

**CALIFORNIA STATE UNIVERSITY
DOMINGUEZ HILLS FOUNDATION**

Report on Financial Statements

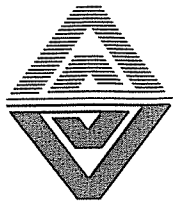
June 30, 2011 and 2010

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

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VICENTI ♦ LLOYD ♦ STUTZMAN ^{LLP}
BUSINESS CONSULTANTS AND CPAs

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), for the years ended June 30, 2011 and 2010, 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2011 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

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis and schedule of postemployment healthcare benefits funding progress 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 financial statements, and other knowledge we obtained during our audit of the 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.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Foundation's financial statements as a whole. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary section is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the financial statements as a whole.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP

September 27, 2011

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

For the Year Ended June 30, 2011

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 or fair 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, non-capital, capital, 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, 2011

Analytical Overview

Summary

The Foundation's operations for the fiscal year ended June 30, 2011 increased as shown by an increase in net assets of approximately \$1,700,000. This was due to the performance of the Foundation's long term and endowment investments as well as improvements in the auxiliary enterprises.

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>2011</u>	<u>2010</u>	<u>Change</u>
Current assets	\$ 3,818,984	\$ 4,155,123	\$ (336,139)
Restricted and other assets	14,600,941	12,431,262	2,169,679
Capital assets, net	<u>644,501</u>	<u>722,961</u>	<u>(78,460)</u>
Total assets	<u>19,064,426</u>	<u>17,309,346</u>	<u>1,755,080</u>
Current liabilities	1,979,160	2,474,055	(494,895)
Noncurrent liabilities	1,917,925	1,552,899	365,026
Other liabilities	<u>483,790</u>	<u>306,444</u>	<u>177,346</u>
Total liabilities	<u>4,380,875</u>	<u>4,333,398</u>	<u>47,477</u>
Net assets:			
Invested in capital assets, net of related debt	408,243	479,729	(71,486)
Restricted	7,673,246	7,052,116	621,130
Unrestricted	<u>6,602,062</u>	<u>5,444,103</u>	<u>1,157,959</u>
Total net assets	<u>\$14,683,551</u>	<u>\$12,975,948</u>	<u>\$1,707,603</u>

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

For the Year Ended June 30, 2011

The Foundation's current assets decreased by \$336,139 while restricted and other assets increased by \$2,169,679. The decrease in current assets was primarily caused by a decrease in cash at year end. The Foundation's cash needs fluctuate during the year and although cash was lower at June 30, 2011 compared to June 30, 2010, short term investments had a slight increase. Funds are moved between cash and short term investments as needed. The increase in restricted and other assets was due to increases in both the long term and endowment investment portfolios. There were no major additions to capital assets which were reflected in the decrease in net capital assets.

Current liabilities decreased while there were increases in both noncurrent and other liabilities. The decrease in current liabilities was due to a \$640,000 decrease in accounts payable mainly in the amount payable to the University. Noncurrent liabilities continue to increase as the result of implementing GASB 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" and accruing postemployment benefits. Although the accrual for postemployment benefits for fiscal year 2011 was approximately \$370,000, this was a decrease in the required accrual for 2010 of \$470,000.

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 \$14,683,551 at June 30, 2011, \$7,673,246 is restricted. Of this amount \$6,326,058 is restricted for nonexpendable endowments, \$1,270,385 is restricted for expendable scholarships and fellowships and \$76,803 is restricted for capital expansion. Net assets of \$6,602,062 are unrestricted but are designated for specific purposes and \$408,243 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, 2011

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Operating revenues:			
Grants and contracts	\$12,376,021	\$11,751,673	\$624,348
Sales and services of educational activities	288,635	728,479	(439,844)
Sales and services of auxiliary enterprises	3,502,746	3,338,944	163,802
Other operating revenues	234,706	44,354	190,352
Nonoperating revenues:			
Investment income	<u>2,030,503</u>	<u>1,214,562</u>	<u>815,941</u>
Total revenues	<u>18,432,611</u>	<u>17,078,012</u>	<u>1,354,599</u>
Expenses:			
Operating expenses:			
Instructional	4,371,138	4,157,245	213,893
Research	2,945,535	2,812,296	133,239
Academic support	2,325,911	2,631,704	(305,793)
Student services	116,215	105,545	10,670
Institutional support	1,172,465	1,189,230	(16,765)
Student grants and scholarships	3,048,447	2,758,214	290,233
Auxiliary enterprise expense	3,442,115	3,259,040	183,075
Depreciation	78,460	104,307	(25,847)
Nonoperating expenses:			
Interest	13,505	15,382	(1,877)
Other nonoperating expenses	<u>588,939</u>	<u>588,939</u>	<u>588,939</u>
Total expenses	<u>18,102,730</u>	<u>17,032,963</u>	<u>1,069,767</u>
Changes in net assets before other changes in net assets	329,881	45,049	284,832
Gifts, noncapital	1,331,397	1,782,123	(450,726)
Additions to permanent endowments	<u>46,325</u>	<u>1,088,008</u>	<u>(1,041,683)</u>
Change in net assets	1,707,603	2,915,180	(1,207,577)
Net assets at beginning of year	<u>12,975,948</u>	<u>10,060,768</u>	<u>2,915,180</u>
Net assets at end of year	<u>\$ 14,683,551</u>	<u>\$ 12,975,948</u>	<u>\$ 1,707,603</u>

