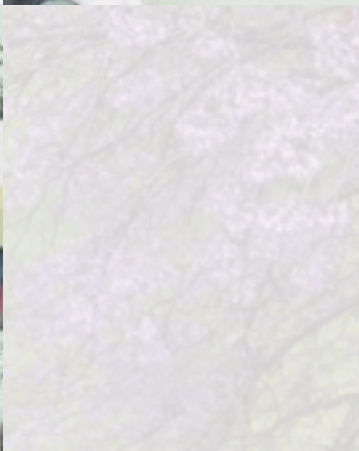




A N N U A L   R E P O R T



C A L P O L Y   P O M O N A   F O U N D A T I O N , I N C .



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CAL POLY POMONA FOUNDATION, INC.

# PRESIDENT'S MESSAGE

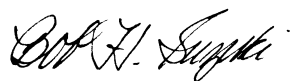
It is my pleasure to present the fiscal 1997-98/1998-99 annual report of the Cal Poly Pomona Foundation, Inc. Important fiscal and programmatic contributions by the Foundation further promoted university advancement and progress toward achieving strategic planning goals.

Virtually every student, faculty, staff, alumni, donor, supporter and neighbor has been directly impacted by the support the Foundation provides to the university. The learning environment is greatly enhanced when students are able to expediently obtain the books and tools necessary to meet class curriculum requirements. Time, the most valuable commodity in this day and age for students, faculty and staff, is utilized more effectively when the essentials of life—food and housing—are easily accessible. The Foundation has proven its ability to provide these services with efficiency and style. Its management has established award-winning dining venues and its renovation programs have produced facilities with aesthetics that are inspirational to other campuses.

This annual report highlights many of the Foundation's accomplishments as it strives to meet and exceed the evolving needs of the campus, its faculty, staff and students. It also out-

lines the significant administrative support provided to develop and expand the areas of research, grants and other campus programs.

On behalf of the university community, I wish to express my gratitude for the strong leadership and direction exhibited by the Foundation's staff and its Board of Directors. I thank them for their valuable contributions to both the university and the multitude of individuals who have benefited from their efforts. I look forward to continued success as this partnership enters the new millennium.



Bob H. Suzuki  
President





# MISSION

## "QUALITY SERVICE SUPPORTING QUALITY EDUCATION"

**T**he Cal Poly Pomona Foundation, Inc., established in 1966, is an integral component of the educational mission of the university. In pursuit of this mission, the Foundation is a partner in the university community which includes students, faculty, staff, administrators, alumni and members of the larger community. The Foundation exists to provide the highest level of service and financial support while maintaining corporate fiscal integrity. The role of the Foundation is to provide convenient and appropriate goods and services at an affordable price and to develop additional assets and resources for the university. The Foundation also promotes and celebrates the cultural diversity of the university, helps foster and maintain an effective learning environment to provide educational opportunities, reflects an institutional image of competence and quality and encourages cooperative relations within the university community.

Excellence in service to the university is the highest priority of the Foundation. The Foundation accomplishes this by:

- Operating in a professional and conscientious manner.
- Continually updating its planning for the future and emphasizing the importance of quality and excellence.
- Promoting high standards for ethics, honesty, competency and professionalism in all its employees.
- Developing and motivating employees to express an entrepreneurial spirit by using creativity, innovation, initiative and open communication.
- Maintaining its commitment to affirmative action, equal opportunity and career development in a safe working environment.

The Cal Poly Pomona Foundation, Inc. is an equal opportunity, affirmative action employer. The Foundation subscribes to all state and federal regulations and prohibits discrimination based on sex, race, sexual orientation, national origin, handicap, marital status, age, religious creed, color, ancestry, medical condition or veteran status. The Foundation hires only individuals lawfully authorized to work in the United States.

The Foundation operates as a public-benefit charitable-educational organization under the provisions of the California Revenue and Taxation Code, Section 23701(d) and the United States Internal Revenue Code, Section 501(c)(3). As a recognized auxiliary of the California State University, the Foundation conforms to the regulations established by the Board of Trustees of the California State University and approved by the California State Director of Finance as required by the California Education Code, Section 89900(e). The university administrative organization supervises the Foundation, as required by Title 5, California Code of Regulations, Section 42402.



# BOARD OF DIRECTORS

## 1998-1999

Dr. Bob H. Suzuki  
Chair, Ex-Officio Director

Dr. Gene I. Awakuni  
Ex-Officio Director

Mrs. Patricia L. Farris  
Ex-Officio Director

Dr. Edward Hohmann  
Ex-Officio Director

Dr. Rochelle Kellner  
Ex-Officio Director

Dr. Richard Santillan  
Ex-Officio Director

Ms. Marian Sherman  
Ex-Officio Director

Dr. Esteban Soriano  
Ex-Officio Director

Mr. John Yokohama (resigned 1-5-99)  
Ms. Maryann Tolano (1-25-99)  
Ex-Officio Director

Dr. Richard Hulme (term completed 1-24-99)  
Dr. J. Ernest Simpson (1-25-99)  
Faculty Director

Mr. Tarun Kapoor (term completed 1-24-99)  
Mr. Arthur Hacker (1-25-99)  
Faculty Director

Mr. Oliver Rocroi  
Student Director

Ms. Heather Davis  
Student Director

Ms. Cheryl Meaux  
Staff Director

Mr. Charles Holt  
Staff Director

Mr. Norman Priest  
Community Director

Mr. Lowell Overton  
Community Director

Mr. Oliver Santos  
Community Director

## 1997-1998

Dr. Bob H. Suzuki  
Chair, Ex-Officio Director

Dr. Gene I. Awakuni  
Ex-Officio Director

Dr. Peter Dual  
Ex-Officio Director

Mrs. Patricia L. Farris  
Ex-Officio Director

Dr. Edward Hohmann  
Ex-Officio Director

Dr. Rochelle Kellner  
Ex-Officio Director

Ms. Susan Leahy  
Ex-Officio Director

Ms. Marian Sherman  
Ex-Officio Director

Dr. Richard Hulme  
Faculty Director

Mr. Tarun Kapoor  
Faculty Director

Mr. Landon O'Banion  
Student Director

Mr. Michael Perrow  
Student Director

Ms. Cheryl Meaux  
Staff Director

Mr. Charles Holt  
Staff Director

Mr. Norman Priest  
Community Director

2 Vacant Community Positions



# THE CAL POLY POMONA FOUNDATION INC.

Created for the express purpose of serving the "educational needs of the university," the Cal Poly Pomona Foundation, Inc. provides amenities and appropriate goods and services at affordable prices and develops additional assets and resources for California State Polytechnic University, Pomona.

Beyond the corporate mission, the Foundation also identified the need for defining a vision to guide the organization in its long term planning.

**"Quality Service Supporting Quality Education"**  
To be the best...an organization of employees must be committed to quality. Recognized as leaders and "award winners." An organization having the best business practices. An organization where service quality consistently exceeds customer expectations and financial performance consistently exceeds comparable industry norms. An organization with a stimulating and gratifying workplace where employees can achieve their full potential.

Such a vision acknowledges the challenges and demands of serving a diversity of interests while realizing the rewards of contributing significantly to the education of every student through services and support.

As an integral partner in the university community, the Foundation is a self-supporting, nonprofit auxiliary organization, recognized as such by the California State University (CSU). The Foundation receives its authority from Title 5 of the California Education Code. Title 5 stipulates that the Foundation must remain legally "separate" and independent from the university. To attain independence, the Foundation is structured as a 501(c)(3) nonprofit organization presently governed by an 18-member Board of Directors.

In 1997-1998, the 17-member Board of Directors consisted of the President of the University, Vice President of Academic Affairs, Vice President of Student Affairs, Vice President of Administrative

Affairs, Vice President of Instructional and Information Technology Division, Chair of the Academic Senate, Chair of the Staff Council, President of Associated Students, Inc., two student representatives, two faculty representatives, two staff representatives, and three community representatives. The bylaws were modified to increase the number of Board members to 18 and the Vice President for University Advancement joined the Board in 1998-1999. The Board of Directors establishes financial and administrative policy for the Foundation. Representing the Foundation's administrative staff, the Executive Director serves as the Chief Executive Officer for the Foundation and reports to the Board of Directors.

The Foundation celebrates and promotes the cultural diversity of the university and strives to foster and preserve a learning environment abundant with educational opportunities.

Customer patronage helps support a wide variety of campus services and programs. Through designated gifts to the university, construction of new facilities, equipment purchases, university event donations, campus advertising and staff assistance for university activity planning and promotions, the Foundation returns surplus revenue to the campus. In 1997-98 and 1998-99, the President's office received designated gifts of \$339,902 and \$403,170, respectively for distribution to various university operations. During the last 5 years the Foundation has provided over \$2,000,000 to the university in direct financial support.

The Foundation further supports the university by serving as administrator for grants and contracts awarded to Cal Poly Pomona by private and governmental institutions. Over the two-year period, the Foundation advanced up to \$1,086,000 during peak activity periods to support expenditures incurred prior to reimbursement from contracting agencies.

As the largest employer of Cal Poly Pomona students, the Foundation provided jobs for 513 students in 1997-98 and 677 students in 1998-99. Flexible hours, convenient locations, an environment that recognizes the demands of student life and opportunities to gain practical work experience that utilize skills learned in the classroom appeal to students seeking employment. With \$3,237,137 expended on student payroll in 1997-98 and \$3,742,106 in 1998-99, the Foundation demonstrated its commitment to students on an individual level, as well as its support of the educational mission of the university.

While serving campus constituents, the Foundation also supports outreach to the larger community through donations. Over the past two years, as furniture was replaced at the Village, donations were made from Foundation Housing Service to organizations including Boy's Republic, Ettie Lee Youth & Family Services and Prototypes Women and Family Shelter. Dining Services provided food for shelters in both the Inland Valley and Orange County communities. Numerous auxiliary units worked with student organizations to collect canned goods for local volunteer agencies.



This report details many of the Foundation's activities, responsibilities and accomplishments from the past two years to illustrate ongoing efforts to offer the highest quality goods and services to the campus and surrounding communities and to enhance the marketability of Cal Poly Pomona's educational excellence and its extraordinary public facilities and services.

