

**CALIFORNIA STATE UNIVERSITY  
DOMINGUEZ HILLS FOUNDATION**

**Report on Financial Statements**

**June 30, 2012 and 2011**

**CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION**

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**June 30, 2012 and 2011**

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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), for the years ended June 30, 2012 and 2011, 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, 2012 and 2011, 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 20, 2012 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

September 20, 2012

# **CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**For the Year Ended June 30, 2012**

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, 2012

### Analytical Overview

#### Summary

The Foundation's operations for the fiscal year ended June 30, 2012 increased as shown by an increase in net assets of approximately \$1,000,000. This was primarily due to the increase in gifts, noncapital recorded during the year.

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>2012</u>	<u>2011</u>	<u>Change</u>
Current assets	\$ 4,415,362	\$ 3,818,984	\$ 596,378
Restricted and other assets	16,065,310	14,600,941	1,464,369
Capital assets, net	<u>553,953</u>	<u>644,501</u>	<u>(90,548)</u>
Total assets	<u>21,034,625</u>	<u>19,064,426</u>	<u>1,970,199</u>
Current liabilities	2,179,809	1,979,160	200,649
Noncurrent liabilities	2,311,118	1,917,925	393,193
Other liabilities	<u>861,776</u>	<u>483,790</u>	<u>377,986</u>
Total liabilities	<u>5,352,703</u>	<u>4,380,875</u>	<u>971,828</u>
Net assets:			
Invested in capital assets, net of related debt	325,889	408,243	(82,354)
Restricted	6,223,302	7,673,246	(1,449,944)
Unrestricted	<u>9,132,731</u>	<u>6,602,062</u>	<u>2,530,669</u>
Total net assets	<u>\$15,681,922</u>	<u>\$14,683,551</u>	<u>\$998,371</u>

# **CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**For the Year Ended June 30, 2012**

The Foundation's current assets increased by \$596,378 while restricted and other assets increased by \$1,373,821. Although accounts receivable decreased by over \$500,000, increases in cash and pledge receivable resulted in an overall increase in current assets of \$596,378. The Foundation's cash needs fluctuate during the year and cash was higher at June 30, 2012 as compared to June 30, 2011. Additionally, the Foundation recorded pledge receivable of \$665,981 with \$333,333 recorded as current and \$332,648 as noncurrent. The increase in restricted and other assets was due to increases in the endowment investment portfolio and the recording of the pledge receivable. There were no major additions to capital assets which were reflected in the decrease in net capital assets.

Current liabilities, noncurrent liabilities and other liabilities all increased as of June 30, 2012. The increase in current liabilities was due to a \$273,000 increase 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. The accrual for postemployment benefits for fiscal year 2012 was approximately \$400,000. Other liabilities increased by \$380,000 which is a reflection of the amounts held in custody for others.

### **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 \$15,681,922 at June 30, 2012, \$6,223,302 is restricted. Of this amount \$4,987,433 is restricted for nonexpendable endowments, \$1,199,145 is restricted for expendable scholarships and fellowships and \$36,724 is restricted for capital expansion. Net assets of \$9,132,731 are unrestricted but are designated for specific purposes and \$325,889 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, 2012

	<u>2012</u>	<u>2011</u>	<u>Change</u>
Operating revenues:			
Grants and contracts	\$13,373,938	\$12,376,021	\$997,917
Sales and services of educational activities	148,830	288,635	(139,805)
Sales and services of auxiliary enterprises	3,502,013	3,502,746	(733)
Other operating revenues	79,341	234,706	(155,365)
Nonoperating revenues:			
Investment income	<u>203,164</u>	<u>2,030,503</u>	<u>(1,827,339)</u>
Total revenues	<u>17,307,286</u>	<u>18,432,611</u>	<u>(1,125,325)</u>
Expenses:			
Operating expenses:			
Instructional	4,863,717	4,371,138	492,579
Research	3,004,106	2,945,535	58,571
Academic support	2,294,475	2,325,911	(31,436)
Student services	186,651	116,215	70,436
Institutional support	1,372,059	1,172,465	199,594
Student grants and scholarships	3,118,033	3,048,447	69,586
Auxiliary enterprise expense	3,705,678	3,442,115	263,563
Depreciation	56,933	78,460	(21,527)
Nonoperating expenses:			
Interest	11,012	13,505	(2,493)
Other nonoperating expenses	<u>588,939</u>	<u>588,939</u>	<u>(588,939)</u>
Total expenses	<u>18,612,664</u>	<u>18,102,730</u>	<u>509,934</u>
Changes in net assets before other changes in net assets	(1,305,378)	329,881	(1,635,259)
Gifts, noncapital	2,250,444	1,331,397	919,047
Additions to permanent endowments	<u>53,305</u>	<u>46,325</u>	<u>6,980</u>
Change in net assets	998,371	1,707,603	(709,232)
Net assets at beginning of year	14,683,551	12,975,948	1,707,603
Net assets at end of year	<u>\$ 15,681,922</u>	<u>\$ 14,683,551</u>	<u>\$ 998,371</u>