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

For the Year Ended June 30, 2011

Increases in revenue from grants and contracts and investment income offset the decrease in revenue from the sales and services of educational activities. Due to a system-wide change in policy, the Foundation was no longer able to handle campus program/agency accounts and therefore could not accept additional deposits/revenues into these accounts which were previously recorded as sales and services of educational activities. During 2011, the majority of these accounts were closed and the funds were turned over to the University. Grants and contracts revenue increased by over \$600,000 while long term and endowment investment income increased by over \$800,000. Expenses increased by over \$1,000,000 while over \$700,000 was due to the closing of the campus program/agency accounts. The portion of the funds being moved that represented net assets accumulated from prior years (\$589,000) was reflected as non-operating expenses.

Capital Assets and Debt Administration

The Foundation had \$1,697,538 invested in capital assets, net of accumulated depreciation of \$1,053,037. There were no major additions to capital assets during the fiscal year.

The Foundation has \$236,258 in outstanding debt (\$229,363 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. During 2011, the loan was revised resulting in a reduction in the interest rate charged. Normal payments were made against the loan including \$6,974 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 in fiscal year 2008 resulting in increases in expenses and long term liabilities. The Foundation is planning on making a contribution toward this liability in the next fiscal year and will continue to evaluate postemployment benefits offered to employees.

Grants and Contracts

Grants and contracts activity for the next fiscal year is projected to be at the same levels or to decline slightly.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

STATEMENTS OF NET ASSETS

As of June 30, 2011 and 2010

	<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
Current assets:			
Cash and cash equivalents	\$	-	\$ 465,769
Short-term investments		900,590	893,781
Accounts receivable, net		2,826,454	2,709,279
Prepaid expenses and other assets		<u>91,940</u>	<u>86,294</u>
Total current assets		<u>3,818,984</u>	<u>4,155,123</u>
Noncurrent assets:			
Restricted cash and cash equivalents		385,777	337,706
Gift annuity receivable		116,555	88,233
Endowment investments		8,666,169	7,533,396
Other long-term investments		5,432,440	4,471,927
Capital assets, net		<u>644,501</u>	<u>722,961</u>
Total noncurrent assets		<u>15,245,442</u>	<u>13,154,223</u>
Total assets		<u>\$ 19,064,426</u>	<u>\$ 17,309,346</u>
 <u>LIABILITIES AND NET ASSETS</u>			
Current liabilities:			
Accounts payable	\$	1,529,550	\$ 2,172,223
Accrued salaries and benefits payable		51,881	50,548
Accrued compensated absences		100,876	96,462
Deferred revenue		38,638	92,736
Long-term liabilities, current portion		6,895	6,489
Other liabilities		<u>251,320</u>	<u>55,597</u>
Total current liabilities		<u>1,979,160</u>	<u>2,474,055</u>
Noncurrent liabilities:			
Postemployment benefits other than pensions payable		1,688,562	1,316,156
Long-term liabilities, net of current portion		229,363	236,743
Depository accounts		<u>483,790</u>	<u>306,444</u>
Total noncurrent liabilities		<u>2,401,715</u>	<u>1,859,343</u>
Total liabilities		<u>4,380,875</u>	<u>4,333,398</u>
Net assets:			
Invested in capital assets, net of related debt		408,243	479,729
Restricted for:			
Nonexpendable endowments		6,326,058	5,900,447
Expendable:			
Scholarships and fellowships		1,270,385	1,075,827
Capital expansion		76,803	75,842
Unrestricted		<u>6,602,062</u>	<u>5,444,103</u>
Total net assets		<u>14,683,551</u>	<u>12,975,948</u>
Total liabilities and net assets		<u>\$ 19,064,426</u>	<u>\$ 17,309,346</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, 2011 and 2010

<u>REVENUES</u>	<u>2011</u>	<u>2010</u>
Operating revenues:		
Grants and contracts, noncapital:		
Federal	\$ 10,255,753	\$ 9,081,602
State and local	1,913,609	2,371,453
Nongovernmental	206,659	298,618
Sales and services of educational activities	288,635	728,479
Sales and services of auxiliary enterprises	3,502,746	3,338,944
Other operating revenues	<u>234,706</u>	<u>44,354</u>
Total operating revenues	<u>16,402,108</u>	<u>15,863,450</u>
 <u>EXPENSES</u>		
Operating expenses:		
Instruction	4,371,138	4,157,245
Research	2,945,535	2,812,296
Academic support	2,325,911	2,631,704
Student services	116,215	105,545
Institutional support	1,172,465	1,189,230
Student grants and scholarships	3,048,447	2,758,214
Auxiliary enterprise expenses	3,442,115	3,259,040
Depreciation	<u>78,460</u>	<u>104,307</u>
Total operating expenses	<u>17,500,286</u>	<u>17,017,581</u>
 Operating loss	<u>(1,098,178)</u>	<u>(1,154,131)</u>
 Nonoperating revenues (expenses):		
Gifts, noncapital	1,331,397	1,782,123
Investment income, net	2,030,503	1,214,562
Interest on capital-related debt	(13,505)	(15,382)
Other nonoperating expenses	<u>(588,939)</u>	<u>-</u>
Total nonoperating revenues	<u>2,759,456</u>	<u>2,981,303</u>
 Additions to permanent endowments	<u>46,325</u>	<u>1,088,008</u>
 CHANGE IN NET ASSETS	<u>1,707,603</u>	<u>2,915,180</u>
 NET ASSETS AT BEGINNING OF YEAR	<u>12,975,948</u>	<u>10,060,768</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 14,683,551</u></u>	<u><u>\$ 12,975,948</u></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, 2011 and 2010

