET POSITION**

**ASSETS**

|   | <b>June 30,</b>    |                    |
|---|--------------------|--------------------|
|   | <u>2013</u>        | <u>2012</u>        |
| <b>CURRENT ASSETS</b>                       |                    |                    |
| Cash and cash equivalents                   | \$ 2,460,763       | \$ 720,486         |
| Short-term investments                      | 27,705,569         | 34,907,915         |
| Accounts receivable, net                    | 13,566,403         | 16,314,249         |
| Pledges receivable, net                     | 465,515            | 1,469,767          |
| Prepaid expenses and other assets           | <u>227,781</u>     | <u>392,304</u>     |
|   | <u>44,426,031</u>  | <u>53,804,721</u>  |
| <b>NONCURRENT ASSETS</b>                    |                    |                    |
| Accounts receivable, net                    | 16,703,406         | 16,803,209         |
| Pledges receivable, net                     | 1,996,022          | 3,997,728          |
| Endowment investments                       |                    | 42,498,726         |
| Other long-term investments                 | 4,355,900          | 4,673,627          |
| Capital assets, net                         | <u>46,026,353</u>  | <u>47,221,119</u>  |
|   | <u>69,081,681</u>  | <u>115,194,409</u> |
| <b>TOTAL ASSETS</b>                         | <u>113,507,712</u> | <u>168,999,130</u> |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b>      |                    |                    |
| Unamortized loss on refunding               | <u>271,452</u>     | <u>302,182</u>     |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b> | <u>271,452</u>     | <u>302,182</u>     |

**LIABILITIES**

|   |                   |                   |
|---|-------------------|-------------------|
| <b>CURRENT LIABILITIES</b>                    |                   |                   |
| Accounts payable                              | 3,668,644         | 3,675,132         |
| Accrued salaries and benefits payable         | 1,538,396         | 1,745,461         |
| Accrued compensated absences, current portion | 937,977           | 1,010,980         |
| Unearned revenue                              | 6,783,967         | 6,430,578         |
| Long-term debt obligations, current portion   | 934,085           | 899,084           |
| Other liabilities                             | <u>586,928</u>    | <u>33,138</u>     |
|   | <u>14,449,997</u> | <u>13,794,373</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**

|   | <b>For the Year Ended</b> |                     |
|---|---------------------------|---------------------|
|   | <b>June 30,</b>           |                     |
|   | <b>2013</b>               | <b>2012</b>         |
| <b>REVENUES</b>                             |                           |                     |
| Operating Revenues:                         |                           |                     |
| Grants and contracts, noncapital:           |                           |                     |
| Federal                                     | \$ 23,348,572             | \$ 26,257,167       |
| State                                       | 5,221,916                 | 4,476,082           |
| Local                                       | 2,010,706                 | 1,552,738           |
| Nongovernmental                             | 3,826,988                 | 4,585,332           |
| Sales and services of auxiliary enterprises | 4,865,720                 | 5,416,076           |
| Other operating revenues                    | <u>9,054,011</u>          | <u>7,440,692</u>    |
|   | <u>48,327,913</u>         | <u>49,728,087</u>   |
| <b>EXPENSES</b>                             |                           |                     |
| Operating Expenses:                         |                           |                     |
| Instruction                                 | 13,666,283                | 13,300,595          |
| Research                                    | 11,257,159                | 13,466,919          |
| Public service                              | 4,221,952                 | 5,863,749           |
| Academic support                            | 1,961,498                 | 2,527,645           |
| Student services                            | 7,255,793                 | 6,686,235           |
| Institutional support                       | 10,285,184                | 9,406,525           |
| Student grants and scholarships             | 967,322                   | 1,643,297           |
| Auxiliary enterprise expenses               | 1,143,798                 | 1,272,217           |
| Depreciation and amortization               | <u>1,377,376</u>          | <u>1,377,847</u>    |
|   | <u>52,136,365</u>         | <u>55,545,029</u>   |
| <b>OPERATING LOSS</b>                       | <u>( 3,808,452)</u>       | <u>( 5,816,942)</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)**

