

Financial Statements and Supplementary Information as
Required by the California State University and Report
of Independent Certified Public Accountants

The Campanile Foundation

June 30, 2018 and 2017

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Report of Independent Certified Public Accountants

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Report on the financial statements

We have audited the accompanying financial statements of The Campanile Foundation (a California State University Auxiliary Organization and Component Unit of San Diego State University) (the “Organization”), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activity and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Campanile Foundation as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters - supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information as required by the California State University on pages 26 - 40 are presented for purposes of additional analysis and are not a required part of the financial statements. Such supplementary 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. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated September 13, 2018, on our consideration of the Organization'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 effectiveness of 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 Organization's internal control over financial reporting and compliance.

Grant Thornton LLP

San Diego, California
September 13, 2018



**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT
AUDITING STANDARDS**

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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 The Campanile Foundation (a California State University Auxiliary Organization and Component Unit of San Diego State University) (the “Organization”), which comprise the statement of financial position as of June 30, 2018, 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 September 13, 2018.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the Organization’s internal control over financial reporting (“internal control”) to design 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 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the Organization’s 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 Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Intended purpose

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 report is not suitable for any other purpose.

Grant Thornton LLP

San Diego, California
September 13, 2018

The Campanile Foundation

STATEMENTS OF FINANCIAL POSITION

June 30,

	<u>2018</u>	<u>2017</u>
Assets		
Assets		
Cash equivalents (Note 1)	\$ -	\$ -
Short-term investments (Note 4)	2,197,253	1,015,553
Long-term investments (Note 4)	335,710,373	298,272,626
Pledges receivable, net (Note 6)	12,812,993	13,901,801
Note receivable (Note 7)	5,316,184	5,558,985
Due from affiliate (Note 2)	5,610,981	8,377,887
Beneficial interest in trusts (Note 5)	4,095,811	4,104,499
Other receivables, net	<u>898,508</u>	<u>931,230</u>
Total assets	<u>\$ 366,642,103</u>	<u>\$ 332,162,581</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 337,465	\$ 698,176
Liabilities under deferred gift agreements	5,072,094	4,878,451
Accrued liabilities	3,690,516	977,358
Amounts held on behalf of others (Note 8)	150,978	185,615
Due to SDSURF (Note 5)	<u>21,317,210</u>	<u>19,577,168</u>
Total liabilities	30,568,263	26,316,768
Net assets		
Unrestricted	3,097,972	3,075,182
Temporarily restricted (Note 3)	137,337,151	138,403,167
Permanently restricted (Note 3)	<u>195,638,717</u>	<u>164,367,464</u>
Total net assets	<u>336,073,840</u>	<u>305,845,813</u>
Total Liabilities and Net Assets	<u>\$ 366,642,103</u>	<u>\$ 332,162,581</u>

The accompanying notes are an integral part of these financial statements.

The Campanile Foundation
STATEMENTS OF ACTIVITIES
Years ended June 30, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains (losses) and other support:								
Contributions - community and campus programs	\$ -	\$ 12,699,136	\$ 31,733,774	\$ 44,432,910	\$ -	\$ 8,935,624	\$ 27,749,080	\$ 36,684,704
Other revenues	-	7,800,497	-	7,800,497	-	7,402,631	-	7,402,631
Net realized and change in unrealized gains on investments (Note 4)	(41,553)	5,718,770	(479,611)	5,197,606	594,714	22,195,393	238,435	23,028,542
Investment income (Note 4)	32,124	4,378,751	22,335	4,433,210	13,332	2,790,968	30,919	2,835,219
Net assets released from restrictions (Note 3)	31,668,415	(31,663,170)	(5,245)	-	30,666,240	(30,306,460)	(359,780)	-
Total revenues, gains and other support	31,658,986	(1,066,016)	31,271,253	61,864,223	31,274,286	11,018,156	27,658,654	69,951,096
Expenses:								
Campus programs	9,669,983	-	-	9,669,983	9,461,791	-	-	9,461,791
Campus programs administered by the University	11,648,432	-	-	11,648,432	11,259,070	-	-	11,259,070
Student scholarships (Note 2)	6,287,660	-	-	6,287,660	5,582,557	-	-	5,582,557
Fundraising	2,766,940	-	-	2,766,940	2,936,957	-	-	2,936,957
General administration	1,263,181	-	-	1,263,181	1,053,820	-	-	1,053,820
Total expenses	31,636,196	-	-	31,636,196	30,294,195	-	-	30,294,195
Change in net assets	22,790	(1,066,016)	31,271,253	30,228,027	980,091	11,018,156	27,658,654	39,656,901
Net assets, beginning of year	3,075,182	138,403,167	164,367,464	305,845,813	2,095,091	127,385,011	136,708,810	266,188,912
Net assets, end of year	\$ 3,097,972	\$ 137,337,151	\$ 195,638,717	\$ 336,073,840	\$ 3,075,182	\$ 138,403,167	\$ 164,367,464	\$ 305,845,813

The accompanying notes are an integral part of these financial statements.

The Campanile Foundation
STATEMENTS OF CASH FLOWS

Years ended June 30,

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 30,228,027	\$ 39,656,901
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions restricted for long-term investments	(31,733,774)	(27,749,080)
Net realized and change in unrealized (gains) on investments	(5,197,606)	(23,028,542)
Change in value of deferred gift liabilities	193,644	311,054
Investment income restricted for long-term investments	22,335	30,919
(Increase) decrease in assets:		
Short-term investments	(1,181,700)	(833,477)
Payments received on notes receivable	242,801	237,110
Other receivables, net	32,722	(28,138)
Pledges receivable, net	(531,872)	4,020,690
Increase (decrease) in liabilities:		
Accounts payable	(360,711)	(304,245)
Accrued liabilities	2,713,158	(683,853)
Amounts held on behalf of others	(34,637)	(57,960)
	<u>(5,607,613)</u>	<u>(8,428,621)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Purchase of investments	(303,910,906)	(23,763,588)
Sale of investments	273,410,806	5,906,521
Beneficial interest in trusts	8,688	38,683
Due from affiliate	2,766,906	(1,686,637)
	<u>(27,724,506)</u>	<u>(19,505,021)</u>
Net cash used in investing activities		
Cash flows from financing activities:		
Proceeds from permanently restricted contributions	33,354,454	27,964,561
Investment income restricted for long-term investments	(22,335)	(30,919)
	<u>33,332,119</u>	<u>27,933,642</u>
Net cash provided by financing activities		
Net change in cash	-	-
Cash equivalents, beginning of year	-	-
Cash equivalents, end of year	<u>\$ -</u>	<u>\$ -</u>
Supplemental disclosure of investing activities		
Change in investments held for SDSURF	<u>\$ 1,740,042</u>	<u>\$ 4,327,616</u>

The accompanying notes are an integral part of these financial statements.