	2011	2010
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Federal grants and contracts	\$ 10,361,389	\$ 8,505,665
State and local grants and contracts	1,913,609	2,371,453
Nongovernmental grants and contracts	206,659	298,618
Payments to suppliers	(10,252,688)	(9,539,827)
Payments to employees	(4,759,262)	(4,519,805)
Payments to students	(3,048,447)	(2,758,214)
Sales and services of educational activities	288,635	728,479
Sales and services of auxiliary enterprises	3,761,643	3,956,153
Other receipts	234,706	44,354
Net cash used by operating activities	<u>(1,293,756)</u>	<u>(913,124)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Gifts and grants received for other than capital purposes	1,377,722	2,870,131
Monies received on behalf of others	3,429,570	3,894,003
Monies disbursed on behalf of others	(3,252,486)	(3,961,753)
Other payments	<u>(588,939)</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>965,867</u>	<u>2,802,381</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Proceeds from sale of capital assets	6,400	-
Acquisitions of capital assets	-	(2,026)
Principal paid on capital debt and lease	(6,974)	(6,006)
Interest paid on capital debt and lease	<u>(13,505)</u>	<u>(15,382)</u>
Net cash used by capital and related financing activities	<u>(14,079)</u>	<u>(23,414)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Proceeds from sales and maturities of investments	2,305,246	3,216,593
Purchases of investments	<u>(2,380,976)</u>	<u>(4,872,440)</u>
Net cash used by investing activities	<u>(75,730)</u>	<u>(1,655,847)</u>
Net (decrease)/increase in cash and cash equivalents	(417,698)	209,996
Cash and cash equivalents at beginning of year	<u>803,475</u>	<u>593,479</u>
Cash and cash equivalents at end of year	<u>\$ 385,777</u>	<u>\$ 803,475</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (1,098,178)	\$ (1,154,131)
Adjustments to reconcile operating loss to net cash (used)/provided by operating activities:		
Depreciation	78,460	104,307
Postemployment benefits other than pensions payable	372,406	471,561
Change in assets and liabilities:		
Accounts receivable	(117,175)	(263,112)
Gift annuity receivable	(28,322)	-
Prepaid and other assets	(5,646)	10,014
Accounts payable and amounts payable to the University	(642,673)	154,780
Accrued salaries and benefits	1,333	(50,585)
Accrued compensated absences	4,414	(24,172)
Deferred revenue	(54,098)	(179,982)
Other liabilities	195,723	18,196
Net cash (used)/provided by operating activities	<u>\$ (1,293,756)</u>	<u>\$ (913,124)</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, 2011 and 2010

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, 2011 and 2010**

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 up to \$250,000 per financial institution. The remaining balances are classified as category three 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, 2011 and 2010

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 \$5,000 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) *Other Liabilities*

Other liabilities include liabilities resulting from temporary timing differences between cash in the bank and funds held in short term investments – LAIF (Local Agency Investment Funds). Funds are transferred between short term investments and cash in the bank as cash expenditures require and as of June 30, 2011 a temporary overdraft cash position resulted due to the timing of the incoming transfer of funds. GASB requires that any material overdraft positions are reflected as a separate liability line item.

(j) *Compensated Absences*

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

(k) *Deferred Revenue*

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

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

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

(l) 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 retains them in perpetuity. When both restricted and unrestricted resources are available for use, it is the Foundation's policy to use restricted resources first, then unrestricted resources as they are needed.

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.

(m) 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. 33. These nonoperating activities include the Foundation's net investment income, gifts, and interest expense.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

NOTES TO BASIC FINANCIAL STATEMENTS

For the Years Ended June 30, 2011 and 2010

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

(n) *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.

The Foundation has evaluated its tax positions and the certainty as to whether those tax positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated are related to the Foundation's continued qualification as a tax-exempt organization and whether there is unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions are more likely than not (>50%) of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

The Foundation files informational tax returns in the U.S. federal jurisdictions and the state of California. With few exceptions, the Foundation is no longer subject to U.S. federal and state examinations by tax authorities for years before 2006.

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, 2011, no provision for federal income taxes has been recorded in the accompanying basic financial statements.

