

**CALIFORNIA STATE UNIVERSITY
DOMINGUEZ HILLS FOUNDATION**

Report on Financial Statements

June 30, 2008 and 2007

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
California State University Dominguez Hills Foundation

We have audited the accompanying basic financial statements of the California State University Dominguez Hills Foundation (the Foundation), as of and for the years ended June 30, 2008 and 2007, as listed in the accompanying table of contents. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the California State University Dominguez Hills Foundation as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 10 to the financial statements, the Foundation adopted the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers in Postemployment Benefits Other Than Pensions*, for the year ended June 30, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2008 on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Board of Directors
California State University Dominguez Hills Foundation

The management's discussion and analysis and schedule of postemployment healthcare benefits funding progress are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 22 through 30 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Vicenti, Lloyd & Stutzman LLP
VICENTI, LLOYD & STUTZMAN LLP

September 26, 2008

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

For the Year Ended June 30, 2008

The following section of the California State University Dominguez Hills Foundation's (the Foundation) annual financial report includes some of management's insights and analysis of the Foundation's financial performance for the year.

Introduction to the Basic Financial Statements

This annual report consists of a series of basic financial statements, prepared in accordance with the Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements and Management's Discussion and Analysis – For State and Local Governments*, No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*. These statements are designed to improve the usefulness of the report to the primary users of these financial statements, including the citizenry, legislative bodies, investors, and creditors. The Business – Type Activity (BTA) reporting model is used, which best represents the activities of the Foundation.

The basic financial statements include the statement of net assets, the statement of revenues, expenses, and changes in net assets, and the statement of cash flows. These statements are supported by notes to the basic financial statements, required supplementary or statistical information, as appropriate, and this section. All sections must be considered together to obtain a complete understanding of the financial picture of the Foundation.

Statements of Net Assets: The statements of net assets includes all assets and liabilities of the Foundation. Assets and liabilities are reported at their book value, on an accrual basis, as of the statement date. It also identifies major categories of restrictions on the net assets of the Foundation.

Statements of Revenues, Expenses and Changes in Net Assets: The statements of revenues, expenses, and changes in net assets presents the revenues earned and the expenses incurred during the year on an accrual basis.

Statements of Cash Flows: The statements of cash flows presents the inflows and outflows of cash, summarized by operating, capital, financing and investing activities. The statement is prepared using the direct method of cash flows and, therefore, presents gross rather than net amounts for the year's activities.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

For the Year Ended June 30, 2008

Analytical Overview

Summary

The Foundation's operations for the fiscal year ended June 30, 2008 declined slightly as shown by the decrease in net assets of approximately \$368,000. This was primarily due to the Foundation's implementation of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." GASB Statement No. 45 requires governmental entities to begin accounting for postemployment benefits on an accrual basis. Each employee's postemployment benefits accrue during their working lifetime and the Foundation as the "employer" is required to show the annual accrual as a current year expense. For fiscal year ended June 30, 2008 this amount was approximately \$400,000.

The remodeled Loker University Student Union opened in January 2007. During that time the Foundation opened its self-operating food operations which included a restaurant, sports lounge, coffee shop, juice bar and full-service catering operations. An outsourced Subway store also opened. During this past fiscal year, the remaining outsourced operations that had been closed during the remodel were opened. These included a Taco Bell / A&W store, Chinese food and pizza/Italian food concept.

The following discussion highlights management's understanding of the key financial aspects of the Foundation's financial activities. Included are significant differences between current and prior year activities and factors impacting future reporting periods.

Comparative Analysis of Current and Prior Year Activities and Balances

	<u>2008</u>	<u>2007</u>	<u>Change</u>
Current assets	\$ 3,984,466	\$ 3,665,330	\$319,136
Restricted and other assets	11,106,317	11,321,535	(215,218)
Capital assets, net	<u>940,564</u>	<u>991,219</u>	<u>(50,655)</u>
Total assets	<u>16,031,347</u>	<u>15,978,084</u>	<u>53,263</u>
Current liabilities	3,272,426	3,459,110	(186,684)
Noncurrent liabilities	653,378	254,771	398,607
Other liabilities	<u>445,446</u>	<u>235,808</u>	<u>209,638</u>
Total liabilities	<u>4,371,250</u>	<u>3,949,689</u>	<u>421,561</u>
Net assets:			
Invested in capital assets, net of related debt	685,682	731,034	(45,352)
Restricted	5,541,647	5,037,738	503,909
Unrestricted	<u>5,432,768</u>	<u>6,259,623</u>	<u>(826,855)</u>
Total net assets	<u>\$11,660,097</u>	<u>\$12,028,395</u>	<u>(\$368,298)</u>

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

For the Year Ended June 30, 2008

The Foundation's current assets increased by \$319,000 while restricted and other assets decreased by \$215,000. The increase in current assets was due to an increase in short term investments. Short term investments fluctuate based on the Foundation's short term cash needs. The decrease in restricted and other assets was caused by a decrease in both the long term and endowment investment portfolios.

The decrease in current liabilities is due to a decrease in deferred revenue while the increase of \$398,000 in noncurrent liabilities was the result of implementing GASB 45 and accruing postemployment benefits of approximately \$400,000. Other liabilities increased because of an increase in the balance of depository accounts. The decrease in net assets was due to the implementation of GASB 45.

Restricted Resources

Net assets of the Foundation include funds that have legal restrictions placed on their use. Funds may be expendable for a specific purpose or they may be nonexpendable. Of the Foundation's net assets of \$11,660,097 at June 30, 2008, \$5,541,647 is restricted. Of this amount \$4,520,806 is restricted for nonexpendable endowments, \$874,603 is restricted for expendable scholarships and fellowships and \$146,238 is restricted for capital expansion. Net assets of \$5,432,768 are unrestricted but are designated for specific purposes and \$685,682 is the net investment in capital assets.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