# EXPENDITURES OF DESIGNATED FUNDS, NET OF INTEREST EARNED, ARE SUMMARIZED AS FOLLOWS:

	1999	1998	1997	1996	1995	Total
Athletics Programs	40,000	40,000	40,000	40,000		160,000
Faculty/Staff Housing					9,958	9,958
President's International Program		18,969	13,969	(17,333)		15,605
Interim Design Center					(96,444)	(96,444)
Faculty, Staff & Student Development			60	1,707	2,267	4,034
College of Engineering Fund-Raising Campaign		(79,956)*		3,068	27,528	(49,360)
News & Publication	154,813	157,747	160,000	132,419	81,125	686,104
Office of Development	123,790	132,304	146,257	146,594	105,763	654,708
University Public Relations Efforts	78,170	72,452	72,377	58,244	56,961	338,204
Special Foundation Grants	2,763	8,099	8,697	6,861	6,423	32,843
University Projects Initiative					37,554	37,554
College of Agriculture International Development					29,244	29,244
Grants & Research				84,500	126,750	211,250
Agriculture State Share				46,577		46,577
Resident Dining Equipment	34,868					34,868
Subtotal	434,404	349,615	441,360	502,637	387,129	2,115,145
Less Interest Income	(4,234)	(16,713)	(1,201)	(6,289)	(7,940)	(36,377)
Net Expenditures of Designated Funds	430,170	332,902	440,159	496,348	379,189	2,078,768

\*Note: Repayment of a Loan previously accounted for as an expense

"The Foundation's participation in rallies, campus contests and giveaways has been greatly appreciated. Not only have you supported them with items, but people too. It has set an example for other campus groups. The Foundation has been very supportive of the student-athlete through financial support for grants. It is a major reason why we have been able to recruit the quality students to participate in the Bronco athletic program. Thank you for your partnership in working with us toward our goal of "excellence in academics and athletics."

Ms. Karen L. Miller  
Director of Athletics





# ADMINISTRATIVE AND FINANCIAL SERVICES

[www.csupomona.edu/~foundationservices/financial/](http://www.csupomona.edu/~foundationservices/financial/)

As part of its mission, the Foundation reaches out to the campus and community by providing quality goods and services. Along with key management, the Executive Director oversees self-sustaining operations to generate additional assets and resources for the university. The auxiliary operations, Bronco Bookstore, Campus Books, Dining Services, Foundation Housing Service (University Village) and Kellogg West Conference Center and Lodge, generate revenue for the Foundation and earnings beyond operating expenses are returned to the university in numerous ways.

Additional administrative support to the university is provided by the Foundation's Financial Services area. Although principally supporting grants and contracts and its auxiliary operations with accounting, payroll, audit and management information systems, the department also administers \$32.2 million in assets on behalf of the university. A considerable amount of effort



is devoted to supporting the reporting and processing requirements for conferences, scholarships, donations and expenditures from Campus Program accounts.

To maximize earnings from interest, cash availability is monitored daily and excess funds immediately invested with the Local Agency Investment Fund. Short and long-term analysis



of cash requirements facilitate aggressive investing into bond and equity securities.

Timely communications with the campus and operational units on fiscal matters is critical for efficient operations on campus. Improvements in this area have become priority goals for Financial Services over the past years. Informational meetings have been held with Campus Program account holders, financial statements completed and distributed by the fourteenth day of each month and the web has been enhanced to include a detailed breakdown of the Financial Services staff and services provided. Procedures and forms have been formatted and placed on the web. Access of financial information through the Internet will be implemented during the next year. A "Financial Facts" newsletter is distributed to all account holders to provide updated financial information. The continued development of the Bronco Access Card operation has enabled students to purchase books, pay rental fees at the University Village and purchase items through Dining Services food venues. A dedicated manager and staff assistant are available to answer administrative questions as they arise in support of awarded contracts.

While their efforts are primarily geared toward post-award functions, they often assist in budget development and pre-award contract review.

The Foundation's Human Resources office oversees the recruitment, supplemental training and safety awareness for the 850 full-time/part-time benefited and student employees. A consultant assisted the department in executing a career development program to evaluate every job description and set appropriate levels of compensation in relation to the external market. With the implementation of the third phase, a survey of each employee's skills and career aspirations will identify potential matches for job growth and promotion opportunities within the organization. Among the numerous training sessions, employees at all levels attended a Respectful Environment Program addressing and educating participants on issues of sensitivity in the workplace. The Foundation further assumes an essential role in the university by supporting the annual Fall Conference, Hot Dog Caper and the Founders' Day Celebration. The Foundation also provides employment opportunities within the operating units to support the Student Intern Program.



# AUXILIARY OPERATIONS

Often the Cal Poly Pomona community's first interaction with the Foundation is through one of the Auxiliary Operations. Within each of these units, activities focus on enhancing campus life and reaching the larger community by providing quality services on a daily basis while generating revenues to benefit the long-term goals of the university.

## BOOKSTORES

[www.bookstore.csupomona.edu](http://www.bookstore.csupomona.edu)  
[www.campusbooks.csupomona.edu](http://www.campusbooks.csupomona.edu)



Significant changes contributed to two prosperous years and positioned the Bronco Bookstore to effectively meet future challenges.

Implementation of a web site in October 1997 made pertinent bookstore information and policies readily available to the public while offering an on-line merchandise catalog. The e-commerce solution for the web site is in the planning stages, with a textbook reservation program scheduled for August 1999. Students will be able to order textbooks on-line to be picked up or mailed to their home. Fully integrated, this e-commerce software, WebPrism, will enable on-line sales of a full complement of bookstore merchandise.

Installation of new carpeting and tile throughout the store facilitated a re-merchandising effort on both levels to create better traffic flow and customer service. To assist in establishing brand iden-

tification amongst the campus community, the Bronco Bookstore sponsored a design "contest." Twenty students in an advanced design class worked with their "client" in developing a dynamic new bookstore logo, as well as logos for the Book Department and Bronco Computers. The Book Department continued its participation in several campus-sponsored author signings including one for Seymour Hersh and his book, *The Dark Side of Camelot*. Quarterly book fairs drew customers seeking value-priced books for pleasure reading and gift giving. Year-round buyback helped the department expand the number of used books offered to students.

To provide optimal text and course materials, the bookstore worked with various professors in the Art Department to create kits for different classes. The General Merchandise Department realized substantial savings in time and money for students and increased sales in art supplies.

Bronco Computers remained successful in their bid to provide the campus with computer and software needs, working closely with University Procurement and Information Technology and Academic Computing (ITAC). The department participated in the ITAC-sponsored TILT '99 Vendor Expo and implemented the CSU/Microsoft Enterprise agreement to distribute Microsoft licenses to Cal Poly Pomona students.

Campus Books, the off-campus store, serves as an important resource for students seeking expanded used book services and lower cost new books, as well as supplying books for Cal Poly Pomona MBA and Distance Learning programs. A new two-year lease was negotiated, substantially reducing overhead costs through July 2001.

"The Division of Student Affairs especially appreciates and applauds the Foundation's support of our efforts to create a successful learning support environment for Cal Poly Pomona students. In Student Affairs, we have developed a guiding set of Themes and Values which include teamwork, flexibility, quality contact and student-centered philosophy. These characteristics are also exemplified in the Foundation's contributions to the campus in many ways, such as innovative food and housing services, donations to Student Affairs divisional fund-raising efforts, and through the activities of ASI and the University Union. We believe that the Foundation's efforts contribute greatly to the success of Student Affairs in meeting the out-of-classroom needs of Cal Poly Pomona students."

Laraine D. Turk, Ph.D.  
Interim Associate Vice President of Student Development & Support Programs



## DINING SERVICES

[www.csupomona.edu/~diningervices](http://www.csupomona.edu/~diningervices)



The mission of the award-winning Dining Services is to serve the diverse Cal Poly Pomona community by providing quality food at an affordable cost, in an efficient and friendly manner from attractive, clean and comfortable gathering places that reflect a concern for the social and nutritional well-being of all customers. Dining Services also reaches out by sponsoring and supporting many campus programs and events including food handler sanitation training for students and staff, Fall Conference, BroncoFest, Food Fair, Hot Dog Caper and a multitude of catering and other events.

In 1998, the National Association of College Auxiliary Services (NACAS) awarded the Innovative Achievement Award for the second year in a row to Dining Services, this time, for the newly formed College and University Resource Board (CURB) organization. A founding member of the group, Dining Services played an integral part in the development of CURB which seeks to capture the purchasing power of participating universities through contracts, rebates, purchasing programs and service agreements.

Also in 1998, Carl Karcher Enterprises presented Carl's Jr. membership to the "95" Club, signifying a 95% or higher rating for mystery shopper



# AUXILIARY OPERATIONS

evaluations. The National Association of College & University Food Services (NACUFS) Loyal E. Horton Dining Award was presented to Kellogg West and Campus Catering for the 1997 Founders' Day Event held October 23, 1997.



along with the addition of a CD jukebox and special events such as "Comedy Nights" and "Open Mike Night," has transformed the location into one students can call their own.

With convenience and timeliness key factors to many customers, the Campus Center Marketplace Convenience Store experienced strong growth, as did the quick-serve vending carts. Express Lunches at Carl's Jr./Green Burrito and Round Table Pizza were also implemented to offer quality items at no-wait-to-cook time.

In 1999, Cal Poly Pomona Foundation's Carl's Jr. won highest honors with the Franchise of the Year Award. The Wok-A-Round food venue, featuring Lee Kum Kee, another strong performer at Campus Center Marketplace, was awarded 2nd place in the Loyal E. Horton Award Category of Specialty Restaurant or Shop.

Ongoing efforts to improve service and value perception involve regular secret shopper audits and implementing food cost controls via purchasing through CURB, as well as utilizing consultants in various critical areas of venue design and operation. The Bronco Access Card has become a fast, easy and convenient method to make cashless purchases on campus. Card readers were set up at most dining services venues on campus to support the declining balance accounts with rapid order processing.