## **CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**For the Year Ended June 30, 2012**

Revenue from grants and contracts increased while there were decreases in revenue from the sales and services of educational activities, other revenue and investment income categories. Grants and contracts activity continues to increase as reflected in both revenue from grants and contracts and operating expenses related to grants and contracts. 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. The majority of these accounts were closed and the funds were turned over to the University during the second half of the prior fiscal year resulting in decreases in revenue from the sales and services of educational activities of \$139,000 and decreases in other operating expenses of \$588,939. Other operating revenue decreased by approximately \$155,000 as compared to the prior fiscal year. This was due to the Foundation receiving a rebate in the prior fiscal year caused by the dissolution of an insurance trust which the Foundation participated in. Long term and endowment investment income decreased by over \$1,800,000 due to market performance.

#### **Capital Assets and Debt Administration**

The Foundation had \$1,663,923 invested in capital assets, net of accumulated depreciation of \$1,109,970. There were no major additions to capital assets during the fiscal year.

The Foundation has \$228,064 in outstanding debt (\$219,522 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 \$8,194 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 will contribute toward this liability in the next fiscal year. The Foundation has changed postemployment health benefit eligibility requirements for new employees and will continue to evaluate postemployment benefits offered.

##### Grants and Contracts

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

**CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION**

**STATEMENTS OF NET ASSETS**  
**As of June 30, 2012 and 2011**

	<u><b>ASSETS</b></u>	2012	2011
<b>Current assets:</b>			
Cash and cash equivalents		\$ 838,886	\$ -
Short-term investments		904,264	900,590
Accounts receivable, net		2,291,465	2,826,454
Pledge receivable		333,333	-
Prepaid expenses and other assets		47,414	91,940
Total current assets		<u>4,415,362</u>	<u>3,818,984</u>
<b>Noncurrent assets:</b>			
Restricted cash and cash equivalents		457,549	385,777
Gift annuity receivable		118,817	116,555
Endowment investments		9,701,670	8,666,169
Other long-term investments		5,454,626	5,432,440
Pledge receivable		332,648	-
Capital assets, net		<u>553,953</u>	<u>644,501</u>
Total noncurrent assets		<u>16,619,263</u>	<u>15,245,442</u>
<b>Total assets</b>		<u><b>\$ 21,034,625</b></u>	<u><b>\$ 19,064,426</b></u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>			
<b>Current liabilities:</b>			
Accounts payable		\$ 1,802,634	\$ 1,529,550
Accrued salaries and benefits payable		65,710	51,881
Accrued compensated absences		145,612	100,876
Deferred revenue		146,309	38,638
Long-term liabilities, current portion		8,542	6,895
Other liabilities		<u>11,002</u>	<u>251,320</u>
Total current liabilities		<u>2,179,809</u>	<u>1,979,160</u>
<b>Noncurrent liabilities:</b>			
Postemployment benefits other than pensions payable		2,091,596	1,688,562
Long-term liabilities, net of current portion		219,522	229,363
Depository accounts		<u>861,776</u>	<u>483,790</u>
Total noncurrent liabilities		<u>3,172,894</u>	<u>2,401,715</u>
Total liabilities		<u>5,352,703</u>	<u>4,380,875</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt		325,889	408,243
Restricted for:			
Nonexpendable endowments		4,987,433	6,326,058
Expendable:			
Scholarships and fellowships		1,199,145	1,270,385
Capital expansion		36,724	76,803
Unrestricted		<u>9,132,731</u>	<u>6,602,062</u>
Total net assets		<u>15,681,922</u>	<u>14,683,551</u>
<b>Total liabilities and net assets</b>		<u><b>\$ 21,034,625</b></u>	<u><b>\$ 19,064,426</b></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, 2012 and 2011**