For the Year Ended June 30, 2008

	<u>2008</u>	<u>2007</u>	<u>Change</u>
Operating revenues:			
Grants and contracts	\$13,661,268	\$12,615,162	\$1,046,106
Sales and services of educational activities	981,421	1,243,718	(262,297)
Sales and services of auxiliary enterprises	3,719,201	2,891,475	827,726
Other operating revenues	17,701	6,401	11,300
Nonoperating revenues:			
Investment income	(264,748)	1,398,657	(1,663,405)
Total revenues	<u>18,114,843</u>	<u>18,155,413</u>	<u>(40,570)</u>
Expenses:			
Operating expenses:			
Instructional	5,342,880	4,833,723	509,157
Research	4,113,657	4,207,052	(93,395)
Academic support	3,378,432	7,142,638	(3,764,206)
Student services	92,221	33,215	59,006
Institutional support	1,353,708	1,266,177	87,531
Student grants and scholarships	1,889,419	1,355,777	533,642
Auxiliary enterprise expense	3,805,517	2,925,380	880,137
Depreciation	129,091	105,009	24,082
Nonoperating expenses:			
Interest	16,086	16,417	(331)
Total expenses	<u>20,121,011</u>	<u>21,885,388</u>	<u>(1,764,377)</u>
Changes in net assets before other changes in net assets	(2,006,168)	(3,729,975)	1,723,807
Gifts, noncapital	1,173,670	754,659	419,011
Additions to permanent endowments	236,290	118,319	117,971
Change in net assets	<u>(596,208)</u>	<u>(2,856,997)</u>	<u>2,260,789</u>
Net assets at beginning of year	12,028,395	14,885,392	(2,856,997)
Restatement of net assets	227,910	-	227,910
Net assets at beginning of year as restated	<u>12,256,305</u>	<u>14,885,392</u>	<u>(2,629,087)</u>
Net assets at end of year	<u>\$ 11,660,097</u>	<u>\$ 12,028,395</u>	<u>\$ (368,298)</u>

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

For the Year Ended June 30, 2008

Although grants and contracts revenue was up approximately \$1,000,000 and auxiliary enterprise revenue was up \$800,000, overall revenue was down by \$40,000. This was due to a decrease in investment income. Grants and contract activity continues to grow each year while the increase in auxiliary enterprise revenue and expenses was due to all campus dining operations being open for the first time since the Loker University Student Union remodel was completed. Academic support expenses decreased due to the \$4,000,000 construction costs for the Loker University Student Union remodel incurred in the previous fiscal year.

Capital Assets and Debt Administration

The Foundation had \$1,729,338 invested in capital assets, net of accumulated depreciation of \$788,774. There were no major additions to capital assets during the fiscal year.

The Foundation has \$254,882 in outstanding debt (\$249,132 long term). This debt was incurred in 1999 to purchase the home that is leased to the University for the use by the University President. Normal payments were made against the loan including \$5,303 in principal.

Factors Impacting Future Periods

GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions"

The Foundation implemented GASB Statement No. 45 resulting in an increase in expenses and long term liabilities. The Foundation will continue to evaluate postemployment benefits offered to employees and investigate different options to fund the cost of the postemployment benefits.

Loker University Student Union Expansion and Renovation Project

The newly expanded portion of the Loker Student Union (60,000 square feet) opened in January 2007. The Foundation opened its self-operating food operations in the January-March 2007 period. They include: a restaurant, sports lounge, coffee shop, juice bar and full-service catering operation. An outsourced Subway store also opened in January 2007. The three remaining outsourced operations (Taco Bell/A&W store, Chinese food and pizza/Italian food concept) were all opened during the current year.

Grants and Contracts

The volume of grants and contracts will continue to expand in the future, primarily through the efforts of the faculty. A growth rate of 5-10% per year can be expected.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

STATEMENTS OF NET ASSETS

As of June 30, 2008 and 2007

	<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
Current assets:			
Cash and cash equivalents		\$ 79,543	\$ 95,873
Short-term investments		521,459	150,453
Accounts receivable, net		3,303,578	3,314,387
Prepaid expenses and other assets		<u>79,886</u>	<u>104,617</u>
Total current assets		<u>3,984,466</u>	<u>3,665,330</u>
Noncurrent assets:			
Restricted cash and cash equivalents		455,575	394,112
Gift annuity receivable		117,291	114,222
Endowment investments		6,111,628	6,335,755
Other long-term investments		4,421,823	4,477,446
Capital assets, net		<u>940,564</u>	<u>991,219</u>
Total noncurrent assets		<u>12,046,881</u>	<u>12,312,754</u>
Total assets		<u><u>\$ 16,031,347</u></u>	<u><u>\$ 15,978,084</u></u>
 <u>LIABILITIES AND NET ASSETS</u>			
Current liabilities:			
Accounts payable		\$ 2,665,288	\$ 2,186,596
Accrued salaries and benefits payable		101,948	30,374
Accrued compensated absences		140,044	159,388
Deferred revenue		296,438	946,191
Long-term liabilities, current portion		5,750	5,414
Other liabilities		<u>62,958</u>	<u>131,147</u>
Total current liabilities		<u>3,272,426</u>	<u>3,459,110</u>
Noncurrent liabilities:			
Postemployment benefits other than pensions payable		404,246	-
Long-term liabilities, net of current portion		249,132	254,771
Depository accounts		<u>445,446</u>	<u>235,808</u>
Total noncurrent liabilities		<u>1,098,824</u>	<u>490,579</u>
Total liabilities		<u>4,371,250</u>	<u>3,949,689</u>
Net assets:			
Invested in capital assets, net of related debt		685,682	731,034
Restricted for:			
Nonexpendable endowments		4,520,806	4,169,986
Expendable:			
Scholarships and fellowships		874,603	585,392
Capital expansion		146,238	282,360
Unrestricted		<u>5,432,768</u>	<u>6,259,623</u>
Total net assets		<u>11,660,097</u>	<u>12,028,395</u>
Total liabilities and net assets		<u><u>\$ 16,031,347</u></u>	<u><u>\$ 15,978,084</u></u>

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

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2008 and 2007

<u>REVENUES</u>	<u>2008</u>	<u>2007</u>
Operating revenues:		
Grants and contracts, noncapital:		
Federal	\$ 8,201,909	\$ 7,505,562
State and local	4,866,340	4,427,966
Nongovernmental	593,019	681,634
Sales and services of educational activities	981,421	1,243,718
Sales and services of auxiliary enterprises	3,719,201	2,891,475
Other operating revenues	<u>17,701</u>	<u>6,401</u>
Total operating revenues	<u>18,379,591</u>	<u>16,756,756</u>
 <u>EXPENSES</u>		
Operating expenses:		
Instruction	5,342,880	4,833,723
Research	4,113,657	4,207,052
Academic support	3,378,432	7,142,638
Student services	92,221	33,215
Institutional support	1,353,708	1,266,177
Student grants and scholarships	1,889,419	1,355,777
Auxiliary enterprise expenses	3,805,517	2,925,380
Depreciation	<u>129,091</u>	<u>105,009</u>
Total operating expenses	<u>20,104,925</u>	<u>21,868,971</u>
 Operating loss	<u>(1,725,334)</u>	<u>(5,112,215)</u>
 Nonoperating revenues (expenses):		
Gifts, noncapital	1,173,670	754,659
Investment income, net	(264,748)	1,398,657
Interest on capital-related debt	<u>(16,086)</u>	<u>(16,417)</u>
Total nonoperating revenues	<u>892,836</u>	<u>2,136,899</u>
 Additions to permanent endowments	<u>236,290</u>	<u>118,319</u>
 CHANGE IN NET ASSETS	<u>(596,208)</u>	<u>(2,856,997)</u>
 NET ASSETS AT BEGINNING OF YEAR	12,028,395	14,885,392
RESTATEMENT OF NET ASSETS (Note 11)	<u>227,910</u>	<u>-</u>
RESTATED NET ASSETS BEGINNING OF YEAR	<u>12,256,305</u>	<u>14,885,392</u>
NET ASSETS AT END OF YEAR	<u>\$ 11,660,097</u>	<u>\$ 12,028,395</u>