Round Table Pizza opened to the community in the fall of 1997. Part of the first phase of the University Union Improvement Project (UUIP), Round Table Pizza provides high quality food with strong brand identification in a student-friendly environment. Dining Services has worked with Associated Students, Incorporated (ASI) and Capital Planning to design and develop plans for the food court in Phase II of the University Union Improvement Project. Several new concepts have been discussed and construction will begin in spring 2000.

The following fall welcomed The Metro Bagel, a gourmet coffee bar and bagel shop. Partnering with Superior Coffee and Clearwater Bagel,

Los Olivos continued to please students, staff and campus guests with all-you-can-eat dining at the Reflections Bar, Deli California, the Orchard, Las Casas Grill, Calle Caliente, Con Carne Corner, La Panaderia, Daily Waffle Bar, Espresso Armoire and Beverage Stop. Flexible meal options, as well as theme and special dinners, enticed off-campus residents and staff. Los Olivos won the 1998-1999 Governor's Safety Award in a partnership with University Housing Services and Public Safety on Emergency Preparedness. The Pony Express Convenience Store opened to meet the after-hour needs of resident students by providing a wide variety of food and sundry items.

Campus Catering experimented with logistics at Kellogg West to provide an improved dining experience to guests. Enhancements were made to wedding and catering guides to better reflect the services available on the campus. Communication with customers to determine pricing to meet off-campus competition, schedule and coordinate receptions to avoid conflicts with scheduled conference groups, as well as increase marketing of services, should facilitate continued growth.

The past two years at Kellogg West have been the most dynamic in its history. With the commitment to move Kellogg West to the next level in the conference center market and to more successfully compete in this segment, the center improved its operational standards and organized an infrastructure designed to handle the anticipated major developments. An independent consulting firm, PKF, contracted to provide a thorough analysis of Kellogg West, confirmed the need for a philosophical change in order to remain competitive in this ever-expanding market.

Changes began in 1998 with the decision to renovate and develop strategic planning. In 1999 a new Director was appointed to oversee daily operations and plan strategic development. Kellogg West established three major goals. First, define the three core markets of business and create marketing plans to reach each respectively. Second, improve operational performance by increasing revenues and reduc-

**"My employment with Kellogg West has exposed me to different facets both on and off campus and given me the opportunity to network with friendly people. I feel that the Foundation provides opportunities to learn in a business atmosphere that is both convenient and beneficial."**

**Bartek Korsak**  
Student Employee, Kellogg West

**KELLOGG WEST**

[www.kelloggwest.org](http://www.kelloggwest.org)





# AUXILIARY OPERATIONS



ing operating costs. Third, re-evaluate the guest room renovation plans and budget.

By identifying the main core markets, conference business (both with and without lodging) the university community, and the transient market, efforts could be focused specifically on these target clients. This was accomplished through direct mail, increased sales calls by the department staff and establishing the Kellogg West Premier Club, a reward program for repeat business.

Negotiating better programs with vendors to reduce operational expenses, management involvement in guestroom inspections and improved guest amenities dramatically improved the level of standards to both meet and exceed client expectations. As a result, the financial performance drastically improved in fiscal year 1998-1999.

The single most important change in Kellogg West in 1999 was the development of plans to completely renovate all of the guest rooms and the construction of a swimming pool and spa at the main lodge. An integral part of the pool and spa is the deck, which was designed as a poolside reception area, thus creating a strong guest amenity, transforming the ambiance of the lodge and increasing overall revenues. Renovations are scheduled for completion in the latter half of 1999 and combined with the new operating philosophy will position Kellogg West Conference Center and Lodge to enter the next millennium as one of the leading conference centers in southern California.

## FOUNDATION HOUSING SERVICE



[www.csupomona.edu/~village](http://www.csupomona.edu/~village)

With a new name and a new logo for the University Village Apartments, Foundation Housing Service experienced many great successes. Located within walking distance to the center of campus, the University Village provides Cal Poly Pomona students who have completed 36-units or are 21 years of age or older, apartment-style living accommodations. Apartments have furnished double or single bedrooms with kitchens and two bathrooms and the property offers laundry facilities, a swimming pool, community center with meeting and study space, basketball and sand volleyball courts, as well as free shuttle service to many other campus locations. Beyond the amenities, students benefit from residence life programming and support systems designed to supplement the higher education learning experience.

For the first time in five years, 100% occupancy was attained and a waiting list started for residents wanting space. Resident satisfaction increased due to numerous improvements such as keeping monthly fee increases in line, better response to maintenance requests and strong programming efforts.

Capital improvements included new carpet and tile in approximately 90 units, furniture replacement in 32 units, a telephone system and campus network upgrade enabling the office to operate on the campus phone and e-mail systems, mattress replacement, complete apartment key and lock changes, and major refurbishment to over 64 units. Among the external improvements were increased exterior lighting and a new gate card reader system for improved security. Plans are in place for a computer lab and Bronco Card access for the laundry facilities.



Utilization of the CBORD Housing Management System continues to automate operations, which enables staff to spend more time on customer service and collection of receivables. Over the past three years annual receivables have dropped dramatically, freeing funds for other projects within the complex.

Additional student staff and the two Resident Director positions contributed to the continued growth and success of the residence life program. With the complete separation from University Housing, Resident Directors were hired to augment the program and assist the Residence Life Manager through on-site housing and on-call responsibilities. With over 100 programs held each year, students were

enriched through educational and personal development opportunities outside of the classroom.

The centralization of facilities management within the Foundation necessitated some on-site support for the many maintenance needs of the residents.

General maintenance workers were hired to handle non-technical needs. This program continues to function well with high approval ratings from the Village community.



**"Foundation Housing Service provides great apartment-style living that is close to campus and promotes a studious atmosphere."**

**Aaron Zanetto**  
Student Resident, University Village



# SUPPLEMENTARY PROGRAMS

The Foundation generates revenue for several self-supporting enterprises including Agriculture and Research Sponsored Programs. Workshop fees, indirect cost recovery agreements and operations produce revenues, of which any excess monies support various Campus Program accounts. In general, these funds are not available for Foundation operations.

## RESEARCH AND SPONSORED PROGRAMS

As the fiscal agent authorized by the university to administer all externally funded activities, the Foundation provides services ranging from contract review for consistency with established internal policy, agency regulations and external governing law to full-fiscal support following acceptance of a contract. External projects receive support in the areas of administration,

payroll and human resources to enhance the effectiveness of programs and develop new opportunities.

In the past two academic years, approximately \$18,326,000 in new grants and contracts were awarded to faculty and staff. Expenditures from these awards produced indirect cost recovery dollars of \$1,095,000 in 1998 and \$1,024,000 in 1999. The university utilized \$1,375,000 of the indirect cost dollars to support the pre-award office and enrich academic programs on the campus.

Congratulations to the faculty and staff for their success in procuring support.

"The support of the Foundation Financial Services staff is essential to the programs that I manage in the International Center. As a result of their guidance and assistance with the complex financial details of grants and contracts, we continue to enjoy good success in our international university linkage projects with USAID and the U.S. State Department, as well as in our numerous international training programs."

Doug Glaeser  
Program Development Coordinator,  
International Center

"Human Resources provided expert advice in advertising our open positions and helping us interview and select the best people. Since the original round of hiring, we have been helped in dealing with employee relations and health claims that would have been quite bewildering to me and the other faculty. It is very reassuring to have the support of knowledgeable, dedicated professionals who can help us deal with things that, as research scientists and teachers, we know little about.

The staff in Financial Services has promptly and cheerfully kept track of all of our requests for PO numbers, frequently rushing them through when we were particularly pressed for time. I especially appreciate their patience when dealing with these special requests and of advising us when checks were ready to be picked up."

Dr. Donald F. Hoyt  
Director, Minority Biomedical Research  
Program

## CAL POLY POMONA FOUNDATION, INC.

### Schedule of Grants

July 1, 1998 through June 30, 1999

### Total Expenditures

#### Project outlays by Academic Department:

Academic Affairs	19,776	—
College of Agriculture	2,850,113	2,521,567
Business Administration	145,684	249,048
College of Letters, Arts and Social Sciences	248,719	212,883
College of the Extended University	488,908	93,672
College of Environmental Design	66,851	187,574
School of Education and Integrative Studies	343,775	441,529
College of Engineering	640,225	945,651
School of Hotel and Restaurant Management	56,804	98,052
International Center	90,031	192,734
Instructional Technology and Academic Computing	411,397	34,981
Learning Resource Center	471,346	489,130
Research and Sponsored Programs	333,865	283,358
College of Science	2,652,582	2,130,519
Student Affairs	327,560	317,743

#### Grand Total

1998-1999	1997-1998
19,776	—
2,850,113	2,521,567
145,684	249,048
248,719	212,883
488,908	93,672
66,851	187,574
343,775	441,529
640,225	945,651
56,804	98,052
90,031	192,734
411,397	34,981
471,346	489,130
333,865	283,358
2,652,582	2,130,519
327,560	317,743
9,147,643	8,198,447

# AWARDING AGENCIES FOR RESEARCH AND SPONSORED PROGRAMS

## EXEMPT ORGANIZATIONS AWARDS

CA Wellness Foundation  
Crail-Johnson Foundation  
Los Angeles County Superintendent of Schools  
MIT Office of the Arts  
NCAA  
Pacific Coast College Health  
Shinji Shumeikai  
Society of Manufacturing Engineers

## FEDERAL AWARDS

American College Health Association  
Arizona State University  
California Postsecondary Education Commission  
Cal State Long Beach  
California Department of Education  
California Energy Commission  
The California Commission on Improving Life Through Service  
Defense Logistics Agency  
Department of Energy  
Economic Development Administration  
Georgia Institute of Technology  
InfoUse  
Los Angeles County Office of Education  
National Aeronautics & Space  
National Endowment of Humanities  
National Institute of Health  
National Science Foundation  
Office of Naval Research  
Safety Engineering Labs, Inc.  
San Francisco State University  
Sandia National Labs  
Sunstrand, Inc.  
United States Coast Guard  
United States Department of Agriculture  
United States Department of Education  
United States Department of Interior  
United States Department of Justice  
United States Information Agency  
University of Alabama  
Virginia Polytechnic Institute

