

CAL POLY POMONA FOUNDATION, INC.  
CALIFORNIA STATE POLYTECHNIC UNIVERSITY, POMONA

Meeting of the Board of Directors, Number 364

October 1, 2015 at 2 pm  
Kellogg West Conference Center and Hotel-Garden Vista Room

AGENDA

ANNUAL MEETING

Roll Call

			Page
I.	<b><u>PRESIDENT'S REPORT</u></b>	Soraya Coley, President	
A.	Election and Appointment of 2015-16 Board Members: (ATTACHMENT 364-I-A)		1 - 2
	Dr. Sylvia Alva – appointment to Designated Director (VP for Academic Affairs/Provost)		
	Dr. Ben Quillian – appointment to Designated Director (Acting VP for Administrative Affairs)		
	Mr. Bedford McIntosh – appointment to Designated Director (VP for Advancement)		
	Ms. Kathleen Street – appointment to Designated Director (Acting VP for Student Affairs)		
	Dr. Sep Eskandari – appointment to Designated Director (Chair, Faculty Senate)		
	Mr. Julian Herrera – appointment to Designated Director (ASI President)		
	Dr. David Speak – election to Faculty Director (Professor, Political Science)		
	Ms. Erica Frausto – election to At Large Director (Executive Director, Pomona Chamber of Commerce)		
	Ms. Sarah De La Parra – election to Staff Director (Administrative Coordinator, Veterinarian and Animal Sciences)		
	Mr. Greg Kommel – election to Student Director, ASI (Science Senator)		
II.	<b><u>ACKNOWLEDGEMENT OF MEMBERS OF THE PUBLIC</u></b> <i>who may or may not be commenting on a specific item or making a general comment.</i>		
III.	<b><u>CONSENSUS ACTION ITEMS</u></b>		
	<i>Consensus Items: Items in this section are considered to be routine and acted on by the committee in one motion. Each item of the Consent agenda approved by the committee shall be deemed to have been considered in full and adopted as recommended. Any committee member may request that a consent item be removed from the consent agenda to be considered as a separate action item. If no additional information is requested, the approval vote will be taken without discussion. An "A" distinguishes items requiring approval.</i>		
A.	Reading of Minutes 363 (05/21/15) (ATTACHMENT 363A-III-A)	Soraya Coley Board Chair	3 -5
B.	2015-16 Board Meeting Schedule (ATTACHMENT 364-III-B) A	G. Paul Storey Executive Director	6
C.	2015-16 Board Committee Assignment (ATTACHMENT 364-III-C) A	G. Paul Storey Executive Director	7
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F.	2014-15 External Child Care Ctr. Audit (ATTACHMENT 364-III-F) A	David Prenovost Senior Manager/CFO	45 - 81
IV.	<b><u>ACTION ITEMS</u></b>		
A.	Election of Officer-Vice Chair – 2015-2016 (ATTACHMENT 364-IV-A)	G. Paul Storey Executive Director	82 - 84
B.	2014-15 Financial and Single Audit Reports (ATTACHMENT 364-IV-B)	David Prenovost Senior Manager/CFO	85 - 192
C.	Endowment Spending Distribution Approval (ATTACHMENT 364-IV-C)	David Prenovost Senior Manager/CFO	193 - 195

D.	General and Endowment Investment Policy Approval (ATTACHMENT 364-IV-D)	David Prenovost Senior Manager/CFO	196 - 216
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V. **DISCUSSION ITEMS**

VI. **INFORMATION ITEMS**

*The following items provide information and reports by management staff to the committee. Staff and committee may engage in discussion on any item if requested by committee member or staff member.*

A.	Lanterman Property (CPP South) Update (ATTACHMENT 364-VI-A)	G. Paul Storey Executive Director	217
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B.	Presentation on Board Member Duties (ATTACHMENT 364-VI-B)	G. Paul Storey and Robert Griffith	218 - 255
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C.	Executive Director's Report (ATTACHMENT 364-VI-C)	G. Paul Storey Executive Director	
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VII. **DIRECTORS OPEN FORUM**

## **Appointed Board Members:**

**Dr. Sylvia Alva - Provost and VP for Academic Affairs** She has been part of the California public higher education system for more than three decades, since her undergraduate years at Cal State Los Angeles, was formerly the dean of the College of Health and Human Development at CSUN. Prior to working at Cal State Northridge, she held numerous administrative posts at Cal State Fullerton, including associate vice president for undergraduate programs. She was also the founding director of the Fullerton First Year Program and served as the director of the Academic Advisement Center. Dr. Alva received her master's and doctoral degrees in psychology from UCLA.

**Dr. Ben Quillian - Acting VP for Administrative Affairs** Ben has served as the Executive Vice Chancellor and Chief Financial Officer in the Chancellor's Office. He has also served as Senior Vice President for Business and Operations and Chief Financial Officer for the American Council on Education. He has held similar senior leadership positions at Fresno State and Southern Illinois University at Edwardsville. He has written numerous articles and given presentations on financial stewardship, strategic planning and budgeting, affirmative action and diversity, and juvenile justice. Dr. Quillian completed his undergraduate education at Harris Teachers College in St. Louis. He received a master's in educational administration at Southern Illinois University at Edwardsville and his doctoral degree in social relations in education at Washington University.

**Mr. Bedford McIntosh - VP for Advancement** Bedford McIntosh most recently served as vice president for advancement at Claremont Graduate University. Mr. McIntosh has also held a number of leadership positions at Whittier College, including vice president for advancement. He was vice president for development and alumni relations at Loyola Marymount University. Additionally, he has worked in university advancement at Harvey Mudd College, Caltech and UCLA. He completed his undergraduate education at UCLA, studying political science and history.

**Ms. Kathleen Street – Acting VP for Student Affairs** Ms. Street, most recently the associate vice president for Enrollment Management & Services, has provided leadership for the integration of services and programs offered through the offices of Admissions & Outreach, Financial Aid & Scholarships, Orientation Services, Registrar's Office, Veterans Resource Center and a centralized student service model that will be introduced later this year. Throughout her 20 years at Cal Poly Pomona, Street has been involved in multiple initiatives related to strategic planning, student success, technology and service enhancement. She began her career in higher education as the director of financial aid at UNLV and later served as the associate dean of admissions and financial aid at Whittier College. She received a bachelor's in sociology from UCLA and her master's in counseling in higher education from UNLV.

**Dr. Sepehr Eskandari – Chair, Faculty Senate** is a professor in the Biological Sciences Department, and currently serves as the Chair of the department. He has been a faculty member at Cal Poly Pomona since Fall 2000. His connection to Cal Poly Pomona goes back a long way, however, as he pursued his undergraduate (chemistry, 1993) and master's (biology, 1995) studies at Cal Poly Pomona. After completing a Ph.D. in Physiology at UCLA (1999), and a post-doctoral fellowship also at UCLA (Physiology and Neurobiology, 2000), he returned to his home institution.

**Mr. Julian Herrera – President, ASI** is a senior studying Communication with an emphasis in Public Relations. Throughout his years at Cal Poly Pomona he has been very involved in various aspects of leadership. He was President of Hermanos Unidos, a Latino nonprofit organization that works with students in higher education to improve the Latino retention rate. He is also part of the California State Student Association (CSSA), a statewide organization that advocates on behalf of all 23 California State Universities and their students. He loves community service and outreach, and has been a mentor at the local Boys and Girls Club of Pomona Valley. He plans on finishing his undergraduate career at the end of spring quarter 2016, and wishes to open his own nonprofit that will service underrepresented youth with their dreams of attending college. He wishes to bring all of his experience and personality into his role as the 2015-16 ASI President, and make it a successful year for the organization and CPP students.

## **Elected Board Members:**

**Dr. David Speak – Professor, Political Science** received his bachelor's degree from UC Santa Cruz, and his graduate work in Chapel Hill at the University of North Carolina. His Masters and PhD are in Political Theory. He has taught at eight institutions of higher education, including UNC, NC State, the University of Iowa and Claremont McKenna College. He served a four year term as an elected Trustee of the Claremont Unified School District, presiding over the Board in his last year in office. He came to Cal Poly Pomona in 1990 and has twice served as Chair of the Political Science Department. Dr. Speak was the first Director of New Faculty Orientation at Cal Poly Pomona and served as Director of the Service Learning Center. He has also served two terms as Chair of the Faculty Senate.

**Ms. Erica Frausto – Executive Director, Pomona Chamber of Commerce** After earning a Bachelor of Science in Communications from California State Polytechnic University, Pomona in 2005, she began her pursuit of a career in economic development working for a non-profit community development corporation in Los Angeles that focused on the growth of the minority small business community. Seeing the need for advocacy and support in business community, she was also able to use her education in public relations to network with local stakeholders and politicians. As her interest in economic development grew she became the Business Development Specialist for the City of Pomona under the former Redevelopment Agency. An opportunity to serve as the Business Improvement District Manager for the City of Huntington Park provided her an arena to work with over 400 businesses and help secure the city's CA State Enterprise Zone program. She managed a 3 million dollar grant from the Metropolitan Transportation Authority. Erica's career path broadened with a position at the Rancho Santiago Community College District. She performed economic development activities in the retail, hospitality and tourism industries in the Orange County and Los Angeles County regions before returning to Pomona.

**Ms. Sarah De La Parra – Administrative Support Coordinator, Animal & Veterinary Sciences Department** Ms. De La Parra has been with CPP since 2009. She started as an Emergency Temporary and became the Administrative Support Coordinator for the Engineering Technology Department in January of 2012. She joined Staff Council in June of 2012, has held the position of E-board Member at Large since 2014. Sarah has held committee chair positions for the Amelia Hammond Valentine's Day Fundraiser, Staff Appreciation Day Showcase of Talent & Morning Reception, and Rose Float Committee. She also co-chairs the Holiday & Harvest Boutique held in December and May each year and serves on the Service Awards committee. In July of 2013 Sarah took on the ASC role for the College of Agriculture's Animal & Veterinary Science Department. Sarah was named Staff of the Year for College of Agriculture in June of 2015. Sarah coordinates many luncheons and holiday events for the College of Ag faculty and staff. She founded the campus staff club, "Raising a Little Health" in 2013 and currently serves as a club advisor for the Animal Health Science Technology Association (AHSTA) Club.

**Mr. Greg Kommel – Science Senator, ASI** is a third year applied mathematics major at Cal Poly Pomona. He currently serves as the president of Hillel, the organization of Jewish students, and vice president of Broncos for Israel, Cal Poly Pomona's Israel education club. In his free time he enjoys rock climbing, traveling, and golfing. He strongly believes in Cal Poly Pomona's "Learn by Doing" philosophy and is constantly seeking out new opportunities to learn and grow as a person. Serving as this year's ASI Senator to the College of Science, he plans on using his passion and energy to enhance the student experience at Cal Poly Pomona.

CAL POLY POMONA FOUNDATION, INC.  
California State Polytechnic University, Pomona

MINUTES OF MEETING NO. 363  
OF THE  
BOARD OF DIRECTORS  
May 21, 2015

Pursuant to a written order by Dr. Soraya M. Coley, delivered to each member of the Board of Directors on February 27, 2015, the Board of Directors of the CAL POLY POMONA FOUNDATION, INC. assembled and held a meeting on the campus of the California State Polytechnic University, Pomona, California, at 2:00 p.m. on May 21, 2015.

Present were; Dr. Samir Anz, Dr. Soraya Coley, Dr. Marten denBoer, Dr. Winny Dong, Ms. Rachel Dominguez, Dr. Steven Garcia, Mr. Tom Goff, Mr. Devon Graves, Dr. Rebecca Gutierrez-Keeton, Mr. John McGuthry, Mr. Lowell Overton, Mr. Oliver Santos, Dr. David Speak, Ms. Michelle Stoddard, Mr. Jared Tolbert and Ms. Kathy Tully.

Absent were; Dr. Mahyar Amouzegar, Ms. Mei Lien Chang, Mr. James Cox, Ms. Susie Diaz, Mr. Jack Kulp, Ms. Rosie Pasos and Mr. James Priest.

Mr. Clint Aase, Ms. Suzanne Donnelly, Mr. David Laxamana, Ms. Anne McLoughlin, Mr. Dennis Miller, Mr. Aaron Nellson, Ms. Debra Poe, Mr. David Prenovost, Mr. G. Paul Storey and Ms. Marie Tainack were invited guests.

Dr. Soraya Coley called the meeting to order at 2:00 at Kellogg West Garden Vista Room.

First order of business was the election of 2015-16 Board Members; Mr. Tom Goff, re-election to At Large Director, Ms. Kathy Tully, re-election to At Large Director, Mrs. Mei Lien Chang, re-election to At Large Director and Dr. David Speak, election to Faculty Director.

A motion was made by Devon Graves to accept the new Board Members, was seconded by Jared Tolbert and unanimously approved.

**I. PRESIDENT'S REPORT**

1. Cal Poly Pomona's baseball team won the NCAA Division II West Regional Championships.
2. CSU Board of Trustees approved the naming of one-half of the new Collins College building to be the Marriott Learning Center due to their \$2 million pledge.
3. CSU Board of Trustees authorized the transfer of Lanterman Developmental Center from the State of California to Cal Poly Pomona. President Coley thanked Paul Storey and his staff for preparing a video of Lanterman for presentation to the Board of Trustees.
4. Over 5,600 students will be graduating June 12-14. Video of all commencement ceremonies will be streamed live online.
5. All campus emails and web addresses will be "cpp.edu" after July 23, 2015.
6. Student's artwork, drawings, sculptures, graphic design and portfolios are now being displayed at the Kellogg Art Gallery.
7. Attended inaugural White House Summit on Asian Americans and Pacific Islanders to discuss economic growth, education, health care, civil rights and immigration. Board member Devon Graves also attended the function as the Representative of Students of California.

**II. CONSENSUS ITEMS**

- A. Reading of Board Meeting Minutes # 362
- B. Dining Service/Bookstore Summer and Fall Operating Hours
- C. Financial Highlights-3<sup>rd</sup> Quarter 2014-15
- D. Investment Report 3<sup>rd</sup> Quarter 2014-15

Dr. Coley stated the Consensus Items are approved by consent.

**III ACTION ITEMS**

**A. Election of Officers**

Paul Storey explained the Nominating Committee met on May 1, 2015 and selected Dr. Soraya Coley as Chair, Dr. Steven Garcia as Vice-Chair and Dr. Samir Anz as Secretary/Treasurer as Board officers for 2015-2016.

A motion was made by Marten denBoer to approve the slate of officers presented by the Nominating Committee for the fiscal year 2015-2016. The motion was seconded by Rebecca Gutierrez Keeton and approved, 16 Ayes, 0-Abstentions, 0-Nays.

**B. Budget & Business Plan Budget Summary 2015-2016**

Paul Storey explained details of the proposed 2015-2016 budget were presented to the Personnel, Program, Finance and Investment Committees earlier in the month.

Paul Storey summarized the 2015-2016 budgets with proposed revenues and expenditures, requests for designated gifts capital improvements, new staff positions, debt service coverage, contributions to reserves and withdrawals from reserves and forecast of current year revenues and expenditures. Proposed operating budgets and forecasts include: general activities (Administration; Real Estate & Investments) enterprise activities (Bookstore, Dining Services, Kellogg West, Housing), supplemental programs (Research Office, Agriculture units, Continuing Education, restricted and unrestricted programs) designated gifts, reserves and capital budgets, along with the summary of sources and uses and working capital; statement of activities, debt service coverage, and long term cash plan/reserves.

The proposed budget includes contributing a blended rate of 9.6% to the three pension plans with CALPERS for a total of approximately \$1,040,500 and changes to salary grade ranges (previously approved in November 2014) and a 3% or approximately \$180,000 wage adjustment for eligible employees ("Eligible employees" are regular benefited employees paid from non-grant funds, who were hired prior to the beginning of this 2014-15 fiscal year and who have not had any pay adjustments due to promotions or job restructures during the 2014-15 fiscal year, and among the other employees includes the two Officers of Foundation); and contribute \$1.0 million and withdraw \$372,834 with the VEBA Trust and assume 7.5% or \$548,209 as the benefit cost for the postretirement health care plan as per actuarial studies.

The proposed designated gift of \$1,355,338 to the University includes the President's request of \$662,350, University Advancement request of \$487,800, Research and Graduate Studies request of \$110,000, Administration Operating Endowment request of \$79,500 and the Faculty Staff Café deficit of \$15,688. Over the past five years the Foundation Board has designated over \$6.75 million in cash for the benefit of the University.

A motion was made by Tom Goff to approve the budget report as presented and the Proposed Operating and Capital Budgets for fiscal year 2015-16 and forecasts for fiscal year 2014-15 for General Activities, Enterprise Activities, Supplemental Programs, Designated Gifts, Reserves and the long-range cash plan/reserve. The motion was seconded by Marten denBoer and approved, 16 Ayes, 0-Abstentions, 0-Nays.

C. 457 Plan Employee Conversion

Dennis Miller explained eligible employees are able to convert a portion of the unused vacation and sick leave balance to cash, and then contribute those funds directly into the individual employees PARS account on a tax-deferred basis. Based on historical participation and conversion levels, a reasonable forecast expense for sick leave is \$78,000 and vacation time is \$65,000.

A motion was made by Rebecca Gutierrez-Keeton to approve the funding for the PARS Vacation/Sick Leave Conversion Plan effective June 30, 2015. The motion was seconded by Marten denBoer and approved, 16 Ayes, 0-Abstentions, 0-Nays.

D. Foundation Employee Handbook Update

Dennis Miller presented two notable changes to the Foundations employee handbook. A policy will be adopted effective July 1, 2015, to offer paid sick time to part time employees in support of the Healthy Workplace /Healthy Family Act of 2014, AB1522. The second change is to include a policy on the use of video cameras.

A motion was made by Marten denBoer to approve the changes to the Employee Handbook. The motion was seconded by John McGuthry and approved, 16 Ayes, 0-Abstentions, 0-Nays.

E. Donor Advised Fund Program

David Prenovost explained the Foundation has been in discussion with the division of Advancement regarding the feasibility of establishing a donor advised fund program (DAF). It was determined that establishing a DAF program as an additional charitable giving vehicle is necessary and as such, Policy #120, Acceptance of Donation, was modified to accommodate this program. A Statement of Donor Advised Fund Program has been developed that provides further details regarding how the program will be managed and administered.

Dr. Coley asked for a future report on the first donor advised funding experience.

A motion was made by Tom Goff to approve the establishment of a Donor Advised Fund Program and accordingly the changes to the Acceptance of Donation Policy 120. The motion was seconded by John McGuthry and approved, 15 Ayes, 0-Abstentions, 1-Nay.

IV. DISCUSSION ITEMS

None

V. INFORMATION ITEMS

A. Services Satisfaction Survey Results

Aaron Neilson, Dining Services Director, presented the results of the NACUFS Customer Satisfaction Survey. Year over year results continue to exceed our peers in the Pacific Region. We scored 4.18 on a scale of 1 to 5 (5 being highest) versus the Pacific Region's 3.80. The results show an increase in overall satisfaction of all dining venues on campus including helpfulness, cleanliness, freshness, appearance, eye appeal and value.

David Laxamana, Village Housing Interim Director, presented the results of the Residential Experience survey. Overall experience at the Village is 95.9% satisfied to very satisfied. Sense of community is 90.8%, upkeep of grounds is 79% and 90.1% of the residents believe they are safe in their apartment.

Clint Aase, Bookstore Director and Suzanne Donnelly, Bookstore Senior Associate Director, presented the National Association of College Stores satisfaction survey. The Bronco Bookstores overall satisfaction rating is 3.92 on a scale of 1 to 5 (5 being highest) with the national average of 3.81. The information collected allows the Bookstore to better meet the continually changing needs of the students and faculty.

The meeting went longer than expected and Dr. Coley asked for the remaining information items to be presented at the next Board meeting.

- B. Foundation Summer 4/10 Schedule Update
- C. Lanterman Support and Operations
- D. Technology Transfer Office & Industry Clinic Update
- E. Wells Fargo Credit Card Implementation
- F. Executive Director's Report

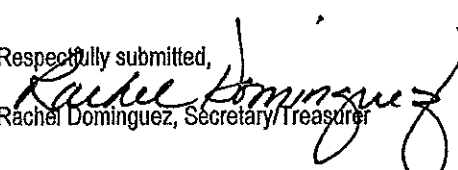
OPEN FORUM

Paul Storey gave thanks and recognition to the Board Members whose terms have ended;

- Dr. Marten denBoer - Designated Director-Provost - 7 years of service
- Dr. Winny Dong - Term as Faculty Director has ended - 5 years of service
- Ms. Susie Diaz - Term as Staff Director has ended - 5 years of service (includes term as Designated Director for Staff Council Chair)
- Dr. David Speak - Term as Designated Director-Faculty Senate Chair has ended - 3 years of service
- Ms. Michelle Stoddard - Designated Director Interim VP for Advancement - 1 year of service
- Mr. Jack Kulp - Term as At Large Director has ended - 2 years of service
- Mr. Devon Graves - Term as Student Director has ended - 2 years of service
- Mr. James Cox - Term as Designated Director-ASI President has ended - 1 year of service

Meeting adjourned at 4:10 p.m.

Respectfully submitted,

  
Rachel Dominguez, Secretary/Treasurer



**CAL POLY POMONA FOUNDATION, INC.**  
*"Quality Service Supporting Quality Education"*

**2015-2016 Yearly Board of Directors Meeting Schedule**

- **Meeting 364**    Thursday    October 1, 2015                      2:00-4:00pm Garden Vista Room @ KW  
                          Thursday    October 8, 2015                      *Hot Dog Caper 11:30 am – 1:00 pm*
- **Meeting 365**    Wednesday    December 2, 2015                      2:00-4:00pm Garden Vista Room @ KW
- **Meeting 366**    Thursday    February 18, 2016                      2:00-4:00pm Garden Vista Room @ KW
- **Meeting 367**    Thursday    May 19, 2016 (Budget)                      2:00-4:00pm Garden Vista Room @ KW
- **Meeting 368**    Tuesday    October 4, 2016                      2:00-4:00pm Garden Vista Room @ KW  
                          Thursday    October 6, 2016                      *Hot Dog Caper 11:30 am – 1:00 pm*

**Advance notice will be given to all committee members prior to establishing a committee meeting.**

**Finance Committee Meetings:**                      Committee members will be contacted.

**Investment Committee Meetings:**                      Committee members will be contacted.

**Personnel Committee Meetings:**                      Committee members will be contacted.

**Program Committee Meetings:**                      Committee members will be contacted.

**Audit Committee Meetings:**                      Committee members will be contacted.

**Nominating Committee Meetings:**                      Committee members will be contacted.

**Executive Committee Meetings:**                      Committee members will be contacted.



# CAL POLY POMONA FOUNDATION, INC.

*Quality Service Supporting Quality Education*

## 2015-2016 Committee Assignments

### Finance Committee

Dr. Ben Quillian, *Chair*

Dr. Sylvia Alva

Mr. Bedford McIntosh

Mr. Julian Herrera

Ms. Rachel Dominguez

Ms. Kathleen Street

Mr. John McGuthry

Mr. Oliver Santos

Dr. Sep Eskandari

\*Mr. Darwin Labordo

### Personnel Committee

Dr. Ben Quillian, *Chair*

Dr. Mahyar Amouzegar

Mrs. Mei Lien Chang

Ms. Sarah De La Parra

Dr. David Speak

Dr. Sep Eskandari

Dr. Samir Anz

Mr. Greg Kommel

Mr. James Priest

Ms. Rosie Pasos

\*Ms. Sharon Reiter

### Audit Committee

Mr. James Priest, *Chair*

Mr. Greg Kommel

\*Mr. Darwin Labordo

\*Ms. Joice Xiong

### Investment Committee

Mr. Thomas Goff, *Chair*

Dr. Ben Quillian

Ms. Kathy Tully

Dr. Mahyar Amouzegar

Mr. Jared Tolbert

Mr. Bedford McIntosh

\*Mr. Darwin Labordo

### Program Committee

Ms. Kathleen Street, *Chair*

Dr. David Speak

Ms. Sarah De La Parra

Dr. Samir Anz

Mr. Jared Tolbert

Mr. John McGuthry

Mr. Lowell Overton

Ms. Rosie Pasos

Ms. Erica Frausto

\*Mr. Frank Ewers

### Executive Committee

Dr. Soraya Coley, *Chair*

Dr. Sep Eskandari

Ms. Rachel Dominguez

Mr. Julian Herrera

Mr. Oliver Santos

### Nominating Committee

Will be appointed April 2016

\*\*There is currently one vacant position:  
At Large Director



Memorandum

Date: September 3, 2015  
To: Board of Directors  
Cal Poly Pomona Foundation, Inc.  
From: *David F. Prehovost*  
David F. Prehovost  
Senior Managing Director/CFO

**Subject: INVESTMENT HIGHLIGHTS – Fourth Quarter 2014-15**

**GENERAL INVESTMENT PORTFOLIO**

The General Investment Portfolio (Portfolio) has a current market value of \$48.0 million at June 30, 2015 and is slightly over weighted in equities and fixed income securities and cash equivalents and under weighted in alternative investments. Please see Asset Class ranges and policy target vs portfolio allocation as well as Graystone's and the Common Fund's reports for further information. In addition, as a follow up from our last meeting, attached is credit quality and duration as of March 11, 2015 for the fixed income portion of the General Investment Portfolio.

Per the Foundation's Policy # 133, only the quarterly yield is distributed; for the 1<sup>st</sup> quarter the yield was 0.34% or 34 basis points and the scholarship programs received \$10,988 and the Foundation programs received \$95,407; for the 2nd quarter the yield was 1.16% or one hundred and sixteen basis points (due to the "special cash dividend" of twenty-one cents per share or \$227,299 from the PIMCO Low Duration) and the scholarship programs received \$41,250 and the Foundation programs received \$349,930; for the 3rd quarter the yield was 0.39% or 39 basis points and the scholarship programs received \$9,676 and the Foundation programs received \$82,223; and for the 4th quarter the yield was 0.68% or 68 basis points and the scholarship programs received \$20,520 and the Foundation programs received \$172,677 (net of Foundation quarterly fee of 0.12% or twelve basis points).

The Foundation has received capital call notices and has contributed \$218,750 against its commitment of \$250,000 to Capital Partners IV and \$642,000 against its commitment of \$750,000 to Capital Private Equity Partners VII. The value of the Non-Marketable Investments are \$862,407, please see Common Fund Summary Investment Report for further details.

The Alternative Investment in Innovation Way infrastructure is \$2.0 million and for the year-to-date fiscal year 2014-15 was charged \$56,132 by the Foundation per the terms of the investment. This alternative investment repaid \$300,000 in the first quarter of fiscal year 2015-16.

**ENDOWMENT INVESTMENT PORTFOLIO**

The Endowment Investment Portfolio (Portfolio) has a market value of \$90.2 million at June 30, 2015 and is over/under weighted by no more than 0.80% or 80 basis points; please see Graystone's report and capital market overview for further information.

The Foundation's Endowment and General Investment Policies 130 and 131 requires a comprehensive quarterly report of the investment portfolios performance be provided to the Investment Committee and Board of Directors at each regularly scheduled meeting.

**Recommended Action:** The members of the Board of Directors approve that the quarterly investment reports are in compliance with the investment policies.

**PASSED AND ADOPTED THIS 1st DAY OF OCTOBER 2015.**

By: *Samir Anz* 10/01/2015  
Samir Anz, Secretary  
Board of Directors

**CAL POLY POMONA FOUNDATION, INC.  
INVESTMENT SUMMARY AS OF JUNE 30, 2015**

Asset Class	Policy Range Minimum	Policy Range Maximum	Policy Target	Portfolio Allocation	Total Portfolio Amount	Graystone Portfolio Amount	Common Fund Portfolio Amount	Foundation Portfolio Amount
Equities								
Domestic & Int'l (Dev & Emerging)	10%	65%	23%	24%	11,600,717	11,600,717		
Fixed Income	40%	85%	65%	66%	31,868,587	31,868,587		
Cash Equivalents	0%	20%	0%	2%	798,053	798,053		
Real Assets	0%	10%	2%	2%	864,475	864,475		
Real Estate	0%	10%	0%	0%	-			
Alternative Investments	0%	25%	10%	6%				
Private Equity & Capital Partners					862,407		862,407	
Innovation Way Infrastructure					1,989,088			1,989,088
			100%	100%	47,983,327	45,131,832	862,407	1,989,088

Cal Poly Pomona Foundation  
General Investment Portfolio  
Investment Results  
as of June 30, 2015

**Graystone Consulting**

Andrew Price, CIMA®  
Executive Director  
Institutional Consulting Director

Todd Au, CIMA®  
Second Vice President  
Senior Investment Management Consultant

David J. Weinberg  
Institutional Consulting Analyst

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Suite 2400  
Los Angeles, CA 90067

**Phones:**

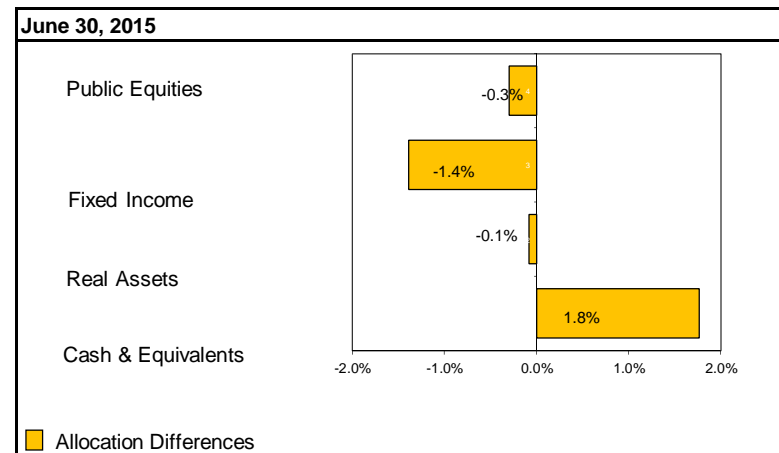
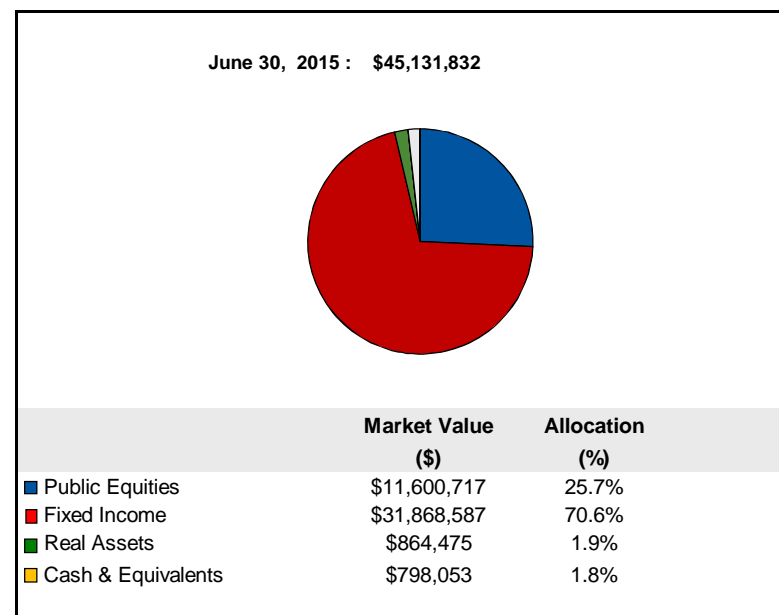
Main Line	310-788-2043
Toll-Free	800-786-0048
Fax	310-961-3180

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david.j.weinberg@morganstanleygraystone.com

**Cal Poly Pomona Foundation - General Investment Portfolio**  
**Balances and Asset Allocation**  
as of June 30, 2015

	Total Fund (\$)	(%)
<b>Domestic Equities</b>	<b>\$5,802,917</b>	<b>12.9%</b>
Touchstone Westfield All Cap Growth	\$2,287,222	5.1%
Aristotle Large Cap Value	\$2,345,302	5.2%
Apex SMID Cap Growth	\$600,895	1.3%
Keeley SMID Cap Value	\$569,498	1.3%
<b>International and EM Equities</b>	<b>\$3,229,711</b>	<b>7.2%</b>
Harbor International Value	\$1,191,948	2.6%
William Blair International Growth	\$1,184,981	2.6%
iShares MSCI Emerging Markets Index	\$852,781	1.9%
<b>Global Equities</b>	<b>\$2,568,089</b>	<b>5.7%</b>
First Eagle Global	\$1,270,565	2.8%
Delaware Focused Global Growth	\$1,297,524	2.9%
<b>Public Equities</b>	<b>\$11,600,717</b>	<b>25.7%</b>
<b>Fixed Income</b>	<b>\$31,868,587</b>	<b>70.6%</b>
Doubleline Total Return	\$2,470,337	5.5%
Guggenheim Limited Duration	\$8,622,813	19.1%
JP Morgan Strategic Income	\$1,860,467	4.1%
Brandywine Global Opportunistic	\$1,173,849	2.6%
Nuveen Symphony Credit Opportunity	\$623,638	1.4%
PIMCO Low Duration	\$8,528,298	18.9%
MetWest Low Duration	\$8,589,186	19.0%
<b>Real Assets</b>	<b>\$864,475</b>	<b>1.9%</b>
Powershares DB Comm Index ETF	\$138,852	0.3%
REMS Real Estate Value Opportunity	\$165,257	0.4%
Nuveen Symphony Credit Opportunity	\$249,561	0.6%
PIMCO All Asset All Authority	\$174,584	0.4%
RS Natural Global Resources	\$136,221	0.3%
<b>Cash and Equivalents</b>	<b>\$798,053</b>	<b>1.8%</b>
Cash and Equivalents	\$798,053	1.8%
<b>General Investment Portfolio</b>	<b>\$45,131,832</b>	<b>100.0%</b>



	Market Value (\$)	Allocation (%)	Target (%)
Public Equities	\$11,600,717	25.7%	26.0%
Fixed Income	\$31,868,587	70.6%	72.0%
Real Assets	\$864,475	1.9%	2.0%
Cash & Equivalents	\$798,053	1.8%	0.0%

**Cal Poly Pomona Foundation - General Investment Portfolio**  
**Asset Allocation & Performance**  
**As of June 30, 2015**

	Allocation		Performance(%)					
	Market Value (\$)	Quarter To Date	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
<b>General Investment Portfolio</b>	<b>45,138,316</b>	<b>0.00</b>	<b>1.31</b>	<b>0.06</b>	<b>N/A</b>	<b>N/A</b>	<b>1.31</b>	<b>03/01/2013</b>
Cal Poly Pomona Blended Benchmark*		-0.35	1.35	1.41	N/A	N/A	1.67	
<b>Public Equities</b>	<b>11,607,201</b>	<b>0.22</b>	<b>3.86</b>	<b>0.61</b>	<b>N/A</b>	<b>N/A</b>	<b>3.65</b>	<b>04/01/2014</b>
MSCI AC Wld Nt		0.35	2.67	0.72	N/A	N/A	4.61	
<b>Domestic Equities</b>	<b>5,802,917</b>	<b>-0.15</b>	<b>4.00</b>	<b>6.76</b>	<b>N/A</b>	<b>N/A</b>	<b>9.13</b>	<b>04/01/2014</b>
Russell 3000		0.14	1.94	7.30	N/A	N/A	9.90	
Touchstone Westfield All Cap Growth	2,287,222	-2.12	2.43	8.39	N/A	N/A	10.45	04/01/2014
Russell 3000 Gr		0.27	4.33	10.70	N/A	N/A	12.66	
Aristotle Large Cap Value	2,345,302	2.08	5.47	6.40	N/A	N/A	9.18	04/01/2014
Russell 1000 VI		0.10	-0.62	4.14	N/A	N/A	7.49	
Apex SMID Cap Growth	600,895	3.40	7.41	9.53	N/A	N/A	11.01	04/01/2014
Russell 2500 Gr		0.60	8.09	11.28	N/A	N/A	11.44	
Keeley SMID Cap Value	569,498	-3.13	1.56	-1.44	N/A	N/A	1.27	04/01/2014
Russell 2500 VI		-1.28	1.70	1.00	N/A	N/A	4.17	
<b>International and EM Equities</b>	<b>3,236,195</b>	<b>0.56</b>	<b>5.09</b>	<b>-4.47</b>	<b>N/A</b>	<b>N/A</b>	<b>-0.83</b>	<b>04/01/2014</b>
MSCI AC Wld xUS Nt		0.53	4.03	-5.27	N/A	N/A	-0.41	
Harbor International Value	1,191,948	1.52	6.74	-4.85	N/A	N/A	-1.36	04/01/2014
MSCI AC Wld xUS Nt		0.53	4.03	-5.27	N/A	N/A	-0.41	
William Blair International Growth	1,184,981	0.42	5.64	-0.63	N/A	N/A	2.58	04/01/2014
MSCI EAFE Net		0.62	5.53	-4.21	N/A	N/A	-0.24	
iShares MSCI Emerging Markets Index	859,265	-0.57	1.20	N/A	N/A	N/A	1.20	01/01/2015
MSCI EM Net		0.69	2.96	N/A	N/A	N/A	2.96	

\*Inception to 3/31/2014 100% Barclays Int. Gov't Credit. 4/1/2014 to Present 72% Barclays Int. Gov't Credit, 26% MSCI ACWI, 2% Real Assets Benchmark

**Cal Poly Pomona Foundation - General Investment Portfolio**  
**Asset Allocation & Performance**  
**As of June 30, 2015**

	Allocation		Performance(%)					
	Market Value (\$)	Quarter To Date	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
<b>Global Equities</b>	<b>2,568,089</b>	<b>0.28</b>	<b>2.00</b>	<b>-0.09</b>	<b>N/A</b>	<b>N/A</b>	<b>2.94</b>	<b>04/01/2014</b>
MSCI AC Wld Nt		0.35	2.67	0.72	N/A	N/A	4.61	
First Eagle Global	1,270,565	-0.44	1.82	-1.61	N/A	N/A	1.36	04/01/2014
MSCI AC Wld Nt		0.35	2.67	0.72	N/A	N/A	4.61	
Delaware Focused Global Growth	1,297,524	1.00	2.18	1.43	N/A	N/A	4.53	04/01/2014
MSCI AC Wld Nt		0.35	2.67	0.72	N/A	N/A	4.61	
<b>Fixed Income</b>	<b>32,631,694</b>	<b>-0.04</b>	<b>0.61</b>	<b>0.20</b>	<b>N/A</b>	<b>N/A</b>	<b>1.00</b>	<b>03/01/2013</b>
BC Gov/Cr Intm		-0.62	0.82	1.68	N/A	N/A	1.25	
Short-Term Portfolio Strategy	32,631,694	-0.04	0.61	0.20	N/A	N/A	1.00	03/01/2013
BC Gov/Cr Intm		-0.62	0.82	1.68	N/A	N/A	1.25	
<b>Real Assets</b>	<b>899,421</b>	<b>-0.62</b>	<b>-1.04</b>	<b>-12.33</b>	<b>N/A</b>	<b>N/A</b>	<b>-7.03</b>	<b>04/01/2014</b>
S&P NAM Natural Resources		-2.67	-4.14	-25.71	N/A	N/A	-12.83	
Real Assets Portfolio	899,421	-0.62	-1.04	-12.33	N/A	N/A	-7.03	04/01/2014
S&P NAM Natural Resources		-2.67	-4.14	-25.71	N/A	N/A	-12.83	

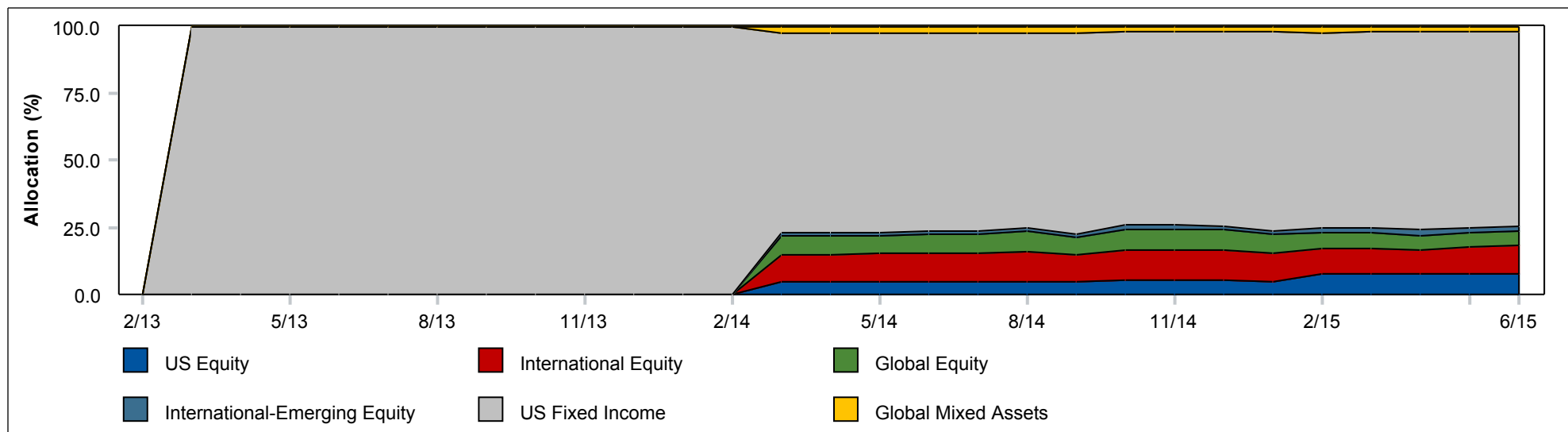
\*Inception to 3/31/2014 100% Barclays Int. Gov't Credit. 4/1/2014 to Present 72% Barclays Int. Gov't Credit, 26% MSCI ACWI, 2% Real Assets Benchmark

**Cal Poly Pomona Foundation - General Investment Portfolio  
Performance and Asset Allocation History  
June 30, 2015**

	Current Quarter	Fiscal YTD	Since Inception	Inception Date
<b>General Investment Portfolio</b>				<b>03/01/2013</b>
Beginning Market Value	44,152,677	39,178,257	24,301,287	
Net Contributions	1,000,164	5,834,028	19,806,674	
Fees/Expenses	-25,800	-93,301	-172,810	
Income	237,696	1,277,523	2,126,377	
Gain/Loss	-226,421	-1,058,191	-923,211	
<b>Ending Market Value</b>	<b>45,138,316</b>	<b>45,138,316</b>	<b>45,138,316</b>	

	Current Quarter	Fiscal YTD	Since Inception	Inception Date
<b>General Investment Portfolio</b>	<b>0.00</b>	<b>0.06</b>	<b>1.31</b>	<b>03/01/2013</b>
Cal Poly Pomona Blended Benchmark	-0.35	1.41	1.67	03/01/2013

**Asset Allocation Over Time**



\*Inception to 3/31/2015 100% Barclays Int. Gov't Credit. 3/31/2014 to Present 72% Barclays Int. Gov't Credit, 26% MSCI ACWI, 2% Real Assets Benchmark



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## Private Programs Investment Report

Cal Poly Pomona Foundation  
All Accounts

March 31, 2015 - June 30, 2015



## Account Summary as of 6/30/2015

	Vintage Year	Capital Committed	Capital Called	Remaining Capital to be Called	Capital Distributions	Capital Balance	Multiple	IRR	Value Date
General Fund - 06									
Commonfund Real Estate									
Realty Investors 2004-12 (Tranche)	2005	\$1,500,000	\$1,500,000	\$0	(\$283,096)		0.19	-26.23%	
Total Commonfund Real Estate		\$1,500,000	\$1,500,000	\$0	(\$283,096)		0.19	-26.23%	
US Private Equity									
Private Equity Partners VII	2007	\$750,000	\$642,000	\$108,000	(\$326,261)	\$639,546	1.46	11.96%	3/31/2015
Total US Private Equity		\$750,000	\$642,000	\$108,000	(\$326,261)	\$639,546	1.46	11.96%	3/31/2015
Multi-Asset									
Capital Partners IV	2007	\$250,000	\$218,750	\$31,250	(\$106,476)	\$222,861	1.45	9.37%	3/31/2015
Total Multi-Asset		\$250,000	\$218,750	\$31,250	(\$106,476)	\$222,861	1.45	9.37%	3/31/2015
Total General Fund - 06		\$2,500,000	\$2,360,750	\$139,250	(\$715,833)	\$862,407	0.65	-7.07%	3/31/2015
<b>Grand Total</b>		<b>\$2,500,000</b>	<b>\$2,360,750</b>	<b>\$139,250</b>	<b>(\$715,833)</b>	<b>\$862,407</b>	<b>0.65</b>	<b>-7.07%</b>	<b>3/31/2015</b>

- All performance data set forth herein is net of all fees and carried interest. Internal Rates of Return (IRR) should be evaluated in light of information on the investment program of the partnership, the risks associated therewith, and performance of the partnership as disclosed in the Offering Memorandum for the partnership, the Audited Annual Reports of the partnership and the Quarterly Reports of the partnership. Return information is presented for these partnerships on a dollar-weighted (e.g., internal rate of return) basis, which is standard for the private capital industry, rather than the time-weighted (i.e., annual or other period rate of return) basis, which is used principally to report performance of publicly-traded securities. The IRR since inception is the most commonly used calculation methodology for presentation of performance in the private capital business. Comparison of returns calculated on an IRR basis with returns on a time-weighted basis is not appropriate.
- Net Multiple is total value to invested capital net of the general partner's carried interest = (Distribution + Ending Capital Balance)/Capital Drawdown).
- Net annualized internal rate of return since inception through value date.
- IRR information is not shown for liquidated funds or for funds where the information is not yet meaningful due to the youth of the fund. Transaction flows and capital for these funds are included in the appropriate totals.