<b><u>REVENUES</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
<b>Operating revenues:</b>		
Grants and contracts, noncapital:		
Federal	\$ 10,915,196	\$ 10,255,753
State and local	2,360,077	1,913,609
Nongovernmental	98,665	206,659
Sales and services of educational activities	148,830	288,635
Sales and services of auxiliary enterprises	3,502,013	3,502,746
Other operating revenues	<u>79,341</u>	<u>234,706</u>
Total operating revenues	<u>17,104,122</u>	<u>16,402,108</u>
 <b><u>EXPENSES</u></b>		
<b>Operating expenses:</b>		
Instruction	4,863,717	4,371,138
Research	3,004,106	2,945,535
Academic support	2,294,475	2,325,911
Student services	186,651	116,215
Institutional support	1,372,059	1,172,465
Student grants and scholarships	3,118,033	3,048,447
Auxiliary enterprise expenses	3,705,678	3,442,115
Depreciation	<u>56,933</u>	<u>78,460</u>
Total operating expenses	<u>18,601,652</u>	<u>17,500,286</u>
 Operating loss	<u>(1,497,530)</u>	<u>(1,098,178)</u>
 <b>Nonoperating revenues (expenses):</b>		
Gifts, noncapital	2,250,444	1,331,397
Investment income, net	203,164	2,030,503
Interest on capital-related debt	(11,012)	(13,505)
Other nonoperating expenses	<u>-</u>	<u>(588,939)</u>
Total nonoperating revenues	<u>2,442,596</u>	<u>2,759,456</u>
 <b>Additions to permanent endowments</b>	<u>53,305</u>	<u>46,325</u>
 <b>CHANGE IN NET ASSETS</b>	<b>998,371</b>	<b>1,707,603</b>
 <b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>14,683,551</u>	<u>12,975,948</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 15,681,922</u></b>	<b><u>\$ 14,683,551</u></b>

*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, 2012 and 2011**

	2012	2011
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Federal grants and contracts	\$ 11,382,218	\$10,361,389
State and local grants and contracts	2,360,077	1,913,609
Nongovernmental grants and contracts	98,665	206,659
Payments to suppliers	(10,277,880)	(10,252,688)
Payments to employees	(4,772,631)	(4,759,262)
Payments to students	(3,118,033)	(3,048,447)
Sales and services of educational activities	148,830	288,635
Sales and services of auxiliary enterprises	3,838,105	3,761,643
Other receipts	79,341	234,706
Net cash used by operating activities	<u>(261,308)</u>	<u>(1,293,756)</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>		
Gifts and grants received for other than capital purposes	1,637,768	1,377,722
Monies received on behalf of others	4,078,657	3,429,570
Monies disbursed on behalf of others	(3,700,671)	(3,252,486)
Other payments	-	(588,939)
Net cash provided by noncapital financing activities	<u>2,015,754</u>	<u>965,867</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>		
Proceeds from sale of capital assets	-	6,400
Acquisitions of capital assets	(21,694)	-
Principal paid on capital debt and lease	(8,194)	(6,974)
Interest paid on capital debt and lease	<u>(11,012)</u>	<u>(13,505)</u>
Net cash used by capital and related financing activities	<u>(40,900)</u>	<u>(14,079)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Proceeds from sales and maturities of investments	4,693,542	2,305,246
Purchases of investments	<u>(5,496,430)</u>	<u>(2,380,976)</u>
Net cash used by investing activities	<u>(802,888)</u>	<u>(75,730)</u>
Net (decrease)/increase in cash and cash equivalents	910,658	(417,698)
Cash and cash equivalents at beginning of year	<u>385,777</u>	<u>803,475</u>
<b>Cash and cash equivalents at end of year</b>	<b><u>\$ 1,296,435</u></b>	<b><u>\$ 385,777</u></b>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>		
Operating loss	\$ (1,497,530)	\$ (1,098,178)
Adjustments to reconcile operating loss to net cash (used)/provided by operating activities:		
Depreciation	56,933	78,460
Gift annuity receivable	(2,262)	(28,322)
Postemployment benefits other than pensions payable	403,034	372,406
Change in assets and liabilities:		
Accounts receivable	534,989	(117,175)
Prepaid and other assets	44,526	(5,646)
Accounts payable and amounts payable to the University	273,084	(642,673)
Accrued salaries and benefits	13,829	1,333
Accrued compensated absences	44,736	4,414
Deferred revenue	107,671	(54,098)
Other liabilities	<u>(240,318)</u>	<u>195,723</u>
Net cash (used)/provided by operating activities	<b><u>\$ (261,308)</u></b>	<b><u>\$ (1,293,756)</u></b>

*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, 2012 and 2011**

### **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, 2012 and 2011**

**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.

**(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, and prepaid expenditures.

**CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2012 and 2011**

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

**(h) *Capital Assets***

Capital assets are stated at cost or estimated historical cost if purchased or, at estimated fair value at date of donation if donated. 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 three 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) *Compensated Absences***

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

**(j) *Deferred Revenue***

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

**(k) *Other Liabilities***

The balance for June 30, 2012 is related to sales tax, nonresident alien tax withholding, and miscellaneous payroll withholding. For June 30, 2011 other liabilities included an amount 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.

CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

NOTES TO BASIC FINANCIAL STATEMENTS  
For the Years Ended June 30, 2012 and 2011

**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, 2012 and 2011**

**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 will more likely than not be 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. The Statute of Limitations for federal and California state purposes is generally three and four years, respectively.

***(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.

***(p) Subsequent Events***

The Foundation has evaluated subsequent events through September 20, 2012 which is the date these financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure.

**CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION**

**NOTES TO BASIC FINANCIAL STATEMENTS  
For the Years Ended June 30, 2012 and 2011**

**NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS:**

The deposits and investments held at June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Deposits:		
Demand deposits (Category 1)	\$ 669,094	\$ -
Cash equivalents – Cash Reserve Trust Fund (Category 3)	<u>627,341</u>	<u>385,777</u>
	<u>1,296,435</u>	<u>385,777</u>
Investments:		
Local Agency Investment Fund	904,264	900,590
Money Market Funds	12,138	11,805
Equities	9,137,917	9,125,617
Corporate bonds	2,551,349	1,783,190
Government bonds	<u>3,454,892</u>	<u>3,177,997</u>
	<u>16,060,560</u>	<u>14,999,199</u>
Total deposits and investments	<u>\$17,356,995</u>	<u>\$15,384,976</u>
Reconciliation to statement of net assets		
Current:		
Cash and cash equivalents	\$ 838,886	\$ -
Investments	904,264	900,590
Noncurrent:		
Cash equivalents	457,549	385,777
Investments – Endowment	9,701,670	8,666,169
Investments – Other long term	<u>5,454,626</u>	<u>5,432,440</u>
	<u>\$17,356,995</u>	<u>\$15,384,976</u>

The deposits of the Foundation are maintained at financial institutions and are in category 1, fully insured or collateralized. The Cash equivalents – Cash Reserve Trust Fund are in category 3, uninsured and uncollateralized as prescribed by GASB Statement No. 3, as amended by GASB Statement No. 40.

# **CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2012 and 2011**

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

The Foundation also maintains investments with the State of California Local Agency Investment Fund (LAIF) amounting to \$904,264 and \$900,590 as of June 30, 2012 and 2011. 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.

#### **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 \$1,518,035 for 2012 and \$756,861 for 2011. As of June 30, 2012 these balances are insured under the FDIC's Dodd-Frank Program. Under this program, non-interest bearing transaction accounts have unlimited deposit coverage through December 31, 2012.

#### **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, 2012 and 2011**

**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 2012**

	<u>Unrestricted</u>	<u>Endowment</u>	<u>Total</u>
Interest and dividends	\$ 139,497	\$ 265,279	\$ 404,776
Realized gain on sales, net	192,194	317,656	509,850
Unrealized loss, net	<u>(221,951)</u>	<u>(337,315)</u>	<u>(559,266)</u>
Total investment income	109,740	245,620	355,360
Management fees	<u>(37,499)</u>	<u>(114,697)</u>	<u>(152,196)</u>
Net investment income	\$ <u>72,241</u>	\$ <u>130,923</u>	\$ <u>203,164</u>

**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, net	90,943	126,704	217,647
Unrealized gain, net	<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>

**CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2012 and 2011**

**NOTE 4 - ACCOUNTS RECEIVABLE:**

Accounts receivable consisted of the following at June 30, 2012 and 2011, respectively:

	<u>2012</u>	<u>2011</u>
Grants receivable	\$2,112,346	\$2,434,306
Advances	44,871	33,267
Other	<u>315,956</u>	<u>519,954</u>
	2,473,173	2,981,527
Less allowance for doubtful accounts	<u>(181,708)</u>	<u>(155,073)</u>
Total	<u>\$2,291,465</u>	<u>\$2,826,454</u>

**NOTE 5 – PLEDGE RECEIVABLE:**

Pledge receivables consisted of the following at June 30, 2012 and 2011, respectively:

	<u>2012</u>	<u>2011</u>
Due within 1 year	\$ 333,333	\$ -
Due within 2 to 5 years	333,334	-
Less discount to reflect pledge receivable at present value	<u>(686)</u>	<u>-</u>
	<u>\$ 665,981</u>	<u>\$ -</u>

In July 2011, the Foundation received a three-year pledge of \$1,000,000 from the Annenberg Foundation. The pledge is expected to be fully realized. Therefore, no allowance for uncollectible has been recognized.

# CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

## NOTES TO BASIC FINANCIAL STATEMENTS

For the Years Ended June 30, 2012 and 2011

### **NOTE 6 - CAPITAL ASSETS:**

Capital asset activity for the years ended June 30, 2012 and 2011 consisted of the following:

#### **June 30, 2012**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Equipment	\$ 382,493	\$ 21,694	\$ -	\$ 404,187
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>	<u>-</u>
	1,697,538	21,694	55,309	1,663,923
Less accumulated depreciation	<u>(1,053,037)</u>	<u>(56,933)</u>	<u>-</u>	<u>(1,109,970)</u>
Net capital assets	<u>\$ 644,501</u>	<u>\$ (35,239)</u>	<u>\$ 55,309</u>	<u>\$ 553,953</u>

#### **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, 2012 and 2011**

**NOTE 7 - DEPOSITORY ACCOUNTS:**

Deposits held in custody for others which are comprised of cash and investments as of June 30, 2012 and 2011 are summarized as follows:

	<u>2012</u>	<u>2011</u>
Dominguez Hills Corporation	\$ 53,845	\$ 56,357
Loker University Student Union, Inc.	761,472	376,222
Associated Students, Inc.	<u>46,459</u>	<u>51,211</u>
Total deposits held in custody for others	<u>\$ 861,776</u>	<u>\$ 483,790</u>

**NOTE 8 - 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 \$1,600 and will mature as of the fiscal year ending June 30, 2030. The note bears interest at 4.75% and is secured by the deed of trust.

A summary of current year activity on the loan for the year ended June 30, 2012 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Mortgage payable	<u>\$236,258</u>	<u>\$ -</u>	<u>\$ 8,194</u>	<u>\$228,064</u>

**CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2012 and 2011**

**NOTE 8 - LONG-TERM LIABILITY - MORTGAGE PAYABLE: (continued)**

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>
2013	\$ 8,542	\$ 10,664	\$ 19,206
2014	8,973	10,233	19,206
2015	9,408	9,798	19,206
2016	9,865	9,341	19,206
2017	10,345	8,861	19,206
2018-2022	59,761	36,267	96,028
2023-2027	75,745	20,283	96,028
2028-2030	<u>45,425</u>	<u>2,836</u>	<u>48,261</u>
Total	<u>\$ 228,064</u>	<u>\$ 108,283</u>	<u>\$ 336,347</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.

**NOTE 9 - 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 extended to June 30, 2017 (extended to June 30, 2017) 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, 2012 and 2011 amounted to \$22,625 and \$21,205 respectively.



**CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2012 and 2011**

**NOTE 10 - 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, 2012, the net amount of appreciation available for authorization for expenditure was \$1,078,558 and was reported in unrestricted net assets.

**NOTE 11 - 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, 2012 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, 2012 and 2011, the Foundation's annual TIAA CREF pension cost totaled \$173,517 and \$164,451, respectively.

# CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

## NOTES TO BASIC FINANCIAL STATEMENTS For the Years Ended June 30, 2012 and 2011

### NOTE 12 - 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>2012</u>	<u>2011</u>
Annual required contribution	\$ 457,474	\$ 420,504
Interest on net OPEB obligation	75,985	59,227
Adjustment to annual required contribution	<u>(78,563)</u>	<u>(59,305)</u>
Annual OPEB cost (expense)	454,896	420,426
Contributions made	<u>(51,862)</u>	<u>(48,020)</u>
Change in net OPEB obligation	403,034	372,406
Net OPEB obligation - beginning of year	<u>1,688,562</u>	<u>1,316,156</u>
Net OPEB obligation - end of year	<u><u>\$2,091,596</u></u>	<u><u>\$1,688,562</u></u>

**CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2012 and 2011**

**NOTE 12 - 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>
6/30/2010	\$ 530,941	11.1%	\$1,316,156
6/30/2011	420,426	11.4%	1,688,562
6/30/2012	454,896	11.4%	2,091,596

**Funding Status and Funding Progress**

As of June 30, 2012 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. This estimated liability is updated with the actuarial study every three years.

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 postemployment healthcare benefits 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, 2012 and 2011**

**NOTE 12 - 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, 2012, was 25 years.

**NOTE 13 - COMMITMENTS:**

The operation of the University bookstore is contracted to an outside vendor whose contract 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 \$379,202 and \$352,062 for the years ended June 30, 2012 and 2011, 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, 2012 and 2011 amounted to \$23,398 and \$21,587 respectively.