|   | <b>For the Year Ended</b> |                      |
|---|---------------------------|----------------------|
|   | <b>June 30,</b>           |                      |
|   | <u><b>2013</b></u>        | <u><b>2012</b></u>   |
| <b>NONOPERATING REVENUES (EXPENSES)</b>             |                           |                      |
| Gifts, noncapital                                   | 248,975                   | 8,683,914            |
| Investment income, net                              | 2,629,996                 | ( 1,060,913)         |
| Endowment income, net                               |                           | ( 722,008)           |
| Interest expense                                    | ( 1,848,380)              | ( 1,580,507)         |
| Other nonoperating revenue (expense)                | ( 215,643)                | 171,697              |
|   | <u>814,948</u>            | <u>5,492,183</u>     |
| <b>LOSS BEFORE OTHER ADDITIONS</b>                  | ( 2,993,504)              | ( 324,759)           |
| <b>ADDITIONS TO PERMANENT ENDOWMENTS</b>            | <u>None</u>               | <u>2,152,754</u>     |
| <b>INCREASE IN NET POSITION BEFORE SPECIAL ITEM</b> | ( 2,993,504)              | 1,827,995            |
| <b>SPECIAL ITEM</b>                                 |                           |                      |
| Transfer of net position to CSULB 49er Foundation   | ( 53,525,874)             | <u>None</u>          |
| <b>INCREASE (DECREASE) IN NET POSITION</b>          | ( 56,519,378)             | 1,827,995            |
| <b>NET POSITION AT BEGINNING OF YEAR</b>            | <u>106,765,521</u>        | <u>104,937,526</u>   |
| <b>NET POSITION AT END OF YEAR</b>                  | <u>\$ 50,246,143</u>      | <u>\$106,765,521</u> |

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

**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION**

**STATEMENT OF CASH FLOWS**

|   | <b>For the Year Ended<br/>June 30,</b> |                      |
|---|--|----------------------|
|   | <u><b>2013</b></u>                     | <u><b>2012</b></u>   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |  |                      |
| Federal grants and contracts                                    | \$ 25,520,109                          | \$ 22,442,842        |
| State grants and contracts                                      | 5,707,582                              | 4,476,082            |
| Local grants and contracts                                      | 2,197,712                              | 1,552,738            |
| Nongovernmental grants and contracts                            | 4,193,521                              | 4,585,332            |
| Payments to suppliers   | ( 20,302,659)                          | ( 22,139,380)        |
| Payments to employees   | ( 25,225,181)                          | ( 26,853,569)        |
| Payments to students  | ( 3,518,850)                           | ( 3,228,794)         |
| Sales and services of auxiliary enterprises                     | 4,856,016                              | 5,351,182            |
| Other receipts  | <u>9,054,011</u>                       | <u>7,668,780</u>     |
| Net Cash Provided By (Used In) Operating Activities             | <u>2,482,261</u>                       | <u>( 6,144,787)</u>  |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>          |  |                      |
| Gifts and grants received for other than capital purposes       | 1,347,919                              | 8,527,228            |
| Other noncapital financing activities                           | <u>( 215,643)</u>                      | <u>( 566,778)</u>    |
| Net Cash Provided By Noncapital Financing Activities            | <u>1,132,276</u>                       | <u>7,960,450</u>     |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b> |  |                      |
| Acquisition of capital assets                                   | ( 182,610)                             | ( 281,848)           |
| Payments to retire bonds  | ( 875,000)                             | ( 843,354)           |
| Interest paid on capital-related debt                           | <u>( 1,846,585)</u>                    | <u>( 1,629,741)</u>  |
| Net Cash Used In Capital and Related Financing Activities       | <u>( 2,904,195)</u>                    | <u>( 2,754,943)</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |  |                      |
| Proceeds from sales and maturities of investments               | 7,520,009                              | 19,122,898           |
| Investment income (loss), net                                   | 2,629,996                              | ( 1,060,913)         |
| Endowment income, net   |  | ( 722,008)           |
| Additions to permanent endowments                               |  | 2,152,754            |
| Purchase of investments   |  | <u>( 20,672,324)</u> |
| Net Cash Provided By (Used In) Investing Activities             | <u>10,150,005</u>                      | <u>( 1,179,593)</u>  |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>                  | 10,860,347                             | ( 2,118,873)         |
| <b>CASH TRANSFER TO CSULB 49er FOUNDATION</b>                   | ( 9,120,070)                           |                      |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>           | <u>720,486</u>                         | <u>2,839,359</u>     |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                 | <u>\$ 2,460,763</u>                    | <u>\$ 720,486</u>    |