(o) *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.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

NOTES TO BASIC FINANCIAL STATEMENTS For the Years Ended June 30, 2011 and 2010

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS:

The deposits and investments held at June 30, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Deposits:		
Demand deposits	\$ -	\$ 299,350
Cash equivalents-Cash Reserve Trust Fund	<u>385,777</u>	<u>504,125</u>
	<u>385,777</u>	<u>803,475</u>
Investments:		
Local Agency Investment Fund	900,590	893,781
Money Market Funds	11,805	10,803
Equities	9,125,617	7,015,762
Corporate bonds	1,783,190	1,753,147
Government bonds	<u>3,177,997</u>	<u>3,225,611</u>
	<u>14,999,199</u>	<u>12,899,104</u>
Total deposits and investments	<u>\$15,384,976</u>	<u>\$13,702,579</u>
Reconciliation to statement of net assets		
Current:		
Cash and cash equivalents	\$ -	\$ 465,769
Investments	900,590	893,781
Noncurrent:		
Cash equivalents	385,777	337,706
Investments – Endowment	8,666,169	7,533,396
Investments – Other long term	<u>5,432,440</u>	<u>4,471,927</u>
	<u>\$15,384,976</u>	<u>\$13,702,579</u>

The Foundation maintains investments with the State of California Local Agency Investment Fund (LAIF) amounting to \$900,590 and \$893,781 as of June 30, 2011 and 2010. 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, 2011 and 2010

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 the financial institution, reported as components of cash had bank balances of \$756,861 for 2011 and \$819,076 for 2010. As of June 30, 2011 these balances were insured up to \$250,000. \$256,418 of the balances were not insured at June 30, 2011.

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, 2011 and 2010

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 2011

	<u>Unrestricted</u>	<u>Endowment</u>	<u>Total</u>
Interest and dividends	\$ 140,329	\$ 242,819	\$ 383,148
Realized gain on sales	90,943	126,704	217,647
Unrealized gain	<u>754,432</u>	<u>1,056,466</u>	<u>1,810,898</u>
Total investment income	985,704	1,425,989	2,411,693
Management fees	<u>(37,760)</u>	<u>(343,430)</u>	<u>(381,190)</u>
Net investment income	<u>\$ 947,944</u>	<u>\$1,082,559</u>	<u>\$2,030,503</u>

Investment Income for 2010

	<u>Unrestricted</u>	<u>Endowment</u>	<u>Total</u>
Interest and dividends	\$ 125,323	\$ 216,736	\$ 342,059
Realized loss on sales	86,185	123,220	209,405
Unrealized loss	<u>378,194</u>	<u>550,623</u>	<u>928,817</u>
Total investment income	589,702	890,579	1,480,281
Management fees	<u>(34,832)</u>	<u>(230,887)</u>	<u>(265,719)</u>
Net investment income	<u>\$ 554,870</u>	<u>\$ 659,692</u>	<u>\$1,214,562</u>

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

NOTES TO BASIC FINANCIAL STATEMENTS For the Years Ended June 30, 2011 and 2010

NOTE 4 - ACCOUNTS RECEIVABLE:

Accounts receivable consisted of the following at June 30, 2011 and 2010, respectively:

	<u>2011</u>	<u>2010</u>
Grants receivable	\$2,434,306	\$2,564,817
Advances	33,267	46,330
Other	<u>513,954</u>	<u>238,275</u>
	2,981,527	2,849,422
Less allowance for doubtful accounts	<u>(155,073)</u>	<u>(140,143)</u>
Total	<u>\$2,826,454</u>	<u>\$2,709,279</u>

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2011 and 2010 consisted of the following:

June 30, 2011

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Equipment	\$ 419,320	\$ -	\$ 36,827	\$ 382,493
Buildings	769,643			769,643
Leasehold improvements	418,073			418,073
Furniture and fixtures	72,020			72,020
Construction in Progress	<u>55,309</u>			<u>55,309</u>
	1,734,365		36,827	1,697,538
Less accumulated depreciation	<u>(1,011,404)</u>	<u>(78,460)</u>	<u>(36,827)</u>	<u>(1,053,037)</u>
Net capital assets	<u>\$ 722,961</u>	<u>\$ (78,460)</u>	<u>\$ -</u>	<u>\$ 644,501</u>

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

NOTES TO BASIC FINANCIAL STATEMENTS For the Years Ended June 30, 2011 and 2010

NOTE 5 - CAPITAL ASSETS: (continued)

June 30, 2010

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Equipment	\$ 417,294	\$ 2,026	\$ -	\$ 419,320
Buildings	769,643			769,643
Leasehold improvements	418,073			418,073
Furniture and fixtures	72,020			72,020
Construction in Progress	55,309			55,309
	<u>1,732,339</u>	<u>\$ 2,026</u>	<u>-</u>	<u>1,734,365</u>
Less accumulated depreciation	<u>(907,097)</u>	<u>(104,307)</u>	<u>-</u>	<u>(1,011,404)</u>
Net capital assets	<u>\$ 825,242</u>	<u>\$ (102,281)</u>	<u>\$ -</u>	<u>\$ 722,961</u>

NOTE 6 - DEPOSITORY ACCOUNTS:

Deposits held in custody for others which are comprised of cash and investments as of June 30, 2011 and 2010 are summarized as follows:

	<u>2011</u>	<u>2010</u>
Dominguez Hills Corporation	\$ 56,357	\$ 56,357
Loker University Student Union, Inc.	376,222	198,707
Associated Students, Inc.	<u>51,211</u>	<u>51,380</u>
Total deposits held in custody for others	<u>\$ 483,790</u>	<u>\$ 306,444</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 modified in January 2011, provides for monthly interest and principal payments of \$1,782 and has a maturity date of May 1, 2030. The note bears interest at 4.75% 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, 2011 and 2010

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

A summary of current year activity on the loan for the year ended June 30, 2011 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Mortgage payable	\$ <u>243,232</u>	\$ <u> -</u>	\$ <u>6,974</u>	\$ <u>236,258</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal and Interest</u>
2012	\$ 6,895	\$ 14,494	\$ 21,389
2013	7,327	14,063	21,390
2014	7,786	13,603	21,389
2015	8,275	13,114	21,389
2016	8,796	12,594	21,390
2017-2021	53,035	53,912	106,947
2022-2026	72,094	34,852	106,946
2027-2030	<u>72,050</u>	<u>9,544</u>	<u>81,594</u>
Total	<u>\$ 236,258</u>	<u>\$ 166,176</u>	<u>\$ 402,434</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 was for ten years, commencing June 1, 2000, and ending May 31, 2010. The lease was subsequently extended through June 30, 2020. 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, 2011 and 2010

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, 2011 and 2010 amounted to \$21,205 and \$432 respectively.