# **CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2012 and 2011**

### **NOTE 13 - 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, 2012. 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, 2012 and 2011 amounted to \$49,358 and \$46,265 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, 2012 and 2011 amounted to \$16,634 and \$10,677 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, 2012 and 2011 amounted to \$23,408 and \$24,938 respectively.

# **CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION**

## **NOTES TO BASIC FINANCIAL STATEMENTS For the Years Ended June 30, 2012 and 2011**

### **NOTE 13 - 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, 2012 and 2011 amounted to \$33,178 and \$32,229 respectively.

In April 2007, the Foundation entered into an agreement with an external vendor to provide vending services to the University. In connection with the contract, the Foundation received 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, 2012 and 2011 amounted to \$9,655 and \$8,901 respectively. The agreement was for five years with the option of extending this lease for an additional five years. The tenant elected not to extend the lease and the lease expired in April, 2012. The Foundation is in the process of negotiating with a new vendor.

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, 2012 and 2011 amounted to \$17,536 and \$19,053 respectively.

### **NOTE 14 - 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, 2012 and 2011 totaled \$1,172,058 and \$858,704 respectively. There were no receivables from the University at June 30, 2012 and 2011. Amounts receivable from other University auxiliaries totaled \$41,818 and \$93,097 at June 30, 2012 and 2011, respectively. Amounts payable to other University auxiliaries totaled \$41,652 and \$65,692 at June 30, 2012 and 2011, 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 \$50,511 and \$49,395 for the years ended June 30, 2012 and 2011.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION**

**SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS FUNDING PROGRESS**

**For the Fiscal Year Ended June 30, 2012**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (AVA)</b>	<b>Actuarial Accrued Liability (Unit Cost Method) (AAL)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funding Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
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, 2012**

**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, 2012

(for inclusion in the California State University)

Assets:

Current assets:	
Cash and cash equivalents	\$ 838,886
Short-term investments	904,264
Accounts receivable, net	2,291,465
Leases receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	333,333
Prepaid expenses and other assets	47,414
Total current assets	<u>4,415,362</u>
Noncurrent assets:	
Restricted cash and cash equivalents	457,549
Accounts receivable, net	118,817
Leases receivable, net of current portion	—
Notes receivable, net of current portion	—
Student loans receivable, net	—
Pledges receivable, net	332,648
Endowment investments	9,701,670
Other long-term investments	5,454,626
Capital assets, net	553,953
Other assets	—
Total noncurrent assets	<u>16,619,263</u>
Total assets	<u>21,034,625</u>

Liabilities:

Current liabilities:	
Accounts payable	1,802,634
Accrued salaries and benefits payable	65,710
Accrued compensated absences— current portion	145,612
Deferred revenue	146,309
Capitalized lease obligations — current portion	—
Long-term debt obligations — current portion	8,542
Self-insurance claims liability - current portion	—
Depository accounts	—
Other liabilities	11,002
Total current liabilities	<u>2,179,809</u>
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	219,522
Self-insurance claims liabilities, net of current portion	—
Depository accounts	861,776
Other postemployment benefits obligation	2,091,596
Other liabilities	—
Total noncurrent liabilities	<u>3,172,894</u>
Total liabilities	<u>5,352,703</u>

Net assets:

Invested in capital assets, net of related debt	325,889
Restricted for:	
Nonexpendable — endowments	4,987,433
Expendable:	
Scholarships and fellowships	1,199,145
Research	—
Loans	—
Capital projects	36,724
Debt service	—
Other	—
Unrestricted	9,132,731
Total net assets	<u>\$ 15,681,922</u>

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, 2012

California State University)

**Revenues:**

Operating revenues:	
Student tuition and fees (net of scholarship allowances of \$ ____ 0 ____)	\$ —
Grants and contracts, noncapital:	
Federal	10,915,196
State	2,360,077
Local	—
Nongovernmental	98,665
Sales and services of educational activities	148,830
Sales and services of auxiliary enterprises (net of scholarship allowances of \$ ____)	3,502,013
Other operating revenues	79,341
<b>Total operating revenues</b>	<b>17,104,122</b>

**Expenses:**

Operating expenses:	
Instruction	4,863,717
Research	3,004,106
Public service	—
Academic support	2,294,475
Student services	186,651
Institutional support	1,372,059
Operation and maintenance of plant	—
Student grants and scholarships	3,118,033
Auxiliary enterprise expenses	3,705,678
Depreciation and amortization	56,933
<b>Total operating expenses</b>	<b>18,601,652</b>
<b>Operating income (loss)</b>	<b>(1,497,530)</b>

**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	2,250,444
Investment income (loss), net	72,241
Endowment income (loss), net	130,923
Interest Expenses	(11,012)
Other nonoperating revenues (expenses)	—

<b>Net nonoperating revenues (expenses)</b>	<b>2,442,596</b>
---	------------------

<b>Income (loss) before other additions</b>	<b>945,066</b>
---	----------------

State appropriations, capital

Grants and gifts, capital

<b>Additions (reductions) to permanent endowments</b>	<b>53,305</b>
---	---------------

<b>Increase (decrease) in net assets</b>	<b>998,371</b>
--	----------------

**Net assets:**

Net assets at beginning of year, as previously reported	14,683,551
Restatements	—
Net assets at beginning of year, as restated	14,683,551
Net assets at end of year	\$ 15,681,922

See the accompanying independent auditor's report.

**CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION**

**STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2012**

	<u>Unrestricted Fund</u>	<u>Restricted Fund</u>	<u>Endowment Fund</u>	<u>Plant Fund</u>	<u>Total</u>
<b>REVENUES:</b>					
Federal	\$ -	\$ 10,915,196	\$ -	\$ -	\$ 10,915,196
State and local		2,360,077			2,360,077
Nongovernmental	1,892,896	456,213	53,305		2,402,414
Sales and services of educational activities	148,830				148,830
Sales and services of auxiliary enterprises	3,502,013				3,502,013
Investment income	72,241		130,923		203,164
Other operating revenues	79,341				79,341
Transfers	<u>1,433,295</u>	<u>171,912</u>	<u>(1,522,853)</u>	<u>(82,354)</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<u>7,128,616</u>	<u>13,903,398</u>	<u>(1,338,625)</u>	<u>(82,354)</u>	<u>19,611,035</u>
<b>EXPENSES:</b>					
Instruction		4,863,717			4,863,717
Research		3,004,106			3,004,106
Academic support	864,403	1,430,072			2,294,475
Student services		186,651			186,651
Institutional support		1,372,059			1,372,059
Scholarships and fellowships		3,118,033			3,118,033
Depreciation	56,933				56,933
Interest expense	11,012				11,012
Auxiliary expenditures	<u>3,705,678</u>				<u>3,705,678</u>
<b>TOTAL EXPENSES</b>	<u>4,638,026</u>	<u>13,974,638</u>	<u>-</u>	<u>-</u>	<u>18,612,664</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	2,490,590	(71,240)	(1,338,625)	(82,354)	998,371
<b>BEGINNING NET ASSETS</b>	<u>6,678,865</u>	<u>1,270,385</u>	<u>6,326,058</u>	<u>408,243</u>	<u>14,683,551</u>
<b>ENDING NET ASSETS</b>	<u>\$ 9,169,455</u>	<u>\$ 1,199,145</u>	<u>\$ 4,987,433</u>	<u>\$ 325,889</u>	<u>\$ 15,681,922</u>

See the accompanying independent auditor's report.

**Other Information**  
**June 30, 2012**  
**(for inclusion in the California State University)**

See the accompanying independent auditor's report.

# CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

## Other Information June 30, 2012 (for inclusion in the California State University)

2.2	Investments held by the University under contractual agreements at June 30, 2012: Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2012 :														

**Other Information**  
**June 30, 2012**  
**(for inclusion in the California State University)**

- Nondepreciable/nonamortizable capital assets:
  - Land and land improvements
  - Works of art and historical treasures
  - Construction work in progress (CWIP)
- Intangible assets:
  - Rights and covenants
  - Patents, copyrights and trademarks
  - Internally generated intangible assets in progress
  - Licenses and permits
  - Other intangible assets:

Total intangible assets

Total nondepreciable/nonamortizable capital assets

**Total intangible assets**

**Total intangible assets**  
**Total accumulated depreciation/amortization**  
**Total capital assets, net**

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# CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

## Other Information June 30, 2012 (for inclusion in the California State University)

### 3.2 Detail of depreciation and amortization expense for the year ended June 30, 2012:

Depreciation and amortization expense related to capital assets	\$ 56,933
Amortization expense related to other assets	—
Total depreciation and amortization	\$ 56,933

### 4 Long-term liabilities activity schedule:

	Balance June 30, 2011	Prior period adjustments	Reclassifications	Balance June 30, 2011 (restated)	Additions	Reductions	Balance June 30, 2012	Current portion	Long-term portion
Accrued compensated absences	\$ 100,876	—	—	100,876	150,778	(106,042)	145,612	145,612	—
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	236,238	—	—	236,238	—	(8,194)	228,064	8,542	219,522
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Total long-term debt obligations	236,238	—	—	236,238	—	(8,194)	228,064	8,542	219,522
Unamortized bond premium / (discount)	—	—	—	—	—	—	—	—	—
Unamortized loss on refunding	—	—	—	—	—	—	—	—	—
Total long-term debt obligations, net	236,238	—	—	236,238	—	(8,194)	228,064	8,542	219,522
Total long-term liabilities	\$ 337,134	—	—	337,134	150,778	(114,236)	373,676	154,154	219,522