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

**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION**

**STATEMENT OF CASH FLOWS  
(Continued)**

|   | <b>For the Year Ended</b> |                       |
|---|---------------------------|-----------------------|
|   | <b>June 30,</b>           |                       |
|   | <u><b>2013</b></u>        | <u><b>2012</b></u>    |
| <b>RECONCILIATION OF OPERATING LOSS TO NET</b>                                    |                           |                       |
| <b>CASH FROM OPERATING ACTIVITIES:</b>  |                           |                       |
| Operating loss  | (\$ 3,808,452)            | (\$ 5,816,942)        |
| Adjustments to reconcile operating loss to net cash<br>from operating activities: |                           |                       |
| Depreciation and amortization   | 1,377,376                 | 1,377,847             |
| Change in assets and liabilities  |                           |                       |
| Accounts receivable, net  | 2,847,649                 | ( 4,228,248)          |
| Prepaid expenses and other assets   | 164,523                   | 94,559                |
| Accounts payable  | ( 1,637)                  | 634,852               |
| Accrued salaries and benefits payable   | ( 207,065)                | ( 132,139)            |
| Accrued compensated absences  | ( 73,003)                 | ( 4,113)              |
| Unearned revenue  | 353,389                   | 577,118               |
| Other liabilities   | <u>1,829,481</u>          | <u>1,352,279</u>      |
| <br>Net Cash Provided By (Used In)  |                           |                       |
| Operating Activities  | <u>\$ 2,482,261</u>       | <u>(\$ 6,144,787)</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, 2013 AND 2012**

**NOTE 1 – Statement of Significant Accounting Policies**

***Organization***

The California State University, Long Beach Foundation is a nonprofit, tax-exempt corporation, incorporated in the state of California on October 3, 1956. In November 2011, the corporation amended its articles of incorporation and changed its name to the California State University, Long Beach Research Foundation (the Research Foundation). 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), and to accept donations, gifts, and bequests 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, as defined by GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*. Business Type Activities are those that are financed in whole or in part by fees charged to external parties for goods and services.

The 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 Statement No. 35, including gifts and investment income.



**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

**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*, and GASB Statement No. 35, as amended by GASB Statements No. 37, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments: Omnibus* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. GASB Statement No. 33 requires that unconditional promises to give be recorded as receivables and revenues when the 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.

***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, 2013 AND 2012**

**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. Such assets include the Research Foundation's permanent endowment funds.

**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 position is those that are not subject to externally imposed stipulations. Unrestricted net position 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 position is 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, 2013 AND 2012**

**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, post employment benefit obligation, and charitable unitrust agreements. Actual results could vary from the estimates that were assumed in preparing the financial statements.

*Cash and Cash Equivalents*

The 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.

*Restricted Cash and Cash Equivalents*

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

*Custodial Credit Risk for Deposits*

Custodial credit risk for deposits is the risk that the 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 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.

**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

**NOTE 1 – Statement of Significant Accounting Policies (Continued)**

***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.

***Accounts Receivable***

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

***Pledges Receivable***

The Research Foundation receives pledges and bequests of financial support from corporations, foundations, and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements, including time requirements, have been met. In the absence of such promise, revenue is recognized when the gift is received. Endowment pledges do not meet eligibility requirements, as defined by GASB Statement No. 33, and are not recorded as assets until the related gift is received. An allowance for uncollectible pledges receivable is provided based on management's judgment of potential uncollectible amounts (approximately \$1,300,000 and \$485,000 at June 30, 2013 and 2012, respectively). The determination includes such factors as prior collection history, type of gift, and nature of fund-raising.

**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

**NOTE 1 – Statement of Significant Accounting Policies (Continued)**

*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.

*Collection Items and Works of Art*

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

Collection items acquired on or after July 1, 1996 are capitalized at cost, if the items were purchased, or at their appraised or fair market value on the accession date, if the items were contributed. The fair market value of donated collection items was approximately \$24,000 and \$73,000 for the years ended June 30, 2013 and 2012, respectively.

*Unearned Revenue*

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

*Compensated Absences*

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

**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

**NOTE 1 – Statement of Significant Accounting Policies (Continued)**

*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.

*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.