NOTE 9 - ENDOWMENT:

The Foundation has a policy of distributing the average annual appreciation (realized and unrealized) in the value of the endowment fund as measured over a three-year rolling average period, net of all fees and other distributions. For the year ended June 30, 2011, the net amount of appreciation available for authorization for expenditure was \$1,201,786 and was reported in unrestricted net assets.

NOTE 10 - 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 organizations. 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, 2011 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.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

NOTES TO BASIC FINANCIAL STATEMENTS For the Years Ended June 30, 2011 and 2010

NOTE 10 - PENSION PLANS: (continued)

(c) Annual Pension Cost

For the years ended June 30, 2011 and 2010, the Foundation's annual TIAA CREF pension cost totaled \$164,451 and \$161,882, respectively.

NOTE 11 - 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:

	<u>2011</u>	<u>2010</u>
Annual required contribution	\$ 420,504	\$ 529,842
Interest on net OPEB obligation	59,227	38,007
Adjustment to annual required contribution	<u>(59,305)</u>	<u>(36,908)</u>
Annual OPEB cost (expense)	420,426	530,941
Contributions made	<u>(48,020)</u>	<u>(59,380)</u>
Change in net OPEB obligation	372,406	471,561
Net OPEB obligation - beginning of year	<u>1,316,156</u>	<u>844,595</u>
Net OPEB obligation - end of year	<u>\$1,688,562</u>	<u>\$1,316,156</u>

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010**

NOTE 11 - 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 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>
6/30/2009	\$ 490,296	10.2%	\$ 844,595
6/30/2010	530,941	11.1%	1,316,156
6/30/2011	420,426	11.4%	1,688,562

Funding Status and Funding Progress

As of June 30, 2011 the plan was unfunded. As of July 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits as well as the unfunded actuarial accrued liability (UAAL) was \$3,391,687. It is the Foundation's plan to begin funding this liability 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, 2011 and 2010**

NOTE 11 - 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, 2011 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 on a level dollar approach and closed basis over 30 years as allowed under GASB 45. The remaining amortization period at June 30, 2011, was 26 years.

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 \$352,062 and \$368,793 for the years ended June 30, 2011 and 2010, are included in sales and services of auxiliary enterprises.

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, 2011 and 2010 amounted to \$21,587 and \$20,858 respectively.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

NOTES TO BASIC FINANCIAL STATEMENTS For the Years Ended June 30, 2011 and 2010

NOTE 12 - COMMITMENTS: (continued)

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, 2011. 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, 2011 and 2010 amounted to \$46,265 and \$38,944 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 had the exclusive rights for a term of ten years ending December 31, 2009. On January 1, 2010, after a formal bid process, the Foundation entered into a sponsorship agreement with another major beverage corporation to give exclusive beverage availability and merchandising rights on the University campus for a five year period ending December 31, 2014. In connection with the contract, the sponsor agreed to pay the Foundation \$80,000 in year one, then \$75,000 in years two through five. The sponsor also agreed to provide an annual marketing allowance up to \$5,000 in wholesale cost as well as annual product donations and sales based commission. Commission received on this contract, included in sales and services of auxiliary enterprises, for the years ended June 30, 2011 and 2010 amounted to \$10,677 and \$6,219 respectively.

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 had the option of extending this lease for ten consecutive periods of one year. However, due to the closure and remodel of the Loker Student Union this was extended through February 11, 2013. The tenant has exercised their option through February 11, 2013. In connection with the contract, the Foundation shall receive 12% 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, 2011 and 2010 amounted to \$24,938 and \$24,388 respectively.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

NOTES TO BASIC FINANCIAL STATEMENTS For the Years Ended June 30, 2011 and 2010

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 years ended June 30, 2011 and 2010 amounted to \$32,229 and \$30,161 respectively.

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, 2011 and 2010 amounted to \$8,901 and \$7,166 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 years ended June 30, 2011 and 2010 amounted to \$19,053 and \$23,065 respectively.

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, 2011 and 2010 totaled \$858,704 and \$1,777,834 respectively. Amount receivable from the University at June 30, 2011 and 2010 was \$0 and \$18,788 respectively. Amounts receivable from other University auxiliaries totaled \$93,097 and \$72,415 at June 30, 2011 and 2010, respectively. Amounts payable to other University auxiliaries totaled \$65,692 and \$32,952 at June 30, 2011 and 2010, 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 \$49,395 and \$52,885 for the years ended June 30, 2011 and 2010.