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

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2008 and 2007

	2008	2007
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Federal grants and contracts	\$ 7,536,638	\$ 7,051,096
State and local grants and contracts	4,866,340	4,427,966
Nongovernmental grants and contracts	593,019	681,634
Payments to suppliers	(12,181,417)	(14,634,064)
Payments to employees	(4,945,118)	(5,232,586)
Payments to students	(1,889,421)	(1,355,777)
Sales and services of educational activities	981,421	1,243,718
Sales and services of auxiliary enterprises	3,677,361	2,771,376
Other receipts	<u>17,701</u>	<u>6,401</u>
Net cash used by operating activities	<u>(1,343,476)</u>	<u>(5,040,236)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Gifts and grants received for other than capital purposes	1,409,960	856,893
Monies received on behalf of others	3,605,869	2,063,971
Monies disbursed on behalf of others	<u>(3,396,232)</u>	<u>(2,063,508)</u>
Net cash provided by noncapital financing activities	<u>1,619,597</u>	<u>857,356</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Proceeds from sale of capital assets	7,500	-
Acquisitions of capital assets	(78,436)	(210,785)
Principal paid on capital debt and lease	(5,303)	(4,979)
Interest paid on capital debt and lease	<u>(16,086)</u>	<u>(16,417)</u>
Net cash used by capital and related financing activities	<u>(92,325)</u>	<u>(232,181)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Proceeds from sales and maturities of investments	2,335,243	8,086,946
Purchases of investments	<u>(2,473,906)</u>	<u>(3,677,767)</u>
Net cash provided/(used) by investing activities	<u>(138,663)</u>	<u>4,409,179</u>
Net increase/(decrease) in cash and cash equivalents	45,133	(5,882)
Cash and cash equivalents at beginning of year	<u>489,985</u>	<u>495,867</u>
Cash and cash equivalents at end of year	<u>\$ 535,118</u>	<u>\$ 489,985</u>
Reconciliation of operating loss to net cash (used)/provided by operating activities:		
Operating loss	\$ (1,725,334)	\$ (5,112,215)
Adjustments to reconcile operating loss to net cash (used)/provided by operating activities:		
Depreciation	129,091	105,009
Change in assets and liabilities:		
Accounts receivable	10,809	(685,552)
Prepays and other assets	24,731	(35,597)
Accounts payable and amounts payable to the University	478,692	546,655
Accrued salaries and benefits	71,574	26,186
Accrued compensated absences	(19,344)	4,291
Deferred revenue	(649,752)	118,717
Postemployment benefits other than pensions payable	404,246	-
Other liabilities	<u>(68,189)</u>	<u>(7,730)</u>
Net cash (used)/provided by operating activities	<u>\$ (1,343,476)</u>	<u>\$ (5,040,236)</u>

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

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

NOTES TO BASIC FINANCIAL STATEMENTS

For the Years Ended June 30, 2008 and 2007

NOTE 1 - ORGANIZATION:

The California State University Dominguez Hills Foundation is a nonprofit California public benefit corporation which is an auxiliary organization of California State University, Dominguez Hills (the University). A wholly owned subsidiary, Dominguez Hills Corporation (the Corporation) is a California for-profit corporation which administers certain research and educational grants and contracts. Together, these entities (collectively referred to as the Foundation) assist the University in various activities including developing and administering research and educational grants and contracts; conducting the bookstore, food service, and vending machine operations on the campus, accumulating and managing endowment and student scholarship funds and administering various educationally related functions, special programs, and other activities. The Corporation is included in the reporting entity of the Foundation, and accordingly, its operations are blended with the operations of the Foundation in the accompanying basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of Presentation

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

(b) Basis of Accounting

The Foundation records revenue in part from assisting the University in various activities including developing and administering research and educational grants and contracts, conducting the bookstore, food service, and vending machine operations on the campus; accumulating and managing endowment and student scholarship funds, and administering various educationally related functions, special programs, and other activities and; accordingly, has chosen to present its basic financial statements using the reporting model for special-purpose governments engaged only in business-type activities. This model allows all financial information for the Foundation to be reported in a single column in each of the basic financial statements. The effect of any internal activity between funds or groups of funds has been eliminated from these basic financial statements.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2008 and 2007**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

(c) *Classification of Current and Noncurrent Assets and Liabilities*

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

(d) *Federal Grants and Contracts*

The Foundation serves as administrator for various grants and contracts awarded by governmental and private institutions. Amounts administered by the Foundation are recorded as revenue and expense in the accompanying basic financial statements.

(e) *Cash and Cash Equivalents*

The Foundation considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents. The deposits of the Foundation are maintained at financial institutions and are fully insured or collateralized. All other cash equivalents are registered in the name of the Foundation and are classified as category one as prescribed by GASB Statement No. 3, as amended by GASB Statement No. 40.

(f) *Investments*

Investments are reflected at fair value using quoted market prices. Gains and losses are included in the statement of revenues, expenses, and changes in net assets as investment income.

(g) *Other Assets*

Other assets include inventories that are stated at the lower of cost or market determined on a first-in, first-out basis.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2008 and 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

(h) *Capital Assets*

Capital assets are stated at cost or estimated historical cost if purchased or if donated, at estimated fair value at date of donation. Capital assets with a value of less than \$500 are not capitalized. The Foundation is required to capitalize infrastructure assets that have been acquired, or that have received major improvements, in fiscal years ending after June 30, 1980. Title to all assets, whether purchased, constructed, or donated, is held by the Foundation. Depreciation is determined using the straight-line method over the estimated lives of the assets ranging from five to ten years. Leasehold improvements are amortized using the straight-line method over the shorter of their estimated useful lives or the term of the lease. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

(i) *Deferred Revenue*

Deferred revenue consists primarily of unearned revenue related to federal grants and contract.

(j) *Compensated Absences*

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

(k) *Net Assets*

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

Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation, amortization, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted - nonexpendable: Net assets subject to externally imposed conditions that the Foundation retain them in perpetuity.

Restricted - expendable: Net assets subject to externally imposed conditions that can be fulfilled by the actions of the Foundation or by the passage of time.