*Reclassifications*

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

**NOTE 2 – Accounts Receivable**

The composition of accounts receivable is summarized as follows:

|   | <u>June 30,</u>       |                       |
|---|-----------------------|-----------------------|
|   | <u>2013</u>           | <u>2012</u>           |
| Grants and contracts                      | \$ 13,705,720         | \$ 16,069,435         |
| Other                                     | <u>16,721,917</u>     | <u>17,205,851</u>     |
|   | 30,427,637            | 33,275,286            |
| Less allowance for uncollectible accounts | ( <u>157,828</u> )    | ( <u>157,828</u> )    |
|   | 30,269,809            | 33,117,458            |
| Less current portion                      | ( <u>13,566,403</u> ) | ( <u>16,314,249</u> ) |
| Noncurrent portion                        | <u>\$ 16,703,406</u>  | <u>\$ 16,803,209</u>  |

**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

**NOTE 3 – Pledges Receivable**

Pledges receivable are recorded in the statement of net position at estimated net realizable value in accordance with GASB Statement No. 33. Pledges receivable were discounted as of June 30, 2013 using interest rates ranging from 3.95% to 4.43%, which approximated the Research Foundation's rate of return on treasury notes at the time the pledge is made. Pledges receivable as of June 30, 2013 are summarized as follows:

| <b><u>Due in the Year<br/>Ending June 30,</u></b> |                            |
|---|----------------------------|
| 2014  | \$ 710,700                 |
| 2015  | 205,500                    |
| 2016  | 205,500                    |
| 2017  | 200,500                    |
| 2018  | 200,500                    |
| Thereafter  | <u>3,698,900</u>           |
|   | 5,221,600                  |
| Less allowance for uncollectible pledges          | ( 1,296,483)               |
| Less present value discounts                      | <u>( 1,463,580)</u>        |
|   | 2,461,537                  |
| Less current portion of pledges receivable        | <u>( 465,515)</u>          |
| Long-term portion of pledges receivable           | <u><u>\$ 1,996,022</u></u> |

**NOTE 4 – Investments**

At June 30, 2013, the Research Foundation's investment portfolio consists primarily of investments held in the investment pool, as well as interest-bearing accounts.

***Investment Policy***

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

**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

**NOTE 4 – Investments (Continued)**

***Interest Rate Risk***

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

***Credit Risk***

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

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

The following is a summary of investments:

|  | <u>June 30,</u>      |                      |
|--|----------------------|----------------------|
|  | <u>2013</u>          | <u>2012</u>          |
| Investments at fair value as determined<br>by quoted market price or estimated fair value: |                      |                      |
| Common stock   | \$ 23,050            | \$ 15,150            |
| Mutual funds   | 24,880,310           | 67,194,904           |
| Bonds  | 930,102              | 1,137,870            |
| LAIF   | <u>6,228,007</u>     | <u>13,732,344</u>    |
|  | <u>\$ 32,061,469</u> | <u>\$ 82,080,268</u> |
|  |                      |                      |
|  | <u>June 30,</u>      |                      |
|  | <u>2013</u>          | <u>2012</u>          |
| Investments by classification:   |                      |                      |
| Current portion  | \$ 27,705,569        | \$ 34,907,915        |
| Endowment investments  |                      | 42,498,726           |
| Noncurrent portion   | <u>4,355,900</u>     | <u>4,673,627</u>     |
|  | <u>\$ 32,061,469</u> | <u>\$ 82,080,268</u> |



**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

**NOTE 4 – Investments (Continued)**

*Credit Risk (Continued)*

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

Investment income (loss) is summarized as follows:

|                               | <b>For the Year Ended<br/>June 30,</b> |                       |
|-------------------------------|--|-----------------------|
|                               | <b>2013</b>                            | <b>2012</b>           |
| Interest and dividend income  | \$ 43,260                              | \$ 292,380            |
| Net unrealized gains (losses) | 2,468,734                              | ( 291,114)            |
| Net realized gains (losses)   | <u>118,002</u>                         | <u>( 1,062,179)</u>   |
|                               | <u>\$ 2,629,996</u>                    | <u>(\$ 1,060,913)</u> |

Investment fees totaled \$122,731 and \$821,015 for the years ended June 30, 2013 and 2012, respectively, and are included in investment income and endowment income on the accompanying statement of revenues, expenses, and changes in net position.