The Campanile Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Campanile Foundation (“TCF”) is an auxiliary organization of San Diego State University (the “University”), organized and operated in accordance with the Education Code of the State of California and the California Code of Regulations. TCF is a nonprofit corporation chartered to provide and augment programs that are an integral part of the educational mission of the University. TCF was organized in August 1999 to assist the University in the acquisition of gifts, the management of philanthropic gifts and the investment of certain endowment gifts. TCF began its operations on January 1, 2000.

Affiliated Organizations

TCF is related to other auxiliaries of the University, including Associated Students of San Diego State University (“Associated Students”), San Diego University Research Foundation (“SDSURF”) and Aztec Shops, Ltd. These auxiliaries and the University periodically provide various services for one another.

A Summary of TCF’s significant accounting policies is as follows:

Basis of Accounting and Reporting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

TCF’s financial statements present net assets and contributions classified as unrestricted, temporarily restricted and permanently restricted. These classifications are based on the existence or absence of donor-imposed restrictions related to contributions and are summarized as follows:

Unrestricted net assets

Unrestricted net assets consist of net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets

Temporarily restricted net assets consist of unspent contributions that are subject to specific donor restrictions that can be fulfilled by actions of TCF or by the passage of time. These include unspent purpose-restricted expendable gifts, certain pledges payable in future periods, unspent time-restricted gifts and term endowments.

Permanently restricted net assets

Permanently restricted net assets consist of contributions made with donor-imposed stipulations that the funds be held in perpetuity. Generally, the income earned on such contributions is available for use by TCF for the benefit of the University. Also included in permanently restricted net assets are charitable remainder trusts (“CRT”), in which the income earned is included in permanently restricted net assets.

The Campanile Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES – Continued

Basis of Accounting and Reporting (continued)

As stated above, the classification of net assets is based upon the existence or absence of donor-imposed restrictions on contributions. Net assets also include funds other than contributions that have been designated for specific purposes, which are classified as unrestricted in the financial statements.

Contributions, including unconditional promises to give (pledges), are recognized in the year the promise is made as opposed to when assets are received. Contributions with donor-imposed restrictions are reported as temporarily or permanently restricted contributions. Temporarily restricted net assets are reclassified to unrestricted net assets at such time as TCF has fulfilled the donor-imposed restriction.

Permanently restricted net assets is reclassified to unrestricted net assets at such time that the donors consent to the release of the previous donor-imposed restriction.

Pledges that are expected to be collected within one year from the date of gift are recorded at their net realizable value. Pledges that are expected to be collected in future years are discounted to their estimated net present value (see Note 6).

Cash Equivalents

TCF considers all highly liquid investments with original maturity dates of three months or less to be cash equivalents. Cash and cash equivalents have a zero balance as of June 30, 2018 and 2017. SDSURF handles cash management on behalf of TCF.

Investments

Investments are reported at fair value, with gains and losses included in the statements of activities. Short-term investments consist primarily of investment interest receivable.

Beneficial interest in trust investments are reported at the fair value of the underlying portfolio of investments within each trust, which primarily consist of mutual funds invested in equities, fixed income and real estate instruments.

Other Receivables, Net

Other receivables, net consist largely of funds made available to the University to be used for student loans. The University periodically assesses the loans for collectability. TCF has not experienced any significant losses on these loans and therefore has not recorded an allowance against these balances. The remaining balance is primarily the accrual of contributions that were dated prior to, but received after year-end.

The Campanile Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES – Continued

Liabilities under Deferred Gift Agreements

TCF serves as trustee and administrator for various types of trust arrangements, including split-interest agreements, whereby the beneficial interest is shared with one or more parties. The arrangements generally require payment of annual trust income to the income beneficiary or beneficiaries over the term of the trust, with the remainderman portion of the assets reverting to TCF. The liability under deferred gift agreements on the statements of financial position represents the present value of the estimated future payments to be distributed to these beneficiaries over the life expectancies of the beneficiaries, as derived using actuarial tables. TCF uses the approved Internal Revenue Service (“IRS”) rate specific to each trust to discount the estimated future payments to be distributed to the beneficiaries.

During the year ended June 30, 2015 TCF was granted its Certificate of Authority by the California Department of Insurance to hold Charitable Gift Annuity (CGA) assets. The CGA asset value totaled \$1,146,285 and \$1,080,637 for the years ended June 30, 2018 and 2017, respectively.

Changes in the liability under deferred gift agreements are included in contributions in the accompanying statements of activities and totaled \$193,644 and \$311,054 for the years ended June 30, 2018 and 2017, respectively.

Functional Allocation of Expenses

The costs of providing various programs, fundraising and other activities have been summarized in the statements of activities. Fundraising costs incurred that benefit the different programs across the University are gathered and combined with the central fundraising costs to determine the total fundraising expense. Accordingly, certain costs have been allocated between expense categories based on the program or activity benefiting.

Income Taxes

TCF follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

TCF is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. TCF has also been recognized by the California Franchise Tax Board as an organization that is exempt from California franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. TCF has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. TCF has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

The Campanile Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES – Continued

Reclassifications

Certain amounts previously received have been transferred between net asset categories due to changes in designations by the donors.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) requires management to make estimates and assumptions that affect the amount reported in the financial statements and accompanying notes. Significant estimates include the discount rates on pledges receivable, the note receivable and unitrust liabilities, the life expectancy of annuitants of unitrusts, the collectability of pledges receivables and the fair values of alternative investments in hedge funds. Actual results could differ from those estimates.

Recent Accounting Pronouncement

In May 2015, the FASB issued Accounting Standards Update (“ASU”) 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*. The guidance specifically clarifies how investments valued using the net asset value (NAV) practical expedient within the fair value hierarchy should be classified. The ASU was issued in order to address diversity in practice. The amended standard’s key position exempts investments measured using the NAV practical expedient from categorization within the fair value hierarchy and related disclosures. This new guidance was adopted in the current fiscal year. There was no impact to the leveling tables in Note 5.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The guidance is intended to simplify and improve how a not-for-profit organization (NFP) classifies its net assets, as well as the information it presents in its financial statements about its liquidity, financial performance and cash flows. The new guidance is effective for annual reporting periods beginning after December 15, 2017. TCF is in the process of preparing to adopt this standard for the fiscal year ending June 30, 2019.

NOTE 2 – OPERATING AGREEMENT

TCF has an operating agreement with SDSURF to receive certain administrative services, including cash management processes, gift account administration, and accounting and financial reporting assistance. SDSURF receives an administrative fee when TCF funds are expended and at year-end an additional administrative fee is assessed to TCF Operations to meet the agreed upon annual fee. The due from affiliate asset represents the status of that relationship as of June 30, 2018 and 2017 in terms of balances held by SDSURF that are being managed on behalf of TCF. In April 2018, the agreement was slightly revised and renewed for five years through June 30, 2023. A clause was added that either party can terminate the agreement with six months written notice.

