

Cal Poly Pomona Foundation, Inc.

Financial Statements and Supplementary Schedules

Year Ended June 30, 2020



CAL POLY POMONA FOUNDATION, INC.
Financial Statements and Supplementary Information
Year Ended June 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Audit Committee of
Cal Poly Pomona Foundation, Inc.

We have audited the accompanying financial statements of Cal Poly Pomona Foundation, Inc. (a nonprofit organization referred to as the Foundation), which comprise the statement of net position as of June 30, 2020, and the related statements of revenue, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, as listed in the table of contents.

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 audit. We conducted our 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. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cal Poly Pomona Foundation, Inc. as of June 30, 2020, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 15 to the financial statements, on March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is unmodified with respect to that matter.

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 18, the schedule of the Foundation's proportionate share of net pension liability for the California Public Employees Retirement Plan on page 58, the schedule of Foundation contributions to the California Public Employees Retirement Plan on page 59, the schedule of funding progress and the schedule of employer contributions on page 60, and the schedule of changes in net OPEB liability and expense on page 61 and 62 to be presented to supplement the basic financial statements.

Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information for the California State University Chancellor's Office, beginning on page 63, and the schedules of revenue, expenses, and changes in net position for the debt service coverage ratio, beginning on page 75, 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 21, 2020, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Foundation's June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 17, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Aldrich CPAs + Advisors LLP

San Diego, California
September 21, 2020

CAL POLY POMONA FOUNDATION, INC.
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2020

Introduction

The Cal Poly Pomona Foundation, Inc. (Foundation) is a nonprofit organization formed to support and advance the mission of California State Polytechnic University, Pomona (University). To fulfill this mission, the Foundation pursues a wide range of opportunities in the areas of development and administration of research and educational grants and contracts; conducting enterprise activities including dining services, bookstores, a conference center, a hotel, apartment style housing, continuing education, and agricultural aid to instruction; the management of Foundation programs and real estate activities; the development and administration of faculty/staff housing, a research park, special programs, and other activities on behalf of the University.

During the year ended June 30, 2020, at the request of the University, the Foundation transferred, by gift, approximately \$144 million of restricted assets to the Cal Poly Pomona Philanthropic Foundation (Philanthropic Foundation). On July 1, 2019, the Philanthropic Foundation began operations previously performed by the Foundation, including management of campus programs, student scholarship and endowment funds.

The following discussion and analysis provides an overview of the financial position and activities of the Foundation for the year ended June 30, 2020. The Foundation experienced material operating losses during the year ended June 30, 2020 resulting from the economic impact of the COVID-19 pandemic ("pandemic") and subsequent move to remote instruction. In response to the pandemic, students were encouraged to shelter-at-home and classes transitioned to virtual. As a result, Foundation operations incurred significant operating revenue losses. In response, the Foundation reduced discretionary spending and implemented a series of furloughs and layoffs across all employee types. However, these measures only reduced the operating losses reflected in the accompanying financial statements.

This following discussion and analysis has been prepared by management in light of these circumstances, and should be read in conjunction with the financial statements and notes thereto, which follow this section.

Introduction to the Financial Statements

This annual report consists of a series of financial statements prepared in accordance with the Governmental Accounting Standards Board (GASB) principles. One of the most important questions asked about the Foundation's finances is whether the Foundation is better or worse off as a result of this year's activities. The keys to understanding this question are the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2020

The Foundation's net position (the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources), which is reported in the Statement of Net Position, is one indicator of the Foundation's financial health. Over time, increases or decreases in net position are one metric of the improvement or erosion of the Foundation's financial condition when considered in combination with other non-financial information.

The Statement of Revenues, Expenses, and Changes in Net Position presents revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating; with the above-mentioned activities reported as operating revenues and expenses and investment results reported as nonoperating. This statement is prepared using the accrual basis of accounting, whereby revenues and receivables are recognized when the service is provided and expenses and liabilities are recognized when incurred, regardless of when cash is exchanged.

Another way to assess the financial health of the Foundation is to review the Statement of Cash Flows. Its primary purpose is to provide relevant information about the sources and uses of cash during the period. The information provided in this statement should help financial report users assess the Foundation's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing. It also provides insight into the reasons for differences between operating income and associated cash receipts and payments. In addition, it provides information on the effects that cash and noncash investing, capital, and financing transactions during the year have on the Foundation's financial position.

These statements are supported by notes to the basic financial statements, required supplementary information, as appropriate, and this section. All sections must be considered together to obtain a complete understanding of the financial picture of the Foundation.

Statement of Net Position

The Statement of Net Position presents the financial position of the Foundation at the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities and deferred inflows of resources of the Foundation. The difference between total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources – net position – is one indicator of the current financial condition of the Foundation, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. Two notable exceptions are investments and capital assets, with investments measured at either fair value using quoted market prices or net asset value (NAV) and capital assets at historical costs less an allowance for depreciation. For the purpose of distinguishing between current and noncurrent assets and liabilities, current assets and liabilities are those that can be reasonably expected to either generate or use cash, as part of normal business operations, within one year of the Statement of Net Position date.

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CAL POLY POMONA FOUNDATION, INC.
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2020

A summary of the Foundation's assets, deferred outflows, liabilities, deferred inflows, and net position is as follows:

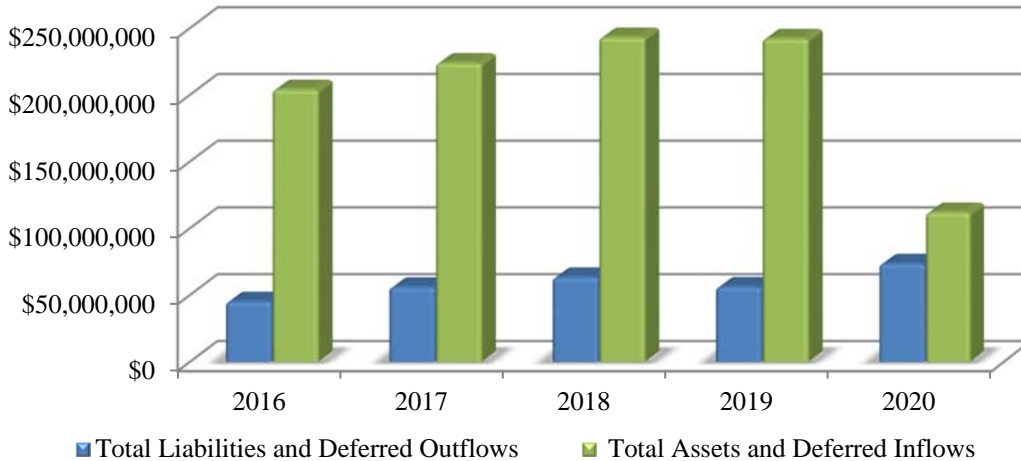
	<u>2020</u> (in thousands)	<u>2019</u> (in thousands)
Assets:		
Current assets	\$ 44,902	\$ 83,875
Noncurrent assets:		
Restricted cash and cash equivalents	118	3,445
Pledges receivable, net	—	2,354
Endowment investments	—	100,039
Long-term investments	1,763	—
Capital assets, net	<u>58,956</u>	<u>46,147</u>
Total noncurrent assets	<u>60,837</u>	<u>151,985</u>
Total Assets	<u>105,739</u>	<u>235,860</u>
Deferred Outflows of Resources:		
Unamortized loss on debt refunding	273	311
Net pension liability	3,826	4,984
Net OPEB liability	<u>2,601</u>	<u>1,935</u>
Total Deferred Outflows of Resources	<u>6,700</u>	<u>7,230</u>
Liabilities:		
Current liabilities	12,936	14,626
Noncurrent liabilities	<u>58,581</u>	<u>39,677</u>
Total Liabilities	<u>71,517</u>	<u>54,303</u>
Deferred Inflows of Resources:		
Net pension liability	662	723
Unamortized gain on debt refunding	45	55
Net OPEB liability	1,058	654
Split interest agreements	<u>701</u>	<u>1,334</u>
Total Deferred Inflows of Resources	<u>2,466</u>	<u>2,766</u>
Net Position:		
Net investment in capital assets	16,697	22,974
Restricted:		
Nonexpendable - endowments	—	85,782
Expendable	1,871	61,387
Unrestricted	<u>19,888</u>	<u>15,878</u>
Total Net Position	<u>\$ 38,456</u>	<u>\$ 186,021</u>

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.
 Management's Discussion and Analysis (MD&A)
 Year Ended June 30, 2020

Total assets and deferred outflows were \$112.4 million and \$243.1 million for fiscal years 2019-20 and 2018-19, respectively. The decrease between 2020 and 2019 of \$130.7 million or 54% is mainly attributable to the transfer of endowment investments and program funds to the Philanthropic Foundation.

**Total Assets and Deferred Inflows
 vs. Total Liabilities and Deferred Outflows**



Total liabilities and deferred inflows were \$74.0 million and \$57.1 million for the fiscal years 2020 and 2019, respectively. This change is primarily due to the addition of the \$20.3 million capitalized lease obligation for the Centerpointe dining facility in the current year.

During the year ended June 30, 2020, the Foundation transferred-by-gift approximately \$144 million of net assets to the Philanthropic Foundation. Restricted assets transferred include the endowments, charitable remainder trusts, scholarships and programs, the majority consisting of investments along with pledge receivables. The Philanthropic Foundation now manages functions related to the development and use of non-governmental resources. Unrestricted assets transferred include other receivables and capital assets. The Foundation has entered into an agreement with the Philanthropic Foundation to provide fiscal and administrative services, including financial reporting, accounting, budgeting, payroll and human resources.

CAL POLY POMONA FOUNDATION, INC.
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The Foundation participates in the Auxiliaries Multiple Employer VEBA (Voluntary Employees' Beneficiary Association), a separate 501(c)(9) organization to assist in funding postemployment benefits for recognized auxiliaries of the California State University System. As of June 30, 2019 (the most recent actuarial report), the total other postemployment benefit (OPEB) liability for benefits was \$17,144,176 and the net OPEB liability was \$7,370,343 and the actuarial plan's fiduciary net position was \$9,773,833 or 57% funded. The covered payroll (annual payroll of active employees covered by the plan) was \$4,760,791, and the ratio of the net OPEB liability to covered payroll was 155%. The Foundation's current plan is to fund the OPEB liability up to the retirees' and surviving spouse actuarial obligation. Detailed information is presented in Note 12 of the financial statements.

The Foundation participates in a cost sharing multiple-employer defined benefit plan through the California Public Employees' Retirement System (CalPERS) which covers substantially all regular full-time employees of the Foundation. CalPERS acts as a common investment and administrative agent for participating public entities with the state of California and reports information to the Foundation in accordance with reporting standards established by GASB. The Public Agency Cost-Sharing Multiple-Employer Plan is comprised of a Miscellaneous Risk Pool and a Safety Risk Pool. The Foundation sponsors three Miscellaneous Risk Pool plans. The plans provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

As of June 30, 2020, the Foundation reported a net pension liability for its proportionate share of the Miscellaneous Risk Pool totaling \$8,877,822, pension expense of \$3,193,111, deferred inflows of resources of \$661,902 and deferred outflows of resources of \$3,826,379 for the plan. The Foundation's proportion is based on a projection of the Foundation's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of June 30, 2019, the measurement period applicable to these financial statements, the Foundation's proportion was 0.2217%. Detailed information is presented in Note 11 of the financial statements.

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CAL POLY POMONA FOUNDATION, INC.
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2020

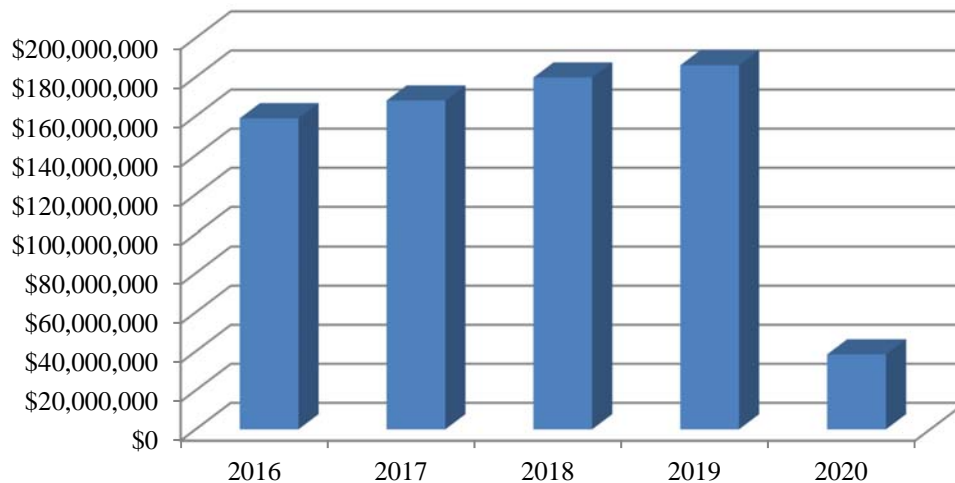
Net Position

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

	2020 <u>(in thousands)</u>	2019 <u>(in thousands)</u>
Net investment in capital assets	\$ 16,697	\$ 22,974
Restricted:		
Nonexpendable - endowments	—	85,782
Expendable	1,871	61,387
Unrestricted	<u>19,888</u>	<u>15,878</u>
Net position	<u>\$ 38,456</u>	<u>\$ 186,021</u>

Net position decreased 79% or \$147.6 million primarily due to the transfer of \$144 million in net assets to the Philanthropic Foundation. Restricted expendable net position includes the funds related to charitable gift annuities. Unrestricted net position includes the enterprise or entrepreneurial activities of the Foundation as well as program activities.

Net Position



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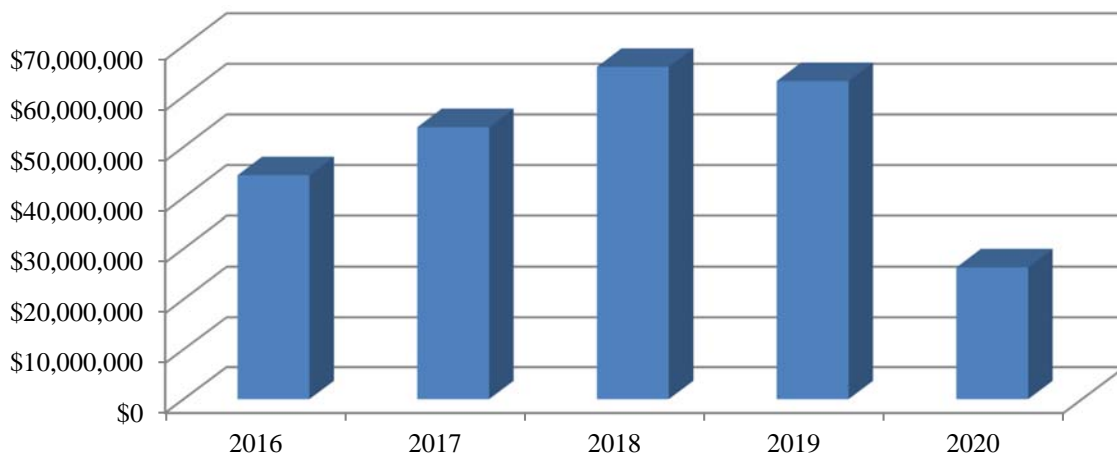
CAL POLY POMONA FOUNDATION, INC.
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2020

Investments

During the year ended June 30, 2020, the Foundation transferred, by gift, approximately \$101.5 million of endowments investments to the Philanthropic Foundation.

Investments included on the Statement of Net Position at June 30, 2020 consist of expendable funds that have been invested in the Foundation's general investment portfolio. The Foundation's general investment policy is designed to obtain the highest yield available, while investments meet the criteria established for safety (preservation of capital), liquidity and yield. During fiscal year 2019-20, general investments decreased by \$36.7 million, or 58.3% mainly due to the transfer-by-gift of approximately \$27.7 million to the Philanthropic Foundation. Net investment gains for the year were approximately \$1.1 million (net of fees) as a result of capital markets influencing asset values and over-performance to the benchmark. Investment returns, net of fees, consists of a change in the fair market value of general investments, including interest, dividends, and realized and unrealized gains and losses.