**NOTE 5 – Capital Assets**

Capital assets activity for the year ended June 30, 2013 is summarized below:

|  | <b>Beginning<br/>Balance</b> | <b>Additions</b>      | <b>Deletions</b> | <b>Ending<br/>Balance</b> |
|--|------------------------------|-----------------------|------------------|---------------------------|
| Land   | \$ 17,066,474                |                       |                  | \$ 17,066,474             |
| Building and<br>improvements                         | 32,936,634                   | \$ 158,410            |                  | 33,095,044                |
| Furniture and fixtures                               | 3,307,623                    |                       |                  | 3,307,623                 |
| Collections items                                    | <u>4,489,098</u>             | <u>24,200</u>         |                  | <u>4,513,298</u>          |
|  | 57,799,829                   | 182,610               |                  | 57,982,439                |
| Less accumulated<br>depreciation and<br>amortization | <u>( 10,578,710)</u>         | <u>( 1,377,376)</u>   |                  | <u>( 11,956,086)</u>      |
|  | <u>\$ 47,221,119</u>         | <u>(\$ 1,194,766)</u> | <u>None</u>      | <u>\$ 46,026,353</u>      |

**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

**NOTE 5 – Capital Assets (Continued)**

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

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

**NOTE 6 – Long-Term Debt**

Long-term debt consists of:

|   | <u>June 30,</u>      |                      |
|---|----------------------|----------------------|
|   | <u>2013</u>          | <u>2012</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 | \$ 10,370,000        | \$ 10,675,000        |
| 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 | 7,490,000            | 7,710,000            |
| 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>14,105,000</u>    | <u>14,455,000</u>    |
|   | 31,965,000           | 32,840,000           |
| Unamortized Bond Premium  | 479,206              | 503,290              |
| Less current portion  | <u>( 934,085)</u>    | <u>( 899,084)</u>    |
| Noncurrent portion  | <u>\$ 31,510,121</u> | <u>\$ 32,444,206</u> |

**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

**NOTE 6 – Long-Term Debt (Continued)**

Long-term debt activity for the year ended June 30, 2013 is summarized as follows:

|               | <u>Beginning<br/>Balance</u> | <u>Borrowings</u> | <u>Principal<br/>Repayment</u> | <u>Ending<br/>Balance</u> |
|---------------|------------------------------|-------------------|--------------------------------|---------------------------|
| Bonds payable | \$ 32,840,000                | <u>None</u>       | (\$ 875,000)                   | \$ 31,965,000             |

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

|               | <u>Beginning<br/>Balance</u> | <u>Borrowings</u> | <u>Principal<br/>Repayment</u> | <u>Ending<br/>Balance</u> |
|---------------|------------------------------|-------------------|--------------------------------|---------------------------|
| Bonds payable | \$ 33,690,000                | <u>None</u>       | (\$ 850,000)                   | \$ 32,840,000             |

Future maturities of long-term debt are as follows:

| <u>Year Ending<br/>June 30,</u> | <u>Principal</u>     | <u>Interest</u>      |
|---------------------------------|----------------------|----------------------|
| 2014                            | \$ 910,000           | \$ 1,568,735         |
| 2015                            | 955,000              | 1,528,119            |
| 2016                            | 1,000,000            | 1,482,418            |
| 2017                            | 1,040,000            | 1,437,601            |
| 2018                            | 1,090,000            | 1,392,636            |
| 2019-2023                       | 6,310,000            | 6,078,518            |
| 2024-2028                       | 8,105,000            | 4,263,802            |
| 2029-2033                       | 10,500,000           | 1,849,158            |
| 2034-2036                       | <u>2,055,000</u>     | <u>91,617</u>        |
|                                 | <u>\$ 31,965,000</u> | <u>\$ 19,692,604</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 at June 30, 2013. Included in net investment in capital assets are unrestricted net position of approximately \$13,600,000 and \$14,400,000 for the years ended 2013 and 2012, respectively.

**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

**NOTE 7 – Pension Plan and Postemployment Health Care Plan**

***Pension Plan***

The Research Foundation has a defined contribution retirement plan (the Plan) which covers all regular full-time employees and part-time employees who have provided services of at least 1,000 hours during the year. There is a two-year waiting period to enter the Plan. The basic plan contribution rate is equal to 10% of gross earnings. Pension expense was approximately \$656,000 and \$701,000 for the years ended June 30, 2013 and 2012, respectively.

***Postemployment Health Care Plan***

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

*Funding Policy.* The contribution requirements of plan members and the Research Foundation are established and may be amended by the Research Foundation's board of directors. The Research Foundation is required to contribute the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 22.09% of annual covered payroll.