The balance of due from/(to) affiliate as of June 30, 2018 represents \$(5,408,128) held for campus programs, \$11,233,409 for student aid and \$(214,300) for endowments.

The Campanile Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE 2 – OPERATING AGREEMENT – Continued

The balance of due from/(to) affiliate as of June 30, 2017 represents \$(4,565,239) held for campus programs, \$10,131,444 for student aid and \$2,811,682 for endowments.

During the years ended June 30, 2018 and 2017 TCF transferred \$6,287,660 and \$5,582,557, respectively, from its net assets to the University for scholarships.

At June 30, 2018 and 2017, scholarship funds held by TCF are committed to students for the following school year. However, qualifying events have not occurred to release the funds to the University for disbursement to the recipients.

NOTE 3 – RESTRICTIONS ON NET ASSETS

Temporarily Restricted

Temporarily restricted net assets as of June 30 are available for the following purposes and periods:

	<u>2018</u>	<u>2017</u>
Campus programs:		
Use or time restricted	\$ 100,363,409	\$ 102,843,444
Student aid	<u>36,973,742</u>	<u>35,559,723</u>
	<u>\$ 137,337,151</u>	<u>\$ 138,403,167</u>

Permanently Restricted

Permanently restricted net assets as of June 30 are restricted to the following:

	<u>2018</u>	<u>2017</u>
Endowments to be permanently retained and the income to be used for:		
Campus programs	\$ 114,565,490	\$ 107,387,080
Student aid	69,706,965	44,587,753
Annuity life income trusts for campus programs and student aid	<u>11,366,262</u>	<u>12,392,631</u>
	<u>\$ 195,638,717</u>	<u>\$ 164,367,464</u>

The Campanile Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE 3 – RESTRICTIONS ON NET ASSETS – Continued

Net assets released from restrictions were released by incurrence of expenses satisfying the restricted purpose or by occurrence of events specified by the donors.

	<u>2018</u>	<u>2017</u>
Released from restrictions:		
Use or time restricted	\$ (28,544,571)	\$ (27,621,560)
Student aid	<u>(3,123,844)</u>	<u>(3,044,680)</u>
	<u>\$ (31,668,415)</u>	<u>\$ (30,666,240)</u>

TCF’s pooled endowment portfolio consists of over 830 individual donor-restricted funds established for a variety of purposes. As required by US GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees (the “Board”) to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

TCF’s Board has interpreted the California Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the Board’s goal, using prudent investment techniques, to be the preservation of the fair value of the original endowed gifts, absent explicit donor stipulations to the contrary.

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

- The duration and preservation of the fund
- The purpose of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

TCF’s Board classified CRTs as permanently restricted net assets, based on donor’s restrictions. A CRT is an arrangement in which a donor establishes and funds a trust with specified distributions to be made to a designed beneficiary or beneficiaries over the trust’s term. Upon termination of the trust, TCF receives the assets remaining in the trust. TCF recognizes the contributions in the period in which the trust is established. In subsequent period, adjustments to permanently restricted net assets are made to reflect changes in the fair value, payments to beneficiaries and changes in actuarial assumptions during the term of the trust.

The Campanile Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE 3 – RESTRICTIONS ON NET ASSETS – Continued

TCF's Board also classified as permanently restricted net assets the original value of gifts donated to a permanent endowment fund and the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until such time as appropriated for expenditure.

Endowment investments are made according to the Investment Policy Statement adopted by TCF's Board of Trustees. These guidelines provide for investments in various asset classes, with performance measured against appropriate indices. TCF has contracted with an investment firm to act as its Outsourced Chief Investment Officer (OCIO).

This investment policy and strategy is to emphasize total return – that is, the aggregate return from capital appreciation and dividend and interest income – in an attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Within this framework, specific investment objectives for endowment investments include liquidity, preservation of capital, preservation of purchasing power, and long-term growth of capital.

The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to produce, after investment expenses, a minimum annual compound total rate of return of 4 percent in excess of the rate of inflation. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, TCF relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). TCF targets a diversified asset allocation that places a greater emphasis on equity-based investment to achieve its long-term return objectives with prudent risk parameters.

The Campanile Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE 3 – RESTRICTIONS ON NET ASSETS – Continued

Target asset allocation:

The asset allocation of TCF shall be reviewed at least quarterly by the Finance and Investment Committee to ensure that the target allocation is in compliance with the following guidelines:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Minimum</u>	<u>Maximum</u>
<u>Growth Assets</u>			
Global Equity	40%	30%	50%
Private Equity	10%	0%	15%
<u>Credit</u>			
High Yield Bonds	3%	0%	6%
Bank Loans	3%	0%	6%
Emerging Markets Debt	2%	0%	4%
<u>Inflation Hedges</u>			
Natural Resources	3%	0%	6%
Real Estate	7%	0%	10%
TIPS	4%	0%	8%
<u>Risk Mitigation</u>			
Core Fixed Income	23%	15%	35%
Hedge Funds	5%	0%	10%
Cash	0%	0%	10%

The assets mix policy and acceptable minimum and maximum ranges established by the Finance and Investment Committee, and approved by the Board, represent a long-term view. Rapid and significant market movements may cause the fund's actual asset mix to fall outside the policy range. Any such divergence should be of a short-term structure.

Endowment distributions are performed in accordance with TCF's Board Policy on Investments. For the fiscal years ended June 30, 2018 and 2017, the Board's adopted distribution rate was 4 percent of the endowment principal market value using a three-year moving average. However, in both fiscal years, in the event that the market value of a true endowment's share of the pooled endowment portfolio falls below the original value of the gift, distributions are limited to certain reserves created from "reinvesting" dividend and interest income.

Amounts distributed from endowments per the Board's policy are classified as temporarily restricted for a specific purpose on the statements of financial position. Purpose restrictions generally include student aid, faculty and program excellence.