General Investments



See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2020

Capital Assets, Capitalized Lease Obligations and Net Investment

The Foundation's investment in capital assets, net of related debt decreased by \$6.3 million or 27% for fiscal year 2019-20 mainly due to the transfer of fixed assets to the Philanthropic Foundation. Depreciation and amortization expenses during fiscal years 2019-20 and 2018-19 totaled \$3.3 million and \$3.4 million, respectively. A summary of capital assets, net of accumulated depreciation and capitalized lease obligations is as follows:

	2020 (in thousands)	2019 (in thousands)
Building and improvements	\$ 87,723	\$ 65,779
Equipment, furniture and fixtures	12,613	11,180
Infrastructure	8,651	8,651
Land	6,834	7,387
Construction work in progress	168	5,555
Works of art	—	1,663
Orchards	144	144
	<u>116,133</u>	<u>100,359</u>
Less: accumulated depreciation and amortization	(57,176)	(54,213)
Plus: unamortized loss on refunding	<u>273</u>	<u>312</u>
	59,230	46,458
Less: capitalized lease obligations	<u>(42,533)</u>	<u>(23,484)</u>
Invested in capital assets	<u>\$ 16,697</u>	<u>\$ 22,974</u>

Net investment in capital assets, net of related debt, represents the Foundation's capital assets, net of accumulated depreciation, unamortized loss on refunding and outstanding principal balances of debt attributable to the acquisition, construction or improvement of these assets. Capitalized lease obligations consist primarily of CSU system-wide revenue bonds of \$42.5 million. Approximately \$20.2 million of this obligation was added in fiscal year 2019-20 upon completion of the Centerpointe Dining Facility. Another \$18.7 million of this obligation was incurred in fiscal year 2003-04 with respect to the construction of the University Village Phase III student housing complex and those bonds were advance refunded and defeased in fiscal years 2013-14 and 2014-15. The balance of this obligation of \$1.3 million was incurred for the construction of a continuing education complex in fiscal year 2000-01 and those bonds were advance refunded and defeased in fiscal year 2016-17. Approximately \$2.3 million of this balance represents unamortized bond premiums.

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.
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Year Ended June 30, 2020

As mentioned previously, the Foundation completed the collaborative project with the University that included the planning, construction and financing for a \$24 million replacement dining commons (Centerpointe) that opened in January 2020. The University and Foundation entered into a facility lease agreement and an operating agreement to operate Centerpointe and repay the financing under the same terms and conditions as the dining portion of the System Revenue Bonds, Series 2017A & 2017B. The Foundation contributed \$4 million to the project. Over the next 30 years, the Foundation will be obligated to repay \$20 million of bonds with a 3.81% all-in, total interest cost upon a fully executed facility lease, master operating lease, and various supplemental operating agreements.

Statement of Revenues, Expenses and Changes in Net Position

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

	2020 <u>(in thousands)</u>	2019 <u>(in thousands)</u>
Operating revenues:		
Educational activities	\$ 6,805	\$ 12,405
Enterprise activities	38,404	48,257
Gifts, noncapital	—	7,181
Grants and contracts	12,707	13,951
Real estate activities	5,672	4,739
Total operating revenues	<u>63,588</u>	<u>86,533</u>
Operating expenses	<u>70,288</u>	<u>85,263</u>
Operating income (loss)	<u>(6,700)</u>	<u>1,270</u>
Nonoperating revenues (expenses):		
Contributions restricted for long term purposes	—	3,318
Investment income, net	1,110	2,396
Endowment income, net	—	2,997
Interest expense	(1,573)	(1,116)
Transfer to the Philanthropic Foundation	(144,022)	—
Other nonoperating revenues (expenses)	3,620	(2,615)
Total nonoperating revenues, net	<u>(140,865)</u>	<u>4,980</u>
Increase (decrease) in net position	<u>(147,565)</u>	<u>6,250</u>
Net position:		
Net position at beginning of year	<u>186,021</u>	<u>179,771</u>
Net position at end of year	<u>\$ 38,456</u>	<u>\$ 186,021</u>

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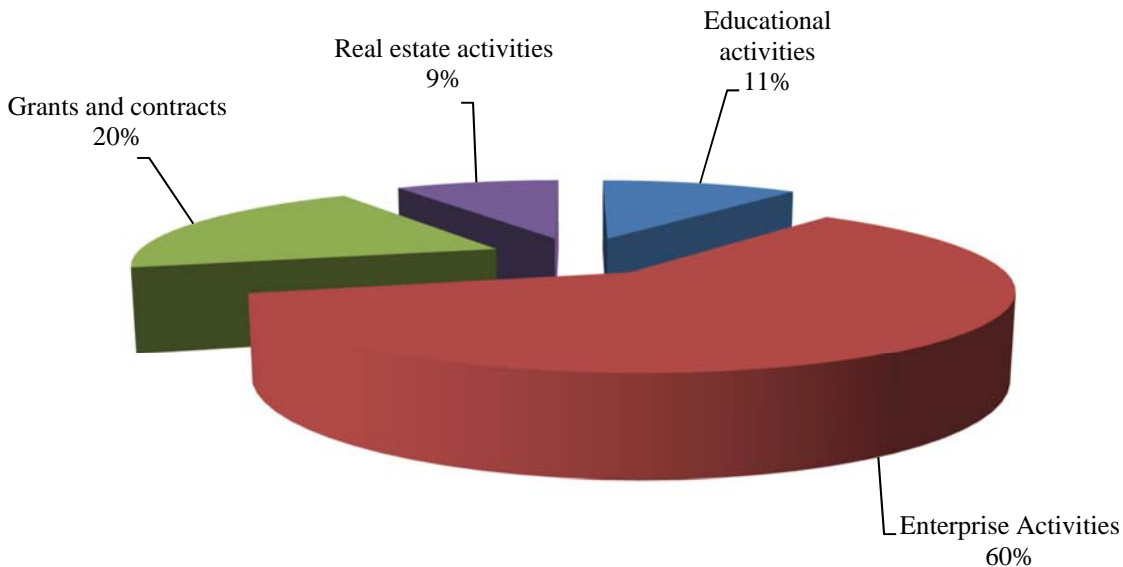
CAL POLY POMONA FOUNDATION, INC.
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During the fiscal year 2019-20, total operating revenues decreased 26.5% or \$22.9 million partially due to the transfer of campus programs, student scholarship and endowment gift operations to the Philanthropic Foundation. Revenues previously recorded on Foundation records are now part of Philanthropic Foundation operations. In addition, the decrease in operating revenues is the result of the impact of the pandemic on revenues from enterprises activities, which decreased 20.42%. Operating expenses decreased 17.6 % or \$15.0 million, driven by similar factors influencing the decrease in operating revenues.

The significant nonoperating losses are mainly due to the transfer by gift of \$144 million in net assets to the Philanthropic Foundation. Included in that transfer was the Foundation's entire endowment portfolio; therefore, the Foundation did not recognize any endowment income for fiscal year 2019-20. Net investment income for the year was approximately \$1.1 million (net of fees) as a result of capital markets influencing asset values and over-performance to the benchmark.

Operating revenues also include grants and contracts awarded by governmental and private institutions. Amounts administered by the Foundation are recorded as revenue and expense in the financial statements.

Operating Revenues

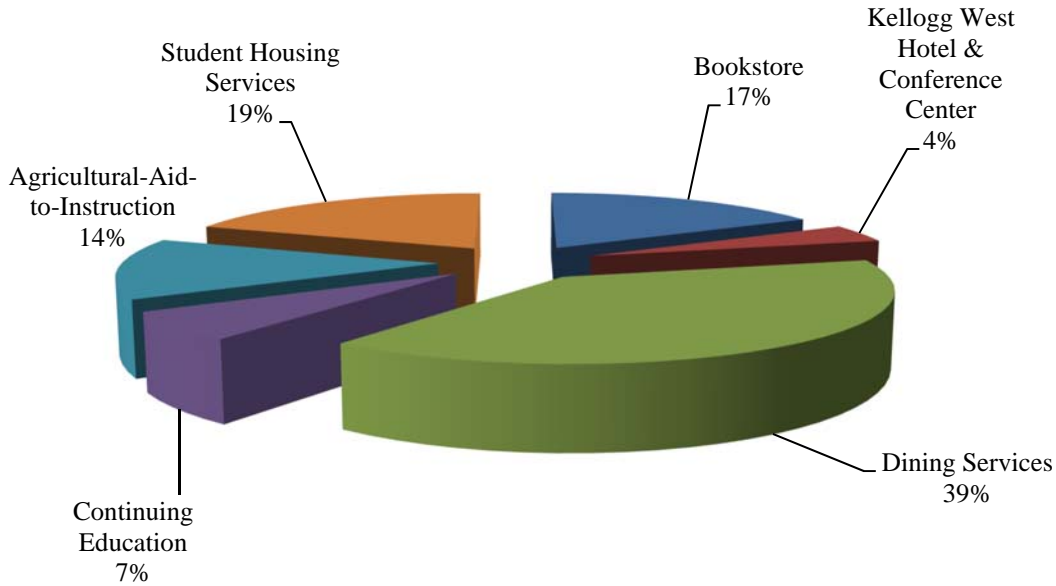


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CAL POLY POMONA FOUNDATION, INC.
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Year Ended June 30, 2020

Auxiliary enterprise operating revenues consist of the following programs:

Enterprise Revenues

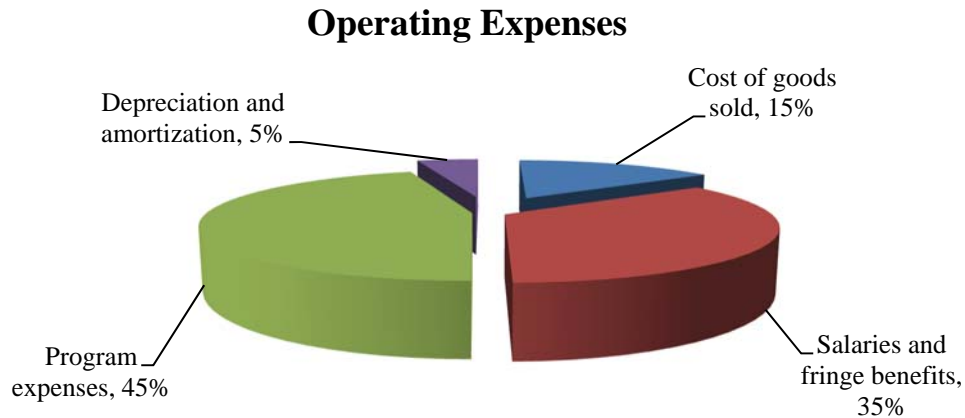


In August 2000, the Foundation entered into a 25 year master operating agreement and various supplemental operating agreements with the Trustees of the California State University on behalf of the University that expire in February 2025 and allow the Foundation to operate various activities including the above enterprise activities. All the activities of the Foundation support the students, faculty and staff and provide convenient and appropriate goods and services at reasonable prices for the development of additional resources for the University.

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CAL POLY POMONA FOUNDATION, INC.
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In fiscal year 2019-20, operating expenses consist of cost of goods sold of \$10.8 million, salaries and fringe benefits of \$24.3 million, payments to vendors of \$31.9 million, and depreciation and amortization of \$3.3 million.



In addition to their natural classifications, it is also informative to review operating expenses by function. A summary of the Foundation's expenses by functional classification for the fiscal years ended is as follows:

	2020 (in thousands)	2019 (in thousands)
Operating:		
Instruction	\$ 8,815	\$ 10,601
Research	6,982	7,772
Public service	224	1,144
Academic support	4,239	6,691
Student services	883	867
Institutional support	698	5,313
Operation and maintenance of plant	185	160
Student grants and scholarships	—	1,418
Administrative and real estate activities	10,978	10,089
Enterprise expenses	33,949	37,796
Depreciation and amortization	3,335	3,412
Total operating expenses	\$ 70,288	\$ 85,263

During fiscal year 2019-20, total operating expenses decreased 17.6% or \$15.0 million as a result of the transfer of campus programs and scholarships fund activities to the Philanthropic Foundation. Enterprise expenses also decreased due to the reduced business hours, employee furloughs/layoffs, and the temporary closure of dining locations under the impact of the pandemic.

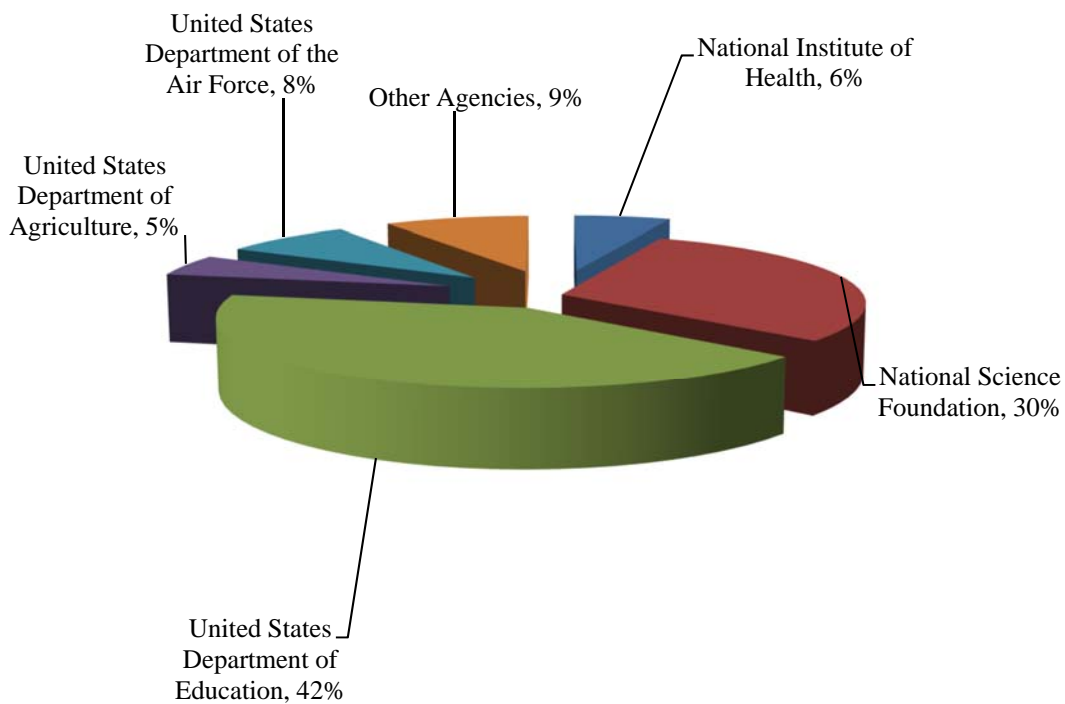
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CAL POLY POMONA FOUNDATION, INC.
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2020

The Foundation is the recipient of all externally-funded sponsored projects awarded on behalf of California State Polytechnic University, Pomona. For the last two years, University faculty and staff have secured over \$40.1 million in external funds representing 213 projects.