Unrestricted: All other categories of net assets. In addition, unrestricted net assets may be designated for use by management of the Foundation.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2008 and 2007**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

(l) *Classification of Revenues and Expenses*

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

(m) *Income Taxes*

The Foundation is organized under the nonprofit public benefit laws of California and is recognized as an exempt organization for both federal and California purposes under Section 501(c) (3) and 23701(d), respectively. As such, the Foundation is not subject to federal or state income taxes other than unrelated business taxable income, any of which is considered immaterial for these basic financial statements.

The CSUDH Corporation is a for-profit organization and is subject to federal and state income taxes. As the Corporation did not generate any significant earnings or losses for the year ended June 30, 2008, no provision for federal income taxes has been recorded in the accompanying basic financial statements.

(n) *Estimates*

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues, and expenses in the accompanying basic financial statements. Actual results could differ from those estimates.

(o) *Recent Accounting Pronouncements*

The Governmental Accounting Standards Board (GASB) issued Statement No. 45 *Accounting and Financial Accounting Reporting by Employees for Postemployment Benefits Other than Pensions* in June 2004. GASB 45 requires recognition of Other Postemployment Benefits (OPEB) over a period of time that approximates employees' years of service and provides information about the associated actuarial accrued liability. The Foundation implemented GASB No. 45 during fiscal year 2007-08.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

NOTES TO BASIC FINANCIAL STATEMENTS For the Years Ended June 30, 2008 and 2007

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS:

The deposits and investments held at June 30, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Deposits:		
Demand deposits	\$ (122,648)	\$ (98,128)
Cash equivalents-Cash Reserve Trust Fund	<u>657,766</u>	<u>601,562</u>
	<u>535,118</u>	<u>503,434</u>
Investments:		
Local Agency Investment Fund	521,459	150,453
Equities	6,135,255	6,536,882
Corporate bonds	871,297	787,216
Government bonds	<u>3,526,899</u>	<u>3,475,654</u>
	<u>11,054,910</u>	<u>10,950,205</u>
Total deposits and investments	<u>\$11,590,028</u>	<u>\$11,453,639</u>
Reconciliation to statement of net assets		
Current:		
Cash and cash equivalents	\$ 79,543	\$ 95,873
Investments	<u>521,459</u>	<u>150,453</u>
	601,002	246,326
Noncurrent:		
Cash equivalents	455,575	394,112
Investments – Endowment	6,111,628	6,335,755
Investments – Other long term	<u>4,421,823</u>	<u>4,477,446</u>
	<u>\$11,590,028</u>	<u>\$11,453,639</u>

The Foundation maintains investments with the State of California Local Agency Investment Fund (LAIF) amounting to \$521,459 and \$150,453 as of June 30, 2008 and 2007. LAIF pools these funds with other governmental agencies and invests in various investment vehicles. These pooled funds approximate fair value. Regulatory oversight is provided by the State Pooled Money Investment Board and the Local Investment Advisory Board. LAIF is not subject to categorization as prescribed by GASB Statement No. 3 and No. 40 to indicate the level of custodial credit risk assumed by the Foundation at year end.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

NOTES TO BASIC FINANCIAL STATEMENTS

For the Years Ended June 30, 2008 and 2007

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS: (continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it. The Foundation does not have a deposit policy for custodial credit risk. Deposits in financial institutions, reported as components of cash had bank balances of \$807,314 for 2008 and \$555,812 for 2007 which were insured by depository insurance up to \$147,969 and \$148,958 respectively.

Investment Credit Risk

The Foundation's formal investment policy limits its investment choices to the following:

- Local Agency Investment Fund (LAIF)
- Cash equivalents having maturities of less than one year
- Equities limited to companies and institutions that contribute to the enhancement of human rights, both nationally and internationally through the support and practice of equal employment opportunities and affirmative action.
- Fixed income investments are limited to US Treasury or federal agency obligations, State of California obligations or those US Corporate bonds with ratings of no lower than A3 by Moody's or A- by Standard & Poor's at the time of purchase.

Concentration of Investment Credit Risk

The Foundation's formal investment policy limits cash equivalents, defined as less than one-year maturities to not more than 75% of investments. Equities are limited to a range of 25% to 65% of investments. Fixed income limited to a range of 25% to 50% of investments.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

NOTES TO BASIC FINANCIAL STATEMENTS

For the Years Ended June 30, 2008 and 2007

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS: (continued)

The following is a breakdown of the investment income, which has been allocated among the various revenue accounts on the statement of revenues, expenses and changes in net assets:

Investment Income for 2008

	<u>Unrestricted</u>	<u>Endowment</u>	<u>Total</u>
Interest and dividends	\$ 105,124	\$ 226,048	\$ 331,172
Realized gain on sales	151,516	224,017	375,533
Unrealized loss	<u>(375,389)</u>	<u>(524,320)</u>	<u>(899,709)</u>
Total investment income	(118,749)	(74,255)	(193,004)
Management fees	<u>(30,364)</u>	<u>(41,380)</u>	<u>(71,744)</u>
Net investment income	\$ <u>(149,113)</u>	\$ <u>(115,635)</u>	\$ <u>(264,748)</u>

Investment Income for 2007

	<u>Unrestricted</u>	<u>Endowment</u>	<u>Total</u>
Interest and dividends	\$ 162,092	\$ 210,273	\$ 372,365
Realized gain on sales	417,991	215,471	633,462
Unrealized gain	<u>94,002</u>	<u>368,740</u>	<u>462,742</u>
Total investment income	674,085	794,484	1,468,569
Management fees	<u>(30,767)</u>	<u>(39,145)</u>	<u>(69,912)</u>
Net investment income	\$ <u>643,318</u>	\$ <u>755,339</u>	\$ <u>1,398,657</u>

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

NOTES TO BASIC FINANCIAL STATEMENTS For the Years Ended June 30, 2008 and 2007

NOTE 4 - ACCOUNTS RECEIVABLE:

Accounts receivable consisted of the following at June 30, 2008 and 2007, respectively:

	<u>2008</u>	<u>2007</u>
Grants receivable	\$2,935,787	\$2,852,898
Advances	122,719	197,813
Other	<u>387,409</u>	<u>419,361</u>
	3,445,915	3,470,072
Less allowance for doubtful accounts	<u>(142,337)</u>	<u>(155,685)</u>
Total	<u>\$3,303,578</u>	<u>\$3,314,387</u>

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2008 and 2007 consisted of the following:

June 30, 2008

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Equipment	\$ 436,987	\$ 2,806	\$ 25,500	\$ 414,293
Buildings	769,643			769,643
Leasehold improvement	342,443	75,630		418,073
Furniture and fixtures	72,020			72,020
Construction in progress	<u>55,309</u>			<u>55,309</u>
	1,676,402	<u>78,436</u>	<u>25,500</u>	1,729,338
Less accumulated depreciation	<u>(685,183)</u>	<u>(129,091)</u>	<u>(25,500)</u>	<u>(788,774)</u>
Net capital assets	<u>\$ 991,219</u>	<u>\$ (50,655)</u>	<u>\$ -</u>	<u>\$ 940,564</u>

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

NOTES TO BASIC FINANCIAL STATEMENTS For the Years Ended June 30, 2008 and 2007

NOTE 5 - CAPITAL ASSETS: (continued)

June 30, 2007

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Equipment	\$ 408,936	\$ 28,051	\$ -	\$ 436,987
Buildings	769,643			769,643
Leasehold improvement	159,709	182,734		342,443
Furniture and fixtures	72,020			72,020
Construction in progress	<u>55,309</u>			<u>55,309</u>
	1,465,617	210,785	-	1,676,402
Less accumulated depreciation	<u>(580,174)</u>	<u>(105,009)</u>		<u>(685,183)</u>
Net capital assets	<u>\$ 885,443</u>	<u>\$ 105,776</u>	<u>\$ -</u>	<u>\$ 991,219</u>

NOTE 6 - DEPOSITORY ACCOUNTS:

Deposits held in custody for others which are comprised of cash and investments as of June 30, 2008 and 2007 are summarized as follows:

	<u>2008</u>	<u>2007</u>
Associated Students, Inc.	\$ 34,980	\$ 41,847
Loker University Student Union, Inc.	350,625	133,246
California Academy of Math and Science	2,684	2,733
Dominguez Hills Corporation	<u>57,157</u>	<u>57,982</u>
Total deposits held in custody for others	<u>\$ 445,446</u>	<u>\$ 235,808</u>

NOTE 7 - LONG-TERM LIABILITY - MORTGAGE PAYABLE:

During the year ended June 30, 2000, the Foundation purchased a house for \$397,955 which is used by the University President.

In connection with the purchase of the house, the Foundation entered into a loan agreement with City National Bank in the original amount of \$287,000. The agreement, which was refinanced in January 2003, provides for monthly interest and principal payments of \$1,782 and has a maturity date of May 1, 2030. The note bears interest at 6.25% and is secured by the deed of trust.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

NOTES TO BASIC FINANCIAL STATEMENTS

For the Years Ended June 30, 2008 and 2007

NOTE 7 - LONG-TERM LIABILITY - MORTGAGE PAYABLE: (continued)

A summary of current year activity on the loan for the year ended June 30, 2008 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Mortgage payable	\$ <u>260,185</u>	\$ <u> -</u>	\$ <u> 5,303</u>	\$ <u>254,882</u>

Payments required on the mortgage are as follows for the year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Principal and Interest</u>
2009	\$ 5,750	\$ 15,639	\$ 21,389
2010	6,108	15,281	21,389
2011	6,489	14,900	21,389
2012	6,895	14,494	21,389
2013	7,205	14,185	21,390
2014-2018	43,601	63,346	106,947
2019-2023	59,547	47,400	106,947
2024-2028	81,325	25,622	106,947
2029-2030	<u>37,962</u>	<u>2,455</u>	<u>40,417</u>
Total	\$ <u>254,882</u>	\$ <u>213,322</u>	\$ <u>468,204</u>

In connection with the purchase of the house, the Foundation entered into a Residential Lease Agreement with the University. The initial term of this lease is for ten years, commencing June 1, 2000, and ending May 31, 2010. Under the terms of the agreement, the University will pay the Foundation a monthly rental amount comprised of principal and interest on the City National Bank mortgage, estimate for insurance and property taxes, homeowners' association dues, maintenance costs and reimbursement of the Foundation's \$74,990 down payment on the house.

The Foundation has recorded the cost of the house as well as the mortgage payable in the accompanying basic financial statements. Lease payments due to the Foundation from the University to pay debt service are recorded as revenue when received.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

NOTES TO BASIC FINANCIAL STATEMENTS For the Years Ended June 30, 2008 and 2007

NOTE 8 - OPERATING LEASES:

Land and certain facilities used in the Foundation's operations are leased for a nominal amount from both the State of California and the University.

The Foundation entered into a sublease with the Donald P. & Katherine B. Loker University Student Union (Union) on November 1, 2006 expiring on June 30, 2012, for rental of the food service area located in the Union building. Payments of rental fees are to be made by the Foundation on a quarterly basis. Rental fees paid for the year ended June 30, 2008 amounted to \$1,644.

NOTE 9 - PENSION PLANS:

The Foundation maintains a pension plan for all eligible employees with Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA CREF).

(a) *Plan Description*

TIAA CREF is an agent which provides variable individual and group annuities for retirement and tax-deferred savings plans at nonprofit or publicly supported colleges, universities, and other educational and research organization. The TIAA CREF pension plan is a defined contribution plan. The contributions are invested and then disbursed at the time of the employees' retirement in the form of lifetime income or other payment options.

(b) *Funding Policy*

Participants are not required to contribute any of their annual covered salary. From February 1, 2001 through June 30, 2008, the Foundation contributed 10% of the employees' annual covered payroll. The contribution rates to TIAA CREF are established by the Foundation's board of directors.

(c) *Annual Pension Cost*

For the years ended June 30, 2008 and 2007, the Foundation's annual TIAA CREF pension cost totaled \$211,255 and \$231,552, respectively.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

NOTES TO BASIC FINANCIAL STATEMENTS

For the Years Ended June 30, 2008 and 2007

NOTE 10 – POSTEMPLOYMENT HEALTHCARE BENEFITS:

The Foundation provides lifetime postretirement medical coverage to employees who satisfy certain eligibility requirements. Retirees receive the same monthly allowance toward the cost of coverage as active employees.

The Foundation implemented GASB Statement No. 45 “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions” and has recorded the cost and obligation of these benefits in the government-wide financial statements.

Annual OPEB Cost and Net OPEB Obligation

The Foundation’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on 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 following table shows the components of the Foundation’s annual OPEB cost for the year, the amount actually contributed, and changes in the OPEB obligation:

Annual required contribution	\$452,175
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	452,175
Contributions made	(47,929)
Change in net OPEB obligation	404,246
Net OPEB obligation - beginning of year (1)	-
Net OPEB obligation - end of year	<u>\$404,246</u>

(1) GASB Statement No. 45 provides for prospective implementation, therefore the beginning net OPEB obligation is set at zero as of the beginning of the initial year.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

NOTES TO BASIC FINANCIAL STATEMENTS

For the Years Ended June 30, 2008 and 2007

NOTE 10 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

The Foundation's annual OPEB cost for the year, the percentage of annual OPEB cost contributed, and the net OPEB obligation for fiscal year ended 2008 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2008	\$ 452,175	10.6%	\$ 404,246

Fiscal year 2008 was the year of implementation of GASB Statement No. 45 and the Foundation elected to implement prospectively, therefore, prior year comparative data is not available. In future years, three-year trend information will be presented.