The Campanile Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE 3 – RESTRICTIONS ON NET ASSETS - Continued

The composition of donor-restricted endowment funds is as follows:

<u>As of</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
June 30, 2018	\$ (90,111)	\$ 97,399,047	\$ 195,638,717
June 30, 2017	\$ -	\$ 97,176,857	\$ 164,367,464

Changes in endowment net assets for the fiscal year ended June 30, 2018 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Assets</u>
Endowment net assets, beginning of year	\$ -	\$ 97,176,857	\$ 164,367,464	\$ 261,544,321
Investment return:				
Investment income	-	3,596,527	22,335	3,618,862
Net appreciation (depreciation)	(90,111)	6,198,001	(479,611)	5,628,279
Total investment return	(90,111)	9,794,528	(457,276)	9,247,141
Contributions	-	4,075,094	31,733,774	35,808,868
Appropriations for expenditure	-	(13,647,432)	(5,245)	(13,652,677)
Endowment net assets, end of year	<u>\$ (90,111)</u>	<u>\$ 97,399,047</u>	<u>\$ 195,638,717</u>	<u>\$ 292,947,653</u>

The Campanile Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE 3 – RESTRICTIONS ON NET ASSETS - Continued

Changes in endowment net assets for the fiscal year ended June 30, 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Assets</u>
Endowment net assets, beginning of year	\$ (460,474)	\$ 83,746,097	\$ 136,708,810	\$ 219,994,433
Investment return:				
Investment income	-	2,093,616	30,919	2,124,535
Net appreciation (depreciation)	460,474	22,819,271	238,435	23,518,180
Total investment return	<u>460,474</u>	<u>24,912,887</u>	<u>269,354</u>	<u>25,642,715</u>
Contributions	-	(524,578)	27,749,081	27,224,503
Appropriations for expenditure	-	(10,957,549)	(359,781)	(11,317,330)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 97,176,857</u>	<u>\$ 164,367,464</u>	<u>\$ 261,544,321</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires TCF to retain as a fund of perpetual duration. In accordance with US GAAP, deficiencies of this nature are charged to unrestricted net assets and amounted to \$90,111 and \$0 as of June 30, 2018 and 2017, respectively. The deficiency for 2018 was a result of unfavorable market returns. Future gains are allocated to unrestricted net assets until the deficiency is restored.

NOTE 4 - INVESTMENTS

TCF has investments that include mutual funds and external investment funds, and is therefore subject to concentrations of credit risk. Investments are selected by the investment firm that TCF has contracted to act as its Outsourced Chief Investment Officer (OCIO). Selections must abide by TCF's Investment Policy Statement (IPS) and are reviewed at least quarterly by TCF's Finance and Investment Committee.

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

The Campanile Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE 4 – INVESTMENTS – Continued

As of June 30, total investments consisted of the following:

	<u>2018</u>	<u>2017</u>
<u>Growth Assets</u>		
Global Equity	134,007,212	145,305,957
Private Equity	-	-
<u>Credit</u>		
High Yield Bonds	6,435,838	7,028,990
Bank Loans	7,555,370	-
Emerging Markets Debt	4,882,296	-
<u>Inflation Hedges</u>		
Natural Resources	8,588,329	5,857,577
Real Estate	15,772,307	14,786,044
TIPS	17,640,266	31,456,283
<u>Risk Mitigation</u>		
Core Fixed Income	109,943,751	77,488,211
Hedge Funds	14,709,155	-
Cash	1,880,610	257,895
<u>Other</u>		
Deferred Gifts	16,034,749	16,899,618
Other Investments	<u>457,743</u>	<u>207,604</u>
	<u>\$ 337,907,626</u>	<u>\$ 299,288,179</u>

Deferred gifts are invested primarily in fixed income and low-risk equities with the long-term investment portfolio designed to minimize risk and maintain the ability to meet the payment obligations to the beneficiaries as determined in the gift agreements.

Effective July 1, 2007, TCF agreed to be the endowment pool manager for SDSURF. As of June 30, 2018 and 2017, SDSURF had (at fair value) \$21,317,210 and \$19,577,168, respectively, in the endowment pool. That amount is included in the long-term investments of TCF and the related liability is shown as due to SDSURF in the liabilities of TCF as stated on the statements of financial position.

The Campanile Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE 5 – FAIR VALUE MEASUREMENTS

Short-term investments, amounts due from affiliate, accrued liabilities and accounts payable approximate fair value due to the immediate short-term maturity of these financial instruments. Other receivables are carried at their net realizable value. The carrying amount of long-term pledges receivable and the note receivable are discounted to their estimated net present value, which approximates fair value. Investments are presented in the financial statements at fair value in accordance with US GAAP. Investments in securities traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the last reported sales price on the day of valuation; other securities traded in the over-the-counter market and listed securities for which no sales was reported on that date are stated at the last quoted bid price. Investments which consist of funds that utilize a variety of absolute return strategies, are reported at the fair value of the shares owned in each fund.

Investments in commingled funds are valued at fair value based on the applicable percentage ownership of the underlying partnerships' net assets as of the measurement date, as determined by the general partner. In determining fair value, the general partner utilizes valuations provided by the underlying investment partnerships. The underlying investment partnership values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the underlying investments partnerships, which may include private placements and other securities for which prices are not readily available, are determined by the general partner or sponsor of the respective investment partnership and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The fair value of the partnership's investments in investment partnerships generally represents the amounts the partnership would expect to receive if it were to liquidate its investment in the investment partnerships, excluding any redemption charges that may apply.

Due to SDSURF is carried at the fair value of the related investments included in the pooled endowment funds.

The FASB's authoritative guidance on fair value measurements establishes a framework for measuring fair value and expands disclosure about fair value measurements. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determinate fair values. Under this guidance, assets and liabilities carried at fair value must be classified and disclosed in one of the following three categories:

- Level 1 - Observable inputs such as quoted market prices in active markets. Classifications currently include cash and investments in funds that are priced daily and trade over an active exchange such as the New York Stock Exchange.
- Level 2 - Inputs other than the quoted prices in active markets, which are observable either directly or indirectly.

The Campanile Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE 5 – FAIR VALUE MEASUREMENTS - Continued

Level 3 - Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions. Classifications currently include commingled funds that do not have daily pricing on an active exchange but where a substantial portion of a fund's fair value could be determined based on quoted market prices of underlying investments held by the fund and the estimated fair value of certain investments of the underlying investment partnership, which may include private placements and other securities for which prices are not readily available, and are determined by the general partner or sponsor of the respective other investment partnership and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized.

Investments measured using a Net Asset Value (NAV) per share, or its equivalent, are not classified in the fair value hierarchy above because they may or may not be redeemed at the NAV or because redemption at NAV is uncertain due to lock-up periods or other investments restrictions.