Federal grant and contract awards received represents 78% of the sponsored program activity and includes support from a variety of agencies including:

Federal Grants and Contracts Revenue

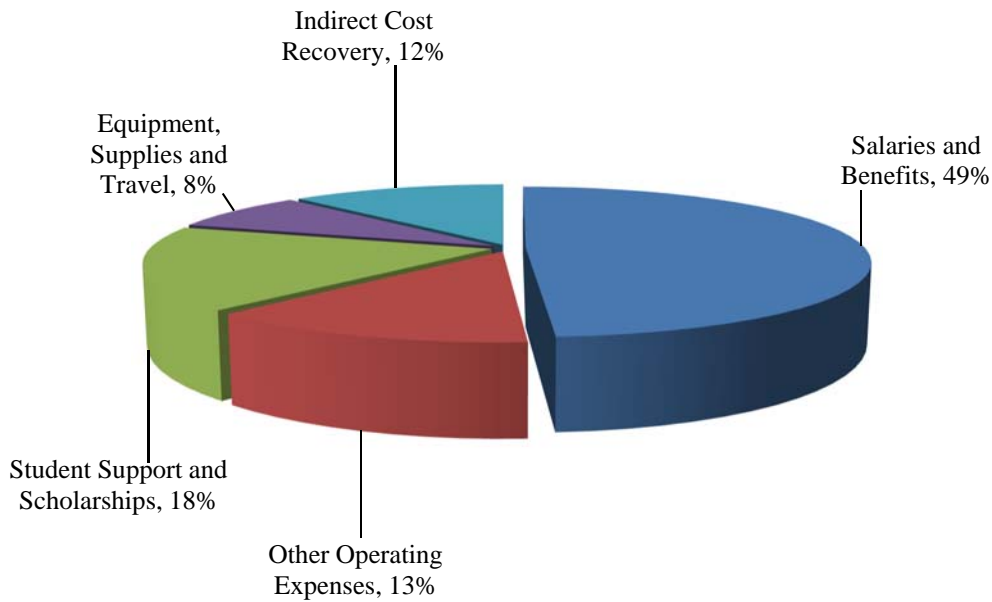


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CAL POLY POMONA FOUNDATION, INC.
 Management's Discussion and Analysis (MD&A)
 Year Ended June 30, 2020

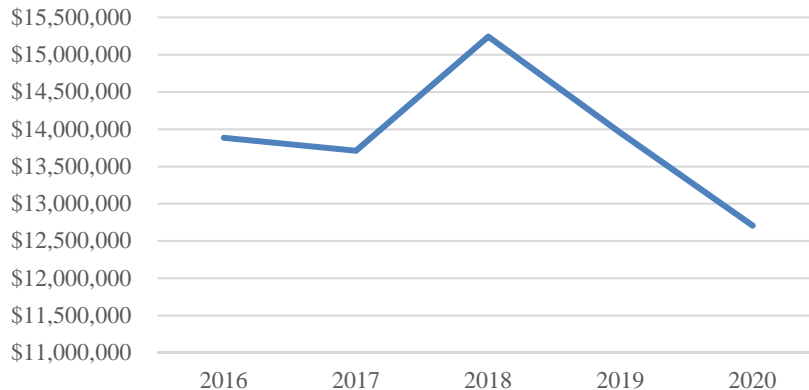
During the last two fiscal years, grants and contracts expenditures totaled \$26.7 million consisting of federal grants and contracts of \$20.9 million, state grants and contracts of \$3.7 million, and non-governmental grants and contracts of \$2.1 million. Expenditures relating to grant and contract projects consisted of the following items:

Grants and Contracts Expenditures



Over the past five years, the grant expenditure totals have ranged from between \$12.7 million and \$15.2 million dollars.

Grants and Contracts Expenditures Activity

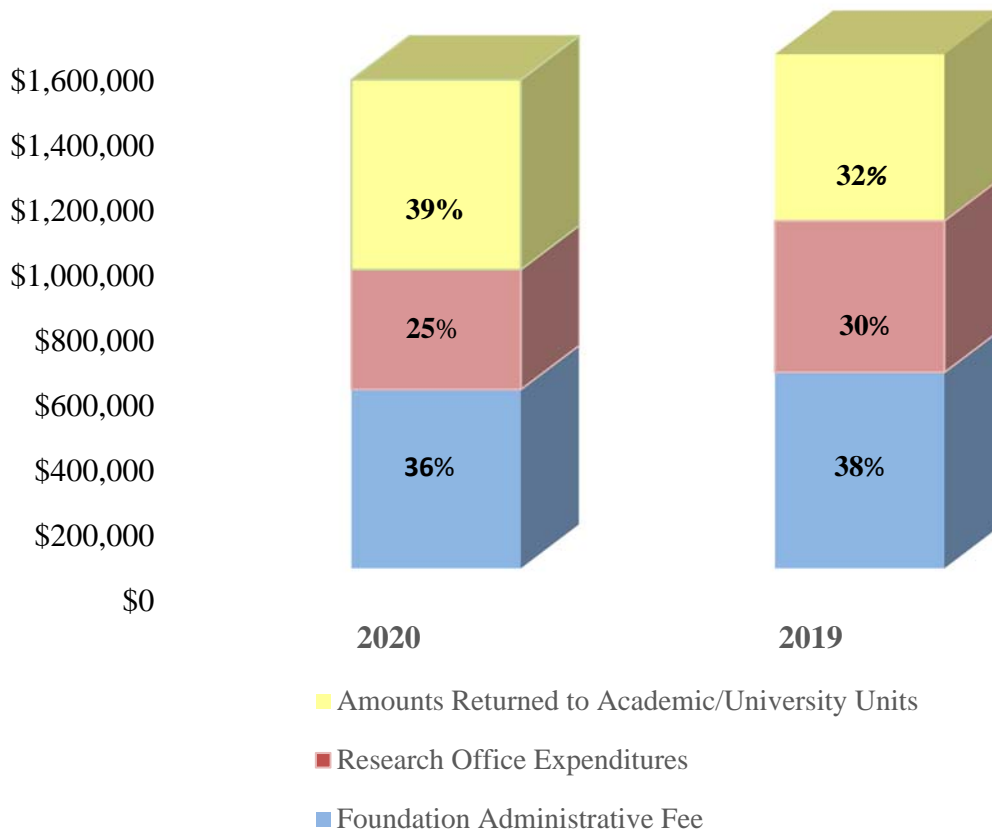


See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.
 Management’s Discussion and Analysis (MD&A)
 Year Ended June 30, 2020

The total amount of indirect cost recovery income collected from grant and contract projects has totaled \$1.5 million in fiscal year 2019-20 and \$1.6 million in fiscal year 2018-19. This income is used to pay for the pre-award operating costs of the Office of Research and Sponsored Programs and the Foundation’s post award administrative fee, with the excess being returned to Academic Affairs for distribution back to the Academic/University units that generated the activity.

**Total Distribution of Indirect Cost Recovery Income
 (\$3.1 Million)**



See independent auditors’ report.

CAL POLY POMONA FOUNDATION, INC.
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2020

Factors Impacting Future Periods

The on-going pandemic has created instability within the higher education industry. It has also brought broad economic uncertainty. Measuring the impact of the pandemic on future periods is difficult; however, it has the potential to create a significant disruption in Foundation operations, capital projects, and cash flows. Management continues to monitor the impact of the pandemic and make organizational adjustments, when appropriate.

With consideration of these circumstances, the Foundation's fiscal year 2020-21 proposed budgeted projections include the following Board-approved assumptions:

- Provide students in the residence halls with a range of meal plans from 140 to 220 plus 630 meal points per semester. There is also an unlimited meal plan that includes 250 meal points per semester. For the students living in the Suites, provide 70 meals including 750 meal points per semester. Board rates are proposed to increase 3% for the students in the residence halls;
- Allow for a 3.5% increase in license fee rates at University Village and assume Fall to Winter occupancy rates of 50%, Winter to Spring occupancy of 80%, and summer occupancy of 10%;
- Foundation has three different pension formulas (or "Plan") for its employees including the 2% @55 Plan, the 2% @60 Plan, and the 2% @62 Plan. An employee's hire date determines which Plan is applicable for the employee along with their status as a "benefited employee." Foundation and its benefited employees jointly contribute to their respective pension Plan. The rates paid by employees are 5%, 7%, and 6.25% respectively, and the weighted average rate for all three Plans paid by Foundation is 15.08%. All three pension Plans in their respective Risk Pool with CalPERS are projected to contribute the Normal Cost of \$1,950,251;
- No discretionary contribution will be made to the 2% @55 Plan to further reduce the net pension liability based on the 10-year amortization model, no additional contributions to the 2% @60 Plan and the 2% @62 Plan as those funds are currently fully funded;
- A continuation of furloughs implemented during 2019-20 in response to the economic impact of the pandemic;
- A 5% annual increase cap for Foundation's portion of health insurance premiums;
- Parking subsidy of \$80,000 for full time employees (excluding MCP employees) and part time employees of \$25,000; and
- The Plan Fiduciary Net Position as a percentage of the Total OPEB Liability is 57% or \$7.4 million unfunded per the latest actuarial study dated July 1, 2019. No contribution will be made to the VEBA Trust.

The fiscal year 2020-21 proposed deficit generates a debt service coverage of 1.51 before and 1.43 after the designated gifts. The proposed budget and forecast meets the California State University Executive Order 994 with a debt coverage ratio of at least 1.25.

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.

Statement of Net Position

June 30, 2020

(with Comparative Totals for June 30, 2019)

Assets:	2020	2019
Current assets:		
Cash and cash equivalents	\$ 6,968,042	\$ 4,199,107
Short-term investments	26,723,683	64,266,000
Accounts receivable, net	7,294,497	8,894,192
Accounts receivable from related parties	1,256,839	947,034
Inventories	1,996,071	1,890,984
Assets held for sale	402,900	1,331,071
Pledges receivable, net	—	2,198,278
Prepaid expenses and other assets	260,103	148,367
Total current assets	<u>44,902,135</u>	<u>83,875,033</u>
Noncurrent assets:		
Restricted cash and cash equivalents	117,938	3,444,568
Pledges receivable, net	—	2,354,494
Endowment investments	—	98,300,876
Long-term investments	1,762,718	1,738,192
Capital assets, net	58,956,691	46,146,545
Total noncurrent assets	<u>60,837,347</u>	<u>151,984,675</u>
Total assets	<u>105,739,482</u>	<u>235,859,708</u>
Deferred outflows of resources:		
Unamortized loss on debt refunding	272,889	311,663
Net pension liability	3,826,379	4,984,182
Net OPEB liability	2,600,746	1,934,932
Total deferred outflows of resources	<u>6,700,014</u>	<u>7,230,777</u>

See accompanying notes to financial statements.

CAL POLY POMONA FOUNDATION, INC.

Statement of Net Position

June 30, 2020

(with Comparative Totals for June 30, 2019)

Liabilities:	2020	2019
Current liabilities:		
Accounts payable	\$ 2,031,003	\$ 709,409
Accounts payable to related parties	2,289,213	3,679,921
Accrued salaries and benefits payable	1,464,017	1,299,814
Accrued compensated absences, current portion	282,618	688,958
Unearned revenue	1,518,740	1,516,256
Capitalized lease obligations, current portion	1,380,000	990,000
Line of credit	2,000,000	3,000,000
Other liabilities	1,970,739	2,741,633
	12,936,330	14,625,991
Total current liabilities		
Noncurrent liabilities:		
Accrued compensated absences, net of current portion	472,974	154,275
Capitalized lease obligations, net of current portion	41,152,592	22,494,352
Net pension liability	8,877,822	8,194,358
Net OPEB liability	7,370,343	7,943,627
Unitrust liability	707,015	890,408
	58,580,746	39,677,020
Total noncurrent liabilities		
Total liabilities	71,517,076	54,303,011
Deferred inflows of resources:		
Net pension liability	661,902	722,809
Unamortized gain on debt refunding	45,561	54,988
Net OPEB liability	1,058,122	654,435
Split interest agreements	700,802	1,333,985
	2,466,387	2,766,217
Total deferred inflows of resources		
Net Position:		
Net investment in capital assets	16,696,988	22,973,856
Restricted for:		
Nonexpendable – endowments	—	85,782,248
Expendable:		
Scholarships and fellowships	—	5,261,715
Capital projects	—	1,912,790
Endowments	—	15,693,092
Programs	1,871,279	38,519,341
Unrestricted	19,887,766	15,878,215
	38,456,033	186,021,257
Total net position	\$ 38,456,033	\$ 186,021,257

See accompanying notes to financial statements.

CAL POLY POMONA FOUNDATION, INC.
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2020
(with Comparative Totals for the Year Ended June 30, 2019)

Revenues:	2020	2019
Operating revenues:		
Educational activities	\$ 6,804,900	\$ 12,405,498
Enterprise activities	38,403,888	48,256,562
Gifts, noncapital	—	7,181,179
Grants and contracts	12,706,663	13,951,151
Real estate activities	5,672,387	4,738,568
Total operating revenues	63,587,838	86,532,958
Expenses:		
Operating expenses:		
Educational activities	9,319,281	20,014,822
Enterprise activities	33,947,932	37,796,266
Grants and contracts	12,706,663	13,951,151
Administrative and real estate activities	10,978,270	10,088,849
Depreciation and amortization	3,335,478	3,411,791
Total operating expenses	70,287,624	85,262,879
Operating income (loss)	(6,699,786)	1,270,079
Nonoperating revenues (expenses):		
Contributions restricted for long term purposes	—	3,317,504
Investment income, net	1,110,035	2,396,544
Endowment income, net	—	2,997,354
Interest expense	(1,573,100)	(1,116,184)
Net assets transferred to Cal Poly Pomona Philanthropic Foundation	(144,022,591)	—
Other nonoperating revenues (expenses)	3,620,218	(2,615,095)
Net nonoperating revenues (expenses)	(140,865,438)	4,980,123
Increase (decrease) in net position	(147,565,224)	6,250,202
Net position:		
Net position at beginning of year	186,021,257	179,771,055
Net position at end of year	\$ 38,456,033	\$ 186,021,257

See accompanying notes to financial statements.

CAL POLY POMONA FOUNDATION, INC.
Statement of Cash Flows
Year Ended June 30, 2020
(with Comparative Totals for the Year Ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Receipts from federal grants and contracts	\$ 9,750,940	\$ 11,158,843
Receipts from state and local grants and contracts	1,749,836	1,993,966
Receipts from nongovernmental grants and contracts	1,036,606	3,499,962
Gifts and grants received for other than capital purposes	—	5,707,176
Payments to suppliers	(33,425,012)	(47,698,673)
Payments to employees	(21,735,747)	(32,051,738)
Payments for benefits	(8,736,937)	(1,366,559)
Payments to students	—	(1,418,376)
Sales and services of educational activities	9,708,704	10,324,514
Sales and services of enterprise activities	37,271,544	43,165,295
Other receipts	2,384,404	8,518,609
Net cash provided (used) by operating activities	<u>(1,995,662)</u>	<u>1,833,019</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Net payments on line of credit	(1,000,000)	(4,000,000)
Contributions restricted for long term purposes	—	3,317,504
Other noncapital financing activities	363,262	(697,688)
Net cash used by noncapital financing activities	<u>(636,738)</u>	<u>(1,380,184)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Acquisitions of capital assets	(4,323,474)	(6,854,538)
Proceeds from sale of capital assets	—	1,178,029
Principal paid on capital debt and lease	(990,000)	(1,042,204)
Interest paid on capital debt and lease	(1,775,510)	(1,318,575)
Net cash used by capital and related financing activities	<u>(7,088,984)</u>	<u>(8,037,288)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Proceeds from sales and maturities of investments	16,434,122	75,384,562
Purchases of investments	(8,107,070)	(77,549,999)
Investment income	836,637	10,431,883
Net cash provided by investing activities	<u>9,163,689</u>	<u>8,266,446</u>
Net increase (decrease) in cash and cash equivalents	(557,695)	681,993
Cash and cash equivalents at beginning of year	<u>7,643,675</u>	<u>6,961,682</u>
Cash and cash equivalents at end of year	<u>\$ 7,085,980</u>	<u>\$ 7,643,675</u>

See accompanying notes to financial statements.