## Non-Marketable Investments Roll Forward From Value Date to 6/30/2015

Non-Marketable Fund	Incep. Date	Commitment	Valuation Date	Most Recent Valuation	Capital Calls since Valuation Date	Distributions since Valuation Date	Adjusted Market Value
Private Equity Partners VII	9/30/2007	\$750,000.00	3/31/2015	\$639,546.00	\$11,250.00	(\$44,076.00)	\$606,720.00
Capital Partners IV	9/30/2007	\$250,000.00	3/31/2015	\$222,861.00	\$1,875.00	(\$15,935.00)	\$208,801.00
<b>Total Core Funds</b>		<b>\$1,000,000.00</b>		<b>\$862,407.00</b>	<b>\$13,125.00</b>	<b>(\$60,011.00)</b>	<b>\$815,521.00</b>
<b>Non-Marketable Total</b>		<b>\$1,000,000.00</b>		<b>\$862,407.00</b>	<b>\$13,125.00</b>	<b>(\$60,011.00)</b>	<b>\$815,521.00</b>

## Transactions (4/1/2015 - 6/30/2015)

Fund Name	Transaction Date	Trade Shares	Trade Amount (USD)	Transaction Type
Capital Partners IV	5/15/2015	0.000	\$625.00	Capital Call
Capital Partners IV	5/15/2015	0.000	(\$9,812.00)	Distribution
Capital Partners IV	6/23/2015	0.000	\$1,250.00	Capital Call
Capital Partners IV	6/23/2015	0.000	(\$6,123.00)	Distribution
Private Equity Partners VII	4/29/2015	0.000	(\$11,200.00)	Distribution
Private Equity Partners VII	5/19/2015	0.000	(\$11,854.00)	Distribution
Private Equity Partners VII	6/8/2015	0.000	\$3,750.00	Capital Call
Private Equity Partners VII	6/8/2015	0.000	(\$13,522.00)	Distribution
Private Equity Partners VII	6/22/2015	0.000	\$7,500.00	Capital Call
Private Equity Partners VII	6/22/2015	0.000	(\$7,500.00)	Distribution

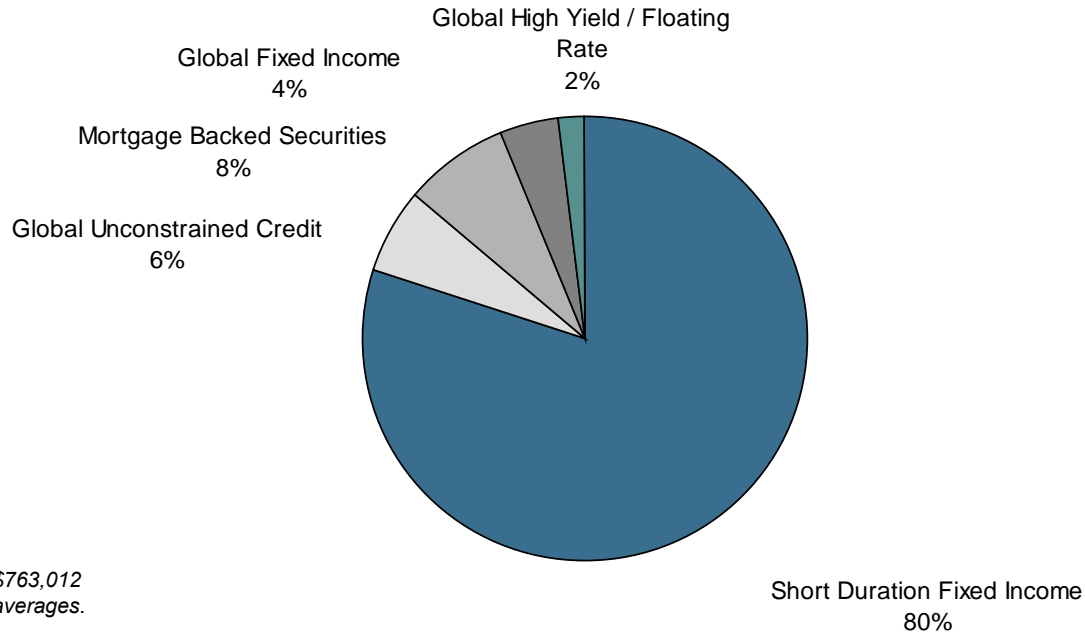
Performance as of 6/30/2015

Performance Item	MTD	QTD	CYTD	FYTD	3 Years	5 Years	10 Years	Account Inception	Account Inception Date
Private Equity Partners VII	3.04	3.04	8.93	18.01	15.56	14.24		2.94	12/31/2007
US Private Equity	3.04	3.04	8.93	18.01	15.56	14.24		2.94	12/31/2007
Capital Partners IV	0.31	0.31	3.01	7.92	12.50	12.39		0.95	12/31/2007
Multi-Asset	0.31	0.31	3.01	7.92	12.50	12.39		0.95	12/31/2007
Total Non-Marketable	2.32	2.32	7.33	15.20	14.73	13.76		-4.91	9/30/2005
Total Portfolio	2.32	2.32	7.33	15.20	21.70	15.50	0.10	2.26	9/30/2003

All fund returns are net of fees. Past performance is no assurance of future returns.

# Portfolio Summary

Investment Manager	Allocation	Values as of 3/11/15	Average Credit Quality	Duration (Years)	Yield
PIMCO Low Duration Fixed Income	27.00%	8,528,298	A+	1.03	1.42%
Metropolitan West Low Duration Bond	27.00%	8,589,186	A	0.98	1.35%
Guggenheim Limited Duration	26.00%	8,629,764	BBB+	1.20	3.10%
JP Morgan Strategic Income Opportunities	6.00%	1,858,725	BB	1.11	2.31%
Doubleline Total Return	8.00%	2,465,792	A-	2.50	3.72%
Brandywine Global Opportunistic Fixed Income	4.00%	1,180,673	A	5.58	2.38%
Nuveen Symphony Credit Opportunity Fund	2.00%	626,866	B	3.70	6.53%
	<b>100.00%</b>	<b>31,879,304</b>	<b>A-</b>	<b>1.41</b>	<b>2.22%</b>



\*Account contained a cash balance of \$763,012  
 Yield and duration totals are weighted averages.  
 Source: Investment Managers  
 Data as of 6/26/15  
 Please see important disclosures at the end of the materials.

# Cal Poly Pomona Foundation

## Investment Results as of June 30, 2015

### Graystone Consulting

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Institutional Consulting Director

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# Cal Poly Pomona Foundation

## Executive Summary

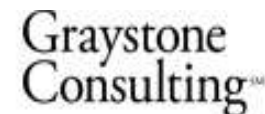
<b>Type of Fund</b>	Endowment
<b>Time Horizon</b>	Perpetuity
<b>Investment Horizon</b>	Over 10 Years
<b>Target Return</b>	Greater Los Angeles Area CPI + 5%
<b>Normal Policy Allocation</b>	40% S&P 500 / 30% EAFE / 30% BC Aggregate

### Asset Allocation Guidelines

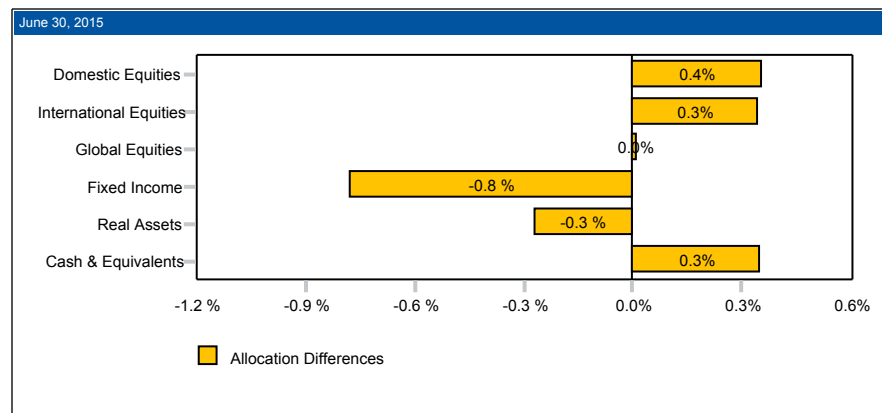
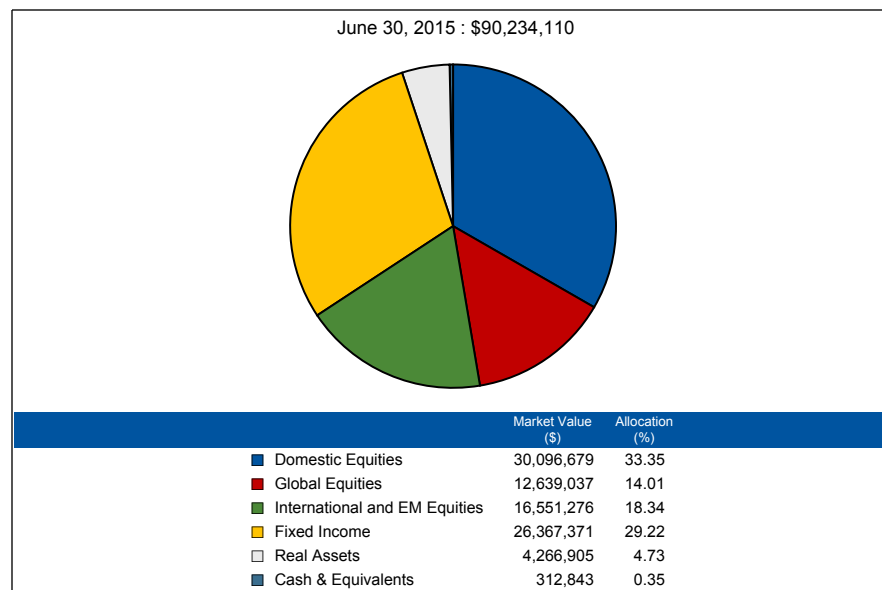
Asset Class	Allocation
<b>Total Equities</b>	<b>60.0%</b>
Domestic Equity	30.0%
International Equity	30.0%
<b>Fixed Income includes MBS</b>	<b>30.0%</b>
Domestic and International	30.0%
<b>Real Assets</b>	<b>10.0%</b>
<b>Cash Equivalents</b>	<b>0.0%</b>



**Cal Poly Pomona Foundation  
Balances and Asset Allocation  
June 30, 2015**



	Total Fund	
	(\$)	%
<b>All/Large Cap Equities</b>	<b>23,654,060</b>	<b>26.21</b>
Touchstone All Cap Growth	11,705,383	12.97
Aristotle Large Cap Value	11,948,677	13.24
<b>Small/Mid Cap Equities</b>	<b>6,442,619</b>	<b>7.14</b>
Keeley SMID Value	3,126,172	3.46
Apex SMID Cap Growth	3,316,447	3.68
<b>International and EM Equities</b>	<b>16,551,276</b>	<b>18.34</b>
William Blair International Growth	6,025,847	6.68
Harbor International Equity	6,104,390	6.77
iShares MSCI Emerging Markets Index	4,421,039	4.90
<b>Global Equities</b>	<b>12,639,037</b>	<b>14.01</b>
First Eagle	6,238,136	6.91
Delaware Focus Global Growth	6,400,901	7.09
<b>Total Public Equities</b>	<b>59,286,992</b>	<b>65.70</b>
<b>Domestic Fixed Income</b>	<b>19,930,718</b>	<b>22.09</b>
Met West Total Return	7,886,335	8.74
JP Morgan Strategic Income	7,564,270	8.38
Nuveen Symphony Credit Opportunities	4,480,113	4.96
<b>Global Fixed Income</b>	<b>6,436,653</b>	<b>7.13</b>
Brandywine Global Fixed Income	3,141,374	3.48
Templeton Global Bond Fund	3,295,279	3.65
<b>Total Fixed Income</b>	<b>26,367,371</b>	<b>29.22</b>
<b>Real Assets</b>	<b>4,266,905</b>	<b>4.73</b>
RS Global Natural Resources	4,266,905	4.73
<b>Cash &amp; Equivalents</b>	<b>312,843</b>	<b>0.35</b>
Cash Holding Account	312,843	0.35
<b>Cal Poly Pomona Foundation Total Fund</b>	<b>90,234,110</b>	<b>100.00</b>



	Market Value (\$)	Allocation (%)	Target (%)
Domestic Equities	30,096,679	33.35	33.00
International Equities	16,551,276	18.34	18.00
Global Equities	12,639,037	14.01	14.00
Fixed Income	26,367,371	29.22	30.00
Real Assets	4,266,905	4.73	5.00
Cash & Equivalents	312,843	0.35	0.00
<b>Total Fund</b>	<b>90,234,110</b>	<b>100.00</b>	<b>100.00</b>

**Cal Poly Pomona Foundation**  
**Asset Allocation & Performance**  
**As of June 30, 2015**

	Allocation		Performance(%)										
	Market Value (\$)	%	Quarter To Date	YTD	1 Year	3 Years	5 Years	Since Inception	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	Inception Date
<b>Cal Poly Pomona Foundation Total Fund</b>	<b>90,234,110</b>	<b>100.00</b>	<b>-0.11</b>	<b>2.24</b>	<b>-1.64</b>	<b>8.11</b>	<b>9.09</b>	<b>7.09</b>	<b>10.95</b>	<b>-1.38</b>	<b>23.96</b>	<b>15.63</b>	<b>10/01/2008</b>
70% ACWI / 30% BC Aggregate			-0.25	1.91	1.15	9.64	9.52	7.30	11.17	-1.99	21.96	11.44	
40% S&P 500/30% EAFE/30% BC Aggregate			-0.21	2.12	2.28	11.06	10.90	8.06	13.42	0.15	22.26	11.75	
<b>Public Equities</b>	<b>59,286,992</b>	<b>65.70</b>	<b>0.17</b>	<b>3.83</b>	<b>0.93</b>	<b>12.27</b>	<b>12.35</b>	<b>8.20</b>	<b>15.49</b>	<b>-5.35</b>	<b>33.64</b>	<b>14.65</b>	<b>10/01/2008</b>
MSCI AC Wld Nt			0.35	2.67	0.72	13.02	11.93	7.84	16.58	-6.49	30.13	11.77	
<b>Domestic Equities</b>	<b>30,096,679</b>	<b>33.35</b>	<b>-0.11</b>	<b>4.39</b>	<b>7.63</b>	<b>18.58</b>	<b>17.55</b>	<b>11.35</b>	<b>20.83</b>	<b>-0.09</b>	<b>34.77</b>	<b>13.27</b>	<b>10/01/2008</b>
Russell 3000			0.14	1.94	7.30	17.74	17.54	11.53	21.49	3.84	32.37	15.72	
<b>Touchstone Westfield All Cap Growth</b>	<b>11,705,383</b>	<b>12.97</b>	<b>-2.09</b>	<b>3.13</b>	<b>9.37</b>	<b>21.22</b>	<b>N/A</b>	<b>15.36</b>	<b>24.92</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>08/01/2011</b>
Russell 3000 Gr			0.27	4.33	10.70	18.16	N/A	15.44	17.58	N/A	N/A	N/A	
<b>Aristotle Large Cap Value</b>	<b>11,948,677</b>	<b>13.24</b>	<b>1.77</b>	<b>5.22</b>	<b>7.07</b>	<b>N/A</b>	<b>N/A</b>	<b>15.18</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>06/01/2013</b>
Russell 1000 VI			0.10	-0.62	4.14	N/A	N/A	12.50	N/A	N/A	N/A	N/A	
<b>Keeley SMID Value</b>	<b>3,126,172</b>	<b>3.46</b>	<b>-3.10</b>	<b>2.51</b>	<b>-0.40</b>	<b>18.69</b>	<b>N/A</b>	<b>14.03</b>	<b>36.08</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>08/01/2011</b>
Russell 2500 VI			-1.28	1.70	1.00	16.99	N/A	13.43	26.87	N/A	N/A	N/A	
<b>Apex SMID Cap Growth</b>	<b>3,316,447</b>	<b>3.68</b>	<b>3.43</b>	<b>7.68</b>	<b>9.98</b>	<b>21.61</b>	<b>N/A</b>	<b>16.85</b>	<b>25.33</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>08/01/2011</b>
Russell 2500 Gr			0.60	8.09	11.28	20.33	N/A	15.44	24.02	N/A	N/A	N/A	
<b>Global Equities</b>	<b>12,639,037</b>	<b>14.01</b>	<b>0.31</b>	<b>1.83</b>	<b>0.00</b>	<b>9.23</b>	<b>N/A</b>	<b>7.05</b>	<b>12.09</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>08/01/2011</b>
MSCI AC Wld Nt			0.35	2.67	0.72	13.02	N/A	8.42	16.58	N/A	N/A	N/A	
<b>First Eagle</b>	<b>6,238,136</b>	<b>6.91</b>	<b>-0.41</b>	<b>1.69</b>	<b>-1.43</b>	<b>9.18</b>	<b>N/A</b>	<b>7.01</b>	<b>12.08</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>08/01/2011</b>
MSCI AC Wld Nt			0.35	2.67	0.72	13.02	N/A	8.42	16.58	N/A	N/A	N/A	
<b>Delaware Focus Global Growth</b>	<b>6,400,901</b>	<b>7.09</b>	<b>1.02</b>	<b>1.97</b>	<b>1.39</b>	<b>N/A</b>	<b>N/A</b>	<b>6.80</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>10/01/2013</b>
MSCI AC Wld Nt			0.35	2.67	0.72	N/A	N/A	8.19	N/A	N/A	N/A	N/A	
<b>International and EM Equities</b>	<b>16,551,276</b>	<b>18.34</b>	<b>0.58</b>	<b>4.83</b>	<b>-5.19</b>	<b>7.41</b>	<b>6.92</b>	<b>5.41</b>	<b>10.83</b>	<b>-13.73</b>	<b>30.71</b>	<b>17.59</b>	<b>10/01/2008</b>
MSCI AC Wld xUS Nt			0.53	4.03	-5.27	9.44	7.76	5.32	13.65	-14.56	29.73	10.42	
<b>William Blair International Growth</b>	<b>6,025,847</b>	<b>6.68</b>	<b>0.45</b>	<b>5.88</b>	<b>-0.36</b>	<b>11.94</b>	<b>10.24</b>	<b>7.70</b>	<b>17.33</b>	<b>-9.26</b>	<b>27.92</b>	<b>16.64</b>	<b>10/01/2008</b>
MSCI EAFE Net			0.62	5.53	-4.21	11.98	9.54	5.59	18.63	-13.83	30.36	5.92	
<b>Harbor International</b>	<b>6,104,390</b>	<b>6.77</b>	<b>1.55</b>	<b>6.96</b>	<b>-4.62</b>	<b>9.75</b>	<b>9.64</b>	<b>6.35</b>	<b>14.10</b>	<b>-11.69</b>	<b>35.68</b>	<b>13.50</b>	<b>10/01/2008</b>
MSCI EAFE Net			0.62	5.53	-4.21	11.98	9.54	5.59	18.63	-13.83	30.36	5.92	

**Cal Poly Pomona Foundation**  
**Asset Allocation & Performance**  
**As of June 30, 2015**

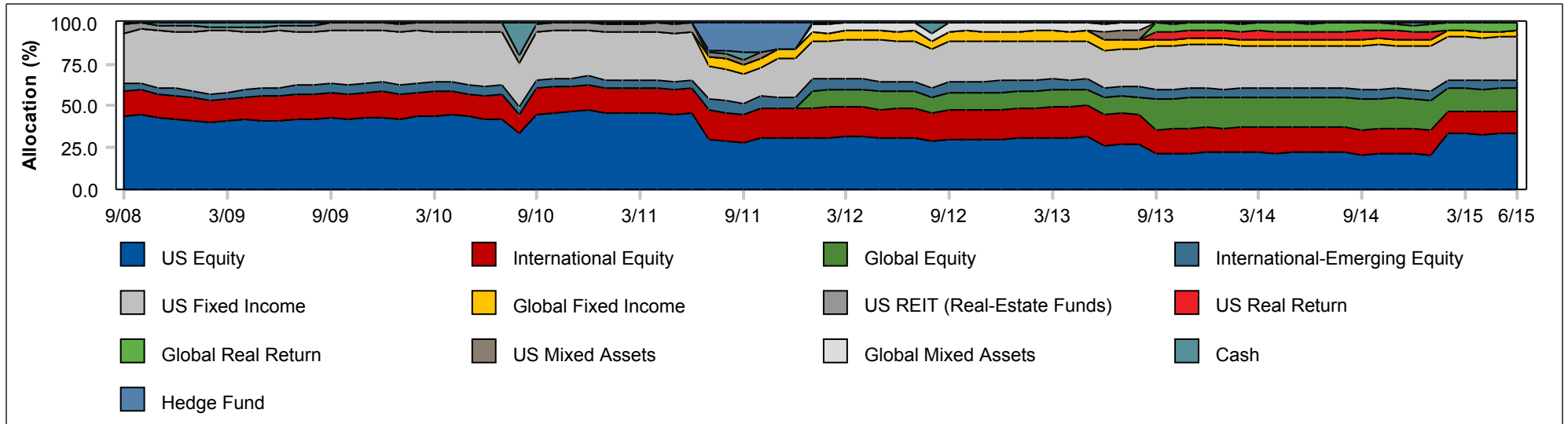
	Allocation		Performance(%)										
	Market Value (\$)	%	Quarter To Date	YTD	1 Year	3 Years	5 Years	Since Inception	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	Inception Date
<b>iShares MSCI Emerging Markets Index</b>	<b>4,421,039</b>	<b>4.90</b>	<b>-0.54</b>	<b>0.63</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>0.63</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>01/01/2015</b>
MSCI EM Net			0.69	2.96	N/A	N/A	N/A	2.96	N/A	N/A	N/A	N/A	
<b>Fixed Income</b>	<b>26,367,371</b>	<b>29.22</b>	<b>-0.82</b>	<b>0.10</b>	<b>-0.97</b>	<b>2.64</b>	<b>3.79</b>	<b>6.26</b>	<b>3.43</b>	<b>5.60</b>	<b>5.49</b>	<b>14.98</b>	<b>10/01/2008</b>
BC Aggregate			-1.68	-0.10	1.85	1.82	3.35	4.84	-0.69	7.47	3.90	9.50	
<b>Met West Total Return</b>	<b>7,886,335</b>	<b>8.74</b>	<b>-1.40</b>	<b>-0.05</b>	<b>1.91</b>	<b>4.18</b>	<b>N/A</b>	<b>4.74</b>	<b>4.76</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>08/01/2011</b>
BC Aggregate			-1.68	-0.10	1.85	1.82	N/A	2.86	-0.69	N/A	N/A	N/A	
<b>JP Morgan Strategic Income</b>	<b>7,564,270</b>	<b>8.38</b>	<b>0.12</b>	<b>0.81</b>	<b>0.18</b>	<b>2.67</b>	<b>N/A</b>	<b>2.65</b>	<b>5.68</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>08/01/2011</b>
BC Aggregate			-1.68	-0.10	1.85	1.82	N/A	2.86	-0.69	N/A	N/A	N/A	
<b>Brandywine Global Fixed Income</b>	<b>3,141,374</b>	<b>3.48</b>	<b>-3.43</b>	<b>-4.60</b>	<b>-6.72</b>	<b>1.40</b>	<b>N/A</b>	<b>2.50</b>	<b>3.80</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>08/01/2011</b>
Citi WGBI UnH			-1.55	-4.38	-9.36	-2.57	N/A	-1.88	-4.50	N/A	N/A	N/A	
<b>Templeton Global Bond Fund</b>	<b>3,295,279</b>	<b>3.65</b>	<b>-0.29</b>	<b>-0.11</b>	<b>-1.72</b>	<b>4.30</b>	<b>N/A</b>	<b>2.79</b>	<b>7.84</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>08/01/2011</b>
Citi WGBI UnH			-1.55	-4.38	-9.36	-2.57	N/A	-1.88	-4.50	N/A	N/A	N/A	
<b>Nuveen Symphony Credit Opportunities</b>	<b>4,480,113</b>	<b>4.96</b>	<b>0.12</b>	<b>2.84</b>	<b>-1.80</b>	<b>N/A</b>	<b>N/A</b>	<b>3.39</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>10/01/2013</b>
CS Leveraged Loan			0.79	2.87	2.15	N/A	N/A	3.89	N/A	N/A	N/A	N/A	
<b>Real Assets</b>	<b>4,266,905</b>	<b>4.73</b>	<b>0.46</b>	<b>-4.05</b>	<b>-22.73</b>	<b>-5.40</b>	<b>N/A</b>	<b>-3.33</b>	<b>3.29</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>08/01/2011</b>
<b>RS Global Natural Resources</b>	<b>4,266,905</b>	<b>4.73</b>	<b>0.46</b>	<b>-3.30</b>	<b>-32.27</b>	<b>N/A</b>	<b>N/A</b>	<b>-16.62</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>10/01/2013</b>
S&P NAM Natural Resources			-2.67	-4.14	-25.71	N/A	N/A	-5.22	N/A	N/A	N/A	N/A	

**Cal Poly Pomona Foundation  
Performance and Asset Allocation History  
June 30, 2015**

	Current Quarter	Fiscal YTD	Fiscal Year 2013	Fiscal Year 2012	Oct 2008 To Dec 2008	Since Inception	Inception Date
Cal Poly Pomona Foundation Total Fund							10/01/2008
Beginning Market Value	90,248,516	86,657,511	55,579,506	49,983,520	31,161,294	31,161,294	
Net Contributions	82,988	5,130,228	7,024,252	6,269,492	-475,941	32,953,240	
Fees/Expenses	-40,298	-147,005	-119,298	-120,966	-51,340	-920,919	
Income	302,226	3,422,327	2,423,285	1,213,128	630,728	12,845,756	
Gain/Loss	-359,322	-4,828,951	4,382,362	-1,765,668	-5,921,902	14,194,739	
<b>Ending Market Value</b>	<b>90,234,110</b>	<b>90,234,110</b>	<b>69,290,107</b>	<b>55,579,506</b>	<b>25,342,839</b>	<b>90,234,110</b>	

	Current Quarter	Fiscal YTD	Fiscal Year 2013	Fiscal Year 2012	Oct 2008 To Dec 2008	Since Inception	Inception Date
Cal Poly Pomona Foundation Total Fund	-0.11	-1.64	10.95	-1.38	-17.44	7.09	10/01/2008
40% S&P 500/30% EAFE/30% BC Aggregate	-0.21	2.28	13.42	0.15	-13.59	8.06	10/01/2008
70% ACWI / 30% WGBI	-0.21	-2.35	9.90	-3.39	-13.62	7.23	01/01/1988

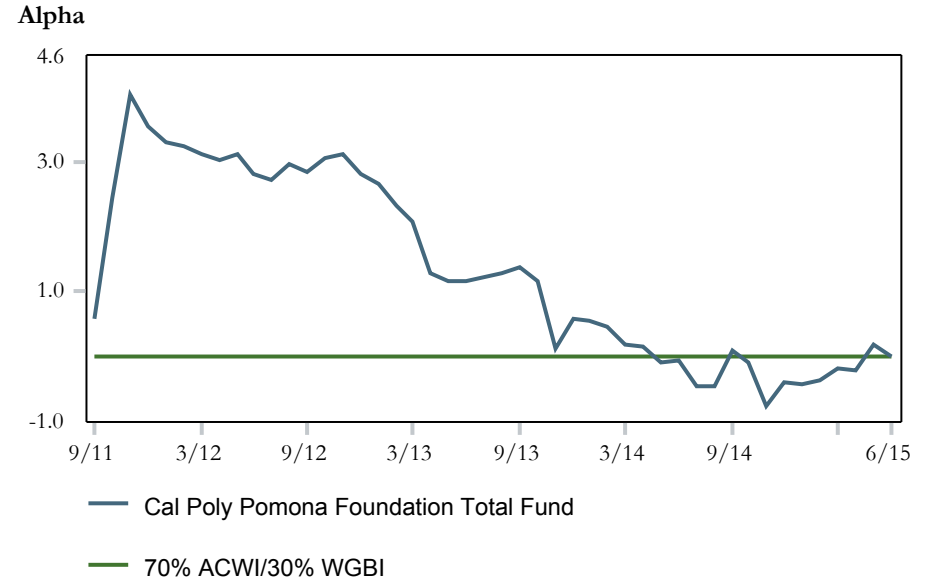
**Asset Allocation Over Time**



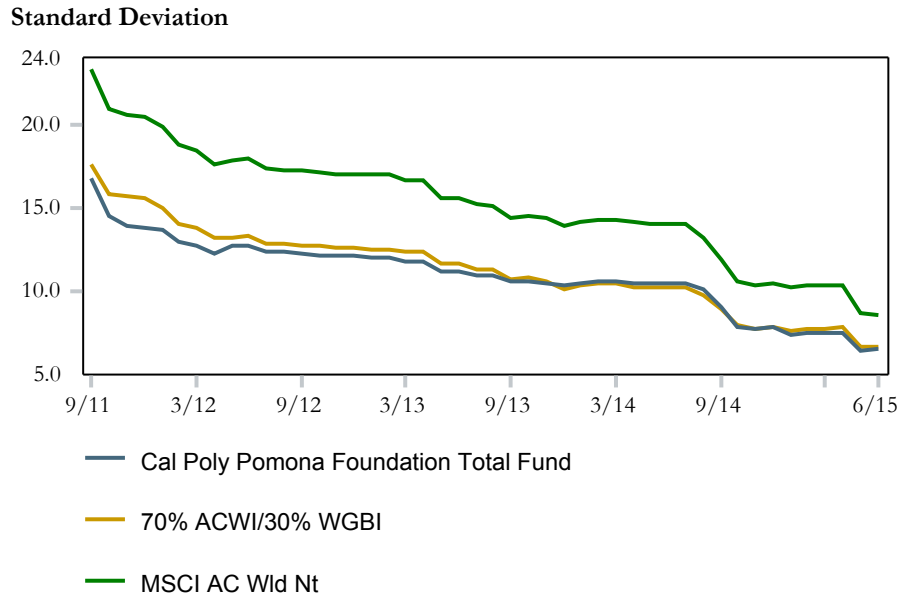
**Cal Poly Pomona Foundation Total Fund  
Risk Analytics  
As of June 30, 2015**

	<b>3 Years</b>	<b>5 Years</b>	<b>Since Inception</b>	<b>Inception Date</b>
Return	8.11	9.09	7.09	10/01/2008
Standard Deviation	6.50	9.83	12.96	
<b>vs. 70% ACWI/30% WGBI</b>				
Alpha	0.00	0.46	0.62	
Beta	0.95	0.95	0.94	
R-Squared	0.95	0.96	0.95	

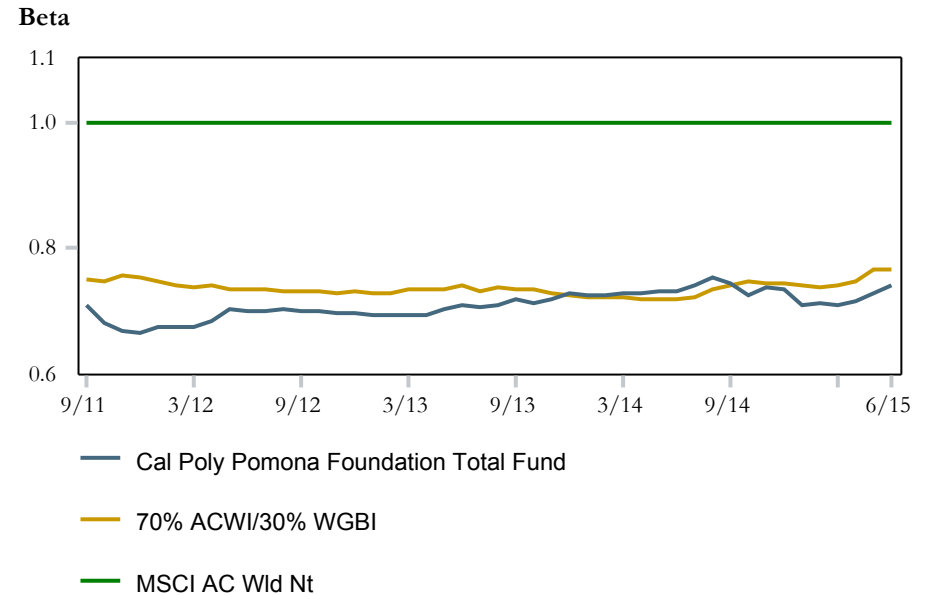
**Rolling 36 Month Alpha vs. Global Equities**



**Rolling 36 Month Standard Deviation**



**Rolling 36 Month Beta vs. Global Equities**



# Capital Markets Overview

July 7, 2015

# Capital Markets Observations: Q2-2015 Recap

*Factors driving the capital markets and influencing asset values in the recent quarter...*

- Q2 marked a transitional period as markets looked ahead to a better second half and the start of Fed rate hikes...
  - With a Fed Policy shift looming, muddling global growth was not enough to move risk assets much in either direction. In fact, technical factors explained key price moves for a good portion of Q2, including the repositioning of crowded trades in energy-related commodities/equities, German Bunds, and the US dollar, Euro, and Yen.
  - A US growth rebound was slow to materialize. In April, sub-par data caused investors to push out expectations for rate hikes, but economic indicators stabilized as Q2 proceeded, solidifying market perceptions that Fed action was nearing. This added to market volatility. However, equity markets have embraced the appropriateness of moderate increases in interest rates, and the range-bound moves of Q2 seem to indicate a desire for the Fed to *get on with it*.
  - Europe, Japan, and China also witnessed decelerating or mixed economic growth metrics, but this was not necessarily cause for alarm as widespread policy supports remain firmly in place (with new initiatives being introduced).
  - The Greek crisis sparked volatility to end Q2 when the nation defaulted on IMF debt and threatened to exit the EU. Greece is a relatively insignificant economy. Uncertainties exist near-term, but disruptions to European banks should be manageable as the issues are not new and the ECB is on alert with ample liquidity facilities.
  - Fed Chair Yelen has stressed that Policy changes are data dependent. Based on current employment and inflation trends, the *normalization process* to higher rates should begin by year-end. More importantly, the pace and magnitude of rate hikes is expected to be muted.
  - Broad market indices showed little change in Q2, but dispersion across sectors/styles created opportunities via security selection. Healthcare continued to lead as M&A activity proliferated. Financials (especially banks) also gained, but income-oriented assets struggled as interest rates moved higher; Utilities, REITs, MLPs and high-grade bonds declined.

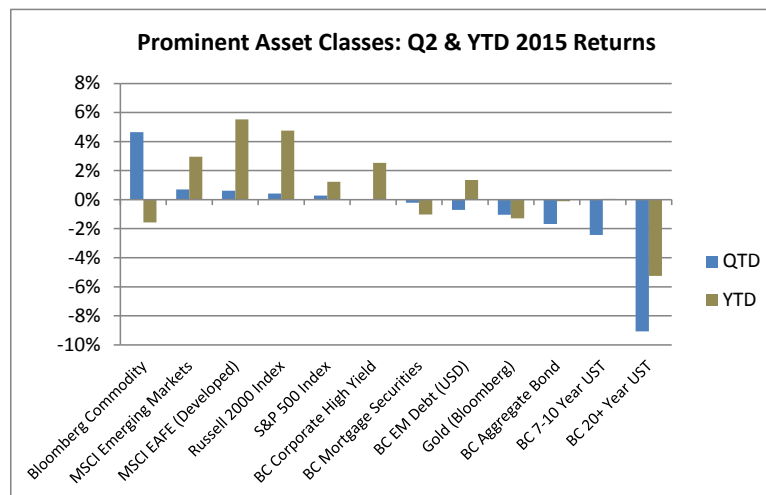


*Amid bank closings, Greeks wait in line to get cash from an ATM. Withdrawals are limited to €60 per day. The Greek crisis added to market volatility in Q2, but other factors also were in play.*

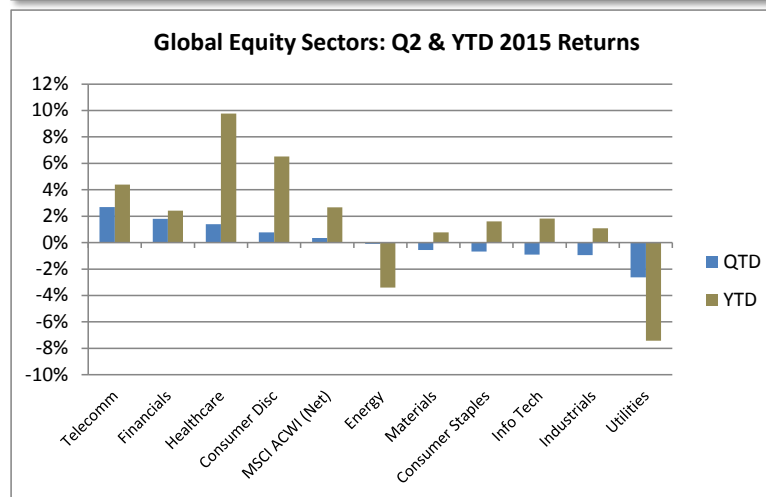
# Capital Markets Performance Summary: Q2-2015

Markets meandered in Q2 amid modest growth, Fed Policy changes, and the ongoing Greek crisis...

Global Asset Class Returns	QTD	YTD	1 Year Return	1 Year Risk
Bloomberg Commodity	4.65%	-1.57%	-23.72%	13.10%
MSCI Emerging Markets	0.69%	2.95%	-5.12%	13.41%
MSCI EAFE (Developed)	0.62%	5.52%	-4.22%	9.83%
Russell 2000 Index	0.42%	4.75%	6.49%	14.35%
S&P 500 Index	0.28%	1.23%	7.42%	8.90%
BC Corporate High Yield	0.00%	2.53%	-0.40%	4.80%
BC Mortgage Securities	-0.21%	-1.02%	-1.49%	1.97%
BC EM Debt (USD)	-0.71%	1.35%	-0.38%	4.37%
Gold (Bloomberg)	-1.05%	-1.29%	-11.74%	11.97%
BC Aggregate Bond	-1.68%	-0.10%	1.86%	3.13%
BC 7-10 Year UST	-2.43%	0.04%	3.65%	5.79%
BC 20+ Year UST	-9.07%	-5.26%	6.71%	14.13%



Global Equity Sectors (ACWI)	QTD	YTD	1 Year Return	1 Year Risk
Telecomm	2.69%	4.38%	0.52%	10.84%
Financials	1.79%	2.41%	2.11%	9.96%
Healthcare	1.40%	9.77%	17.06%	7.19%
Consumer Disc	0.79%	6.52%	8.39%	10.04%
MSCI ACWI (Net)	0.35%	2.66%	0.71%	8.58%
Energy	-0.08%	-3.40%	-25.90%	18.11%
Materials	-0.57%	0.78%	-11.53%	13.59%
Consumer Staples	-0.66%	1.60%	2.24%	8.46%
Info Tech	-0.90%	1.82%	8.18%	10.58%
Industrials	-0.95%	1.08%	-1.81%	8.99%
Utilities	-2.63%	-7.42%	-9.01%	9.45%



Note: 1-year risk reflects standard deviation of monthly returns.

Sources: FactSet, Graystone Consulting 6/30/2015



# Capital Markets Highlights: Q2-2015

## **US & Global Equities**

- US and Developed Markets were range-bound. The S&P 500 and Russell 2000 finished with small gains of +0.3% and +0.4%, respectively. MSCI EAFE gained +0.6%. Europe gained +0.4%, but Japan advanced +3.1%.
- Emerging Markets were more volatile. Resources-oriented economies rallied in April, but the move faded due to fundamental challenges. MSCI EM gained +0.7%. China's local A-share market dropped -20% to finish Q2, after a 1-year gain of over 100%. MSCI China (H-shares with more reasonable valuations) gained +6.0% in Q2.
- In global sectors, Healthcare benefited from stable growth and M&A activity. In response to higher rates, Financials gained, but Utilities declined.

## **Global & Specialty Fixed Income**

- Despite softer growth data and ECB bond purchases, European rates surged as global investors repositioned from one-sided bets on lower rates. The German 10-year Bund closed at 0.77%, up 70 bps from the Q2 low. US rates were pulled higher as the UST 10-year closed at a 2.35% yield, up 43 bps for Q2.
- The BC Aggregate Bond Index declined -1.7% as rising rates pressured high-quality bonds across the maturity spectrum. Long-duration UST bonds plunged -9.1%. Investment Grade Corporates declined 3.2%, but High Yield bonds were flat as credit spreads closed at +491.
- Citi WGBI declined -1.5% in USD (Euro gain of +2.9% offset bond losses). EM debt declined -0.7% (USD).

## **Commodities & Real Assets**

- Bloomberg Commodity Index gained +4.7%. Despite rising supplies, crude oil gained +17.5% due mostly to technical/repositioning factors. Grains rallied +10.2%.
- Rate-sensitive real estate securities came under severe pressure in Q2 as long-duration interest rates moved higher. FTSE Nareit All REITs declined -8.9%.
- S&P Global infrastructure declined -8.9%. S&P Utilities and Alerian MLPs fell -5.8% and -6.1%, respectively.

## **Hedge Funds & Alternative Strategies**

- The HFRX Global Hedge Fund Index declined -0.8% in Q2. Returns were modest for hedged and low-net exposure strategies. Relative Value gained +0.2% as credit-oriented strategies benefited from rate hedges. Equity Hedge strategies gained +0.2%. Event Driven was flat with M&A gains offsetting the continued weakness in distressed debt and restructurings.
- Macro/CTA strategies plunged -4.6% due to reversals in prominent trends. European bonds declined, the Euro gained, energy and agricultural commodities gained.

Sources: Russell Investments, FactSet, MSCI Barra, Barclays Capital, S&P Capital IQ, Bespoke Investment Group, HFRX

The information contained herein has been taken from sources<sup>31</sup> deemed reliable, but there is no guarantee of its complete accuracy. Please see important disclosures at the end of the presentation.

# Graystone Perspectives, Themes & Positioning

*Current market views that shape our portfolio positioning and performance expectations:*

## ➤ **Perspectives:**

- US economic growth slowly progressed in Q2 with trends in employment and housing pointing to a better second half.
- European growth metrics decelerated and Japan's economic performance was mixed, but both remain positive. Even modest GDP growth is translating into double-digit profits. Besides supportive monetary policies, growth-oriented structural reforms are emerging, especially in Japan (i.e. improved corporate governance, rising dividends, share repurchases, etc.).
- Emerging Markets remain challenged, offering a mix of idiosyncratic opportunities that are often subject to macro-driven sentiment and fund flows. Increasingly, however, the larger EM countries seem to be trading on individual merits.

## ➤ **Themes & Positioning:**

- Security selection in equities and fixed income has become more crucial, due to moderate global growth, elevated valuations for most asset classes, and an imminent policy shift from the US Federal Reserve.
- In equities, global diversification should continue to be rewarded through 2015 with a bias to US and Developed Markets. US assets offer an enduring mix of long-term growth/stability, but most valuation metrics are above averages. Europe & Japan could be settling into sustainable growth rates, but valuations are no longer cheap. In Emerging Markets, *policy reformers* (e.g. India) and *energy consumers* are favored over the more resources-driven, debt-burdened economies.
- For real assets, we continue to favor cash flow – in global infrastructure, real estate securities, and inflation-protected fixed income. Uncertainties persist for high-beta commodities and related assets due excess capacity, insufficient demand.
- In fixed income, we favor yield advantages and stable/improving credit fundamentals with limited interest rate risk, across a mix of sub-sectors and strategies (i.e. floating-rate debt, complex MBS/ABS, select HY bonds, hedged credit). Short-term interest rates are poised to move higher with a Fed Policy shift, but long-term rate levels could be suppressed due to various global factors – especially after rates moved higher in Q2. High-quality fixed income still serves a defensive role, and yields are now approaching more attractive levels.

# Graystone House Views – July 2015

Q2 revealed a challenging and transitional period as markets look for second half clarity...

“As the cycle progresses, finding the *obvious* macro and asset allocation themes gets more complicated. Valuations are up, liquidity is abundant, and overall supply, particularly corporate equities and sovereign debt, is actually shrinking in many instances. As such, we are certainly cognizant that generating outsized returns has gotten more complicated.”

- Kohlberg Kravis Roberts (KKR), *Insights: Global Macro Trends, Mid-Year Outlook, June 2015*

<b>Topic</b>	<b>Current Outlook</b>	<b>Other Considerations</b>
<b>US Expansion</b>	<ul style="list-style-type: none"> <li>▪ Employment &amp; housing trends support 2H growth pick-up; M&amp;A activity driving shareholder gains</li> <li>▪ Fed rate hikes coming in late 2015, but magnitude and pace should be muted, thus <i>lower-for-longer</i></li> </ul>	<ul style="list-style-type: none"> <li>▪ Equity valuations above average but neutral sentiment keeping multiples from overly excessive levels</li> <li>▪ Modest growth, elevated valuations make security selection crucial; M&amp;A continues driving shareholder gains</li> </ul>
<b>European Recovery</b>	<ul style="list-style-type: none"> <li>▪ Benefitting from lower energy prices, ongoing ECB policy support</li> <li>▪ Modest GDP growth but double-digit profit growth expected for 2015</li> </ul>	<ul style="list-style-type: none"> <li>▪ Equity valuations now at roughly fair value after solid gains in 1H</li> <li>▪ Greece: Near-term volatility, limited long-term fundamental impact</li> </ul>
<b>Japan Recovery</b>	<ul style="list-style-type: none"> <li>▪ Benefitting from lower energy prices; continued BoJ reflationary policies</li> <li>▪ Modest GDP growth but double-digit profit growth expected for 2015</li> </ul>	<ul style="list-style-type: none"> <li>▪ Shifting to more shareholder-friendly environment (i.e. board governance, dividends, share repurchases, etc.)</li> <li>▪ Government Pension Investment Fund rotating to equities from bonds</li> </ul>

# Graystone House Views – July 2015

<b>Topic</b>	<b>Current Outlook</b>	<b>Other Considerations</b>
<b>Emerging Markets</b>	<ul style="list-style-type: none"> <li>▪ Opportunities bifurcated based on growth potential, inflation, currency factors, fiscal/monetary policies</li> <li>▪ Commodity price declines disruptive; <i>energy consumers</i> to benefit, while <i>energy producers</i> could struggle</li> <li>▪ Fed Policy shift (rate hikes) and stronger USD expected to add volatility to EM debt &amp; equities</li> </ul>	<ul style="list-style-type: none"> <li>▪ Overall EM index valuations remain inexpensive, but the most attractive growth assets are more fully-valued</li> <li>▪ India, Mexico, and China among those pursuing growth-oriented structural reforms which should boost long-term productivity</li> <li>▪ Cautious view; passive/index for beta w/ highly-active funds for alpha</li> </ul>
<b>High-Quality Fixed Income</b>	<ul style="list-style-type: none"> <li>▪ Yellen affirmed Fed intentions to <i>normalize</i> US interest rates; high-quality yields more attractive after markets re-priced bonds in Q2</li> </ul>	<ul style="list-style-type: none"> <li>▪ QE from ECB/BoJ keeping rates low</li> <li>▪ Favor complex and less efficient segments (i.e. MBS, ABS, CLOs)</li> </ul>
<b>Credit Spread Strategies</b>	<ul style="list-style-type: none"> <li>▪ Favor yield-advantaged securities, but security selection is more vital as the credit cycle ages; defaults still at below-average levels of ~3%</li> </ul>	<ul style="list-style-type: none"> <li>▪ HY stable, but distressed and lower-rated credits still struggling; favor off-the-run securities, hedged strategies &amp; relative value <i>carry</i> trades</li> </ul>
<b>Event Driven &amp; Other Hedge Fund Strategies</b>	<ul style="list-style-type: none"> <li>▪ Continued corporate activity in US (i.e. M&amp;A, spin-offs) could extend to Europe/Japan in 2015; <i>pay-the-shareholder</i> environment supported by Event Driven activist investors</li> <li>▪ Increased dispersion in equities supports low-net trading strategies</li> </ul>	<ul style="list-style-type: none"> <li>▪ Favor catalyst-oriented Event Driven strategies tied to company-specific actions/events; also Relative Value trading in complex and inefficient market segments (i.e. MBS/ABS)</li> <li>▪ Return opportunities in event driven credit could be muted near-term</li> </ul>

# Graystone House Views – July 2015

<b>Topic</b>	<b>Current Outlook</b>	<b>Other Considerations</b>
<b>Market Volatility</b>	<ul style="list-style-type: none"> <li>▪ Uncertainties related to Fed Policy shifts are adding to price volatility across virtually all asset classes</li> <li>▪ <i>Search-for-yield</i> assets appear most vulnerable to policy changes</li> </ul>	<ul style="list-style-type: none"> <li>▪ Key is to focus on underlying growth drivers and fundamental trends</li> <li>▪ Suggest <i>stay-the-course</i> and/or capitalize on situations where pricing clearly disconnects from reality</li> </ul>
<b>US Dollar &amp; Foreign Currencies</b>	<ul style="list-style-type: none"> <li>▪ USD poised to further appreciate based on fundamental factors and divergent central bank policies</li> <li>▪ USTs continue to offer yield advantages versus global bonds</li> </ul>	<ul style="list-style-type: none"> <li>▪ USD gains expected to be more muted going forward if growth for Europe, Japan and China improves</li> <li>▪ After a pronounced USD move, any need for FX hedges could be fading</li> </ul>
<b>Energy &amp; Materials</b>	<ul style="list-style-type: none"> <li>▪ US energy production seems to finally be moderating, so supply/demand imbalances could subside; energy inventories remain 34% &gt; average seasonal levels</li> <li>▪ Global supply/demand imbalances will take time to normalize, but lower prices tend to cure lower prices</li> </ul>	<ul style="list-style-type: none"> <li>▪ Energy prices rebounded in early Q2, but move was mostly due to trading and technical repositioning</li> <li>▪ Secular growth trends are shifting in China and other Emerging Markets, leading to less demand for infrastructure-related assets</li> <li>▪ Hedges help in the near term, but sustained lower crude prices could bring cash flow pressures, defaults to energy-related corporate bonds</li> </ul>

# Capital Markets Scorecard & Indicators: 6/30/2015

Global Economic Metrics	GDP RQ	As of Date	GDP T12	CPI	UE Rate
USA	-0.2%	3/31	2.9%	0.0%	5.5%
Europe (EMU)	1.5%	3/31	1.0%	0.3%	11.3%
United Kingdom	1.5%	3/31	2.4%	0.1%	5.5%
Japan	3.9%	3/31	-0.9%	0.6%	3.3%
Australia	3.8%	3/31	2.3%	1.3%	6.0%
Canada	-0.6%	3/31	2.1%	0.9%	6.8%
China	5.3%	3/31	7.0%	1.2%	4.1%
India	11.0%	3/31	7.5%	5.0%	4.9%
Russia	N/A	3/31	-2.2%	15.8%	5.6%
Brazil	-0.6%	3/31	-1.6%	8.5%	6.4%
Mexico	1.6%	3/31	2.5%	2.9%	4.3%

Notes: GDP RQ is the most recent quarter data at an annualized rate. GDP T12 is the growth rate for the trailing 12 months. CPI is the inflation rate (1-year) and UE Rate is the unemployment rate (most recent).