Funding Status and Funding Progress

As of June 30, 2008, the plan was unfunded. As of July 1, 2008, the most recent actuarial valuation date, the actuarial accrued liability for benefits as well as the unfunded actuarial accrued liability (UAAL) was \$3,658,011. It is the Foundation's plan to establish a designated funding source in the coming year.

Actuarial valuations of an ongoing benefit 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 about whether the actuarial value of plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

NOTES TO BASIC FINANCIAL STATEMENTS

For the Years Ended June 30, 2008 and 2007

NOTE 10 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (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 the 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 the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, if any, consistent with the long-term perspective of the calculations.

In the July 1, 2008 actuarial valuation, the unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) which is the current expected long-term investment returns on plan assets. The UAAL is being amortized over 30 years as allowed under GASB Statement 45. The remaining amortization period at June 30, 2008, was 29 years.

NOTE 11 – PRIOR PERIOD ADJUSTMENT:

During the current year, it was determined that certain prior year expenditures totaling \$227,910 were incorrectly recorded. To correct this error, the beginning net assets of \$12,028,395, as originally reported, has been increased to \$12,256,305. These expenditures are being properly recorded in Auxiliary expenses for the fiscal year ended June 30, 2008.

NOTE 12 - COMMITMENTS:

The operation of the University bookstore is contracted to an outside vendor who paid the Foundation \$1,200,000 during the year ended June 30, 1988 under a contract which expired March 2006. The amount paid was recorded as deferred revenue and was being amortized using the straight-line method over 18 years, the term of the contract. This contract was renegotiated and will expire in May 2014. Effective June 1, 2004, the Foundation receives fees equal to 10.1% of the first \$6,000,000 in bookstore sales. The fees, which totaled \$468,111 and \$486,834 for the years ended June 30, 2008 and 2007, are included in sales and services of auxiliary enterprises.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

NOTES TO BASIC FINANCIAL STATEMENTS

For the Years Ended June 30, 2008 and 2007

NOTE 12 - COMMITMENTS: (continued)

In January 1995, the Foundation entered into an agreement with an external vendor to provide vending services for the University. The agreement was originally for one year commencing January 5, 1995 and automatically renews annually. In connection with the contract, the Foundation shall receive 25% of all vending revenues as commission. The revenues received on this contract, included in sales and services of auxiliary enterprises, for the years ended June 30, 2008 and 2007 amounted to \$20,050 and \$18,250, respectively.

In February 1998, the Foundation entered into an agreement with an external vendor to provide a food service venue to the University. The agreement was originally for one year commencing July 1, 1998 through June 30, 1999. The tenant has the option of extending this lease for 18 consecutive periods of one year. The tenant has exercised their options through the year ending June 30, 2009. In connection with the contract, the Foundation shall receive 7% of gross sales per month. The contract commission revenues received on this contract, included in sales and services of auxiliary enterprises, for the years ended June 30, 2008 and 2007 amounted to \$38,515 and \$19,814 respectively.

In January 2000, the Foundation entered into a sponsorship agreement with a major beverage corporation to give exclusive advertising and beverage availability rights on the University Campus. The sponsor shall have the exclusive rights for a term of ten years beginning January 1, 2000 through December 31, 2009. In connection with the contract, the sponsor agreed to pay the Foundation a total of \$950,002 to be paid at a rate of \$250,000 for year one, then nine equal annual installments of \$77,778 in January of each subsequent year beginning January 2001. The sponsor also agreed to pay marketing activation fees in the total amount of \$50,000 for the entire term of the contract, to be paid by providing marketing products and signage valued at \$5,000 per year. The annual payments were suspended during the closure of the Loker University Student Union and resumed in the Spring of 2008.

In May 2000, the Foundation entered into an agreement with an external vendor to provide vending services to the University. The agreement was originally for one year commencing May 1, 2000 through April 30, 2001. The tenant has the option of extending this lease for ten consecutive periods of one year. The tenant has exercised their option through year ended April 30, 2009. In connection with the contract, the Foundation shall receive 12% gross sales per month. The contract commission revenues received on this contract, included in sales and services of auxiliary enterprises, for the year ended June 30, 2008 amounted to \$23,726. No revenue was received for the year ended June 30, 2007 due to the renovation of the Loker University Student Union building.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

NOTES TO BASIC FINANCIAL STATEMENTS

For the Years Ended June 30, 2008 and 2007

NOTE 12 - COMMITMENTS: (continued)

In April 2007, the Foundation entered into an agreement with an external vendor to provide vending services to the University. The agreement was originally for five years commencing April 23, 2007 through April 23, 2012 and automatically renews for an additional five years. In connection with the contract, the Foundation shall receive 10.5% of gross sales per month. The contract commission revenues received on this contract, included in sales and services of auxiliary enterprises, for the year ended June 30, 2008 amounted to \$19,953. No revenue was received for the year ended June 30, 2007 due to the renovation of the Loker University Student Union building.

In April 2007, the Foundation entered into an agreement with an external vendor to provide vending services to the University. The agreement is for five years. The tenant has the option of extending this lease for an additional five years. In connection with the contract, the Foundation shall receive 15.5% gross sales per month. The contract commission revenues received on this contract, included in sales and services of auxiliary enterprises, for the years ended June 30, 2008 and 2007 amounted to \$12,721 and \$1,536 respectively.

In August 2007, the Foundation entered into an agreement with an external vendor to provide vending services to the University. The agreement was originally for five years commencing August 28, 2007 through August 28, 2012 and automatically renews for an additional five years. In connection with the contract, the Foundation shall receive 12.5% of gross sales per month. The contract commission revenues received on this contract, included in sales and services of auxiliary enterprises, for the year ended June 30, 2008 amounted to \$10,613.

NOTE 13 - TRANSACTIONS WITH RELATED ENTITIES:

The Foundation and the University provide various services on each other's behalf. Such services are appropriately billed. Amounts payable to the University at June 30, 2008 and 2007 totaled \$1,993,805 and \$1,445,318, respectively. Amounts receivable from other University auxiliaries totaled \$97,145 and \$80,774 at June 30, 2008 and 2007, respectively. Amounts payable to other University auxiliaries totaled \$53,055 and \$23,783 at June 30, 2008 and 2007, respectively.

The Foundation charges a fee to the Loker University Student Union, Inc. and the Associated Students, Inc. for administrative services. Fees collected for these services were approximately \$46,500 and \$45,500 for the years ended June 30, 2008 and 2007.