CAL POLY POMONA FOUNDATION, INC.
Statement of Cash Flows
Year Ended June 30, 2020
(with Comparative Totals for the Year Ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (6,699,786)	\$ 1,270,079
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	3,335,478	3,411,791
Loss on sale of capital assets	—	566,314
Noncash contribution of artwork	—	(1,492,465)
Change in operating assets and liabilities:		
Accounts receivable	1,289,890	(544,443)
Pledges receivable	—	18,462
Prepaid and other assets	997,820	(529,832)
Deferred outflows of resources	491,989	1,042,422
Accounts payable and amounts payable to the University	(355,586)	1,976,858
Accrued salaries and benefits	164,203	(90,283)
Accrued compensated absences	(87,641)	18,811
Unearned revenue	2,484	(259,078)
Net other postemployment benefits liability	(573,284)	1,413,909
Net pension liability	683,464	(1,394,788)
Other liabilities	(954,287)	(2,461,810)
Deferred inflows of resources	(290,406)	(1,112,928)
Net cash provided (used) by operating activities	<u>\$ (1,995,662)</u>	<u>\$ 1,833,019</u>
Breakdown of ending cash balance:		
Cash and cash equivalents	\$ 6,968,042	\$ 4,199,107
Restricted cash and cash equivalents	117,938	3,444,568
	<u>\$ 7,085,980</u>	<u>\$ 7,643,675</u>
Supplemental schedule of noncash transactions:		
Acquisition of capital asset through capital lease obligations	<u>\$ 20,270,000</u>	<u>\$ —</u>
Amortization of bond premium	<u>\$ (231,760)</u>	<u>\$ (231,740)</u>
Amortization of loss on debt refundings	<u>\$ 48,198</u>	<u>\$ 48,200</u>
Gifts and grants received for capital purposes	<u>\$ —</u>	<u>\$ (1,492,465)</u>
New pledges receivable made during the year	<u>\$ —</u>	<u>\$ 1,212,640</u>
Transfer of capital assets to University	<u>\$ (4,470,249)</u>	<u>\$ —</u>
Transfer of net assets to Cal Poly Pomona Philanthropic Foundation		
Capital assets, net	\$ (11,051,593)	\$ —
Charitable remainder trust	(327,749)	—
Endowment investments	(101,478,880)	—
Net position restricted for programs	(21,901,986)	—
Net position restricted for scholarships and fellowships	(4,709,611)	—
Pledges receivable, net	(4,552,772)	—
Total transfer of net assets to Cal Poly Pomona Philanthropic Foundation	<u>\$ (144,022,591)</u>	<u>\$ —</u>

See accompanying notes to financial statements.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2020

Note (1) Organization

Cal Poly Pomona Foundation, Inc. (Foundation) was organized as a nonprofit corporation and auxiliary organization of California State Polytechnic University, Pomona (University) in 1966. The Foundation assists the University in several ways, including the development and administration of research and educational grants and contracts; conducting enterprise activities including dining service, bookstores, a conference center and hotel, apartment style housing, continuing education and agricultural aid to instruction; the management of Foundation programs, and real estate activities; the development and administration of faculty/staff housing and a research park, special programs, and other activities on behalf of the University.

During the year ended June 30, 2020, at the request of the University, the Foundation transferred, by gift, approximately \$144 million of restricted assets to Cal Poly Pomona Philanthropic Foundation (Philanthropic Foundation). On July 1, 2019, the Philanthropic Foundation began operations previously performed by the Foundation, including management of campus programs, student scholarship and endowment funds.

Note (2) Summary of Significant Accounting Policies

(a) *Financial Reporting Entity*

The Foundation is a legally separate tax-exempt component unit of the University. The University is part of the California State University (CSU) system. Cost are allocated to specific activities where possible. Costs not identified with specific activities that relate to the full scope of the Foundation's activities are allocated to operational activities.

The Foundation's board appointments require approval from the University President, and as a result, the Foundation follows the reporting principles promulgated by the Government Accounting Standards Board (GASB). The basic financial statements present only the Statement of Net Position, Statement of Revenue, Expenses, and Changes in Net Position, and the Statement of Cash Flows of the Foundation. These statements do not purport to present financial information of the CSU system as a whole.

(b) *Basis of Presentation*

The Foundation records revenue in part from assisting the University in various activities as described in Note 1 above 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 each year 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.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2020

Note (2) Summary of Significant Accounting Policies (continued)

(c) *Basis of Accounting*

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 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.

(d) *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 within 12 months of the statement of net position 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.

(e) *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 financial statements.

(f) *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.

(g) *Accounts Receivable*

Accounts receivable include receivables due from federal, state and local governments for contract and grant reimbursements. Accounts receivables also include receivables from enterprise sales and services and for real estate rents and leases. Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Foundation provides for losses on account receivables using the allowance method. The allowance is based on the length of time the receivable has been outstanding.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2020

Note (2) Summary of Significant Accounting Policies (continued)

(h) *Pledges Receivable*

Pledges receivable expected to be received beyond one year are recorded at the net present value of anticipated future cash flows. The discount rate used ranges from 1.41% to 5.75% depending upon the year the pledge began. An allowance for uncollectible pledges is provided based upon management's judgment, including such factors as prior collection history, type of contribution and nature of fundraising activity.

(i) *Inventories*

Inventories are presented at the lower of cost and net realizable value based on the average cost method and are expensed when used. Inventory consists of textbooks held for resale in the bookstore, ancillary instructional materials, apparel and other supplies held for educational purposes.

(j) *Investments and Endowment Investments*

Investments are reflected at fair value using quoted market prices or net asset value (NAV). Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Gains and losses are included in the statement of revenues, expenses, and changes in net position as investment income, net.

The Foundation's general investment policy authorizes the investment of excess funds in a range of investments to seek an average total annual return of 2.0% plus the percentage change in the greater Higher Education Price Index (HEPI). The Foundation's endowment investment policy authorizes the investment of endowment funds in a range of investments to seek an average total annual return of 4.0% plus the percentage change in the greater Los Angeles area consumer price index.

These investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities may occur in the near term and that such change could materially affect the financial statements. Although the market value of investments is subject to fluctuations, management believes the investment policies are prudent for the long-term welfare of the Foundation.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2020

Note (2) Summary of Significant Accounting Policies (continued)

(k) Capital Assets

Capital assets are stated at cost or estimated historical cost if purchased or if donated, at estimated fair value at date of donation. Capital assets with a value of less than \$5,000 are not capitalized. Title to all assets, whether purchased, constructed, or donated, is held by the Foundation or title to an asset is transferred to the University and not included in the Foundation's capital assets. Depreciation is determined using the straight-line method over the estimated lives of the assets ranging from 3 to 40 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.

(l) Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The Foundation has a deferred loss on advance refunding, resulting from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The deferred outflows of resources related to the net pension and other postemployment benefit (OPEB) liabilities resulted from changes in actuarial assumptions, contributions to the pension and OPEB plans made subsequent to the measurement date of the actuarial valuations for the pension and OPEB plans, and differences between actual and expected actuarial experience in measuring plan liabilities. In addition, deferred outflows related to the net pension liability resulted in changes in its proportionate share of the net pension liability, as well as differences between actual contributions and its proportionate share of contributions.

(m) Unearned Revenue

Unearned revenue consists primarily of funds received in advance of earnings related to enterprise activities and continuing education.

(n) Other Liabilities

Other liabilities consists of grant and contracts funds received in advance of expenditures and the remainder interest associated with charitable remainder trust agreements.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements
Year Ended June 30, 2020

Note (2) Summary of Significant Accounting Policies (continued)

(o) Pension Obligation

For purposes of measuring the net pension obligation and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California Public Employees' Retirement System (CalPERS) plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

(p) Net OPEB Obligation

For purposes of measuring the net OPEB obligation and deferred outflows/inflows of resources related to OPEB, and OPEB expense, the fiduciary net position of the Foundation's plans and additions to/deductions from the Plans' fiduciary net position have been determined by Actuarial Standards of Practice and applicable Federal and State laws.

(q) Unitrust Liability

The Foundation administers irrevocable charitable remainder trusts that provide for the payment of lifetime distributions to the trustors or other designated beneficiaries. Upon the demise of the lifetime beneficiary, the trusts and gift annuities provide for the distribution of assets to the Foundation for the benefit of the campus. Remainder trust and gift annuity funds designated to the campus are recorded as deferred inflow per GASB 81 in the accompanying financial statements in the years received and as a donation in the year the trust matures. The fair value of the trusts' assets has been included in the accompanying statement of net position and a corresponding liability has been recorded to reflect the present value of required lifetime payments to the named beneficiaries.

(r) Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net assets by the Foundation that is applicable to a future reporting period and thus, will not be recognized as an inflow of resources (income) until then. The Foundation has a deferred gain on split interest agreements with charitable trusts and an advance refunding, resulting from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements
Year Ended June 30, 2020

Note (2) Summary of Significant Accounting Policies (continued)

(r) Deferred Inflows of Resources (continued)

The deferred inflows of resources related to the net pension and other postemployment benefit (OPEB) liabilities resulted from changes in actuarial assumptions, and differences between the estimated and actual return on pension and OPEB plan investments. In addition, deferred inflows related to the net pension liability resulted in differences between actual and expected actuarial experience in measuring plan liabilities and changes in its proportionate share of the net pension liability.

(s) Net Position

The Foundation's net position is classified into the following categories:

Net investment in capital assets: 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: Amounts subject to externally imposed conditions that the Foundation retains in perpetuity.

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

Unrestricted: All other categories of net position. In addition, unrestricted net position may be designated for use by the Foundation's Board of Directors.

(t) Classification of Revenues and Expenses

The Foundation considers operating revenues and expenses in the Statement of Revenues, Expenses, and Changes in Net Position to be those revenues and expenses that result from exchange transactions or from other activities that are connected directly to the Foundation's primary functions. Exchange transactions include charges for services rendered and the acquisition of goods and services. Certain other transactions are reported as non-operating revenues and expenses in accordance with GASB Statement No. 33. These nonoperating activities include the Foundation's net investment income, endowment income, interest expense, transfer of assets to the University, and net assets transfer to the Philanthropic Foundation.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements
Year Ended June 30, 2020

Note (2) Summary of Significant Accounting Policies (continued)

(u) *Income Taxes*

The Foundation is organized under the nonprofit public benefit laws of California and is recognized as an exempt organization for both federal and California purposes under Section 501(c)(3) and 23701(d), respectively.

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

(v) *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, outflows, liabilities, inflows, revenues, and expenses in the accompanying basic financial statements. Actual results could differ from those estimates.

(w) *Subsequent Events*

The Foundation has evaluated subsequent events through September 21, 2020, which is the date the financial statements were available to be issued, see Note 15 for further details.

(x) *Reclassifications*

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation, including separating the deferred outflow of resources related to the net pension liability from the deferred inflow of resources related to the net pension liability. Reclassifications had no impact on net position.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2020

Note (3) Cash, Cash Equivalents, and Investments

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Foundation's deposits may not be returned. The cash and cash equivalents of the Foundation are maintained at financial institutions and are fully insured or collateralized up to \$250,000 per financial institution.

Securities Investor Protection Corporation (SIPC) protects against the loss of cash and securities – such as stocks and bonds – held by a customer at a financially-troubled SIPC-member brokerage firm. The limit of SIPC protection is \$500,000, which includes a \$250,000 limit for cash.

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments that are in the possession of the counterparty. As of June 30, 2020, all investments are in the name of the Foundation, and the Foundation is not exposed to custodial credit risk associated with its investments.

Following is a list of acceptable instruments to invest in as of June 30, 2020:

Description	General Portfolio	Endowment Portfolio
Money Market Funds	X	X
Certificate of Deposits	X	X
Common and Preferred Stocks		X
US Government or Agency Obligations	X	X
International Bonds	X	
Mortgage Backed Securities	X	X
Corporate Debt	X	X
Repurchase Agreements	X	X
Mutual Funds (Debt or Equity)	X	X
Real Estate Investment Trusts		X
Real Estate	X	
Real Assets	X	X
Alternative Investments	X	
Hedge Funds		X
Private Equity		X

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements
Year Ended June 30, 2020

Note (3) Cash, Cash Equivalents, and Investments (continued)

Interest Rate Risk

This is the risk of loss due to the fair value of an investment falling due to rising interest rates. As a means of limiting its exposure to fair value losses from rising interest rates, in accordance with its investment policies, the Foundation authorizes investment of up to 10% of the market value of the asset class in non-investment grade debt provided that all such investments shall be made through mutual funds so as to diversify risk.

As of June 30, 2020, all mutual funds invested in fixed income securities, with total fair value of \$17,545,112, and have a duration between one and four years, were included in general investments.

Credit Risk

This is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations. This is measured by the assignment of ratings by nationally recognized statistical rating organizations. Specifically, the Foundation's investment policy requires that corporate debt must carry an investment grade rating by at least two of three rating agencies at the time of purchase. The debt mutual funds are unrated. The Foundation had the following investments subject to credit risk:

<u>Investment Type</u>	<u>Rating (S&P/Moody's)</u>	<u>Fair Value</u>
Mutual Funds - Fixed Income	Not rated	\$ 17,545,112
Local Agency Investment Fund	Not rated	\$ 94,754

Concentration of Credit Risk

The Foundation's general and endowment investment policies allow for no more than 5% of the asset class to be invested in any single equity or fixed income issuer, with the exception of U.S. Treasury and Agency securities and exposure to any industry sector is generally limited to 20% of the asset class. This is the risk of loss attributed to the magnitude of an entity's investment in a single issuer.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2020

Note (3) Cash, Cash Equivalents, and Investments (continued)

In order to maximize returns in the investment portfolio while preserving capital, the Foundation's investment policy provides for a range and target weighted asset allocation as follows:

Asset Class	Target Asset Mix Table General Investments		Target Asset Mix Table Endowment Investments	
	Range	Target Weight	Range	Target Weight
Equities	10-65%	27%	N/A	N/A
Domestic Equities	N/A	N/A	20-50%	29.5%
International Equities	N/A	N/A	15-35%	33.0%
Fixed Income-Mutual Funds	40-85%	65%	20-50%	27.5%
Cash Equivalents	0-20%	0%	0-20%	0.0%
Real Estate	0-10%	0%	0-10%	0.0%
Real Assets	0-10%	0%	0-10%	0.0%
Alternative Investments	0-25%	8%	N/A	N/A
Hedge Funds	N/A	N/A	0-20%	5.0%
Private Equity	N/A	N/A	0-20%	5.0%

As of June 30, 2020, the Foundation was not exposed to concentration of credit risk as there were no investments in a single issuer in excess of 5%.

Fair Value Measurement

Investments are presented in the financial statements at fair value in accordance with accounting principles generally accepted in the United States of America. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. Valuation techniques are used to determine fair value which consists of the market, cost and income approach.

The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted prices (unadjusted) for identical investments in active markets at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an investment, either directly or indirectly. Level 3 inputs are unobservable inputs for an investment. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

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.

The carrying value of cash, receivables, and payables approximates fair value as of June 30, 2020 due to the relative short maturities of these instruments.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2020

Note (3) Cash, Cash Equivalents, and Investments (continued)

Fair Value Measurement (continued)

	Assets at Fair Value				
	Total	Level 1	Level 2	Level 3	NAV
Mutual Funds:					
Domestic Fixed Income	\$ 17,486,878	\$ 17,486,878	\$ —	\$ —	\$ —
Large Cap Equities	3,777,203	3,777,203	—	—	—
Int'l & EM Equities	3,711,641	3,711,641	—	—	—
Small-Mid Cap Equities	820,254	820,254	—	—	—
Global Fixed Income	58,234	58,234	—	—	—
Indexed Annuity	262,294	262,294	—	—	—
Alternative Investments:					
Private Equities	2,275,143	—	—	—	2,275,143
Local Agency Investment Fund	94,754	—	—	—	94,754
	<u>\$ 28,486,401</u>	<u>\$ 26,116,504</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,369,897</u>
Short-Term Investments	\$ 26,723,683				
Long-Term Investments	1,762,718				
Total Investments	<u>\$ 28,486,401</u>				

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.