Key Economic Indicators	Latest	As of Date	3Mo Avg	12Mo Avg	36Mo Avg
USA - Non-Farm Payrolls	223,000	6/30	221,000	245,000	N/A
USA - Jobless Claims 4-Wk	272,667	6/19	273,000	290,994	330,742
USA - ISM Manufacturing	53.5	6/30	52.6	54.7	53.7
USA - ISM Services	56.0	6/30	56.5	56.3	N/A
USA - C&I Loans (\$ trillions)	88,835	6/30	88,835	93,778	90,373
USA - Citi Economic Surprise	(28.8)	6/30	(52.0)	(13.2)	0.9
German ZEW Sentiment	31.5	6/30	42.2	30.7	30.3
China PMI Index	50.2	6/30	50.2	50.5	50.5

Notes: Latest is the most recently available monthly data. 3Mo Avg, 6Mo Avg and 12Mo Avg are the averages for the respective periods. These are referenced to assess the direction of recent trends.

Monetary Policy, Rates,	Int. Rates	1Yr Ago	10-Year Yld	1Yr Ago
USA FRB/USTs	0.25%	0.25%	2.35%	2.53%
ECB/German Bunds	0.05%	0.15%	0.77%	1.24%
BoE/UK Gilts	0.50%	0.50%	2.03%	2.67%
BoJ/JGBs	0.10%	0.10%	0.45%	0.56%

Notes: Int. Rates refer to targeted short-term lending rates set by the FRB (Fed Funds) and other central banks. 10-Year Yld refers to the yield-to-maturity for each market's current 10-year government bond issue.

Currencies	Spot PX	3Mo	3Mo Δ	12Mo	12Mo Δ
USD Trade-Weighted Index	93.90	93.89	0.01%	84.74	10.80%
Euro (Euro/USD)	1.11	1.08	2.89%	1.37	-18.65%
Yen (USD/JPY)	122.40	120.12	-1.87%	101.30	-17.24%
Pound (GBP/USD)	1.57	1.48	6.03%	1.71	-8.21%

Notes: Spot PX is the most recently quoted price. 3Mo Δ and 12 Mo Δ are percentage price changes for the stated period.

Global Bond Metrics	Yield	3Mo Ago	6Mo Ago	1Yr Ago	Duration
BC Aggregate Bond	2.39%	2.10%	2.26%	2.22%	5.5
BC UST 7-10 Year	2.25%	1.88%	2.11%	2.35%	7.8
BC UST 20+ Year	3.08%	2.52%	2.71%	3.28%	18.2
BC MBS Index	2.78%	2.44%	2.62%	2.79%	4.5
BC Municipal Bond	2.33%	2.00%	2.10%	2.36%	6.6
BofAML High Yield Master II	6.65%	6.11%	6.60%	5.01%	4.9
Citigroup WGBI USD	1.06%	0.96%	1.10%	1.30%	7.2
Citigroup WGBI USD (Hedge)	0.93%	0.80%	1.03%	1.29%	8.0
BC Emerging Markets USD	5.27%	5.32%	5.66%	4.61%	5.7
BC Emerging Markets Local	12.32%	11.50%	12.89%	9.55%	5.8

Notes: Yield represents yield-to-worst. 3Mo Ago, 6Mo Ago and 12Mo Ago are historical yields. These are referenced to assess the direction of recent trends. Duration is a measure of interest rate sensitivity.

Sources: FactSet, Graystone Consulting 6/30/2015

# Capital Markets Scorecard & Indicators: 6/30/2015

Global Equity Metrics	PE T12	1Yr Ago	10Yr Avg	PE F12	1Yr Ago
S&P 500 (USA)	18.0	17.0	15.7	16.4	15.6
Russell 2000 (USA)	34.6	38.2	30.6	24.4	22.7
MSCI EAFE (Developed)	17.2	16.5	13.6	15.1	14.3
Germany	14.8	14.4	13.1	13.4	13.1
United Kingdom	15.0	14.2	12.5	14.9	13.6
Japan	17.8	14.8	N/A	15.5	13.7
MSCI Emerging Markets	13.5	12.8	13.1	11.8	11.0
China	10.4	8.6	10.5	10.7	8.8
India	21.2	19.0	19.3	18.3	16.6
Russia	9.1	5.7	8.5	5.4	5.0
Brazil	17.1	15.6	13.1	12.7	10.5
Mexico	22.5	18.9	13.3	18.9	18.9

Notes: PE T12 is the PE ratio for the trailing 12 months; PE F12 is the forward PE based on earnings estimates (next 12 months). 1Yr Ago references PE data from a year ago. 10Yr Avg is the average of the trailing PE data.

Global Equity Sectors	PE T12	1Yr Ago	10Yr Avg	PE F12	1Yr Ago
Consumer Staples	19.3	18.0	16.0	19.0	17.7
Consumer Discretionary	19.1	17.4	17.9	17.0	16.0
Energy	17.7	16.8	12.3	21.7	14.3
Financials	14.5	14.5	21.0	12.7	12.5
Health Care	22.8	21.9	17.3	18.4	17.1
Industrials	18.6	17.9	16.2	16.0	15.5
Information Technology	18.3	19.4	19.7	16.2	15.8
Materials	15.6	15.4	13.8	16.1	15.5
Telecommunications	20.9	13.1	17.2	16.0	15.2
Utilities	15.2	15.2	15.4	14.9	16.3

Notes: Please reference notes on the table to the left (Global Equity Metrics). All data above is based on the MSCI All-Country World Index (ACWI).

Other Key Indicators I	Latest	As of Date	3Mo Avg	12Mo Avg	10Yr Avg
Consumer Confidence (UM)	96.10	6/30	94.23	90.62	77.19
AAII Bullish Sentiment	27.09	6/30	27.24	39.10	38.57
AAII Bearish Sentiment	28.30	6/30	26.50	25.08	34.62
CBOE Volatility Index (VIX)	18.23	6/30	13.95	15.11	20.26
CBOE Put/Call Ratio	1.10	6/30	0.96	0.98	0.94

Notes: Latest is the most recently available monthly data. 3Mo Avg, 12Mo Avg and 10Yr Avg represent the averages scores for the respective trailing periods.

Other Key Indicators II	Latest	3Mo Ago	3Mo Δ	12Mo Ago	12Mo Δ
Corporate HY Credit Spreads	442	422	4.74%	328	34.76%
New Home Sales (USA)	546	534	2.25%	403	35.48%
S&P/Case-Shiller Index (20)	177.01	173.52	2.01%	172.31	2.73%
PCE Price Index (2% Target)	109.03	108.45	0.54%	108.79	0.22%

Notes: Latest is the most recently available data (daily or monthly). 3Mo Ago and 12Mo Ago are historical levels, while 3Mo Δ and 12Mo Δ are percentage price changes for the stated period.

Commodities & Currencies	Spot PX	3Mo Ago	3Mo Δ	12Mo Ago	12Mo Δ
Crude Oil (Brent)	63.59	56.29	12.97%	112.36	-43.41%
Crude Oil (WTI)	59.44	48.65	22.18%	105.37	-43.59%
Natural Gas	2.83	2.64	7.11%	4.46	-36.52%
Gold	1,171.00	1,185.50	-1.22%	1,315.00	-10.95%
Silver	15.70	16.65	-5.71%	20.87	-24.77%
Copper	5,721.00	6,110.00	-6.37%	6,955.00	-17.74%
Aluminum	1,785.00	1,750.00	2.00%	1,986.00	-10.12%
Soybeans	10.75	9.78	9.90%	14.25	-24.58%
Corn	4.16	3.96	5.05%	4.36	-4.53%
Livestock	N/A	N/A	N/A	N/A	N/A

Notes: Spot PX is the most recently quoted price. 3Mo Ago and 12Mo Ago are historical prices, while 3Mo Δ and 12Mo Δ are percentage price changes for the stated period.

Sources: FactSet, Graystone Consulting 6/30/2015

# Important Disclosures

To the extent the investments depicted herein represent international securities, you should be aware that there may be additional risks associated with international investing, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes, and differences in financial and accounting standards. These risks may be magnified in emerging markets. International investing may not be for everyone. Small capitalization companies may lack the financial resources, product diversification and competitive strengths of larger companies. In addition, the securities of small capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies.

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- loss of all or a substantial portion of the investment due to leveraging, short-selling or other speculative investment practices;
- lack of liquidity in that there may be no secondary market for the fund and none expected to develop;
- volatility of returns;
- restrictions on transferring interests in the fund;
- potential lack of diversification and resulting higher risk due to concentration of trading authority with a single advisor;
- absence of information regarding valuations and pricing;
- delays in tax reporting;
- less regulation and higher fees than mutual funds; and
- advisor risk.

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Actual returns would be reduced by expenses that may include management fees and costs of transactions. Expected return and risk (standard deviation) calculations are based on historical data for periods indicated.

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# Memorandum



Date: September 3, 2015

To: Board of Directors  
Cal Poly Pomona Foundation, Inc.

From: *David F. Prenovost*  
David F. Prenovost,  
Senior Managing Director/CFO

Subject: FINANCIAL HIGHLIGHTS – FOR THE YEAR ENDED JUNE 2014-15

Following are the year-to-date financial statement Surplus/(Deficit) amounts:

	Budget	Forecast	Actual
Administration	\$ (810,470)	\$ (704,302)	\$ (882,842)
Real Estate	403,387	388,922	592,602
Investments	1,147,691	(80,510)	(492,496)
Bookstore	285,881	392,437	583,469
Dining Services	466,920	785,611	1,378,953
Kellogg West Conference Center	23,949	68,604	113,590
University Village	1,581,600	834,306	1,482,738
Designated Gifts	(2,086,608)	(2,079,000)	(1,462,575)
Research Office	45,004	45,602	145,658
Agriculture	61,992	244,926	(117,216)
Continuing Education	478,555	154,087	296,549
Unrestricted Programs/Scholarships	-	-	(853,946)
Endowment/Investments	9,371,727	4,354,319	3,022,558
Restricted Programs/Scholarships	2,481,300	3,231,436	6,883,154
Assets transferred to University	-	-	(2,313,122)
<b>Foundation Total</b>	<b>\$ 13,450,928</b>	<b>\$ 7,636,438</b>	<b>\$ 8,377,074</b>

For the fiscal year ended June 30, 2015 revenues of \$97.2 million were 6% or \$5.2 million greater than budget and 8% or \$7.3 million greater than forecast due to Dining Services, Bookstore and Research. Expenditures of \$86.6 million were 10% or \$8.1 million greater than budgeted and 5% or \$4.4 million greater than forecast, see attached for further details.

The unrestricted surplus for the fiscal year ended of \$1.2 million generates a debt coverage ratio of 3.83 before the Designated Gift and 3.06 after the Designated Gift, see attached for further details.

In addition, all reserves were funded to the forecasted amount except for the Agricultural Program Reserve and Research & Sponsored Programs Reserve which we decided would not be funded, see attached for further details.

CAL POLY POMONA FOUNDATION, INC.  
 PROPOSED BUDGET  
 SUMMARY STATEMENT OF ACTIVITY  
 FISCAL YEAR

	REVENUE			EXPENSES			NET SURPLUS/(DEFICIT)		
	Revised Budget 2014-2015	Current Forecast 2014-2015	Actual 2014-2015	Revised Budget 2014-2015	Current Forecast 2014-2015	Actual 2014-2015	Revised Budget 2014-2015	Current Forecast 2014-2015	Actual 2014-2015
<b>GENERAL ACTIVITIES:</b>									
ADMINISTRATION	4,218,404	4,421,615	4,541,473	5,028,874	5,125,917	5,424,315	(810,470)	(704,302)	(882,842)
REAL ESTATE	2,807,587	3,267,192	3,274,330	2,404,200	2,878,270	2,681,728	403,387	388,922	592,602
INVESTMENTS	1,226,246	9,139	(397,678)	78,555	89,649	94,819	1,147,691	(80,510)	(492,497)
<b>TOTAL GENERAL ACTIVITIES</b>	<b>8,252,237</b>	<b>7,697,946</b>	<b>7,418,125</b>	<b>7,511,629</b>	<b>8,093,836</b>	<b>8,200,862</b>	<b>740,608</b>	<b>(395,890)</b>	<b>(782,737)</b>
<b>ENTERPRISE ACTIVITIES:</b>									
<b>Bookstore</b>									
BRONCO BOOKSTORE	9,488,000	9,828,276	10,646,776	9,202,119	9,435,839	10,063,307	285,881	392,437	583,469
<b>Total Bookstore</b>	<b>9,488,000</b>	<b>9,828,276</b>	<b>10,646,776</b>	<b>9,202,119</b>	<b>9,435,839</b>	<b>10,063,307</b>	<b>285,881</b>	<b>392,437</b>	<b>583,469</b>
<b>Dining Services</b>									
FOUNDATION MAINTENANCE	0	0	0	6	(1,634)	(1)	(6)	1,634	1
POLY TROLLEY	293,000	320,000	299,616	308,106	363,118	351,508	(15,106)	(43,118)	(51,892)
FRESH ESCAPES	94,454	162,725	184,790	85,214	131,498	144,519	9,240	31,227	40,271
CARL'S JR.	477,962	512,440	555,480	404,102	407,931	440,945	73,860	104,509	114,535
PONY EXPRESS - CCMP	633,075	775,000	816,011	515,758	626,592	692,372	117,317	148,408	123,639
PONY EXPRESS - CLA	200,425	194,200	195,194	176,728	173,144	176,259	23,697	21,056	18,935
INNOVATION BREW WORKS	340,454	430,000	501,486	337,256	496,394	575,706	3,198	(66,394)	(74,220)
POLY FRESH	410,002	461,560	478,363	350,010	398,509	433,149	59,992	63,051	45,214
PONY EXPRESS - ENV	57,460	59,500	68,384	50,013	52,998	63,271	7,447	6,502	5,113
ENG COFFEE SHOP	74,859	16,700	4,487	75,008	17,094	18,945	(149)	(394)	(14,458)
STARBUCKS COFFEE	925,800	1,090,000	1,221,590	877,962	972,922	1,061,132	47,838	117,078	160,458
PANDA EXPRESS	114,999	111,000	134,506	7,848	8,088	10,089	107,151	102,912	124,417
KIKKA SUSHI	67,299	124,018	117,612	29,282	148,964	152,001	38,017	(24,946)	(34,389)
LOS OLIVOS	5,142,797	5,292,885	5,867,858	4,699,041	4,643,985	4,944,685	443,756	648,900	923,173
VISTA CAFE	1,423,767	1,397,521	1,481,600	1,354,897	1,348,158	1,439,602	68,870	49,363	41,998
DENNY'S	884,255	883,580	830,667	855,903	955,195	882,700	28,352	(71,615)	(52,033)
VENDING	217,197	123,500	126,669	189,587	103,560	106,132	27,610	19,940	20,537
QDOBA	645,050	820,000	876,807	566,627	673,304	723,500	78,423	146,696	153,307
JAMBA JUICE	300,000	201,950	222,670	302,953	257,011	267,267	(2,953)	(55,061)	(44,597)
SUBWAY	870,000	940,000	962,493	758,702	808,641	825,539	111,298	131,359	136,954
ROUND TABLE	374,951	455,000	496,712	317,633	397,276	410,067	57,318	57,724	86,645
DINING ADMINISTRATION	0	0	0	1,033,169	1,020,863	1,034,074	(1,033,169)	(1,020,863)	(1,034,074)
EINSTEIN'S BAGELS	386,500	419,000	481,032	381,203	410,583	457,666	5,297	8,417	23,366
PONY EXPRESS AT CBA	980,000	1,032,000	1,111,564	764,021	826,728	863,550	215,979	205,272	248,014
FRESHENS/PURA VIDA	185,002	205,000	190,508	182,908	199,053	205,579	2,094	5,947	(15,071)
TACO BELL	260,000	276,330	281,287	231,575	249,386	256,089	28,425	26,944	25,198
BRONCO BUCKS CARD OFFICE	167,903	161,159	190,905	165,800	161,274	187,191	2,103	(115)	3,714
SCE LOBBY SHOP	84,085	80,000	86,014	73,025	67,950	68,094	11,060	12,050	17,920
KW - CATERING/CONF. FOODS	1,941,994	2,270,389	2,751,327	1,992,033	2,111,261	2,365,049	(50,039)	159,128	386,278
<b>Total Dining Services</b>	<b>17,553,290</b>	<b>18,815,457</b>	<b>20,535,632</b>	<b>17,086,370</b>	<b>18,029,846</b>	<b>19,156,679</b>	<b>466,920</b>	<b>785,611</b>	<b>1,378,953</b>
<b>K.W. Conference Ctr. &amp; Lodge</b>	<b>1,452,619</b>	<b>1,626,969</b>	<b>1,638,430</b>	<b>1,428,670</b>	<b>1,558,365</b>	<b>1,524,840</b>	<b>23,949</b>	<b>68,604</b>	<b>113,590</b>
<b>University Village</b>	<b>9,603,211</b>	<b>9,021,729</b>	<b>9,137,429</b>	<b>8,021,611</b>	<b>8,187,423</b>	<b>7,654,691</b>	<b>1,581,600</b>	<b>834,306</b>	<b>1,482,738</b>
<b>TOTAL ENTERPRISE ACTIVITIES</b>	<b>38,097,120</b>	<b>39,292,431</b>	<b>41,958,267</b>	<b>35,738,770</b>	<b>37,211,473</b>	<b>38,399,517</b>	<b>2,358,350</b>	<b>2,080,958</b>	<b>3,558,750</b>
<b>TOTAL GENERAL &amp; ENTERPRISE ACTIVITIES</b>	<b>46,349,357</b>	<b>46,990,377</b>	<b>49,376,392</b>	<b>43,250,399</b>	<b>45,305,309</b>	<b>46,600,379</b>	<b>3,098,958</b>	<b>1,685,068</b>	<b>2,776,013</b>

CAL POLY POMONA FOUNDATION, INC. PROPOSED BUDGET SUMMARY STATEMENT OF ACTIVITY FISCAL YEAR		REVENUE			EXPENSES			NET SURPLUS/(DEFICIT)		
		Revised Budget 2014-2015	Current Forecast 2014-2015	Actual 2014-2015	Revised Budget 2014-2015	Current Forecast 2014-2015	Actual 2014-2015	Revised Budget 2014-2015	Current Forecast 2014-2015	Actual 2014-2015
DESIGNATED GIFTS - University		0	0	16,027	2,086,608	2,079,000	1,478,602	(2,086,608)	(2,079,000)	(1,462,575)
SURPLUS (DEFICIT) AFTER DESIGNATED GIFTS		46,349,357	46,990,377	49,392,419	45,337,007	47,384,309	48,078,980	1,012,350	(393,932)	1,313,439
<b>SUPPLEMENTAL PROGRAMS</b>										
RESEARCH OFFICE		13,788,575	13,750,000	14,312,185	13,743,571	13,704,398	14,166,527	45,004	45,602	145,658
AGRICULTURE UNITS		3,470,211	3,508,172	3,094,560	3,408,219	3,263,246	3,211,776	61,992	244,926	(117,216)
CONTINUING EDUCATION		4,389,641	4,258,069	4,100,819	3,911,086	4,103,982	3,804,270	478,555	154,087	296,549
UNRESTRICTED FOUNDATION PROGRAMS		794,856	575,000	484,721	794,856	575,000	1,338,667	0	0	(853,946)
<b>TOTAL SUPPLEMENTAL</b>		<b>22,443,283</b>	<b>22,091,241</b>	<b>21,992,285</b>	<b>21,857,732</b>	<b>21,646,626</b>	<b>22,521,240</b>	<b>585,551</b>	<b>444,615</b>	<b>(528,955)</b>
<b>TOTAL SURPLUS (DEFICIT) UNRESTRICTED</b>		<b>68,792,640</b>	<b>69,081,618</b>	<b>71,384,704</b>	<b>67,194,739</b>	<b>69,030,935</b>	<b>70,600,220</b>	<b>1,597,901</b>	<b>50,683</b>	<b>784,484</b>
<b>RESTRICTED:</b>										
ENDOWMENT/INVESTMENTS		14,355,493	9,306,254	7,979,541	4,983,766	4,951,935	4,956,983	9,371,727	4,354,319	3,022,558
RESTRICTED FOUNDATION PROGRAMS		8,794,236	11,452,901	17,826,690	6,312,936	8,221,465	10,943,536	2,481,300	3,231,436	6,883,154
<b>TOTAL RESTRICTED</b>		<b>23,149,729</b>	<b>20,759,155</b>	<b>25,806,231</b>	<b>11,296,702</b>	<b>13,173,400</b>	<b>15,900,519</b>	<b>11,853,027</b>	<b>7,585,755</b>	<b>9,905,712</b>
TRANSFER TO UNIVERSITY:										(2,313,122)
<b>TOTAL</b>		<b>91,942,369</b>	<b>89,840,773</b>	<b>97,190,935</b>	<b>78,491,441</b>	<b>82,204,335</b>	<b>86,500,739</b>	<b>13,450,928</b>	<b>7,636,438</b>	<b>8,377,074</b>

**Debt Service Coverage  
(Fiscal Year Ended June 30)**

Description	Actual Budget 2013-14	Revised Budget 2014-15	Forecast 2014-15	Actual 2014-15
Change in unrestricted net assets	\$ 5,751,184	\$ 1,907,400	\$ 50,683	\$ 1,253,647
Add Back:				
University Designated Expenses	1,396,068	2,086,608	2,079,000	1,662,660
<b>Surplus (Deficit) before Designated Expenses - see Note</b>	<b>\$ 7,147,252</b>	<b>\$ 3,994,008</b>	<b>\$ 2,129,683</b>	<b>\$ 2,916,307</b>
Add Back:				
Depreciation and amortization	3,867,508	4,528,476	4,398,542	4,167,626
Interest (see detail below)	1,296,258	1,198,712	1,139,179	1,194,916
<b>Available for Debt Service</b>	<b>\$ 12,311,018</b>	<b>\$ 9,721,196</b>	<b>\$ 7,667,404</b>	<b>\$ 8,278,849</b>
Maximum Annual Debt Service *				
2013 & 2014 Series Bonds	1,829,625	1,829,625	1,829,625	1,829,625
2007 Series Bonds	332,750	332,750	332,750	332,750
<b>Total Debt Service</b>	<b>\$ 2,162,375</b>	<b>\$ 2,162,375</b>	<b>\$ 2,162,375</b>	<b>\$ 2,162,375</b>
<b>Total Debt Service before Designated Expenses - see Note</b>	<b>5.69</b>	<b>4.50</b>	<b>3.55</b>	<b>3.83</b>
<b>Total Debt Service after Designated Expenses</b>	<b>5.05</b>	<b>3.53</b>	<b>2.58</b>	<b>3.06</b>

**Note:** Per Section 4.4 of Executive Order 994, the Foundation shall generate a debt coverage ratio of at least 1.25.

\* Maximum annual debt service is reported as the total amount of scheduled debt service during the year in which the debt service is scheduled to be highest during the life of the Bonds

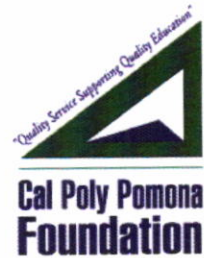
Interest Detail

2013 & 2014 Series Bonds - Interest	1,170,408	1,080,528	1,020,995	925,964
2007 Series Bonds - Interest	125,850	118,184	118,184	108,752
<b>Total Interest Expense</b>	<b>\$ 1,296,258</b>	<b>\$ 1,198,712</b>	<b>\$ 1,139,179</b>	<b>\$ 1,034,716</b>

**CAL POLY POMONA FOUNDATION, INC.**  
**Analysis of Reserves**

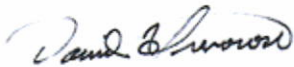
	Balance Jun-14 (1)	Revised Budget Activity Fiscal 14/15 (2)	Forecast Activity Fiscal 14/15 (3)	Actual Activity Fiscal 14/15 (4)	Balance Jun-15 (1+4)=(5)	Budget Activity Fiscal 15/16 (6)	Projected Balance Jun-16 (5+6)=(7)	Goal (8)
<b>Board Designated Reserves</b>								
Agriculture Program Reserve	53,705	33,098	21,295	-	53,705	21,295	75,000	75,000
Cafeteria State Share Reserve	182,062			-	182,062	-	182,062	
Capital Reserve	5,577,708	(542,052)	(931,708)	422,292	6,000,000	(1,720,667)	4,279,333	6,000,000
Emergency Reserve	120,152			-	120,152	-	120,152	
Indirect Cost Dissallowance Reserve	346,406			-	346,406	-	346,406	492,195
Innovation Village Demo Reserve	54,529	8,221	8,200	9,377	63,906	7,563	71,469	
Insurance Reserve	98,378	39,796	(61,125)	(61,125)	37,253	62,747	100,000	
Pine Tree Ranch Reserve	140,886	998	-	-	140,886	-	140,886	75,000
Auxiliaries Multiple Employer VEBA Trust		1,000,000	627,166	627,166		-		
Research & Sponsored Programs	112,258	20,000	20,000	(12,375)	99,883	52,375	152,258	
Residential Board Meal Program Surplus Res	1,548,176	38,288	242,460	571,102	2,119,278	(138,638)	1,980,640	
Venture Capital/Real Estate Reserve	1,370,037	465,113	469,904	505,144	1,875,181	(341,353)	1,533,828	6,000,000
<b>Total</b>	<b>9,604,297</b>	<b>1,063,462</b>	<b>396,192</b>	<b>2,061,581</b>	<b>11,038,712</b>	<b>(2,056,678)</b>	<b>8,982,034</b>	<b>12,642,195</b>

# Memorandum



Date: August 10, 2015

To: Board of Directors  
Cal Poly Pomona Foundation, Inc.

From:   
David F. Prenovost  
Senior Managing Director/Chief Financial Officer

Subject: **2014-2015 STATE PRESCHOOL PROGRAM AUDIT**

GYL Decauwer, LLP has completed the audit of the State Preschool Program grants from the California Department of Education for the fiscal year ended June 30, 2015. The audit report and the results of the audit are as follows:

1. Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.

The results of GYL Decauwer's tests disclosed no instances of noncompliance that is required to be reported under Government Auditing Standards. In addition, there were no matters involving the internal control over financial reporting and its operation that GYL Decauwer considered to be material weaknesses.

## PROPOSED ACTION:

**WHEREAS**, The Foundation Audit Committee is requesting the Board of Directors accept GYL Decauwer's State Preschool Program Audit Report for the fiscal year ended June 30, 2015.

**NOW, THEREFORE, BE IT RESOLVED** that the Cal Poly Pomona Foundation, Inc., Board of Directors accepts the GYL Decauwer's State Preschool Program Audit Report for the fiscal year ended June 30, 2015.

**Passed and adopted this 1st day of October 2015.**

By:  10/01/2015  
Samir Anz, Secretary  
Board of Directors

**CAL POLY POMONA FOUNDATION, INC.  
STATE PRESCHOOL, GENERAL CHILD CARE  
AND PREKINDERGARTEN PROGRAMS**

**FINANCIAL STATEMENTS**

For The Year Ended June 30, 2015  
(Summarized Totals for 2014)



**CAL POLY POMONA FOUNDATION, INC.  
STATE PRESCHOOL, GENERAL CHILD CARE  
AND PREKINDERGARTEN PROGRAMS**

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**CAL POLY POMONA FOUNDATION, INC.  
STATE PRESCHOOL, GENERAL CHILD CARE  
AND PREKINDERGARTEN PROGRAMS**

**GENERAL INFORMATION**

NAME OF AGENCY:	Cal Poly Pomona Foundation, Inc.	
PROGRAM:	State Preschool	CSPP-4146
	Prekindergarten and Family	
	Literacy Support	CPKS-4024
	General Child Care and	
	Development	CCTR-4067
TYPE OF AGENCY:	Non-Profit State of California Foundation	
ADDRESS OF AGENCY:	Cal Poly Pomona Foundation, Inc. State Preschool Office 3801 W. Temple Ave., Building 116 Pomona, California 91768	
NAME AND ADDRESS OF:		
Chief Financial Officer:	David Prenovost Cal Poly Pomona Foundation, Inc. 3801 West Temple Avenue, Building 55 Pomona, California 91768	
Preschool Director:	Celeste Salinas	
TELEPHONE NUMBER:	Foundation Office	(909) 869-2948
	State Preschool Office	(909) 869-2284
PERIOD COVERED BY THE EXAMINATION:	July 1, 2014 to June 30, 2015	
NUMBER OF DAYS OF OPERATION OF AGENCY:	244 days	CSPP-4146
	244 days	CCTR-4067
SCHEDULE HOURS OF OPERATION EACH DAY:	Opening time: 8:45 a.m.	1:00 p.m.
	Closing time: 12:30 p.m.	5:00 p.m.
	Number of days per week:	5

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Cal Poly Pomona Foundation, Inc.  
State Preschool, General Child Care and Prekindergarten Programs  
Pomona, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of Cal Poly Pomona Foundation, Inc. State Preschool, General Child Care and Prekindergarten Programs, which comprise the financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cal Poly Pomona Foundation, Inc. State Preschool, General Child Care and Prekindergarten Programs as of June 30, 2015, and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the Cal Poly Pomona Foundation, Inc. State Preschool, General Child Care and Prekindergarten Programs 2014 fiscal year financial statements, and our report dated August 27, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Matters***Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The accompanying supplementary information presented on pages 9 - 23, is presented for purposes of additional analysis, and is not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and in conformity with the *Audit Guide of Child Development and Nutrition Programs* issued by the California Department of Education. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2015, on our consideration of Cal Poly Pomona Foundation, Inc. State Preschool, General Child Care and Prekindergarten Programs' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in consideration of Cal Poly Pomona Foundation, Inc. State Preschool, General Child Care and Prekindergarten Programs' internal control over financial reporting and compliance.

**GYL Decauwer LLP**

Ontario, California

August 27, 2015

**CAL POLY POMONA FOUNDATION, INC.  
STATE PRESCHOOL, GENERAL CHILD CARE  
AND PREKINDERGARTEN PROGRAMS**

**STATEMENT OF FINANCIAL POSITION**

June 30, 2015

(Summarized Totals for 2014)

<b>ASSETS</b>	<u>2015</u>	<u>2014</u>
Grants and contracts receivable	\$ 31,209	\$ 92,063
Parent fees receivable	20,819	25,835
Due from ASI	<u>10,782</u>	<u>41,182</u>
Total Assets	<u>\$ 62,810</u>	<u>\$ 159,080</u>
<b>LIABILITIES AND NET ASSETS</b>		
Claims on cash	\$ 42,252	\$ 44,878
Accounts payable	4,435	98,064
Accrued expenses	10,900	15,983
Grants and contracts payable	5,121	53
SDE reserves	<u>102</u>	<u>102</u>
Total Liabilities	<u>62,810</u>	<u>159,080</u>
Total Liabilities and Net Assets	<u>\$ 62,810</u>	<u>\$ 159,080</u>

See accompanying notes to the financial statements

**CAL POLY POMONA FOUNDATION, INC.  
STATE PRESCHOOL, GENERAL CHILD CARE  
AND PREKINDERGARTEN PROGRAMS**

**STATEMENT OF ACTIVITIES**

For the year ended June 30, 2015

(Summarized Totals for 2014)

	2015	2014
<b>REVENUE</b>		
State apportionments	\$ 311,577	\$ 243,703
Federal awards	102,229	83,728
Federal food program	48,155	40,929
Other grants and support	152,438	203,771
Parent fees-certified	27,546	24,980
Parent fees-non certified	77,113	86,871
Contribution from ASI	10,781	41,182
Interest income	1,044	219
Total Revenue	730,883	725,383
<b>EXPENSES</b>		
Program Services		
Child care services	673,673	673,189
Support Services		
Administrative costs	57,210	52,194
Total Expenses	730,883	725,383
<b>CHANGES IN NET ASSETS</b>		
Unrestricted Net Assets - beginning of year	_____	_____
Unrestricted Net Assets - end of year	\$ _____	\$ _____

See accompanying notes to the financial statements

**CAL POLY POMONA FOUNDATION, INC.  
STATE PRESCHOOL, GENERAL CHILD CARE  
AND PREKINDERGARTEN PROGRAMS**

**STATEMENT OF CASH FLOWS**

For the year ended June 30, 2015

(Summarized Totals for 2014)

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Decrease (increase) in operating assets		
Grants and contracts receivable	\$ 60,854	\$ (9,971)
Parent fees receivable	5,016	(25,835)
Due from ASI	30,400	8,523
Increase (decrease) in operating liabilities		
Accounts payable	(93,629)	57,652
Accrued expenses	(5,083)	6,583
Grants and contracts payable	5,068	53
SDE reserves		
	2,626	37,005
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
None		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
None		
Cash and cash equivalents - beginning of year	(44,878)	(81,883)
Cash and cash equivalents - end of year	\$ (42,252)	\$ (44,878)

See accompanying notes to the financial statements



**CAL POLY POMONA FOUNDATION, INC.  
STATE PRESCHOOL, GENERAL CHILD CARE  
AND PREKINDERGARTEN PROGRAMS**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

**Note 1    Summary of Significant Accounting Policies**

Revenues - The State Preschool, General Child Care and Prekindergarten Programs (“Programs”), component units of Cal Poly Pomona Foundation, Inc. (“Foundation”), are funded by the California Department of Education. The purpose of the programs are to provide day care and child development services. The component units have earned revenue of \$461,961. As required by the California Department of Education, Cal Poly Pomona Foundation, Inc. is mandated to obtain an audit of the component unit and submit the audited financial statements and supplementary information of the component unit as well as the audited financial statements of the entire Foundation.

Property 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. It is the Foundation’s policy to capitalize equipment and property with a cost of \$5,000 or greater.

Property and equipment acquired by the Foundation’s Programs are considered owned by Cal Poly Pomona Foundation, Inc. However, government funding sources maintain an equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets.

Income Tax Status - The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Organization has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated are related to the Organization’s continued qualification as a tax-exempt organization and whether there is unrelated business income activities conducted that would be taxable. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not be sustained upon examination; therefore, no disclosures of uncertain income tax positions are required. The Organizations returns are subject to examination by federal and state taxing authorities, generally for four years after they are filed.

Cash and Cash Equivalents - The Programs are affiliated and integrated with the Foundation, who performs a number of fiscal services on behalf of the program, including the management of cash. Therefore, the cash and cash equivalents are displayed in the statement of cash flows as claims on cash.

**CAL POLY POMONA FOUNDATION, INC.  
STATE PRESCHOOL, GENERAL CHILD CARE  
AND PREKINDERGARTEN PROGRAMS**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

**Note 1 Summary of Significant Accounting Policies** (continued)

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Summarized Prior Year Information - The financial statements include summarized comparative information from the prior year, which is not presented by net class or include comparative footnotes, and does not include sufficient detail to conform with GAAP. This information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2014, for which the comparative information was extracted.

Date of Managements' Review - The Foundation has evaluated subsequent events through August 27, 2015 the date which the financial statements were available to be issued and there are no subsequent events requiring disclosure.

**Note 2 Related Party Transactions**

The State Preschool and Prekindergarten operate from facilities paid for by California State Polytechnic University, Pomona. The Foundation performs fiscal administration for the State Preschool and Prekindergarten. The Foundation's fee is 8% for fiscal administration.

The State Preschool and Prekindergarten teaching staff consist of employees from Associated Students, Inc. On a monthly basis, the State Preschool and Prekindergarten reimburses Associated Students, Inc. for salaries, benefits and pension cost. Associated Students, Inc. also collects parent fees for both certified and non-certified children that then are remitted to the Foundation.

**Note 3 State Child Development Reserves**

The funding agreements with the California Department of Education (CDE) allow the Foundation to record "reserves" for the amounts not earned during the current year, up to certain amounts. These reserves are presented as a liability for financial statement purposes and are not included in the current year revenue. As of June 30, 2015, the reserves' total balance was \$102.

**Note 4 Contingencies**

The Foundation has received grant funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

**SUPPLEMENTARY INFORMATION**

**CAL POLY POMONA FOUNDATION, INC.  
STATE PRESCHOOL, GENERAL CHILD CARE  
AND PREKINDERGARTEN PROGRAMS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

For the year ended June 30, 2015

<u>Grantor/ Program Title</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program or Award Amount</u>	<u>State Disbursements/ Expenditures</u>
<b>U.S. Department of Health and Human Services</b>				
Passed through California Department of Education:				
State Preschool	93.596/93.575	CSPP-4146	\$ 79,502	\$ 57,518
General Child Care & Development	93.596/93.575	CCTR-4067	<u>53,523</u>	<u>44,711</u>
Subtotal			133,025	102,229
<b>US Department of Agriculture</b>				
Child and Adult Care Food Program				
Passed through California Department of Education:				
Child Care Food Program	10.558	05310-CACFP-19	<u>48,155</u>	<u>48,155</u>
Total Federal Awards			<u>\$ 181,180</u>	<u>\$ 150,384</u>
State Preschool		CSPP-4146	\$ 354,089	\$ 256,102
General Child Care & Development		CCTR-4067	63,421	52,975
Prekindergarten and Family Literacy Support		CPKS-4024	<u>2,500</u>	<u>2,500</u>
Total State Awards			<u>\$ 420,010</u>	<u>\$ 311,577</u>

See accompanying notes to supplementary information

**CAL POLY POMONA FOUNDATION, INC.  
STATE PRESCHOOL, GENERAL CHILD CARE  
AND PREKINDERGARTEN PROGRAMS**

**COMBINED SCHEDULE OF REVENUE AND EXPENDITURES BY STATE CONTRACTS**

For the year ended June 30, 2015

	CSPP-4146 State Preschool	CPKS-4024 Prekindergarten and Family Literacy Support	CCTR-4067 General Child Care & Development	Total
<b>REVENUE</b>				
Federal awards	\$ 57,518	\$	\$ 44,711	\$ 102,229
Federal food program	48,155			48,155
State apportionments	256,102	2,500	52,975	311,577
Other grants and support	125,127		27,311	152,438
Parent fees-certified	23,593		3,953	27,546
Parent fees-non certified	39,090		38,023	77,113
Contribution from ASI	2,556		8,225	10,781
Interest income	1,044			1,044
	<u>553,185</u>	<u>2,500</u>	<u>175,198</u>	<u>730,883</u>
<b>Total Revenue</b>	<u>553,185</u>	<u>2,500</u>	<u>175,198</u>	<u>730,883</u>
<b>EXPENDITURES</b>				
Certificated salaries and wages	263,480		96,156	359,636
Employee benefits	142,250		56,792	199,042
<b>Total Salaries and Related Expenses</b>	405,730		152,948	558,678
Books and supplies	22,192	2,315	4,082	28,589
Services and other operating expenses	86,344		7,214	93,558
Equipment	6,749			6,749
Indirect cost rate	32,170	185	10,954	43,309
	<u>553,185</u>	<u>2,500</u>	<u>175,198</u>	<u>730,883</u>
<b>Total Expenditures</b>	<u>553,185</u>	<u>2,500</u>	<u>175,198</u>	<u>730,883</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

See accompanying notes to the supplementary information

**CAL POLY POMONA FOUNDATION, INC.  
STATE PRESCHOOL, GENERAL CHILD CARE  
AND PREKINDERGARTEN PROGRAMS**

**SCHEDULE OF EXPENDITURES BY STATE CATEGORIES**  
For the year ended June 30, 2015

	<u>CSPP-4146</u>	<u>CPKS-4024</u>	<u>CCTR-4067</u>	<u>Total</u>
	<u>State</u>	<u>Prekindergarten</u>	<u>General</u>	<u>Total</u>
	<u>Preschool</u>	<u>and Family</u>	<u>Child Care &amp;</u>	<u>Total</u>
	<u>Preschool</u>	<u>Literacy Support</u>	<u>Development</u>	<u>Total</u>
<b>EXPENDITURES</b>				
Direct payment to providers				
1000 Certified salaries	\$ 263,480	\$	\$ 96,156	\$ 359,636
2000 Classified salaries				
3000 Employee benefits	142,250		56,792	199,042
4000 Books and supplies	22,192	2,315	4,082	28,589
5000 Services and other operating expenses	86,344		7,214	93,558
6100/6200 Other approved capital outlay				
6400 New equipment	6,749			6,749
6500 Replacement equipment				
Depreciation on assets not purchased with public funds				
Start-up expenses - service level exemption				
Indirect costs	<u>32,170</u>	<u>185</u>	<u>10,954</u>	<u>43,309</u>
Total expenses claimed for reimbursement	553,185	2,500	175,198	730,883
Total supplemental expenses				
Total Expenditures	<u>\$ 553,185</u>	<u>\$ 2,500</u>	<u>\$ 175,198</u>	<u>\$ 730,883</u>

See accompanying notes to the supplementary information

**Cal Poly Pomona Foundation**  
(A Not-for-Profit Corporation)

**SCHEDULE OF ADMINISTRATIVE COSTS**

For the year ended June 30, 2015

	<u>CSPP-4146</u> State Preschool	<u>CCTR-4067</u> General Child Care & Development	<u>CPKS-4024</u> Prekindergarten and Family Literacy Support	<u>Total</u>
Administrative Expenses				
Indirect Costs	\$ 32,171	\$ 10,954	\$ 185	\$ 43,310
Services/Audit	<u>6,950</u>	<u>6,950</u>	<u>          </u>	<u>13,900</u>
Total Administrative Expenses	<u>\$ 39,121</u>	<u>\$ 17,904</u>	<u>\$ 185</u>	<u>\$ 57,210</u>

See accompanying notes to the supplementary information

**CAL POLY POMONA FOUNDATION, INC.  
STATE PRESCHOOL, GENERAL CHILD CARE  
AND PREKINDERGARTEN PROGRAMS**

**SCHEDULE OF RENOVATION AND REPAIR EXPENDITURES  
UTILIZING CONTRACT FUNDS**

For the year ended June 30, 2015

<u>EXPENDITURES UNDER \$10,000 UNIT COST</u>		<u>EXPENDITURES OVER \$10,000 UNIT COST</u>			
		<u>WITH CDD APPROVAL</u>		<u>WITHOUT CDD APPROVAL</u>	
<u>COST</u>	<u>ITEM</u>	<u>COST</u>	<u>ITEM</u>	<u>COST</u>	<u>ITEM</u>
NONE		NONE		NONE	

See accompanying notes to the supplementary information



**CAL POLY POMONA FOUNDATION, INC.  
STATE PRESCHOOL, GENERAL CHILD CARE  
AND PREKINDERGARTEN PROGRAMS**

**SCHEDULE OF EQUIPMENT EXPENDITURES  
UTILIZING CONTRACT FUNDS**

For the year ended June 30, 2015

	CSP-4146 State Preschool	CPKS-4024 Prekindergarten and Family Literacy Support	CCTR-4067 General Child Care & Development	Total
<u>EXPENDITURES UNDER \$7,500 UNIT COST</u>				
Storage unit for toy library	\$ 774	\$	\$	\$ 774
Ipad Mini (7)	2,150			2,150
Ipad Air	524			524
Maytag washer, refrigerator	3,301			3,301
Total	<u>\$ 6,749</u>	<u>\$</u>	<u>\$</u>	<u>\$ 6,749</u>

EXPENDITURES OVER  
\$7,500 UNIT COST  
WITH CDD APPROVAL

NONE

EXPENDITURES OVER  
\$7,500 UNIT COST  
WITHOUT CDD APPROVAL

NONE

**AUDITED ATTENDANCE AND FISCAL REPORT  
for California State Preschool Programs**

Agency Name: Cal Poly Pomona Foundation, Inc. Vendor No. E923  
 Fiscal Year Ended: June 30, 2015 Contract No. CSPP 4146  
 Independent Auditor's Name: GYL Decauwer LLP

SECTION I - CERTIFIED CHILDREN DAYS OF ENROLLMENT	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	AUDIT ADJUSTMENTS	CUMULATIVE FISCAL YEAR PER AUDIT	ADJUSTMENT FACTOR	ADJUSTED DAYS OF ENROLLMENT PER AUDIT
<i>Three and Four Year Olds</i>					
Full-time-plus	560		560	1.1800	660.800
Full-time	5,681		5,681	1.0000	5,681.000
Three-quarters-time	1,146		1,146	0.7500	859.500
One-half-time	1,782		1,782	0.6172	1,099.850
<i>Exceptional Needs</i>					
Full-time-plus	-		-	1.4160	-
Full-time	32		32	1.2000	38.400
Three-quarters-time	101		101	0.9000	90.900
One-half-time	50		50	0.6172	30.860
<i>Limited and Non-English Proficient</i>					
Full-time-plus	11		11	1.2980	14.278
Full-time	550		550	1.1000	605.000
Three-quarters-time	96		96	0.8250	79.200
One-half-time	177		177	0.6172	109.244
<i>At Risk of Abuse or Neglect</i>					
Full-time-plus	21		21	1.2980	27.258
Full-time	67		67	1.1000	73.700
Three-quarters-time			-	0.8250	-
One-half-time			-	0.6172	-
<i>Severely Disabled</i>					
Full-time-plus			-	1.7700	-
Full-time			-	1.5000	-
Three-quarters-time			-	1.1250	-
One-half-time			-	0.6172	-
<b>TOTAL DAYS OF ENROLLMENT</b>	10,274	-	10,274		9,369.991
<b>DAYS OF OPERATION</b>	243		243		
<b>DAYS OF ATTENDANCE</b>	10,070		10,070		

NO NONCERTIFIED CHILDREN - Check box, omit page 2 & continue to Section III if no noncertified children were enrolled in the program.