## PRIVATE ORGANIZATION AWARDS

Athena Technology, Inc.  
Avery Dennisen  
Boeing North American, Inc.  
DMV International Nutritionals  
Dukane  
Farmland National Beef Packing Company, L.P.  
Farnam Pharmaceuticals  
Fujisawa Healthcare, Inc.  
Harvest Research and Investment  
Heal the Bay

IBM Corporation  
Intrabiotics Pharmaceuticals, Inc.  
Kimberly-Clark Corporation  
Landlab  
Living Waters, LLC  
Metropolitan Water District  
Molecular Express, Inc.  
Neocrin Company  
Nestle USA, Inc.  
Nexstar Pharmaceuticals  
Nutrilite  
Nutri-Vet and NISSO  
Pepsico  
Pfizer, Inc.  
Planet Polymer Technologies  
Purdue University  
Rain Bird Sales, Inc.  
Research Corporation  
Rockwell-Collins, Inc.  
Southern California Edison  
Spadra Landfill  
The Canada de los Alamos Association  
Vistar Research  
Winrock International Institute of Agriculture

## STATE AGENCY AWARDS

Air Resources Board  
Cal State Los Angeles  
Cal Trans  
California Department of Parks and Recreation  
California Department of Water Resources  
California Energy Resource Commission  
California Integrated Waste Management Board  
California Trade and Commerce  
Claremont High School  
Department of Mental Health  
Hacienda-La Puente School District  
Kern County Office of Education  
Los Angeles County Superintendent  
Los Angeles Unified School District  
Montebello School District  
Mountains Recreation and Conservancy  
Pomona Unified School District  
San Bernardino County School District  
South Coast Air Quality Management District  
UC Berkley  
UC Davis  
UC Oakland  
UC Regents  
UC San Diego  
UCLA  
Walnut Valley Unified School District  
West End SELPA

# GIFTS, BEQUESTS AND DONATIONS

During the past two years, California State Polytechnic University, Pomona and its various organizations received donations, gifts and special revenue in the amount of \$17,837,628. Of that total, the Foundation received and administered \$11,746,141. In what ranks as the largest single gift to Cal Poly Pomona in several decades, the W.K. Kellogg Foundation of Battle Creek, Michigan awarded the university a \$6 million endowment challenge grant. The university will receive \$1 for every dollar raised up to \$6 million for the five years that commenced September 1, 1998. The total gift, including matching funds generated by the grant, could more than triple the university's existing endowment.

## ENDOWMENTS AND DONATIONS

The university encourages friends to invest in campus programs and projects that promote academic excellence. Endowment fund contributions consist of cash, marketable securities, and other income generating resources. The donation's principal is held in perpetuity and invested in accordance with the donor's wishes and the investment policy of the Foundation. Specific university programs benefit as a result of the income generated from these investments.

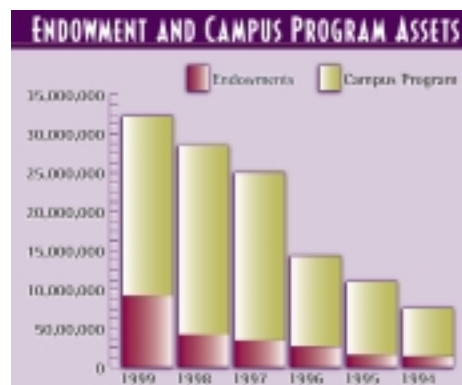
"In very real terms, CPPF support translates into several million dollars of new contributions to the university each year. Those contributions underwrite scholarships, remodel classrooms, furnish labs, purchase research and teaching technology, enable new support services and support hundreds of campus programs and projects. The extended campus family owes a big "thank you" to the Foundation."

Dr. Esteban Soriano  
Vice President,  
University Advancement

The Endowment Society extends membership to individuals who have established both revocable and irrevocable gifts or bequests to Cal Poly Pomona. By pledging, establishing or contributing endowment funds with gifts of \$5,000 or more, many donors throughout the years have made extraordinary commitments to the university and its mission. Cal Poly Pomona endowment funds are now valued at \$9,161,984.

## PLANNED GIFTS

Donors may also support the university through planned giving. This enables a donor to receive current financial benefits through tax deferral or increased income while ensuring a deferred benefit to the university. Among the various types of planned gifts are life insurance, life estate retained, charitable lead trusts and the pooled income fund.



## TAX STATUS OF THE CAL POLY POMONA FOUNDATION, INC.

The Foundation operates as a nonprofit public-benefit, charitable-educational corporation under the provisions of the **California Revenue and Taxation Code**, Section 23701(d) and the **United States Internal Revenue Code**, Section 501(c)(3). As a recognized auxiliary of the California State University, the Foundation conforms to the regulations established by the Board of Trustees of the California State University as required by the **California Education Code**, Section 89900(c). The university administrative organization supervises the Foundation as required by the **California Code of Regulations** Title 5, Section 42402.

As provided in Section 170(c)(2) of the **Internal Revenue Code** 1986 and through previous determinations, contributions made to the Foundation are considered charitable contributions for federal and state income tax purposes. As such, contributions are deductible by donors in computing corporate, partnership, estate, trust and personal income taxes.

## ENDOWMENT AND CAMPUS PROGRAM ASSETS

	Endowments	Campus Program
1999	9,161,984	23,039,017
1998	4,162,134	24,248,727
1997	3,375,320	21,568,610
1996	2,616,043	11,621,414
1995	1,548,335	9,400,287
1994	1,348,219	6,176,561



# CAMPUS PROGRAMS SUPPORT

## ACTIVITY/REVENUE

The Foundation provides administrative support for the \$23,039,017 million (as of June 30, 1999) in assets belonging to Campus Programs agency accounts held in the Foundation for the university.

Through Campus Programs, the Foundation provides a controlled, flexible financial management environment that supports workshops, conferences, community-related projects and other valuable activities that enhance and enrich the university's educational goals and achievements.

"The vision of our Cal Poly Pomona includes outreach, internationalization, entrepreneurship, innovation, and revenue generation to support the core mission of the campus. The Cal Poly Pomona Foundation is an essential partner in the future of the university. ITAC's ability to support academic and technology innovation in support of the campus' mission has been made possible by a dedicated staff at the Foundation."

Dr. Lev Gonick  
Dean, Instructional Technology &  
Academic Computing (ITAC)

### Revenues processed were as follows:

	1998-1999	1997-1998
College of Agriculture	\$994,768	\$2,602,896
Alumni Affairs	226,091	206,720
College of Letters, Arts and Social Sciences	391,989	400,912
Athletics	431,886	384,761
College of Business Administration	501,348	297,183
College of Extended University	616,107	4,525,228
School of Education and Integrative Studies	23,392	22,521
College of Engineering	992,667	1,793,823
College of Environmental Design	871,268	305,077
School of Hotel & Restaurant Management	1,700,857	1,265,114
International Programs	141,773	109,259
Instructional Technology Center	902,064	906,003
Library	59,190	24,817
Learning Resource Center	21,481	13,094
Research and Sponsored Programs	25,530	18,475
College of Science	587,829	924,533
Misc. Other Accounts	2,914,342	3,711,610
<b>Total</b>	<b>11,402,582</b>	<b>17,512,026</b>

# AGRICULTURE AID-TO-INSTRUCTION PROGRAMS

## AGRICULTURE AID-TO-INSTRUCTION PROGRAMS

**A**griculture Aid-to-Instruction Programs transform theory in classroom learning into practical application. Students gain actual entrepreneurial experiences as these programs give them the opportunity to bring meat, fruit, horticultural and vegetable products, as well as entertainment venues, to the campus community and the public marketplace. Each of these programs also facilitate working together in teams, establishing close relationships with faculty and staff and augmenting the college experience, all of which result in increased retention.

## ARABIAN HORSE SHOW



More than just an essential part of the charter at Cal Poly Pomona, the Arabian Horse Show represents the colorful history and tradition of

the W.K. Kellogg Arabian Horse Ranch. In honor of this tradition, which started in 1928, a show is held at 2:00 p.m. on the first Sunday of each month, October through June, weather permitting. Besides these programs, twelve shows are scheduled on Thursday mornings during the fall and spring quarters for the benefit of elementary students throughout Southern California.

In addition to its public appeal, the show provides the setting for experiential learning as student responsibilities encompass every aspect of the show, from grooming and fitting horses to set-up of arena props and ticket sales. Under the supervision of faculty and staff at the Kellogg Arabian Horse Center, these shows provide leadership experiences, as well as paid positions helping to support student education. The shows are important in preparing the student for a career in the horse industry.

The show continues to evolve as consideration is given to refining the acts and developing souvenir items to further enhance its entertainment value.

## PINE TREE RANCH

The Pine Tree Ranch is owned by the Foundation and operated by the College of Agriculture. Located in Ventura County, this 53-acre ranch provides students with a hands-on setting for practical education and work experience.

Though there were many challenges causing a number of trees to be without fruit, Hass avocado trees located next to pollinator trees did have some fruit. This cross-pollination phenomenon was further promoted by interplanting different varieties amongst the Hass trees.

During the winter, the Ranch hosted 6 field days to show growers Cal Poly Pomona's method of avocado canopy management. Shorter avocado trees and pollinators will greatly increase avocado crops while reducing harvesting costs.

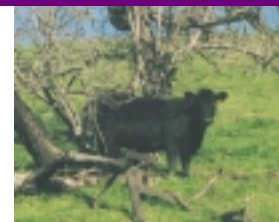
Although orange and lemon crops did not fare as well, the prospect of the AGRIsapes' Farm Store utilizing fresh fruit and fresh squeezed orange juice should improve the future outlook.

Significant savings will be realized by eliminating the purchase of trees from a commercial nursery. Instead, students will propagate and grow shorter trees on the Cal Poly Pomona campus and within two years replant them at Pine Tree Ranch.

## BEEF UNIT

The Beef Unit saw two successful years in the annual Feeder Calf Sale, with sales of 32 and 39 calves respectively, as well as at the Famosa Bull Sale where Angus bulls averaged \$2,500 and at the Arizona Nationals with heifers averaging over \$1,100.

The Beef Show Project also exhibited the College Reserve Champion Market Steer at the Los Angeles County Fair in September 1998 and also exhibited the College Champion, as well as the Reserve Champion Feeder Steer that was later named Supreme Champion Feeder Steer. These were two steer calves out of the Cal Poly Pomona herd.