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

- a) Mutual funds are managed by separate investment management firms. These mutual funds are valued using quoted market prices for identical investments in active markets which approximate fair value.
- b) Indexed annuities are long-term insurance products with guaranteed payments backed by the claims-paying ability of the issuing insurance company. Index annuity products are valued by the issuing insurance company.
- c) Private Equities are master limited partnership multi-manager program investments valued using net asset value per share.
- d) Local Agency Investment Fund (LAIF) is valued using net asset value per share.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2020

Note (3) Cash, Cash Equivalents, and Investments (continued)

Investments Measured at Net Asset Value (NAV)

Commitments and redemption schedules for those investments value based on net asset values are as follows:

Description	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Private equity funds - Hamilton Lane	\$ 1,831,566	1,377,573	None	None
Private equity funds - Commonfund	\$ 443,577	70,000	None	None
Local Agency Investment Fund	\$ 94,754	None	None	None

The Foundation has invested in the private equity funds, Commonfund, and contributed \$930,000 against its commitment of \$1 million in the general portfolio and received distributions of \$1,365,443 (since inception September 2007) and the market value is \$443,577 as of March 2020 (the latest valuation date).

The Foundation has invested in the private equity funds, Hamilton Lane, within the general investment portfolio. Since March 2017, the Foundation has contributed \$1,876,203 against its commitment of \$3,000,000 and has received distributions of \$298,808. The market value of the investment is \$1,831,586 as of June 2020. The funds are managed by a general partnership and are not redeemable during the term of 12 years with a three year option to extend by the general partner.

Hedge Funds have historically provided a differentiated risk and rate-of-return profile than equities or fixed income and thus are expected to increase portfolio diversification and help smooth overall portfolio returns.

Investment Earnings

Net investment gains were \$1,110,035 for the year ended June 30, 2020, which is comprised of interest, dividends, realized gains and losses, and unrealized gains and losses due to changes in the fair value of investments held at year-end, net of investment fees. Investment income or losses are distributed ratably to participating funds.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2020

Note (4) Accounts Receivable

Accounts Receivables consisted of the following:

Real estate	\$ 2,942,666
Grants and contracts	2,200,980
Enterprise activities	1,824,672
Educational activities	664,235
Due from related parties	1,256,839
Less allowance for doubtful accounts	<u>(338,056)</u>
Total accounts receivable, net	<u>\$ 8,551,336</u>

Note (5) Endowments

During the year ended June 30, 2020, the Foundation transferred, by gift, approximately \$101.5 million of endowments to the Philanthropic Foundation, the majority consisting of investments. Endowment investments on the Statements of Net Position were \$0 and \$100,039,068 at June 30, 2020 and 2019, respectively.

Endowments are administered in an investment pool using the dollar weighted daily average methodology. Contributions to an individual endowment increase the percentage of the endowment's dollar weighted daily average thus increasing the endowment's share of investment returns for the month. It is the goal of the Foundation that the total return from endowment investments should be adequate to meet the following objectives:

- Preserve investment capital and its purchasing power;
- Generate sufficient resources to meet spending needs (distributions); and
- Attain reasonable capital appreciation through prudent acceptance of risk to enhance the future purchasing power of the investment capital.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2020

Note (5) Endowments (continued)

The Foundation follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by the Board of Directors in November 2008. UPMIFA does not set specific expenditure limits; instead, a charity can spend the amount the charity deems prudent after considering the donor's intent that the endowment continue permanently, the purpose of the fund, and relevant economic factors. The Foundation's administration of endowment funds policy provides the guidance for the distribution of the net appreciation of restricted endowments. It is the Foundation's policy to distribute annually an amount equal to 4% of the endowment average value. The endowment average value equals the prior 12 quarterly market values. The effective rate of the amount distributed (effective rate equals amount distributed divided by the market value on December 31st) shall be no less than 3% or no greater than 5%. Only earnings are allowed to be distributed, no principal or corpus shall be eligible for distribution unless allowed by the terms and conditions of the endowment. Endowment earning distribution will occur as approved by the Board.

Note (6) Capital Assets

The following provides a summary of changes in capital assets for the year ended June 30, 2020:

	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020
Capital assets not being depreciated:				
Land	\$ 7,386,722	\$ 204,300	\$ 757,112	\$ 6,833,910
Construction work in progress (CWIP)	5,555,010	3,224,906	8,611,745	168,171
Works of art and historical treasures	1,663,065	—	1,663,065	—
Total capital assets not being depreciated	<u>14,604,797</u>	<u>3,429,206</u>	<u>11,031,922</u>	<u>7,002,081</u>
Capital assets being depreciated:				
Buildings and buildings improvements	65,778,825	22,395,293	451,217	87,722,901
Equipment, furniture, and vehicles	11,180,490	1,474,994	42,414	12,613,070
Infrastructure	8,651,467	—	—	8,651,467
Orchards	143,638	—	—	143,638
Total capital assets being depreciated	<u>85,754,420</u>	<u>23,870,287</u>	<u>493,631</u>	<u>109,131,076</u>
Total capital assets	<u>100,359,217</u>	<u>27,299,493</u>	<u>11,525,553</u>	<u>116,133,157</u>
Less accumulated depreciation for:				
Buildings and building improvements	42,438,770	2,459,206	344,783	44,553,193
Equipment	9,285,554	657,054	26,901	9,915,707
Infrastructure	2,358,162	218,041	—	2,576,203
Orchards	130,186	1,177	—	131,363
Total accumulated depreciation	<u>54,212,672</u>	<u>3,335,478</u>	<u>371,684</u>	<u>57,176,466</u>
Depreciable assets, net	<u>31,541,748</u>	<u>20,534,809</u>	<u>121,947</u>	<u>51,954,610</u>
Total capital assets, net	<u>\$46,146,545</u>	<u>\$23,964,015</u>	<u>\$11,153,869</u>	<u>\$58,956,691</u>

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2020

Note (7) Line of Credit

The Foundation has an unsecured revolving line of credit that has been extended through June 2021. The note is subordinate to all existing and future indebtedness of the Foundation with the Trustees of the California State University. The maximum principal sum of up to \$6,000,000 may be advanced for operating purposes pursuant to the terms of the credit agreement. The principal balance of \$2,000,000 million is outstanding at June 30, 2020. Each advance bears interest at LIBOR plus 1.5%, and any undrawn capacity is charged a rate of 0.50% or 15 basis points.

The Foundation may select LIBOR interest periods of one, three, or six months for each advance, or may select the one month LIBOR reset daily. The Foundation selected the one month LIBOR reset daily for all advances and the interest rate on June 30, 2020 was 1.36%. The Foundation shall maintain a zero balance on advances under the line of credit for a period of at least thirty (30) consecutive days during each 12-month period. The Foundation must maintain a minimum unrestricted liquidity of not less than \$6,000,000 when extended at any time. For purposes of this note, minimum unrestricted liquidity is the sum of the total cash, cash equivalents, and investments less amounts listed on the Statement of Net Position that are Restricted for Nonexpendable and Expendable purposes.

Note (8) Leasing Commitments

Operating Leases as Lessee

The Foundation has a dining service agreement with the Trustees of the California State University. The agreement is renegotiated annually and requires that the Foundation pay for the use of Los Olivos Commons, Vista Market and Denny's based on 6% of gross annual sales at these dining venues. For the year ended June 30, 2020 the amount totaled \$350,089, which was included in rent expense.

Land and certain facilities used in the Foundation operations are leased from the University. As consideration, the Foundation operates such land and certain facilities at no cost to the University and annually the Foundation provides specified funds as designated by the Board of Directors, subject to bond debt service requirements. The leases are in effect with various termination dates during the 2020 and 2036 fiscal years.

The Foundation has various non-cancelable operating lease agreements for office and conference space and office equipment, with terms of 60 months.

CAL POLY POMONA FOUNDATION, INC.
Notes to Financial Statements
Year Ended June 30, 2020

Note (8) Leasing Commitments (continued)

Future minimum payments under non-cancelable operating lease agreements at June 30, 2020 are as follows:

Year ending June 30:

2021	\$	18,300
2022		14,789
2023		4,588
2024		3,954
2025		1,095
TOTAL	\$	42,726

Capital Leases as Lessee

Center for Training Technology and Incubation

During the 2006-07 fiscal year, the Foundation entered into a ground and facilities lease agreement (Capital Lease) with the State of California, acting through the Board of Trustees of the California State University (Board) to refund and defease a portion of the 2000 Series Bonds.

The Board assisted the Foundation by issuing its System Revenue Bonds in 2006-07 and applied the proceeds of such bonds to redeem the 2000 series bonds maturing on and after 2013 through 2025 callable on February 1, 2011. The Board leased the project to the Foundation pursuant to the Capital Lease, subject to the following general terms and conditions: (i) the maximum annual debt service under the Capital Lease is \$332,750 and the scheduled term of the Capital Lease is 18 years from March 2007 through May 2025.

During the fiscal year 2016-17, the Foundation entered into a ground and facilities lease agreement (Capital Lease) with the State of California, acting through the Board of Trustees of the California State University (Board) to refund and defease the 2007 Series Bonds. The Board assisted the Foundation by issuing its System Revenue Bonds in fiscal year 2016-17 (Series 2017A&B) and applied the proceeds of such Bonds to redeem the 2007 series bonds maturing on and after 2017 through 2024. The Board leased the project to the Foundation pursuant to the Capital Lease, subject to the following general terms and conditions: (i) the maximum annual debt service under the Capital Lease is \$302,875 and the scheduled term of the Capital Lease is seven years from February 2017 through November 2024. The refunding generated a cash flow savings of \$306,116 and a net present value of \$289,963.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2020

Note (8) Leasing Commitments (Continued)

Capital Leases as Lessee (continued)

Proceeds received in excess of the debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series 2017A&B bonds included a premium of \$274,958, which is amortized using the straight-line method. Amortization for the Series 2017A&B Bonds recognized during fiscal year 2019-20 was \$33,328.

The difference between the reacquisition price and the net carrying amount on the Series 2007 refunded debt is deferred and amortized as a component of interest expense over the life of the new debt. Payments to the refunding escrow agent were less than the existing carrying value of the refunded debt by \$77,767. Amortization of \$9,426 was recognized during fiscal year 2019-20.

University Village

During fiscal year 2003-04, the Foundation entered into a ground and facilities lease agreement (Capital Lease) with the State of California, acting through the Board of Trustees of the California State University (Board) and agreed to undertake the financing of certain capital costs with respect to the University Village Phase III construction by the Board of an additional 466 bed-spaces (the "Project") at the University Village student housing complex located at California State Polytechnic University, Pomona. The Board assisted the Foundation by issuing its System Revenue Bonds series 2005A and applied the proceeds of such Bonds to the construction and acquisition of the Project by the Board. As noted below, these bonds were subsequently refunded and are considered in substance defeased and are no longer recorded on the financial statements.

During fiscal year 2013-14, the Foundation entered into a ground and facilities lease agreement (Capital Lease) with the State of California, acting through the Board of Trustees of the California State University (Board) to refund and defease a portion of the 2005A Series Bonds. The Board assisted the Foundation by issuing its System Revenue Bonds in fiscal year 2013-14 (Series 2013A) and applied the proceeds of such Bonds to redeem the 2005A series bonds maturing on and after 2015 through 2027. The Board leased the project to the Foundation pursuant to the Capital Lease, subject to the following general terms and conditions: (i) the maximum annual debt service under the Capital Lease is \$1,443,375 and the scheduled term of the Capital Lease is 23 years from July 2013 through November 2035.

Proceeds received in excess of the debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series 2013A bonds included a premium of \$1,524,589, which is amortized using the straight-line method. Amortization for the Series 2013A Bonds recognized during fiscal year 2019-20 was \$110,879.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2020

Note (8) Leasing Commitments (continued)

Capital Leases as Lessee (continued)

The difference between the reacquisition price and the net carrying amount on the Series 2005A refunded debt is deferred and amortized as a component of interest expense over the life of the new debt. Payments to the refunding escrow agent exceeded the existing carrying value of the refunded debt by \$520,246. Amortization of \$37,836 was recognized during fiscal year 2019-20.

During fiscal year 2014-15, the Foundation entered into a ground and facilities lease agreement (Capital Lease) with the State of California, acting through the Board of Trustees of the California State University (Board) to refund and defease the remaining portion of the 2005A Series Bonds. The Board assisted the Foundation by issuing its System Revenue Bonds in 2014-2015 (Series 2014A) and applied the proceeds of such Bonds to redeem the 2005A series bonds maturing on and after 2027 through 2035. The Board leased the project to the Foundation pursuant to the Capital Lease, subject to the following general terms and conditions: (i) the maximum annual debt service under the Capital Lease is \$1,676,000 and the scheduled term of the Capital Lease is 22 years from July 2014 through November 2035.

Proceeds received in excess of the debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series 2014A bonds included a premium of \$1,856,853, which is amortized using the straight-line method. Amortization of \$87,553 was recognized during fiscal year 2019-20 for Series 2014A bonds.

The difference between the reacquisition price and the net carrying amount on the Series 2005A refunded debt is deferred and amortized as a component of interest expense over the life of the new debt. Payments to the refunding escrow agent exceeded the existing carrying value of the refunded debt by \$19,891. Amortization of \$938 was recognized during fiscal year 2019-20.

Centerpointe

In January 2020, the Foundation completed construction of a new replacement dining commons. The Foundation contributed \$4 million of capital reserves towards the project and entered into a ground and facilities lease agreement for approximately \$20 million upon completion of the dining commons along with a master operating and various supplemental operating agreements.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements
Year Ended June 30, 2020

Note (8) Leasing Commitments (continued)

Capital Leases as Lessee (continued)

The Board of Trustees of the California State University (Board) assisted the Foundation by issuing its System Revenue Bonds in 2017-2018 (Series 2017A). The Board leased the project to the Foundation pursuant to the Capital Lease, subject to the following general terms and conditions: (i) the maximum annual debt service under the Capital Lease is \$1,347,750 and (ii) the scheduled term of the Capital Lease is 28 years from January 2020 through May 1 2048.

Future minimum payments under non-cancelable capital lease agreements at June 30, 2020 were as follows:

Year ending June 30:

2021	\$	3,359,250
2022		3,368,250
2023		3,363,500
2024		3,360,125
2025		3,362,750
2026-2030		15,172,375
2031-2035		15,079,500
2036-2040		8,391,375
2041-2045		6,723,250
2046-2048		4,037,250
		<u>66,217,625</u>
Less amount representing interest		(25,942,625)
Add - Premium Bond		<u>2,257,592</u>
Present value of net Minimum lease payments	\$	<u><u>42,532,592</u></u>

CAL POLY POMONA FOUNDATION, INC.
Notes to Financial Statements
Year Ended June 30, 2020

Note (8) Leasing Commitments (continued)

Operating Leases as Lessor

Land, office and certain facilities are leased to the American National Red Cross, Southern California Edison, the University, and other entities. Some of the leases are all-inclusive while other leases require the tenants to pay a pro-rata share of common area maintenance and are in effect with various termination dates during the 2020 and 2085 fiscal years.