REQUIRED SUPPLEMENTARY INFORMATION

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS FUNDING PROGRESS

For the Fiscal Year Ended June 30, 2008

<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (Unit Cost Method) (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funding Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
6/30/2008	7/1/2008	\$ -	\$ 3,658,011	\$ 3,658,011	0.0%	\$2,242,000	163.16%

Note: Fiscal year 2008 was the year of implementation of GASB Statement No. 45 and the Foundation elected to implement prospectively, therefore, prior year comparative data is not available. In future years, three year trend information will be presented.

See the accompanying notes to the required supplementary information.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2008

NOTE 1 - PURPOSE OF SCHEDULE:

A. Schedule of Postemployment Healthcare Benefits Funding Progress

This schedule is prepared to show information for the most recent actuarial valuation and, in future years, the information from the three most recent actuarial valuations in accordance with Statement No. 45 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The schedule is intended to show trends about the funding progress of the Foundation's actuarially determined liability for postemployment benefits other than pensions.

SUPPLEMENTARY INFORMATION

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

Statement of Net Assets June 30, 2008 (for inclusion in the California State University)

Assets:

Current Assets:

Cash and cash equivalents	\$ 79,543
Short-term investments	521,459
Accounts receivable, net	3,303,578
Lease receivable, current portion	
Pledges receivable, net	
Prepaid expenses and other assets	<u>79,886</u>
Total current assets	3,984,466

Noncurrent assets:

Restricted cash and cash equivalents	455,575
Account receivable, net	117,291
Leases receivable, net of current portion	
Pledges receivable, net	
Endowment investments	6,111,628
Other long-term investments	4,421,823
Capital assets, net	940,564
Other assets	
Total noncurrent assets	<u>12,046,881</u>
Total assets	<u>16,031,347</u>

Liabilities:

Current liabilities:

Accounts payable	2,665,288
Accrued salaries and benefits payable	101,948
Accrued compensated absences-current portion	140,044
Deferred revenue	296,438
Capitalized lease obligations-current portion	
Long-term debt obligations-current portion	5,750
Self-insurance claims liability-current portion	
Other liabilities	<u>62,958</u>
Total current liabilities	3,272,426

Noncurrent liabilities:

Accrued compensated absences, net of current portion	
Deferred revenue	
Grants refundable	
Capitalized lease obligations, net of current portion	
Long-term debt obligations, net of current portion	249,132
Self-insurance claims liability, net of current portion	
Depository accounts	445,446
Other liabilities	<u>404,246</u>
Total noncurrent liabilities	<u>1,098,824</u>
Total liabilities	<u>4,371,250</u>

See the accompanying independent auditors' report.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

Statement of Net Assets
June 30, 2008
(for inclusion in the California State University)

Net Assets:	
Invested in capital assets	685,682
Restricted for:	
Nonexpendable-endowments	4,520,806
Expendable:	
Scholarships and fellowships	874,603
Research	
Loans	
Capital projects	146,238
Debt service	
Other	
Unrestricted	5,432,768
Total net assets	<u>\$ 11,660,097</u>

See the accompanying independent auditors' report.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

Statement of Revenues, Expenses, and Changes in Net Assets

Year ended June 30, 2008

(for inclusion in the California State University)

Revenue

Operating revenues:

Student tuition and fees (net of scholarship allowances of \$ 0)	\$ -
Grants and contracts, noncapital:	
Federal	8,201,909
State	4,866,340
Local	484,424
Nongovernmental	108,595
Sales and services of educational activities	981,421
Sales and services of auxiliary enterprises	3,719,201
Other operating revenues	<u>17,701</u>
Total operating revenues	<u>18,379,591</u>

EXPENSES:

Operating expenses:

Instruction	5,342,880
Research	4,113,657
Public services	
Academic support	3,378,432
Student services	92,221
Institutional support	1,353,708
Operation and maintenance of plant	
Student grants and scholarships	1,889,419
Auxiliary enterprise expenses	3,805,517
Depreciation and amortization	<u>129,091</u>
Total operating expenses	<u>20,104,925</u>
Operating income (loss)	(1,725,334)

Nonoperating revenues:

State appropriations, noncapital	
Gifts, noncapital	1,173,670
Investment income, net	(264,748)
Endowment income	
Interest on capital-related debt	(16,086)
Other nonoperating revenues (expenses)	
Net nonoperating revenues (expenses)	<u>892,836</u>
Income (loss) before other additions	(832,498)

State appropriation, capital

Grants and gifts, capital

Additions to permanent endowments	<u>236,290</u>
Increase (decrease) in net assets	<u>(596,208)</u>

Net assets:

Net assets at beginning of year, as previously reported	12,028,395
Restatements	<u>227,910</u>
Net assets at beginning of year, as restated	<u>12,256,305</u>
Net assets at end of year	<u><u>\$ 11,660,097</u></u>

See the accompanying independent auditors' report.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

	<u>Unrestricted Fund</u>	<u>Restricted Fund</u>	<u>Endowment Fund</u>	<u>Plant Fund</u>	<u>Total</u>
REVENUES:					
Federal	\$ -	\$ 8,201,909	\$ -	\$ -	\$ 8,201,909
State and local		4,866,340			4,866,340
Nongovernmental	864,971	901,718	236,290		2,002,979
Sales and services of educational activities	981,421				981,421
Sales and services of auxiliary enterprises	3,719,201				3,719,201
Investment income	(48,939)	59,027	(274,836)		(264,748)
Other operating revenues	17,701				17,701
Transfers	(662,119)	272,753	389,366		-
TOTAL REVENUES	<u>4,872,236</u>	<u>14,301,747</u>	<u>350,820</u>	<u>-</u>	<u>19,524,803</u>
EXPENSES:					
Instruction		5,342,880			5,342,880
Research		4,113,657			4,113,657
Academic support	2,157,781	1,220,651			3,378,432
Student services		92,221			92,221
Institutional support		1,353,708			1,353,708
Scholarships and fellowships		1,889,419			1,889,419
Depreciation	129,091				129,091
Interest expense	16,086				16,086
Auxiliary expenditures	3,805,517				3,805,517
TOTAL EXPENSES	<u>6,108,475</u>	<u>14,012,536</u>	<u>-</u>	<u>-</u>	<u>20,121,011</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(1,236,239)</u>	<u>289,211</u>	<u>350,820</u>	<u>-</u>	<u>(596,208)</u>
BEGINNING NET ASSETS	6,996,577	585,392	4,169,986	276,440	12,028,395
RESTATEMENT OF NET ASSETS (Note 11)	227,910				227,910
RESTATED NET ASSETS BEGINNING OF YEAR	<u>7,224,487</u>	<u>585,392</u>	<u>4,169,986</u>	<u>276,440</u>	<u>12,256,305</u>
ENDING NET ASSETS	<u>\$ 5,988,248</u>	<u>\$ 874,603</u>	<u>\$ 4,520,806</u>	<u>\$ 276,440</u>	<u>\$ 11,660,097</u>