Comments - If necessary, attach additional sheets to explain adjustments:

**AUDITED ATTENDANCE AND FISCAL REPORT  
for California State Preschool Programs**

Agency Name: Cal Poly Pomona Foundation, Inc. Vendor No. E923

Fiscal Year Ended: June 30, 2015 Contract No. CSPP 4146

<b>SECTION II - NONCERTIFIED CHILDREN</b> Report all children who were not certified, but who were served at the same sites as certified children.	<b>COLUMN A</b>	<b>COLUMN B</b>	<b>COLUMN C</b>	<b>COLUMN D</b>	<b>COLUMN E</b>
<b>DAYS OF ENROLLMENT</b>	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	AUDIT ADJUSTMENTS	CUMULATIVE FISCAL YEAR PER AUDIT	ADJUSTMENT FACTOR	ADJUSTED DAYS OF ENROLLMENT PER AUDIT
<i>Three and Four Year Olds</i>					
Full-time-plus	63		63	1.1800	74.340
Full-time	356		356	1.0000	356.000
Three-quarters-time	200		200	0.7500	150.000
One-half-time	73		73	0.6172	45.056
<i>Exceptional Needs</i>					
Full-time-plus	73		73	1.4160	103.368
Full-time	12		12	1.2000	14.400
Three-quarters-time	111		111	0.9000	99.900
One-half-time	-		-	0.6172	-
<i>Limited and Non-English Proficient</i>					
Full-time-plus	-		-	1.2980	-
Full-time	18		18	1.1000	19.800
Three-quarters-time	33		33	0.8250	27.225
One-half-time	1		1	0.6172	0.617
<i>At Risk of Abuse or Neglect</i>					
Full-time-plus			-	1.2980	-
Full-time			-	1.1000	-
Three-quarters-time			-	0.8250	-
One-half-time			-	0.6172	-
<i>Severely Disabled</i>					
Full-time-plus			-	1.7700	-
Full-time			-	1.5000	-
Three-quarters-time			-	1.1250	-
One-half-time			-	0.6172	-
<b>TOTAL DAYS OF ENROLLMENT</b>	<b>940</b>	<b>-</b>	<b>940</b>		<b>890.706</b>

Comments - If necessary, attach additional sheets to explain adjustments:

**AUDITED ATTENDANCE AND FISCAL REPORT  
for California State Preschool Programs**

Agency Name: Cal Poly Pomona Foundation, Inc. Vendor No. E923

Fiscal Year End: June 30, 2015 Contract No. CSPP 4146

	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
<b>SECTION III - REVENUE</b>			
<b>RESTRICTED INCOME</b>			
Child Nutrition Programs	\$48,155		\$48,155
County Maintenance of Effort (EC § 8279)			0
Other (Specify): Support from ASI			0
Other (Specify):			0
<b>Subtotal</b>	\$48,155	\$0	\$48,155
Transfer from Reserve	0		0
Family Fees for Certified Children	23,593		23,593
Interest Earned on Apportionments	1,044		1,044
<b>UNRESTRICTED INCOME</b>			
Family Fees for Noncertified Children	39,090		39,090
Head Start Program (EC § 8235(b))			0
Other (Specify): ASI Support to cover deficit		2,556	2,556
Other (Specify):			0
<b>TOTAL REVENUE</b>	\$111,882	\$2,556	\$114,438

<b>SECTION IV - REIMBURSABLE EXPENSES</b>			
1000 Certificated Salaries	\$203,327	\$1	\$203,328
2000 Classified Salaries	0		0
3000 Employee Benefits	109,014		109,014
4000 Books and Supplies	26,513	(6,749)	19,764
5000 Services and Other Operating Expenses	61,082	(53)	61,029
6100/6200 Other Approved Capital Outlay			0
6400 New Equipment ( <i>program-related</i> )		6,749	6,749
6500 Replacement Equipment ( <i>program-related</i> )			0
Depreciation or Use Allowance			0
Start-Up Expenses (service level exemption)			0
Budget Impasse Credit			0
Indirect Costs. Rate: 7.17% (Rate is Self-Calculating)	28,175	(2)	28,173
<b>TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT</b>	\$428,111	(\$54)	\$428,057
<b>TOTAL ADMINISTRATIVE COSTS</b> (included in section IV above)	\$35,125		\$35,125

FOR CDE-A&I USE ONLY:

**Independent Auditor's Assurances on Agency's compliance with Contract Funding Terms and Conditions and Program Requirements of the California Department of Education, Early Education and Support Division:**

Eligibility, enrollment, and attendance records are being maintained as required (check YES or NO):

YES

NO - Explain any discrepancies.

Reimbursable expenses claimed above are eligible for reimbursement, reasonable, necessary, and adequately supported (check YES or NO):

YES

NO - Explain any discrepancies.

COMMENTS - If necessary, attach additional sheets to explain adjustments:

ASI Support used to cover program deficit. Should not be included in restricted income.

NO SUPPLEMENTAL REVENUES OR EXPENSES - Check box and omit page 4 if there are no supplemental revenues or expenses to report.



**AUDITED FISCAL REPORT  
for Child Development Support Contracts**

Agency Name: Cal Poly Pomona Foundation, Inc. Vendor No. E923

Fiscal Year End: June 30, 2015 Contract No. CPKS-4024

Multi-Year Contract? (Check "No" Box or Enter Contract Period): No:  or Period: \_\_\_\_\_

Independent Auditor's Name: GYL Decauwer LLP

	COLUMN A1	COLUMN A2	COLUMN B	COLUMN C
	PRIOR YEAR'S AUD 9529 ENDING BALANCE FOR THIS CONTRACT (Multi-Year Contract Only)	CURRENT FISCAL YEAR PER FORM CDFS 9529	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE THROUGH CURRENT FISCAL YEAR PER AUDIT
<b>SECTION I - REVENUE</b>				
RESTRICTED INCOME				
Match Requirement				\$0
County Maintenance of Effort (EC § 8279)				0
Other (Specify):				0
Other (Specify):				0
<b>Subtotal</b>	\$0	\$0	\$0	\$0
INTEREST EARNED ON APPORTIONMENTS				0
UNRESTRICTED INCOME				
Other (Specify):				0
Other (Specify):				0
<b>TOTAL REVENUE</b>	\$0	\$0	\$0	\$0

**SECTION II - REIMBURSABLE EXPENSES**

1000 Certificated Salaries				\$0
2000 Classified Salaries				0
3000 Employee Benefits				0
4000 Books and Supplies	2,315			2,315
5000 Services and Other Operating Expenses				0
6100/6200 Other Approved Capital Outlay				0
6400 New Equipment (program-related)				0
6500 Replacement Equipment (program-related)				0
Depreciation or Use Allowance				0
Indirect Costs. Rate: 7.99%	185			185
<b>TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT</b>	\$2,500	\$0	\$0	\$2,500
TOTAL ADMINISTRATIVE COSTS (included in section II above)	\$185			\$185
FOR CDE-A&I USE ONLY:				

COMMENTS - If necessary, attach additional sheets to explain adjustments:

NO SUPPLEMENTAL REVENUES OR EXPENSES - Check box & omit page 2 if there are no supplemental revenues or expenses to report.

**AUDITED FISCAL REPORT  
for Child Development Support Contracts**

Agency Name: Cal Poly Pomona Foundation, Inc. Vendor No. E923

Fiscal Year End: June 30, 2015 Contract No. CPKS-4024

Multi-Year Contract? (Check "No" Box or Enter Contract Period): No:  or Period: \_\_\_\_\_

	COLUMN A1	COLUMN A2	COLUMN B	COLUMN C
	PRIOR YEAR'S AUD 9529 ENDING BALANCE FOR THIS CONTRACT (Multi-Year Contract Only)	CURRENT FISCAL YEAR PER FORM CDFS 9529	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE THROUGH CURRENT FISCAL YEAR PER AUDIT
<b>SECTION III - SUPPLEMENTAL REVENUE</b>				
Enhancement Funding				\$0
Other (Specify):				0
Other (Specify):				0
Other (Specify):				0
<b>TOTAL SUPPLEMENTAL REVENUE</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**SECTION IV - SUPPLEMENTAL EXPENSES**

<b>EXPENSES RELATED TO SUPPLEMENTAL REVENUE</b>				
1000 Certificated Salaries				\$0
2000 Classified Salaries				0
3000 Employee Benefits				0
4000 Books and Supplies				0
5000 Services and Other Operating Expenses				0
6000 Equipment/Other Capital Outlay				0
Depreciation or Use Allowance				0
Indirect Costs				0
<b>NONREIMBURSABLE EXPENSES</b>				
6100-6500 Nonreimbursable Capital Outlay				0
Other (Specify):				0
Other (Specify):				0
<b>TOTAL SUPPLEMENTAL EXPENSES</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

COMMENTS - If necessary, attach additional sheets to explain adjustments:

**AUDITED ATTENDANCE AND FISCAL REPORT**

**for California State Preschool Commingled with General Center-Based Programs**

Agency Name: Cal Poly Pomona Foundation, Inc. Vendor No. E923

Fiscal Year Ended: June 30, 2015 Contract No. CCTR 4067

Independent Auditor's Name: \_\_\_\_\_

SECTION I - CERTIFIED CHILDREN DAYS OF ENROLLMENT	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
	CUMULATIVE FISCAL YEAR PER FORM CDFS 9500	AUDIT ADJUSTMENTS	CUMULATIVE FISCAL YEAR PER AUDIT	ADJUSTMENT FACTOR	ADJUSTED DAYS OF ENROLLMENT PER AUDIT
<i>Infants (up to 18 months)</i>					
Full-time-plus	-		-	2.006	-
Full-time	-		-	1.700	-
Three-quarters-time	-		-	1.275	-
One-half-time	-		-	0.935	-
<i>FCCH Infants (up to 18 months)</i>					
Full-time plus	-		-	1.652	-
Full-time	-		-	1.400	-
Three-quarters-time	-		-	1.050	-
One-half-time	-		-	0.770	-
<i>Toddlers (18 up to 36 months)</i>					
Full-time-plus	78		78	1.652	128.856
Full-time	1,395		1,395	1.400	1,953.000
Three-quarters-time	132		132	1.050	138.600
On-half-time	32		32	0.770	24.640
<i>Three Years and Older</i>					
Full-time-plus	56		56	1.180	66.080
Full-time	370		370	1.000	370.000
Three-quarters-time	353		353	0.750	264.750
One-half-time	380		380	0.550	209.000
<i>Exceptional Needs</i>					
Full-time-plus	-		-	1.416	-
Full-time	-		-	1.200	-
Three-quarters-time	-		-	0.900	-
One-half-time	-		-	0.660	-
<i>Limited and Non-English Proficient</i>					
Full-time-plus	5		5	1.298	6.490
Full-time	71		71	1.100	78.100
Three-quarters-time	-		-	0.825	-
One-half-time	-		-	0.605	-
<i>At Risk of Abuse or Neglect</i>					
Full-time-plus	-		-	1.298	-
Full-time	-		-	1.100	-
Three-quarters-time	-		-	0.825	-
One-half-time	-		-	0.605	-
<i>Severely Disabled</i>					
Full-time-plus	-		-	1.770	-
Full-time	-		-	1.500	-
Three-quarters-time	-		-	1.125	-
One-half-time	-		-	0.825	-
<b>TOTAL DAYS OF ENROLLMENT</b>	2,872	-	2,872		3,239.516
<b>DAYS OF OPERATION</b>	243		243		
<b>DAYS OF ATTENDANCE</b>	2,864		2,864		

NO NONCERTIFIED CHILDREN - Check box, omit page 2 & continue to Section III if no noncertified children were enrolled in the program.

Comments - If necessary, attach additional sheets to explain adjustments:

\_\_\_\_\_



**AUDITED ATTENDANCE AND FISCAL REPORT**  
**for California State Preschool Commingled with General Center-Based Programs**

Agency Name: Cal Poly Pomona Foundation, Inc. Vendor No. E923  
 Fiscal Year Ended: June 30, 2015 Contract No. CCTR 4067

SECTION II - NONCERTIFIED CHILDREN Report all children who were not certified, but who were served at the same sites as certified children.  DAYS OF ENROLLMENT	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
	CUMULATIVE FISCAL YEAR PER FORM CDFS 9500	AUDIT ADJUSTMENTS	CUMULATIVE FISCAL YEAR PER AUDIT	ADJUSTMENT FACTOR	ADJUSTED DAYS OF ENROLLMENT PER AUDIT
<i>Infants (up to 18 months)</i>					
Full-time-plus	-		-	2.006	-
Full-time	-		-	1.700	-
Three-quarters-time	-		-	1.275	-
One-half-time	-		-	0.935	-
<i>FCCH Infants (up to 18 months)</i>					
Full-time plus	-		-	1.652	-
Full-time	-		-	1.400	-
Three-quarters-time	-		-	1.050	-
One-half-time	-		-	0.770	-
<i>Toddlers (18 up to 36 months)</i>					
Full-time-plus	89		89	1.652	147.028
Full-time	380		380	1.400	532.000
Three-quarters-time	213		213	1.050	223.650
On-half-time	-		-	0.770	-
<i>Three Years and Older</i>					
Full-time-plus	141		141	1.180	166.380
Full-time	327		327	1.000	327.000
Three-quarters-time	56		56	0.750	42.000
One-half-time	-		-	0.550	-
<i>Exceptional Needs</i>					
Full-time-plus	-		-	1.416	-
Full-time	-		-	1.200	-
Three-quarters-time	-		-	0.900	-
One-half-time	-		-	0.660	-
<i>Limited and Non-English Proficient</i>					
Full-time-plus	4		4	1.298	5.192
Full-time	25		25	1.100	27.500
Three-quarters-time	4		4	0.825	3.300
One-half-time	-		-	0.605	-
<i>At Risk of Abuse or Neglect</i>					
Full-time-plus	-		-	1.298	-
Full-time	-		-	1.100	-
Three-quarters-time	-		-	0.825	-
One-half-time	-		-	0.605	-
<i>Severely Disabled</i>					
Full-time-plus	-		-	1.770	-
Full-time	-		-	1.500	-
Three-quarters-time	-		-	1.125	-
One-half-time	-		-	0.825	-
<b>TOTAL DAYS OF ENROLLMENT</b>	<b>1,239</b>	<b>-</b>	<b>1,239</b>		<b>1,474.050</b>

Comments - If necessary, attach additional sheets to explain adjustments:

**AUDITED ATTENDANCE AND FISCAL REPORT**  
**for California State Preschool Commingled with General Center-Based Programs**

Agency Name: Cal Poly Pomona Foundation, Inc. Vendor No. E923

Fiscal Year End: June 30, 2015 Contract No. CCTR 4067  
 Insert Any Commingled Contract No. CCTR 4067

	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE FISCAL YEAR PER FORM CDFS 9500	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
<b>SECTION III - REVENUE</b>			
<b>RESTRICTED INCOME</b>			
Child Nutrition Programs			\$0
County Maintenance of Effort (EC § 8279)			0
Other (Specify):			0
Other (Specify):			0
<b>Subtotal</b>	\$0	\$0	0
Transfer from Reserve Contract #			0
Family Fees for Certified Children			0
CCTR Program Contract #	3,953		3,953
CSPP Program Contract #			0
Interest Earned on Apportionments Contract #			0
Contract #			0
<b>UNRESTRICTED INCOME</b>			
Family Fees for Noncertified Children	38,022		38,022
Head Start Program (EC § 8235(b))			0
Other (Specify): ASI Support to cover deficit		8,225	8,225
<b>TOTAL REVENUE</b>	<b>\$41,975</b>	<b>\$8,225</b>	<b>\$50,200</b>

<b>SECTION IV - REIMBURSABLE EXPENSES</b>			
<i>Direct Payments to Providers (FCCH Only)</i>			\$0
1000 Certificated Salaries	78,845		78,845
2000 Classified Salaries	0		0
3000 Employee Benefits	46,792		46,792
4000 Books and Supplies	4,082		4,082
5000 Services and Other Operating Expenses	7,214		7,214
6100/6200 Other Approved Capital Outlay	0		0
6400 New Equipment (program-related)	0		0
6500 Replacement Equipment (program-related)	0		0
Depreciation or Use Allowance	0		0
Start-Up Expenses (service level exemption)	0		0
Budget Impasse Credit Contract #	0		0
Contract #			0
Indirect Costs. Rate: 8.00% (Rate is Self-Calculating)	10,954		10,954
<b>TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT</b>	<b>\$147,887</b>	<b>\$0</b>	<b>\$147,887</b>
TOTAL ADMINISTRATIVE COSTS (included in section IV above)	\$17,904		\$17,904
<b>FOR CDE-A&amp;I USE ONLY:</b>			

**Independent Auditor's Assurances on Agency's compliance with Contract Funding Terms and Conditions and Program Requirements of the California Department of Education, Early Education and Support Division:**

Eligibility, enrollment, and attendance records are being maintained as required (check YES or NO):

YES

NO - Explain any discrepancies.

Reimbursable expenses claimed above are eligible for reimbursement, reasonable, necessary, and adequately supported (check YES or NO):

YES

NO - Explain any discrepancies.

COMMENTS - If necessary, attach additional sheets to explain adjustments:  
 ASI Support is used to cover program deficit. Should not be included in restricted income.

NO SUPPLEMENTAL REVENUES OR EXPENSES - Check this box and omit page 4 if there are no supplemental revenues or expenses to report.

AUD 8501-9500C, Page 5 of 6 (FY 2014-15) California Department of Education

<b>AUDITED ATTENDANCE AND FISCAL REPORT</b>			
<b>for California State Preschool Commingled with General Center-Based Programs</b>			
Agency Name:	<u>Cal Poly Pomona Foundation, Inc.</u>	Vendor No.	<u>E923</u>
Fiscal Year End:	<u>June 30, 2015</u>	Contract No.	<u>CCTR 4067</u>
	Insert Any Commingled Contract Number		<u>CCTR 4067</u>
	COLUMN A	COLUMN B	COLUMN C
SECTION V - SUPPLEMENTAL REVENUE	CUMULATIVE FISCAL YEAR PER FORM CDFS 9500	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
Enhancement Funding			\$0
Other (Specify):	27,311		27,311
Other (Specify):			0
Other (Specify):			0
<b>TOTAL SUPPLEMENTAL REVENUE</b>	<b>\$27,311</b>	<b>\$0</b>	<b>\$27,311</b>
SECTION VI - SUPPLEMENTAL EXPENSES			
<b>EXPENSES RELATED TO SUPPLEMENTAL REVENUE</b>			
1000 Certificated Salaries	\$17,311		\$17,311
2000 Classified Salaries	0		0
3000 Employee Benefits	10,000		10,000
4000 Books and Supplies			0
5000 Services and Other Operating Expenses			0
6000 Equipment/Other Capital Outlay			0
Depreciation or Use Allowance			0
Indirect Costs			0
Other (Specify):			0
<b>NONREIMBURSABLE EXPENSES</b>			
6100-6500 Nonreimbursable Capital Outlay			0
Other: e.g., Entertainment Expenses			0
Other (Specify):			0
Other (Specify):			0
<b>TOTAL SUPPLEMENTAL EXPENSES</b>	<b>\$27,311</b>	<b>\$0</b>	<b>\$27,311</b>
COMMENTS - If necessary, attach additional sheets to explain adjustments:			

**AUDITED RESERVE ACCOUNT ACTIVITY REPORT**

Agency Name: Cal Poly Pomona Foundation, Inc.

Fiscal Year End: June 30, 2015

Vendor No. E923

Independent Auditor's Name: GYL Decauwer, LLP

**RESERVE ACCOUNT TYPE (Check One):**

- Center Based
- Resource and Referral
- Alternative Payment

COLUMN A	COLUMN B	COLUMN C
PER AGENCY	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	PER AUDIT

**LAST YEAR:**

<b>1. Beginning Balance</b> (must equal ending balance from Last Year's AUD 9530-A)	\$102		\$102
<b>2. Plus Transfers from Contracts to Reserve Account</b> (based on last year's post-audit CDFS 9530, Section IV):			
Contract No.			\$0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Total Transferred from Contracts to Reserve Account	\$0	\$0	\$0
<b>3. Less Excess Reserve to be Billed</b> (enter as a positive amount any excess amount calculated by CDFS on last year's post-audit CDFS 9530)			\$0
<b>4. Ending Balance on Last Year's Post-Audit CDFS 9530</b>	\$102	\$0	\$102

**THIS YEAR:**

<b>5. Plus Interest Earned This Year on Reserve Funds</b> (column A must agree with this year's CDFS 9530-A, Section II)			\$0
<b>6. Less Transfers to Contracts from Reserve Account</b> (column A amounts must agree with this year's CDFS 9530-A, Section III; and column C amounts must be reported on this year's AUD forms for respective contracts):			
Contract No.			\$0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Total Transferred to Contracts from Reserve Account	\$0	\$0	\$0
<b>7. Ending Balance on June 30, 2015</b> (column A must agree with this year's CDFS 9530-A, Section IV)	\$102	\$0	\$102

**COMMENTS - If necessary, attach additional sheets to explain adjustments:**

**CAL POLY POMONA FOUNDATION, INC.  
STATE PRESCHOOL, GENERAL CHILD CARE  
AND PREKINDERGARTEN PROGRAMS**

**NOTES TO SUPPLEMENTARY INFORMATION**

June 30, 2015

**Note 1 Basis of Presentation**

The accompanying schedule of expenditures of state awards includes the grant activity of the Cal Poly Pomona Foundation, Inc. State Preschool and Prekindergarten Programs, and both are presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Audit Guide of Child Development and Nutrition Programs by the California Department of Education. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**Note 2 Out of State Travel**

No out of state travel expenditures were charged to the program.

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

Board of Directors  
Cal Poly Pomona Foundation, Inc.  
State Preschool, General Child Care  
and Prekindergarten Programs  
Pomona, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Cal Poly Pomona Foundation, Inc. State Preschool, General Child Care and Prekindergarten Programs (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 27, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cal Poly Pomona Foundation, Inc. State Preschool, General Child Care and Prekindergarten Programs' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cal Poly Pomona Foundation, Inc. State Preschool, General Child Care and Prekindergarten Programs' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cal Poly Pomona Foundation, Inc. State Preschool, General Child Care and Prekindergarten Programs' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

**GYL Decauwer LLP**  
Ontario, California

August 27, 2015

August 27, 2015

To the Management and the Audit Committee of the Board of Directors of the Cal Poly Pomona Foundation, Inc. State Preschool, General Child Care and Prekindergarten Programs  
Pomona, California

We have audited the financial statements of Cal Poly Pomona Foundation, Inc. State Preschool, General Child Care and Prekindergarten Programs for the year ended June 30, 2015, and have issued our report thereon dated August 27, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 7, 2015. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Cal Poly Pomona Foundation, Inc. State Preschool, General Child Care and Prekindergarten Programs are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the 2015 year. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the allocation of costs is utilized to allocate costs to each program. We evaluated the key factors and assumptions used to develop the cost allocation in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.



#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements and they have been posted and resolved by management. In addition, the misstatements detected as a result of audit procedures and corrected by management were not material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated August 27, 2015.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors of Cal Poly Pomona Foundation, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Client: *Cal Poly Pomona Foundation, Inc.*  
 Engagement: *Cal Poly Pomona Foundation, Inc. 6/30/15*  
 Period Ending: *6/30/2015*  
 Workpaper: *Adjusting Journal Entries Report*

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>		<b>AC-6</b>		
To correctly state Food Revenue.				
2500-80	GRANTS & CONTRACTS PAYABLE		459.79	
5200-10	Contribution ASI		459.79	
1200-10	GRANTS & CONTRACTS RECEIVABLE			459.79
4600-80	EARNED EQUITIES -FUND 2			459.79
<b>Total</b>			<u><u>919.58</u></u>	<u><u>919.58</u></u>
<b>Adjusting Journal Entries JE # 2</b>		<b>Fiscal Report</b>		
Record supplemental revenue and expenses.				
7135-10	INDIRECT COST		3,996.00	
7272-10	SALARIES/REIMBURSED		60,152.00	
7272-30	SALARIES/REIMBURSED		17,311.00	
7291-10	SERVICES/OTHER		25,315.00	
7311-10	STAFF BENEFITS/REIMBURSED		33,236.00	
7311-30	STAFF BENEFITS/REIMBURSED		10,000.00	
7326-10	SUPPLIES/EXPENDABLE		2,428.00	
4700-10	SUPPLEMENTAL REVENUE			125,127.00
4700-30	SUPPLEMENTAL REVENUE			27,311.00
<b>Total</b>			<u><u>152,438.00</u></u>	<u><u>152,438.00</u></u>

Client: 80244.1 - Cal Poly Pomona Foundation, Inc.  
 Engagement: 80244.1 - Cal Poly Pomona Foundation, Inc. 6/30/15  
 Period Ending: 6/30/2015  
 Trial Balance: 130-1 - Trial Balance  
 Workpaper: 140-2 - Reclassifying Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
There were no passed entries in the PY or CY.				
<b>Reclassifying Journal Entries JE # 201</b>		<b>AC-1</b>		
To reclass Accrued Expense to Grant Payable.				
2020-10	ACCRUED EXPENSES		5,121.00	
2500-10	GRANTS & CONTRACTS PAYABLE			5,121.00
<b>Total</b>			<b>5,121.00</b>	<b>5,121.00</b>
<b>Reclassifying Journal Entries JE # 202</b>		<b>AC-1</b>		
Reclass ASI Contribution from SDE Grant Revenue.				
4600-10	EARNED EQUITIES -FUND 2		3,016.00	
4600-30	EARNED EQUITIES -FUND 2		8,225.43	
5200-10	Contribution ASI			3,016.00
5200-30	Contribution ASI			8,225.43
<b>Total</b>			<b>11,241.43</b>	<b>11,241.43</b>
<b>Reclassifying Journal Entries JE # 203</b>		<b>AJ-2</b>		
To reclass washer, dryer to equipment account.				
7327-10	SUPPLIES/NONEXPENDABLE		2,762.20	
7344-10	TRANSFER ASSET TO UNIVERSITY		773.50	
7344-10	TRANSFER ASSET TO UNIVERSITY		3,301.00	
7327-10	SUPPLIES/NONEXPENDABLE			773.50
7327-10	SUPPLIES/NONEXPENDABLE			3,301.00
7344-10	TRANSFER ASSET TO UNIVERSITY			2,762.20
<b>Total</b>			<b>6,836.70</b>	<b>6,836.70</b>

# Memorandum

Date: September 22, 2015

To: Board of Directors  
Cal Poly Pomona Foundation

From: Mr. John McGuthry  
Dr. Sep Eskandari  
Ms. Rachel Dominguez

2015-2016 Nominating Committee



**Subject: Election of Foundation Board of Directors Officer—Vice-Chair**

Per Article VI, Section 2 of the Cal Poly Pomona Foundation Bylaws, Dr. Soraya M. Coley, chairperson of the Board, selected Mr. John McGuthry, Dr. Sep Eskandari and Ms. Rachel Dominguez to serve on the 2015-2016 Nominating Committee.

The Nominating Committee had a special meeting on September 22, 2015 and selected the following officer for 2015-2016 to replace the resigned Dr. Steven Garcia, who held the position of Vice-Chair:

Vice-Chair                      Dr. David Speak

**PROPOSED ACTION:** The 2015-2016 Foundation Nominating Committee recommends the above replacement officer nomination to be forwarded to the Board of Directors at the next regularly scheduled meeting.

**NOW, THEREFORE, BE IT RESOLVED** that the Cal Poly Pomona Foundation, Inc. Board of Directors approves the nomination of David Speak as Vice-Chair on the slate of Board Officers presented by the Nominating Committee for the fiscal year 2015-2016.

**PASSED AND ADOPTED THIS 1st DAY OF OCTOBER 2015.**


By:  10/01/2015  
Samir Anz, Secretary  
Board of Directors

# Memorandum



Date: September 21, 2015

To: G. Paul Storey  
Executive Director

From: Dr. Soraya M. Coley   
President

**Subject: APPOINTMENT OF NOMINATING COMMITTEE for  
OFFICER VACANCY SELECTION**

Per Article VI, Section 2, of the Foundation Bylaws, the Chairperson of the Board is to select three (3) Board members to serve on a Nominating Committee to propose a slate of Officers or to fill an Officer position. As Board Chair, I have selected the following three (3) Board members for the Officer Vacancy Nominating Committee.

- (1) **John McGuthry**
- (2) **Sep Eskandari**
- (3) **Rachel Dominguez**

This committee will meet and propose a nomination to fill the Vice Chair vacancy on our current Slate of Officers 2015/2016. Elections will be held at the October 1, 2015 Annual Board Meeting.

You will send a memo to the newly appointed Nominating Committee and schedule the meeting where they will nominate the Foundation's Vice Chair for the 2015-16 academic year.

# Memorandum



Date: September 21, 2015

To: **Mr. John McGuthry**  
**Dr. Sep Eskandari**  
**Ms. Rachel Dominguez**

From: G. Paul Storey *G. Paul Storey*  
Executive Director

Subject: **Nominating Committee – Vacant Position on Slate of Officers for Board of Directors**

The Board of Directors currently has a vacant position on its Slate of Officers—Vice Chair. Per Article VI, Section 2 of the Cal Poly Pomona Foundation Bylaws, the Chairperson of the Board is to select three Board members to serve on a Nominating Committee to propose a nomination to fill the vacancy on the slate of officers for the upcoming year.

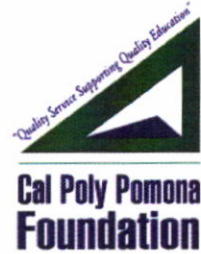
Dr. Coley, Chair, has selected you to serve on this year's Nominating Committee. To assist in this process, I have attached a listing of our current Board members indicating their terms of office.

This officer will be asked to sign one-day liquor license requests to enable Catering to serve alcohol at special receptions. Each special one-day liquor license request requires the signature of two officers. Because of this requirement, it is recommended that all officers be located on campus.

**A meeting of the Nominating Committee has been scheduled for Tuesday September 22, 2015 @ 3:30 pm (via WebEx).** The proposed nomination to fill the vacancy on the slate of officers will be presented at the October 1, 2015 Board of Directors meeting.

If you have any questions, please contact Anne McLoughlin (x5418) and she will assist you.

# Memorandum



Date: September 3, 2015

To: Board of Directors  
Cal Poly Pomona Foundation, Inc.

From:   
David Prenovost  
Senior Managing Director/CFO

Subject: **2014-15 FINANCIAL AND SINGLE AUDIT REPORTS**

Vicenti Lloyd & Stutzman has completed the financial and single audits of Cal Poly Pomona Foundation for the fiscal year ended June 30, 2015. The Foundation is expected to receive an unmodified financial statement opinion with no management letter comments, no material weaknesses, no reportable conditions and no compliance issues noted proposed and/or discussed with management.

Vicenti Lloyd and Stutzman will present the following reports to the Board of Directors along with their required disclosures:

- Independent Auditors' Report and Financial Statements
- Single Audit Reports

## PROPOSED ACTION:

**WHEREAS**, The Foundation Audit Committee is requesting the Board of Directors to accept Vicenti Lloyd & Stutzman's unmodified opinion upon the Foundation's Financial and Single Audit Reports for the fiscal year ended June 30, 2015.

**NOW, THEREFORE, BE IT RESOLVED** that the Cal Poly Pomona Foundation, Inc., Board of Directors accepts the Vicenti Lloyd & Stutzman's unmodified opinion upon the Foundation's Financial and Single Audit Reports.

**Passed and adopted this 1st day of October 2015.**

By:  10/01/2015  
Samir Anz, Secretary  
Board of Directors

[Client Letterhead]

September 25, 2015

Vicenti, Lloyd & Stutzman, LLP  
Certified Public Accountants  
2210 E. Route 66  
Glendora, CA 91740

This representation letter is provided in connection with your audit of the financial statements of Cal Poly Pomona Foundation which comprise the respective financial position as of June 30, 2015, change in net position and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of September 25, 2015, the following representations made to you during your audit.

**Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 13, 2015, including our responsibility for the preparation and fair presentation of the financial statements and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal controls to prevent and detect fraud.



5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the financial statements.
8. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
10. Guarantees, whether written or oral, under which the foundation is contingently liable, if any, have been properly recorded or disclosed in accordance with U.S. GAAP.

### **Information Provided**

11. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the Foundation from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of the board of directors and finance committee.
12. All material transactions have been recorded in the accounting records and are reflected in

the financial statements and the schedule of expenditures of federal awards.

13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
14. We have no knowledge of any fraud or suspected fraud affecting the entity and involves:
  - a. Management,
  - b. Employees who have significant roles in internal control, or
  - c. Other where the fraud could have a material effect on the financial statements.
15. We have no knowledge of any allegations of fraud or suspected fraud affecting the Foundation's financial statements communicated by employees, former employees, regulators, or others.
16. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
17. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
18. We have disclosed to you the identity of the Foundation's related parties and all the related party relationships and transactions of which we are aware.

#### **Government – Specific**

19. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
20. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
21. Cal Poly Pomona Foundation has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
22. We are responsible for compliance with laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.

23. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
24. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
25. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
26. Cal Poly Pomona Foundation is an exempt organization under Section 501 (C)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up to date.
27. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
28. As part of your audit, you assisted with preparation of the financial statements and related notes and schedule of expenditures of federal awards. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.
29. The Foundation has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
30. The Foundation has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

31. Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
32. Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
33. Provisions for uncollectible receivables have been properly identified and recorded.
34. Expenses have been appropriately classified in or allocated to activities in the statement of revenue, expenses, and change in net position, and allocations have been made on a reasonable basis.
35. Revenues are appropriately classified in the statement of revenue, expenses, and change in net position within operating activities, nonoperation activities or endowments.
36. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
37. Deposits and investment securities are properly classified as to risk and are properly disclosed.
38. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
39. We agree with the findings of specialists in evaluating the valuation of the liability for other postemployment benefits (OPEB) and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
40. We agree with the findings of specialists in evaluating the valuation of the pension liability and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
41. We have appropriately disclosed the Foundation's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both

restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

42. We believe that the actuarial assumptions and methods used to measure OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.
43. We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.
44. We have complied with all restriction on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.
45. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
46. We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
47. With respect to federal award programs:
  - a. We are responsible for understanding and complying with, and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, including requirements relating to preparation of the schedule of expenditures of federal awards.
  - b. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133 §310.b, and we believe the SEFA, including its form and content, is fairly presented in accordance with OMB Circular A-133 §310.b. The methods of measurement and presentation of the SEFA have not changed from those used in the prior period, and we

have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA.

- c. If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the supplementary information and the auditor's report thereon.
- d. We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133 and included in the SEFA made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- e. We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
- f. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- g. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- h. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- i. We have complied with the direct and material compliance requirements, including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards.
- j. We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance

requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.

- k. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- l. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-122, *Cost Principles for Nonprofit Organizations*, and Subpart C, *Cost Sharing and Matching*, of OMB Circular A-110, *Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations*.
- m. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- o. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p. There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- q. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), have occurred subsequent to the date as of which compliance was audited.
- r. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.

- s. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- t. We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of OMB Circular A-133.
- u. We have taken appropriate action, including issuing management decisions, on a timely basis after receipt of subrecipients' auditor's reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements to ensure that subrecipients have taken the appropriate and timely corrective action on findings.
- v. We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.
- w. We have charged costs to federal awards in accordance with applicable cost principles.
- x. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- y. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133.
- z. We are responsible for preparing and implementing a corrective action plan for each audit finding.

Signed: \_\_\_\_\_

Title: \_\_\_\_\_

Date: September 25, 2015

Signed: \_\_\_\_\_

Title: \_\_\_\_\_

Date: September 25, 2015



**Cal Poly Pomona Foundation**  
**Adjusting Journal Entries**  
**6/30/2015**  
**Exhibit A**

<u>Fund</u>	<u>Account Number</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>	<u>Effect on Net Position</u>
<b>Adjusting Journal Entry # 1</b>					
<i>To record effect on beginning net position for net pension liability.</i>					
01	4010	Beginning Net Position	\$ 7,407,149		
01	1902	Deferred outflows of resources - contributions	813,893		
	2290	Net Pension Liability		\$ 8,221,042	\$ (7,407,149)
<b>Adjusting Journal Entry # 2</b>					
<i>To remove foundation contributions subsequent to measurement date in accordance with paragraph 57 of GASB 68.</i>					
01	1902	Deferred outflows of resources - contributions	886,069		
	7310	PERS Expense		886,069	886,069
<b>Adjusting Journal Entry # 3</b>					
<i>To record changes in net pension liability, deferred outflows and deferred inflows and record total pension expense.</i>					
01	7310	Pension Expense	801,996		
	2290	Net Pension Liability	2,408,798		
	2290	Net Pension Liability - contributions	813,893		
	2902	Deferred inflows of resources - additional deferral		208,569	
	1902	Deferred outflows - subsequent contributions		813,893	
	2902	Deferred inflows of resources - proportionate share		3,002,225	(4,024,687)
			Net decrease in ending balance		<u>\$ (10,545,767)</u>

**Cal Poly Pomona Foundation  
 Proposed Adjusting Journal Entries  
 6/30/2015  
 Exhibit B**

<u>Fund</u>	<u>Account Number</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>	<u>Effect on Net Position</u>
<b>Proposed Adjusting Journal Entry # 1</b>					
<i>To adjust accrued vacation.</i>					
01	7271	Salaries Expense	\$ 84,035		
01	2320	Accrued Vacation		\$ 84,035	\$ 84,035
			Net decrease in ending balance		<u>\$ 84,035</u>

September 25, 2015

To the Audit Committee  
Cal Poly Pomona Foundation, Inc

Dear Audit Committee:

This letter is intended to inform the Audit Committee about significant matters related to the conduct of the annual audit to appropriately discharge its oversight responsibility and so that we comply with our professional responsibilities to the Audit Committee.

We have audited the financial statements of the governmental activities of Cal Poly Pomona Foundation for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 20, 2015. Professional standards also require that we communicate to you the following information related to our audit.

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies used by the Foundation. The significant accounting policies used by the Foundation are described in Note 2 to the financial statements. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

As described in Note 16, management has implemented Statement of Governmental Accounting Standards (GASB) No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment to GASB Statement No. 68*. Accordingly, the cumulative effect of these accounting changes as of the beginning of the year is reported on the Statement of Revenues, Expenses and Changes in Net Position.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

*Qualitative Aspects of Accounting Practices (continued)*

Estimates significant to the financial statements include such items as estimated useful lives of depreciable assets, fair value of investments, assets held for sale, unitrust liabilities, pension liabilities and liabilities for postemployment benefits. We evaluated the key factors and assumptions used to develop the accounting estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

We believe management's estimates are reasonable, based on our audit. However, estimates are subject to change because of future events, and the ultimate amounts realized may differ from those provided.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Audit adjustments made to the original trial balance were as a result of the implementation of GASB No. 68 (See Attachment A).

We accumulated uncorrected misstatements which were discussed with management and were determined by management to be immaterial to the basic financial statements. Therefore, correcting adjustments were not made to the June 30, 2015 financial statements. These uncorrected amounts are summarized in the accompanying schedule (See Attachment B).

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management including but not limited to the fair presentation of the financial statements, application of generally accepted accounting principles and management's responsibility for establishing and maintaining effective internal controls. These as well as other representations are included in the management representation letter dated September 25, 2015.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Significant Issues Discussed with Management*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Other Information in Documents Containing Audited Financial Statements*

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We are not aware of other documents that contain the audited financial statements; if such documents are to be published, such as an Annual Report, we have a responsibility to determine that such financial information is materially consistent with the audited statements of the Foundation.

Cal Poly Pomona Foundation  
September 25, 2015  
Page 4

*Other Reports*

A separate Single Audit Report dated September 25, 2015 is prepared and will be submitted to the Federal Clearinghouse along with the Data Collection Form.

*Closing*

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the Cal Poly Pomona Foundation.

This report is intended solely for the information and use of the Audit Committee and management of the foundation, and is not intended to be, and should not be, used by anyone other than these specified parties.

VICENTI, LLOYD & STUTZMAN LLP  
Glendora, California

**Cal Poly Pomona Foundation**  
**Adjusting Journal Entries**  
**6/30/2015**  
**Exhibit A**

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	2902	Deferred inflows of resources - proportionate share		3,002,225	(4,024,687)
				Net decrease in ending balance	<u>\$ (10,545,767)</u>

**Cal Poly Pomona Foundation**  
**Proposed Adjusting Journal Entries**  
**6/30/2015**  
**Exhibit B**

<u>Fund</u>	<u>Account Number</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>	<u>Effect on Net Position</u>
<b>Proposed Adjusting Journal Entry # 1</b>					
<i>To adjust accrued vacation.</i>					
01	7271	Salaries Expense	\$ 84,035		
01	2320	Accrued Vacation		\$ 84,035	\$ 84,035
Net decrease in ending balance					<u>\$ 84,035</u>



**CAL POLY POMONA FOUNDATION, INC.**  
Financial Statements and Supplementary Schedules  
June 30, 2015  
(With Independent Auditor's Report Thereon)

**CAL POLY POMONA FOUNDATION, INC.**

**AUDIT REPORT  
 For the year ended June 30, 2015**

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Cal Poly Pomona Foundation, Inc.

### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of the Cal Poly Pomona Foundation, Inc. (a California State University Auxiliary Organization) (the Foundation) as of June 30, 2015, and the related notes to the financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

The Board of Directors  
Cal Poly Pomona Foundation, Inc.

## **Opinion**

In our opinion, the financial statements listed in the aforementioned table of contents present fairly, in all material respects, the financial position of the Foundation as of June 30, 2015, and the results of its operations, changes in net position and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in Note 16 to the basic financial statements, in 2015 the Foundation adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment to GASB Statement No. 68*. Our opinion is not modified with respect to these matters.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis schedule of postemployment healthcare benefits funding progress schedule of proportionate share of the net pension liability and schedule of pension contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Board of Directors  
Cal Poly Pomona Foundation, Inc.

Other Information

Our audit was conducted for the purpose of forming an opinion on the Foundation financial statements as a whole. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated September 25, 2015 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Foundation's internal control over financial reporting and compliance.

VICENTI, LLOYD & STUTZMAN LLP  
Glendora, California  
September 25, 2015

## **CAL POLY POMONA FOUNDATION, INC.**

### **MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) For the year ended June 30, 2015**

#### **Introduction**

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

The following discussion and analysis provides an overview of the financial position and activities of the Cal Poly Pomona Foundation (the Foundation) for the years ended June 30, 2015 and 2014. The discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto, which follow this section.

#### **Introduction to the Financial Statements**

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

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

**CAL POLY POMONA FOUNDATION, INC.****MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)****For the year ended June 30, 2015**

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

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

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

**Statement of Net Position**

The statement of net position presents the financial position of the Foundation at the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities and deferred inflows of resources of the Foundation. The difference between total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources – net position – is one indicator of the current financial condition of the Foundation, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical costs less an allowance for depreciation. For the purpose of distinguishing between current and noncurrent assets and liabilities, current assets and liabilities are those that can be reasonably expected to either generate or use cash, as part of normal business operations, within one year of the financial statement date.

**CAL POLY POMONA FOUNDATION, INC.**

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
 For the year ended June 30, 2015**

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

	(in thousands) 2015	(in thousands) 2014*
Assets:		
Current assets	\$ 69,000	\$ 64,400
Noncurrent assets:		
Restricted cash and cash equivalents	1,500	1,200
Pledges receivable, net	2,300	3,600
Endowment investments	89,400	85,600
Capital assets, net	54,200	53,900
Other assets	300	-
Total noncurrent assets	<u>147,700</u>	<u>144,300</u>
Total assets	<u>216,700</u>	<u>208,700</u>
Deferred outflows of resources:		
Unamortized loss on refunding(s)	500	500
Net pension obligation	900	-
Total deferred outflows of resources	<u>1,400</u>	<u>500</u>
Liabilities:		
Current liabilities	10,800	10,100
Noncurrent liabilities	<u>33,400</u>	<u>29,400</u>
Total liabilities	<u>44,200</u>	<u>39,500</u>
Deferred inflows of resources:		
Net pension obligation	<u>3,200</u>	-
Total deferred outflows of resources	<u>3,200</u>	-
Net position:		
Invested in capital assets, net of related debt	26,300	25,600
Restricted:		
Nonexpendable	90,200	86,700
Expendable	45,500	39,800
Unrestricted	<u>8,700</u>	<u>17,600</u>
Total net position	<u>\$ 170,700</u>	<u>\$ 169,700</u>

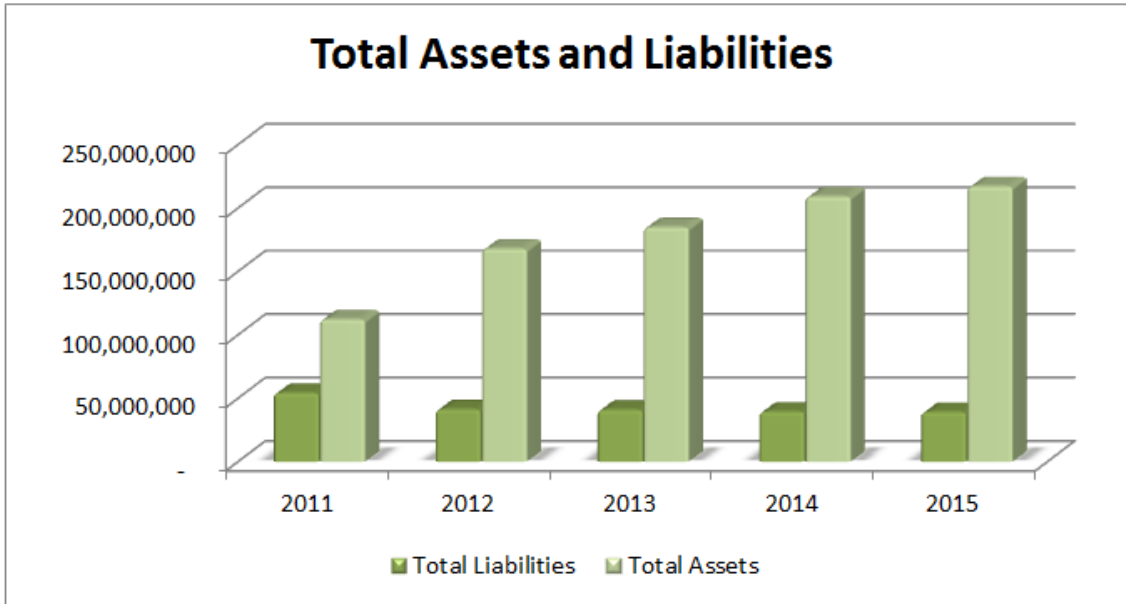
\*Prior year amounts have not been revised for the implementation of GASB No. 68, Accounting and Financial Reporting for Pensions.



