

# California State University San Marcos Foundation

Financial Statements and Supplemental Information

Years Ended June 30, 2021 and 2020



**CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION**  
**Financial Statements and Supplemental Information**  
Years Ended June 30, 2021 and 2020

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
California State University San Marcos Foundation

### Report on the Financial Statements

We have audited the accompanying financial statements of California State University San Marcos Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our June 30, 2021 audit 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. We conducted our June 30, 2020 audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## INDEPENDENT AUDITORS' REPORT, CONTINUED

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California State University San Marcos Foundation as of June 30, 2021 and 2020 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis-of-Matter

#### Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2021, California State University San Marcos Foundation, adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). Our opinion is not modified with respect to this matter.

### Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information included on pages 24-31 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2021, on our consideration of California State University San Marcos Foundation's June 30, 2021 internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of California State University San Marcos Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering California State University San Marcos Foundation's internal control over financial reporting and compliance.

*Aldrich CPAs + Advisors LLP*

San Diego, California  
September 28, 2021

**CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION****Statements of Financial Position**

June 30, 2021 and 2020

<b>ASSETS</b>	<u>2021</u>	<u>2020</u>
Current Assets:		
Cash and cash equivalents	\$ 840,751	\$ 1,078,539
Other receivables	1,046	25,583
Due from related parties	222,037	99,681
Current portion of pledges receivable	1,523,665	1,487,743
Current portion of investments	1,121,863	608,425
Total Current Assets	<u>3,709,362</u>	<u>3,299,971</u>
Pledges receivable, less current portion, net of discount and allowance	742,391	1,257,776
Investments, less current portion	45,292,584	36,266,804
Student loans receivable	<u>50,000</u>	<u>50,000</u>
Total Assets	<u>\$ 49,794,337</u>	<u>\$ 40,874,551</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 159,418	\$ 179,840
Due to related parties	<u>247,010</u>	<u>369,618</u>
Total Current Liabilities	406,428	549,458
Net Assets:		
Without Donor Restrictions:		
Undesignated	10,924,583	9,138,343
Board designated	<u>3,165,464</u>	<u>2,671,062</u>
Total Without Donor Restrictions	14,090,047	11,809,405
With Donor Restrictions:		
Time restricted	2,266,056	2,745,519
Purpose restricted	10,007,950	3,171,674
Perpetual in nature	<u>23,023,856</u>	<u>22,598,495</u>
Total With Donor Restrictions	<u>35,297,862</u>	<u>28,515,688</u>
Total Net Assets	<u>49,387,909</u>	<u>40,325,093</u>
Total Liabilities and Net Assets	<u>\$ 49,794,337</u>	<u>\$ 40,874,551</u>

See accompanying notes to financial statements.

**CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION****Statement of Activities**

Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support:			
Contributions	\$ 1,962,766	\$ 1,086,556	\$ 3,049,322
Campus programs	117,863	-	117,863
Investment return	1,797,023	7,812,659	9,609,682
Net assets released from restriction satisfaction of program restrictions	2,117,041	(2,117,041)	-
Total Revenue and Other Support	5,994,693	6,782,174	12,776,867
Expenses:			
Program Services:			
Campus programs	1,927,060	-	1,927,060
Student scholarships	1,441,761	-	1,441,761
Total Program Services	3,368,821	-	3,368,821
Supporting Services:			
Management and general	341,592	-	341,592
Fundraising	3,638	-	3,638
Total Supporting Services	345,230	-	345,230
Total Expenses	3,714,051	-	3,714,051
Increase in Net Assets	2,280,642	6,782,174	9,062,816
Net Assets, beginning	11,809,405	28,515,688	40,325,093
Net Assets, ending	\$ 14,090,047	\$ 35,297,862	\$ 49,387,909

See accompanying notes to financial statements.

**CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION****Statement of Activities**

Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support:			
Contributions	\$ 1,890,523	\$ 877,241	\$ 2,767,764
Campus programs	620,394	-	620,394
Investment return	514,297	213,839	728,136
Net assets released from restriction satisfaction of program restrictions	<u>2,858,202</u>	<u>(2,858,202)</u>	<u>-</u>
Total Revenue and Other Support	5,883,416	(1,767,122)	4,116,294
Expenses:			
Program Services:			
Campus programs	3,117,791	-	3,117,791
Student scholarships	<u>1,690,496</u>	<u>-</u>	<u>1,690,496</u>
Total Program Services	4,808,287	-	4,808,287
Supporting Services:			
Management and general	506,278	-	506,278
Fundraising	<u>89,285</u>	<u>-</u>	<u>89,285</u>
Total Supporting Services	<u>595,563</u>	<u>-</u>	<u>595,563</u>
Total Expenses	<u>5,403,850</u>	<u>-</u>	<u>5,403,850</u>
Increase (Decrease) in Net Assets	479,566	(1,767,122)	(1,287,556)
Net Assets, beginning	<u>11,329,839</u>	<u>30,282,810</u>	<u>41,612,649</u>
Net Assets, ending	<u>\$ 11,809,405</u>	<u>\$ 28,515,688</u>	<u>\$ 40,325,093</u>

See accompanying notes to financial statements.

**CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION**

**Statement of Functional Expenses**

Year Ended June 30, 2021

	Program Services			Supporting Services			Total
	Campus Programs	Student Scholarships	Total Programs	Management and General	Fundraising	Total Supporting	
Bank fees	\$ 5,898	\$ -	\$ 5,898	\$ 14,464	\$ -	\$ 14,464	\$ 20,362
Benefits	75,614	-	75,614	-	-	-	75,614
Business service fees	-	-	-	233,012	-	233,012	233,012
Capital projects	515,573	-	515,573	-	-	-	515,573
Contractual services	275,131	-	275,131	41,450	-	41,450	316,581
Contributions to campus mission	84,600	-	84,600	-	-	-	84,600
Hospitality and events	54,632	-	54,632	7,350	-	7,350	61,982
Information technology	10,896	-	10,896	-	-	-	10,896
Library acquisitions	40,017	-	40,017	-	-	-	40,017
Membership and dues	52,289	-	52,289	11,482	-	11,482	63,771
Other	107,372	-	107,372	-	3,638	3,638	111,010
Salaries and wages	543,768	-	543,768	30,000	-	30,000	573,768
Scholarships	-	1,441,761	1,441,761	-	-	-	1,441,761
Stipends and awards	40,254	-	40,254	-	-	-	40,254
Supplies and services	117,617	-	117,617	3,834	-	3,834	121,451
Travel	3,399	-	3,399	-	-	-	3,399
	<u>\$ 1,927,060</u>	<u>\$ 1,441,761</u>	<u>\$ 3,368,821</u>	<u>\$ 341,592</u>	<u>\$ 3,638</u>	<u>\$ 345,230</u>	<u>\$ 3,714,051</u>

See accompanying notes to financial statements.



**CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION**

**Statement of Functional Expenses**

Year Ended June 30, 2020

	Program Services			Supporting Services			Total
	Campus Programs	Student Scholarships	Total Programs	Management and General	Fundraising	Total Supporting	
Bank fees	\$ 16,304	\$ -	\$ 16,304	\$ 21,596	\$ -	\$ 21,596	\$ 37,900
Benefits	122,839	-	122,839	-	-	-	122,839
Business service fees	-	-	-	233,012	-	233,012	233,012
Capital projects	670,230	-	670,230	-	-	-	670,230
Contractual services	336,203	-	336,203	50,700	-	50,700	386,903
Contributions to campus mission	104,720	-	104,720	-	-	-	104,720
Hospitality and events	350,484	-	350,484	18,875	-	18,875	369,359
Information technology	47,944	-	47,944	-	-	-	47,944
Library acquisitions	77,139	-	77,139	-	-	-	77,139
Membership and dues	3,925	-	3,925	11,297	-	11,297	15,222
Other	187,724	-	187,724	133,350	89,285	222,635	410,359
Salaries and wages	727,868	-	727,868	30,000	-	30,000	757,868
Scholarships	-	1,690,496	1,690,496	-	-	-	1,690,496
Stipends and awards	58,764	-	58,764	-	-	-	58,764
Supplies and services	334,474	-	334,474	6,586	-	6,586	341,060
Travel	79,173	-	79,173	862	-	862	80,035
	<u>\$ 3,117,791</u>	<u>\$ 1,690,496</u>	<u>\$ 4,808,287</u>	<u>\$ 506,278</u>	<u>\$ 89,285</u>	<u>\$ 595,563</u>	<u>\$ 5,403,850</u>

See accompanying notes to financial statements.

**CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION****Statements of Cash Flows**

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Increase (decrease) in net assets	\$ 9,062,816	\$ (1,287,556)
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Purpose and time restricted contribution	(661,196)	(26,000)
Endowment contribution	(425,360)	(851,241)
Net realized and unrealized gain on investments	(9,232,157)	(146,704)
Provisions for pledges receivable doubtful accounts	1,500	24,054
Changes in operating assets and liabilities:		
Other receivables	24,537	123,962
Due from related parties	(122,356)	54,407
Pledges receivable, net of discount and allowance	477,963	1,889,207
Accounts payable	(20,422)	(25,657)
Due to related parties	(122,608)	(231,656)
	<u>(1,017,283)</u>	<u>(477,184)</u>
Net Cash Used by Operating Activities		
Cash Flows from Investing Activities:		
Purchases of investments	(4,427,681)	(13,787,674)
Proceeds from sale of investments	4,120,620	13,429,988
	<u>(307,061)</u>	<u>(357,686)</u>
Net Cash Used by Investing Activities		
Cash Flows Provided by Financing Activities:		
Purpose and time restricted contribution	661,196	26,000
Endowment contribution	425,360	851,241
	<u>1,086,556</u>	<u>877,241</u>
Net Cash Provided by Financing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents	(237,788)	42,371
Cash and Cash Equivalents, beginning	<u>1,078,539</u>	<u>1,036,168</u>
Cash and Cash Equivalents, ending	<u>\$ 840,751</u>	<u>\$ 1,078,539</u>

See accompanying notes to financial statements.

# CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION

## Notes to Financial Statements

Years Ended June 30, 2021 and 2020

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### Note 1 – Organization and Summary of Significant Accounting Policies

#### Nature of Activities

California State University San Marcos Foundation (Foundation) is a nonprofit California corporation and an auxiliary organization of California State University San Marcos (University), organized and operated in accordance with the California Code of Regulations and the Education Code of the State of California. The Foundation was formed in 2009 to focus on attracting gifts to the University and to assist the University in accumulating and managing endowment, student loan, and student scholarship funds.