The unit continues to expand the Maine Anjou herd to produce more show prospects and feeder steers, while maintaining the Angus herd and downsizing the Polled Herefords in response to market forces.

## FRUIT INDUSTRY

The Fruit Industry Program sells a wide variety of fruits and vegetables from its 50 acres of citrus, avocados and deciduous fruits to the campus community. Included in this list are mangos, several types of bananas, star fruit and tropical guavas. The student operated Packing House processes and stores the produced fruits that are subsequently available through the campus Farm Store.

The fruit returns for 1998-1999 year were stronger than the previous year. Recent circumstances such as El Niño and the decline in the Asian economy impacted the crops and their marketability. However, the shortage of fruit in domestic markets should still provide better returns to growers in southern California and increase sales in the Farm Store as prices in the local grocery stores rise.

The orchards continue to be upgraded. Addition of new citrus varieties and implementation of orchard renovation projects will enhance the selection of desirable fruits at the Cal Poly Pomona market.



# AGRICULTURE AID-TO-INSTRUCTION PROGRAMS

## MEAT LAB

The Meat Science & Processing Laboratory supports classroom study, research and contract projects that address the discipline of meat science and processing. Via student laboratory projects, new items have been developed and approved by the USDA. These products augment the growing list of student-produced meat items offered by the unit through the Farm Store.

The Neocrin Project continues to be a financial asset to the College of Agriculture, Department of Animal & Veterinary Sciences and the principle investigators. The contract provides experiential opportunities, as well as part-time employment, for approximately 10 students.

To comply with the Federal Pathogen Reduction/Hazard Analysis and Critical Control Points (HACCP) Act, Standard Operating Procedures for Sanitation were implemented and work initiated on developing a HACCP program scheduled to be in place by January 2000. Products will be monitored and information documented.

Reports, records and regulations regarding USDA Inspection Service have been increased due to new regulations concerning food safety. Future goals will include consistent production of saleable USDA approved meat from Cal Poly Pomona animals to be sold in the new farm store at AGRIsclapes.

## ORNAMENTAL HORTICULTURE

The Horticulture Unit markets an extensive selection of plants and cut flowers. Seasonal items such as poinsettias complement the various foliage, perennials, landscape color and flower plants available year-round.

Efforts continue to revolve around automating the current facility, expanding the perennial, rose and evergreen product line and tailoring products to meet the anticipated niche market at AGRIsclapes.

Ongoing marketing endeavors strive to increase exposure to local markets through banners, mailings and participation in the Chino Basin Metropolitan Water District with their drought tolerant plant education and Earth Day events.

The nursery is open for business weekday afternoons and on Saturdays.

## AGRONOMY FARM



The Fall Festival continued to provide an excellent venue for the College of Agriculture student clubs to generate revenue, as well as offer service back to the campus and surrounding community. As in the past couple of years, additional crops complemented the sales of pumpkins from the 45 acres planted for this event.

Development plans for AGRIsclapes include building a new Farm Store which will require growing additional crops to supply the anticipated customer base. Currently, the existing Farm Store serves the campus and community with surplus fruits and vegetables. The hours of operation are Monday-Friday, 1:00-5:30 p.m. and on Saturdays, 9:00 a.m.-2:00 p.m.

With a new agronomy faculty member hired and plans for a new Agronomy Farm Manager position, the unit anticipates new and creative ideas regarding the ranch's future cropping pattern along with exploring seed production of various crops that could be extremely profitable.

## SHEEP UNIT

The Sheep Unit and the Swine Unit offer experiential learning to Cal Poly Pomona students in addition to agriculture students attending Mt. San Antonio Community College.

Beyond research, lambs were provided for the Heritage Farm, Animal Welfare display, sheep fitting contest and petting zoo at the Los Angeles County Fair, as well as the Petting Zoo for the College of Agriculture's Fall Festival. Breeding stock and market lambs were also exhibited at the fair.

The Sheep Unit's short-term objective is to further improve the quality of market lambs available for purchase by 4-H and FFA clubs.

Rambouillets are still the main flock. These sheep are ideally suited for fall and winter classes as they lamb out of season. They are bred to have better wool quality, great mothering ability and multiple births.

## SWINE UNIT

Animals have been involved in a research project studying factors that may affect the growth performance of market pigs. They were also utilized as a source for a biomedical study associated with the Neocrin Project. Results from these projects produce a potential health benefit to the consumer.

Market swine were exhibited at the Los Angeles County Fair and plans are being set to continue improving the quality of show prospects by using more artificial insemination technology. Upgrading the feeder pigs will increase their purchase appeal to local 4-H and FFA clubs and hopefully entice interested students from the area to attend the college.





# MANAGEMENT PERSPECTIVE

## LAYING A FOUNDATION FOR THE FUTURE

During 1998-1999, the Foundation enjoyed two very productive years resulting in positive fiscal performances from each auxiliary unit. Several new faces joined the management team bringing additional strength and fresh ideas to their various operations. Over the past two years, operational assets increased from \$27.0 million to \$28.3 million. Endowments and funds administered on behalf of the university for Campus Programs grew from \$24.9 million to \$32.2 million as a result of holding significant contributions for construction projects and investment returns.

The Foundation is uniquely qualified to support the university's educational mission through its flexible structure, in touch with and immediately responsive to the needs of the campus community. The Board of Directors guides and directs the Foundation in assessing opportunities and challenges facing the university. A committed staff enthusiastically and expertly implements objectives to accomplish the many strategic and operational goals of the organization. Students and the educational enterprise provide the framework that is supported by the Foundation's activities.

The Foundation performed several studies to ensure the appropriate and adequate use of resources to anticipate the future needs of the university. As a result of the PKF Consulting Firm study, Kellogg West renovations are underway and scheduled for completion in the fall of 1999. Updated rooms and a new pool and spa will position KW to better serve its existing clientele and secure new business in conjunction with the Conference Center.

For the award-winning Dining Services, surveys provide feedback necessary to continue providing culinary excellence. As part of the University Union Improvement Project, several new dining venues will be created to offer varied dining concepts and additional seating to accommodate the increasing enrollment projections. Dining

Services will also open a convenience store in the Classroom/Laboratory/Administration Building (CLA) in response to the desires of faculty, staff and students. Acceptance and popularity of the Bronco Access Card will further tie customers to Foundation operations, from the bookstore and campus dining locales to the washing machines in the University Village.

Although reaching 100% occupancy was a significant accomplishment for Foundation Housing Service, plans for a 24-hour computer lab, strong residence life programs and support, as well as ongoing improvements to the apartments and grounds, demonstrate efforts to maintain a high level of satisfaction at the University Village.

The Bronco Bookstore's aesthetic changes and new logo will provide revitalization to an already successful unit. The bookstore intends to secure and grow its market share through the on-line textbook reservations and becoming fully operational in the world of e-commerce. Plans are in place to promote the Pony Pack Textbook Reservation Program to incoming students during campus orientation programs. A virtual storefront will augment the bricks and mortar location and appeal to alumni no longer in the area. Campus Books will strengthen its position in the community through the addition of a United States Contract Post Office Express (CPOE) scheduled to open in the fall of 1999.

Financial Services has actively supported all internal operations, as well as the increasing number of external customers, who look to the Foundation for fiscal administration. **Laying a Foundation for the Future** exemplifies the commitment in utilizing financial strength to further university construction programs such as the Kellogg House renovation and ARGScapes. The Foundation's role is vital to the successful completion of such upcoming and important events as the NASA Commercialization Center and Technology Park.

While the manner in which the Foundation operates continues to evolve in response to the changing university environment, its mission

remains constant. Management's objective is to effectively convey the essence of this mission, "Quality Service Supporting Quality Education," through expanded corporate marketing. Endeavors such as the Foundation Web Page, individual campus involvement and this annual report, provide opportunities to communicate our contributions to the Cal Poly Pomona community. Building awareness of the important partnership between the Foundation and the university will facilitate new endeavors as we enter the next millennium.

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# REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

## The Board of Directors

Cal Poly Pomona Foundation, Inc.:

We have audited the statements of financial position of Cal Poly Pomona Foundation, Inc. (a California State University Auxiliary Organization) (the Foundation) as of June 30, 1999 and 1998 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cal Poly Pomona Foundation, Inc. as of June 30, 1999 and 1998 and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedules 1 through 4 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued a report dated August 27, 1999 on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

August 27, 1999

KPMG LLP

# STATEMENTS OF FINANCIAL POSITION

JUNE 30, 1999 AND 1998 (WITH COMBINING INFORMATION FOR 1998)

Unrestricted

	GENERAL	DESIGNATED	AUXILIARY ACTIVITIES
<b>Current Assets</b>			
Cash and cash equivalents:			
On hand and in commercial accounts	\$ (19,726,369)	3,289,115	377,850
Cash equivalents	3,332,043	154,035	—
Total cash and cash equivalents	(16,394,326)	3,443,150	377,850
Marketable securities, at market	1,971,538	—	—
Short-term investments, at market	4,989,731	—	—
Investments restricted to use			
– debt services, at market	—	—	1,041,087
Receivables:			
Sponsored programs	—	—	—
Other activities	480,926	37,579	1,053,194
Less allowance for doubtful accounts	(58)	—	(104,168)
Total net receivables	480,868	37,579	949,026
Inventories	1,878	—	2,065,152
Prepaid expenses and deferred charges	25,049	15,000	39,105
Total current assets	(8,925,262)	3,495,729	4,472,220
Property, plant and equipment:			
Land	1,701	2,000	212,000
Buildings and improvements	2,379,568	—	15,249,436
Equipment, furniture and fixtures	640,616	6,581	4,805,670
Orchards	—	—	117,729
Construction in progress	—	—	412,237
	3,021,885	8,581	20,797,072
Less accumulated depreciation and amortization	(1,573,989)	(6,449)	(8,634,322)
Total property, plant and equipment	1,447,896	2,132	12,162,750
Long-term debt reserve fund	—	—	—
Long-term investments, at market	13,430,640	—	—
Total assets	\$5,953,274	3,497,861	16,634,970
<b>Liabilities and Net Assets</b>			
Current liabilities:			
Accounts payable	\$ 318,573	51,848	443,757
Accrued liabilities	895,328	1,238,354	301,840
Deferred income	91,732	—	733,479
Deposits held in custody for others	—	—	—
Current portion of notes payable	320,000	—	365,000
Receipts in excess of expenditures on specific sponsored programs	—	—	—
Due to (from) other activities	(63,452)	(1,082,415)	—
Total current liabilities	1,562,181	207,787	1,844,076
Long-term liabilities:			
Noncurrent portion of notes payable	335,000	—	5,955,000
Unitrust liability	—	—	—
Total long-term liabilities	335,000	—	5,955,000
Total liabilities	1,897,181	207,787	7,799,076
Net Assets			
Unrestricted net assets	4,056,093	3,290,074	8,835,894
Total liabilities and net assets	\$5,953,274	3,497,861	16,634,970

See accompanying notes to schedule.