REQUIRED SUPPLEMENTARY INFORMATION

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS FUNDING PROGRESS

For the Fiscal Year Ended June 30, 2011

<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>
7/1/2008	\$ -	\$ 4,074,912	\$ 4,074,912	0.0%	\$1,881,000	216.64%
7/1/2011*	-	3,391,687	3,391,687	0.0%	2,032,250	166.89%

*The valuation date is July 1, 2011. The valuation results were "rolled back" actuarially to July 1, 2010 in order to coincide with the Foundation's fiscal year.

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, 2011

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

Schedule of Net Assets

June 30, 2011

(for inclusion in the California State University)

Assets:

Current assets:

Cash and cash equivalents	\$ —
Short-term investments	900,590
Accounts receivable, net	2,826,454
Leases receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	—
Prepaid expenses and other assets	91,940
Total current assets	3,818,984

Noncurrent assets:

Restricted cash and cash equivalents	385,777
Accounts receivable, net	116,555
Leases receivable, net of current portion	—
Notes receivable, net of current portion	—
Student loans receivable, net	—
Pledges receivable, net	—
Endowment investments	8,666,169
Other long-term investments	5,432,440
Capital assets, net	644,501
Other assets	—
Total noncurrent assets	15,245,442
Total assets	19,064,426

Liabilities:

Current liabilities:

Accounts payable	1,529,550
Accrued salaries and benefits payable	51,881
Accrued compensated absences— current portion	100,876
Deferred revenue	38,638
Capitalized lease obligations — current portion	—
Long-term debt obligations — current portion	6,895
Self-insurance claims liability - current portion	—
Depository accounts	—
Other liabilities	251,320
Total current liabilities	1,979,160

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	229,363
Self-insurance claims liabilities, net of current portion	—
Depository accounts	483,790
Other postemployment benefits obligation	1,688,562
Other liabilities	—
Total noncurrent liabilities	2,401,715
Total liabilities	4,380,875

Net assets:

Invested in capital assets, net of related debt	408,243
Restricted for:	
Nonexpendable — endowments	6,326,058
Expendable:	
Scholarships and fellowships	1,270,385
Research	—
Loans	—
Capital projects	76,803
Debt service	—
Other	—
Unrestricted	6,602,062
Total net assets	\$ 14,683,551

See the accompanying independent auditor's report.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

Schedule of Revenues, Expenses, and Changes in Net Assets

Year Ended June 30, 2011

(for inclusion in the California State University)

Revenues:

Operating revenues:

Student tuition and fees (net of scholarship allowances of \$0)	\$ —
Grants and contracts, noncapital:	
Federal	10,255,753
State	1,913,609
Local	—
Nongovernmental	206,659
Sales and services of educational activities	288,635
Sales and services of auxiliary enterprises (net of scholarship allowances of \$0)	3,502,746
Other operating revenues	234,706
Total operating revenues	<u>16,402,108</u>

Expenses:

Operating expenses:

Instruction	4,371,138
Research	2,945,535
Public service	—
Academic support	2,325,911
Student services	116,215
Institutional support	1,172,465
Operation and maintenance of plant	—
Student grants and scholarships	3,048,447
Auxiliary enterprise expenses	3,442,115
Depreciation and amortization	78,460
Total operating expenses	<u>17,500,286</u>
Operating income (loss)	<u>(1,098,178)</u>

Nonoperating revenues (expenses):

State appropriations, noncapital	—
Federal financial aid grants, noncapital	—
State financial aid grants, noncapital	—
Local financial aid grants, noncapital	—
Nongovernmental and other financial aid grants, noncapital	—
Other federal nonoperating grants, noncapital	—
Gifts, noncapital	1,331,397
Investment income (loss), net	947,944
Endowment income (loss), net	1,082,559
Interest Expenses	(13,505)
Other nonoperating revenues (expenses)	<u>(588,939)</u>
Net nonoperating revenues (expenses)	<u>2,759,456</u>

Income (loss) before other additions	1,661,278
--------------------------------------	-----------

State appropriations, capital

Grants and gifts, capital

Additions (reductions) to permanent endowments	46,325
--	--------

Increase (decrease) in net assets	1,707,603
-----------------------------------	-----------

Net assets:

Net assets at beginning of year, as previously reported	12,975,948
Restatements	—
Net assets at beginning of year, as restated	<u>12,975,948</u>
Net assets at end of year	<u>\$ 14,683,551</u>

See the accompanying independent auditor's report.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

	<u>Unrestricted Fund</u>	<u>Restricted Fund</u>	<u>Endowment Fund</u>	<u>Plant Fund</u>	<u>Total</u>
REVENUES:					
Federal	\$ -	\$ 10,255,753	\$ -	\$ -	\$ 10,255,753
State and local		1,913,609			1,913,609
Nongovernmental	840,628	697,428	46,325		1,584,381
Sales and services of educational activities	288,635				288,635
Sales and services of auxiliary enterprises	3,502,746				3,502,746
Investment income	947,944		1,082,559		2,030,503
Other operating revenues	234,706				234,706
Transfers	555,203	219,556	(703,273)	(71,486)	-
TOTAL REVENUES	<u>6,369,862</u>	<u>13,086,346</u>	<u>425,611</u>	<u>(71,486)</u>	<u>19,810,333</u>
EXPENSES:					
Instruction		4,371,138			4,371,138
Research		2,945,535			2,945,535
Academic support	1,676,862	1,237,988			2,914,850
Student services		1,172,465			1,172,465
Institutional support		116,215			116,215
Scholarships and fellowships		3,048,447			3,048,447
Depreciation	78,460				78,460
Interest expense	13,505				13,505
Auxiliary expenditures	3,442,115				3,442,115
TOTAL EXPENSES	<u>5,210,942</u>	<u>12,891,788</u>	<u>-</u>	<u>-</u>	<u>18,102,730</u>
INCREASE (DECREASE) IN NET ASSETS	1,158,920	194,558	425,611	(71,486)	1,707,603
BEGINNING NET ASSETS	<u>5,519,945</u>	<u>1,075,827</u>	<u>5,900,447</u>	<u>479,729</u>	<u>12,975,948</u>
ENDING NET ASSETS	<u>\$ 6,678,865</u>	<u>\$ 1,270,385</u>	<u>\$ 6,326,058</u>	<u>\$ 408,243</u>	<u>\$ 14,683,551</u>