### 5 Future minimum lease payments - capital lease obligations:

Year ending June 30:	Principal	Interest	Principal and Interest
2013	—	—	—
2014	—	—	—
2015	—	—	—
2016	—	—	—
2017	—	—	—
2018 - 2022	—	—	—
2023 - 2027	—	—	—
2028 - 2032	—	—	—
2033 - 2037	—	—	—
2038 - 2042	—	—	—
2043 - 2047	—	—	—
2048 - 2052	—	—	—
2053 - 2057	—	—	—
2058 - 2062	—	—	—
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	\$ —	—	—

See the accompanying independent auditor's report.

# CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

## Other Information June 30, 2012 (for inclusion in the California State University)

### 6 Long-term debt obligation schedule

Year ending June 30:	Revenue Bonds		All other long-term debt obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	-	-	8,542	10,664	8,542	10,664
2014	-	-	8,973	10,233	8,973	10,233
2015	-	-	9,408	9,798	9,408	9,798
2016	-	-	9,865	9,341	9,865	9,341
2017	-	-	10,345	8,861	10,345	8,861
2018 - 2022	-	-	59,761	36,267	59,761	36,267
2023 - 2027	-	-	75,745	20,283	75,745	20,283
2028 - 2032	-	-	45,425	2,836	45,425	2,836
2033 - 2037	-	-	-	-	-	-
2038 - 2042	-	-	-	-	-	-
2043 - 2047	-	-	-	-	-	-
2048 - 2052	-	-	-	-	-	-
2053 - 2057	-	-	-	-	-	-
2058 - 2062	-	-	-	-	-	-
Total	-	-	228,064	108,283	228,064	108,283
						336,347

### 7 Calculation of net assets

	Auxiliary Organizations		Total
	CSB	FASB	
<b>7.1 Calculation of net assets - Invested in capital assets, net of related debt</b>			
Capital assets, net of accumulated depreciation	\$ 553,953	-	553,953
Capitalized lease obligations - current portion	-	-	-
Capitalized lease obligations - net of current portion	(8,542)	-	(8,542)
Long-term debt obligations - current portion	(219,522)	-	(219,522)
Long-term debt obligations - net of current portion	-	-	-
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	\$ 325,889	-	325,889
<b>7.2 Calculation of net assets - Restricted for nonexpendable - endowments</b>			
Portion of restricted cash and cash equivalents related to endowments	\$ 457,549	-	457,549
Endowment investments	9,701,670	-	9,701,670
Other adjustments (please list)	(3,577,966)	-	(3,577,966)
Unrestricted	(1,145,340)	-	(1,145,340)
Board designated/quasi endowment fund	(448,480)	-	(448,480)
Endowment asset expenditures	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Net assets - Restricted for nonexpendable - endowments per SNA	\$ 4,987,433	-	4,987,433

See the accompanying independent auditor's report.

# CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

## Other Information June 30, 2012 (for inclusion in the California State University)

8	Transactions with Related Entities	Amount
	Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 1,439,221
	Payments to University for other than salaries of University personnel	1,082,310
	Payments received from University for services, space, and programs	271,877
	Gifts-in-kind to the University from Auxiliary Organizations	—
	Gifts (cash or assets) to the University from recognized Auxiliary Organizations	—
	Accounts (payable to) University (enter as negative number)	(1,172,058)
	Other amounts (payable to) University (enter as negative number)	—
	Accounts receivable from University	—
	Other amounts receivable from University	—

9	Other Postemployment Benefits Obligation (OPEB)	
	Annual required contribution (ARC)	\$ 457,474
	Contributions during the year	(54,440)
	Increase (decrease) in net OPEB obligation (NOO)	403,034
	NOO - beginning of year	1,688,562
	NOO - end of year	\$ 2,091,596

10	Pollution remediation liabilities under GASB Statement No. 49:	Amount
	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	—

11	The nature and amount of the prior period adjustment(s) recorded to beginning net assets	Net Asset Class	Amount Dr. (Cr.)
	Net assets as of June 30, 2011, as previously reported		\$ 14,683,551
	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, 2011, as restated		\$ 14,683,551

See the accompanying independent auditor's report.

# CALIFORNIA STATE UNIVERSITY DOMINGUEZ HILLS FOUNDATION

## Other Information June 30, 2012 (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.