The Foundation's financial statements are included as a component unit of the University's annual general-purpose financial statements. This is required by accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to governmental entities.

#### New Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). This standard update, along with related subsequently issued updates, clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP. The Foundation adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) effective July 1, 2020.

The new guidance was applied retrospectively to all contracts that were not completed as of the adoption date. Management has analyzed the provisions of the FASB's ASC Topic 606, and has concluded that no changes are necessary to conform with the new standard.

#### Related Parties

The Foundation is related to other auxiliaries of the University, include the California State University San Marcos Corporation (SM Corp) and Associated Students, Inc. of California State University San Marcos (ASI). Although independent, these auxiliaries and the University periodically provide various services to one another.

#### Basis of Presentation

The financial statements of the Foundation have been prepared in accordance with U.S. GAAP, which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

- *Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.
- *Net assets with donor restrictions* – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

#### Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

# CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION

## Notes to Financial Statements

Years Ended June 30, 2021 and 2020

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### Note 1 – Organization and Summary of Significant Accounting Policies, continued

#### Income Taxes

The Foundation is a qualified nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. However, the Foundation remains subject to taxes on any net income which is derived from a trade or business, regularly carried on, and unrelated to its exempt purpose. The Foundation is not a private foundation.

The Foundation follows accounting standards generally accepted in the United States of America related to the recognition of uncertain tax positions. The Foundation recognizes accrued interest and penalties associated with uncertain tax positions as part of the statement of activities, when applicable. Management has determined that the Foundation has no uncertain tax positions as of June 30, 2021 and 2020, therefore no amounts have been accrued.

#### Cash and Cash Equivalents

The Foundation considers all highly liquid investments with original maturity dates of three months or less to be cash equivalents.

#### Receivables

The accounts receivable arises in the normal course of operations. It is the policy of management to review the outstanding accounts receivable at year end, as well as the bad debt write-offs experiences in the past, and establish an allowance for doubtful accounts. Receivables are stated at unpaid balances, less an allowance for doubtful accounts. The Foundation provides for losses on receivables using the allowance method.

#### Pledges Receivable

Pledges that are expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are discounted to their estimated net present value. After pledges are originally recorded, an allowance for uncollectible pledges may be established based on specific circumstances. Contributions, including unconditional promises to give (pledges), are recognized in the year the promise is made as opposed to when the assets are received.

#### Investments

The Foundation has significant investments in equity securities, fixed income securities, and mutual funds, and is therefore subject to concentrations of credit risk. The investments in equity securities, fixed income securities, and mutual funds with readily determinable fair values, based on daily share prices and daily provided net asset values, are reported at fair value with gains and losses included in the statements of activities.

Investments in alternative investments represent shares in hedge funds that hold, among other investments, bonds, bank loans, busted converts, mezzanine debt, distressed assets, equity and real estate. The Foundation accounted for its investments in these hedge funds at fair value, using net asset value per share of the hedge funds.

#### Risks and Uncertainties

The investments of the Foundation are exposed to interest rate and market risk. Economic conditions can impact these risks and resulting fair values can be either positively or adversely affected. If the level of risk increases in the near term, it is possible that the investment balances and the amounts reported in the financial statements could be materially affected by market fluctuations. Although the fair value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Foundation and its beneficiaries.

# CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION

## Notes to Financial Statements

Years Ended June 30, 2021 and 2020

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### Note 1 – Organization and Summary of Significant Accounting Policies, continued

#### Revenue Recognition

*Contributions* – Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), with donor restricted net assets are reclassified to without donor restricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are satisfied within the same reporting period are reported without donor restricted support in that period.

*Grants and Contracts* - Revenue from grants and contracts is recognized to the extent of eligible costs incurred up to an amount not to exceed the total grant or contract authorized. Deferred revenue results from grant awards and contracts received (or in accounts receivable) that are applicable to the subsequent period.

#### Significant Judgments

The Foundation analyzes revenue recognition on a portfolio approach under ASC Topic 606. Significant judgment is utilized in determining the appropriate portfolios to assess for meeting the criteria to recognize revenue under ASC Topic 606. The Foundation has determined that, for each distinct revenue stream identified, all contracts can be grouped into one portfolio. Based on past experience, customers within each distinct revenue stream all behave similarly, contracts contain similar terms, and policies are the same across all contracts. The Foundation does not expect that revenue earned for the portfolio is significantly different as compared to revenue that would be earned if they were to assess each contract separately.

Significant judgment is also required to assess collectability. The Foundation assesses collectability each reporting period to monitor that the collectability threshold is met and does not recognize revenue if collection is not probable. Impairment losses are recognized when there are significant changes in a customer's assessed collectability.

#### Subsequent Events

The Foundation has evaluated subsequent events through September 28, 2021, which is the date the financial statements were available to be issued.

### Note 2 – Concentrations of Credit Risk

The Foundation maintains cash and cash equivalents in bank deposit and investment accounts. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 and investment accounts are insured by the Securities Investor Protection Corporation (SIPC) up to a limit of \$500,000. The Foundation's account balances may, at times, exceed the limits. The Foundation has not experienced any such losses in these accounts.

# CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION

## Notes to Financial Statements

Years Ended June 30, 2021 and 2020

### Note 3 – Financial Assets and Liquidity Resources

#### Board Designations

The Foundation's governing board has designated, from net assets without donor restrictions, net assets for the following purposes as of June 30:

	<u>2021</u>	<u>2020</u>
Quasi-endowment	\$ 2,825,136	\$ 2,321,062
Liquidity reserve	<u>340,328</u>	<u>350,000</u>
	<u>\$ 3,165,464</u>	<u>\$ 2,671,062</u>

#### Liquidity

The following reflects the Foundation's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include amounts set aside for long-term investing in the quasi-endowment that could be drawn upon if the governing board approves that action. However, amounts already appropriated from either the donor-restricted endowment or quasi-endowment for general expenditure within one year of the statement of financial position date have not been subtracted as unavailable.

The Foundation's liquidity consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Financial assets available to be used within one year:		
Cash and cash equivalents	\$ 840,751	\$ 1,078,539
Other receivables	1,046	25,583
Due from related parties	222,037	99,681
Pledges receivable, net	1,523,665	1,487,743
Investments	<u>1,121,863</u>	<u>608,425</u>
Total financial assets	3,709,362	3,299,971
Less amounts not available for general use within one year:		
Restricted by donor with purpose restrictions (scholarships)	<u>(18,667)</u>	<u>(346,771)</u>
Financial assets available to meet cash needs	<u>\$ 3,690,695</u>	<u>\$ 2,953,200</u>

The Foundation is supported by restricted contributions. Since a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in short-term investments. Occasionally, the board designates a portion of any operating surplus to its liquidity reserve, which was \$340,328 and \$350,000 as of June 30, 2021 and 2020, respectively. There is a fund established by the governing board that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

# CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION

## Notes to Financial Statements

Years Ended June 30, 2021 and 2020

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### Note 4 – Pledges Receivable

Pledges receivable consist of the following as of June 30:

	2021	2020
Due in less than one year	\$ 1,523,665	\$ 1,487,743
Due in one to five years	780,700	1,355,553
Due in more than five years	5,000	-
Gross pledges receivable	2,309,365	2,843,296
Less provisions for doubtful accounts	(1,500)	(24,054)
Less unamortized present value discount at rates ranging from 1.20% to 3.10%	(41,809)	(73,723)
Pledges receivable, net	\$ 2,266,056	\$ 2,745,519

### Note 5 – Investments and Fair Value Measurement

The Foundation defines fair value as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market. The Foundation applies fair value measurements to assets and liabilities that are required to be recorded at fair value under generally accepted accounting principles. Fair value measurement techniques maximize the use of observable inputs and minimize the use of unobservable inputs, and are categorized in a fair value hierarchy based on the transparency of inputs. In addition, the Foundation reports certain investments using the net asset value (NAV) per share as determined by investment managers, allowing the net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. The three levels are defined as follows:

Level 1 - Inputs to the valuation methodology are quoted prices unadjusted for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurements.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. As a practical expedient, certain financial instruments may be valued using NAV per share. NAV is the amount of net assets attributable to each share of outstanding capital stock at the end of the period.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2021 and 2020.

Mutual funds and equity securities: Valued at the closing price reported on the active market on which the individual securities are traded.

**CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION**

**Notes to Financial Statements**

Years Ended June 30, 2021 and 2020

**Note 5 – Investments and Fair Value Measurement, continued**

Hedge funds: Valued at the partner's reported capital account balance, which approximates fair value.

Private equity funds: Valued at the reported market values by the management of the funds held.

Investments at fair value according to the fair value hierarchy are as follows as of June 30, 2021:

	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Net Asset Value NAV	Total
<b>Current portion</b>					
Core fixed income institutional mutual funds	\$ 1,121,863	\$ -	\$ -	\$ -	1,121,863
<b>Long term portion</b>					
Core fixed income institutional mutual funds	11,182,382	-	-	-	11,182,382
Domestic equity mutual funds	12,441,514	-	-	-	12,441,514
International equity mutual funds	12,582,233	-	-	-	12,582,233
Domestic equity securities	3,004,826	-	-	-	3,004,826
Real asset mutual funds	1,631,446	-	-	-	1,631,446
Hedge funds	-	-	-	3,268,195	3,268,195
Private equity funds	-	-	-	1,181,988	1,181,988
	<u>40,842,401</u>	<u>-</u>	<u>-</u>	<u>4,450,183</u>	<u>45,292,584</u>
	<u>\$ 41,964,264</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,450,183</u>	<u>\$ 46,414,447</u>



**CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION**

**Notes to Financial Statements**

Years Ended June 30, 2021 and 2020

**Note 5 – Investments and Fair Value Measurement, continued**

Investments at fair value according to the fair value hierarchy are as follows as of June 30, 2020:

	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Net Asset Value NAV	Total
<b>Current portion</b>					
Core fixed income institutional mutual funds	\$ 608,425	\$ -	\$ -	\$ -	\$ 608,425
<b>Long term portion</b>					
Core fixed income institutional mutual funds	12,978,742	-	-	-	12,978,742
Domestic equity mutual funds	9,585,445	-	-	-	9,585,445
International equity mutual funds	8,755,808	-	-	-	8,755,808
Domestic equity securities	2,041,300	-	-	-	2,041,300
Real asset mutual funds	958,143	-	-	-	958,143
Hedge funds	-	-	-	1,373,266	1,373,266
Private equity funds	-	-	-	574,100	574,100
	<u>34,319,438</u>	<u>-</u>	<u>-</u>	<u>1,947,366</u>	<u>36,266,804</u>
	<u>\$ 34,927,863</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,947,366</u>	<u>\$ 36,875,229</u>

The Foundation uses the net asset value (NAV) to determine the fair value of all the underlying investments that (a) do not have readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

**CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION****Notes to Financial Statements**

Years Ended June 30, 2021 and 2020

**Note 5 – Investments and Fair Value Measurement, continued**

Commitments and redemptions schedule for those investments valued based on net asset values are as follows:

	<u>Net asset value at June 30, 2021</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Private equity funds:				
Crescent capital high income fund [a]	\$ 1,034,607	None	Quarterly	60 days
Canterbury consulting PC fund I [b]	147,381	\$1,102,619	N/A	N/A
Hedge funds:				
Goldentree hedge funds [c]	62,561	None	Annually	90 days
Entrust hedge funds [d]	1,619,399	None	Quarterly	95 days
Blackstone hedge funds [e]	1,586,235	None	Semi-Annual	95 days
	<u>Net asset value at June 30, 2020</u>	<u>Unfunded commitment</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Private equity funds:				
Crescent capital high income fund [a]	\$ 574,100	None	Quarterly	60 days
Hedge funds:				
Goldentree hedge funds [c]	49,112	None	Annually	90 days
Entrust hedge funds [d]	1,324,154	None	Quarterly	95 days

[a] Crescent capital high income fund is relative value and is event driven with below investment grade bank loans and bonds.

[b] Canterbury consulting PC fund I is relative value and is event driven.

[c] Goldentree hedge funds are relative value and are event driven.

[d] Entrust hedge funds are relative value and are event driven.

[e] Blackstone hedge funds are relative value and are event driven.

**CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION****Notes to Financial Statements**

Years Ended June 30, 2021 and 2020

**Note 6 – Net Assets with Donor Restrictions**

Net assets with donor restrictions consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Net assets with time restrictions:		
Student scholarships	\$ 62,275	\$ 588,736
Campus programs	2,203,781	2,156,783
	<u>2,266,056</u>	<u>2,745,519</u>
Net assets with purpose restrictions:		
Student scholarships	6,540,196	1,849,158
Campus programs	3,433,696	1,288,458
Capital improvements	34,058	34,058
	<u>10,007,950</u>	<u>3,171,674</u>
Earnings from these endowments are restricted to be used for the following purposes:		
Student scholarships	14,158,737	13,785,541
Campus programs	7,539,085	7,486,920
Student loans	1,326,034	1,326,034
	<u>23,023,856</u>	<u>22,598,495</u>
	<u>\$ 35,297,862</u>	<u>\$ 28,515,688</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30:

	<u>2021</u>	<u>2020</u>
Satisfaction of donor restrictions:		
Campus programs	\$ 30,000	\$ -
Capital improvements	-	677
Appropriation of earnings for use:		
Campus programs	310,448	297,814
Student scholarships	575,855	571,412
Student loans	46,669	49,039
Satisfaction of time restrictions	1,154,069	1,939,260
	<u>\$ 2,117,041</u>	<u>\$ 2,858,202</u>

# CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION

## Notes to Financial Statements

Years Ended June 30, 2021 and 2020

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### Note 7 – Endowments

The Board of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds while supporting the operations of the Foundation through a set spending rate. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulation to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity is subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Foundation and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Foundation
- 7) The investment policies of the Foundation

As of June 30, 2021, the endowments' net asset composition by type of fund consisted of the following:

	<u>Without donor Restrictions</u>	<u>With donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Historical gift value	\$ -	\$ 23,023,856	\$ 23,023,856
Appreciation	-	9,917,470	9,917,470
Board-designated endowment funds	<u>2,825,136</u>	<u>-</u>	<u>2,825,136</u>
	<u>\$ 2,825,136</u>	<u>\$ 32,941,326</u>	<u>\$ 35,766,462</u>

**CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION****Notes to Financial Statements**

Years Ended June 30, 2021 and 2020

**Note 7 – Endowments, continued**

Changes in endowment net assets for the year ended June 30, 2021 consisted of the following:

	Without donor Restrictions	With donor Restrictions	Total
Endowment net assets, beginning	\$ 2,321,062	\$ 25,636,279	\$ 27,957,341
Investment return:			
Investment income, net of fees	-	211,477	211,477
Net realized and unrealized gains	629,249	7,601,182	8,230,431
Total Investment Return	629,249	7,812,659	8,441,908
Contributions	-	425,360	425,360
Appropriations for investment earnings for expenditures	(125,175)	(932,972)	(1,058,147)
Endowment net assets, ending	\$ <u>2,825,136</u>	\$ <u>32,941,326</u>	\$ <u>35,766,462</u>

The investment management and advisory fees paid were \$125,040 for the year ended June 30, 2021.