See the accompanying independent auditor's report.

Other Information
June 30, 2011
(for inclusion in the California State University)

See the accompanying independent auditor's report.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

Other Information June 30, 2011 (for inclusion in the California State University)

2.2 Investments held by the University under contractual agreements at June 30, 2011: Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2011 :

	Amount
2.3 Restricted current investments at June 30, 2011 related to:	
Add description	\$
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Total restricted current investments at June 30, 2011	\$ —

2.4 Restricted noncurrent investments at June 30, 2011 related to: Endowment investment

	Amount
Add description	\$ 8,666,169
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Total restricted noncurrent investments at June 30, 2011	\$ 8,666,169

See the accompanying independent auditor's report.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

Other Information June 30, 2011 (for inclusion in the California State University)

3.1 Composition of capital assets at June 30, 2011:

	Balance June 30, 2010	Prior period Adjustments	Reclassifications	Balance June 30, 2010 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2011
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	-	-	-	-	-	-	-	-
Works of art and historical treasures	-	-	-	-	-	-	-	-
Construction work in progress (CWIP)	55,309	-	-	55,309	-	-	-	55,309
Intangible assets:								
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-
Internally generated intangible assets in progress	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total nondepreciable/nonamortizable capital assets	55,309	-	-	55,309	-	-	-	55,309
Depreciable/amortizable capital assets:								
Buildings and building improvements	769,643	-	-	769,643	-	-	-	769,643
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	418,073	-	-	418,073	-	-	-	418,073
Personal property:	491,340	-	-	491,340	-	(36,827)	-	454,513
Equipment	-	-	-	-	-	-	-	-
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total depreciable/amortizable capital assets	1,679,056	-	-	1,679,056	-	(36,827)	-	1,642,229
Total capital assets	1,734,365	-	-	1,734,365	-	(36,827)	-	1,697,538
Less accumulated depreciation/amortization:								
Buildings and building improvements	(188,011)	-	-	(188,011)	(25,655)	-	-	(213,666)
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	(342,189)	-	-	(342,189)	(43,752)	-	-	(385,941)
Personal property:	(481,204)	-	-	(481,204)	(9,053)	36,827	-	(453,430)
Equipment	-	-	-	-	-	-	-	-
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total accumulated depreciation/amortization	(1,011,404)	-	-	(1,011,404)	(78,460)	36,827	-	(1,053,037)
Total capital assets, net	722,961	-	-	722,961	(78,460)	-	-	644,501

3.2 Detail of depreciation and amortization expense for the year ended June 30, 2011:

Depreciation and amortization expense related to capital assets	\$ 78,460
Amortization expense related to other assets	-
Total depreciation and amortization	\$ 78,460

See the accompanying independent auditor's report.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

Other Information June 30, 2011 (for inclusion in the California State University)

4 Long-term liabilities activity schedule:

	Balance June 30, 2010	Prior period adjustments	Reclassifications	Balance June 30, 2010 (restated)	Additions	Reductions	Balance June 30, 2011	Current portion	Long-term portion
\$	96,462	—	—	96,462	203,838	(199,424)	100,876	100,876	—
Accrued compensated absences	—	—	—	—	—	—	—	—	—
Capitalized lease obligations:	—	—	—	—	—	—	—	—	—
Gross balance	—	—	—	—	—	—	—	—	—
Unamortized premium / (discount) 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	—	—	—	—	—	—	—	—	—
Add description	243,232	—	—	243,232	—	(6,974)	236,258	6,895	229,363
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Total long-term debt obligations	243,232	—	—	243,232	—	(6,974)	236,258	6,895	229,363
Unamortized bond premium / (discount)	—	—	—	—	—	—	—	—	—
Unamortized loss on refunding	—	—	—	—	—	—	—	—	—
Total long-term debt obligations, net	243,232	—	—	243,232	—	(6,974)	236,258	6,895	229,363
Total long-term liabilities	339,694	—	—	339,694	203,838	(206,398)	337,134	107,771	229,363
\$	339,694	—	—	339,694	203,838	(206,398)	337,134	107,771	229,363

See the accompanying independent auditor's report.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

Other Information June 30, 2011 (for inclusion in the California State University)