Future minimum payments under non-cancelable operating lease agreements at June 30, 2020 are as follows:

Year ending June 30:	
2021	\$ 3,087,028
2022	1,850,466
2023	1,748,205
2024	1,720,023
2025	1,633,010
2026-2030	7,298,286
2031-2035	8,039,431
2036-2040	8,855,869
2041-2045	9,755,252
2046-2050	10,746,008
2051-2055	11,837,425
2056-2060	12,865,593
2061-2065	8,818,024
2066-2070	9,699,826
2071-2075	10,669,809
2076-2080	11,736,790
2081-2085	5,230,340
Total	\$ 125,591,385

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2020

Note (9) Long Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2020 is shown below:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Amount due in one year
Capital Lease Obligations	\$ 23,484,352	\$20,270,000	\$ 1,221,760	\$ 42,532,592	\$ 1,380,000
Compensated Absences	843,233	194,977	282,618	755,592	282,618
Net OPEB Liability	7,943,627	—	573,284	7,370,343	—
Net Pension Liability	8,194,358	683,464	—	8,877,822	—
Unitrust Liability	890,408	—	183,393	707,015	—
	<u>\$ 41,355,978</u>	<u>\$21,148,441</u>	<u>\$ 2,261,055</u>	<u>\$ 60,243,364</u>	<u>\$ 1,662,618</u>

Note (10) Transactions with Related Parties

California State Polytechnic University, Pomona

The Foundation and the University provide various services on each other's behalf. Such services are appropriately billed. At June 30, 2020, receivables from other activities and due from the University are \$1,153,822. Accounts payable include \$1,795,351 due to the University at June 30, 2020.

Amounts paid by the Foundation during fiscal year 2019-20 totaled \$10,742,190. Amounts paid to the Foundation during fiscal year 2019-20 totaled \$14,666,021.

During fiscal year 2019-20, the Foundation transferred capital assets totaling \$4,470,249 comprised of building improvements, equipment and renovations to various facilities at the University. The University assumed ownership and management of the building improvements, equipment and facilities.

Cal Poly Pomona Philanthropic Foundation

During fiscal year 2019-20, the Foundation transferred, by gift, approximately \$144 million of restricted assets to the Philanthropic Foundation. Restricted assets transferred included endowments of \$101.5 million, scholarships of \$4.6 million, programs of \$21.9 million, and pledges receivable of \$4.7 million, the majority consisting of investments. In addition, the Foundation transferred other receivables, capital assets and charitable remainder trusts totaling \$11.4 million to the Philanthropic Foundation during fiscal year 2019-20.

CAL POLY POMONA FOUNDATION, INC.
Notes to Financial Statements
Year Ended June 30, 2020

Note (10) Transactions with Related Parties (continued)

The Foundation and Philanthropic Foundation are subject to Support Services Agreement, effective July 1, 2019, wherein the Foundation provides fiscal and administrative services to the Philanthropic Foundation. Such services are appropriately billed. Amounts billed to the Philanthropic Foundation for the year ended June 30, 2020 totaled \$362,000. At June 30, 2020, accounts payable due to the Philanthropic Foundation totaled \$493,862. Accounts receivable due from the Philanthropic Foundation totaled \$97,970.

Note (11) Pension Plan – California Public Employees’ Retirement System (CalPERS)

The Foundation participates in a cost sharing multiple-employer defined benefit plan through the California Public Employees’ Retirement System (CalPERS) which covers substantially all regular full-time employees of the Foundation. CalPERS acts as a common investment and administrative agent for participating public entities with the state of California and reports information to the Foundation in accordance with reporting standards established by the Governmental Accounting Standards Board (GASB).

As of June 30, 2020, the Foundation’s proportionate share of the net pension liability, pension expense and deferred inflows of resources and deferred outflows of resources for the above plans is as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflow of Resources	Deferred Inflow of Resources	Proportionate Share of Pension Expense
CalPERS	\$ 8,877,822	\$ 3,826,379	\$ (661,902)	\$ 3,193,111

Plan Description

Qualified employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Plan under the California Public Employees’ Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The Public Agency Cost-Sharing Multiple-Employer Plan is comprised of a Miscellaneous Risk Pool and a Safety Risk Pool. Individual employers may sponsor more than one Miscellaneous or Safety plan. The Foundation sponsors three Miscellaneous Risk Pool plans, however, the information presented represents the sum of the allocated pension amounts for each of the Foundation’s respective plans (the Plan). The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees’ Retirement Law.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements
Year Ended June 30, 2020

**Note (11) Pension Plan – California Public Employees’ Retirement System (CalPERS)
(continued)**

Benefits Provided

The Plan provides service retirement and disability benefits, annual cost of living adjustments and death benefits to eligible plan members. Benefits are based on years of service credit, a benefit factor and the member’s final compensation. All members are eligible for employment related disability benefits regardless of length of service and non-duty disability benefits after five years of service. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The Post-Retirement Death Benefit is a one-time payment made to a retiree’s designated survivor or estate upon the retiree’s death. The Basic Death Benefit is a lump sum paid to any member’s beneficiary if the member dies while actively employed. The spouse or registered domestic partner of a deceased member, who was eligible to retire for service at the time of death, may elect to receive the Pre-Retirement Option 2W Death Benefit in lieu of the Basic Death Benefit lump sum. The Pre-Retirement Option 2W Death Benefit is a monthly allowance equal to the amount the member would have received if he/she had retired for service on the date of death and elected Option 2W, the highest monthly allowance a member can leave a spouse or domestic partner. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The First Tier Plan closed to new entrants on or after June 26, 2011. The Second Tier Plan was closed to new entrants on or after December 31, 2012.

The Plan provisions and benefits in effect at June 30, 2020, are summarized as follows:

	Miscellaneous Risk Pool		
	First Tier Plan	Second Tier Plan	PEPRA Misc Plan
Hire date	On or Before June 25, 2011	June 26, 2011 - December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	55	60	62
Required employee contribution rate	6.906%	6.915%	6.750%
Required employer contribution rate	11.680%	8.081%	6.985%

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements
Year Ended June 30, 2020

**Note (11) Pension Plan – California Public Employees’ Retirement System (CalPERS)
(continued)**

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are determined annually through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Foundation is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020 are presented above and the total Foundation contributions were \$1,731,723.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2020, the Foundation reported net pension liabilities for its proportionate share of the Miscellaneous Risk Pool net pension liability totaling \$8,877,822. The net pension liability was measured as of June 30, 2019. The Foundation’s proportion of the net pension liability was based on a projection of the Foundation’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the Foundation’s proportion was 0.002217.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2020

**Note (11) Pension Plan – California Public Employees’ Retirement System (CalPERS)
(continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions (continued)**

For the year ended June 30, 2020, the Foundation recognized pension expense of \$3,193,111. At June 30, 2020, the Foundation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 1,731,723	\$ —
Effect of changes in assumptions	646,187	229,069
Difference between actual and expected experience	941,190	72,923
Net difference between projected and actual earnings on pension plan investments	—	236,917
Effect of change in proportion	254,953	122,993
Differences between contributions and proportionate share of contributions	252,326	—
	\$ 3,826,379	\$ 661,902

The deferred outflow of resources related to pensions resulting from Foundation contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

The net differences between projected and actual earnings on plan investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred inflows or resources and deferred outflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the Miscellaneous Plan for the June 30, 2019 measurement date is 3.8 years.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements
Year Ended June 30, 2020

**Note (11) Pension Plan – California Public Employees’ Retirement System (CalPERS)
(continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions (continued)**

The amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 3.8 years.

The deferred inflows of resources and outflows of resources will be recognized in pension expense as follows:

Year Ended June 30:	Deferred Outflows(Inflows) of Resources
2021	\$ 2,728,839
2022	155,753
2023	266,013
2024	13,872
	<u>\$ 3,164,477</u>

Actuarial Methods and Assumptions

For the measurement period ended June 30, 2019, the total pension liability was determined by rolling forward the June 30, 2018 actuarial accounting valuation to June 30, 2018. The June 30, 2019 total pension liability was based on the following actuarial methods and assumptions:

Actuarial cost method: Entry Age Normal in accordance with the requirements of GASB 68

Actuarial Assumptions

Discount rate	7.15%
Consumer price inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power Applies

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2020

**Note (11) Pension Plan – California Public Employees’ Retirement System (CalPERS)
(continued)**

Actuarial Methods and Assumptions (continued)

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 20 years of mortality improvement using Scale BB published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the Plan’s asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for the Plan. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target allocation and best estimates of long-term expected real rate of return by asset class are summarized in the following table:

<u>Asset Class</u>	<u>Policy Target Allocation</u>	<u>Real Return Years 1 - 10</u>	<u>Real Return Years 11+</u>
Global equity	50.00%	4.80%	5.98%
Fixed income	28.00%	1.00%	2.62%
Inflation assets	0.00%	0.77%	1.81%
Private equity	8.00%	6.30%	7.23%
Real estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements
Year Ended June 30, 2020

**Note (11) Pension Plan – California Public Employees’ Retirement System (CalPERS)
(continued)**

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the Foundation’s proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 14,240,743
Current discount rate (7.15%)	8,877,822
1% increase (8.15%)	4,451,396

Plan Fiduciary Net Position

Detailed information about CalPERS Miscellaneous Risk Plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements
Year Ended June 30, 2020

Note (12) Other Postretirement Benefits

Plan Description

The Foundation sponsors a single-employer defined benefit postretirement health care plan to pay a portion of the retiree's insurance premiums. Based on the eligibility criteria shown below, this plan allows for employer paid retiree healthcare premiums for the retiree and their dependents. A retiree is eligible to enroll in the Plan on an annual basis during open enrollment or at any time the retiree experiences a qualifying event as defined by COBRA regulations.

Beginning in the fiscal year ended June 2011 the Foundation participated in the Auxiliaries Multiple Employer VEBA (Voluntary Employees' Beneficiary Association). The Auxiliaries Multiple Employer VEBA is a separate 501(c)(9) organization established in August 2010 to assist in funding post-retirement healthcare benefits for recognized auxiliaries of the California State University System. The Auxiliaries Multiple Employer VEBA issues separate audited financial statements. Copies of the annual report may be obtained from Keenan Associates, 2355 Crenshaw Blvd., Suite 200, Torrance, CA 90501.

The Auxiliaries Multiple Employer VEBA Board is comprised of at least three Trustees and no more than 16 Trustees. The Board consists of at least three officers, a Chairman, a Vice Chair and a Past Chair who serve one, one-year term in each officer seat. The Vice Chair is selected by the Nominating Committee and elected by a majority vote of the primary member of the participating auxiliaries. The Trustees of the Board are nominated by their respective auxiliary and elected by a majority vote of the primary member of the participating auxiliaries.

Eligibility and Benefits

The Foundation pays a portion of the health care premium for an eligible retiree, eligible retiree plus one and eligible retiree plus two or more dependents. Eligibility is determined as a combination of age and service. The Foundation's portion of the health care premium is fixed at an annual increase of 5% as approved by the Board of Directors. A minimum of 1,720 hours of compensated employment in a regular benefited full time status qualifies as one year of service. Employees who retired before July 1, 2004 with at least five years of service and were age 50 or older qualify for 100% of the eligible portion of the premiums paid by the Foundation.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2020

Note (12) Other Postretirement Benefits (continued)

Plan Description (continued)

Employees who were hired before October 1, 2004, are at least 50 years of age, and have attained 10 years of service qualify to have 75% of the eligible portion of the premiums paid by the Foundation. For each additional year of service, the Foundation will increase the eligible portion of the premium by 5% until the employee attains 15 years of service and 100% of the eligible portion of the premiums paid by the Foundation. Additionally, employees who are at least 50 years of age and have at least 10 years of service may add together their age and years of service at retirement; when that amount totals 70, the employees qualify for 100% of the eligible portion of the premiums paid by the Foundation.

Employees who were hired on or after October 1, 2004 and before March 1, 2009, are at least 50 years of age, and have attained 10 years of service qualify to have 50% of the eligible portion of the premiums paid by the Foundation and earn an additional 5% for each year of service completed after 10 years of service. Employees reach 100% of the eligible portion of the premiums paid by the Foundation once attaining 20 years of service.

Employees hired on or after March 1, 2009, are ineligible for benefits under the defined benefit healthcare plan for retirees.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The Foundation's contribution to and withdrawal from the defined benefit healthcare plan is annually approved by the Board of Directors. During the fiscal year ended June 30, 2020, the Foundation contributed \$1 million. In addition to the above contribution, the Foundation also paid \$658,148 for retiree benefit expenses and withdrew \$0 from the VEBA to pay premiums on behalf of retirees in the fiscal year ending June 30, 2020.

The Foundation's annual OPEB cost (expense) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The actuarially determined contribution (ADC) is an amount actuarially determined by Actuarial Standards of Practice and applicable Federal and State laws. The ADC 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 30 years.

At June 30, 2020, the Foundation reported a net OPEB Liability of \$7,370,343 per the GASB Actuarial Report. The net OPEB Liability was measured as of June 30, 2019 and the total OPEB Liability used to calculate the net OPEB Liability was determined by an actuarial valuation as of that date. The total Plan Fiduciary Net Position (assets) as a percentage of the Total OPEB Liability is 57% or \$9,773,833 as of June 30, 2019.

CAL POLY POMONA FOUNDATION, INC.
Notes to Financial Statements
Year Ended June 30, 2020

Note (12) Other Postretirement Benefits (continued)

At June 30, 2019, the measurement of the Total OPEB Liability, plan membership included fifty-six (56) active plan members and one hundred and two (102) retired members and beneficiaries receiving benefit for a grand total one hundred and fifty eight (158) plan participants.

For the year ended June 30, 2020, the Foundation recognized OPEB expense of \$785,820. At June 30, 2020, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience in the measurement of the TOL	\$ 604,937	\$ 503,613
Changes in assumptions	995,809	489,189
Net difference between projected and actual earnings of OPEB plan investments	—	65,320
Contributions to OPEB plan after measurement date	1,000,000	—
Total	<u>\$ 2,600,746</u>	<u>\$ 1,058,122</u>

Amounts reported as deferred outflows and inflows of resources related to OPEB resulting from Employer contributions and withdrawals subsequent to the measurement date will be recognized as a net reduction of the net OPEB liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ended June 30:	Deferred Outflows (Inflows) of Resources
2021	\$ 366,895
2022	134,544
2023	16,205
2024	24,980
	<u>\$ 542,624</u>

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements
Year Ended June 30, 2020

Note (12) Other Postretirement Benefits (continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.26%
Salary increases	3.25% annual increases
Healthcare cost trend rate (pre-65)	6.8% for 2020, decreasing .25% per year to an ultimate rate of 5.0% for 2028 and later years
Healthcare cost trend rate (post-65)	5.0%
Investment rate of return	6.5%, net of investment expenses
Morbidity Factors	CalPERS 2013 Study
Mortality Rate	CalPERS 2014 Study and CalPERS 2017 Study
Discount Rate	6.5%
Funding Policy	Annual contributions of \$1,000,000 to the VEBA Trust

For disabled retirees, we did not value disability due to the anticipated low incidents.

The long-term expected investment rate of return assumption for each major investment class in the Plan's portfolio are summarized in the following table:

Investment Class	Target Allocation	Strategy Expected Real Rate of Return	Secular Expected Real Rate of Return
Equity	43.00%	3.59%	6.78%
REITs	7.00%	2.80%	5.30%
Fixed Income	50.00%	0.80%	2.60%

The discount rate is based on a blend of the long-term expected rate of return on assets for benefits covered by plan assets and a yield or index for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or better for benefits not covered by plan assets.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2020

Note (12) Other Postretirement Benefits (continued)

Sensitivity of the Net OPEB Liability to changes in the discount rate – The following presents the Foundation’s Net OPEB Liability if it were calculated using a discount rate that is 1% point lower (5.50%) or 1% point higher (7.50%) than the current rate:

<u>Discount Rate</u>	<u>Liability</u>	<u>\$ Change</u>	<u>% Change</u>
+1%	\$ 5,764,529	\$ (1,605,814)	-22%
Base	\$ 7,370,343	\$ —	—
-1%	\$ 10,072,052	\$ 2,701,709	37%

Sensitivity of the Net OPEB Liability to changes in the Trend rate – The following presents the Foundation’s Net OPEB Liability if it were calculated using a trend table that is 1% point lower or 1% point higher than the current rate:

<u>Trend Rate</u>	<u>Liability</u>	<u>\$ Change</u>	<u>% Change</u>
+1%	\$ 9,882,403	\$ 2,512,060	34%
Base	\$ 7,370,343	\$ —	—
-1%	\$ 5,717,623	\$ (1,652,720)	-22%

Note (13) Assets Held for Sale

The Foundation purchases faculty/staff housing in support of the University’s mission to develop affordable faculty/staff housing options to attract and retain employees for the University.