SPONSORED PROGRAMS	Agency		TOTAL 1999	TOTAL 1998
	CAMPUS PROGRAMS	ENDOWMENT		
(129,082)	18,022,667	—	\$1,834,181	1,022,094
—	—	2,263,897	5,749,975	3,976,140
(129,082)	18,022,667	2,263,897	7,584,156	4,998,234
—	672,743	6,885,308	9,529,589	7,165,820
—	—	—	4,989,731	6,023,580
—	—	—	1,041,087	1,180,448
2,322,842	—	—	2,322,842	1,886,672
—	418,378	12,779	2,002,856	3,332,765
(21,936)	—	—	(126,162)	(122,773)
2,300,906	418,378	12,779	4,199,536	5,096,664
—	6,474	—	2,073,504	2,161,156
1,434	6,977	—	87,565	131,924
2,173,258	19,127,239	9,161,984	29,505,168	26,757,826
—	32,000	—	247,701	247,701
—	1,551,193	—	19,180,197	19,104,292
—	8,692	—	5,461,559	5,414,274
—	—	—	117,729	117,729
—	2,539,233	—	2,951,470	2,477,440
—	4,131,118	—	27,958,656	27,361,436
—	(255,460)	—	(10,470,220)	(9,656,298)
—	3,875,658	—	17,488,436	17,705,138
—	—	—	—	3,528
—	36,120	—	13,466,760	12,679,066
2,173,258	23,039,017	9,161,984	60,460,364	57,145,558
395,868	495,766	—	1,705,812	3,470,053
612	49,438	—	2,485,572	2,109,148
1,000	5,000	—	831,211	381,261
—	20,766,837	9,161,984	29,928,821	25,538,294
—	—	—	685,000	2,315,000
1,775,778	—	—	1,775,778	1,005,948
—	1,145,867	—	—	—
2,173,258	22,462,908	9,161,984	37,412,194	34,819,704
—	—	—	6,290,000	6,975,000
—	576,109	—	576,109	462,471
—	576,109	—	6,866,109	7,437,471
2,173,258	23,039,017	9,161,984	44,278,303	42,257,175
—	—	—	16,182,061	14,888,383
2,173,258	23,039,017	9,161,984	60,460,364	57,145,558

# STATEMENTS OF ACTIVITIES

YEAR ENDED JUNE 30,

Changes in unrestricted net assets:

	1999	1998
Revenues and gains:		
Auxiliary activities:		
Sales	\$24,738,920	20,719,427
Commissions, fees and other	835,153	433,291
Total auxiliary activities	25,574,073	21,152,718
Sponsored programs revenue	9,147,643	8,198,447
General activities:		
Investment income, net of allocations	228,703	670,585
Rental property	544,828	542,097
Administrative fees and other revenue	395,817	712,327
Total general activities	1,169,348	1,925,009
Total revenues and gains	35,891,064	31,276,174
Expenses:		
Auxiliary activities:		
Bookstores	9,613,095	9,249,974
Dining Services	6,832,374	6,384,016
Kellogg West Conference Center	1,584,007	1,525,579
Continuing Education	3,331,874	-
University Village	2,312,387	2,199,343
Agriculture Units	598,660	699,311
Total auxiliary activities	24,272,397	20,058,223
Sponsored programs expenses:		
Direct expenses	8,124,108	7,103,731
Indirect expenses	1,023,535	1,094,716
Total sponsored programs expenses	9,147,643	8,198,447
General expenses:		
Rental property expense	315,510	297,636
Administrative	431,666	747,171
Total general expenses	747,176	1,044,807
Designated expenses, net of interest earned	430,170	332,902
Total expenses	34,597,386	29,634,379
Change in unrestricted net assets	1,293,678	1,641,795
Net assets at beginning of year	14,888,383	13,246,588
Net assets at end of year	\$16,182,061	14,888,383

See accompanying notes to financial statements

# STATEMENTS OF CASH FLOWS

YEAR ENDED JUNE 30,

	1999	1998
Cash flows from operating activities:		
Change in net assets	\$1,293,678	1,641,795
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,253,475	1,271,903
Unrealized gains and losses on investments, net	(149,331)	(599,400)
Loss on retirement of fixed assets	5,329	18,602
Changes in operating assets and liabilities:		
Receivables	897,128	(1,132,069)
Inventories	87,652	(201,005)
Prepaid expenses and deferred charges	44,359	36,673
Accounts payable	(1,764,241)	1,112,782
Accrued liabilities	376,424	233,587
Deferred income	449,950	(64,463)
Deposits held in custody for others	4,390,527	3,054,775
Receipts in excess of expenditures on specific sponsored programs	769,830	166,482
Unitrust liability	113,638	11,674
Net cash provided by operating activities	7,768,418	5,551,336
Cash flows from investing activities:		
Purchases of fixed assets	(1,042,102)	(2,069,387)
Purchases of marketable securities	(1,953,300)	(2,563,027)
Purchases of investments	(7,012,376)	(8,043,631)
Proceeds from sales and maturities of investments	6,997,393	6,715,804
Net cash used in investing activities	(3,010,385)	(5,960,241)
Cash flows from financing activities:		
Payment of capital lease obligations	—	(363,796)
Repayments of principal on bonds and note payable	(2,315,000)	(595,000)
Decrease (increase) of debt reserve funds	142,889	(3,440)
Net cash used in financing activities	(2,172,111)	(962,236)
Net increase (decrease) in cash and cash equivalents	2,585,922	(1,371,141)
Cash and cash equivalents, beginning of year	4,998,234	6,369,375
Cash and cash equivalents, end of year	7,584,156	4,998,234
Supplemental disclosure of cash flow information – interest paid during the year	547,000	675,338

See accompanying notes to financial statements.

# COMBINING STATEMENTS OF ACTIVITIES

## AUXILIARY ACTIVITIES

### Dining Services

YEAR ENDED JUNE 30, 1999		BOOKSTORES	RESIDENCE HALL	VENDING	CASH OPERATIONS	TOTAL DINING SERVICES
Sales	\$	9,969,126	3,028,114	66,859	3,792,020	6,886,993
Cost of sales		7,594,774	921,972	22,964	1,289,621	2,234,557
Gross profit		2,374,352	2,106,142	43,895	2,502,399	4,652,436
Operating expenses:						
Salaries and wages		843,182	635,195	57,634	1,262,054	1,954,883
Employee benefits		213,163	208,357	16,798	340,346	565,501
Rent		49,376	183,823	15,677	163,009	362,509
Depreciation		111,523	58,320	164	182,220	240,704
Advertising		11,651	19,207	1,024	35,452	55,683
Repairs and maintenance		35,815	27,541	942	75,166	103,649
Utilities		47,355	77,061	1,886	48,836	127,783
Telephone		19,176	6,669	156	17,091	23,916
Postage and freight		31,908	133	—	610	743
Supplies		43,658	138,873	1,297	220,208	360,378
Services		29,982	180,956	20,234	42,374	243,564
Feed		—	—	—	—	—
Interest		—	—	—	225	225
Insurance		13,197	5,977	73	19,258	25,308
Agriculture		—	—	—	—	—
Other		100,043	54,546	440	72,560	127,546
Total operating expenses		1,550,029	1,596,658	116,325	2,479,409	4,192,392
Net income (loss) from operations		824,323	509,484	(72,430)	22,990	460,044
Other income		78,479	18,698	232,943	3,578	255,219
General and administrative		(468,292)	(172,952)	(17,018)	(215,455)	(405,425)
Net income (loss)	\$	434,510	355,230	143,495	(188,887)	309,838
See accompanying independent auditors' report.						
YEAR ENDED JUNE 30, 1998		BOOKSTORES	RESIDENCE HALL	VENDING	CASH OPERATIONS	TOTAL DINING SERVICES
Sales	\$	9,796,002	2,637,218	56,304	3,733,722	6,427,244
Cost of sales		7,239,151	747,646	21,380	1,213,410	1,982,436
Gross profit		2,556,851	1,889,572	34,924	2,520,312	4,444,808
Operating expenses:						
Salaries and wages		831,963	612,119	51,390	1,328,286	1,991,795
Employee benefits		254,233	211,360	20,198	406,346	637,904
Rent		31,237	159,300	19,920	164,700	343,920
Depreciation		112,342	43,467	218	188,615	232,300
Advertising		11,084	4,288	—	30,810	35,098
Repairs and maintenance		41,453	20,482	711	89,626	110,819
Utilities		40,525	74,172	2,188	61,935	138,295
Telephone		19,181	6,229	929	17,716	24,874
Postage and freight		21,864	161	—	474	635
Supplies		31,715	114,409	903	206,207	321,519
Services		28,250	161,532	15,673	(85,634)*	91,571
Feed		—	—	—	—	—
Interest		—	—	—	4,221	4,221
Insurance		14,830	6,965	45	22,577	29,587
Agriculture		—	—	—	—	—
Other		104,283	51,935	859	67,500	120,294
Total operating expenses		1,542,960	1,466,419	113,034	2,503,379	4,082,832
Net income (loss) from operations		1,013,891	423,153	(78,110)	16,933	361,976
Other income		84,985	5,167	206,309	1,840	213,316
General and administrative		(467,863)	(126,835)	(12,606)	(179,307)	(318,748)
Net income (loss)	\$	631,013	301,485	115,593	(160,534)	256,544