As of June 30, 2020, the endowments' net assets composition by type of fund consisted of the following:

	Without donor Restrictions	With donor Restrictions	Total
Donor-restricted endowment funds			
Historical gift value	\$ -	\$ 22,598,495	\$ 22,598,495
Appreciation	-	3,037,784	3,037,784
Board-designated endowment funds	2,321,062	-	2,321,062
	\$ <u>2,321,062</u>	\$ <u>25,636,279</u>	\$ <u>27,957,341</u>

## CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION

### Notes to Financial Statements

Years Ended June 30, 2021 and 2020

#### Note 7 – Endowments, continued

Changes in endowment net assets for the year ended June 30, 2020 consisted of the following:

	Without donor Restrictions	With donor Restrictions	Total
Endowment net assets, beginning	\$ 799,253	\$ 25,489,464	\$ 26,288,717
Investment return:			
Investment income, net of fees	-	341,474	341,474
Net realized and unrealized gains (losses)	43,990	(127,635)	(83,645)
Total Investment Return	43,990	213,839	257,829
Contributions	1,501,226	851,241	2,352,467
Appropriations for investment earnings for expenditures	(23,407)	(918,265)	(941,672)
Endowment net assets, ending	\$ 2,321,062	\$ 25,636,279	\$ 27,957,341

The investment management and advisory fees paid were \$110,324 for the year ended June 30, 2020.

#### Funds with Deficiencies Included in Net Assets With Donor Restrictions

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States, there were no deficiencies of this nature as of June 30, 2021 (\$97,233 as of June 30, 2020). These deficiencies resulted from unfavorable market fluctuations.

#### Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide funding for programs supported by its endowment and increase the value of the original contributed capital by an amount not less than the annual increase in inflation. In order to meet this objective, the endowment asset portfolio is structured to achieve a compounded annual return, net of investment management expenses, of 5 percent plus the annual rate of inflation (Target Return).

The appreciated endowment earnings is structured to provide liquidity for short-term cash needs and safety of principal while seeking to enhance the portfolio's return. In achieving the Target Return, the Foundation seeks to maintain a level of portfolio risk by allocating investments to core fixed-income mutual funds, domestic equity securities, domestic and international equity mutual funds, hedge funds and cash instruments in a ratio similar to other peer university endowments of similar size, as surveyed annually by the National Association of College and University Business Officers.

#### Investment Strategy

The investment strategy of the Foundation is to develop a diversified portfolio of passive investments. For core fixed-income mutual funds and equity funds, the selection of such holdings is based on the merits of long-term ownership without the intent of short-term trading. To achieve the Target Return, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends), less expenses.

# CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION

## Notes to Financial Statements

Years Ended June 30, 2021 and 2020

### Note 7 – Endowments, continued

#### Spending Policy

The Foundation has a policy of appropriating for expenditure each year a percentage of the prior three-year average endowment balance by taking into account investment performance from the prior year. In establishing this policy, the Foundation considered the long-term expected return on its endowment. For the years ended June 30, 2021 and 2020, the Board approved on all endowments a spending rate of 3.50% and 3.75%, respectively. The rate is reviewed annually and may or may not change in future years depending on investment performance. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at the average annual rate of inflation. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as provide additional real growth through new gifts and investment return.

### Note 8 – Transactions with Related Parties

The Foundation reimburses the University for salaries and various services. These amounts are paid by SM Corp on behalf of the Foundation as part of their operating agreement.

Transactions as of and for the years ended June 30, 2021 and 2020 with related parties are reflected in the accompanying financial statements as follows:

<u>Related party</u>	<u>Description</u>	<u>Reported in</u>	<u>2021</u>	<u>2020</u>
Expenses to:				
University	Salaries, benefits and other	Various expenses	\$ 3,041,733	\$ 4,200,370
SM Corp	Programs, services and other	Various expenses	17,710	1,500
ASI	Programs, services and other	Various expenses	21,905	81,491
			<u>\$ 3,081,348</u>	<u>\$ 4,283,361</u>
Revenue from:				
ASI	Services and cost reimbursement	Campus programs	\$ 6,000	\$ 10,429
SM Corp	Services and cost reimbursement	Campus programs	21,306	10,050
			<u>\$ 27,306</u>	<u>\$ 20,479</u>
Due from:				
University	Reimbursed services	Due from related parties	\$ 221,670	\$ 99,681
SM Corp	Reimbursed services	Due from related parties	367	-
			<u>\$ 222,037</u>	<u>\$ 99,681</u>
Due to:				
University	Salaries, benefits, and other expenses	Due to related parties	\$ 110,261	\$ 260,042
SM Corp	Cost reimbursement	Due to related parties	136,749	109,576
			<u>\$ 247,010</u>	<u>\$ 369,618</u>

## **CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION**

### **Notes to Financial Statements**

Years Ended June 30, 2021 and 2020

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#### **Note 9 – Functional Allocation of Expenses**

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, which are allocated on the basis of estimates and time and effort. All other expenses are attributed directly to a program or supporting service.