At June 30, 2020, total assets held for sale include one faculty/staff house. Fair values of assets measured on a nonrecurring basis held for sale at June 30, 2020 were \$402,900. Assets held for sale are recorded at cost which approximates fair value. Cost to sell and unrealized losses are immaterial and will not be recognized until the assets are sold.

Note (14) Subsequent Events

Events subsequent to June 30, 2020 have been evaluated through September 21, 2020, which is the date the financial statement were available to be issued.

CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements

Year Ended June 30, 2020

Note (15) COVID-19 Pandemic

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. 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 closings of businesses and shelter in place orders. The Foundation experienced material operating losses during fiscal year 2019-20 of \$6,669,786, largely resulting from the economic impact of the pandemic on the Foundations' operations, including the move to remote instruction and decreases in enterprise sales. As a cost-saving measure, the Foundation reduced discretionary spending and implemented a series of furloughs and layoffs across all employee types. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of business closures, shelter-in-place orders, and the ultimate impact of the governmental initiatives. It is at least reasonably possible that this matter will negatively impact the Foundation. However, the financial impact and duration cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

CAL POLY POMONA FOUNDATION, INC.
Schedule of the Foundation's Proportionate Share of Net Pension Liability
for the California Public Employees Retirement Plan (Unaudited)
Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Foundation's proportion of the net pension liability	0.22170%	0.21743%	0.24325%	0.21200%	0.07771%	0.07957%
Foundation's proportionate share of the net pension liability	\$ 8,877,822	\$ 8,194,358	\$ 9,589,146	\$ 8,352,723	\$ 5,338,104	\$ 4,998,351
Foundation's covered-employee payroll	\$ 12,562,122	\$ 11,541,499	\$ 11,061,078	\$ 11,198,164	\$ 10,995,860	\$ 10,862,791
Foundation's proportionate share of the net pension liability as a percentage of its covered-employee payroll	70.7%	71.0%	86.7%	74.6%	48.5%	46.0%
Plan fiduciary net position as a percentage of the total pension liability	85.4%	85.6%	82.2%	86.1%	88.3%	89.1%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

Amounts for covered payroll are reported as of the previous fiscal year to align with the measurement date of the net pension liability.

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.
Schedule of Foundation Contributions
to the California Public Employees Retirement Plan (Unaudited)
Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,731,723	\$ 2,159,281	\$ 2,331,544	\$ 1,786,168	\$ 1,010,227	\$ 865,756	\$ 813,893
Contributions in relation to the contractually required contribution	<u>(1,731,723)</u>	<u>(2,159,281)</u>	<u>(2,331,544)</u>	<u>(1,786,168)</u>	<u>(1,010,227)</u>	<u>(865,756)</u>	<u>(813,893)</u>
Contribution deficiency (excess)	—	—	—	—	—	—	—
Foundation's covered-employee payroll	\$ 12,562,122	\$ 11,541,499	\$ 11,061,078	\$ 11,198,164	\$ 10,995,860	\$ 10,862,791	\$ 8,879,184
Contributions as a percentage of covered							

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.
Other Postemployment Benefits Plan (Unaudited)
Year Ended June 30, 2020

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (Entry Age Normal Cost Method) (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funding Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2019	\$ 9,773,833	\$ 17,144,176	\$ 7,370,343	57.0%	\$4,760,791	154.8%
7/1/2018	\$ 8,373,339	\$ 16,316,966	\$ 7,943,627	51.3%	\$4,010,771	198.1%
7/1/2017	\$ 7,332,228	\$ 13,861,946	\$ 6,529,718	52.9%	\$4,550,937	143.5%
7/1/2016	\$ 6,095,336	\$ 15,158,690	\$ 9,063,354	40.2%	\$5,532,366	163.8%
7/1/2015	\$ 5,480,443	\$ 14,679,147	\$ 9,198,704	37.3%	\$4,679,582	196.6%

Schedule of Employer Contributions

Year Ended June 30	Actuarially Determined Contribution	Contribution in Relation to Actuarially Required	Contribution Excess (Deficiency)	Covered Payroll	Percentage of Covered Payroll Contributed
2019	\$ 555,052	\$ 1,647,375	\$ 1,092,323	\$4,760,791	34.6%
2018	\$ 610,900	\$ 1,000,000	\$ 389,100	\$4,010,771	24.9%
2017	\$ 730,432	\$ 1,111,120	\$ 380,688	\$4,550,937	24.4%
2016	\$ 785,313	\$ 1,000,000	\$ 214,687	\$5,532,266	18.1%
2015	\$ 613,262	\$ 1,000,000	\$ 386,738	\$4,679,582	21.4%

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.
Other Postemployment Benefits Plan (Unaudited)
Year Ended June 30, 2020

Year Ended June 30	2019	2018	2017
<u>Total OPEB Liability</u>			
Service Cost	\$ 182,673	\$ 142,277	\$ 148,176
Interest	1,051,769	894,698	1,051,372
Change in benefit terms	—	—	—
Differences between expected and actual experience	(745,620)	1,014,722	1,680,006
Change in assumptions	985,763	890,259	(3,591,876)
Benefit payments, including refunds of employee contributions	<u>(647,375)</u>	<u>(486,936)</u>	<u>(584,422)</u>
Net change in Total OPEB Liability	827,210	2,455,020	(1,296,744)
Total OPEB Liability - beginning	<u>16,316,966</u>	<u>13,861,946</u>	<u>15,158,690</u>
Total OPEB Liability - ending	<u>\$ 17,144,176</u>	<u>\$ 16,316,966</u>	<u>\$ 13,861,946</u>
<u>Plan Fiduciary Net Position</u>			
Contributions - employer	\$ 1,647,375	\$ 1,000,000	\$ 1,111,120
Contributions- employee	—	—	—
Net investment income	449,772	567,209	743,578
Benefit payments	(647,375)	(486,936)	(584,422)
Administrative expense	<u>(49,278)</u>	<u>(39,162)</u>	<u>(33,384)</u>
Net Change in Fiduciary Net Position	1,400,494	1,041,111	1,236,892
Plan Fiduciary Net Position - beginning	<u>8,373,339</u>	<u>7,332,228</u>	<u>6,095,336</u>
Plan Fiduciary Net Position - ending	<u>\$ 9,773,833</u>	<u>\$ 8,373,339</u>	<u>\$ 7,332,228</u>
Net OPEB Liability	<u>\$ 7,370,343</u>	<u>\$ 7,943,627</u>	<u>\$ 6,529,718</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	57.01%	51.32%	52.89%
Covered Employee Payroll	\$ 4,760,791	\$ 4,010,771	\$ 4,550,937
Plan Net OPEB Liability as a Percentage of Covered Employee Payroll	154.81%	198.06%	143.48%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.
Other Postemployment Benefits Plan (Unaudited)
Year Ended June 30, 2020

SCHEDULE OF OPEB EXPENSE (UNAUDITED)

Year Ended June 30	2019	2018	2017
Service Cost	\$ 182,673	\$ 142,277	\$ 148,176
Interest on Total OPEB Liability	1,051,769	894,698	1,051,372
Recognized Differences between Expected and Actual Experience	561,023	803,029	483,733
Recognized Changes of Assumptions	(434,148)	(754,097)	(1,034,229)
Projected Earnings on OPEB Plan Investments	(574,680)	(491,754)	(443,647)
Recognized Differences between Projected and Actual Earnings	(50,095)	(75,077)	(59,986)
Administrative Expense	49,278	39,162	33,384
Aggregate OPEB Expense	<u>\$ 785,820</u>	<u>\$ 558,238</u>	<u>\$ 178,803</u>

Schedule is intended to show information for 10 years. Since 2017 is the first year for this presentation, no other data, prior to 2017 is available.

SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS (UNAUDITED)

Year Ended June 30	2019	2018	2017
Actuarially Determined Employer Contribution			
Service Cost	\$ 182,673	\$ 142,277	\$ 148,176
Amortization of unfunded liability	\$ 372,379	\$ 468,623	\$ 582,256
Recommended contribution	\$ 555,052	\$ 610,900	\$ 730,432
Contribution/benefit payments made	(1,647,375)	(1,000,000)	(1,111,120)
Contribution deficiency (excess)	<u>\$ (1,092,323)</u>	<u>\$ (389,100)</u>	<u>\$ (380,688)</u>
Covered Employee Payroll	\$ 4,760,791	\$ 4,010,771	\$ 4,550,937
Contribution as a Percentage of Covered Employee Payroll	34.60%	24.93%	24.42%

Schedule is intended to show information for 10 years. Since 2017 is the first year for this presentation, no other data, prior to 2017 is available.

SCHEDULE OF OPEB INVESTMENT RETURNS (UNAUDITED)

Year Ended June 30	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	5.03%	7.23%	10.06%

Schedule is intended to show information for 10 years. Since 2017 is the first year for this presentation, no other data, prior to 2017 is available.

See independent auditors' report.

SUPPLEMENTARY INFORMATION

CAL POLY POMONA FOUNDATION, INC.
Schedule of Net Position
June 30, 2020
(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 6,968,042
Short-term investments	26,723,683
Accounts receivable, net	8,551,336
Capital lease receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	—
Prepaid expenses and other current assets	2,659,074
Total current assets	<u>44,902,135</u>
Noncurrent assets:	
Restricted cash and cash equivalents	117,938
Accounts receivable, net	—
Capital lease receivable, net of current portion	—
Notes receivable, net of current portion	—
Student loans receivable, net	—
Pledges receivable, net	—
Endowment investments	—
Other long-term investments	1,762,718
Capital assets, net	58,956,691
Other assets	—
Total noncurrent assets	<u>60,837,347</u>
Total assets	<u>105,739,482</u>
Deferred outflows of resources:	
Unamortized loss on debt refunding	272,889
Net pension liability	3,826,379
Net OPEB liability	2,600,746
Others	—
Total deferred outflows of resources	<u>6,700,014</u>

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.
Schedule of Net Position
June 30, 2020
(for inclusion in the California State University)

Liabilities:	
Current liabilities:	
Accounts payable	4,320,216
Accrued salaries and benefits	1,464,017
Accrued compensated absences, current portion	282,618
Unearned revenues	1,518,740
Capital lease obligations, current portion	1,380,000
Long-term debt obligations, current portion	—
Claims liability for losses and loss adjustment expenses, current portion	—
Depository accounts	—
Other liabilities	3,970,739
Total current liabilities	<u>12,936,330</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	472,974
Unearned revenues	—
Grants refundable	—
Capital lease obligations, net of current portion	41,152,592
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	7,370,343
Net pension liability	8,877,822
Other liabilities	707,015
Total noncurrent liabilities	<u>58,580,746</u>
Total liabilities	<u>71,517,076</u>
Deferred inflows of resources:	
Service concession arrangements	—
Net pension liability	661,902
Net OPEB liability	1,058,122
Unamortized gain on debt refunding	45,561
Nonexchange transactions	—
Others	700,802
Total deferred inflows of resources	<u>2,466,387</u>
Net position:	
Net investment in capital assets	16,696,988
Restricted for:	
Nonexpendable – endowments	—
Expendable:	
Scholarships and fellowships	—
Research	—
Loans	—
Capital projects	—
Debt service	—
Others	1,871,279
Unrestricted	19,887,766
Total net position	<u>\$ 38,456,033</u>

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.
Schedule of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2020
(for inclusion in the California State University)

Revenues:	
Operating revenues:	
Student tuition and fees, gross	\$ 2,808,031
Scholarship allowances (enter as negative)	—
Grants and contracts, noncapital:	
Federal	9,920,221
State	1,749,836
Local	—
Nongovernmental	1,036,606
Sales and services of educational activities	6,804,900
Sales and services of auxiliary enterprises, gross	35,595,857
Scholarship allowances (enter as negative)	—
Other operating revenues	5,672,387
Total operating revenues	<u>63,587,838</u>
Expenses:	
Operating expenses:	
Instruction	8,815,423
Research	6,982,207
Public service	224,081
Academic support	4,238,607
Student services	882,621
Institutional support	697,858
Operation and maintenance of plant	185,147
Student grants and scholarships	—
Auxiliary enterprise expenses	44,926,202
Depreciation and amortization	3,335,478
Total operating expenses	<u>70,287,624</u>
Operating income (loss)	<u>(6,699,786)</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	—
Investment income (loss), net	1,110,035
Endowment income (loss), net	—
Interest expense	(1,573,100)
Other nonoperating revenues (expenses) - excl. interagency transfers	(140,402,373)
Net nonoperating revenues (expenses)	<u>(140,865,438)</u>
Income (loss) before other revenues (expenses)	<u>(147,565,224)</u>
State appropriations, capital	—
Grants and gifts, capital	—
Additions (reductions) to permanent endowments	—
Increase (decrease) in net position	<u>(147,565,224)</u>
Net position:	
Net position at beginning of year, as previously reported	186,021,257
Restatements	—
Net position at beginning of year, as restated	<u>186,021,257</u>
Net position at end of year	<u>\$ 38,456,033</u>

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.
Other Information
June 30, 2020
(for inclusion in the California State University)

1 Cash and cash equivalents:

Portion of restricted cash and cash equivalents related to endowments	\$	4,655
All other restricted cash and cash equivalents		113,283
Noncurrent restricted cash and cash equivalents		<u>117,938</u>
Current cash and cash equivalents		<u>6,968,042</u>
Total	\$	<u>7,085,980</u>

2.1 Composition of investments:

Investment Type	Current	Noncurrent	Fair Value
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	24,353,786	1,500,424	25,854,210
Exchange traded funds	—	—	—
Equity securities	—	—	—
Alternative investments:			
Private equity (including limited partnerships)	2,275,143	—	2,275,143
Hedge funds	—	—	—
Managed futures	—	—	—
Real estate investments (including REITs)	—	—	—
Commodities	—	—	—
Derivatives	—	—	—
Other alternative investment	—	262,294	262,294
Other external investment pools	—	—	—
CSU Consolidated Investment Pool (formerly SWIFT)	—	—	—
State of California Local Agency Investment Fund (LAIF)	94,754	—	94,754
State of California Surplus Money Investment Fund (SMIF)	—	—	—
Other investments	—	—	—
Total investments	<u>26,723,683</u>	<u>1,762,718</u>	<u>28,486,401</u>
Less endowment investments (enter as negative number)	—	—	—
Total investments, net of endowments	<u>\$ 26,723,683</u>	<u>1,762,718</u>	<u>28,486,401</u>

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.
Other Information
June 30, 2020
(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	25,854,210	25,854,210	—	—	—
Exchange traded funds	—	—	—	—	—
Equity securities	—	—	—	—	—
Alternative investments:					
Private equity (including limited partnerships)	2,275,143	—	—	—	2,275,143
Hedge funds	—	—	—	—	—
Managed futures	—	—	—	—	—
Real estate investments (including REITs)	—	—	—	—	—
Commodities	—	—	—	—	—
Derivatives	—	—	—	—	—
Other alternative investment	262,294	262,294	—	—	—
Other external investment pools	—	—	—	—	—
CSU Consolidated Investment Pool (formerly SWIFT)	—	—	—	—	—
State of California Local Agency Investment Fund (LAIF)	94,754	—	—	—	94,754
State of California Surplus Money Investment Fund (SMIF)	—	—	—	—	—
Other investments:	—	—	—	—	—
Total investments	\$ 28,486,401	26,116,504	—	—	2,369,897

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 Investment Pool (formerly SWIFT):	\$ —	—	—

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.
Other Information
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Less accumulated depreciation/amortization: (enter as negative number, except for reductions enter as positive number)