See the accompanying independent auditors' report.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

Other Information
June 30, 2008
(for inclusion in the California State University)

1 Restricted cash and cash equivalents at June 30, 2008

Portion of restricted cash and cash equivalents related to endowments \$ 455,575

2 Composition of investments at June 30, 2008

	Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
State of California Surplus Money Investment Fund	\$ 521,459	\$	\$	\$	\$ 521,459
State of California Local Agency Investment Fund					
Met West Short Term Fund					
Met West Medium Term Fund					
Met West Equity Fund					
Debt securities		366,749	504,548	871,297	871,297
Equity securities		2,657,821	3,465,010	6,122,831	6,122,831
Fixed income securities (Treasury notes, GNMAs)		1,384,829	2,142,070	3,526,899	3,526,899
Real estate					
Certificates of deposit					
Money market funds					
Notes receivable					
Mutual funds					
Other investments:					
Money market funds		8,034		8,034	8,034
Add description					
Add description		4,390		4,390	4,390
Add description					
Other					
Total investments	521,459	4,421,823	6,111,628	10,533,451	11,054,910
Less endowment investments (enter as negative number)			(6,111,628)	(6,111,628)	(6,111,628)
Total investments	\$ 521,459	\$ 4,421,823	\$ -	\$ 4,421,823	\$ 4,943,282

See the accompanying independent auditors' report.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

Other Information
June 30, 2008
(for inclusion in the California State University)

3 Composition of capital assets at June 30, 2008:

	Balance June 30, 2007	Prior period Adjustments	Reclassifications	Balance June 30, 2007 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2008
Nondepreciable capital assets:								
Land and land improvements								
Works of art and historical treasures								
Construction work in progress (CWIP)	55,309			55,309				55,309
Total nondepreciable capital assets	55,309			55,309				55,309
Depreciable capital assets:								
Buildings and building improvements	769,643			769,643				769,643
Improvements, other than buildings								
Infrastructure	342,443			342,443	75,630			418,073
Leasehold improvements								
Personal property:	509,007			509,007	2,806	25,500		486,313
Equipment								
Library books and materials								
Intangible assets								
Total depreciable capital assets	1,621,093			1,621,093	78,436	25,500		1,674,029
Total cost	1,676,402			1,676,402	78,436	25,500		1,729,338
Less accumulated depreciation:								
Buildings and building improvements	(111,154)			(111,154)	(25,547)			(136,701)
Improvements, other than buildings								
Infrastructure	(124,301)			(124,301)	(77,478)			(201,779)
Leasehold improvements								
Personal property:	(449,728)			(449,728)	(26,066)	(25,500)		(450,294)
Equipment								
Library books and materials								
Intangible assets								
Total accumulated depreciation	(685,183)			(685,183)	(129,091)	(25,500)		(788,774)
Net capital assets	\$ 991,219	\$ —	\$ —	\$ 991,219	\$ (50,655)	\$ —	\$ —	\$ 940,564

Detail of depreciation and amortization expense for the year ended June 30, 2008:

Depreciation and amortization expense related to capital assets	\$ (129,091)
Amortization expense related to other assets	
Total depreciation and amortization	\$ (129,091)

See the accompanying independent auditors' report.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

Other Information
June 30, 2008
(for inclusion in the California State University)

4 Long-term liabilities activity schedule:

	Balance June 30, 2007	Prior period adjustments	Reclassifications	Balance June 30, 2007 (restated)	Additions	Reductions	Balance June 30, 2008	Long-term portion	Current portion
Accrued compensated absences	\$ 159,388	\$ -	\$ -	\$ 159,388	\$ 175,045	\$ (194,389)	\$ 140,044	\$ -	\$ 140,044
Capitalized lease obligations									
Gross balance									
Unamortized premium on capitalized lease obligations									
Total capitalized lease obligations									
Long-term debt obligations:									
Revenue Bonds									
Other bonds (non-Revenue Bonds)									
Commercial Paper									
Other:									
Real property mortgage	260,185			260,185		(5,303)	254,882	249,132	5,750
Description									
Description									
Description									
Description									
Total long-term debt obligations	260,185	-	-	260,185	-	(5,303)	254,882	249,132	5,750
Unamortized bond premium / (discount)									
Unamortized loss on refunding	260,185	-	-	260,185	-	(5,303)	254,882	249,132	5,750
Total long-term debt obligations, net	419,573	-	-	419,573	175,045	(199,692)	394,926	249,132	145,794
Total long-term liabilities									

See the accompanying independent auditors' report.

Other Information
June 30, 2008
(for inclusion in the California State University)

6 Long-term debt obligation schedule

See the accompanying independent auditors' report.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

Other Information
June 30, 2008
(for inclusion in the California State University)

7 Calculation of net assets - Invested in capital assets, net of related debt

	Auxiliary Organizations		Total Auxiliaries
	GASB	FASB	
Capital assets, net of accumulated depreciation	\$ 940,564	\$ -	\$ 940,564
Capital lease obligations, current portion	(5,750)		(5,750)
Capital lease obligations, net of current portion	(249,132)		(249,132)
Long-term debt obligations, current portion			
Long-term debt obligations, net of current portion			
Unspent bond proceeds			
Other:			
(description)			
(description)			
(description)			
Net assets - invested in capital assets, net of related debt	<u>\$ 685,682</u>	<u>\$ -</u>	<u>\$ 685,682</u>

8 Transactions with Related Entities

	Amount
Reimbursement to University for salaries of University personnel working on contracts, grants and other programs	\$ 2,060,149
Reimbursements to University for other than salaries of University personnel	1,244,172
Payments received from University for services, space, and programs	308,167
Gifts-in-kind to the University from Auxiliary Organizations	-
Amounts (payable to) University (enter as negative number)	(1,993,805)
Amount receivable from University	91,035

9 The nature and amount of the prior period adjustments(s) recorded to beginning net assets

Net Asset Class	Amount
Net assets as of June 30, 2007, as previously reported	Dr. (Cr.)
Prior period adjustments:	\$ (12,028,395)
1 Current year Auxiliary expenses that were expensed incorrectly in 2007	(227,910)
Net assets as of June 30, 2007, as restated	<u>\$ (12,256,305)</u>

Provide a detailed breakdown of the journal entries (as the financial statement line item level) booked to record each prior period adjustment

	Debit	Credit
Net asset class: Unrestricted net assets		
1 Auxiliary enterprise expenses	\$ 227,910	
Unrestricted net assets		\$ (227,910)

See the accompanying independent auditors' report.