**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

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

*Postemployment Health Care Plan (Continued)*

*Annual OPEB Cost.* For 2013, the Research Foundation’s annual OPEB (expense) of \$1,799,869 approximated the ARC. The Research Foundation’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years were as follows:

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Annual OPEB Obligation</u> | <u>Net OPEB Obligation</u> |
|--------------------------|-------------------------|---|-------------------------------|----------------------------|
| 6/30/11                  | \$1,423,493             | 11.81%  | \$1,255,314                   | \$5,560,064                |
| 6/30/12                  | \$1,568,294             | 14.60%  | \$1,339,394                   | \$6,899,458                |
| 6/30/13                  | \$1,799,869             | 15.95%  | \$1,512,807                   | \$8,412,265                |

*Funded Status and Funding Progress.* The funded status of the plan as of June 30, 2013, was follows:

|   |                      |
|---|----------------------|
| Actuarial accrued liability (AAL)                 | \$ 15,320,305        |
| Actuarial value of plan assets                    | —                    |
| Unfunded actuarial accrued liability (UAAL)       | <u>\$ 15,320,305</u> |
| Funded ratio (actuarial value of plan assets/AAL) | 0%                   |
| Covered payroll (active plan members)             | \$ 8,148,443         |
| UAAL as a percentage of covered payroll           | 188.02%              |

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

**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

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

***Postemployment Health Care Plan (Continued)***

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

At June 30, 2013, using the assumptions based on the 2012 actuarial valuation, the entry age actuarial cost method was used. An actuarial cost method is a procedure for allocating the actuarial present value of benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a normal cost and an actuarial accrued liability. The entry age normal cost method allocates the present value of future benefits on a level basis over the earnings or service (which in this case, earnings were used) of each employee between the hire date and assumed retirement age. The portion of the present value of future benefits allocated to a valuation year is called the normal cost. The portion allocated to all prior years is called the actuarial accrued liability. Valuation results were computed at a 5.5% discount rate.

**NOTE 8 – Commitments and Contingencies**

***Charitable Unitrust Agreements***

The 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.

**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

**NOTE 8 – Commitments and Contingencies (Continued)**

*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 \$39,700,000, with \$35,800,000 allocated to the space available for lease, \$7.5 million of accumulated depreciation at June 30, 2013.

Lease terms range from three to five years and require tenants to pay a pro-rata share of common area maintenance. The following is a schedule by years of future minimum rents receivable under noncancellable operating leases that have initial or remaining lease terms in excess of one year as of June 30, 2013:

| <b>Year Ending<br/>June 30,</b> |                     |
|---------------------------------|---------------------|
| 2014                            | \$ 3,653,870        |
| 2015                            | 104,446             |
| 2016                            | 72,439              |
| 2017                            | 38,842              |
| 2018                            | <u>35,605</u>       |
|                                 | <u>\$ 3,905,202</u> |

Rental income was approximately \$4,612,000 and \$4,980,000 for the years ended June 30, 2013 and 2012, respectively.

**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

**NOTE 8 – Commitments and Contingencies (Continued)**

*As Lessee*

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

The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year at June 30, 2013:

| <b><u>Year Ending<br/>June 30,</u></b> |                   |
|--|-------------------|
| 2014                                   | \$ 107,015        |
| 2015                                   | 107,663           |
| 2016                                   | <u>33,420</u>     |
|  | <u>\$ 248,098</u> |

Rental expense under all operating leases was approximately \$686,000 and \$790,000 for the years ended June 30, 2013 and 2012, respectively.