Buildings and building improvements	\$ (41,804,403)	—	—	—	(41,804,403)	(2,419,215)	344,783	—	(43,878,835)
Improvements, other than buildings	(130,186)	—	—	—	(130,186)	(1,177)	—	—	(131,363)
Infrastructure	(2,358,162)	—	—	—	(2,358,162)	(218,041)	—	—	(2,576,203)
Leasehold improvements	—	—	—	—	—	—	—	—	—
Personal property:									
Furniture/Equipment/Vehicle/Lease Property	(9,285,554)	—	—	—	(9,285,554)	(657,054)	26,901	—	(9,915,707)
Library books and materials	—	—	—	—	—	—	—	—	—
Intangible assets:									
Software and websites	—	—	—	—	—	—	—	—	—
Rights and easements	—	—	—	—	—	—	—	—	—
Patents, copyrights and trademarks	—	—	—	—	—	—	—	—	—
Licenses and permits	—	—	—	—	—	—	—	—	—
Other intangible assets:									
Interest Capital	(634,367)	—	—	—	(634,367)	(39,991)	—	—	(674,358)
	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—
Total Other intangible assets:	<u>(634,367)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(634,367)</u>	<u>(39,991)</u>	<u>—</u>	<u>—</u>	<u>(674,358)</u>
Total intangible assets	<u>(634,367)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(634,367)</u>	<u>(39,991)</u>	<u>—</u>	<u>—</u>	<u>(674,358)</u>
Total accumulated depreciation/amortization	<u>(54,212,672)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(54,212,672)</u>	<u>(3,335,478)</u>	<u>371,684</u>	<u>—</u>	<u>(57,176,466)</u>
Total capital assets, net	<u>\$ 46,146,545</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>46,146,545</u>	<u>17,257,996</u>	<u>(4,447,850)</u>	<u>—</u>	<u>58,956,691</u>

3.2 Detail of depreciation and amortization expense

Depreciation and amortization expense related to capital assets	\$ 3,335,478
Amortization expense related to other assets	<u>—</u>
Total depreciation and amortization	<u>\$ 3,335,478</u>

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.
Other Information
June 30, 2020
(for inclusion in the California State University)

4 Long-term liabilities:

	Balance June 30, 2019	Prior Period Adjustments/Reclassif ications	Balance June 30, 2019 (Restated)	Additions	Reductions	Balance June 30, 2020	Current Portion	Noncurrent Portion
1. Accrued compensated absences	\$ 843,233	—	843,233	194,977	(282,618)	755,592	282,618	472,974
2. Claims liability for losses and loss adjustment expense:	—	—	—	—	—	—	—	—
3. Capital lease obligations:								
Gross balance	20,995,000	—	20,995,000	20,270,000	(990,000)	40,275,000	1,380,000	38,895,000
Unamortized net premium/(discount)	2,489,352	—	2,489,352	0	(231,760)	2,257,592		2,257,592
Total capital lease obligations	<u>23,484,352</u>	<u>—</u>	<u>23,484,352</u>	<u>20,270,000</u>	<u>(1,221,760)</u>	<u>42,532,592</u>	<u>1,380,000</u>	<u>41,152,592</u>
4. Long-term debt obligations:								
4.1 Auxiliary revenue bonds (non-SRB related)	—	—	—	—	—	—	—	—
4.2 Commercial paper	—	—	—	—	—	—	—	—
4.3 Notes payable (SRB related)	—	—	—	—	—	—	—	—
4.4 Others:	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
Total others	—	—	—	—	—	—	—	—
Sub-total long-term debt	—	—	—	—	—	—	—	—
4.5 Unamortized net bond premium/(discount)	—	—	—	—	—	—	—	—
Total long-term debt obligations	—	—	—	—	—	—	—	—
Total long-term liabilities	<u>\$ 24,327,585</u>	<u>—</u>	<u>24,327,585</u>	<u>20,464,977</u>	<u>(1,504,378)</u>	<u>43,288,184</u>	<u>1,662,618</u>	<u>41,625,566</u>

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.
Other Information
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5 Capital lease obligations schedule:

	Capital lease obligations related to SRB			All other capital lease obligations			Total capital lease obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2021	\$ 1,040,000	974,250	2,014,250	340,000	1,005,000	1,345,000	1,380,000	1,979,250	3,359,250
2022	1,100,000	920,750	2,020,750	360,000	987,500	1,347,500	1,460,000	1,908,250	3,368,250
2023	1,155,000	864,375	2,019,375	375,000	969,125	1,344,125	1,530,000	1,833,500	3,363,500
2024	1,210,000	805,250	2,015,250	395,000	949,875	1,344,875	1,605,000	1,755,125	3,360,125
2025	1,275,000	743,125	2,018,125	415,000	929,625	1,344,625	1,690,000	1,672,750	3,362,750
2026 - 2030	5,560,000	2,881,750	8,441,750	2,425,000	4,305,625	6,730,625	7,985,000	7,187,375	15,172,375
2031 - 2035	7,035,000	1,322,125	8,357,125	3,105,000	3,617,375	6,722,375	10,140,000	4,939,500	15,079,500
2036 - 2040	1,630,000	40,750	1,670,750	3,985,000	2,735,625	6,720,625	5,615,000	2,776,375	8,391,375
2041 - 2045	—	—	—	5,120,000	1,603,250	6,723,250	5,120,000	1,603,250	6,723,250
2046 - 2050	—	—	—	3,750,000	287,250	4,037,250	3,750,000	287,250	4,037,250
Thereafter	—	—	—	—	—	—	—	—	—
Total minimum lease payments:	\$ 20,005,000	8,552,375	28,557,375	20,270,000	17,390,250	37,660,250	40,275,000	25,942,625	66,217,625
Less: amounts representing interest									(25,942,625)
Present value of future minimum lease payment:									40,275,000
Unamortized net premium/(discount)									2,257,592
Total capital lease obligations									42,532,592
Less: current portion									(1,380,000)
Capital lease obligations, net of current portion									<u>\$ 41,152,592</u>

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.
Other Information
June 30, 2020
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6 Long-term debt obligations schedule:

	Auxiliary revenue bonds (non-SRB related)			All other long-term debt obligations			Total long-term debt obligations		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
Year ending June 30:									
2021	\$ —	—	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—	—	—
2023	—	—	—	—	—	—	—	—	—
2024	—	—	—	—	—	—	—	—	—
2025	—	—	—	—	—	—	—	—	—
2026 - 2030	—	—	—	—	—	—	—	—	—
2031 - 2035	—	—	—	—	—	—	—	—	—
2036 - 2040	—	—	—	—	—	—	—	—	—
2041 - 2045	—	—	—	—	—	—	—	—	—
2046 - 2050	—	—	—	—	—	—	—	—	—
Thereafter	—	—	—	—	—	—	—	—	—
Total minimum payment:	\$ —	—	—	—	—	—	—	—	—
Less: amounts representing interest									—
Present value of future minimum payment:									—
Unamortized net premium/(discount)									—
Total long-term debt obligations:									—
Less: current portion									—
Long-term debt obligations, net of current portion									—

7 Transactions with related entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$	1,377,348
Payments to University for other than salaries of University personnel		9,364,842
Payments received from University for services, space, and programs		14,666,021
Gifts-in-kind to the University from discretely presented component units		—
Gifts (cash or assets) to the University from discretely presented component units		4,470,249
Accounts (payable to) University		(1,795,351)
Other amounts (payable to) University		—
Accounts receivable from University		1,153,822
Other amounts receivable from University	\$	—

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.

Other Information

June 30, 2020

(for inclusion in the California State University)

8 Restatements

Provide a detailed breakdown of the journal entries (at the financial statement line items level) booked to record each restatement:

		Debit/(Credit)
Restatement #1	Enter transaction description	

Restatement #2	Enter transaction description	

9 Natural classifications of operating expenses:

		Salaries	Benefits - Other	Benefits - Pension	Benefits - OPEB	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total operating expenses
Instruction	\$	3,190,639	586,998	400,623	98,593	—	4,538,570	—	8,815,423
Research		2,702,110	379,957	134,609	33,127	—	3,732,404	—	6,982,207
Public service		54,648	27,339	35,216	8,667	—	98,211	—	224,081
Academic support		963,895	138,963	116,627	28,701	—	2,990,421	—	4,238,607
Student services		212,872	48,739	—	—	—	621,010	—	882,621
Institutional support		37,778	23,973	24,952	6,141	—	605,014	—	697,858
Operation and maintenance of plant		2,796	1,001	403	99	—	180,848	—	185,147
Student grants and scholarships		—	—	—	—	—	—	—	—
Auxiliary enterprise expenses		14,647,571	4,495,984	2,480,680	610,491	—	22,691,476	—	44,926,202
Depreciation and amortization		—	—	—	—	—	—	3,335,478	3,335,478
Total operating expenses	\$	21,812,309	5,702,954	3,193,110	785,819	—	35,457,954	3,335,478	70,287,624

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CAL POLY POMONA FOUNDATION, INC.
Other Information
June 30, 2020
(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)	\$ 272,889
Deferred outflows - net pension liability	3,826,379
Deferred outflows - net OPEB liability	2,600,746
Deferred outflows - others:	
Sales/intra-entity transfers of future revenues	—
Gain/loss on sale leaseback	—
Loan origination fees and costs	—
Change in fair value of hedging derivative instrument	—
Irrevocable split-interest agreements	—
Total deferred outflows - others	<u>—</u>
Total deferred outflows of resources	\$ <u><u>6,700,014</u></u>

2. Deferred Inflows of Resources

Deferred inflows - service concession arrangements	\$ —
Deferred inflows - net pension liability	661,902
Deferred inflows - net OPEB liability	1,058,122
Deferred inflows - unamortized gain on debt refunding(s)	45,561
Deferred inflows - nonexchange transactions	—
Deferred inflows - others:	
Sales/intra-entity transfers of future revenues	—
Gain/loss on sale leaseback	—
Loan origination fees and costs	—
Change in fair value of hedging derivative instrument	—
Irrevocable split-interest agreements	700,802
Total deferred inflows - others	<u>700,802</u>
Total deferred inflows of resources	\$ <u><u>2,466,387</u></u>

See independent auditors' report.

CAL POLY POMONA FOUNDATION, INC.

Schedule of Revenues, Expenses, and Changes in Net Position for the Debt Service Coverage Ratio
(Unaudited)
Year Ended June 30, 2020

Revenues:	Unrestricted	Restricted	Total
Operating revenues:			
Educational activities	\$ 6,804,900	\$ —	\$ 6,804,900
Enterprise activities	38,403,888	—	38,403,888
Grants and contracts	12,706,663	—	12,706,663
Real estate activities	5,672,387	—	5,672,387
Total operating revenues	63,587,838	—	63,587,838
Expenses:			
Operating expenses:			
Educational activities	9,319,281	—	9,319,281
Enterprise activities	33,947,932	—	33,947,932
Grants and contracts	12,706,663	—	12,706,663
Administrative and real estate activities	10,978,270	—	10,978,270
Depreciation and amortization	3,335,478	—	3,335,478
Total operating expenses	70,287,624	—	70,287,624
Operating loss	(6,699,786)	—	(6,699,786)
Nonoperating revenues (expenses):			
Investment income (loss), net	1,110,035	—	1,110,035
Interest expense	(1,573,100)	—	(1,573,100)
Net assets transferred to Cal Poly Pomona Philanthropic Foundation	—	(144,022,591)	(144,022,591)
Other nonoperating revenues	3,620,218	—	3,620,218
Net nonoperating revenues (expenses)	3,157,153	(144,022,591)	(140,865,438)
Loss before other additions	(3,542,633)	(144,022,591)	(147,565,224)
Net position:			
Net position at beginning of year	37,547,565	148,473,692	186,021,257
Restricted net position reclassified to unrestricted	2,579,822	(2,579,822)	—
Net position at beginning of year, reclassified	40,127,387	145,893,870	186,021,257
Net position at end of year	\$ 36,584,754	\$ 1,871,279	\$ 38,456,033
Add back depreciation and interest	\$ 4,908,578		
Gain on adjusting transferred capital assets to FMV	(7,988,871)		
Transfer of assets to the University	4,368,653		
Net Income Available for Debt Service	\$ (2,254,273)		
Debt Service			
2013	\$ 1,112,875		
2014	605,500		
2017	296,625		
2020	1,013,500		
Total Debt Service	\$ 3,028,500		
Debt Service Coverage Ratio	(0.74)		

Note: The net income available for debt service includes only the unrestricted activities and excludes the restricted activities i.e. gifts, grants, donations and contributions per the system revenue bond indenture.

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CAL POLY POMONA FOUNDATION, INC.

Schedule of Revenues, Expenses, and Changes in Net Position for the Debt Service Coverage Ratio
(Unaudited)
Year Ended June 30, 2019

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Operating revenues:			
Educational activities	\$ 3,404,928	\$ 9,000,570	\$ 12,405,498
Enterprise activities	48,256,562	—	48,256,562
Gifts, noncapital	2,593	7,178,586	7,181,179
Grants and contracts	13,951,151		13,951,151
Real estate activities	4,738,568	—	4,738,568
Total operating revenues	<u>70,353,802</u>	<u>16,179,156</u>	<u>86,532,958</u>
Operating expenses:			
Educational activities	3,298,795	16,716,027	20,014,822
Enterprise activities	37,796,266	—	37,796,266
Grants and contracts	13,951,151	—	13,951,151
Administrative and real estate activities	10,088,849	—	10,088,849
Depreciation and amortization	3,297,014	114,777	3,411,791
Total operating expenses	<u>68,432,075</u>	<u>16,830,804</u>	<u>85,262,879</u>
Operating income	<u>1,921,727</u>	<u>(651,648)</u>	<u>1,270,079</u>
Nonoperating revenues (expenses):			
Contributions restricted for long term purposes	—	3,317,504	3,317,504
Investment income, net	1,368,359	1,028,185	2,396,544
Endowment income, net	—	2,997,354	2,997,354
Interest expense	(1,114,232)	(1,952)	(1,116,184)
Other nonoperating expenses	<u>(1,145,940)</u>	<u>(1,469,155)</u>	<u>(2,615,095)</u>
Net nonoperating revenues (expenses)	<u>(891,813)</u>	<u>5,871,936</u>	<u>4,980,123</u>
Income before other additions	1,029,914	5,220,288	6,250,202
Net position:			
Net position at beginning of year	<u>36,517,651</u>	<u>143,253,404</u>	<u>179,771,055</u>
Net position at end of year	\$ <u><u>37,547,565</u></u>	\$ <u><u>148,473,692</u></u>	\$ <u><u>186,021,257</u></u>
Add back depreciation and interest	\$ 4,411,246		
Transfer of assets to the University	<u>1,145,940</u>		
Net Income Available for Debt Service	\$ <u><u>6,587,100</u></u>		
Debt Service			
2013	\$ 1,110,125		
2014	605,500		
2017	297,625		
Total Debt Service	\$ <u><u>2,013,250</u></u>		
Debt Service Coverage Ratio	<u><u>3.27</u></u>		

Note: The net income available for debt service includes only the unrestricted activities and excludes the restricted activities i.e. gifts, grants, donations and contributions per the system revenue bond indenture.

See independent auditors' report

**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***

**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
Cal Poly Pomona Foundation, Inc.

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 Cal Poly Pomona Foundation, Inc. (a nonprofit organization referred to as the Foundation), which comprise the statement of net position as of June 30, 2020, and the related statements of revenue, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 21, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the 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 the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control that we consider to be a material weakness. During the fiscal year, a series of events occurred that made the accounting department aware of fiscal impropriety occurring within an enterprise unit of the Foundation. After appropriate investigations, it was concluded that material amount of misappropriation of assets took place over a span of time. The controls were deficient over the course of a span of time such that material misappropriation of assets took place by the employee. This is considered to be material weakness in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 determination of financial statement amounts. 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 the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Aldrich CPAs + Advisors LLP

San Diego, California
September 21, 2020