**CAL POLY POMONA FOUNDATION, INC.**

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
 For the year ended June 30, 2015**

Total assets are \$217 and \$209 million for fiscal years 2015 and 2014 respectively. The increase between 2015 and 2014 of 3.8% is mainly attributable to endowment contributions.



Total liabilities are \$44.2 million and \$39.5 million for the fiscal years 2015 and 2014 respectively. There was no significant change in liabilities between 2015 and 2014. The increase is the result of the Foundation recording their proportionate share of the net position liability as required by GASB Statement No. 68.

The Foundation participates in the Auxiliaries Multiple Employer VEBA (Voluntary Employees' Beneficiary Association), a separate 501(c)(9) organization to assist in funding postemployment benefits for recognized auxiliaries of the California State University System. As of July 1, 2013 (the most recent actuarial report) the actuarial accrued liability for benefits was \$10,941,806 and the unfunded actuarial accrued liability (UAAL) was \$7,615,4373 and the actuarial plan's market value of assets was \$3,326,369 or 30.4% funded. The covered payroll (annual payroll of active employees covered by the plan) was \$5,000,236, and the ratio of the UAAL to the covered payroll was 152.3%. The Foundation's current plan is to fund the OPEB obligation up to the retirees' and surviving spouse actuarial obligation.

**CAL POLY POMONA FOUNDATION, INC.****MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)****For the year ended June 30, 2015**

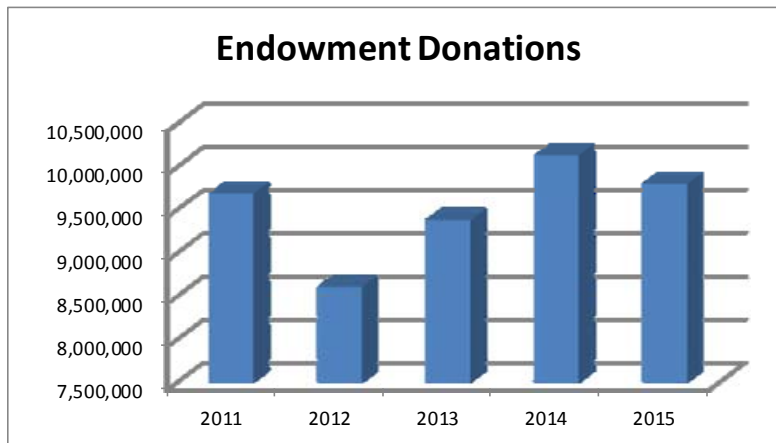
The Foundation participates in a cost sharing multiple-employer defined benefit plan through the California Public Employees' Retirement System (CalPERS) which covers substantially all regular full-time employees of the Foundation. CalPERS acts as a common investment and administrative agent for participating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

As of June 30, 2015, the Foundation implemented GASB Statements No. 68 and No. 71 and reported its proportionate share of the net pension liability of \$4,998,351, pension expense of \$856,977, deferred inflow of resources of \$3,210,794 and a deferred outflow of resources of \$886,069 for the plan. The Foundation's proportion was based on a projection of the Foundation's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As June 30, 2014, the Foundation's proportion was 0.07957%. Detailed information is presented in Note 11 of the financial statements.

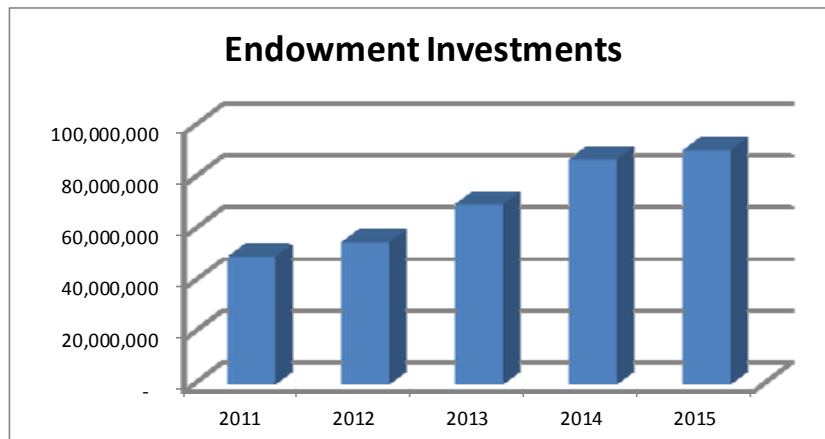
**CAL POLY POMONA FOUNDATION, INC.**

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
 For the year ended June 30, 2015**

**Endowment Donations and Investments**



During fiscal year 2014-15, endowment portfolio increased by \$3.8 million, or 4.4%, from \$85.6 million at June 30, 2014 to \$89.4 million at June 30, 2015, mainly due to contributions of \$9.8 million less endowment loss of \$1.7 million or -1.64% (net of fees), less endowment earnings distributions of \$4.3 million. Total return (loss) on investments (net of fees), consists of a change in the fair market value of endowment investments, including interest, dividends, and realized and unrealized gains and losses. The Foundation’s endowment investment policy is designed to obtain the highest return available while investments meet the criteria established for safety (preservation of capital), return and liquidity.

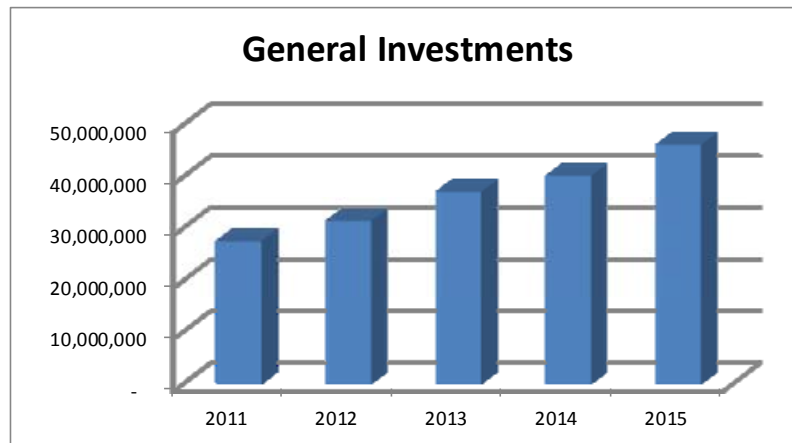


Permanent endowments are funds received from donors with the stipulation that the principal remains intact and invested in perpetuity to produce income that will be distributed and expended for purposes specified by the donor.

**CAL POLY POMONA FOUNDATION, INC.**

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
For the year ended June 30, 2015**

General investments consist of expendable funds that have been invested in the Foundation’s general investment portfolio. The Foundation’s general investment policy is designed to obtain the highest yield available, while investments meet the criteria established for safety (preservation of capital), liquidity and yield. During fiscal year 2014-15, general investments increased by \$5.9 million, or 14.9% mainly due to donations of \$6.8 million as investments lost \$491,000 (net of fees). Investment returns, net of fees, consists of a change in the fair market value of general investments, including interest, dividends, and realized and unrealized gains and losses.



## CAL POLY POMONA FOUNDATION, INC.

### MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) For the year ended June 30, 2015

#### Capital Campaign

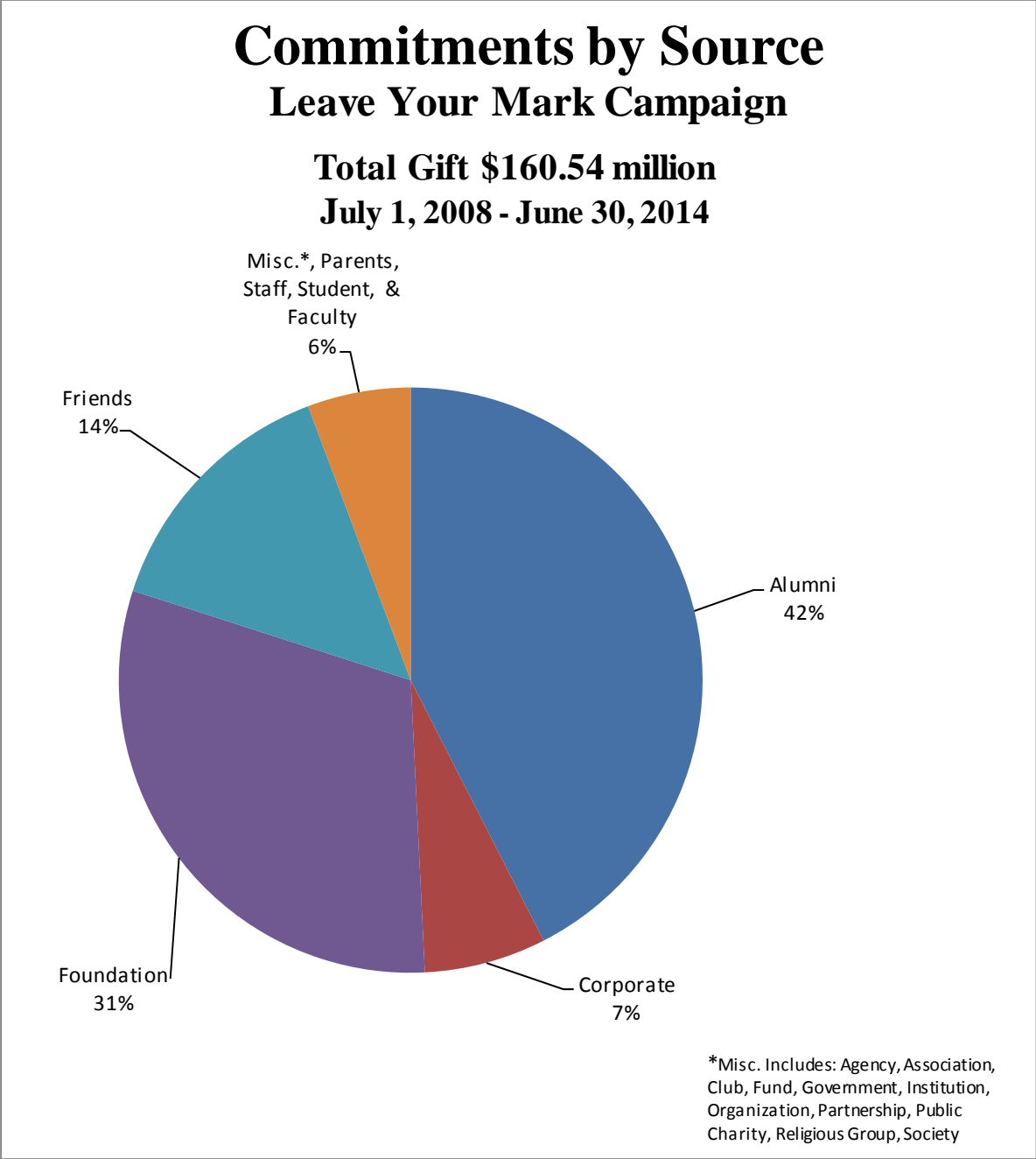
The University formally launched its inaugural \$150 million capital fundraising campaign in the fall of 2008 preceded by a feasibility study and a comprehensive review of the University's primary funding and endowment needs. Following is the campaign gift table used as a guide to insure success and compares the actual amounts at the end of the campaign, June 30, 2014 as follows:

Gift Level	Gifts Required	Prospects Needed	Required	Cumulative Total	Number of Donors	% of Donors Gift	Total Commitments	% of Required \$
\$25,000,000 or more	1	3	\$25,000,000	\$25,000,000	1	100%	\$ 42,000,000	168%
\$15,000,000 - \$24,999,999	1	3	\$15,000,000	\$40,000,000	1	100%	\$ 16,001,100	107%
\$5,000,000 - \$14,999,999	3	9	\$15,000,000	\$55,000,000	3	100%	\$ 25,565,255	170%
\$2,500,000 - \$4,999,999	6	18	\$15,000,000	\$70,000,000	6	100%	\$ 15,296,155	102%
\$1,000,000 - \$2,499,999	15	45	\$15,000,000	\$85,000,000	17	113%	\$ 24,390,805	163%
\$500,000 - \$999,999	25	100	\$12,500,000	\$97,500,000	11	44%	\$ 6,532,314	52%
\$250,000 - \$499,999	75	300	\$18,750,000	\$116,250,000	20	27%	\$ 6,922,426	37%
\$100,000 - \$249,999	175	700	\$17,500,000	\$133,750,000	45	26%	\$ 6,906,482	39%
\$50,000 - \$99,999	250	1,000	\$12,500,000	\$146,250,000	61	24%	\$ 3,965,414	32%
Less than \$50,000	5,000	20,000	\$3,750,000	\$150,000,000	17,565	351%	\$ 12,956,339	346%
	<b>5,551</b>	<b>22,178</b>	<b>\$150,000,000</b>		<b>17,730</b>		<b>\$ 160,536,290</b>	<b>107%</b>

**CAL POLY POMONA FOUNDATION, INC.**

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
 For the year ended June 30, 2015**

The University exceeded its goal and the largest contributors in both total pledges and dollars raised are the University’s alumni, the following provides the commitments by source:



**CAL POLY POMONA FOUNDATION, INC.**

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
 For the year ended June 30, 2015**

During fiscal year 2014-15 the University generated gifts of \$21.8 million, following are the commitments by source as follows:

**Commitments by Source  
 Campaign and Non-Campaign  
 7/01/2014 - 6/30/2015**

Commitments by Source	GiK Dollars	Planned Gift	Cash Gift	Pledge Balance Non-Annual Fund	Total Commitments for Campaign and Non-Campaign (Unaudited)
Alumni	\$ 87,386	\$ 13,051,000	\$ 2,535,036	\$ 107,835	\$ 15,781,257
Corporation	433,380		945,089	454,250	1,832,719
Faculty	115		154,003	8,000	162,118
Foundation	30,818		1,134,548	118,000	1,283,366
Friend	94,647	219,111	934,542		1,248,300
Misc.*	88,244		1,249,511		1,337,755
Parent			69,653	42,900	112,553
Staff	735		46,235	25,000	71,970
Student			14,406		14,406
<b>Grand Total**</b>	<b>\$ 735,325</b>	<b>\$ 13,270,111</b>	<b>\$ 7,083,023</b>	<b>\$ 755,985</b>	<b>\$ 21,844,444</b>

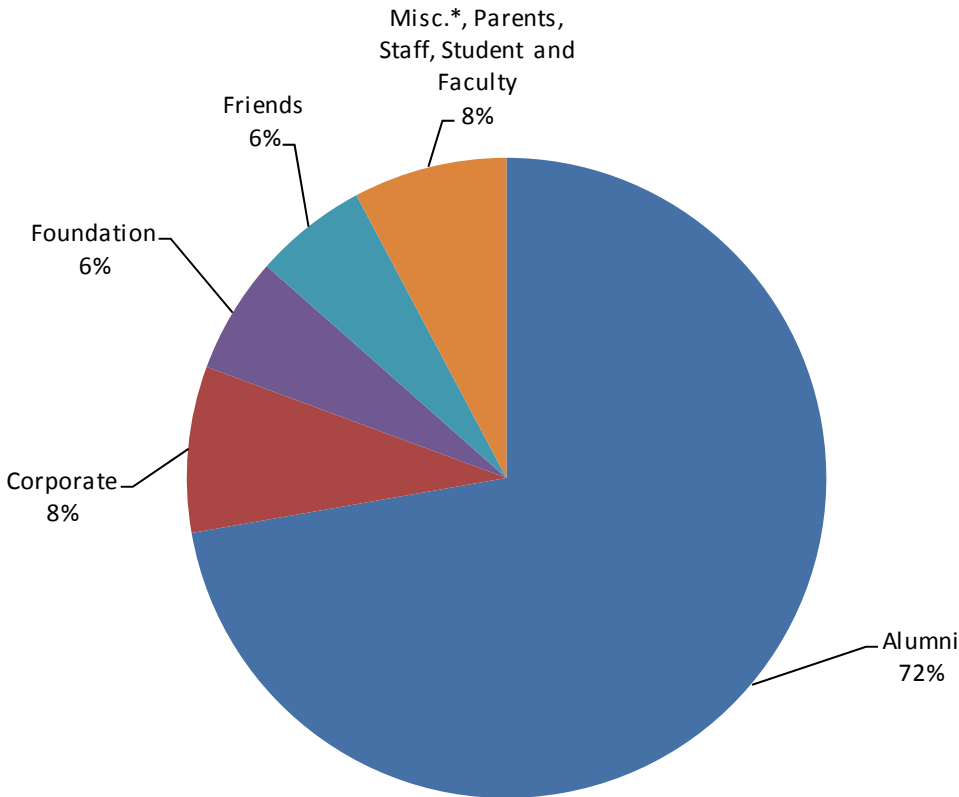
\*Misc. includes: Agency, Association, Club, Government Funding, Institution, Organization, Partnership, Public Charity, Religious Group, Society.

\*\* Grand Total includes planned giving but excludes prior year campaign pledge payments.

**CAL POLY POMONA FOUNDATION, INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**  
**For the year ended June 30, 2015**

**Commitments by Source**  
**Campaign and Non-Campaign**

**Total Gift\*\* \$21.84 million**  
**July 1, 2014 - June 30, 2015**



\*Misc. Includes: Agency, Association, Club, Government Funding, Institution, Organization, Partnership, Public Charity, Religious Group, Society.

\*\* Total Gift includes planned giving but excludes prior year campaign pledge payments.



**CAL POLY POMONA FOUNDATION, INC.**

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
 For the year ended June 30, 2015**

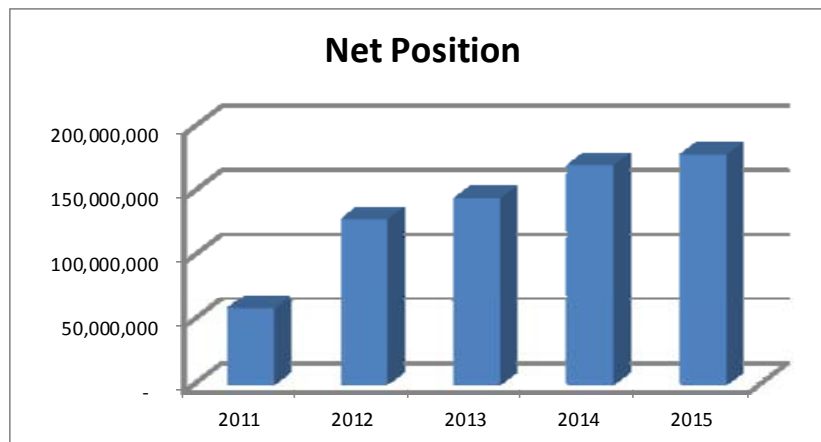
**Net Position**

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

	(in thousands) 2015	(in thousands) 2014*
Invested in capital assets, net of related debt	\$ 26,300	\$ 25,600
Restricted:		
Nonexpendable - endowments	90,200	86,700
Expendable	45,500	39,800
Unrestricted	8,700	17,600
Net position	<u>\$ 170,700</u>	<u>\$ 169,700</u>

\* Prior year amounts have not been revised for the implementation of GASB No. 68, Accounting and Financial Reporting for Pensions.

Net position increased .59% or \$1 million primarily due to endowment donations and enterprise surplus offset by restatement of pension plan obligation per GASB 68. Restricted nonexpendable net position includes the permanent endowment funds and restricted expendable net position includes activities and program funds designated to support scholarships and fellowships, research, and other program activities. Unrestricted net position includes the enterprise or entrepreneurial activities of the Foundation.



**CAL POLY POMONA FOUNDATION, INC.**

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**

**For the year ended June 30, 2015**

**Capital Assets, Capitalized Lease Obligations and Net Investment**

The Foundation's investment in capital assets, net of related debt increased \$700,000 or 2.7% for fiscal year 2014-15. Depreciation and amortization charges for the years ended June 30, 2015 and 2014 totaled \$4.2 and \$3.9 million respectively. A summary of capital assets, net of accumulated depreciation and capitalized lease obligations is as follows:

	(in thousands) 2015	(in thousands) 2014
Building and improvements	\$ 69,900	\$ 68,200
Equipment, furniture and fixtures	15,500	14,300
Construction work in progress	2,400	1,500
Land	7,800	7,300
Infrastructure	8,600	8,600
Orchards	100	100
	104,300	100,000
Less: accumulated depreciation and amortization	(50,100)	(46,100)
Plus: unamortized loss on refunding	500	400
	54,700	54,300
Less: capitalized lease obligations	(28,000)	(28,700)
Less: note payable (bargain purchase sale)	(400)	-
Invested in capital assets	\$ 26,300	\$ 25,600

Net position invested in capital assets, net of related debt, represent the Foundation's capital assets, net of accumulated depreciation, unamortized loss on refunding and outstanding principal balances of debt attributable to the acquisition, construction or improvement of these assets. Capitalized lease obligations consist of system revenue bonds of \$28.0 million. The majority of this obligation \$25.3 million was incurred in 2003-04 fiscal year with respect to the construction of the University Village Phase III student housing complex and a majority of those bonds were advance refunded and defeased in 2014-15 and 2013-14 fiscal years; the balance of this obligation \$2.7 million was incurred for the construction of a continuing education complex and a portion of those bonds were advance refunded and defeased in 2006-07 fiscal year.

## CAL POLY POMONA FOUNDATION, INC.

### MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

For the year ended June 30, 2015

#### Statement of Revenues, Expenses and Changes in Net Position

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

	(in thousands) 2015	(in thousands) 2014*
Operating revenues:		
Educational activities	\$ 5,439	\$ 5,242
Enterprise activities	46,046	41,634
Grants and contracts	13,174	12,304
Real estate activities	3,177	2,811
Total operating revenues	67,836	61,991
Operating expenses	71,329	64,478
Operating income	(3,493)	(2,487)
Nonoperating revenues (expenses):		
Gifts, noncapital	16,656	17,405
Investment income, net	324	3,072
Endowment income (losses), net	(1,598)	11,517
Interest expenses	(1,196)	(1,342)
Transfer to the University	(2,315)	(2,539)
Total nonoperating revenues, net	11,871	28,113
Increase in net position	8,378	25,626
Net position:		
Net position at beginning of year	169,668	144,042
Restatement (see Note 16)	(7,407)	
Net position at end of year	\$ 170,639	\$ 169,668

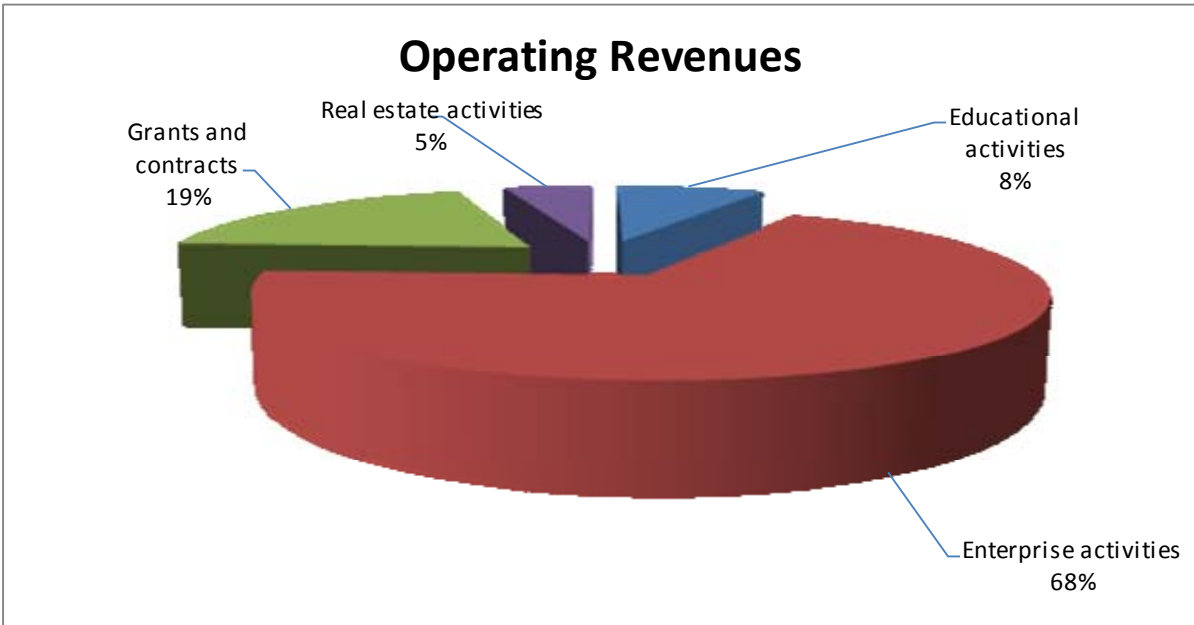
\* Prior year amounts have been revised for the implementation of GASB No. 68. Accounting and Financial Reporting for Pensions.

During fiscal year 2014-15, total revenue increased 9.4% or \$5.8 million due to enterprise activities while non-operating revenues decreased \$16.2 million mainly due to endowment losses.

**CAL POLY POMONA FOUNDATION, INC.**

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
For the year ended June 30, 2015**

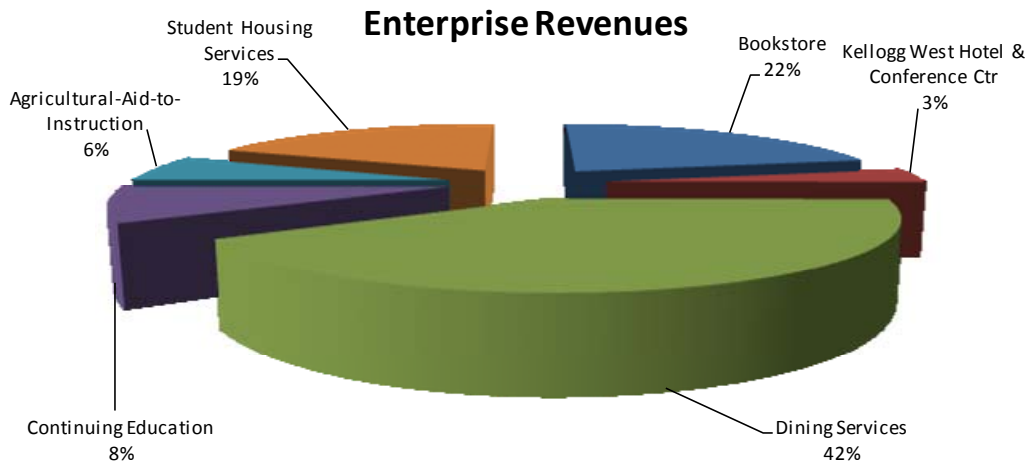
The operating income is affected by two factors. First, although gift revenues are treated as non-operating revenues, corresponding gift expenditures (i.e., student grants and scholarships) are treated as operating expenditures. Second, restricted net position reports the activities of the grants, contracts and Foundation programs where the use of funds is restricted for specific purposes. Since Foundation program activities are allowed to use balances from prior years, expenditures in the current year may be more or less than revenues recorded during the same year.



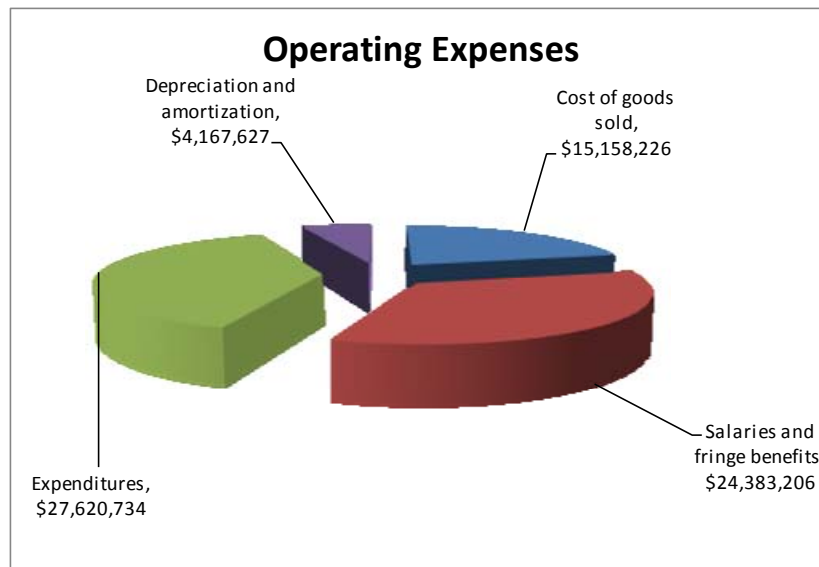
**CAL POLY POMONA FOUNDATION, INC.**

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
 For the year ended June 30, 2015**

Auxiliary enterprise operating revenues consist of the following programs:



In August 2000 the Foundation entered into a twenty-five year master operating agreement and various supplemental operating agreements with the Trustees of the California State University on behalf of the California State Polytechnic University Pomona (University) which allows the Foundation to operate various activities including the above enterprise activities. All the activities of the Foundation support the students, faculty and staff and provide convenient and appropriate goods and services at reasonable prices for the development of additional resources for the University.



**CAL POLY POMONA FOUNDATION, INC.**

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
 For the year ended June 30, 2015**

In fiscal year 2014-15 operating expenses consist of cost of goods sold of \$15.2 million, salaries and fringe benefits of \$24.4 million, payments to vendors of \$27.6 million, and depreciation and amortization of \$4.2 million.

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

	(in thousands) 2015	(in thousands) 2014*
Operating:		
Instruction	\$ 11,030	\$ 9,350
Research	3,716	4,200
Public service	634	520
Academic support	4,698	4,430
Student services	942	740
Institutional support	2,118	1,810
Operation and maintenance of plant	32	340
Student grants and scholarships	1,196	1,310
Auxiliary enterprise expenses	42,796	37,930
Depreciation and amortization	4,168	3,870
Total operating expenses	\$ 71,330	\$ 64,500

\* Prior year amounts have been revised for the implementation of GASB No. 68. Accounting and Financial Reporting for Pensions.

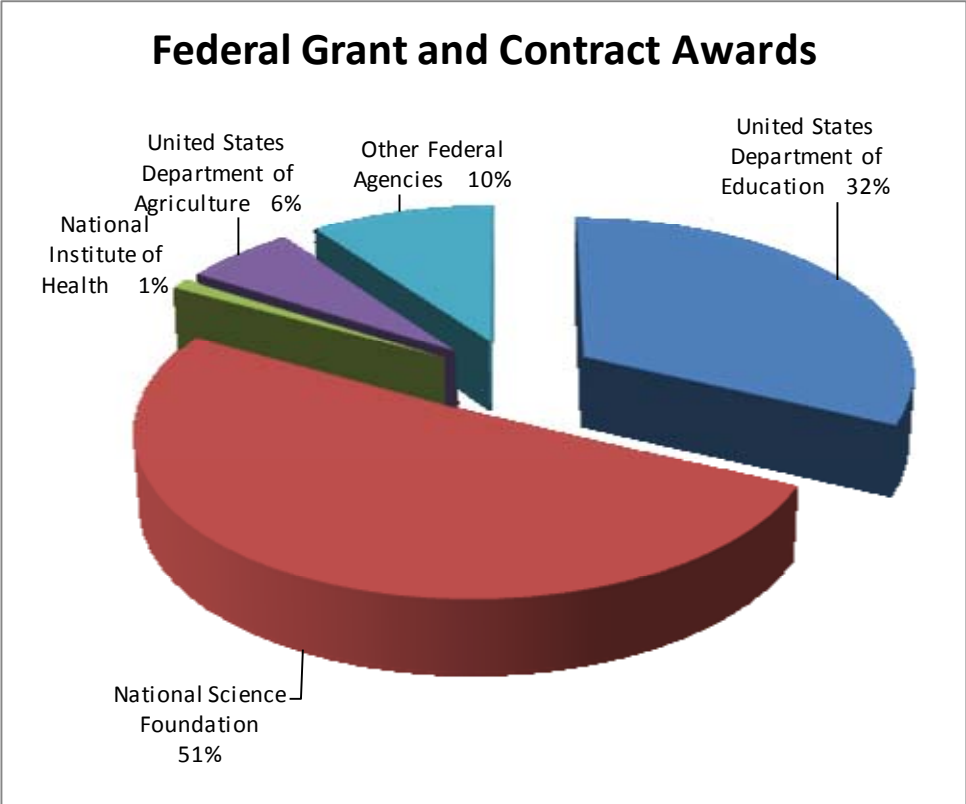
During fiscal year 2014-15, total operating expenses increased 10.5% or \$6.8 million mainly due to Auxiliary enterprise expenses.

**CAL POLY POMONA FOUNDATION, INC.**

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
For the year ended June 30, 2015**

Cal Poly Pomona Foundation, Inc. is the recipient of all externally-funded sponsored projects awarded on behalf of California State Polytechnic University, Pomona. For the last two years, Cal Poly faculty and staff have secured over \$31 million in external funds representing over 269 new projects.

Federal grant and contract awards received represents 71% of the sponsored program activity and includes support from a variety of agencies including:

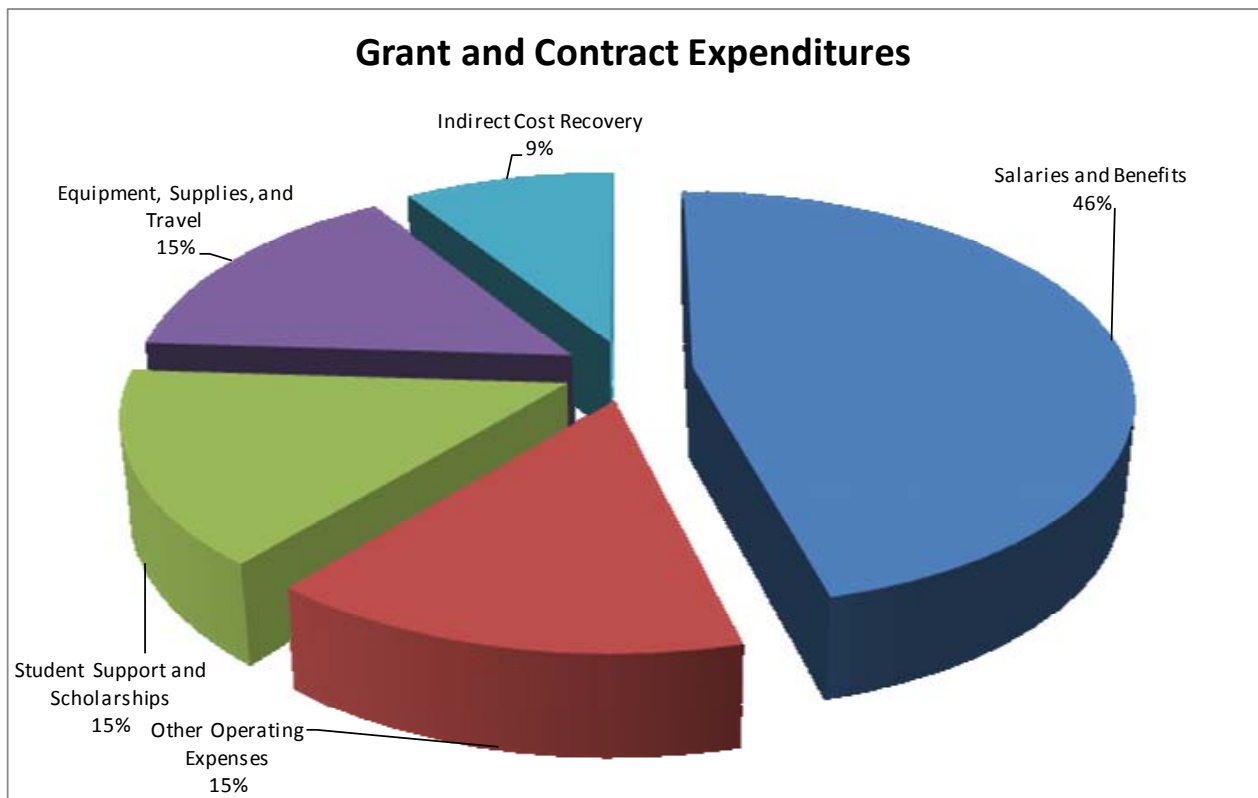


**CAL POLY POMONA FOUNDATION, INC.**

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
For the year ended June 30, 2015**

During the last two fiscal years, grants and contracts expenditures totaled \$25.3 million consisting of federal grants and contracts of \$16.6 million, state grants and contracts of \$4.0 million, and non-governmental grants and contracts of \$4.7 million.

The expenditures relating to grant and contract projects consisted of the following items:





**CAL POLY POMONA FOUNDATION, INC.**

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
 For the year ended June 30, 2015**

**Statement of Cash Flows**

The statement of cash flows provides additional information on the Foundation’s financial results by reporting the major sources and uses of cash. A summary of the statement of cash flows is as follows:

	(in thousands) 2015	(in thousands) 2014*
Cash received from operations	\$ 67,708	\$ 61,936
Cash expended from operations	<u>(60,545)</u>	<u>(60,945)</u>
Net cash provided by operating activities	7,163	991
Net cash provided by non-capital financing activities (gifts and grants)	8,177	14,619
Net cash used in capital and related financing activities	(4,536)	(3,810)
Net cash used in investing activities	<u>(5,842)</u>	<u>(12,460)</u>
Net change in cash and cash equivalents	4,962	(660)
Cash and cash equivalents at beginning of year	<u>5,631</u>	<u>6,291</u>
Cash and cash equivalents at end of year	<u>\$ 10,593</u>	<u>\$ 5,631</u>

\* Prior year amounts have been revised for the implementation of GASB No. 68. Accounting and Financial Reporting for Pensions.

During fiscal year 2014-15, the cash position at end of year increased \$4.9 million mainly due to gifts and grants received for non- capital purposes.

**CAL POLY POMONA FOUNDATION, INC.**

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
For the year ended June 30, 2015**

**Factors Impacting Future Periods**

The Foundation's 2015-16 proposed budgeted projections include the following Board approved assumptions:

- Allow for a 3% increase in the board meal plans and assume the same number of residents on the meal plans;
- Allow for a 4% increase in license fee rates at University Village and assume academic year and summer occupancy of 98% and 30% respectively;
- Foundation has three different pension formulas (or "Plan") for its employees including the 2% @55 Plan, 2% @60 Plan, and the 2% @62 Plan. The employee's hire date determines which Plan is applicable for an employee along with their status as a "benefited employee". Foundation and its benefited employees both contribute to their respective pension Plan. The rates paid by employees are 5%, 7%, and 6.25% respectively, and the weighted average rate for all three Plans paid by Foundation is 9.6% of total payroll for benefited employees. All three pension Plans are in their respective Risk Pool with CalPERS.
- Changes to salary grades were approved in November with an effective date of July 1, 2015 and a 3% or approximately \$180,000 wage adjustment; and
- Contribute \$1.0 million to the VEBA Trust and a withdrawal of \$372,834 from the VEBA Trust. In addition, we assume 7.5% of benefited payroll or \$548,209 as the benefit cost for the postretirement health care plan per the latest actuarial study dated July 1, 2013.

The 2015-16 proposed surplus generates a debt service coverage of 3.43. The proposed budget and forecast meets the CSU Executive Order 994 with a debt coverage ratio of at least 1.25 and the Foundation currently does not have any proposed capital projects that require additional bond financing.

**CAL POLY POMONA FOUNDATION, INC.**

Statement of Net Position

June 30, 2015

Assets:	
Current assets:	
Cash and cash equivalents	\$ 9,094,165
Short-term investments	47,200,370
Accounts receivable, net	5,274,137
Accounts receivable from the University	1,600,605
Inventories	1,936,684
Assets held for sale	275,000
Pledges receivable, net	3,519,564
Prepaid expenses and other assets	172,566
Total current assets	69,073,091
Noncurrent assets:	
Restricted cash and cash equivalents	1,497,443
Pledges receivable, net	2,270,766
Endowment investments	89,390,250
Capital assets, net	54,199,702
Other postemployment benefit asset	291,658
Total noncurrent assets	147,649,819
Total assets	216,722,910
Deferred outflows of resources:	
Unamortized loss on debt refunding	466,759
Net pension obligation - contributions	886,069
Total deferred outflows of resources	1,352,828
Liabilities:	
Current liabilities:	
Accounts payable	1,521,057
Accounts payable to the University	953,103
Accrued salaries and benefits payable	623,624
Accrued compensated absences— current portion	556,092
Unearned revenue	1,474,492
Capitalized lease obligations – current portion	834,573
Long-term debt obligations – current portion	96,565
Other liabilities	4,748,547
Total current liabilities	10,808,053
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	192,078
Capitalized lease obligations, net of current portion	27,136,042
Long-term debt obligations, net of current portion	300,901
Pension obligation	4,998,351
Unitrust liability	790,944
Total noncurrent liabilities	33,418,316
Total liabilities	44,226,369
Deferred inflows of resources:	
Net pension obligation	3,210,794
Total deferred inflows of resources	3,210,794
Net Position:	
Net investment in capital assets	26,298,380
Restricted for:	
Nonexpendable – endowments	90,215,784
Expendable:	
Scholarships and fellowships	4,285,274
Capital projects	8,651,053
Other	32,508,529
Unrestricted	8,679,555
Total net position	\$ 170,638,575

See the accompanying notes to the financial statements.

**CAL POLY POMONA FOUNDATION, INC.**

Statement of Revenues, Expenses, and Changes in Net Position  
 For the Year Ended June 30, 2015

Revenues:	
Operating revenues:	
Educational activities	\$ 5,438,973
Enterprise activities	46,045,585
Grants and contracts	13,174,190
Real estate activities	<u>3,177,063</u>
Total operating revenues	<u>67,835,811</u>
Expenses:	
Operating expenses:	
Educational activities	11,302,029
Enterprise activities	35,416,096
Grants and contracts	13,063,684
Real estate activities	7,380,357
Depreciation and amortization	<u>4,167,627</u>
Total operating expenses	<u>71,329,793</u>
Operating loss	<u>(3,493,982)</u>
Nonoperating revenues (expenses):	
Gifts, noncapital	16,656,207
Investment income, net	324,025
Endowment loss, net	(1,598,005)
Interest expenses	(1,196,546)
Other nonoperating revenues (expenses)	<u>(2,314,625)</u>
Net nonoperating revenues (expenses)	<u>11,871,056</u>
Income before other additions	<u>8,377,074</u>
Net position:	
Net position at beginning of year, as previously reported	169,668,650
Cumulative effect of change in accounting principle (see note 16)	<u>(7,407,149)</u>
Net position at beginning of year, after cumulative effect	<u>162,261,501</u>
Net position at end of year	<u>\$ 170,638,575</u>

See the accompanying notes to the financial statements.

**CAL POLY POMONA FOUNDATION**  
 Statement of Cash Flows  
 For the Year Ended June 30, 2015

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Federal grants and contracts	\$ 8,718,700
State and local grants and contracts	1,834,459
Nongovernmental grants and contracts	2,562,625
Payments to suppliers	(42,132,514)
Payments to employees	(17,217,381)
Payments to students	(1,195,593)
Sales and services of educational activities	9,481,985
Sales and services of auxiliary enterprises	41,788,920
Other receipts	3,321,156
Net cash provided by operating activities	<u>7,162,357</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Gifts and grants received for other than capital purposes	17,898,689
Other noncapital financing activities	(9,721,774)
Net cash provided by noncapital financing activities	<u>8,176,915</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Proceeds from refunding bonds	13,966,852
Gifts and grants received for capital purposes	1,492,037
Acquisitions of capital assets	(4,087,739)
Transfer to escrow agent	(13,905,881)
Principal paid on capital debt and lease	(820,000)
Interest paid on capital debt and lease	(1,181,723)
Net cash used by capital and related financing activities	<u>(4,536,454)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Proceeds from sales and maturities of investments	57,079,596
Purchases of investments	(66,967,517)
Investment Income	4,045,976
Net cash used by investing activities	<u>(5,841,945)</u>

Net increase in cash and cash equivalents	4,960,873
Cash and cash equivalents at beginning of year	<u>5,630,735</u>
<b>Cash and cash equivalents at end of year</b>	<b><u>\$ 10,591,608</u></b>

**Reconciliation of operating loss to net cash provided by operating activities:**

Operating loss	\$ (3,493,982)
Adjustments to reconcile operating loss to net cash (used)/provided by operating activities:	
Depreciation	4,167,627
Change in assets and liabilities:	
Accounts receivable	(507,396)
Prepaid and other assets	(521,822)
Accounts payable and amounts payable to the University	116,768
Accrued salaries and benefits	122,213
Accrued compensated absences	56,005
Unearned revenue	270,055
Other post employment benefits obligation	(335,469)
Other liabilities	7,288,358
Net cash provided by operating activities	<u>\$ 7,162,357</u>

Breakdown of ending cash balance:

Cash and cash equivalents	\$ 9,094,165
Restricted cash and cash equivalents	1,497,443
	<u>\$ 10,591,608</u>

See the accompanying notes to the financial statements.

## CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements  
June 30, 2015

### Note (1) Organization

Cal Poly Pomona Foundation, Inc. (the Foundation) was organized as a nonprofit corporation and auxiliary organization of 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 educational grants and contracts; conducting enterprise activities including, dining service, bookstores, conference center lodge, apartment style housing, continuing education and agricultural aid to instruction; the accumulation and management of Foundation program and student scholarship funds on behalf of the University; and the development and administration of faculty staff housing and a research park, special programs, and other activities.

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

#### (a) *Basis of Presentation*

The Foundation records revenue in part from assisting the University in various activities as described in Note 1 above and; accordingly, has chosen to present its basic financial statements using the reporting model for special-purpose governments engaged only in business-type activities. This model allows all financial information for the Foundation to be reported in a single column in each of the basic financial statements. The effect of any internal activity between funds or groups of funds has been eliminated from these basic financial statements.

#### (b) *Basis of Accounting*

The accompanying basic financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

#### (c) *Classification of Current and Noncurrent Assets and Liabilities*

The Foundation considers assets to be current that can reasonably be expected, as part of its normal business operations, to be converted to cash and be available for liquidation of current liabilities within 12 months of the statement of net position date. Liabilities that reasonably can be expected, as part of normal Foundation business operations, to be liquidated within 12 months of the statement of net assets date are considered to be current. All other assets and liabilities are considered to be noncurrent.

## CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements  
June 30, 2015

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

#### (d) *Federal Grants and Contracts*

The Foundation serves as administrator for various grants and contracts awarded by governmental and private institutions. Amounts administered by the Foundation are recorded as revenue and expense in the accompanying basic financial statements.

#### (e) *Cash and Cash Equivalents*

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

#### (f) *Accounts Receivables*

Accounts receivable include receivables due from federal, state and local governments for contract and grant reimbursements. Accounts receivables also include receivables from enterprise sales and services and for real estate rents and leases.

#### (g) *Inventories*

Inventories are presented at the lower of cost or market on an average basis and are expensed when used. Inventory consists of textbooks held for resale in the bookstore and ancillary instructional, apparel and other supplies held for educational purposes.

#### (h) *Pledges Receivable*

Pledges receivable expected to be received beyond one year are recorded at the net present value of anticipated future cash flows. The discount rates used during the year ended June 30, 2015 was 1.60%.

#### (i) *Investments and Endowment Investments*

Investments are reflected at fair value using quoted market prices. Gains and losses are included in the statement of revenues, expenses, and changes in net position as investment income (loss), net.

The Foundation's general investment policy authorizes the investment of excess funds in a range of investments to seek an average total annual return of 2.0% plus the percentage change in the greater Higher Education Index (HEPI). The Foundation's endowment investment policy authorizes the investment of endowment funds in a range of investments to seek an average total annual return of 5.0% plus the percentage change in the greater Los Angeles area consumer price index.

## CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements  
June 30, 2015

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

#### (i) *Investments and Endowment Investments (continued)*

These investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities may occur in the near term and that such change could materially affect the financial statements.

Marketable equity and debt securities and other short-term and long-term investments are carried at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, and is determined from published data provided by the exchanges, computerized pricing sources, the National Association of Securities Dealers' National Market System, securities custodians and other authoritative sources.

#### (j) *Capital Assets*

Capital assets are stated at cost or estimated historical cost if purchased or if donated, at estimated fair value at date of donation. Capital assets with a value of less than \$5,000 are not capitalized. Title to all assets, whether purchased, constructed, or donated, is held by the Foundation or transferred to the University. Depreciation is determined using the straight-line method over the estimated lives of the assets ranging from 3 to 40 years. Leasehold improvements are amortized using the straight-line method over the shorter of their estimated useful lives or the term of the lease. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

#### (k) *Deferred Outflows of Resources*

Deferred outflow of resources represent a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The Foundation has a deferred charge on advance refunding reported in the statement of net position. A deferred charge on advance refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflow of resources related to pensions resulted from Foundation contributions to employee pension plan subsequent to the measurement date of the actuarial valuations for the pension plans. The deferred outflow – pension contributions will be recognized as a reduction of the net pension liability in the subsequent fiscal year.



**CAL POLY POMONA FOUNDATION, INC.**

Notes to Financial Statements  
June 30, 2015

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

**(l) *Accounts Payable***

Accounts payable consists of amounts due to vendors for goods and services received prior to June 30.

**(m) *Compensated Absences***

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

**(n) *Unearned Revenue***

Unearned revenue consists primarily of unearned revenue related to federal grants and contracts, enterprise activities and continuing education.

**(o) *Other Liabilities***

Other liabilities include funds held in custody of others and receipts in excess of expenditures for sponsored program activities.

**(p) *Capitalized Lease Obligations***

Capitalized lease obligations include the original issue discount or premium from the corresponding debt.

**(q) *Net Pension Obligation***

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

## CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements  
June 30, 2015

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

#### (r) *Unitrust Liability*

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

#### (s) *Deferred Inflows of Resources*

Deferred inflow of resources represent an acquisition of net assets by the Foundation that is applicable to a future reporting period. The deferred inflow of resources – pensions, results from the difference between the estimated and actual return on pension plan investments. This amount is deferred and amortized over 5 years.

#### (t) *Net Position*

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

**Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation, amortization, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

**Restricted - nonexpendable:** Amounts subject to externally imposed conditions that the Foundation retains in perpetuity.

**Restricted - expendable:** Amounts subject to externally imposed conditions that can be fulfilled by the actions of the Foundation or by the passage of time. When both restricted and unrestricted resources are available for use, it is the Foundation's policy to use unrestricted resources first, then restricted resources as they are needed.

**Unrestricted:** All other categories of net position. In addition, unrestricted net position may be designated for use by management of the Foundation.

## CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements  
June 30, 2015

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

#### (u) *Classification of Revenues and Expenses*

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

#### (v) *Income Taxes*

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

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

The Foundation files informational tax returns in the U.S. federal jurisdictions and the state of California. With few exceptions, the statute of limitations for federal and California state purposes is generally three and four years, respectively.

#### (w) *Estimates*

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues, and expenses in the accompanying basic financial statements. Actual results could differ from those estimates.

## CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements  
 June 30, 2015

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

(x) *Reclassifications*

Certain 2014 amounts have been reclassified in the statements of net position and the statement so cash flows to conform to the 2015 financial statement presentation. Net position and changes in net position are unchanged due to these reclassifications.

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

The deposits and investments held are as follows:

Deposits:	
Demand deposits	\$ 9,094,165
Cash equivalents-Cash Reserve Trust Fund	<u>671,909</u>
	<u>9,766,074</u>
Investments:	
Local Agency Investment Fund	1,035,070
Money Market Funds	825,534
Equities	103,348,873
Mutual Funds – Fixed Income Securities	32,186,300
U.S. Treasuries	<u>20,377</u>
	<u>137,416,154</u>
Total deposits and investments	<u>\$ 147,182,228</u>
Reconciliation to statement of net position	
Current:	
Cash and cash equivalents	\$ 9,094,165
Investments	47,200,370
Noncurrent:	
Cash equivalents	1,497,443
Investments – Endowment	<u>89,390,250</u>
	<u>\$ 147,182,228</u>

## CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements  
June 30, 2015

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

#### Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Foundation's deposits may not be returned. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

The deposits of the Foundation are maintained at financial institutions and are fully insured or collateralized up to \$250,000 per financial institution. As of June 30, 2015, \$7,735,987 of the Foundation's bank balance of \$7,985,987 was exposed to credit risk as category three, uninsured and uncollateralized.

The Foundation maintains investments with the State of California Local Agency Investment Fund (LAIF) which pools these funds with other governmental agencies and invests in various investment vehicles. These pooled funds approximate fair value. Regulatory oversight is provided by the State Pooled Money Investment Board and the Local Investment Advisory Board. LAIF is not subject to categorization as prescribed by GASB Statement No. 3 as amended by GASB Statement No. 40 to indicate the level of custodial credit risk assumed by the Foundation at year end.

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments that are in the possession of the counterparty. As of June 30, 2015, all investments are in the name of the Foundation, and the Foundation is not exposed to custodial credit risk associated with its investments.

#### Interest Rate Risk

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

As of June 30, 2015 all debt investments, with total fair value of \$32,186,300 were in mutual funds with maturities of less than one year. These debt mutual funds are unrated.

**CAL POLY POMONA FOUNDATION, INC.**

Notes to Financial Statements  
 June 30, 2015

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

**Credit Risk**

This is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations. This is measured by the assignment of ratings by nationally recognized statistical rating organizations. Specifically, the Foundation’s investment policy requires that corporate debt must carry an investment grade rating by at least two of three rating agencies at the time of purchase.

Following is a list of acceptable instruments to invest in as of June 30, 2015:

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

The Foundation had the following investments subject to credit risk:

Investment Type	Rating (S&P/Moody's)	Fair Value
Mutual Funds - Fixed Income Securities	not rated	\$ 32,186,300
Money Market Funds	not rated	825,534

**CAL POLY POMONA FOUNDATION, INC.**

Notes to Financial Statements  
 June 30, 2015

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

**Concentration of Credit Risk**

The Foundation’s general and endowment investment policies allow for no more than 5% of the asset class to be invested in any single equity or fixed income issuer, with the exception of U.S. Treasury and Agency securities and exposure to any industry sector is generally limited to 20% of the asset class. This is the risk of loss attributed to the magnitude of an entity’s investment in a single issuer. In order to maximize the rate of return in the Foundation’s investment portfolio while preserving capital, the Foundation’s investment policies dictate a range and target weighted asset allocation as follows:

Asset Class	Target Asset Mix Table General Investments		Target Asset Mix Table Endowment Investments	
	Range	Target Weight	Range	Target Weight
Equities	10-65%	23%	N/A	N/A
Domestic Equities	N/A	N/A	20-50%	30%
International Equities	N/A	N/A	15-35%	30%
Fixed Income-Mutual Funds	40-85%	65%	20-50%	30%
Cash Equivalents	0-20%	0%	0-20%	0%
Real Estate	0-10%	5%	0-10%	0%
Real Assets	0-10%	2%	0-10%	10%
Alternative Investments	0-25%	10%	N/A	N/A
Hedge Funds	N/A	N/A	0-20%	0%

N/A - Investments issued by or explicitly guaranteed by the US Governmental and investments in mutual funds, external investment pools, and other pooled investments are exempt.

As of June 30, 2015 the Foundation was not exposed to concentration of credit risk as there were no investments in a single issuer in excess of 5%.

**Investment Earnings**

Net investment losses were \$1,273,980 for the year ended June 30, 2015, and is comprised of interest, dividends, realized gains and losses, and unrealized gains and losses due to changes in the fair value of investments held at year-end, net of investment fees.

## CAL POLY POMONA FOUNDATION, INC.

### Notes to Financial Statements June 30, 2015

#### Note (4) Accounts and Pledges Receivable

Receivables consisted of the following:

	2015	2014
Pledges receivable:		
Within one year	\$ 3,572,458	\$ 5,066,307
Within two to five years	2,175,224	3,413,567
After five years	215,000	430,000
Less allowance for uncollectible pledges	(52,894)	(68,343)
Less discount to reflect pledges receivable at present value	(119,458)	(229,342)
Pledges receivable, net	5,790,330	8,612,189
Other activities:		
Real Estate	2,307,922	1,737,205
Enterprise Activities	749,895	625,567
Grants and Contracts	1,915,022	2,092,993
Educational Activities	387,917	514,544
Less allowance for uncollectible contributions	(86,619)	(119,447)
Subtotal accounts receivable	5,274,137	4,850,862
Due from University	1,600,605	1,516,484
Total receivables, net	6,874,742	6,367,346
Total accounts and pledges receivable	\$ 12,665,072	\$ 14,979,535



## CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements  
June 30, 2015

### Note (5) Endowments

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

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

The Foundation follows the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") adopted by the Board of Directors in November 2008. UPMIFA does not set specific expenditure limits; instead, a charity can spend the amount the charity deems prudent after considering the donor's intent that the endowment continue permanently, the purpose of the fund, and relevant economic factors. The Foundation's administration of endowment funds policy provides the guidance for the distribution of the net appreciation of restricted endowments. It is the Foundation's goal to distribute annually a minimum net return of 5% of endowment value as established on June 30th. Earnings for the fiscal year in excess of the Consumer Price Index (CPI) for the Los Angeles area, as reported in July for the prior 12 months, and in excess of 5% endowment value, may also be distributed. Endowment earnings shall generally be available for distribution from those endowments invested for no less than three (3) consecutive months. Exceptions may be authorized per approval by the Executive Director or his/her designee and the Board of Directors. Endowment earning distribution will occur in the first quarter of each fiscal year based upon the percentage of the endowment value and or an amount as approved by the Board.

## CAL POLY POMONA FOUNDATION, INC.

### Notes to Financial Statements June 30, 2015

#### Note (6) Capital Assets

The following provides a summary of changes in capital assets for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015
Capital assets not being depreciated:				
Land	\$ 7,294,243	\$ 1,316,836	\$ 822,700	\$ 7,788,379
Construction work in progress (CWIP)	1,541,801	3,725,215	2,857,999	2,409,017
Total capital assets not being depreciated	8,836,044	5,042,051	3,680,699	10,197,396
Capital assets being depreciated:				
Buildings and buildings improvements	68,295,106	2,900,702	1,190,990	70,004,818
Improvements, other than buildings	131,863			131,863
Infrastructure	8,587,958	9,750		8,597,708
Equipment	14,169,161	1,291,656	114,650	15,346,167
Total capital assets being depreciated	91,184,088	4,202,108	1,305,640	94,080,556
Total capital assets	100,020,132	9,244,159	4,986,339	104,277,952
Less accumulated depreciation for:				
Buildings and building improvements	33,580,136	3,083,196	113,610	36,549,722
Improvements, other than buildings	128,616			128,616
Infrastructure	1,272,874	214,266		1,487,140
Equipment	11,156,382	870,165	113,775	11,912,772
Total accumulated depreciation	46,138,008	4,167,627	227,385	50,078,250
Depreciable assets, net	45,046,080	34,481	1,078,255	44,002,306
Total capital assets, net	\$ 53,882,124	\$ 5,076,532	\$ 4,758,954	\$ 54,199,702

**CAL POLY POMONA FOUNDATION, INC.**

Notes to Financial Statements  
 June 30, 2015

**Note (7) Leasing Commitments**

**Operating Leases as Lessee**

The Foundation has a dining service agreement with the Trustees of the California State University. The agreement is renegotiated annually and requires that the Foundation pay for the use of Los Olivos Commons, Vista Market and Denny’s based on 6% of gross annual sales of the residence hall dining service facility. For the year ended June 30, 2015 the amount totaled \$499,815, which was included in rent expense.

Land and certain facilities used in the Foundation operations are leased from the University. As consideration, the Foundation operates such land and certain facilities at no cost to the University and annually the Foundation provides specified funds as designated by the President of the University, subject to bond debt service requirements. The leases are in effect with various termination dates between 2015 and 2036.

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

Future minimum payments under non-cancelable operating lease agreements at June 30, 2015 are as follows:

Year ending June 30:	
2016	\$15,341
2017	9,741
2018	4,794
2019	<u>1,863</u>
Total	<u>\$31,739</u>

**Capital Leases As Lessee**

The Foundation has various non-cancelable capital lease agreements for office equipment with terms of 60 months and interest ranging from 6.6% to 10.5%.

During the 2006-07 fiscal year, the Foundation entered into a ground and facilities lease agreement (Capital Lease) with the State of California, acting through the Board of Trustees of the California State University (Board) to refund and defease a portion of the 2000 Series Bonds. The Board assisted the Foundation by issuing its System Revenue Bonds in 2006-07 and applied the proceeds totaling \$3,749,783 of such Bonds to redeem the 2000 series bonds maturing on and after 2013 through 2025 callable on February 1, 2011. The Board leased the Project to the Foundation pursuant to the Capital Lease, subject to the following general terms and conditions: (i) the maximum annual debt service under the Capital Lease is \$332,750 and the scheduled term of the Capital Lease is 18 years from March 2007 through May 2025.

**CAL POLY POMONA FOUNDATION, INC.**

Notes to Financial Statements  
June 30, 2015

**Note (7) Leasing Commitments (continued)****Capital Leases As Lessee (continued)**

During the 2003-04 fiscal year, the Foundation entered into a ground and facilities lease agreement (Capital Lease) with the State of California, acting through the Board of Trustees of the California State University (Board) and agreed to undertake the financing of certain capital costs with respect to the University Village Phase III construction by the Board of an additional 466 bed-spaces (the "Project") at the University Village student housing complex located at California State Polytechnic University, Pomona. The Board assisted the Foundation by issuing its System Revenue Bonds series 2005A and applied the proceeds totaling \$29,866,650 of such Bonds to the construction and acquisition of the Project by the Board; and leasing the Project to the Foundation pursuant to the Capital Lease, subject to the following general terms and conditions: (i) the maximum annual debt service under the Capital Lease is \$1,830,625 and the scheduled term of the Capital Lease is 31 years from completion of the construction of the Project in September 2005.

During the 2013-14 fiscal year, the Foundation entered into a ground and facilities lease agreement (Capital Lease) with the State of California, acting through the Board of Trustees of the California State University (Board) to refund and defease a portion of the 2005A Series Bonds. The Board assisted the Foundation by issuing its System Revenue Bonds in 2013-14 and applied the proceeds totaling \$11,510,309 of such Bonds to redeem the 2005 series bonds maturing on and after 2015 through 2027. The Board leased the Project to the Foundation pursuant to the Capital Lease, subject to the following general terms and conditions: (i) the maximum annual debt service under the Capital Lease is \$1,443,375 and the scheduled term of the Capital Lease is 23 years from July 2013 through November 2035.

The proceeds associated with the refunding were deposited in an escrow fund for future repayment. The bonds are considered in substance defeased and are not recorded on the financial statements.

The difference in cash flow requirements related to the Series 2013A refunding amounted to a savings of approximately \$806,190. The present value of economic gain to the Foundation amounts to approximately \$685,409. These savings result in a recalculation of the bond repayment schedules and are included in the consolidated schedule noted on the subsequent page. The proceeds associated with the 2013A Refunding Bonds were deposited in an escrow fund for future repayment. At June 30, 2014, the outstanding balance of the defeased debt to be paid by the escrow agent totaled \$11,510,309.

## CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements  
June 30, 2015

### Note (7) Leasing Commitments

#### Capital Leases As Lessee (continued)

Proceeds received in excess of the debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series 2013A bonds included a premium of \$1,524,589, which is amortized using the straight-line method. Amortization for the Series 2013A Bonds recognized during the 2014-15 was \$110,879.

The difference between the reacquisition price and the net carrying amount on the Series 2005A refunded debt is deferred and amortized as a component of interest expense over the life of the new debt. Payments to the refunding escrow agent exceeded the existing carrying value of the refunded debt by \$520,246. Amortization of \$37,836 was recognized during the 2014-15 year.

During the 2014-15 fiscal year, the Foundation entered into a ground and facilities lease agreement (Capital Lease) with the State of California, acting through the Board of Trustees of the California State University (Board) to refund and defease the remaining portion of the 2005A Series Bonds. The Board assisted the Foundation by issuing its System Revenue Bonds in 2014-2015 and applied the proceeds totaling \$13,905,881 of such Bonds to redeem the 2005 series bonds maturing on and after 2027 through 2035. The Board leased the Project to the Foundation pursuant to the Capital Lease, subject to the following general terms and conditions: (i) the maximum annual debt service under the Capital Lease is \$1,676,000 and the scheduled term of the Capital Lease is 22 years from July 2014 through November 2035.

The proceeds associated with the refunding were deposited in an escrow fund for future repayment. The bonds are considered in substance defeased and are not recorded on the financial statements.

The difference in cash flow requirements related to the Series 2014A refunding amounted to a savings of approximately \$2,339,821. The present value of economic gain to the Foundation amounts to approximately \$1,608,296. These savings result in a recalculation of the bond repayment schedules and are included in the consolidated schedule noted on the subsequent page. The proceeds associated with the 2014A Refunding Bonds were deposited in an escrow fund for future repayment. At June 30, 2015, the outstanding balance of the defeased debt to be paid by the escrow agent totaled \$13,905,881.

Proceeds received in excess of the debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series 2014A bonds included a premium of \$1,856,853, which is amortized using the straight-line method. Amortization of \$80,257 was recognized during the 2014-15 year for Series 2014A bonds.

**CAL POLY POMONA FOUNDATION, INC.**

Notes to Financial Statements  
 June 30, 2015

**Note (7) Leasing Commitments (continued)**

**Capital Leases As Lessee (continued)**

Future minimum payments under non-cancelable capital lease agreements at June 30, 2015 are as follows:

Year ending June 30:	
2016	\$ 2,051,655
2017	2,051,452
2018	2,053,875
2019	2,041,750
2020	2,047,375
2021-2025	10,240,375
2026-2030	8,441,750
2031-2035	8,357,125
2036-2039	<u>1,670,750</u>
Total	38,956,107
Less amount representing interest	(14,204,045)
Add - Premium Bond	<u>3,218,553</u>
Present value of net Minimum lease payments	<u>\$ 27,970,615</u>

**Operating Leases As Lessor**

Land, office and certain facilities are leased to the American National Red Cross, Southern California Edison, State of California and the University. Some of the leases are all-inclusive while other leases require the tenants to pay a pro-rata share of common area maintenance and are in effect with various termination dates between 2015 and 2089.

**CAL POLY POMONA FOUNDATION, INC.**

Notes to Financial Statements  
 June 30, 2015

**Note (7) Leasing Commitments (continued)**

**Operating Leases As Lessor (continued)**

Future minimum payments under non-cancelable operating lease agreements at June 30, 2015 are as follows:

Year ending June 30:		
2016	\$	2,319,215
2017		1,346,672
2018		1,304,329
2019		1,243,380
2020		1,213,526
2021-2025		6,421,499
2026-2030		7,073,497
2031-2035		7,791,719
2036-2040		8,582,894
2041-2045		9,454,437
2046-2050		10,414,514
2051-2055		11,472,121
2056-2060		7,811,192
2061-2065		8,592,311
2066-2070		9,451,542
2071-2075		10,396,696
2076-2080		11,436,366
2081-2085		5,381,275
2086-2089		4,713,599
Total	\$	<u>126,420,784</u>

**Note (8) Note Payable**

In July 2014, the Foundation received a donation and entered into a bargain purchase sale that resulted in the donor taking back a \$500,000 note. The terms of the note have an annual interest rate of 1.91% and payments are due in five equal installments of \$104,156 beginning on September 1, 2014. The Foundation put up a certificate of deposit in the amount of \$500,000 as collateral.

**CAL POLY POMONA FOUNDATION, INC.**

Notes to Financial Statements  
 June 30, 2015

**Note (9) Long Term Debt**

A schedule of changes in long-term debt for the year ended June 30, 2015 is shown below:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Amount due in one year
Capital lease obligations	\$ 28,733,625	\$ 13,966,853	\$ 14,729,863	\$ 27,970,615	\$ 834,573
Note payable		500,000	102,534	397,466	96,565
Compensated absences	692,165	612,097	556,092	748,170	556,092
Other postretirement benefits	335,469		335,469	-	
<b>Totals</b>	<u>\$ 29,761,259</u>	<u>\$ 15,078,950</u>	<u>\$ 15,723,958</u>	<u>\$ 29,116,251</u>	<u>\$ 1,487,230</u>

**Note (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, 2015, receivables from other activities and due from the University are \$1,600,605. Accounts payable include \$953,103 due to the University at June 30, 2015.

Amounts paid by the Foundation for the year ended June 30, 2015 totaled \$9,688,313. Amounts paid to the Foundation for the year ended June 30, 2015 totaled \$17,928,461.

During the year ended June 30, 2015, the Foundation transferred fixed assets totaling \$2,314,625, comprised of equipment and renovations for various college buildings at the University. The University assumed ownership and management of the equipment and facilities.



**CAL POLY POMONA FOUNDATION, INC.**

Notes to Financial Statements  
 June 30, 2015

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

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

As of June 30, 2015, the Foundation implemented GASB Statements No. 68 and No. 71, and as a result, reported its proportionate share of the net pension liability, pension expense and deferred inflow of resources for the above plan and a deferred outflow of resources as follows:

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>	<u>Proportionate Share of Pension Expense</u>
CalPERS	\$ 4,998,351	\$ 886,069	\$ 3,210,794	\$ 801,996

**Plan Description**

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

## CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements  
 June 30, 2015

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

#### Benefits Provided

The Plan provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member’s final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for employment-related disability benefits regardless of length of service and non-duty disability benefits after 5 years of service. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The Post-Retirement Death Benefit is a one-time payment made to a retiree’s designated survivor or estate upon the retiree’s death. The Basic Death Benefit is paid to any member’s beneficiary if the member dies while actively employed. An employee’s eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least 5 years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The First Tier Plan is closed to new entrants on or after June 26, 2011. The Second Tier Plan is closed to new entrants on or after January 1, 2013.

The Plan provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous Risk Pool		
	First Tier Plan	PEPRA Misc Plan	Second Tier Plan
Hire date	On or Before December 31, 2012	On or after January 1, 2013	June 26, 2011 - December 31, 2012
Benefit formula	2% at 55	2% at 62	2% at 60
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	55	62	60
Required employee contribution rate	5.000%	6.308%	6.880%
Required employer contribution rate	10.052%	6.250%	8.049%

**CAL POLY POMONA FOUNDATION, INC.**

Notes to Financial Statements  
June 30, 2015

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

**Contributions**

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are determined annually through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Foundation is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015 are presented above and the total Foundation contributions were \$886,069.

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

As of June 30, 2015, the Foundation reported net pension liabilities for its proportionate share of the Miscellaneous Risk Pool net pension liability totaling \$4,998,351. The net pension liability was measured as of June 30, 2014. The total pension liability for Miscellaneous Risk Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013 and rolling forward the total pension liability to June 30, 2014. The Foundation’s proportion of the net pension liability was based on a projection of the Foundation’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the Foundation’s proportion was 0.07957%.

**CAL POLY POMONA FOUNDATION, INC.**

Notes to Financial Statements  
 June 30, 2015

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

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

For the year ended June 30, 2015, the Foundation recognized pension expense of \$801,996. At June 30, 2015, the Foundation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 886,069	\$
Net differences between projected and actual earnings on plan investments		2,786,370
Adjustment due to differences in proportions		215,855
Differences between contributions and proportionate share of contributions		208,569
	\$ 886,069	\$ 3,210,794

The deferred outflow of resources related to pensions resulting from Foundation contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflows of resources will be amortized over a closed period of between 3.8 and 5 years and will be recognized in pension expense as follows:

Year Ended June 30	Amortization
2016	\$ 848,110
2017	848,110
2018	817,791
2019	696,783
	\$ 3,210,794

**CAL POLY POMONA FOUNDATION, INC.**

Notes to Financial Statements  
 June 30, 2015

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

**Actuarial Methods and Assumptions**

Total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

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

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

**CAL POLY POMONA FOUNDATION, INC.**

Notes to Financial Statements  
 June 30, 2015

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

**Actuarial Methods and Assumptions (continued)**

Asset Class	New Strategic Allocation	Long-term Expected Real Rate of Return
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount rate	Net Pension Liability
1% decrease (6.50%)	\$ 11,042,944
Current discount rate (7.50%)	4,998,351
1% increase (8.50%)	(18,806)

## CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements  
June 30, 2015

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

#### **Plan Fiduciary Net Position**

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

### **Note (12) Other Postretirement Benefits**

The Foundation sponsors a single-employer defined benefit postretirement health care plan to pay a portion of the retiree’s insurance premiums. This plan allows the employee to qualify for a larger percentage of the employer payment of the retiree’s healthcare premiums and those levels are based on an employees’ hire and retirement dates. The Foundation sponsored plan also covers dependents of the employee.

Full time employees qualify at 100% after five years of full time service and reaching the age of 50 when they retired before July 1, 2004.

Full time employees hired before October 1, 2004, who are at least 50 years of age qualify at 75% upon attaining 10 years of service, and earn an additional 5% for each full year completed after 10 years of service. Employees reach 100% once attaining 15 years of full time service. Additionally, employees who are at least 50 years of age and have at least 10 years of service may add together their age and years of service, and when that amount totals 70, the employee will be 100% qualified.

Full time employees hired on or after October 1, 2004 and before March 1, 2009, who have at least 10 years of full time service and are at least 50 years of age become qualified at 50% upon attaining 10 years of service, and earn an additional 5% for each full year completed after 10 years of service. Employees reach 100% once attaining 20 years of full time service.

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

**CAL POLY POMONA FOUNDATION, INC.**

Notes to Financial Statements  
 June 30, 2015

**Note (12) Other Postretirement Benefits (continued)**

Beginning in the fiscal year ended June 2011 the Foundation participated in the Auxiliaries Multiple Employer VEBA (Voluntary Employees' Beneficiary Association). The Auxiliaries Multiple Employer VEBA is a separate 501(c)(9) organization established in August 2010 to assist in funding post-retirement healthcare benefits for recognized auxiliaries of the California State University System. Currently the plan does not issue separate audited financial statements. During the fiscal year ended June 30, 2015, the Foundation contributed \$1.0 million. In addition to the above contributions, the Foundation also paid \$614,234 for retiree benefit expenses and withdrew \$372,834 to pay premiums on behalf of retirees in the fiscal year ending June 30, 2015.

The Foundation's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Foundation's annual OPEB cost for the year, the amount actually contributed, and changes in the OPEB obligation:

Annual required contribution (ARC)	\$	613,262
Interest on net OPEB obligation		23,483
Adjustment to annual required contribution		<u>(22,472)</u>
Annual OPEB cost (expense)		614,273
Contributions made		<u>(1,241,400)</u>
Change in net OPEB obligation		(627,127)
Net OPEB liability - beginning of year		<u>335,469</u>
Net OPEB liability (asset) - end of year	\$	<u><u>(291,658)</u></u>

The Foundation's annual OPEB cost for the year, the percentage of annual OPEB cost contributed, and the net OPEB obligation was as follows:

Fiscal Year <u>Ended</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB Obligation <u>(Asset)</u>
06/30/2013	\$ 837,364	174%	\$ 1,230,456
06/30/2014	672,582	233%	335,469
06/30/2015	614,273	202%	(291,658)



## CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements  
June 30, 2015

### Note (12) Other Postretirement Benefits (continued)

#### Funding Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 30.4% funded. The actuarial accrued liability for benefits was \$10,941,806 and the unfunded actuarial accrued liability (UAAL) was \$7,615,437. The covered payroll (annual payroll of active employees covered by the plan) was \$5,000,236, and the ratio of the UAAL to the covered payroll was 152.3%.

As of June 30, 2015 the market value of plan assets was \$5,480,443. It is the Foundation's plan to continue funding this liability in the coming year.

Actuarial valuations of an ongoing benefit plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of postemployment healthcare benefits funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

#### Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, if any, consistent with the long-term perspective of the calculations.

In the July 1, 2013 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.0 percent investment rate of return (net of administrative expenses) which is the current expected long-term investment returns on plan assets and the Foundation's maximum annual healthcare cost trend rate of 5.0%. The UAAL is being amortized on a level percentage of payroll on a closed basis over 30 years as allowed under GASB Statement No. 45. The remaining amortization period at June 30, 2015, was 22 years.

## CAL POLY POMONA FOUNDATION, INC.

Notes to Financial Statements  
June 30, 2015

### Note (13) Risk Management

The Foundation is self-insured for various risks of loss related to torts; damage to, and destruction of assets; employment practices; and natural disasters with deductibles coverage up to \$100,000 for each employment practice liability claim and property damage claim.

During fiscal year 2011-12, the Foundation established a self-funded healthcare benefits plan with stop loss insurance for eligible employees and retirees. Under this program, the Foundation provides coverage for up to a maximum of \$1,040,000 for medical claims for active employees and retirees who are not enrolled in Medicare, and is self-insured for 100% of the expense related to dental and vision coverage for active employees. The Foundation purchases guaranteed insurance for claims in excess of the self-funded healthcare benefits plan and deductibles and for all other risks of loss. Eligible employees and retirees of the Foundation that participate in the self-funded healthcare benefits plan make payments based on actuarial estimates of the amounts needed to pay claims and stop loss insurance.

### Note (14) Assets held for Sale

In fiscal year 2002-03, the Foundation started purchasing faculty/staff housing in support of the California State Polytechnic University, Pomona's mission to develop affordable faculty staff housing options to attract and retain employees for the University.

At June 30, 2015, total assets held for sale include one faculty/staff condominium.

Fair values of assets measured on a nonrecurring basis held for sale at June 30, 2015 was \$275,000. Assets held for sale are recorded at cost which approximates fair value. Cost to sell and unrealized losses are immaterial and will not be recognized until the assets are sold.

### Note (15) Commitments

The Foundation offered a homeowner's buyback option as an incentive for faculty/staff to purchase the Foundation's homes held for sale due to the current pricing instabilities in the general residential marketplace. During fiscal year 2013-14, the Foundation entered into 5 buyback option agreements with faculty/staff homeowners. During fiscal year 2014-15, the Foundation entered into 1 buyback option agreement with faculty/staff homeowners. The buyback agreement is for one year from the date initially purchased with two, one year options to extend the agreement. If certain conditions are met and the faculty/staff exercises their option, the Foundation is required to repurchase the home at the initial purchase price.

**CAL POLY POMONA FOUNDATION, INC.**

Notes to Financial Statements  
June 30, 2015

**Note (15) Commitments (continued)**

During the fiscal year 2014-15 the Foundation bought back 1 home under these agreements. Additionally, 1 homeowner purchased additional one year options to the agreement during the fiscal year 2014-15.

**Note (16) Cumulative Effect of Change in Accounting Principle**

The beginning net position of the financial statements has been decreased \$7,407,149 to recognize the beginning balance of the net pension liability and deferred outflow of resources resulting from the implementation of GASB Statements No. 68 and No. 71.

**CAL POLY POMONA FOUNDATION, INC.**

**SCHEDULE OF POST-EMPLOYMENT HEALTH CARE BENEFITS FUNDING PROGRESS**  
**For the Fiscal Year Ended June 30, 2015**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (Entry Age Normal Cost Method) (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funding Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2013	\$ 3,326,369	\$ 10,941,806	\$ 7,615,437	30.4%	\$ 5,000,236	152.3%
7/1/2011	1,040,179	10,536,352	9,496,173	9.9%	4,880,470	194.6%

See the accompanying independent auditor's report.

**CAL POLY POMONA FOUNDATION, INC.**

**SCHEDULE OF THE FOUNDATION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT PLAN  
For the Fiscal Year Ended June 30, 2015**

Foundation's proportion of the net pension liability (assets)	0.07957%
Foundation's proportionate share of the net pension liability (asset)	\$ 4,998,351
Foundation's covered-employee payroll	\$ 8,879,184
Foundation's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	56.3%
Plan fiduciary net position as a percentage of the total pension liability	89.1%

See the accompanying independent auditor's report.

**CAL POLY POMONA FOUNDATION, INC.**  
**SCHEDULE OF FOUNDATION CONTRIBUTIONS**  
**CALIFORNIA PUBLIC EMPLOYEES RETIREMENT PLAN**  
**For the Fiscal Year Ended June 30, 2015**

Contractually required contribution	\$	813,893
Contributions in relation to the contractually required contribution		<u>(813,893)</u>
Contribution deficiency (excess)		-
Foundation's covered-employee payroll	\$	8,879,184
Contributions as a percentage of covered employee payroll		9.17%

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

See the accompanying independent auditor's report.

**CAL POLY POMONA FOUNDATION, INC.**  
 Schedule of Net Position  
 June 30, 2015  
 (for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 9,094,165
Short-term investments	47,200,370
Accounts receivable, net	6,874,742
Leases receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	3,519,564
Prepaid expenses and other assets	2,384,250
Total current assets	69,073,091
Noncurrent assets:	
Restricted cash and cash equivalents	1,497,443
Accounts receivable, net	—
Leases receivable, net of current portion	—
Notes receivable, net of current portion	—
Student loans receivable, net	—
Pledges receivable, net	2,270,766
Endowment investments	89,390,250
Other long-term investments	—
Capital assets, net	54,199,702
Other assets	291,658
Total noncurrent assets	147,649,819
Total assets	216,722,910
Deferred outflows of resources:	
Unamortized loss on debt refunding	466,759
Net pension obligation	886,069
Others	—
Total deferred outflows of resources	1,352,828
Liabilities:	
Current liabilities:	
Accounts payable	2,474,160
Accrued salaries and benefits payable	623,624
Accrued compensated absences— current portion	556,092
Unearned revenue	1,474,492
Capitalized lease obligations – current portion	834,573
Long-term debt obligations – current portion	96,565
Claims Liability for losses and LAE - current portion	—
Depository accounts	—
Other liabilities	4,748,547
Total current liabilities	10,808,053
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	192,078
Unearned revenue	—
Grants refundable	—
Capitalized lease obligations, net of current portion	27,136,042
Long-term debt obligations, net of current portion	300,901
Claims Liability for losses and LAE, net of current portion	—
Depository accounts	—
Other postemployment benefits obligation	—
Pension obligation	4,998,351
Other liabilities	790,944
Total noncurrent liabilities	33,418,316
Total liabilities	44,226,369
Deferred inflows of resources:	
Unamortized gain on debt refunding	—
Non-exchange transactions	—
Service concession arrangements	—
Net pension obligation	3,210,794
Others	—
Total deferred inflows of resources	3,210,794
Net Position:	
Net investment in capital assets	26,298,380
Restricted for:	
Nonexpendable – endowments	90,215,784
Expendable:	
Scholarships and fellowships	4,285,274
Research	—
Loans	—
Capital projects	8,651,053
Debt service	—
Other	32,508,529
Unrestricted	8,679,555
Total net position	\$ 170,638,575

See the accompanying independent auditor's report.

**CAL POLY POMONA FOUNDATION, INC.**

Schedule of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2015

(for inclusion in the California State University)

Revenues:

Operating revenues:		
Student tuition and fees (net of scholarship allowances of \$_____)	\$	4,043,012
Grants and contracts, noncapital:		
Federal		8,552,922
State		2,058,643
Local		-
Nongovernmental		2,562,625
Sales and services of educational activities		5,438,973
Sales and services of auxiliary enterprises (net of scholarship allowances of \$_____)		42,002,573
Other operating revenues		3,177,063
Total operating revenues		67,835,811

Expenses:

Operating expenses:		
Instruction		11,030,534
Research		3,715,967
Public service		633,612
Academic support		4,697,988
Student services		941,655
Institutional support		2,118,065
Operation and maintenance of plant		32,299
Student grants and scholarships		1,195,593
Auxiliary enterprise expenses		42,796,453
Depreciation and amortization		4,167,627
Total operating expenses		71,329,793
Operating income (loss)		(3,493,982)

Nonoperating revenues (expenses):

State appropriations, noncapital	—
Federal financial aid grants, noncapital	—
State financial aid grants, noncapital	—
Local financial aid grants, noncapital	—
Nongovernmental and other financial aid grants, noncapital	—
Other federal nonoperating grants, noncapital	—
Gifts, noncapital	16,656,207
Investment income (loss), net	324,025
Endowment income (loss), net	(1,598,005)
Interest Expenses	(1,196,546)
Other nonoperating revenues (expenses)	(2,314,625)
Net nonoperating revenues (expenses)	11,871,056

Income (loss) before other additions 8,377,074

State appropriations, capital	—
Grants and gifts, capital	—
Additions (reductions) to permanent endowments	—
Increase (decrease) in net position	8,377,074

Net position:

Net position at beginning of year, as previously reported	169,668,650
Restatements	(7,407,149)
Net position at beginning of year, as restated	162,261,501
Net position at end of year	\$ 170,638,575

See the accompanying independent auditor's report.



**CAL POLY POMONA FOUNDATION, INC.**  
 Other Information  
 June 30, 2015  
 (for inclusion in the California State University)

**1 Restricted cash and cash equivalents at June 30, 2015:**

Portion of restricted cash and cash equivalents related to endowments	\$ 825,534
All other restricted cash and cash equivalents	<u>671,909</u>
Total restricted cash and cash equivalents	<u>\$ 1,497,443</u>

**2.1 Composition of investments at June 30, 2015:**

	Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
State of California Surplus Money Investment Fund (SMIF)	\$ -	-	-	-	-	-	-
State of California Local Agency Investment Fund (LAIF)	1,035,070	-	1,035,070	-	-	-	1,035,070
Corporate bonds	-	-	-	-	-	-	-
Certificates of deposit	-	-	-	-	-	-	-
Mutual funds	-	-	-	-	-	-	-
Money Market funds	-	-	-	-	-	-	-
Repurchase agreements	-	-	-	-	-	-	-
Commercial paper	-	-	-	-	-	-	-
Asset backed securities	-	-	-	-	-	-	-
Mortgage backed securities	-	-	-	-	-	-	-
Municipal bonds	-	-	-	-	-	-	-
U.S. agency securities	-	-	-	-	-	-	-
U.S. treasury securities	-	20,377	20,377	-	-	-	20,377
Equity securities	-	244,221	244,221	-	-	-	244,221
Exchange traded funds (ETFs)	-	-	-	-	-	-	-
Alternative investments:							
Private equity (including limited partnerships)	-	-	-	-	-	-	-
Hedge funds	-	-	-	-	-	-	-
Managed futures	-	-	-	-	-	-	-
Real estate investments (including REITs)	-	-	-	-	-	-	-
Commodities	-	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-	-
Other alternative investment types	-	-	-	-	-	-	-
Other external investment pools (excluding SWIFT)							
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Other major investments:							
Private Equity Capital	851,245	-	851,245	-	-	-	851,245
Mutual Funds - Equity	11,792,898	1,070,259	12,863,157	-	89,390,250	89,390,250	102,253,407
Mutual Funds - Fixed	31,868,587	317,713	32,186,300	-	-	-	32,186,300
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Total investments	<u>45,547,800</u>	<u>1,652,570</u>	<u>47,200,370</u>	<u>-</u>	<u>89,390,250</u>	<u>89,390,250</u>	<u>136,590,620</u>
Less endowment investments (enter as negative number)		<u>-</u>	<u>-</u>	<u>-</u>	<u>(89,390,250)</u>	<u>(89,390,250)</u>	<u>(89,390,250)</u>
Total investments	<u>45,547,800</u>	<u>1,652,570</u>	<u>47,200,370</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,200,370</u>

See the accompanying independent auditor's report.

**CAL POLY POMONA FOUNDATION, INC.**  
 Other Information  
 June 30, 2015  
 (for inclusion in the California State University)

**2.2 Investments held by the University under contractual agreements at June 30, 2015:**

Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 20CY : - - - - -

<b>2.3</b>	<b>Restricted current investments at June 30, 2015 related to:</b>	<b>Amount</b>
	Endowment investment	\$ —
	Charitable Remainder Trusts	1,652,570
	Add description	—
	Add description	—
	Add description	—
	Add description	—
	<b>Total restricted current investments at June 30, 20CY</b>	<b>\$ 1,652,570</b>

<b>2.4</b>	<b>Restricted noncurrent investments at June 30, 20CY related to:</b>	<b>Amount</b>
	Endowment investment	\$ 89,390,250
	Charitable Remainder Trusts	—
	Add description	—
	Add description	—
	Add description	—
	Add description	—
	Add description	—
	<b>Total restricted noncurrent investments at June 30, 20CY</b>	<b>\$ 89,390,250</b>

See the accompanying independent auditor's report.



**CAL POLY POMONA FOUNDATION, INC.**  
 Other Information  
 June 30, 2015  
 (for inclusion in the California State University)

**3.2 Detail of depreciation and amortization expense for the year ended June 30, 2015:**

Depreciation and amortization expense related to capital assets	\$ 4,167,627
Amortization expense related to other assets	<u>—</u>
Total depreciation and amortization	<u>\$ 4,167,627</u>

**4 Long-term liabilities activity schedule:**

	Balance June 30, 2014	Prior period adjustments	Reclassifications	Balance June 30, 2014 (restated)	Additions	Reductions	Balance June 30, 2015	Current portion	Long-term portion
Accrued compensated absences	\$ 692,165	—	—	692,165	612,097	(556,092)	748,170	556,092	192,078
Capitalized lease obligations:									
Gross balance	26,716,912	—	—	26,716,912	12,110,000	(14,074,850)	24,752,062	834,573	23,917,489
Unamortized premium / (discount) on capitalized lease obligations	<u>2,016,713</u>	<u>—</u>	<u>—</u>	<u>2,016,713</u>	<u>1,856,853</u>	<u>(655,013)</u>	<u>3,218,553</u>		<u>3,218,553</u>
Total capitalized lease obligations	<u>28,733,625</u>	<u>—</u>	<u>—</u>	<u>28,733,625</u>	<u>13,966,853</u>	<u>(14,729,863)</u>	<u>27,970,615</u>	834,573	<u>27,136,042</u>
Long-term debt obligations:									
Revenue Bonds	—	—	—	—	-	-	—	—	-
Other bonds (non-Revenue Bonds)	—	—	—	—	-	-	—	—	-
Commercial Paper	—	—	—	—	-	-	—	—	-
Note Payable related to SRB	—	—	—	—	-	-	—	—	-
Other:									
Bargain Purchase Sale	—	—	—	—	500,000	(102,534)	397,466	96,565	300,901
Add description	—	—	—	—	-	-	—	—	-
Add description	—	—	—	—	-	-	—	—	-
Add description	—	—	—	—	-	-	—	—	-
Add description	—	—	—	—	-	-	—	—	-
Add description	—	—	—	—	-	-	—	—	-
Total long-term debt obligations	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>500,000</u>	<u>(102,534)</u>	<u>397,466</u>	<u>96,565</u>	<u>300,901</u>
Unamortized bond premium / (discount)	—	—	—	—	-	-	—	—	-
Total long-term debt obligations, net	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>500,000</u>	<u>(102,534)</u>	<u>397,466</u>	<u>96,565</u>	<u>300,901</u>
Total long-term liabilities	<u>\$ 29,425,790</u>	<u>—</u>	<u>—</u>	<u>29,425,790</u>	<u>15,078,950</u>	<u>(15,388,489)</u>	<u>29,116,251</u>	<u>1,487,230</u>	<u>27,629,021</u>

See the accompanying independent auditor's report.

**CAL POLY POMONA FOUNDATION, INC.**  
 Other Information  
 June 30, 2015  
 (for inclusion in the California State University)

5 Future minimum lease payments - capital lease obligations:

	Principal	Interest	Principal and Interest
Year ending June 30:			
2016	834,573	1,217,082	2,051,655
2017	877,489	1,173,960	2,051,449
2018	925,000	1,128,875	2,053,875
2019	960,000	1,081,750	2,041,750
2020	1,015,000	1,032,375	2,047,375
2021 - 2025	5,915,000	4,325,375	10,240,375
2026 - 2030	5,560,000	2,881,750	8,441,750
2031 - 2035	7,035,000	1,322,125	8,357,125
2036 - 2040	1,630,000	40,750	1,670,750
2041 - 2045	-	-	-
2046 - 2050	-	-	-
2051 - 2055	-	-	-
2056 - 2060	-	-	-
2061 - 2065	-	-	-
Total minimum lease payments			38,956,104
Less amounts representing interest			<u>(14,204,042)</u>
Present value of future minimum lease payments			24,752,062
Less: current portion			<u>(834,573)</u>
<b>Capitalized lease obligation, net of current portion</b>			<u>\$ 23,917,489</u>

6 Long-term debt obligation schedule

	Revenue Bonds			All other long-term debt obligations			Total		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
Year ending June 30:									
2016	-	-	-	96,565	7,592	104,157	96,565	7,592	104,157
2017	-	-	-	98,409	5,747	104,156	98,409	5,747	104,156
2018	-	-	-	100,289	3,868	104,157	100,289	3,868	104,157
2019	-	-	-	102,203	1,952	104,155	102,203	1,952	104,155
2020	-	-	-	-	-	-	-	-	-
2021 - 2025	-	-	-	-	-	-	-	-	-
2026 - 2030	-	-	-	-	-	-	-	-	-
2031 - 2035	-	-	-	-	-	-	-	-	-
2036 - 2040	-	-	-	-	-	-	-	-	-
2041 - 2045	-	-	-	-	-	-	-	-	-
2046 - 2050	-	-	-	-	-	-	-	-	-
2051 - 2055	-	-	-	-	-	-	-	-	-
2056 - 2060	-	-	-	-	-	-	-	-	-
2061 - 2065	-	-	-	-	-	-	-	-	-
Total	-	-	-	397,466	19,159	416,625	397,466	19,159	416,625

See the accompanying independent auditor's report.