\* Represents allocation of dining services management to other dining services categories



Other

KELLOGG WEST CONFERENCE CENTER	CONTINUING EDUCATION	UNIVERSITY VILLAGE	TOTAL OTHER	AGRICULTURE	TOTAL
1,624,521	2,997,016	2,681,950	7,303,487	579,314	24,738,920
13,923	—	—	13,923	85,805	9,929,059
1,610,598	2,997,016	2,681,950	7,289,564	493,509	14,809,861
532,884	1,100,880	360,316	1,994,080	120,569	4,912,714
155,320	186,797	96,499	438,616	18,139	1,235,419
62,105	275,681	1,757	339,543	2,885	754,313
172,819	5,671	502,404	680,894	16,171	1,049,292
77,994	330,872	23,084	431,950	1,342	500,626
82,658	27,762	128,353	238,773	18,146	396,383
126,103	—	248,652	374,755	20,208	570,101
52,856	8,558	30,929	92,343	716	136,151
7,139	90,176	2,277	99,592	81	132,324
72,593	178,388	87,249	338,230	50,633	792,899
40,480	800,548	102,332	943,360	5,386	1,222,292
—	—	—	—	81,222	81,222
—	2,145	466,363	468,508	—	468,733
25,691	338	38,465	64,494	9,908	112,907
—	—	—	—	109,351	109,351
73,722	174,729	63,749	312,200	35,754	575,543
1,482,364	3,182,545	2,152,429	6,817,338	490,511	13,050,270
128,234	(185,529)	529,521	472,226	2,998	1,759,591
1,348	334,858	136,047	472,253	29,202	835,153
(87,720)	(149,329)	(159,958)	(397,007)	(22,344)	(1,293,068)
41,862	—	505,610	547,472	9,856	1,301,676
1,430,881		2,441,061	3,871,942	624,239	20,719,427
9,739		—	9,739	119,647	9,350,973
1,421,142		2,441,061	3,862,203	504,592	11,368,454
532,272		332,806	865,078	141,554	3,830,390
204,524		102,275	306,799	29,334	1,228,270
52,279		1,026	53,305	3,755	432,217
178,826		474,680	653,506	14,148	1,012,296
65,404		13,622	79,026	929	126,137
50,832		222,716	273,548	25,844	451,664
122,872		70,188	193,060	15,254	387,134
52,073		18,752	70,825	1,449	116,329
6,276		2,725	9,001	155	31,655
67,229		52,088	119,317	51,648	524,199
156		82,622	82,778	9,800	212,399
—		—	—	84,869	84,869
22,159		582,894	605,053	—	609,274
24,107		48,752	72,859	10,220	127,496
—		—	—	127,629	127,629
70,806		74,709	145,515	36,822	406,914
1,449,815		2,079,855	3,529,670	553,410	9,708,872
(28,673)		361,206	332,533	(48,818)	1,659,582
6,486		48,278	54,764	80,226	433,291
(66,025)		(119,488)	(185,513)	(26,254)	(998,378)
(88,212)		289,996	201,784	5,154	1,094,495

# NOTES TO FINANCIAL STATEMENTS

## (1) Organization

Cal Poly Pomona Foundation, Inc. (the Foundation) was organized as a non-profit corporation and auxiliary organization of the California State Polytechnic University, Pomona (the University) in 1966. The Foundation assists the University in several ways, including the development and administration of research and education grants and contracts; conducting campus bookstores, dining services, apartment-style housing and conference center operations; the accumulation and management of endowment and student scholarship funds on behalf of the University; and the administration of various educationally related functions, special programs and other activities.

## (2) Summary of Significant Accounting Policies

A summary of the Foundation's significant accounting principles applied in the preparation of the accompanying financial statements follows:

### (a) Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting.

### (b) Basis of Presentation

The financial statements of the Foundation have been presented in accordance with the Auditing and Accounting Guide for Not-For-Profit Organizations issued by the American Institute of Certified Public Accountants. The guide states that net assets and revenues, expenses, gains and losses should be classified based on the existence or absence of donor-imposed restrictions. All net assets that are not subject to donor-imposed restrictions are reported as unrestricted net assets. Accordingly, net assets of the Foundation and changes therein are classified and reported as unrestricted net assets. A description of each classification follows to more clearly present the Foundation's activities:

#### (1) Auxiliary Activities

Auxiliary activities represent transactions related to the Foundation's ongoing revenue-producing, self-supporting activities, which are conducted in support of the University's activities. It is the Foundation's policy to allocate certain administration expenses from general activities to the auxiliary operations. The auxiliary activities account for the activities of the bookstores, dining services and vending operations at the University, Kellogg West Education Center, Continuing Education, University Village and Agriculture Aid-to Instruction Programs.

#### (2) Sponsored Programs

The Foundation provides fiscal services for grants and contracts received from outside sources for faculty, staff and students of the

University. These research activities enable the campus community to further study fields of interest with funding from off campus.

#### (3) General

General activities include management of all financial resources of the Foundation that are not required to be accounted for in other areas. Revenues are generated through investment of excess cash, rental of office space and fees for administration of campus-related programs.

#### (4) Designated

Designated represents the activity from appropriations of certain assets, which the Foundation's Board of Directors has set aside for specific purposes.

#### (5) Agency Accounts

The agency accounts represent all funds held by the Foundation for others. Included are funds administered by the Foundation on behalf of University academic and administrative units and other campus organizations, which are shown as deposits held in custody for others on the combining statement of financial position. Gift instruments received by the Foundation on behalf of the University that are subject to donor-imposed restrictions where the principal is required to be invested and held in perpetuity are classified as endowment.

#### (c) Cash and Cash Equivalents

Cash and cash equivalents consist primarily of fixed-income securities of the United States Government, corporate bonds with original maturities of three months or less when purchased and investments in the State Treasurer's Local Agency Investment Fund and state investment pools.

As a result of the Foundation's cash management program, all short-term investments are made with excess cash of the various funds, except for restricted cash (debt service) in auxiliary activities, and are recorded in the General and Endowment activities. This results in a credit balance for cash on hand and in commercial accounts in the General activities. The General activities also initially pay for expenditures of the Sponsored Programs and are subsequently reimbursed by them. This also results in a credit balance for cash on hand and in commercial accounts in Sponsored Programs. Since the investment function is a General activity, the related investments income, net of allocations to agency and designated accounts, is recognized in the General net assets.

#### (d) Concentration of Credit Risk – Cash

The Foundation maintains its cash balances at one financial institution and is exposed to credit risk for amounts exceeding federally insured limits (\$100,000) in the event of nonperformance by the financial institution. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk for cash and cash equivalents. Total amounts uninsured at June 30, 1999 and 1998 were \$1,552,428 and \$919,627, respectively.

#### (e) Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the accompanying statements of activities as investment income.

Fair values of investments are based on quoted market prices. The Foundation does not require collateral or other security to support financial instruments subject to credit risk. However, it is the Foundation's policy to invest in only high-grade securities.

#### (f) Property, Plant and Equipment

Property, plant and equipment are stated at cost or, if donated, at their estimated fair market value at the date of donation. Depreciation is provided using the straight-line method over the assets' estimated useful lives, which range from 3 to 30 years.

Included in building and improvements is gross bond issuance costs of approximately \$622,000 in 1999 and 1998, which is being amortized over the life of the bonds.

#### (g) Deposits Held in Custody for Others

Funds administered by the Foundation on behalf of the University academic and administrative units and other campus organizations are recorded as deposits held in custody for others and are recorded as a current liability. It is management's belief that the Foundation is acting as an agent for the transactions of these units. Accordingly, the financial activities of such organizations have not been recorded in the accompanying statements of activities.

However, the Foundation does track the financial activities of such organizations which include donations and contributions for the years ended June 30, 1999 and 1998 of \$7,660,935 and \$4,085,206, respectively. The assets received and liabilities incurred in conjunction with these agency transactions are recorded in the accompanying statements of financial position as follows at June 30:

	1999	1998
Cash on hand and in commercial accounts	\$ 18,022,667	19,122,231
Cash equivalents	2,263,897	105,392
Marketable securities	7,558,051	4,325,824
Long-term investments	36,120	36,706
Receivables	431,157	1,112,916
Inventories	6,474	7,097
Prepaid expenses and deferred charges	6,977	11,509
Property, plant and equipment	3,875,658	3,889,186
Accounts payable	(495,766)	(1,269,791)
Accrued liabilities	(49,438)	(78,349)
Deferred income	(5,000)	(811)
Due to other activities	(1,145,867)	(1,261,145)
Unitrust liability	(576,109)	(462,471)
Net deposits held in custody for others	\$ 29,928,821	25,538,294

#### (h) Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### (i) Income Taxes

The Foundation is exempt from federal income and state franchise taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

### (3) Designated Net Assets

The following are the unexpended net asset balances that have been designated for specific purposes by the Board of Directors as of June 30:

	1999	1998
Agriculture state share reserve	\$ 75,000	75,000
Equipment replacement	1,586,977	1,416,422
Faculty/staff housing	15,000	15,000
Foundation emergency reserve	120,152	120,151
Indirect cost disallowance	130,936	130,936
Interim Design Center	1,168,218	1,168,218
Pine Tree Ranch operations	77,089	77,089
University projects initiative	54,144	54,144
Voorhis fellowship	30,766	29,165
Other	31,792	17,428
	\$ 3,290,074	3,103,553

Expenditures of Board-designated assets on activities, net of interest earned, for the years ended June 30, 1999 and 1998 are summarized as follows:

# NOTES TO FINANCIAL STATEMENTS

	<u>1999</u>	<u>1998</u>
Athletic program	\$ 40,000	40,000
College of Engineering fund-raising campaign	-	(79,956)
News and publications	154,813	157,747
Office of Development	123,790	132,304
President's International Program	-	18,969
Public relations	78,170	72,452
Resident Dining equipment	34,868	-
Special Foundation grants	2,763	8,099
	<u>434,404</u>	<u>349,615</u>
Less interest earned	(4,234)	(16,713)
Net designated expenses	<u>\$ 430,170</u>	<u>332,902</u>

## (4) Grants and Contracts

The Foundation serves as administrator for grants and contracts awarded to the University by government and private institutions. Contractual and earned receivables totaled \$2,322,842 and \$1,886,672 at June 30, 1999 and 1998, respectively, and are shown in the accompanying statements of financial position as "sponsored programs receivable." Amounts received by the Foundation in advance of expenditures totaling \$1,775,778 and \$1,005,948 at June 30, 1999 and 1998, respectively, are presented in the accompanying statements of financial position as liabilities captioned as "receipts in excess of expenditures on specific sponsored programs."