#### **Note 10 – Contingencies**

##### Coronavirus

On March 11, 2020 the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closing of businesses and shelter in place orders. The mandates enforced by public health and governmental authorities to contain and combat the outbreak and spread, adversely affected workforces, economies, and financial markets globally. In response, the U.S. Government enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which includes significant provisions to provide relief and assistance to affected organizations. The extent of the impact of COVID-19 on the Foundation's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Foundation's donors, employees, and vendors, all of which at present, cannot be determined.

##### Legal Proceedings

The Foundation may periodically be a party in litigation cases incidental to its activities. While any litigation or investigation has an element of uncertainty, management believes that the outcome of any of these matters will not have a materially adverse effect on its financial position, results of operations or liquidity.



**SUPPLEMENTAL INFORMATION**

**California State University San Marcos Foundation**  
**Schedule of Net Position**  
**June 30, 2021**  
**(for inclusion in the California State University)**

Assets:	
Current assets:	
Cash and cash equivalents	\$ 840,751
Short-term investments	1,121,863
Accounts receivable, net	223,083
Capital lease receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	1,523,665
Prepaid expenses and other current assets	-
Total current assets	<u>3,709,362</u>
Noncurrent assets:	
Restricted cash and cash equivalents	-
Accounts receivable, net	-
Capital lease receivable, net of current portion	-
Notes receivable, net of current portion	-
Student loans receivable, net	50,000
Pledges receivable, net	742,391
Endowment investments	35,766,462
Other long-term investments	9,526,122
Capital assets, net	-
Other assets	-
Total noncurrent assets	<u>46,084,975</u>
Total assets	<u>49,794,337</u>
Deferred outflows of resources:	
Unamortized loss on debt refunding	-
Net pension liability	-
Net OPEB liability	-
Others	-
Total deferred outflows of resources	<u>-</u>
Liabilities:	
Current liabilities:	
Accounts payable	319,791
Accrued salaries and benefits	-
Accrued compensated absences, current portion	86,637
Unearned revenue	-
Capital lease obligations, current portion	-
Long-term debt obligations, current portion	-
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	-
Total current liabilities	<u>406,428</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	-
Unearned revenue	-
Grants refundable	-
Capital lease obligations, net of current portion	-
Long-term debt obligations, net of current portion	-
Claims liability for losses and loss adjustment expenses, net of current portion	-
Depository accounts	-
Net other postemployment benefits liability	-
Net pension liability	-
Other liabilities	-
Total noncurrent liabilities	<u>-</u>
Total liabilities	<u>406,428</u>
Deferred inflows of resources:	
Service concession arrangements	-
Net pension liability	-
Net OPEB liability	-
Unamortized gain on debt refunding	-
Nonexchange transactions	-
Others	-
Total deferred inflows of resources	<u>-</u>
Net Position:	
Net investment in capital assets	-
Restricted for:	
Nonexpendable – endowments	23,023,856
Expendable:	
Scholarships and fellowships	6,602,471
Research	-
Loans	-
Capital projects	34,058
Debt service	-
Others	5,637,477
Unrestricted	14,090,047
Total net position	<u>\$ 49,387,909</u>

See independent auditors' report.

**California State University San Marcos Foundation**  
Schedule of Revenues, Expenses, and Net Position  
Year Ended June 30, 2021  
(for inclusion in the California State University)

Revenues:	
Operating revenues:	
Student tuition and fees, gross	\$ -
Scholarship allowances	-
Grants and contracts, noncapital:	
Federal	-
State	-
Local	-
Nongovernmental	-
Sales and services of educational activities	117,863
Sales and services of auxiliary enterprises, gross	-
Scholarship allowances	-
Other operating revenues	-
Total operating revenues	<u>117,863</u>
Expenses:	
Operating expenses:	
Instruction	578,061
Research	68,584
Public service	321,609
Academic support	110,843
Student services	893,871
Institutional support	213,952
Operation and maintenance of plant	-
Student grants and scholarships	1,441,761
Auxiliary enterprise expenses	85,370
Depreciation and amortization	-
Total operating expenses	<u>3,714,051</u>
Operating income (loss)	<u>(3,596,188)</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	2,623,962
Investment income (loss), net	1,797,023
Endowment income (loss), net	7,812,659
Interest expense	-
Other nonoperating revenues (expenses) - excl. interagency transfers	-
Net nonoperating revenues (expenses)	<u>12,233,644</u>
Income (loss) before other revenues (expenses)	<u>8,637,456</u>
State appropriations, capital	-
Grants and gifts, capital	-
Additions (reductions) to permanent endowments	425,360
Increase (decrease) in net position	<u>9,062,816</u>
Net position:	
Net position at beginning of year, as previously reported	40,325,093
Restatements	-
Net position at beginning of year, as restated	<u>40,325,093</u>
Net position at end of year	<u>\$ 49,387,909</u>

## California State University San Marcos Foundation

### Other Information

June 30, 2021

(for inclusion in the California State University)

#### 1 Cash and cash equivalents:

Portion of restricted cash and cash equivalents related to endowments	\$	-
All other restricted cash and cash equivalents		-
Noncurrent restricted cash and cash equivalents		-
Current cash and cash equivalents		840,751
Total	\$	<u>840,751</u>