The Campanile Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE 5 – FAIR VALUE MEASUREMENTS - Continued

As of June 30, assets (liabilities) measured at fair value on a recurring basis are as follows:

	Total	2018			Net Asset Value
		Level 1	Level 2	Level 3	
<u>Growth Assets</u>					
Global Equity	\$134,007,212	\$ 82,158,099	\$ -	\$ 33,584,368	\$ 18,264,745
Private Equity	-	-	-	-	-
<u>Credit</u>					
High Yield Bonds	6,435,838	6,435,838	-	-	-
Bank Loans	7,555,370	-	-	-	7,555,370
Emerging Markets Debt	4,882,296	4,882,296	-	-	-
<u>Inflation Hedges</u>					
Natural Resources	8,588,329	-	-	-	8,588,329
Real Estate	15,772,307	-	-	-	15,772,307
TIPS	17,640,266	17,640,266	-	-	-
<u>Risk Mitigation</u>					
Core Fixed Income	109,943,751	63,544,070	31,400,540	-	14,999,141
Hedge Funds	14,709,155	-	-	-	14,709,155
Cash	1,880,610	1,880,610	-	-	-
<u>Other</u>					
Deferred Gifts	16,034,749	16,034,749	-	-	-
Other Investments	457,743	457,743	-	-	-
Total investments	\$337,907,626	\$193,033,671	\$ 31,400,540	\$ 33,584,368	\$ 79,889,047
Beneficial interest in trusts	\$ 4,095,811	\$ -	\$ -	\$ 4,095,811	\$ -
Due to SDSURF	\$(21,317,210)	\$ -	\$ -	\$(21,317,210)	\$ -
	Total	2017			Net Asset Value
		Level 1	Level 2	Level 3	
<u>Growth Assets</u>					
Global Equity	\$145,305,957	\$ 96,249,324	\$ -	\$ -	\$ 49,056,633
Private Equity	-	-	-	-	-
<u>Credit</u>					
High Yield Bonds	7,028,990	7,028,990	-	-	-
Bank Loans	-	-	-	-	-
Emerging Markets Debt	-	-	-	-	-
<u>Inflation Hedges</u>					
Natural Resources	5,857,577	-	-	-	5,857,577
Real Estate	14,786,044	-	-	-	14,786,044
TIPS	31,456,283	31,456,283	-	-	-
<u>Risk Mitigation</u>					
Core Fixed Income	77,488,210	32,212,894	27,729,970	-	17,545,346
Hedge Funds	-	-	-	-	-
Cash	257,896	257,896	-	-	-
<u>Other</u>					
Deferred Gifts	16,899,618	16,899,618	-	-	-
Other Investments	207,604	207,604	-	-	-
Total investments	\$299,288,179	\$184,312,609	\$ 27,729,970	\$ -	\$ 87,245,600
Beneficial interest in trusts	\$ 4,104,499	\$ -	\$ -	\$ 4,104,499	\$ -
Due to SDSURF	\$(19,577,168)	\$ -	\$ -	\$(19,577,168)	\$ -

The Campanile Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE 5 – FAIR VALUE MEASUREMENTS – Continued

The fair value of the beneficial interest in trusts has been determined based on the fair value of the assets discounted using the single and joint life expectancies from the Annuity 2012 Mortality Table.

The fair value of the liabilities due to SDSURF has been determined based on SDSURF's share of the market value of the investments in the endowment pool.

The following table reflects a reconciliation of TCF's beginning and ending Level 3 investments:

	2018	2017
Beginning balance	\$ -	\$ -
Investment Income	1,271,215	-
Realized and unrealized gains	3,486,529	-
Realized and unrealized losses	(873,376)	-
Additions	29,700,000	-
Withdrawals	-	-
	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 33,584,368</u>	<u>\$ -</u>

The following table reflects a reconciliation of TCF's beginning and ending Level 3 liability to SDSURF:

	2018	2017
Beginning balance	\$ 19,577,168	\$ 15,249,552
Realized and unrealized gains	904,226	1,869,205
Realized and unrealized losses	(390,547)	(60,016)
Additions	1,953,666	2,580,996
Withdrawals	(727,303)	(62,569)
	<u>(727,303)</u>	<u>(62,569)</u>
Ending balance	<u>\$ 21,317,210</u>	<u>\$ 19,577,168</u>

The following table reflects a reconciliation of beginning and ending investment balances for TCF's total investments:

	2018	2017
Beginning balance	\$ 299,288,179	\$ 253,241,477
Total realized and unrealized gains, net, included in change in net assets	5,197,606	23,028,542
Net additions, purchases, sales and maturities	33,421,841	23,018,160
	<u>33,421,841</u>	<u>23,018,160</u>
Ending balance	<u>\$ 337,907,626</u>	<u>\$ 299,288,179</u>

The Campanile Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE 5 – FAIR VALUE MEASUREMENTS - Continued

The following tables sets forth additional disclosures of TCF's investments whose fair value is estimated using net asset value per share (or its equivalent) as of June 30, 2018:

	Fair Value	Number of Funds	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Global Equity ^(a)	\$ 18,264,745	2	\$ -	Daily / Monthly	NA / T-30
Bank Loans ^(b)	\$ 7,555,370	1	\$ -	Monthly	T-90
Natural Resources ^(c)	\$ 8,588,329	1	\$ -	Daily	NA
Real Estate ^(d)	\$ 15,772,307	1	\$ -	Quarterly	T-60
Core Fixed Income ^(e)	\$ 14,999,141	1	\$ -	Daily	NA
Hedge Funds ^(f)	\$ 14,709,155	3	\$ -	Daily / Quarterly	NA / T-90

- (a) Investment in a commingled fund that invests in publically sold companies.
 (b) Investment in a CIT that invests in bank loans.
 (c) Investment in a CIT that invests in natural resources and commodities.
 (d) Investment in a commingled fund that invests in real estate, which represents long-term investments.
 (e) Investment in a CIT that invests in core fixed income.
 (f) Investment in a limited partnership that can invest in but is not limited to equities, fixed income, options, interest rates, commodities, currencies, etc.

NOTE 6 – PLEDGES RECEIVABLE

Contributions are recorded as revenue and as a pledge receivable when a donor makes an unconditional promise to give. Unconditional contributions expected to be received at the time of gift in more than a year's time are recorded at their expected net present values using discount rates commensurate within the risks involved. The rates used to discount pledges outstanding at June 30, 2018 and 2017 ranged from 2.01 percent to 3.98 percent. Pledges receivable are assessed periodically for collectability. The allowance for uncollectable pledges receivables was \$586,666 and \$646,151 as of June 30, 2018 and 2017, respectively.

Contributions pledged are expected to be collected as follows as of June 30:

	2018	2017
Amounts due in:		
Less than one year	\$ 6,767,100	\$ 7,639,808
One to five years	7,274,760	7,562,382
More than five years	80,000	40,000
Less discount to present value	(722,201)	(694,238)
Less Allowance for Uncollectable Pledges	(586,666)	(646,151)
	<u>\$ 12,812,993</u>	<u>\$ 13,901,801</u>

The Campanile Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

NOTE 7 – NOTE RECEIVABLE

The note receivable originated during 2008 from a single donor in the amount of approximately \$8.6 million, which consisted of the assignment of six promissory notes held by the donor and which were assigned to TCF in fulfillment of the donor's pledge. The original terms of the note were that it accrued interest at 4.35 percent per annum and matured in 2034. During 2014 a new note agreement was reached with the donor to alter terms to accrue interest at 2.40 percent per annum and to mature in 2036. The current note agreement requires annual payments of principal and interest of approximately \$376,000, with a final payment of remaining principal and interest in 2036.