5 Future minimum lease payments - capital lease obligations:

Year ending June 30:	Principal	Interest	Principal and Interest
2012	-	-	-
2013	-	-	-
2014	-	-	-
2015	-	-	-
2016	-	-	-
2017 - 2021	-	-	-
2022 - 2026	-	-	-
2027 - 2031	-	-	-
2032 - 2036	-	-	-
2037 - 2041	-	-	-
2042 - 2046	-	-	-
2047 - 2051	-	-	-
2052 - 2056	-	-	-
2057 - 2061	-	-	-
Total minimum lease payments	-	-	-
Less amounts representing interest	-	-	-
Present value of future minimum lease payments	-	-	-
Less: current portion	-	-	-
Capitalized lease obligation, net of current portion	-	-	\$ -

6 Long-term debt obligation schedule

	Revenue Bonds		All other long-term debt obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
\$	-	-	6,895	14,494	6,895	14,494
2012	-	-	7,327	14,063	7,327	14,063
2013	-	-	7,786	13,603	7,786	13,603
2014	-	-	8,275	13,114	8,275	13,114
2015	-	-	8,796	12,594	8,796	12,594
2016	-	-	53,035	53,912	53,035	53,912
2017 - 2021	-	-	72,094	34,852	72,094	34,852
2022 - 2026	-	-	72,050	9,544	72,050	9,544
2027 - 2031	-	-	-	-	-	-
2032 - 2036	-	-	-	-	-	-
2037 - 2041	-	-	-	-	-	-
2042 - 2046	-	-	-	-	-	-
2047 - 2051	-	-	-	-	-	-
2052 - 2056	-	-	-	-	-	-
2057 - 2061	-	-	-	-	-	-
Total	-	-	236,258	166,176	236,258	166,176
\$	-	-	236,258	166,176	236,258	166,176
						402,434

See the accompanying independent auditor's report.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

Other Information June 30, 2011 (for inclusion in the California State University)

7 Calculation of net assets

	Auxiliary Organizations		Total
	GASB	FASB	Auxiliaries
7.1 Calculation of net assets - Invested in capital assets, net of related debt			
Capital assets, net of accumulated depreciation	\$ 644,501	—	644,501
Capitalized lease obligations - current portion	—	—	—
Capitalized lease obligations, net of current portion	(6,895)	—	(6,895)
Long-term debt obligations, net of current portion	(229,363)	—	(229,363)
Portion of outstanding debt that is unspent at year-end	—	—	—
Other adjustments: (please list)			
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Net assets - invested in capital assets, net of related debt	\$ 408,243	—	408,243

7.2 Calculation of net assets - Restricted for nonexpendable - endowments

Portion of restricted cash and cash equivalents related to endowments	\$ 385,777	—	385,777
Endowment investments	8,666,169	—	8,666,169
Other adjustments: (please list)			
Board designated endowment fund	(1,298,534)	—	(1,298,534)
Unrestricted	(1,201,786)	—	(1,201,786)
Endowment asset expenditure	(225,568)	—	(225,568)
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Net assets - Restricted for nonexpendable - endowments per SNA	\$ 6,326,058	—	6,326,058

8 Transactions with Related Entities

Payments to University for salaries of University personnel working on contracts, grants, and other programs	Amount
Payments to University for other than salaries of University personnel	\$ 1,197,034
Payments received from University for services, space, and programs	1,706,292
Gifts-in-kind to the University from Auxiliary Organizations	282,621
Gifts (cash or assets) to the University from recognized Auxiliary Organizations	—
Accounts (payable to) University (enter as negative number)	(858,704)
Other amounts (payable to) University (enter as negative number)	—
Accounts receivable from University	—
Other amounts receivable from University	—

See the accompanying independent auditor's report.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

Other Information June 30, 2011 (for inclusion in the California State University)

9 Other Postemployment Benefits Obligation (OPEB)

Annual required contribution (ARC)	\$ 420,504
Contributions during the year	(48,098)
Increase (decrease) in net OPEB obligation (NOO)	372,406
NOO - beginning of year	1,316,156
NOO - end of year	<u>\$ 1,688,562</u>

10 Pollution remediation liabilities under GASB Statement No. 49:

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

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

Net Asset Class	Amount Dr. (Cr.)
\$ 12,975,948	
Net assets as of June 30, 2010, as previously reported	
Prior period adjustments:	
1 (list description of each adjustment)	—
2 (list description of each adjustment)	—
3 (list description of each adjustment)	—
4 (list description of each adjustment)	—
5 (list description of each adjustment)	—
6 (list description of each adjustment)	—
7 (list description of each adjustment)	—
8 (list description of each adjustment)	—
9 (list description of each adjustment)	—
10 (list description of each adjustment)	—
Net assets as of June 30, 2010, as restated	<u>\$ 12,975,948</u>

See the accompanying independent auditor's report.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

Other Information
June 30, 2011
(for inclusion in the California State University)

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

	Debit	Credit
Net asset class: 1 (breakdown of adjusting journal entry)	\$	-
Net asset class: 2 (breakdown of adjusting journal entry)	-	-
Net asset class: 3 (breakdown of adjusting journal entry)	-	-
Net asset class: 4 (breakdown of adjusting journal entry)	-	-
Net asset class: 5 (breakdown of adjusting journal entry)	-	-
Net asset class: 6 (breakdown of adjusting journal entry)	-	-
Net asset class: 7 (breakdown of adjusting journal entry)	-	-
Net asset class: 8 (breakdown of adjusting journal entry)	-	-
Net asset class: 9 (breakdown of adjusting journal entry)	-	-
Net asset class: 10 (breakdown of adjusting journal entry)	-	-

See the accompanying independent auditor's report.