## (5) Investments and Cash Equivalents

Foundation investments are generally publicly traded marketable securities and are recorded at fair value. Investments and cash equivalents consist of the following at June 30:

	<u>1999</u>	<u>1998</u>
Corporate debt securities	\$ 6,528,288	6,617,322
Treasury notes	3,043,053	5,068,474
Commercial paper	8,885,150	7,016,850
Cash equivalents	5,749,975	3,976,140
Equity securities	9,529,589	7,165,820
	<u>\$ 33,736,055</u>	<u>29,844,606</u>

	<u>1999</u>	<u>1998</u>
Cash equivalents	\$ 5,749,975	3,976,140
Marketable securities	9,529,589	7,165,820
Other short-term investments	4,989,731	6,023,580
Long-term investments	13,466,760	12,679,066
	<u>\$ 33,736,055</u>	<u>29,844,606</u>

In accordance with Foundation policy, investment income on investments and loans to Campus Programs accounts is shown in the accompanying statements of activities, net of allocations to agency and designated accounts. Such allocations total \$1,739,191 and \$1,902,436 in 1999 and 1998, respectively.

	<u>1999</u>	<u>1998</u>
Net unrealized gains and losses	\$ 149,331	599,400
Interest and dividend income and gain on sale of investments	<u>1,818,563</u>	<u>1,973,621</u>
	<u>\$ 1,967,894</u>	<u>2,573,021</u>

The Foundation also maintains debt reserve funds required by its bond covenants. These funds are invested in treasury notes and mutual funds. The debt reserve funds consist of the following at June 30:

	<u>1999</u>	<u>1998</u>
Treasury notes	\$ -	3,528
Mutual funds	<u>1,041,087</u>	<u>1,180,448</u>
	<u>\$ 1,041,087</u>	<u>1,183,976</u>

## (6) Bonds and Note Payable

A summary of bonds and note payable at June 30, 1999 and 1998 follows:

	<u>1999</u>	<u>1998</u>
Bonds collateralized by the revenues generated by the student housing facility:		
Series 1990 A Bonds (1)	\$ -	1,680,000
Series 1990 B Bonds (2)	6,320,000	6,655,000
Five-year unsecured loan through the Student Loan Marketing Association (Sallie Mae) (3)	<u>655,000</u>	<u>955,000</u>
	<u>6,975,000</u>	<u>9,290,000</u>
Less current portion	<u>(685,000)</u>	<u>(2,315,000)</u>
Noncurrent portion of bonds and note payable	<u>\$ 6,290,000</u>	<u>6,975,000</u>

(1) In fiscal 1985, the Foundation issued bonds in the amount of \$3,800,000 to finance construction of a student housing facility (Phase I of II) which was completed in September 1985. The facility is located on land leased from the University. The 1985 bonds were re financed in 1991 as the Series 1990 A Bonds and again in 1995 to extend the final payment to March 30, 1998. The final payment was actually made on September 15, 1998 per a subsequent addendum.

(2) In fiscal 1991, the Foundation issued Series 1990 B Bonds in the amount of \$8,000,000 to finance construction of a student housing



facility (Phase II of II) which began in September 1991. The facility is located on land leased from the University. During fiscal 1994, the Foundation negotiated to restructure the conditions of the bonds. The remaining restructured bonds bear interest at varying rates averaging 6.8%; semi-annual deposits are made into a debt reserve fund 45 days in advance of interest payments in an amount equal to the required interest payment plus one-half of the principal of the bonds becoming due in the immediate 12 months. The bonds are collateralized by property and the revenues generated by the student housing facility. The bonds are redeemable at the option of the Foundation on an interest payment date on or after February 1, 2003 through August 1, 2003, at 102%; February 1, 2004 through August 1, 2004, at 101%; and at 100% from February 1, 2005 and thereafter.

- (3) In July 1996, the Foundation obtained a five-year loan through the Student Loan Marketing Association (Sallie Mae). This financing agreement was for \$1,500,000 with interest to be paid at a rate tied to the three-month Reuters LIBOR rate plus .75% (approximately 5.9% at June 30, 1999) not to exceed 10%. Annual principal payments are due in June of each year, and the financing agreement with Sallie Mae matures on July 1, 2001.

The following is a schedule of five-year maturities under the bonds and note payable at June 30, 1999:

Years ending June 30:		
2000	\$	685,000
2001		775,000
2002		470,000
2003		500,000
2004		530,000
Thereafter		<u>4,015,000</u>
	\$	<u>6,975,000</u>

Interest expense on the bonds and note payable totaled \$524,754 and \$664,591 for the years ended June 30, 1999 and 1998, respectively.

## (7) Commitments

The Foundation has a food service agreement with the Trustees of the California State University. The agreement is renegotiated annually and requires that the Foundation pay a share of the total debt service for the use of Los Olivos Commons, based on 6% of gross annual sales of the residence hall food service facility. For the years ended June 30, 1999 and 1998, the debt service commitment was \$182,755 and \$158,543, respectively, which was included in rent expense.

Land and certain facilities used in the Foundation operations are leased for a nominal amount from both the State of California and the University. The leases are in effect with various termination dates between 2010 and 2015.

The Foundation has various noncancelable operating lease agreements for retail space used in the operation of an off-campus bookstore and office equipment, with terms ranging from 24 to 60 months.

Future minimum payments under noncancelable operating lease agreements at June 30, 1999 are as follows:

Years ending June 30:		
2000	\$	102,018
2001		90,635
2002		16,020
2003		4,702
Thereafter		<u>2,351</u>
Total	\$	<u>215,726</u>

## (8) Pension Plan

The Foundation participates in a multi-employer defined benefit plan through the California Public Employees' Retirement System (PERS) which covers substantially all regular full-time employees of the Foundation. PERS 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. The effects of adopting the reporting provisions of the FASB on the financial statements as of June 30, 1999 versus the information provided by PERS have been determined to be immaterial to the Foundation's financial statements taken as a whole.

The Foundation's policy is to fund pension costs as incurred. No pension expense was recorded in the accompanying statement of activities for the year ended June 30, 1999. The following tables set forth the most recent information provided by PERS which is as of June 30, 1997 (the latest date for which information is available):

Present value of benefits:		
Active members	\$	9,681,929
Transfers		1,021,292
Vested terminations		600,386
Receiving payments		<u>5,604,433</u>
Total		16,908,040
Present value of future employer normal costs		3,720,875
Present value of future employee contributions		<u>2,170,259</u>
Entry age normal accrued liability		<u>11,016,906</u>
Actuarial value of assets:		
Employer reserves		12,776,827
Active employee account balances		<u>1,756,660</u>
Total valuation assets		14,533,487
Unfunded accrued liability (excess assets)	\$	<u>(3,516,581)</u>

## (9) Unitrust Liability

The Foundation administers irrevocable charitable remainder trusts which provide for the payment of lifetime distributions to the trustors or other designated beneficiaries. Upon the demise of the lifetime beneficiary, the trusts provide for the distribution of assets to the designated remainderman. Remainder trust funds designated to the Foundation are recorded as donations in the accompanying financial statements in the years received. At June 30, 1999, there are no remainder trust funds designated to the Foundation. The remainder trust funds designated to other organizations are recorded as an asset for the amount received and a corresponding liability in the accompanying statements of financial position. The aggregate value of these trusts is reported as an asset and a liability in the agency classification in the accompanying statements of financial position.

# NOTES TO FINANCIAL STATEMENTS

## (10) Transactions with the University

The Foundation and the University provide various services on each other's behalf. Such services are appropriately billed. At June 30, 1999 and 1998, receivables from other activities include approximately \$446,067 and \$950,000, respectively, due from the University, and accounts payable include approximately \$531,939 and \$1,219,571 due to the University at June 30, 1999 and 1998, respectively.

Amounts billed by the Foundation and included in revenues for the years ended June 30, 1999 and 1998 totaled approximately \$5,852,660 and \$4,807,280, respectively. Amounts billed to the Foundation and included in expenses for the years ended June 30, 1999 and 1998 totaled approximately \$3,138,091 and \$2,330,599, respectively.

## (11) Other Post-Retirement Benefits

In addition to the Foundation's multi-employer defined benefit pension plan, the Foundation sponsors a defined benefit health care plan that provides post-retirement medical benefits to full-time employees who have at least 5 years of service and attained age 50 while in service with the Foundation. The plan is contributory up to a pre-determined cap. The Foundation's policy is to fund the cost of medical benefits in amounts determined at the discretion of management. The following table summarizes the Foundation's accrued post-retirement benefit cost recorded in accrued liabilities in the accompanying statements of financial position:

	<u>1999</u>	<u>1998</u>
Accumulated post-retirement benefit obligation:		
Retirees and dependents	\$1,523,916	1,413,916
Fully eligible active plan participants	1,693,384	1,467,692
Other active plan participants	359,967	523,576
	<u>3,577,267</u>	<u>3,405,184</u>
Unrecognized transition obligation	<u>(2,339,069)</u>	<u>(2,485,261)</u>
Accrued post-retirement benefit cost	<u>\$1,238,198</u>	<u>919,923</u>

Net periodic post-retirement benefit cost included the following components:

	<u>1999</u>	<u>1998</u>
Service cost	\$ 111,508	103,249
Interest cost	264,918	251,159
Benefit payments made	(204,343)	(177,415)
Amortization of transition obligation over 20 years	146,192	146,192
Net periodic post-retirement benefit cost	<u>\$ 318,275</u>	<u>323,185</u>

The annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) is 2.5% for 1999 and 1998 and is assumed to increase gradually up to a maximum of 5% in subsequent years. The weighted-average discount rate used in determining the accumulated post-retirement benefit obligation was 8% at June 30, 1999 and 1998.



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