Principal payments due in the years ending June 30, :

2019	\$	248,628
2020		254,595
2021		260,705
2022		266,962
2023		273,369
Thereafter		<u>4,011,925</u>
Total principal due	\$	<u><u>5,316,184</u></u>

NOTE 8 – AMOUNTS HELD ON BEHALF OF OTHERS

TCF administers service scholarship funds for the University where the recipient of the scholarship is pre-determined by the donor when the funds are donated to TCF. In accordance with US GAAP, these funds are held as a liability on the statements of financial position, as TCF has no variance power.

NOTE 9 – SUBSEQUENT EVENTS

TCF has evaluated subsequent events through September 13, 2018, the date the financial statements were available to be issued, and has determined that there were no subsequent events to recognize in these financial statements.

SUPPLEMENTARY INFORMATION

The Campanile Foundation
SCHEDULE OF NET POSITION

June 30, 2018

(for inclusion in the California State University)

Assets:

Current assets:

Cash and cash equivalents	\$	-
Short-term investments		2,197,253
Accounts receivable, net		6,509,489
Capital lease receivable, current portion		-
Notes receivable, current portion		248,628
Pledges receivable, net		6,602,691
Prepaid expenses and other current assets		-
Total current assets		15,558,061

Noncurrent assets:

Restricted cash and cash equivalents		-
Accounts receivable, net		-
Capital lease receivable, net of current portion		-
Notes receivable, net of current portion		5,067,556
Student loans receivable, net		-
Pledges receivable, net		6,210,302
Endowment investments		304,309,833
Other long-term investments		31,400,540
Capital assets, net		-
Other assets		4,095,811
Total noncurrent assets		351,084,042
Total assets		366,642,103

Deferred outflows of resources:

Unamortized loss on debt refunding		-
Net pension liability		-
Net OPEB liability		-
Others		-
Total deferred outflows of resources	\$	-

The Campanile Foundation

SCHEDULE OF NET POSITION - CONTINUED

June 30, 2018

(for inclusion in the California State University)

Liabilities:

Current liabilities:

Accounts payable	\$ 2,253,376
Accrued salaries and benefits	-
Accrued compensated absences, current portion	-
Unearned revenues	-
Capital lease obligations, current portion	-
Long-term debt obligations, current portion	-
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	<u>22,405,081</u>
Total current liabilities	<u>24,658,457</u>

Noncurrent liabilities:

Accrued compensated absences, net of current portion	-
Unearned revenues	-
Grants refundable	-
Capital lease obligations, net of current portion	-
Long-term debt obligations, net of current portion	-
Claims liability for losses and loss adjustment expenses, net of current portion	-
Depository accounts	-
Net other postemployment benefits liability	-
Net pension liability	-
Other liabilities	<u>5,909,806</u>
Total noncurrent liabilities	<u>5,909,806</u>

Total liabilities	<u>30,568,263</u>
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Deferred inflows of resources:

Service concession arrangements	-
Net pension liability	-
Net OPEB liability	-
Unamortized gain on debt refunding	-
Nonexchange transactions	-
Others	-
Total deferred inflows of resources	<u>\$ -</u>

The Campanile Foundation

SCHEDULE OF NET POSITION - CONTINUED

June 30, 2018

(for inclusion in the California State University)

Net Position:		
Net investment in capital assets	\$	-
Restricted for:		-
Nonexpendable – endowments		195,638,717
Expendable:		-
Scholarships and fellowships		36,973,742
Research		-
Loans		-
Capital projects		3,221,528
Debt service		-
Others		97,141,881
Unrestricted		<u>3,097,972</u>
Total net position	\$	<u><u>336,073,840</u></u>

The Campanile Foundation

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

June 30, 2018

(for inclusion in the California State University)

Revenues:

Operating revenues:

Student tuition and fees, gross	\$	-
Scholarship allowances (enter as negative)		-
Grants and contracts, noncapital:		
Federal		-
State		-
Local		-
Nongovernmental		-
Sales and services of educational activities		-
Sales and services of auxiliary enterprises, gross		-
Scholarship allowances		-
Other operating revenues		<u>7,800,497</u>
Total operating revenues		<u>7,800,497</u>

Expenses:

Operating expenses:

Instruction		-
Research		-
Public service		-
Academic support		9,669,983
Student services		-
Institutional support		4,030,121
Operation and maintenance of plant		-
Student grants and scholarships		6,287,660
Auxiliary enterprise expenses		-
Depreciation and amortization		<u>-</u>
Total operating expenses		<u>19,987,764</u>
Operating income (loss)	\$	<u>(12,187,267)</u>

The Campanile Foundation

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - CONTINUED

June 30, 2018

(for inclusion in the California State University)

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		12,699,136
Investment income (loss), net		383,675
Endowment income (loss), net		9,247,141
Interest expense		-
Other nonoperating revenues (expenses) - excl. interagency transfers		-
Other nonoperating revenues (expenses) - interagency transfers		<u>(11,648,432)</u>
Net nonoperating revenues (expenses)		<u>10,681,520</u>
Income (loss) before other revenues (expenses)		(1,505,747)
State appropriations, capital		-
Grants and gifts, capital		-
Additions (reductions) to permanent endowments		31,733,774
Increase (decrease) in net position		30,228,027
Net position:		
Net position at beginning of year, as previously reported		305,845,813
Restatements		-
Net position at beginning of year, as restated		<u>305,845,813</u>
Net position at end of year	\$	<u><u>336,073,840</u></u>

THE CAMPANILE FOUNDATION

Other Information

June 30, 2018

(for inclusion in the California State University)

1	Restricted cash and cash equivalents at June 30, 2018:		
	Portion of restricted cash and cash equivalents related to endowments	\$	—
	All other restricted cash and cash equivalents		—
			<hr/>
	Total restricted cash and cash equivalents	\$	—
			<hr/> <hr/>

THE CAMPANILE FOUNDATION

Other Information - Continued

June 30, 2018

(for inclusion in the California State University)