#### 2.1 Composition of investments:

	Current	Noncurrent	Total
Money Market funds	\$ -	\$ -	\$ -
Repurchase agreements	-	-	-
Certificates of deposit	-	-	-
U.S. agency securities	-	-	-
U.S. treasury securities	-	-	-
Municipal bonds	-	-	-
Corporate bonds	-	-	-
Asset backed securities	-	-	-
Mortgage backed securities	-	-	-
Commercial paper	-	-	-
Mutual funds	1,121,863	37,837,575	38,959,438
Exchange traded funds (ETFs)	-	-	-
Equity securities	-	3,004,826	3,004,826
Alternative investments:			
Private equity (including limited partnerships)	-	1,181,988	1,181,988
Hedge funds	-	3,268,195	3,268,195
Managed futures	-	-	-
Real estate investments (including REITs)	-	-	-
Commodities	-	-	-
Derivatives	-	-	-
Other alternative investment types	-	-	-
Other external investment pools	-	-	-
CSU Consolidated Investment Pool (formerly SWIFT)	-	-	-
State of California Local Agency Investment Fund (LAIF)	-	-	-
State of California Surplus Money Investment Fund (SMIF)	-	-	-
Other investments	-	-	-
Total investments	<u>1,121,863</u>	<u>45,292,584</u>	<u>46,414,447</u>
Less endowment investments	-	(35,766,462)	(35,766,462)
Total investments, net of endowments	<u>\$ 1,121,863</u>	<u>\$ 9,526,122</u>	<u>\$ 10,647,985</u>

**California State University San Marcos Foundation**  
Other Information  
June 30, 2021  
(for inclusion in the California State University)

**2.2 Fair value hierarchy in investments:**

Investment Type	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Money market funds	\$ -	\$ -	\$ -	\$ -	\$ -
Repurchase agreements	-	-	-	-	-
Certificates of deposit	-	-	-	-	-
U.S. agency securities	-	-	-	-	-
U.S. treasury securities	-	-	-	-	-
Municipal bonds	-	-	-	-	-
Corporate bonds	-	-	-	-	-
Asset backed securities	-	-	-	-	-
Mortgage backed securities	-	-	-	-	-
Commercial paper	-	-	-	-	-
Mutual funds	38,959,438	38,959,438	-	-	-
Exchange traded funds	-	-	-	-	-
Equity securities	3,004,826	3,004,826	-	-	-
Alternative investments:					
Private equity (including limited partnerships)	1,181,988	-	-	-	1,181,988
Hedge funds	3,268,195	-	-	-	3,268,195
Managed futures	-	-	-	-	-
Real estate investments (including REITs)	-	-	-	-	-
Commodities	-	-	-	-	-
Derivatives	-	-	-	-	-
Other alternative investment types	-	-	-	-	-
Other external investment pools (excluding SWIFT)	-	-	-	-	-
CSU Consolidated Investment Pool (formerly SWIFT)	-	-	-	-	-
State of California Local Agency Investment Fund (LAIF)	-	-	-	-	-
State of California Surplus Money Investment Fund (SMIF)	-	-	-	-	-
Other investments	-	-	-	-	-
<b>Total investments</b>	<b>\$ 46,414,447</b>	<b>\$ 41,964,264</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,450,183</b>

**2.3 Investments held by the University under contractual agreements:**

	Current	Noncurrent	Total
Investments held by the University under contractual agreements (e.g CSU Consolidated SWIFT Inv pool):	\$ -	\$ -	\$ -

See independent auditors' report.









**California State University San Marcos Foundation**

Other Information

June 30, 2021

(for inclusion in the California State University)

**10 Deferred outflows/inflows of resources:**

**1. Deferred Outflows of Resources**

Deferred outflows - unamortized loss on refunding(s)	-
Deferred outflows - net pension liability	-
Deferred outflows - net OPEB liability	-
Deferred outflows - others:	
Sales/intra-entity transfers of future revenues	-
Gain/loss on sale leaseback	-
Loan originagation fees and costs	-
Change in fair value of hedging derivative instrument	-
Irrevocable split-interest agreements	-

Total deferred outflows - others	-
<b>Total deferred outflows of resources</b>	<b>\$ -</b>

**2. Deferred Inflows of Resources**

Deferred inflows - service concession arrangements	-
Deferred inflows - net pension liability	-
Deferred inflows - net OPEB liability	-
Deferred inflows - unamortized gain on debt refunding(s)	-
Deferred inflows - nonexchange transactions	-
Deferred inflows - others:	
Sales/intra-entity transfers of future revenues	-
Gain/loss on sale leaseback	-
Loan originagation fees and costs	-
Change in fair value of hedging derivative instrument	-
Irrevocable split-interest agreements	-

Total deferred inflows - others	-
<b>Total deferred inflows of resources</b>	<b>\$ -</b>

**11 Other nonoperating revenues (expenses):**

Other nonoperating revenues	-
Other nonoperating (expenses)	-
<b>Total other nonoperating revenues (expenses)</b>	<b>\$ -</b>

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Audit Committee  
California State University San Marcos Foundation

We have audited, in accordance with the 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, the financial statements of California State University San Marcos Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 28, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered California State University San Marcos Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of California State University San Marcos Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the California State University San Marcos Foundation's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether California State University San Marcos Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS*, CONTINUED**

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of California State University San Marcos Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering California State University San Marcos Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Aldrich CPAs + Advisors LLP*

San Diego, California

September 28, 2021