**CAL POLY POMONA FOUNDATION, INC.**  
 Other Information  
 June 30, 2015  
 (for inclusion in the California State University)

**7 Calculation of net position**

	<u>Auxiliary Organizations</u>		<u>Total</u>
	<u>GASB</u>	<u>FASB</u>	<u>Auxiliaries</u>
<b>7.1 Calculation of net position - Net investment in capital assets</b>			
Capital assets, net of accumulated depreciation	\$ 54,199,702		54,199,702
Capitalized lease obligations - current portion	(834,573)	—	(834,573)
Capitalized lease obligations, net of current portion	(27,136,042)	—	(27,136,042)
Long-term debt obligations - current portion	(96,565)	—	(96,565)
Long-term debt obligations, net of current portion	(300,901)	—	(300,901)
Portion of outstanding debt that is unspent at year-end	—	—	—
Other adjustments: (please list)			
Unamortized loss on refunding	466,759	—	466,759
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Net position - net investment in capital asset	<u>\$ 26,298,380</u>	<u>—</u>	<u>26,298,380</u>
<b>7.2 Calculation of net position - Restricted for nonexpendable - endowments</b>			
Portion of restricted cash and cash equivalents related to endowments	\$ 825,534		825,534
Endowment investments	89,390,250		89,390,250
Other adjustments: (please list)			
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Net position - Restricted for nonexpendable - endowments per SNP	<u>\$ 90,215,784</u>	<u>—</u>	<u>90,215,784</u>

See the accompanying independent auditor's report.

**CAL POLY POMONA FOUNDATION, INC.**  
Other Information  
June 30, 2015  
(for inclusion in the California State University)

**8 Transactions with Related Entities**

	<b>Amount</b>
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 1,331,073
Payments to University for other than salaries of University personnel	8,357,240
Payments received from University for services, space, and programs	17,928,461
Gifts-in-kind to the University from discretely presented component units	—
Gifts (cash or assets) to the University from discretely presented component units	2,314,625
Accounts (payable to) University (enter as negative number)	(953,103)
Other amounts (payable to) University (enter as negative number)	—
Accounts receivable from University	1,600,605
Other amounts receivable from University	—

**9 Other Postemployment Benefits Obligation (OPEB)**

Annual required contribution (ARC)	\$	614,273		
Contributions during the year		(1,241,400)		
Increase (decrease) in net OPEB obligation (NOO)		(627,127)		
NOO - beginning of year		335,469		
NOO - end of year	\$	(291,658)		

**10 Pollution remediation liabilities under GASB Statement No. 49:**

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

See the accompanying independent auditor's report.

**CAL POLY POMONA FOUNDATION, INC.**  
 Other Information  
 June 30, 2015  
 (for inclusion in the California State University)

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

	<u>Net Position</u>	
	<u>Class</u>	<u>Amount</u>
		<u>Dr. (Cr.)</u>
Net position as of June 30, 20PY, as previously reported	\$	169,668,650
Prior period adjustments:		
1 Cumulative effect of change in account principle		(7,407,149)
2 (list description of each adjustment)		—
3 (list description of each adjustment)		—
4 (list description of each adjustment)		—
5 (list description of each adjustment)		—
6 (list description of each adjustment)		—
7 (list description of each adjustment)		—
8 (list description of each adjustment)		—
9 (list description of each adjustment)		—
10 (list description of each adjustment)		—
Net position as of June 30, 2014, as restated	\$	<u>162,261,501</u>

See the accompanying independent auditor's report.



**CAL POLY POMONA FOUNDATION, INC.**  
 Other Information  
 June 30, 2015  
 (for inclusion in the California State University)

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

	Debit	Credit
Net position class: Unrestricted		
1 (breakdown of adjusting journal entry)		
Beginning net position	\$ 7,407,149	
Deferred outflows	813,893	
Net pension obligation		8,221,042
Net position class: _____		
2 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
3 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
4 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
5 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
6 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
7 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
8 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
9 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
10 (breakdown of adjusting journal entry)	—	—

See the accompanying independent auditor's report.

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

The Board of Directors  
Cal Poly Pomona Foundation, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the Cal Poly Pomona Foundation, Inc. (a California State University Auxiliary Organization) (the Foundation) as of and for the year ended June 30, 2015 and have issued our report thereon dated September 25, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation’s internal control.

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

VICENTI, LLOYD & STUTZMAN<sup>LLP</sup>  
Glendora, California  
September 25, 2015

**CAL POLY POMONA FOUNDATION, INC.**

Single Audit Reports

For the Year Ended June 30, 2015

(With Independent Auditor's Report Thereon)

## CAL POLY POMONA FOUNDATION, INC.

### Single Audit Reports

For the Year Ended June 30, 2015

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

Board of Directors  
Cal Poly Pomona Foundation, Inc.  
3801 W. Temple Avenue  
Pomona, CA 91768

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Cal Poly Pomona Foundation, Inc. (a California State University Auxiliary Organization) (the Foundation) as of and for the year ended June 30, 2015 and have issued our report thereon dated **September \_\_\_, 2015**.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Foundation’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation’s internal control.

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

VICENTI, LLOYD & STUTZMAN LLP  
Glendora, California  
September \_\_, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM; REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT  
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS REQUIRED BY OMB CIRCULAR A-133**

Board of Directors  
Cal Poly Pomona Foundation, Inc.  
3801 W. Temple Avenue  
Pomona, CA 91768

**Report on Compliance for Each Major Federal Program**

We have audited Cal Poly Pomona Foundation, Inc.'s (a California State University Auxiliary Organization) (the Foundation) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended June 30, 2015. The Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Foundation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Foundation's compliance.



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM; REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT  
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS REQUIRED BY OMB CIRCULAR A-133**

**Opinion on Each Major Federal Program**

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

**Report on Internal Control Over Compliance**

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

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

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

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM; REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT  
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS REQUIRED BY OMB CIRCULAR A-133**

**Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the Foundation, as of and for the year ended June 30, 2015, and have issued our report thereon dated **September \_\_, 2015**, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

VICENTI, LLOYD & STUTZMAN LLP

Glendora, California

**September \_\_, 2015**

**CAL POLY POMONA FOUNDATION, INC.**

**Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2015**

Federal grantor/program title	Federal CFDA number	Pass-through grantor	Pass-through #	Total Federal expenditures
U.S. Department of Education:				
TRIO Cluster:				
ARCHES-Student Support Services	84.042A			\$ 282,980
Reading Advising and Mentoring Program	84.042A			372,887
TRIO Talent Search Program - Chino Valley Unified	84.044A			233,257
Upward Bound - North	84.047A			350,559
Upward Bound - South	84.047A			270,253
Upward Bound - Chino Valley Unified	84.047A			227,353
Upward Bound Math & Science Competition - North	84.047M			219,238
Upward Bound Math & Science Competition - South	84.047M			223,477
McNair Scholars Program	84.217A			<u>196,571</u>
Total TRIO Cluster				<u>\$ 2,376,575</u>
Other Programs				
San Gabriel Valley Mathematics NCLB II	84.367	University of California, Office of the President	CN180242	\$ 4,918
San Gabriel Valley Mathematics Projects NCLB II	84.367	University of California, Office of the President	CN140132	20,640
Great Leaders for Great Schools	84.363A			574,022
Applied Mathematics	84.011A	Bakersfield City Elementary School District	S011A120005	50,882
CCAMPIS	84.335A			64,338
Pasadena City College - Cal Poly Pomona STEM Pathways	84.031C	Pasadena City College	P031C110056	262,020
HLP USD CaMSP Professional Development Project	84.366B	Hacienda La Puente Unified School District	S366B110005	29,000
Rialto Integrating Science, Math and Related Topics	84.367	Rialto Unified School District	N/A	24,000
Project MENTORES	84.031M			164,705
Building Institutional Capacity to Retain, Graduate, and Propel Students in STEM	84.031A			<u>198,265</u>
Total Other Programs				<u>\$ 1,392,790</u>
Total Department of Education				<u>\$ 3,769,365</u>
Research and Development Cluster:				
Department of Health and Human Services:				
Genital Herpes Vaccine Discovery	93.855	Molecular Express, Inc.	2R44A1066621-03	\$ 11,871
Targeted Dendritic Cell Activation	93.855	Molecular Express, Inc.	1R43A109489101A1	31,206
Engineering of a Novel CDN Nanoparticle Platform	93.855	Molecular Express, Inc.	R1112132A	11,790
Adipogenic Toxicity Study of Obesogenic Drugs	93.859			409
Signaling Cascade in Skeletal Muscle	93.859			32,725
Herpes Simplex Vaccine Efficacy in Male and Female Mice	93.000	Molecular Express, Inc.	1R43-A1066621-01A1	65
U.S. Department of Energy				
Tehachapi Wind Energy Storage Project	81.122	Southern California Edison	DE-0E00000201	277,714
U.S. Department of Defense				
Remote Sensing Technology for Plant Species	12.000			183,548

See accompanying notes to Schedule of Expenditures of Federal Awards and Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133.

**CAL POLY POMONA FOUNDATION, INC.**

**Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2015**

Federal grantor/program title	Federal CFDA number	Pass-through grantor	Pass-through #	Total Federal expenditures
U.S. Department of Interior:				
Monitoring the Dynamics of Rocky Populations in So. Cal	15.423	CSU Fullerton Auxiliary Services, Corp	M10AC20000	37,064
Documentation of Forty Acres in Delano California	15.000			9,718
Development of Photovoltaic Electro dialysis Desalination System	15.560			37,860
Contaminants of Emerging Concerns in Concentrate Streams	15.560			9,580
3-D Seismotectonic Velocity Model of the Salton Trough Region	15.807			6,002
National Science Foundation:				
NEESR-CR: NEESR of Seismic Risk Reduction for Soft Story	47.041	Board of Governors of the Colorado State University	CMMI-B4957	28,459
SRN: Routes to Sustainability for Natural Gas Development	47.071	Regents of the University of Colorado	CBET-I240584	102,324
Robust Nonlinear Adaptive Control of Unmanned Aerial Vehicles	47.041			57,119
Comparative Genomics of Phenotypic Variation	47.074	The Trustees of the Indiana University	IUB-4824334-CP PF	59,660
Scholar's Award: Transnational Science During the Cold War and Beyond	47.075			13,423
Electromagnetic Force Assisted Centrifugal Nanocasting	47.041			27,744
The California-Arizona Minority Partnership for Astronomy Research	47.049			14,809
Collaborative Research: RUI Revisionary Systematics of Herbivorous Sea Slugs	47.074			49,780
Cal-Bridge: CA Bridge to Astronomy and Physics PhD For Minority Students	47.076			89,661
MRE Acquisition of A Scanning Electron Microscope	47.049			198,090
Citizen Science Assists a Novel Measurement of Mass-Loss Rates	47.049			13,843
A Reverse Osmosis Mechanism To Convert Run-Off Water	47.070	San Diego State University Research Foundation	CNS-B46780	310
Vaginal Microflora Suppository with a Sustained Release Mechanism	47.070	San Diego State University Research Foundation	CNS-B46780	2,452
An Interdisciplinary, Learn-by-Doing Approach, to Identify and Prepare Cyber Warriors	47.076			6,964
Revitalizing Cyber Security Education and Research Through Competition	47.076	University of Southern California	DGE-I319197	10,826
Adaptive Methods and Finite Element Exterior Calculus	47.049			20,042
U.S. Department of Agriculture:				
Next Generation Lettuce Breeding: Genes to Growers	10.309	University of California, Davis	2010-51181-21631	4,524
Sowing the Seeds for the Next Generation of Plant Breeders	10.223			7,776
Development of an Option in Agricultural Leadership	10.326	The CSU, Chico Research Foundation	2012-70001-20148	22,586
Algae for Conversion of Manure Nutrients to Animal Food	10.310			124,951
Towards Sustainability of Lettuce Production Through Breeding	10.170	California Department of Food and Agriculture	12-8130-0223-CA	111,969
Real Impacts	10.000			33,622
National Aeronautics and Space Administration:				
Contributions to the ARIA-EQ System Development	43.000	California Institution of Technology	NAS7-I407	16,241
Aluminide Coating Development for Thermoelectric Materials	43.000	Glenn Research Center	NNC14VB77P	9,296
JPL Methane Sniffer Field Test	43.000	Jet Propulsion Laboratory	NNN12AA01C	11,597
Technology Assessments	43.008	AERO Institute	NND13AB04A	44,939
U.S. Department of Transportation				
Empirical Bayes-Estimated OTS Collision Rankings for Cities	20.610	State of California - Office of Traffic Safety	2700-101-0890	127,854

See accompanying notes to Schedule of Expenditures of Federal Awards and Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133.

**CAL POLY POMONA FOUNDATION, INC.**

**Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2015**

Federal grantor/program title	Federal CFDA number	Pass-through grantor	Pass-through #	Total Federal expenditures
US Department of Homeland Security				
Electrically Synthesized Nanocomposites for Explosive Detection	97.000	Oak Ridge Institute for Science and Education	HSHQPM-11-X-0006	15,411
U.S. Department of Commerce				
Center for Risk-Based Community Resilience Planning	11619	Colorado State University	70NANB15H044	5,407
Total Research and Development Cluster				<u>\$ 1,881,231</u>
National Science Foundation:				
Increasing the Number and Quality of High School Physics Teachers	47.049	The American Physical Society	PHY0808790	\$ 21,220
College of Science Scholars Program	47.076			109,630
CSU SAMP Senior Alliance	47.076	University Enterprises, Inc.	HRD-1302873	37,686
NSF Noyce Master Teacher Fellows Program	47.076			227,137
Reinvigorating Elementary Science (RESPECT)	47.076			1,300,295
Three Strategies to Improve STEM Graduation Rates	47.076			129,926
BioTIER Scholars Program	47.076			102,677
National Cybersecurity Sports Federation	47.076			146,882
Preparing Students for Writing in Civil Engineering Practice	47.076	Portland State University	DUE-1323259	34,381
CyberWatch West	47.076	Whatcom Community College	DUE-1104278	238,273
Engineering Scholars Program	47.076			107,296
US-South Africa Collaboration on Sustainable Sanitation	47.079	San Diego State University Research Foundation	IA-1459370	34
Total National Science Foundation				<u>\$ 2,455,437</u>
U.S. Department of Justice:				
Violence Prevention Program	16.525			<u>\$ 66,027</u>
Department of Health and Human Services				
State Preschool Program (CSPP)	93.575/93.596	CA Department of Education	CSP-4446	\$ 79,502
General Child Care and Development Program (CTTR)	93.575/93.596	CA Department of Education	CCTR-4067	53,523
Total Department of Health and Human Services				<u>\$ 133,025</u>
U.S. Department of Agriculture:				
Focus on the Future: 21st Century Multicultural Workforce	10.223			\$ 17,832
Business Marketing Planning for New Agricultural Products	10.233			73,060
National Register Evaluation and Recreation Resident Tract	10.000			5,358
Child and Adult Care Food Program	10.558	CA Department of Education	N/A	47,748
Summer Food Service 2015	10.559	CA Department of Education	19-7719-0V	313,100
Total U.S. Department of Agriculture				<u>\$ 175,308</u>
U.S. Department of Transportation				
Supporting Educational Programs in Transportation Engineering and Planning	20.701	The Regents of the University of California	DTRT12-G-UTC09	<u>\$ 42,810</u>
U.S. Air Force				
Collegiate Cyber Defense Competition	12.300	University of Texas, San Antonio	FA8750-12-2-0100	<u>\$ 29,721</u>
Total Federal Expenditures				<u>\$ 8,552,924</u>

See accompanying notes to Schedule of Expenditures of Federal Awards and Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133.

**CAL POLY POMONA FOUNDATION, INC.**

Notes to the Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2015

**Note 1: Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**Note 2: Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting.

**Subrecipients**

Of the Federal expenditures present in the Schedule of Expenditures of Federal Awards, the Foundation provided Federal Awards to subrecipients as follow:

<u>Federal Grantor/Program/Subrecipients</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
National Science Foundation		
Reinvigorating Elementary Science (RESPeCT)		
Biological Sciences Curriculum Study	47.076	\$ 504,929
Department of Defense		
Remote Sensing Technology for Plant Species		
Brown University	12.000	47,274
U.S. Department of Agriculture		
Algae for Conversion of Manure Nutrients		
Cal Poly Corporation	10.310	62,556
Algae for Conversion of Manure Nutrients		
U.S. Department of Agriculture	10.310	<u>5,419</u>
		<u>\$ 620,178</u>

**CAL POLY POMONA FOUNDATION, INC.**

Notes to the Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2015

**Note 3: Relationship to Federal Financial Reports**

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, with amounts reported in the related financial reports filed by the Cal Poly Pomona Foundation, Inc. The following presents a reconciliation of grant expenditures to those reported in the financial statements:

Total expenditures per the schedule of expenditures of federal awards	\$ 8,552,926
Add expenditures of nonfederal awards	<u>4,621,264</u>
Total expenditure of federal and nonfederal awards per the financial statements	<u>\$13,174,190</u>

**CAL POLY POMONA FOUNDATION, INC.**

Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2015

**Section I : Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued September __, 2015:	<i>Unmodified</i>
Internal control over financial reporting:	
Material weaknesses identified?	<i>No</i>
Significant deficiencies identified that are not considered to be material weaknesses?	<i>No</i>
Noncompliance material to financial statements noted?	<i>No</i>

**Federal Awards**

Internal control over major programs:	
Material weaknesses identified?	<i>No</i>
Significant deficiencies identified that are not considered to be material weaknesses?	<i>No</i>
Type of auditor's report issued on compliance for major programs:	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of (Circular A-133)?	<i>No</i>
Identification of major programs:	
TRIO Cluster, CFDA # Various	
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	<i>Yes</i>



**CAL POLY POMONA FOUNDATION, INC.**

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

**Section II: Financial Statement Findings**

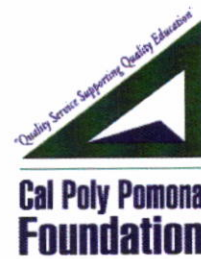
None noted.

**CAL POLY POMONA FOUNDATION, INC.**

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

**Section III—Federal Award Findings and Questioned Costs**

None noted.



# Memorandum

Date: September 3, 2015

To: Board of Directors  
Cal Poly Pomona Foundation, Inc.

From: *G. Paul Storey*  
G. Paul Storey  
Executive Director

**Subject: ENDOWMENT EARNINGS DISTRIBUTION 2015-16**

On an annual basis, the performance of the endowment portfolio and the values of the undistributed earnings are reviewed to determine if there are funds available for an endowment distribution per the Administration of Program, Scholarship and Endowment Funds Policy # 133, please see attached for further details. Please keep in mind, some endowments may have terms and conditions that take precedence over this policy and accordingly the following recommendation will include such terms and conditions.

Upon review of the performance of the endowment portfolio and the values of the undistributed earnings, Foundation management is proposing an endowment distribution of \$1,304,318 or 3.00% comprised of the lessor of 3% of the endowment value (corpus plus undistributed earnings) or the undistributed earnings value as of June 30, 2015 subject to any endowment terms and conditions that would take precedence as follows:

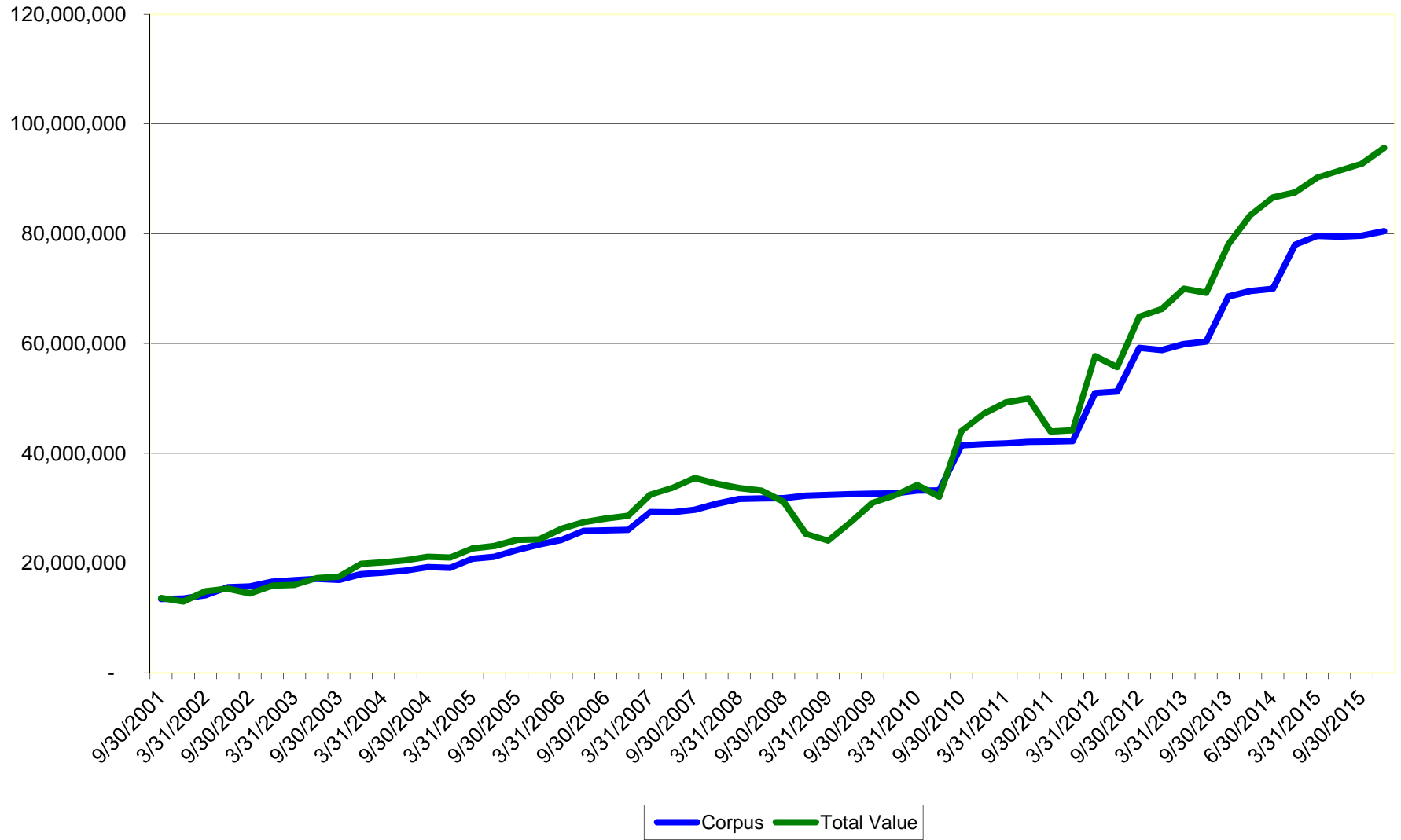
- Propose a distribution of \$466,461 to 231 scholarship endowment operating accounts.
- Propose a distribution of \$837,857 to 96 program endowment operating accounts.
- Propose a distribution of \$0 (excluding the \$50,000 for administration of the endowment) from the Kellogg Foundation Legacy endowment. Please note the Kellogg Legacy operating endowment has a balance of \$1.3 million; we anticipate this amount will be awarded in this fiscal year for purposes as allowed per the terms and conditions of the endowment.

**Now therefore be it resolved** that the Board of Directors approves an endowment distribution proposal by the Foundation Investment Committee of a net distribution of \$1,304,318 to 231 scholarship endowment operating accounts, 96 program endowment operating accounts and \$0 to the Kellogg Foundation Legacy endowment operating account and \$50,000 for administration.

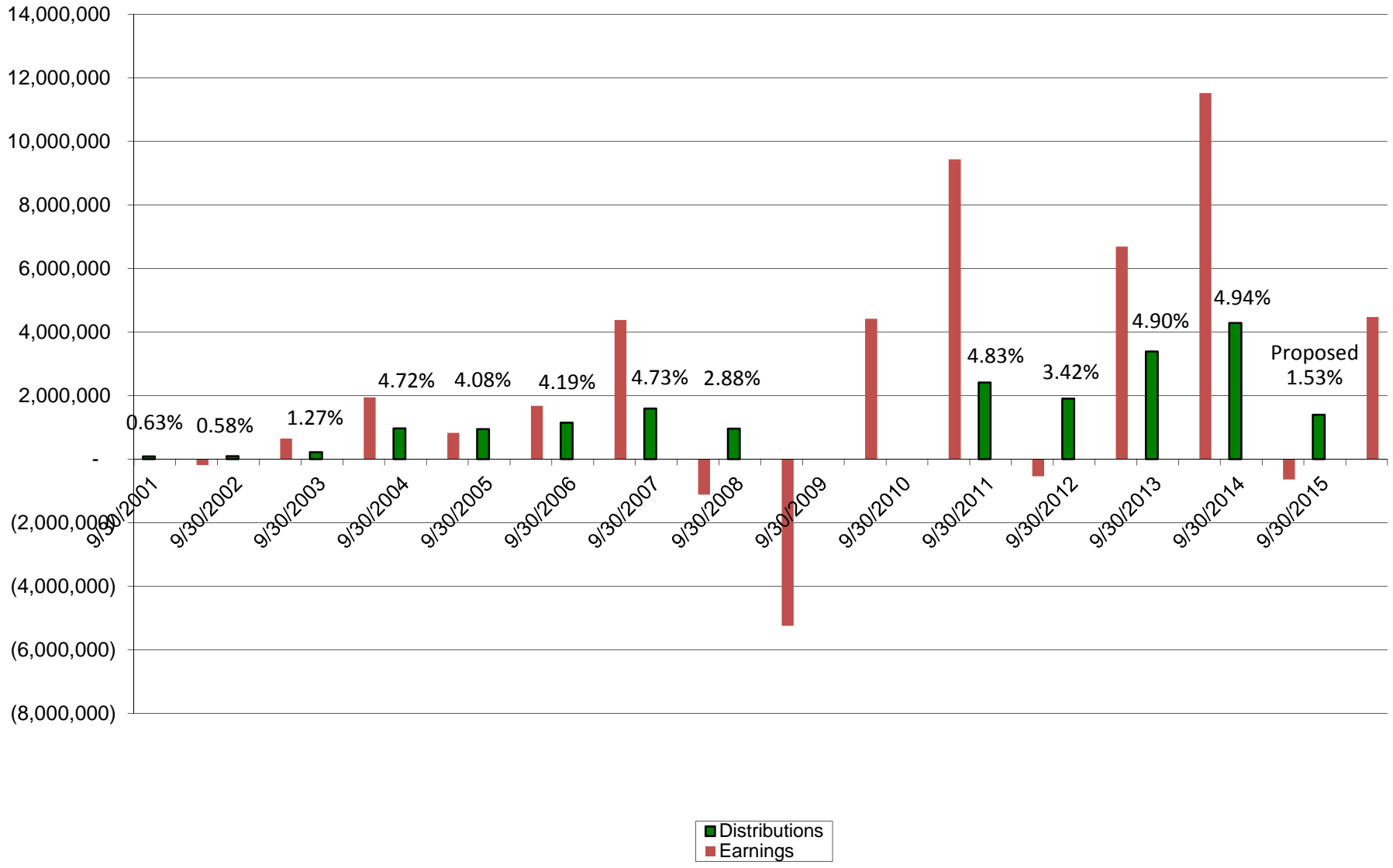
**PASSED AND ADOPTED THIS 1st DAY OF OCTOBER 2015**

By: *Samir Anz* *10/01/2015*  
Samir Anz, Secretary  
Board of Directors

### Endowment Corpus and Total Value

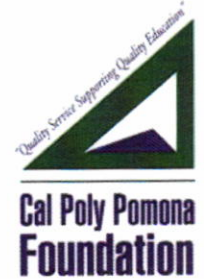


### Endowment Distributions



# CAL POLY POMONA FOUNDATION, INC.

## Memorandum



**Date:** September 3, 2015  
**To:** Board of Directors  
Cal Poly Pomona Foundation, Inc.  
**From:** David F. Prenovost *David F. Prenovost*  
Chief Financial Officer  
**Subject:** **FOUNDATION ENDOWMENT INVESTMENT POLICY 130**

The Endowment Investment Policy Statement must be reviewed annually to ensure the Policy reflects the current investment objectives of the Foundation's endowment funds. The Endowment Investment Policy governs the actions of Graystone Consulting in the selection and monitoring of investment managers for the endowment funds of the Foundation.

The Foundation Investment Committee is requesting the Board of Directors consideration and review of the Foundation's Endowment Investment Policy.

Policy 130 – Foundation Endowment Investment Policy

**Recommended Action:** The members of the Board of Directors have reviewed the Endowment Investment Policy # 130.

**Now therefore be it resolved that** the Board of Directors approves the Foundation Endowment Investment Policy # 130.

**PASSED AND ADOPTED THIS 1st DAY OF OCTOBER 2015.**

By: *Samir Anz* 10/01/2015  
Samir Anz, Secretary  
Board of Directors

# CAL POLY POMONA FOUNDATION, INC.

## POLICIES AND PROCEDURES

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<b>Subject:</b>	<b>Endowment Investment Policy</b>	<b>Policy No.</b>	<b>130</b>
		<b>Old No.:</b>	<b>1991-1</b>
		<b>Date:</b>	<b>04/25/91</b>
<b>Reference:</b>	<b>229-III-A; 230-II-C; 275-II-D 277-IV-C; 300-II-D; 348-III-E; 350-III-B; 357-III-D; 362-II-C</b>	<b>Revision:</b>	<b>05/29/96; 09/04/96; 12/19/00, 09/27/11 02/13/12, 11/13/13, 2/19/15 <u>(Date)</u></b>

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### I. PURPOSE AND INTENTION

The purpose of this statement is to establish a clear understanding between the Cal Poly Pomona Foundation (Foundation) and their Investment Managers regarding investment objectives and policy guidelines. The Foundation's Endowment Investment Policy is to be governed by Sections 5210 and 5231 of the California Corporations Code, and California Probate Code Section 18500 et seq. (Uniform Prudent Management of Institutional Funds Act).

### II. OBJECTIVE

The Foundation monitors and forecasts expenditures and revenues, thus enabling the Foundation to invest funds to the fullest extent possible. The Foundation attempts to obtain the highest return available, while investments meet the criteria established for safety (preservation of capital), return and liquidity.

#### A. SAFETY

Safety of principal within the context of positioning the portfolio to have a reasonable probability of achieving the targeted returns noted in this policy is the foremost objective of the Foundation. Management of the portfolio shall be undertaken with the objective of minimizing the opportunity for loss of capital with the understanding that a degree of risk must be accepted for the portfolio to achieve the return objectives in both absolute and relative terms. The achievement of a positive risk-adjusted return is dependent upon proper design and execution of the investment strategy. In managing the portfolio, the Foundation shall be cognizant of two types of risk: credit risk and market risk.

1. Credit Risk or the risk of loss due to failure of the issuer, is managed by proper due diligence prior to investing and on an ongoing basis, and diversifying the investment portfolio so the failure of any one issuer would not materially affect the performance of the portfolio.

2. Market Risk is the risk of investment value fluctuation due to changes in the general level of interest rates or the issuer's individual or industry sector performance. This risk shall be managed by limiting the average duration of the fixed income portion of the Foundation's investment portfolio to five years and the maximum duration of any one security to ten years, with the exception of Mortgage-Backed Securities (MBS), the maximum maturity of which shall be limited to 30 years. Market risk shall also be mitigated by structuring the portfolio so fixed income securities maturing match cash outflows, eliminating the need to sell securities prior to their maturity. With respect to the equity portion of the portfolio, market risk is managed by due diligence in selecting and monitoring investees as well as diversification by company and by industry sector. It is recognized that within a diversified portfolio, occasional measured losses are inevitable and must be considered within the context of the overall return on the investment.

## B. RETURN ON INVESTMENT

The Foundation's endowment investment portfolio shall be designed to attain or exceed a target rate of return throughout economic cycles consistent with risk limitations and prudent investment principles. The target rate of return shall be measured in "absolute", "relative" and "comparative" terms as determined from time-to-time, by the Investment Committee. See [Return Objective](#) Section IX of this Endowment Investment Policy [for further details](#).

## C. LIQUIDITY

The Foundation's endowment investment portfolio will remain satisfactorily liquid to enable the Foundation to meet anticipated operating and cash flow requirements. Historical and cash flow needs are to be analyzed continuously.

## III. SCOPE

The funds identified in this section and entrusted to the Foundation will be pooled in an actively managed portfolio. The Foundation shall oversee management of the portfolio within the content of the "Uniform Prudent Management Investment Funds Act of 2008" [section 18503 \(b\)](#) which states:

" . . . each person responsible for managing and investing an institutional fund shall manage and invest the fund in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances. "

[This policy is applicable, but not limited to permanent endowment funds.](#)

## IV. DELEGATION & GRANTS OF AUTHORITY

Responsibility for the investment program has been delegated by the Foundation Board of Directors to the Investment Committee. It is the responsibility of the Investment Committee, in concert with the authorized investment manager and/or advisor, to monitor and adjust from time to time, the target weighting within the asset allocation ranges allowed per the Target Asset Mix Table, (see section ~~VIII-X – Target Asset Allocation– Performance Evaluation~~). Any changes to the target weighting within the asset allocation ranges will be reported to the full Foundation Board at its next regularly scheduled meeting. A report on portfolio performance will be provided to the full Foundation Board at each regularly scheduled Board meeting.

[The authority to execute investment transactions affecting the Foundation's portfolio shall be under the general direction of the Executive Director and the CFO.](#)

## V. ETHICS AND CONFLICT OF INTEREST

All Foundation Board members and investment personnel including family members shall refrain from personal business activity which could create a conflict in fact or in appearance with proper execution of the investment program, or which could impair their ability to execute impartial investment decisions. All such personnel shall disclose to the Executive Director any material financial interests in financial institutions which conduct business within the jurisdiction and shall disclose any material financial investment positions which could be related in a conflicting manner to the performance of the ~~FOUNDATION's~~[Foundation's](#) endowment investment portfolio. The Executive Director shall report in writing to the full Board at least annually all issues, which could influence the performance of the Foundation's endowment investments.



## VI. CRITERIA FOR SELECTION OF INVESTMENT MANAGERS

In order to retain investment management organizations that have demonstrated competence in executing one or more investment strategies consistent with the established policy, the following criteria will be applied in retaining existing firms and selecting new investment managers:

- A. Demonstrated performance in one or more of the asset categories defined in section X.
- B. A sound research program;
- C. A disciplined, consistent and measurable approach to the construction and monitoring of portfolios;
- D. Established investment control procedures with operating management information to assure regular review of the portfolio manager's decisions;
- E. Ability to trade at the competitive rates and consistently secure best price execution;
- F. Primary business purpose will be investment management and will have sufficient experience with educational investment assets;
- G. Demonstrated ability to manage its affairs in a businesslike manner and with a high degree of financial stability;
- H. An experienced, highly competent professional staff, recognized as such within the industry. Continuity of such personnel will be considered;
- I. No conflict of interest with the policy, objectives, or organization of the investment portfolio, nor any conflict which would interfere with prudent management of the portfolio's assets;
- J. Capability to report accounting and performance data in a timely manner;
- K. Competitive fee structure.

## VII. AUTHORIZED INVESTMENT ADVISORS

All custodians, investment advisors and brokers who perform investment transactions for the [FOUNDATION-Foundation](#) must supply the Executive Director with the following:

- A. Audited financial statements\*
- B. Proof of National Association of Security Dealers certification\*\*
- C. Proof of registration with the SEC and a copy of their ADVII\*\*\*
- D. Proof of state registration
- E. Completed broker/dealer questionnaires
- F. Certificate of reviewing and understanding the Foundation's Endowment Investment Policy

G. Certificate of understanding the delivery versus payment instructions for custody

H. Conflict of interest certification statement

\* Custodians and brokers only

\*\* Brokers only

\*\*\* Investment advisors only

A review of the financial condition and registration of the qualified broker/dealers and other bidders will be conducted by the Chief Financial Officer (CFO) at least every three (3) years. This review shall be reported to the Investment Committee as an "information item only."

## VIII. PERFORMANCE EVALUATION

Performance will be reviewed for purposes of determining adherence to appropriate risk levels, and for comparison of returns to the established objectives and specific goals.

It is recognized that investment results can fluctuate through market cycles. Achievement of total rate of return within the risk levels identified will be the primary basis upon which to evaluate manager performance. Each manager's portfolio will be monitored and reported quarterly ~~by to~~ the Investment Committee. A comprehensive annual-quarterly report ~~from-accepted by~~ the Committee will be presented to the full Board of Directors. Update reports will be made to the Board of Directors by the Committee Chair quarterly.

## IX. RETURN OBJECTIVE

The purpose of the Endowment Fund is to support the University and its mission over the long term. Accordingly, the purpose of this statement is to establish a written procedure for the investment of the Endowment's assets, and to ensure that the future growth of the Endowment is sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant dollar value and purchasing power of the Endowment. This statement will establish appropriate risk and return objectives in light of the fund's risk tolerance and investment time horizon. These objectives, as well as asset allocation guidelines and suitable investments are outlined below.

The return objectives of the Endowment Fund shall be viewed from three perspectives as follows: **Absolute** - Real (i.e., net of inflation) rate-of-return **Relative** - Time-weighted rates of return versus capital market indices; and **Comparative** - Performance of the Investment Manager(s) as compared to a universe of similar investment funds.

1. The **Absolute Objective** of the Endowment Fund is to seek an average total annual return of 5.0% plus the percentage change in the greater Los Angeles area CPI. This objective shall be measured over rolling one, three, five and ten year time periods; The intent of this objective is to measure, over time, the return on the portfolio as measured in, inflation adjusted terms.

2. The **Relative Objective** of the Endowment Fund is to seek competitive investment performance versus appropriate capital market benchmarks or indices. This objective shall be measured primarily by comparing investment results over an annualized year-to-date, one, three, five and ten year time periods, to:

a) The Russell 3000 Index as a benchmark for the Domestic Equity component;

b) The MSCI EAFE-All Capitalization World excluding US Index (in US dollars) for the International Foreign Equity component;

- c) The Barclays Aggregate Bond Index as a benchmark for the Fixed Income component;
- d) The 90-Day Treasury Bill Index as the benchmark for the Cash and Equivalent component.
- e) A comparable Index for the Real Assets component.
- f) A comparable REIT Index for Real Estate component.
- g) A comparable Index for the Hedge Funds component.

3. The **Comparative** performance objective of the Endowment Fund is to achieve a total rate of return that is above the median performance of universe of similar endowmentsportfolios.

The endowment ~~and quasi-endowment~~ assets have a long-term, indefinite time horizon that runs concurrent with the endurance of the institution, in perpetuity. As such, these funds can assume a time horizon that extends well beyond a normal market cycle, and can assume an above-average level of return volatility (as measured by the standard deviation of annual returns) in exchange for an expected higher level of returns over the longer time horizon. It is expected, however, that both professional management and sufficient portfolio diversification will smooth volatility and help to assure a reasonable consistency of return.

## X. TARGET ASSET ALLOCATION

To achieve its return objectives, the Endowment Fund shall be allocated among a number of asset classes. These asset classes may include: domestic equity, domestic fixed income, ~~international~~ foreign (developed and emerging) equity, international fixed income, real estate, real assets, hedge funds and cash. These asset classes may also include global funds where the manager is allowed to choose the weighting between domestic and international securities. The purpose of allocating among asset classes is to ensure the proper level of diversification within the Endowment Fund. It is understood that endowments may temporarily be placed in a cash equivalent account prior to investing in longer term instruments.

The following Target Asset Mix Table defines the Endowment Fund’s target asset allocation.

**Target Asset Mix Table**

<b><u>Asset Class</u></b>	<b><u>Range</u></b>	<b><u>Target Wt.</u></b>	<b><u>Representative Index</u></b>
Equities			
Domestic	20 – 50%	40%	Russell 3000
<del>International</del> <u>Foreign</u>	15 – 35%	25%	<u>All Cap World X US</u>
Developed			MSCI EAFE
Emerging			MSCI Emerging
Fixed Income incl. MBS (Domestic and International)	20-50%	30%	Barclay Aggregate
Cash Equivalents	0-20%	0%	90-Day Treasury Rate
Real Estate	0–10%	0%	Comparable Index
Real Assets	0-10%	5%	Comparable Index
Hedge Funds	0-20%	0%	Comparable Index

**No more than 5 percent of the asset class may be invested in any single equity or fixed income issuer, with the exception of U.S. Treasury, ~~and~~ Agency and Mortgage Back securities, at the time of purchase.**

**Exposure to any industry sector shall generally be limited to 20 percent of the asset class, excluding U.S. Treasury Securities, U.S. Government Agency Securities and Mortgage Back Securities, at time of purchase. This sector limitation is applicable to both debt and equity.**

\* All limitations expressed on a market value basis.

The Endowment Investment Policy shall be to diversify investments among ~~both equity and fixed income securities~~ asset classes so as to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category.

Investments ~~(both debt and equity)~~ in international ~~(developed/emerging)~~ issues shall be U.S. dollar denominated or appropriately hedged so as to eliminate fluctuations in value attributable to changes in currency exchange rates.

### ACCEPTABLE INSTRUMENTS

1. Money Market Funds
2. Certificates of Deposit
3. Common and Preferred Stocks
4. U.S. Government or Government Agency Obligations,
5. Mortgage Backed Securities
6. Corporate Debt
7. Repurchase Agreements
8. Mutual Funds (Debt or Equity)
9. Real Estate Investment Trusts
10. Real Assets
11. Hedge Funds

With respect to the above listed investments, the following limitations will apply:

- Money Market Funds including the Local Agency Investment Fund (LAIF). No more than 5% of the market value of the total portfolio may be invested in any fund. All funds utilized must be pre-approved by the Investment Committee.
- Certificates of Deposit. Investments in certificates of deposit in any insured bank or savings institution shall be limited to the FDIC insurance maximum.
- Common and Preferred Stocks. No more than 5% of the total market value of the asset class may be invested in any single stock.
- ~~No more than 20% of the market value of the asset class may be invested in the obligations of any U.S. Government Agency.~~
- U.S. Government or U.S. Government Agency Obligations. There is no limitation within the asset class as to the percentage of the portfolio, which can be invested in U.S. Government obligations.
- Mortgage Backed Securities. All investments in MBS shall be U.S. Agency guaranteed (e.g. GNMA, FNMA, FHLMC). No more than 5% of the total market value of the asset class may be invested in any single security and no more than 20% of the total market value of the asset class may be invested in MBS issued by any U.S. Agency.
- Corporate Debt, including Commercial Paper. No more than 5% of the market value of the asset class may be invested in debt issued by any domestic or international corporation. Corporate debt must carry an investment grade rating by at least two of three rating agencies (i.e. Moody, S&P and Fitch) at time of purchase. In the case of securities where the rating is split between

investment grade and non-investment grade, the higher rating shall define the quality of the security. Rating downgrades subsequent to purchase shall be managed on a case-by-case basis. This policy authorizes investment of up to 10% of the market value of the asset class in non-investment grade debt provided that all such investments shall be made through mutual funds so as to diversify risk. ~~The average credit rating of the total asset class shall be maintained at AA or above.~~

- Repurchase Agreements. The Foundation may invest in repurchase agreements with banks and Primary Dealers in U.S. Government Securities with which the Foundation has entered into a Public Securities Association (PSA) repurchase contract, which specifies terms and conditions of repurchase agreements. The maturity of repurchase agreements shall not exceed 30 days. The market value of securities used as collateral for repurchase agreements shall be monitored daily by the Foundation's staff and will not be allowed to fall below 102% of the value of the repurchase agreement. Repurchase agreements cannot exceed 20 percent of the total market value of the asset class.
- Mutual Funds. For purposes of this Policy, mutual funds shall be considered and treated as investments in common and preferred stocks and bonds and therefore subject to the same limitations.
- Real Estate. Investments in real estate shall be limited to securities (e.g. REITs) for which there is a ready and active market.
- Real Assets. Investments in public/private real estate, natural resources, commodities, infrastructure, timber and inflation linked securities (TIPS).
- Hedge Funds. Investments in hedge funds shall be limited to funds approved by the investment advisor.
- The Foundation will not directly invest in stocks of the top 200 fossil fuel companies, by carbon in proven oil, gas and coal reserves. Although it may hold some fossil fuel stocks in commingled funds or mutual funds.

## **XI. REBALANCING**

The Investment Committee, and its investment advisors, on an ongoing basis and in accordance with market fluctuations, shall rebalance the investment portfolio so it remains within 5 percentage points of the ranges of targeted asset allocations, and the planned distribution among investment managers.

Formal asset allocation studies will be conducted at least every two years, with ~~annual~~ evaluations of the validity of the adopted asset allocation. ~~The asset allocation study is contained in Appendix A of this policy.~~

## **XII. QUASI-ENDOWMENT FUND**

~~The purpose of the Quasi-Endowment Fund is to support the University and its mission over the term of the quasi-endowment. This fund is to be managed in accordance with the investment parameters, acceptable instruments, and guidelines set forth in Section IX, of this Policy.~~

## **XII. SAFEKEEPING AND CUSTODY AGREEMENT**

To protect against potential losses caused by collapse of individual securities dealers, all securities

owned by the Foundation shall be kept in safekeeping by a third party brokerage firm or bank custodial department, acting as agent for the Foundation under the terms of a custody agreement.

### **XIII. INTERNAL CONTROLS**

The CFO has developed a system of internal investment and accounting controls while establishing a segregation of responsibilities of investment functions to ensure an adequate system of internal controls over the investment function.


### **XIII.XIV. ENDOWMENT INVESTMENT POLICY REVIEW**

This Statement of Endowment Investment Policy shall be reviewed by the Investment Committee at least annually to ensure consistency with the overall objectives of the portfolio. The Endowment Investment Policy shall also be reviewed annually to ensure its compliance and relevance to the current law, financial and economic trends, and to meet the cash flow requirements of the Foundation. Investments are reviewed monthly by the Foundation staff during the reconciliation process of investment transactions to the third party statements and the proof of cash process. The investment portfolio is audited annually by the Foundation's independent accountants for internal controls and balances.

# CAL POLY POMONA FOUNDATION, INC.

## Memorandum



**Date:** September 3, 2015  
**To:** Board of Directors  
Cal Poly Pomona Foundation, Inc.  
**From:** David F. Prenovost   
Chief Financial Officer

**Subject: FOUNDATION GENERAL INVESTMENT POLICY 131**

Foundation management is requesting the Board of Directors consideration and review of the suggested changes to the Foundation's General Investment Policy to ensure the Policy reflects the current investment objectives of the Foundation's General funds. The General Investment Policy governs the actions of Graystone Consulting in the selection and monitoring of investment managers for the General funds of the Foundation.

The Foundation Investment Committee is requesting the Board of Directors consideration and review of the Foundation's General Investment Policy.