2.1 Composition of investments at June 30, 2018:

	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)	—	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—	—
Certificates of deposit	—	—	—	—	—	—	—
Mutual funds	—	—	—	—	226,789,330	226,789,330	226,789,330
Money Market funds	—	2,197,253	2,197,253	—	1,880,610	1,880,610	4,077,863
Repurchase agreements	—	—	—	—	—	—	—
Commercial paper	—	—	—	—	—	—	—
Asset backed securities	—	—	—	—	—	—	—
Mortgage backed securities	—	—	—	—	—	—	—
Municipal bonds	—	—	—	—	—	—	—
U.S. agency securities	—	—	—	—	—	—	—
U.S. treasury securities	—	—	—	—	—	—	—
Equity securities	—	—	—	—	—	—	—
Exchange traded funds (ETFs)	—	—	—	—	—	—	—
Alternative investments:							
Private equity (including limited partnerships)	—	—	—	—	—	—	—
Hedge funds	—	—	—	—	14,709,155	14,709,155	14,709,155
Managed futures	—	—	—	—	—	—	—
Real estate investments (including REITs)	—	—	—	—	15,772,307	15,772,307	15,772,307
Commodities	—	—	—	—	—	—	—
Derivatives	—	—	—	—	—	—	—
Other alternative investment types	—	—	—	—	—	—	—
Other external investment pools (excluding SWIFT)							
Various Funds in Pooled Endowment	—	—	—	—	60,066,479	60,066,479	60,066,479
Other major investments:							
Deferred Gifts (Trusts/CGAs)	—	—	—	—	16,034,749	16,034,749	16,034,749
Other Investments	—	—	—	—	457,743	457,743	457,743
Total investments	—	2,197,253	2,197,253	—	335,710,373	335,710,373	337,907,626
Less endowment investments (enter as negative number)							
Total investments	\$ —	2,197,253	2,197,253	—	(304,309,833)	(304,309,833)	(304,309,833)
	\$ —	2,197,253	2,197,253	—	31,400,540	31,400,540	33,597,793

THE CAMPANILE FOUNDATION

Other Information - Continued

June 30, 2018

(for inclusion in the California State University)

2.2	Investments held by the University under contractual agreements at June 30, 2018:								
	Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2018 :	\$	—	—	—	—	—	—	—
2.3	Restricted current investments at June 30, 2018 related to:								
	Money Market	\$	<u>2,197,253</u>						
	Total restricted current investments at June 30, 2018	\$	<u><u>2,197,253</u></u>						
2.4	Restricted noncurrent investments at June 30, 2018 related to:								
	Endowment investment	\$	<u>304,309,833</u>						
	Program Funds Investment		<u>31,400,540</u>						
	Total restricted noncurrent investments at June 30, 2018	\$	<u><u>335,710,373</u></u>						

THE CAMPANILE FOUNDATION

Other Information - Continued

June 30, 2018

(for inclusion in the California State University)

2.5 Fair value hierarchy in investments at June 30, 2018:

	Total	Fair Value Measurements Using			Net Asset Value (NAV)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
State of California Surplus Money Investment Fund (SMIF)	\$ —	—	—	—	—
State of California Local Agency Investment Fund (LAIF)	—	—	—	—	—
Corporate bonds	—	—	—	—	—
Certificates of deposit	—	—	—	—	—
Mutual funds	203,863,856	172,463,316	31,400,540	—	—
Money Market funds	4,077,863	4,077,863	—	—	—
Repurchase agreements	—	—	—	—	—
Commercial paper	—	—	—	—	—
Asset backed securities	—	—	—	—	—
Mortgage backed securities	—	—	—	—	—
Municipal bonds	—	—	—	—	—
U.S. agency securities	—	—	—	—	—
U.S. treasury securities	—	—	—	—	—
Equity securities	—	—	—	—	—
Exchange traded funds (ETFs)	—	—	—	—	—
Alternative investments:					
Private equity (including limited partnerships)	—	—	—	—	—
Hedge funds	14,709,155	—	—	—	14,709,155
Managed futures	—	—	—	—	—
Real estate investments (including REITs)	15,772,307	—	—	—	15,772,307
Commodities	—	—	—	—	—
Derivatives	—	—	—	—	—
Other alternative investment types	—	—	—	—	—
Other external investment pools (excluding SWIFI)					
Various Commingled Investment Funds	82,991,953	—	—	33,584,368	49,407,585
Other major investments:					
Deferred Gifts (Trusts/CGAs)	16,034,749	16,034,749	—	—	—
Other Investments	457,743	457,743	—	—	—
Total investments	\$ 337,907,626	193,033,671	31,400,540	33,584,368	79,889,047

THE CAMPANILE FOUNDATION

Other Information - Continued

June 30, 2018

(for inclusion in the California State University)

3.1 Composition of capital assets at June 30, 2018:

	Balance June 30, 2017	Prior period Adjustments	Reclassifications	Balance June 30, 2017 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2018
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	\$ —	—	—	—	—	—	—	—
Works of art and historical treasures	—	—	—	—	—	—	—	—
Construction work in progress (CWIP)	—	—	—	—	—	—	—	—
Intangible assets:								
Rights and easements	—	—	—	—	—	—	—	—
Patents, copyrights and trademarks	—	—	—	—	—	—	—	—
Internally generated intangible assets in progress	—	—	—	—	—	—	—	—
Licenses and permits	—	—	—	—	—	—	—	—
Other intangible assets:	—	—	—	—	—	—	—	—
N/A	—	—	—	—	—	—	—	—
Total intangible assets	—	—	—	—	—	—	—	—
Total nondepreciable/nonamortizable capital assets	—	—	—	—	—	—	—	—
Depreciable/amortizable capital assets:								
Buildings and building improvements	—	—	—	—	—	—	—	—
Improvements, other than buildings	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	—	—	—	—	—	—	—	—
Personal property:								
Equipment	—	—	—	—	—	—	—	—
Library books and materials	—	—	—	—	—	—	—	—
Intangible assets:								
Software and websites	—	—	—	—	—	—	—	—
Rights and easements	—	—	—	—	—	—	—	—
Patents, copyright and trademarks	—	—	—	—	—	—	—	—
Licenses and permits	—	—	—	—	—	—	—	—
Other intangible assets:	—	—	—	—	—	—	—	—
N/A	—	—	—	—	—	—	—	—
Total intangible assets	—	—	—	—	—	—	—	—
Total depreciable/amortizable capital assets	—	—	—	—	—	—	—	—
Total capital assets	—	—	—	—	—	—	—	—
Less accumulated depreciation/amortization:								
Buildings and building improvements	—	—	—	—	—	—	—	—
Improvements, other than buildings	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	—	—	—	—	—	—	—	—
Personal property:								
Equipment	—	—	—	—	—	—	—	—
Library books and materials	—	—	—	—	—	—	—	—
Intangible assets:								
Software and websites	—	—	—	—	—	—	—	—
Rights and easements	—	—	—	—	—	—	—	—
Patents, copyright and trademarks	—	—	—	—	—	—	—	—
Licenses and permits	—	—	—	—	—	—	—	—
Other intangible assets:	—	—	—	—	—	—	—	—
N/A	—	—	—	—	—	—	—	—
Total intangible assets	—	—	—	—	—	—	—	—
Total accumulated depreciation/amortization	—	—	—	—	—	—	—	—
Total capital assets, net	\$ —	—	—	—	—	—	—	—

THE CAMPANILE FOUNDATION

Other Information - Continued

June 30, 2018

(for inclusion in the California State University)