**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

**NOTE 9 – Operating Expenses by Function**

|                                 | <b>For the Year Ended June 30, 2013</b> |                              |                                   |                                      | <b>Total</b>         |
|---------------------------------|---|------------------------------|-----------------------------------|--------------------------------------|----------------------|
|                                 | <b>Compensation and Benefits</b>        | <b>Supplies and Services</b> | <b>Scholarship and Fellowship</b> | <b>Depreciation and Amortization</b> |                      |
| Instruction                     | \$ 6,514,681                            | \$ 5,131,489                 | \$ 2,020,113                      |                                      | \$ 13,666,283        |
| Research                        | 6,898,799                               | 4,268,043                    | 90,317                            |                                      | 11,257,159           |
| Public service                  | 2,307,637                               | 1,891,561                    | 22,754                            |                                      | 4,221,952            |
| Academic support                | 479,303                                 | 1,437,085                    | 45,110                            |                                      | 1,961,498            |
| Student services                | 4,228,554                               | 2,696,563                    | 330,676                           |                                      | 7,255,793            |
| Institutional support           | 5,316,459                               | 4,924,646                    | 44,079                            |                                      | 10,285,184           |
| Student grants and scholarships |   | 1,522                        | 965,800                           |                                      | 967,322              |
| Auxiliary enterprise expenses   | 475,369                                 | 668,429                      |                                   |                                      | 1,143,798            |
| Depreciation and amortization   |   |                              |                                   | \$ 1,377,376                         | 1,377,376            |
| <b>Total Operating Expenses</b> | <b>\$ 26,220,802</b>                    | <b>\$ 21,019,338</b>         | <b>\$ 3,518,849</b>               | <b>\$ 1,377,376</b>                  | <b>\$ 52,136,365</b> |

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

**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

**NOTE 10 – Transactions with Related Entities**

As described in Note 1, the Research Foundation is an auxiliary organization affiliated with the University and the California State University (CSU) System statewide. The Research Foundation is also affiliated with CSULB 49er Foundation (49er Foundation), an auxiliary organization of the University and CSU. The accompanying financial statements include transactions with related parties as of and for the years ended June 30, 2013 and 2012, as follows:

|   | <u>June 30,</u> |              |
|---|-----------------|--------------|
|   | <u>2013</u>     | <u>2012</u>  |
| Payments to the University for salaries, wages, and benefits of University employees working on contracts, grants, and other programs | \$ 2,293,211    | \$ 4,160,685 |
| Payments to University for other than salaries of University personnel  | \$ 6,665,391    | \$ 3,098,008 |
| Payments received from the University for services, space, and programs   | \$ 5,570,139    | \$ 5,029,829 |
| Gifts to the University from recognized auxiliary organizations   | \$ 4,327,153    | \$ 3,039,771 |
| Amounts receivable from CSU entities and recognized auxiliary organizations   | \$ 816          | \$ 123,301   |
| Amounts due to the University   | \$ 2,263,712    | \$ 2,255,176 |
| Amounts receivable from the University  | \$ 261,552      | \$ 94,837    |
| Amounts due to the 49er Foundation  | \$ 586,928      | \$ 0         |

**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

**NOTE 11 – Transfer of Net Position**

On July 1, 2012, the CSULB 49er Foundation began operations with the purpose to promote philanthropy and manage the resources previously donated to the Research Foundation but designated for University-related uses. As a result, donated assets previously held by the Research Foundation were transferred to the 49er Foundation to administer going forward. The Research Foundation transferred the following assets:

|                         |                      |
|-------------------------|----------------------|
| Cash                    | \$ 9,120,070         |
| Investments             | 42,498,726           |
| Pledge receivables, net | <u>1,907,078</u>     |
| Total                   | <u>\$ 53,525,874</u> |

**SUPPLEMENTARY FINANCIAL INFORMATION**

**CALIFORNIA STATE UNIVERSITY, LONG BEACH RESEARCH FOUNDATION**

**SUPPLEMENTARY FINANCIAL INFORMATION**

**Schedule of Funding Progress**

| <b>Actuarial<br/>Valuation<br/>Date</b> | <b>Actuarial<br/>Value of<br/>Assets<br/>(a)</b> | <b>Actuarial<br/>Accrued<br/>Liability<br/>(AAL)<br/>Entry Age<br/>(b)</b> | <b>Unfunded<br/>AAL<br/>(UAAL)<br/>(b-a)</b> | <b>Funded<br/>Ratio<br/>(a/b)</b> | <b>Covered<br/>Payroll<br/>(c)</b> | <b>UAAL as a<br/>Percentage of<br/>Covered<br/>Payroll<br/>((b-a)/c)</b> |
|---|--|--|--|-----------------------------------|------------------------------------|--|
| 6/30/11                                 | \$ 0   | \$ 10,790,558  | \$ 10,790,558                                | 0%                                | \$ 8,387,424                       | 128.65%  |
| 6/30/12                                 | \$ 0   | \$ 12,066,863  | \$ 12,066,863                                | 0%                                | \$ 8,204,700                       | 147.07%  |
| 6/30/13                                 | \$ 0   | \$ 15,320,305  | \$ 15,320,305                                | 0%                                | \$ 8,148,443                       | 188.02%  |

See Independent Auditors' Report