Policy 131 – Foundation General Investment Policy

**Recommended Action:** The members of the Board of Directors have reviewed the General Investment Policy # 131.

**Now therefore be it resolved that** the Board of Directors approves the Foundation General Investment Policy # 131.

**PASSED AND ADOPTED THIS 1st DAY OF OCTOBER 2015.**

By: \_\_\_\_\_  
Samir Anz, Secretary  
Board of Directors

CAL POLY POMONA FOUNDATION, INC.

POLICIES AND PROCEDURES

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<b>Subject:</b>	<b>General Investment Policy</b>	<b>Policy No.</b>	<b>131</b>
		<b>Old No.</b>	<b>1994-2</b>
<b>Reference:</b>	<b>263-II-B, 273-II-B; 300-II-D; 311-II-A;</b>	<b>Date:</b>	<b>12/09/94</b>
	<b>320-III-B; 329-III-D; 337-III-A-2; 348-III-F,</b>	<b>Revision:</b>	<b>03/07/96; 12/19/00;</b>
	<b>354-III-C; 357-III-E; 358-III-F</b>		<b>02/18/03; 02/17/05;</b>
			<b>02/22/07; 11/17/08;</b>
			<b>09/27/11; 02/20/13</b>
			<b>11/13/13; 02/20/14</b>
			<b><u>(Date)</u></b>

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**I. POLICY**

This Statement of Investment Policy is intended to provide guidelines for the prudent investment of the Foundation's (see Scope, Section III) general investment portfolio and outline the policies for maximizing the effectiveness and efficiency of the Cal Poly Pomona Foundation, Inc. ("Foundation") investment management program. The goal of this ~~general~~General investment ~~Investment policy~~Policy is twofold, one is to enhance the economic status of the Foundation while preserving its capital resources; the second is to establish a clear understanding between the Foundation and their Investment Manager(s) regarding investment objectives and policy guidelines. The Foundation's ~~general~~General Investment Policy is to be governed by Sections 5210 and 5231 of the California Corporations Code, and California Probate Code Section 18500 *et seq.* (*Uniform Prudent Management of Institutional Funds Act*).

**II. OBJECTIVE**

The Foundation's investment management program is designed to monitor and forecast expenditures and revenues, thus enabling the Foundation to invest its asset portfolio to the fullest extent possible. The Foundation attempts to obtain the highest yield available, while investments meet the criteria established for safety (preservation of capital), liquidity and yield.

**A. SAFETY**

Asset portfolio safety is the foremost objective of the Foundation. Each investment transaction shall seek to ensure portfolio losses are avoided, whether from securities default, rating downgrades, broker/dealer defaults, or erosion of market value. Cal Poly Pomona Foundation, Inc. shall seek the preservation of its portfolio by managing two types of risk: credit risk and market risk.

1. Credit Risk - is the risk of loss due to failure of the issuer and is managed by proper due diligence prior to investing and on an ongoing basis, and diversifying the general investment portfolio so the failure of any one issuer would not materially affect the cash flow of the Foundation.



2. Market Risk - is the risk of investment value fluctuations due to changes in the general level of interest rates or the issuer's individual or industry sector performance. This risk shall be managed by limiting the average maturity of the fixed income portion of the Foundation's general investment portfolio to five years or less and the maximum maturity of any one security to ten years, with the exception of Mortgage-Backed Securities (MBS), the maximum maturity of which shall be limited to thirty years. Market risk shall also be managed by structuring the portfolio so fixed income securities maturing match cash outflows, eliminating the need to sell securities prior to their maturity. It is recognized that within a diversified portfolio, occasional measured losses are inevitable and must be considered within the context of the overall return on the investment.

#### B. RETURN ON INVESTMENT

The Foundation's general investment portfolio shall be designed to attain or exceed a target rate of return throughout economic cycles consistent with risk limitations and prudent investment principles. The target rate of return shall be measured in "absolute", "relative" and "comparative" terms as determined by the Investment Committee. See Return Objective-Performance Evaluation Section ~~VIII~~IX of this General Investment Policy for further details.

#### C. LIQUIDITY

Foundation's general investment portfolio will remain satisfactorily liquid to enable the Foundation to meet anticipated operating and cash flow requirements. Historical and cash flow needs are to be analyzed continuously.

### III. SCOPE

The funds identified in this section and entrusted to the Foundation will be pooled in an actively managed portfolio. The Foundation shall oversee management of the portfolio within the content of the "Uniform Prudent Management Investment Funds Act of 2008" section 18503 (b) which states:

"...each person responsible for managing and investing an institutional fund shall manage and invest the fund in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances."

This policy is applicable, but not limited to all funds listed below:

- General Fund
- Sponsored Programs Fund
- Designated Fund
- Enterprise Fund
- Agricultural-Aid-To-Instruction Fund
- Campus-Foundation Program Fund
- Scholarship Fund
- Continuing Education Fund
- Real Estate Fund

#### **IV. DELEGATION AND GRANTS OF AUTHORITY**

Responsibility for the investment program has been delegated by the Foundation Board of Directors to the Investment Committee, in concert with the authorized investment manager and/or advisor, to monitor and adjust from time to time, the target weighting within the asset allocation ranges allowed per the Target Asset Mix Table, (see section ~~VIII-X – Target Asset Allocation – Performance Evaluation~~). Any changes to the target weighting within the asset allocation ranges will be reported to the full Foundation Board at its next regularly scheduled meeting. A report on portfolio performance will be provided to the full Foundation Board on a quarterly basis at a regularly scheduled Board meeting.

The authority to execute investment transactions affecting the Foundation's portfolio shall be under the general direction of the Executive Director and the CFO.

#### **V. ETHICS AND CONFLICT OF INTEREST**

All Foundation Board members and investment personnel including family members shall refrain from personal business activity which could create a conflict in fact or in appearance with proper execution of the investment program, or which could impair their ability to execute impartial investment decisions. All such personnel shall disclose to the Executive Director any material financial interests in financial institutions which conduct business within the jurisdiction and shall disclose any material financial investment positions which could be related in a conflicting manner to the performance of the Foundation's general investment portfolio. The Executive Director shall report in writing to the full Board at least annually all issues, which could influence the performance of the Foundation's investments.

#### **VI. CRITERIA FOR SELECTION OF INVESTMENT MANAGERS**

In order to retain investment management organizations that have demonstrated competence in executing one or more investment strategies consistent with the established policy, the following criteria will be applied in retaining existing firms and selecting new investment managers:

- A. Demonstrated performance in one or more of the asset categories defined in section X.
- B. A sound research program;
- C. A disciplined, consistent and measurable approach to the construction and monitoring of portfolios;
- D. Established investment control procedures with operating management information to assure regular review of the portfolio manager's decisions;
- E. Ability to trade at the competitive rates and consistently secure best price execution;
- F. Primary business purpose will be investment management and will have sufficient experience with educational investment assets;
- G. Demonstrated ability to manage its affairs in a businesslike manner and with a high degree of financial stability;
- H. An experienced, highly competent professional staff, recognized as such within the industry. Continuity of such personnel will be considered;
- I. No conflict of interest with the policy, objectives, or organization of the investment portfolio, nor any conflict which would interfere with prudent management of the portfolio's assets;
- J. Capability to report accounting and performance data in a timely manner;

K. Competitive fee structure.

## VII. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The Foundation shall transact business only with banks, savings and loan institutions and registered investment securities dealers. The dealers should be primary dealers authorized to buy and sell government securities in direct dealings with the Federal Reserve Bank of New York and qualify under the U.S. Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule).

The CFO shall send a copy of the current statement of investment policy to all dealers approved to do business with the Foundation. Confirmation of the dealer's understanding of the Foundation's ~~general~~ General investment ~~Investment policy~~ Policy shall be provided in writing by the dealer.

The CFO shall examine financial institutions which wish to perform business with the Foundation, in order to confirm whether the participating financial institutions are satisfactorily capitalized, are market makers in securities appropriate to the Foundation's financial investment universe and agree to comply by the conditions set forth in this General Investment Policy.

Any authorized investments (contained in Section X) can be purchased directly from the issuer.

All financial institutions and broker/dealers who qualify to perform investment transactions for the Foundation must supply the CFO the following:

- A. Audited financial statements\*
- B. Proof of National Association of Security Dealers certification\*\*
- C. Proof of registration with the SEC and a copy of their ADVII\*\*\*
- D. Proof of state registration
- E. Completed broker/dealer questionnaires
- F. Certificate of reviewing and understanding the Foundation's General Investment Policy
- G. Certificate of understanding the delivery versus payment instructions for custody
- H. Conflict of interest certification statement

\* Custodians and brokers only

\*\* Brokers only

\*\*\* Investment advisors only

A review of the financial condition and registration of the qualified broker/dealers and other bidders will be conducted by the CFO at least every three (3) years. This review shall be reported to the Investment Committee as an "information item only."

## VIII. PERFORMANCE EVALUATION

Performance will be reviewed for purposes of determining adherence to appropriate risk levels, and for comparison of returns to the established objectives and specific goals.

It is recognized that investment results can fluctuate through market cycles. Achievement of total rate of return within the risk levels identified will be the primary basis upon which to evaluate manager performance. Each manager's portfolio will be monitored and reported quarterly to the Investment Committee. A comprehensive quarterly report accepted by the Investment Committee will be presented to the full Board of Directors.

## IX. RETURN OBJECTIVE

The purpose of the Foundation's general investment portfolio is to support the University and its mission over the long term. Accordingly, the purpose of this statement is to establish a written procedure for the investment of the Foundation's general investment portfolio to ensure that the future growth of the portfolio is sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant dollar value and purchasing power of the portfolio. This statement will establish appropriate risk and return objectives in light of the fund's risk tolerance and investment time horizon. These objectives, as well as asset allocation guidelines and suitable investments are outlined below.

The return objectives of the Foundation's general investment portfolio shall be viewed from three perspectives as follows: **Absolute** - Real (i.e., net of inflation) rate-of-return **Relative** - Time-weighted rates of return versus capital market indices; and **Comparative** - Performance of the Investment Manager(s) as compared to a universe of similar investment funds.

1. The **Absolute Objective** of the Foundation's general investment portfolio is to seek an average total annual return of 2.0% plus the percentage change in the greater Higher Education Price Index (HEPI). This objective shall be measured over rolling one, three, five and ten year time periods. The intent of this objective is to measure, over time, the return on the portfolio as measured in inflation adjusted terms.
2. The **Relative Objective** of the Foundation's general investment portfolio is to seek competitive investment performance versus appropriate capital market benchmarks or indices. This objective shall be measured primarily by comparing investment results, over an annualized three year period, to:
  - a) The Russell 3000 Index as a benchmark for the Domestic Equity component;
  - b) The MSCI ~~EAFE/~~Emerging All Capitalization World excluding US-Index (in US dollars) for the Foreign Equity component;
  - c) The Barclays Intermediate Government Credit as a benchmark for the Fixed Income component;
  - d) The 90-Day Treasury Bill Index as the benchmark for the Cash and Equivalent component;
  - e) A comparable Index for the Real Assets component
  - f) A comparable REIT Index for Real Estate component
  - g) Alternative Investments shall be benchmarked against an authorized investment vehicle of the Foundation.

3. The **Comparative** performance objective of the Foundation’s general investment portfolio is to achieve a total rate of return that is above the median performance of universe of similar portfolios.

The Foundation’s assets have a long-term, indefinite time horizon that runs concurrent with the endurance of the University. As such, these funds can assume a time horizon that extends well beyond a normal market cycle, and can assume an above-average level of return volatility (as measured by the standard deviation of annual returns) in exchange for an expected higher level of returns over the longer time horizon. It is expected, however, that both professional management and sufficient portfolio diversification will smooth volatility and help to assure a reasonable consistency of return.

**X TARGET ASSET ALLOCATION**

To achieve its return objectives, the Foundation’s general investment portfolio shall be allocated among a number of asset classes. These asset classes may include domestic and foreign equity, domestic and international fixed income, cash, real assets, real estate and alternative investments. The purpose of allocating among asset classes is to ensure the proper level of diversification within the Foundation’s general investment portfolio. It is understood that assets may temporarily be placed in a cash equivalent account prior to investing in longer term instruments.

The following Target Asset Mix Table defines the Foundation’s general investment portfolio target asset allocation.

**Target Asset Mix Table**

<b><u>Asset Class</u></b>	<b><u>Range</u></b>	<b><u>Target Wt.</u></b>	<b><u>Representative Index</u></b>
Equities	10-65%	23%	Russell 3000
Domestic			
Foreign (Developed and Emerging)		MSCI	<del>EAFE</del> / <del>Emerging</del> -All Cap World X US
Fixed Income	40-85%	65%	Barclays Intermediate Gov’t/Credit
Cash Equivalents	0-20%	0%	90-Day Treasury Rate
Real Assets	0-10%	2%	Comparable Index
Real Estate	0-10%	0%	Comparable REIT Index
Alternative Investments	0-25%	10%	Authorized Investment Vehicle

**No more than 5 percent of the asset class may be invested in any single equity or fixed income issuer, excluding U.S. Treasury Securities, U. S. Government Agency Securities and Mortgage Back Securities, at time of purchase.**

**Exposure to any industry sector shall generally be limited to 20 percent of the asset class, excluding U.S. Treasury Securities, U.S. Government Agency Securities and Mortgage Back Securities, at time of purchase. This sector limitation is applicable to both debt and equity.**

All limitations expressed on a market value basis.

The General Investment Policy shall be to diversify investments among asset classes so as to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category.

Investments in international issues shall be U.S. dollar denominated or appropriately hedged so as to eliminate fluctuations in value attributable to changes in currency exchange rates.

#### ACCEPTABLE INSTRUMENTS

1. Money Market Funds
2. Certificates of Deposit
3. U.S. Government or Government Agency Obligations,
4. International Bonds
5. Mortgage Backed Securities – Agency
6. Mortgage Backed Securities – Non-Agency
7. Corporate Debt
8. Repurchase Agreements
9. Mutual Funds (Debt or Equity)
10. Real Estate
11. Real Assets
12. Alternative Investments

With respect to the above listed investments, the following limitations will apply:

- Money Market Funds including the Local Agency Investment Fund (LAIF). No more than 5% of the market value of the total portfolio may be invested in any fund. All funds utilized must be pre-approved by the Finance Committee.
- Certificates of Deposit. Investments in certificates of deposit in any insured bank or savings institution shall be limited to the FDIC insurance maximum.
- U.S. Government or U.S. Government Agency Obligations. There is no limitation within the asset class as to the percentage of the portfolio, which can be invested in U.S. Government obligations.
- International Bonds. These are debt securities issued by non-U.S. governments and corporations.
- Mortgage Backed Securities All investments in MBS shall be U.S. Agency guaranteed (e.g. GNMA, FNMA, FHLMAC). No more than 5% of the total market value of the asset class may be invested in any single security and no more than 20% of the total market value of the asset class may be invested in MBS issued by any U.S. Agency. ~~Agency. These are mortgage backed securities guaranteed by GNMA, FNMA and FHLMC. There is no limitation within the asset class as to the percentage of the portfolio, which can be invested in MBS.~~
- Mortgage Backed Securities – Non-Agency. These are issued by private institutions (not by government or quasi-government agencies); their underlying collateral generally consists of mortgages which do not conform to the requirements for inclusion in mortgage-backed securities issued by agencies such as Ginnie Mae, Fannie Mae or Freddie Mac. Types of non-agency MBS include: Prime, Alternative-A, Option ARMs & Subprime.
- Corporate Debt, including Commercial Paper. No more than 5% of the market value of

agencies (i.e. Moody, S&P and Fitch) at time of purchase. In the case of securities where the rating is split between investment grade and non-investment grade, the higher rating shall define the quality of the security. Rating downgrades subsequent to purchase shall be managed on a case-by-case basis. This policy authorizes investment of up to 10% of the market value of the asset class in non-investment grade debt provided that all such investments shall be made through mutual funds so as to diversify risk. ~~The average credit rating of the total asset class shall be maintained at AA or above.~~

- Repurchase Agreements. The Foundation may invest in repurchase agreements with banks and Primary Dealers in U.S. Government Securities with which the Foundation has entered into a Public Securities Association (PSA) repurchase contract, which specifies terms and conditions of repurchase agreements. The maturity of repurchase agreements shall not exceed 30 days. The market value of securities used as collateral for repurchase agreements shall be monitored daily by the Foundation's staff and will not be allowed to fall below 102% of the value of the repurchase agreement. Repurchase agreements cannot exceed 20 percent of the total market value of the asset class.
- Mutual Funds. For purposes of this Policy, mutual funds shall be considered and treated as investments in common and preferred stocks and therefore subject to the same limitations.
- Real Estate. Investments in real estate shall be limited to securities (e.g. REITs) for which there is a ready and active market.
- Real Assets. Include investments in public/private real estate, natural resources, commodities, infrastructure, timber and inflation-linked securities (TIPS).
- Alternative Investments that meet the "mission of the University" for the benefit of the University and are authorized by Foundation Board resolution and supported by appropriate and documented "due diligence" analysis. The value of these alternative investments shall be benchmarked against an authorized investment vehicle of the Foundation. The target value of these investments will be 10% to 15% and the total value shall not exceed 25% of the portfolio. The alternative investments will diversify and reduce volatility of the portfolio.
- The Foundation will not directly invest in stocks of the top 200 fossil fuel companies, by carbon in proven oil, gas and coal reserves, although it may hold some fossil fuel stocks in commingled funds or mutual funds.

## XI. REBALANCING

~~The Investment Committee, and its investment advisors, on an ongoing basis and in accordance with market fluctuations, shall rebalance the investment portfolio so it remains within 5 percentage points of the ranges of targeted asset allocations, and the planned distribution among investment managers.~~

~~The portfolio shall be rebalanced at least annually in accordance with market fluctuations, so it remains within ten (10) percentage points of the ranges of targeted asset allocations and the planned distribution among investment managers, keeping in mind that rebalancing is a function of expected returns, volatility, and return correlations of the portfolio. Rebalancing should also be weighed against the additional costs of frequent trading and internal resources.~~

Formal asset allocation studies will be conducted at least every ~~three~~ two (2) years, with evaluations of the validity of the adopted asset allocation.

**XII. SAFEKEEPING AND CUSTODY AGREEMENTS**

Page 9

To protect against potential losses caused by collapse of individual securities dealers, all securities owned by the Foundation shall be kept in safekeeping by a third party brokerage firm or bank trust-custodial department, acting as agent for the Foundation under the terms of a custody agreement ~~or PSA agreement (Purchase Service Agreement).~~

~~All securities will be received and delivered using standard delivery versus payment procedures with the Foundation's custodial bank and evidenced by safekeeping receipts. Custodial statements are reconciled monthly to transaction schedules.~~

**XIII. INTERNAL CONTROLS**

The CFO has developed a system of internal investment and accounting controls while establishing a segregation of responsibilities of investment functions to ensure an adequate system of internal controls over the investment function.

~~The internal controls are identified in a separate document entitled "Investment Practices and Procedures" that identifies the responsibilities for safekeeping, record keeping and reconciliation of the investments and is reviewed annually by the Foundation's independent accountants.~~

**XIV. INVESTMENT POLICY REVIEW**

This General Investment Policy shall be reviewed by the Investment Committee at least ~~every three (3) years~~ annually to ensure consistency with the overall objectives of the preservation of capital, liquidity and return of the investment portfolio. The General Investment Policy shall also be reviewed to ensure its compliance and relevance to the current law, financial and economic trends, and to meet the cash flow requirements of the Foundation. Investments are reviewed monthly by the Foundation staff during the reconciliation process of investment transactions to the third party statements and the proof of cash process. The general investment portfolio is audited annually by the Foundation's independent accountants for internal controls and balances.



**Investment Practices and Procedures**

	Yes	No	N/A	Comments
<del>1. Is authorization for purchases and sales of investments and derivatives vested with the governing board or other responsible committee or official?</del>	<del>X</del>			
<del>Are all investment and derivative transactions reviewed and approved by the governing board?</del>	<del>X</del>			
<del>2. Does a responsible official or investment committee determine that investments and derivatives are of the type permitted by funding sources or donors and that the investment income and gains are used only for purposes authorized by laws, donors, or the governing board?</del>	<del>X</del>			
<del>3. Are employees with investment responsibilities required to take vacations and are other employees required to perform those functions when an employee is absent?</del>	<del>X</del>			
<b>Safekeeping</b>				
<del>4. Are securities adequately protected, preferably in a safe, safety deposit box, or on deposit with a trustee or financial institution?</del>			<del>X</del>	
<del>5. Is it necessary for more than one person to authorize their release from safekeeping or to have access to the safety deposit box?</del>			<del>X</del>	
<del>6. Are such persons authorized by the governing board?</del>			<del>X</del>	
<del>7. Are such persons bonded?</del>	<del>X</del>			
<del>8. Are such persons prohibited from having access to the accounting records?</del>	<del>X</del>			
<del>9. Is access to computerized investment records limited to those with a logical need for such access?</del>	<del>X</del>			
<del>10. Are all securities held in the name of the nonprofit organization?</del>	<del>X</del>			
<b>Recordkeeping</b>				
<del>11. Are detail records maintained that include the following information:-</del>				
<del>Description of investment or derivative?</del>	<del>X</del>			
<del>Date of acquisition and purchase price (or fair market value at date of donation)?</del>	<del>X</del>			
<del>Physical location of item; for example, safety deposit box, etc.?</del>			<del>X</del>	
<del>Interest/dividend/income rates and accrual/receipt dates?</del>	<del>X</del>			
<del>Restrictions on segregation or pooling and on disposition or use of income or proceeds?</del>	<del>X</del>			
<del>Lapse date of any restrictions?</del>	<del>X</del>			

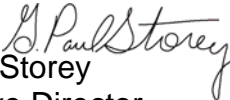
	Yes	No	N/A	Comments
<del>12. Are recordkeeping functions for securities and investment income performed by employees who have no access to the securities, cannot authorize security transactions, and have no duties in the cash area?</del>		X		Executive Director and Senior Managing Director/CFO both have to agree and sign for security decisions. This is done through the brokers. Senior Managing Director/CFO has access to the accounting records.
<del>13. As investment income is received, is it deposited in the proper bank account, completely and accurately posted to the investment records, and posted on a timely basis?</del>	X			
<del>14. Are schedules of investments showing all income received prepared monthly and reviewed by a responsible person?</del>	X			
<del>15. Are investment earnings recorded in the proper class of net assets?</del>	X			
<del>16. With respect to restricted investments:</del>				
<del>Is physical segregation of any securities required?</del>		X		
<del>Are all acquisitions and disposals reviewed by the governing board and approved for compliance with restrictions?</del>		X		
<del>Does the governing board review and determine the use of income from investments and proceeds in compliance with any restrictions?</del>		X		
<del>17. Are procedures adequate to identify, record, and segregate investments received under split-interest agreements?</del>	X			
<b>Reconciliation</b>				
<del>18. Are periodic surprise counts of evidence of ownership made and reconciled to detail records and other controls? Not really applicable— all investments held with brokers</del>		X		Investments are reconciled on a monthly basis and the Senior Managing Director/CFO reviews and the Executive Director approves them. There are no surprise counts.
<del>19. Are periodic statements from outsiders or data resulting from independent request by the governing board (such as broker's position listing, etc.) promptly reconciled to detail records?</del>	X			
<del>20. Is adequate physical control exercised over securities written down to zero?</del>	X			

# Memorandum



Date: September 25, 2015

To: Board of Directors  
Cal Poly Pomona Foundation, Inc.

From:   
G. Paul Storey  
Executive Director

**Subject: Lanterman Development Center Update**

In early 2014, Cal Poly Pomona (CPP) worked closely with the Cal Poly Pomona Foundation and hired RBB Architects, Inc. to conduct a study related to the potential development and conversion of the Lanterman Development Center (LDC) for use by Cal Poly Pomona.

The study took into consideration the concurrent development of the Spadra farm, utilizing the same public/private partnership development model as Innovation Village. The Spadra farm is contiguous to the LDC property boundary line and is currently used by the College of Agriculture. The projected use of the Spadra land envisions public-private partnerships to help Cal Poly Pomona meet its mission including the development of residential, retail, commercial and academic facilities. The Foundation Board of Directors approved conducting a Program Environmental Impact Report (EIR) in March 2014 for the Spadra Farm with expected completion by December 2015

Upon completion of the study by RBB Architects, a report was submitted to the Department of Finance on June 9, 2014 outlining a proposed adaptive use plan for the LDC which would accommodate various academic programs in the long-term, and the College of Agriculture academic programs and faculty/staff housing in the short-term (3-5 years).

In January 2015, Governor Brown incorporated the proposed transfer of LDC to CPP in the 2015-16 state budget, subject to conditions that included the accommodation of locating three state agencies at the LDC, or on the CPP campus. On July 1, 2015 jurisdiction of the LDC was transferred to the California State University and the property is now referred to as the CPP Campus South. Negotiations regarding the proposed locations of the three state agencies are in progress.

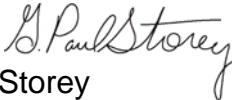
Upon the completion of the legally required State Historical Preservation Review expected around the start of the 2016 year, the property will be transferred and the master planning of CPP Campus South can commence

The Cal Poly Pomona Foundations 2015-2016 Budget includes \$300,000 in the capital for refurbishment of residences homes at Lanterman and \$500,000 in operating support from the Venture/Real Estate Reserve.

Memorandum

Date: September 25, 2015

To: Board of Directors  
Cal Poly Pomona Foundation, Inc.

From:   
G. Paul Storey  
Executive Director

**Subject: Presentation on Board Member Duties**



As there are eight new Board Members this year, the Foundation has engaged Robert Griffin to present an overview of the special responsibilities of a Foundation Board Member.

### **Robert Griffin**

Robert holds a charter AOA Honorary Lifetime Membership Award, having served in every officer position, as a long-time Executive Committee member during his 26 year service with the Cal Poly Foundation (now Cal Poly Corporation), and as a close colleague to John Francis, AOA's legal counsel for many years.

As the Legislative & Compliance Advisor, Robert is an Ex Officio member of the Executive Committee. He identifies, tracks and reports on significant legislative, regulatory and compliance-related issues affecting AOA and its members. He publishes periodic Updates for the Executive Committee and each of the Standing Committees. An Annual Update is given to the membership at the Annual Conference.

# GOVERNANCE TRAINING: THE BASICS

for Governing Boards  
of  
Auxiliary Organizations



# Training Objectives

**The objectives of this basic governance training module are to:**

- Bring About Board **Awareness** of its Role and Responsibilities
- Get each Board Member **Engaged** the governance process
- Achieve ***Modus Vivendi*** with the supported University



# Board Awareness

- What are Auxiliary Organizations? Statutory Distinctions
- What Purpose do they Serve?
- Why are they Created? Limited Functions Authorized
- To What Standards and Requirements are they held?



# Getting Board Members Engaged

- Governance Standards
- Director Standards of Conduct
- Board & Committee Meeting Requirements
- Board Focus





# Achieving *Modus Vivendi*

- Definition and Application of the term
- Striking the Balance & Process Examples
- How Auxiliary Organizations (Should) Operate
- Current Auxiliary Organization Issues

# What is an Auxiliary Organization?

- A separate legal entity (about 90 now in CSU) created exclusively to perform authorized support functions for the host campus
  - First established in 1922 – Fresno State College Association
- They all have **THREE distinct statutory footings**, each with its own oversight/reporting requirements and audit authority



# As Nonprofit Public Benefit Corporation

## Structure

- Authorized under *California Corporations Code* § 5110 *et seq.*
- Articles of Incorporation filed with Secretary of State citing the public benefit purpose and general governance features of the entity
- Board adopts Bylaws to customize internal governance and alert directors to laws affecting organization
- Nonprofit corporations are typically held to be private in nature – that is, not public or governmental agencies
  - Exception: By statute auxiliary organizations are called “public agencies” for specific purposes (e.g., bond financing, participation in CalPERS)



# As Nonprofit Public Benefit Corporation

*(Structure continued)*

- Although only certain auxiliary organizations are authorized to perform fundraising functions, all are technically “charitable organizations” by virtue of their status as nonprofit, public benefit organizations
- Intended activities restricted to public/charitable purposes – exclusive purpose of auxiliary organizations is support the university
- Corporate powers are broad and include : right to acquire and convey property, enter into contracts, carry on business affairs within corporate purpose
- Advantage: Entity functions within clear yet flexible statutory standards

There is no requirement that auxiliary organizations be structured as nonprofit public benefit corporations--- ALL , SAVE ONE.



# As Nonprofit Public Benefit Corporation

## Oversight Role of California Attorney General

- Supervision responsibility over charitable organizations and fundraising
- Registration and annual reporting required to the Registry of Charitable Trusts
- Certain transactions require Attorney General approval (e.g., disposition of all or substantively all assets, loans to officers or directors, self-dealing transactions)
- Nonprofit Integrity Act of 2004 sets operational requirements and financial standards (e.g., Audit Committee requirements, executive management compensation review)

# As an Auxiliary Organization

## Structure

- Authorized under the provisions of the **Education Code** (Ed. Code § § 89006, 89300-304 and 89900 *et seq.*)
- The Ed Code delegates to the CSU Board of Trustees the authority to implement more detailed regulations – these are established in the *California Code of Regulations, Title 5*
- Title 5, in turn, delegates to the **Chancellor and campus president** the authority to establish operational and oversight policies and procedures



## As an Auxiliary Organization

*(Structure continued)*

- May only provide functions designated and approved by the Trustees of the California State University (*California Code of Regulations*, Title 5, § 42500)
- Must have Operating Agreement/Support Service Lease between auxiliary organization and the host campus approved by the Trustees/Chancellor's Office.
- Must be fiscally viable (with adequate reserves), and commercial services must be self-supporting
- Advantage: Provides additional operational capability and flexibility for the university under governmental constraints



# As an Auxiliary Organization

## CSU & University Oversight

- Must obtain and maintain Chancellor's Office recognition as an auxiliary organization in "good standing"
- Subject to internal control and compliance reviews by Trustees' auditor
- Functions and programs must be consistent with university policy
- Assets at dissolution revert to qualified successor organization approved by Board, campus president and Chancellor
- Campus presidents responsible for ensuring expenditures are in accord with Trustee policies, and approve annual budgets and programs
- CFO is the single campus officer designated to ensure auxiliary organizations maintain sound systems of internal controls and remain in compliance with legal and regulatory requirements, including nonprofit law



# As a Tax-exempt Organization

## Structure

- Authorized under Internal Revenue Code § 501(c)(3) as a tax-exempt organization
- Subject to IRS, Franchise Tax Board and Board of Equalization jurisdiction, standards, and reporting/audit requirements
- Advantage: Generally exempt from tax on income and gifts received, and affords donors charitable tax deduction on gifts



# As a Tax-exempt Organization

## Tax Agency Oversight

- Must adhere closely to tax law and regulations, including reporting and independent audit requirements
- Must file IRS Form 990 with information on mission, activities, financial status, directors, and operational policies, demonstrating transparency by making information available to the public
- Activity unrelated to the exempt purpose (reported on IRS Form 990-T) can result in tax liability on unrelated business income – or, when unrelated activity is extensive, loss of tax-exempt status
- Fundraising solicitations must meet federal and state standards, have reasonable costs, and abide by rules when using commercial fundraisers

# Auxiliary Organizations Distinct from Auxiliary Enterprises or Services

- Auxiliary organizations are NOT auxiliary ‘enterprises’ or ‘services,’ which are programs, activities, or operational functions structured as departments of the campus
- Authorized under separate statutory authority (Ed Code, § 90000 et seq.)
- Managed by the State and the funds are deposited with the State
- Generally operated as self-supporting with fees directly related to, although not necessarily equal to, the cost of the facilities, goods or services
- The funds are deposited in separate Enterprise Funds and governed by State rules related to program funds (which can be restrictive) Examples:
  - Housing – Dormitory Revenue Fund
  - Parking Fund
  - Continuing Education Fund (CERF)
  - Student Health Center



## So, why do Auxiliary Organizations Exist?

- “To provide the fiscal means and the management procedures that allow the campus to carry on activities providing those instructional and service aids not normally furnished by the State budget;” and
- “To provide effective operation and to eliminate the undue difficulty which would otherwise arise under the usual governmental budgetary, purchasing, and other fiscal controls.”

(Title 5, *California Code of Regulations*, Section 42401)



# Auxiliary Organization Authorized Functions

(Title 5 *California Code of Regulations*, § 42500)

- Student body organizations
- Bookstores, food services, and campus services
- Housing (e.g., faculty and staff for-sale/rental housing)
- Student unions
- Supplementary health services
- Loans, scholarships, grants-in-aids, stipends and related financial assistance
- Externally funded projects including research, workshops, conferences and institutes



# Auxiliary Organization Authorized Functions

*(Authorized Functions – continued)*

- Instructionally-related programs (e.g., radio, athletics, etc.)
- Alumni programs
- Gifts, bequests, devises, endowments, trusts
- Public relations, fundraising, fund management and development
- Acquisition, development, sale and transfer of real and personal property, including financing transactions



# Service Types and Revenue Sources

- **Student Body Organization (AS) Programs**
  - ✓ Revenues from student body fees
- **Student Unions**
  - ✓ Revenues from student union fees and facility operation charges
- **Sponsored Programs & Special Education Projects**
  - ✓ Externally funded grant and contract activity conducted by faculty and staff, including earned overhead (indirect cost recovery).
- **Commercial Services**
  - ✓ Net income from bookstore sales, food services, child care centers, and other commercial activities



# Service Types and Revenue Sources

*(Service Types & Revenue Sources – continued)*

- **Instructionally-Related Programs**

- ✓ Funding from various sources including student newspapers, radio and television stations, agricultural programs, etc.

- **Gifts, Endowments, Trusts, and Fundraising**

- ✓ Funds come from external entities intended to support specific activity and other university operations, and typically 90% of donations are restricted as to use.

- **Real and Personal Property**

- ✓ Auxiliary organization can incur debt to purchase property and/or engage in partnership projects to develop property.





# Service Types and Revenue Sources

*(Service Types & Revenue Sources – continued)*

- Many of these activities can be performed by either the university or an auxiliary organization, as long as authorized and with an operating agreement in place  
(e.g., Research and sponsored programs, conferences and workshops, commercial services, acceptance of donor gifts, etc.)
- Most campuses have traditionally provided these functions through auxiliary organizations
- Total Auxiliary Organizations financial activity: over \$1.5 Billion



# Advantages of Auxiliary Organization Support

- Operate on a self-support basis without State General Fund dollars or resources
- Diversify university resources by generating net revenues from commercial enterprises, contract and grant management, and gift administration
- Offer private-sector business speed, efficiency and adaptability (e.g., enhanced budgetary flexibility; different spending restrictions; accumulate reserves)
- Offer reduced operating costs, and offer alternative to university long-term employment obligations (at-will employment environment; alternative compensation and benefits structures)

# Advantages of Auxiliary Organization Support

*(Advantages of Auxiliary Organization Support – continued)*

- Accept entrepreneurial and special program risk responsibilities not appropriate for the public entity
- Manage endowment funds outside State investment restrictions (e.g., invest in equities to maximize returns)
- Purchase and dispose of property; provide seed money or loans for development of university projects
- Enter into public/private partnerships that support the university (e.g., ease of construction management)
- Facilitate certain types of financing, and add debt capacity



# Other Limitations on Auxiliary Organizations

- Auxiliary organizations cannot, under present CSU policy:
  - ✓ Hold state funds appropriated to CSU through legislative process
  - ✓ Hold tuition fee revenue
  - ✓ Hold most other mandatory student fees required for registration
  - ✓ Own or sponsor instructional programs awarding academic credit or Continuing Education Units
- Since the CSU cannot, auxiliaries can on behalf of the University:
  - ✓ Invest in equities
  - ✓ Buy, sell and hold real property without legislative action
  - ✓ Engage in statewide education bond campaigns

# Stay Engaged: Governance Standards

## Governance Standards

- Corporate powers and affairs must be exercised by governing board or under board direction
- Directors must exercise due diligence in performing duties
  - ✓ Duty of **Care** – must act in organization’s best interests  
 (“Prudent Person Rule” (contrasted with “Business Judgment Rule”))
  - ✓ Duty of **Inquiry** – need to get full and accurate information for informed decisions
  - ✓ Duty of **Loyalty** – must avoid and disclose conflicts of interest; loyalty owed to organization, not constituency
  - ✓ Duty to **Investments** – must exercise close stewardship over corporate assets

# Stay Engaged: Governance Standards

*(Governance Standards continued)*

- Directors exercise their authority collectively, not individually. But Board members may be individually held accountable for noncompliance.
- Directors are individually liable: Directors must exercise reasonable diligence and care to avoid exposure to personal liability from injuries or losses caused by the organization
- Nonvoting directors prohibited
- Board members must review and approve executive compensation

# Stay Engaged: Director Standards of Conduct

- **Two** statutory frameworks – **both** may apply:
  - ✓ Corps Code– Self Dealing Transactions
  - ✓ Ed Code – Financial Interest Prohibitions
- Both involve three (3) key concepts (some applied differently):
  - ✓ Transaction must involve Board member(s)
  - ✓ Triggering threshold amount or relationship
  - ✓ Validation process
- Board should adopt policy and procedures for handling conflicts of interest
- Single sheet checklist available through AOA to aid processing conflict of interest situations

# Stay Engaged: Board & Committee Meeting Requirements

- Two Statutory Frameworks:
  - ✓ *Gloria Romero Act* – Student Body Organizations
  - ✓ *“Seymour Act”* – All other auxiliary organizations
- Requirements Overview:
  - ✓ At least one meeting/year
  - ✓ Meeting required for Board or committee action
  - ✓ One week notice of meetings/agenda
  - ✓ Meetings must be open, with narrow exceptions





# Stay Engaged: Board Focus

## Board Should Keep Focused on:

- ✓ Policy Development & Implementation
- ✓ Governance, Programs, Budgets & Compliance
- ✓ Program & Management Performance Evaluations

# Achieving *Modus Vivendi*

***Modus Vivendi defined and applied:*** “A way of living”

Two separate entities each has a crucial role in the conduct of affairs of mutual benefit. When a disparate approach appears, it is the responsibility of both entities to find a “third way” to accommodate the role of each, but accomplishing the mutual benefits to be served.

- ✓ CSU policy example: Executive Order 369 relating to Student Organization Budget matters
- ✓ Having a process in place to achieve “third way” circumstances helps assure more effective outcome



# Achieving *Modus Vivendi*

## Striking the Balance

- “Separate But Related”
  - Private Entities operating within a public framework
  - Separate from the public entity, yet its sole purpose is to serve it
- Board authority coupled with campus president authority
  - Transfer of assets requires Board authorization
  - President’s approval authority over auxiliary programs and expenditures
- Public disclosure, without being identified as a “state agency”
- Assume associated additional risk without exposing campus



# Achieving *Modus Vivendi*

## **Practical Examples of Process:**

- Meeting the requirement of having the campus president's representative serve on the auxiliary board, as well as ensuring that the representative provides the president with updates.
- Establish, at a minimum, a quarterly meeting between auxiliary management and the campus CFO to update the CFO on: budget vs. actual expenses; revenues; human resources policy and employee issues; risk management changes or issues; and any changes in programs or services being contemplated by the organization.
- Periodic campus-based compliance reviews, organized and executed through the efforts of the campus CFO.
- Requiring proposed new or substantially changed programs and all auxiliary budgets to be routed through to the campus president before submission to the board for adoption.



# Achieving *Modus Vivendi*

## How Auxiliary Organizations (Should) Operate

- No state funds (General Fund appropriations) – considered a gift of public funds
- Good private sector business practices (an alternative to governmental standards and state procedures), which enhance university capabilities
  - Flexibility and adaptability make auxiliaries useful to their universities
  - Auxiliaries held accountable, but subject to a different standard
- Subject to different laws and regulations – e.g., different Wage & Hour provisions, different Open Meeting laws, different Records Disclosure requirements
- Comparability of salary and benefits – means similar, not the same

# Achieving *Modus Vivendi*

*(How Auxiliary Organizations Operate – continued)*

## **Reimbursement requirements – EO 1000**

- Pay for direct costs plus an allocable portion of indirect costs associated with facilities, goods, and services provided by the University funded from the General Fund (CSU Operating fund)
- Costs are determined in accordance with a written cost allocation plan approved annually by the campus CFO
- University can recover costs with cash and/or a documented exchange of value and in-kind consideration.
- Auxiliary funds can transfer to the University, but University funds cannot be transferred to the auxiliary
- Auxiliary employees' time can be donated to the University, but the cost of University employees must be reimbursed
- Chancellor's Office to develop FAQs to guide campuses regarding when "in-kind" or less than full cost reimbursement is appropriate

# Achieving *Modus Vivendi*

*(How Auxiliary Organizations Operate – continued)*

## **Permissible activities and accounts –EO 1059**

- Campus establishes which of the permissible functions and activities will operate in its auxiliaries (Operating Agreement, MOU' s, contracts for service)
- Governing principle in making a decision about proper placement of funds is **Ownership** – that is:
  - ✓ Authority to sign related contracts for activity's services or materials
  - ✓ Risk of business loss
  - ✓ Legal responsibility and liability exposure
  - ✓ Fiduciary duty
  - ✓ Policies that will govern the conduct of the program
  - ✓ Administrative control over expenditures

# Achieving *Modus Vivendi*

*(How Auxiliary Organizations Operate – continued) EO 1059*

**Ownership of an activity is NOT necessarily evidenced by which entity:**

- Pays the employee or has signatory for the program
- Owns the facility where the activity occurs
- Has programmatic (i.e., subject matter) control over expenditures
- It does not matter if university employees, facilities or other resources are involved in the activity, so long as the state General Fund is reimbursed per the campus Cost Allocation Plan





# Governance Training Work Session

## **QUESTIONS & ANSWERS** **(Your Turn!)**

## **AUXILIARY ORGANIZATION GOVERNANCE**

### **CRITICAL FACTORS CHECKLIST**

©

*Auxiliary Organizations Association*

*Each auxiliary governing board member is required by law to be actively engaged in the affairs of organization. Whether large or small, single or multi-function, an auxiliary organization's effectiveness and compliance efforts are demanding and rest squarely with its governing board. This **Critical Factors Checklist** identifies key areas of common corporate and auxiliary governance responsibility.*

#### **Role & Responsibility of Governing Board**

- Does the Board hold a comprehensive governance orientation for new Board members and a periodic update to the Board on corporate and auxiliary governance requirements? Is there a Board Manual?
- Are you and the Board clear about the purpose(s) of your organization and its relationship to the University?
- Are you clear and confident about your legal duty-standards as a Board member, including the duty of care and duty of loyalty, and the fact that the board must act as a body, not through individual Board members?
- Do you understand that your organization, as a nonprofit public benefit corporation, is a public charity and subject to fiduciary standards distinct from other for-profit and nonprofit entities?
- Have the role of the officers and the function of management in relationship to the Board been explained to you? Do you understand these functions and relationships?

#### **Major Corporate Instruments, Status & Reports**

- Are the Articles of Incorporation up-to-date (changes in law or practice, or purpose) and properly filed with the Secretary of State? Are you familiar with and understand its content? Does your board follow its provisions? Is it reviewed periodically by the board?
- Has your organization filed the proper initial registration documents with the Registry of Charitable Trusts (RCT)? Are annual registration renewal reports (RRF-1) filed with the RCT?
- Does your organization file the biannual Statement of Information (SI-100) with the Secretary of State?
- Is the Operating Agreement and/or the Support Service Lease up-to-date? Are you familiar with the contents?
- Is the federal tax exempt determination letter for the organization on file and up-to-date? Are you familiar with its provisions? Is your "supporting organization" category still valid in relation to your operations?
- Are you familiar with the required annual federal tax return (IRS Form 990 series)? Do you review it with your board before it is filed? The State tax return (FTB 199 series)?
- Are you familiar with the required annual report to the Attorney General (Form RRF-1) on charitable fiscal accountability? Do you review it with your board before it is filed?
- Are you familiar with the required annual financial report prepared by an independent audit firm? Do you review it with your board prior to acceptance?

#### **Policy Development, Implementation & Review**

- Are the Bylaws comprehensive, up-to-date, and reviewed periodically by the Board?
- Has the Board considered and adopted key written policy statements across the full range of programs and services? Do these policies set adequate limits, yet provide implementation flexibility to management?
- Does the Board review these policies on a regular basis and keep them current? Does the Board have a clear understanding of the distinction between policy and procedures (and which are truly of governance concern)?

#### **Standards of Conduct & Conflict of Interest**

- Do you have a working understanding of the legal conflict of interest standards that apply to you as a Board member? Is there a conflict of interest policy or code of conduct?
- Do you know how to report a potential conflict and who enforces your policy? How the Board validates a transaction involving and interested director?
- Do you, as a Board member, preserve the confidentiality of material and information given or presented to the Board?
- Does the Board function effectively, with regular well-attended and well-run meetings addressing important issues?
- Does the Board periodically review its own effectiveness?

*(See Over)*

**Oversight (External and Internal)**

- Are you familiar with the authority of the University President over your organization? The oversight role of the campus Chief Financial Officer?
- Is there management development program and a succession plan approved by your Board?
- Are key staff members formally evaluated by the chief executive and those evaluations shared with the Board?
- Do committees function under Board-adopted charge statements that comply with the law (delegated authority, composition)?
- Are financial performance and budget documents timely, understandable and regularly monitored by the Board or a committee?
- Are you familiar with the basic recordkeeping, reporting and disclosure requirements that apply to your organization? Is there a records access and retention policy?

**Investment Standards**

- Has the Board adopted an appropriate investment policy? Do you understand it?
- Does the Board have a formal process for evaluating investment results and fund management performance?
- Are you familiar with CSU investment guidelines and “best practices” standards?

**Board & Committee Meetings**

- Are you familiar with Board and committee meeting requirements (i.e., frequency, proper notice, public and closed sessions)?
- Are Board meeting Minutes accurate, complete and submitted on a timely basis for Board review and approval?
- Do Board meeting agenda reports clearly analyze the issues, present alternatives, and include recommendations?
- Has an Audit Committee been established, properly charged with duties, and composed of individuals permitted by law?

**Sale or Transfer of Substantial Assets and Dissolution**

- Are you and the Board aware of the formal process required to transfer all or a substantially all of your organization’s assets to another entity?
- Are you and the Board aware of the formal process required to-wind up and dissolve an organization like yours?

**Fundraising Standards and Practices**

- If your organization accepts charitable assets, do you and the Board have a working understanding of the fund management requirements under the *Uniform Prudent Management of Institutional Funds Act*?
- Are there policies and practices in place on donor designations? Who is responsible for compliance?
- Do you have a working understanding of charitable solicitation rules, including the proper use of professional fundraisers?

**Risk Management Key Factors**

- Has your Board adopted a Risk Responsibility (including insurance) policy? Are risk management practices consistent with the policy?
- Does your Board regularly assess the risks your organization faces?
- Does your organization maintain Directors and Officers insurance coverage? Is this coverage reviewed on a regular basis?
- Has the Board adopted an indemnification policy covering Board members?

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**Reference:** The critical governance factors on this checklist are treated in the professional monograph, “The Role and Responsibilities of Auxiliary Governing Boards” available to member organizations on the AOA website.