3.2 Detail of depreciation and amortization expense for the year ended June 30, 2018:

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

4 Long-term liabilities activity schedule:

	Balance June 30, 2017	Prior period adjustments	Reclassifications	Balance June 30, 2017 (restated)	Additions	Reductions	Balance June 30, 2018	Current portion	Long-term portion
Accrued compensated absences	\$ —	—	—	—	—	—	—	—	—
Claims liability for losses and loss adjustment expenses	—	—	—	—	—	—	—	—	—
Capital lease obligations:									
Gross balance	—	—	—	—	—	—	—	—	—
Unamortized premium / (discount) on capital lease obligations	—	—	—	—	—	—	—	—	—
Total capitalized lease obligations	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Long-term debt obligations:									
Auxiliary revenue bonds	—	—	—	—	—	—	—	—	—
Commercial paper	—	—	—	—	—	—	—	—	—
Notes payable related to SRB	—	—	—	—	—	—	—	—	—
Others: (list by type)	—	—	—	—	—	—	—	—	—
N/A	—	—	—	—	—	—	—	—	—
Total long-term debt obligations	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Unamortized bond premium / (discount)	—	—	—	—	—	—	—	—	—
Total long-term debt obligations, net	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total long-term liabilities	\$ <u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

THE CAMPANILE FOUNDATION

Other Information - Continued

June 30, 2018

(for inclusion in the California State University)

5 Future minimum lease payments - Capital lease obligations:

	Capital lease obligations related to SRB			All other capital lease obligations			Total capital lease obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
	Year ending June 30:								
2019	\$ —	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—	—	—
2023	—	—	—	—	—	—	—	—	—
2024 - 2028	—	—	—	—	—	—	—	—	—
2029 - 2033	—	—	—	—	—	—	—	—	—
2034 - 2038	—	—	—	—	—	—	—	—	—
2039 - 2043	—	—	—	—	—	—	—	—	—
2044 - 2048	—	—	—	—	—	—	—	—	—
2049 - 2053	—	—	—	—	—	—	—	—	—
2054 - 2058	—	—	—	—	—	—	—	—	—
2059 - 2063	—	—	—	—	—	—	—	—	—
2064 - thereafter	—	—	—	—	—	—	—	—	—
Total minimum lease payments	\$ —	—	—	—	—	—	—	—	—
Less amounts representing interest									—
Present value of future minimum lease payments									—
Unamortized net premium (discount)									—
Total capital lease obligations									—
Less: current portion									—
Capital lease obligations, net of current portion									\$ —

6 Long-term debt obligations schedule:

	Auxiliary revenue bonds			All other long-term debt obligations			Total long-term debt obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
	Year ending June 30:								
2019	\$ —	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—	—	—
2023	—	—	—	—	—	—	—	—	—
2024 - 2028	—	—	—	—	—	—	—	—	—
2029 - 2033	—	—	—	—	—	—	—	—	—
2034 - 2038	—	—	—	—	—	—	—	—	—
2039 - 2043	—	—	—	—	—	—	—	—	—
2044 - 2048	—	—	—	—	—	—	—	—	—
2049 - 2053	—	—	—	—	—	—	—	—	—
2054 - 2058	—	—	—	—	—	—	—	—	—
2059 - 2063	—	—	—	—	—	—	—	—	—
2064 - thereafter	—	—	—	—	—	—	—	—	—
Total minimum payments	\$ —	—	—	—	—	—	—	—	—
Less amounts representing interest									—
Present value of future minimum payments									—
Unamortized net premium (discount)									—
Total long-term debt obligations									—
Less: current portion									—
Long-term debt obligations, net of current portion									\$ —

THE CAMPANILE FOUNDATION

Other Information - Continued

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7 **Calculation of net position:**

7.1 Calculation of net position - Net investment in capital assets

Capital assets, net of accumulated depreciation	\$	—
Capital lease obligations, current portion		—
Capital lease obligations, net of current portion		—
Long-term debt obligations, current portion		—
Long-term debt obligations, net of current portion		—
Portion of outstanding debt that is unspent at year-end (enter as positive number)		—
Other adjustments: (please list)		—
N/A		—
Net position - Net investment in capital assets	\$	<u>—</u>

7.2 Calculation of net position - Restricted for nonexpendable - endowments

Portion of restricted cash and cash equivalents related to endowments	\$	—
Endowment investments		304,309,833
Other adjustments: (please list)		
Restricted expendable endowments		<u>(108,671,116)</u>
Net position - Restricted for nonexpendable - endowments	\$	<u>195,638,717</u>

8 **Transactions with related entities:**

	<u>Amount</u>
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 272,913
Payments to University for other than salaries of University personnel	443,009
Payments received from University for services, space, and programs	28,772
Gifts-in-kind to the University from discretely presented component units	2,655,836
Gifts (cash or assets) to the University from discretely presented component units	15,007,050
Accounts (payable to) University (enter as negative number)	(3,607,451)
Other amounts (payable to) University (enter as negative number)	—
Accounts receivable from University (enter as positive number)	6,299
Other amounts receivable from University	734,140

THE CAMPANILE FOUNDATION

Other Information - Continued

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9 Other postemployment benefits (OPEB) liability
Intentionally left blank - not required/applicable eff FY17/18

10 Pollution remediation liabilities under GASB Statement No. 49:

Description	Amount
N/A	\$ —
Total pollution remediation liabilities	—
Less: current portion	—
Pollution remediation liabilities, net of current portion	\$ —

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

	Net Position	Amount
	Class	Dr. (Cr.)
Net position as of June 30, 2017, as previously reported		\$ 305,845,813
Prior period adjustments:		
1 N/A		—
Net position as of June 30, 2017, as restated		\$ 305,845,813

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: N/A		
1 (breakdown of adjusting journal entry)	\$ —	—

THE CAMPANILE FOUNDATION

Other Information - Continued

June 30, 2018

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12 Natural Classifications of Operating Expenses:

	<u>Salaries</u>	<u>Benefits</u>	<u>Scholarships and fellowships</u>	<u>Supplies and other services</u>	<u>Depreciation and amortization</u>	<u>Total operating expenses</u>
Instruction	\$ —	—	—	—	—	—
Research	—	—	—	—	—	—
Public service	—	—	—	—	—	—
Academic support	3,404,955	822,200	—	5,442,828	—	9,669,983
Student services	—	—	—	—	—	—
Institutional support	—	—	—	4,030,121	—	4,030,121
Operation and maintenance of plant	—	—	—	—	—	—
Student grants and scholarships	—	—	6,287,660	—	—	6,287,660
Auxiliary enterprise expenses	—	—	—	—	—	—
Depreciation and amortization	—	—	—	—	—	—
Total	\$ 3,404,955	822,200	6,287,660	9,472,949	—	19,987,764