

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

The Campanile Foundation

June 30, 2021 and 2020

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
The Campanile Foundation

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, 2021 and 2020, and the related statements of activities 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 - 39 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 audits 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 10, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Grant Thornton LLP

San Diego, California
September 10, 2021

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

Board of Trustees
The Campanile Foundation

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, 2021, 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 10, 2021.

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") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 Organization'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 10, 2021

The Campanile Foundation
STATEMENTS OF FINANCIAL POSITION

June 30,

| | 2021 | 2020 |
|--|----------------|----------------|
| ASSETS | | |
| Cash equivalents (Note 1) | \$ - | \$ - |
| Short-term investments (Note 4) | 19,287,261 | 11,626,980 |
| Long-term investments, net (Note 4) | 425,054,314 | 361,931,616 |
| Pledges receivable, net (Note 6) | 45,397,786 | 30,176,930 |
| Note receivable (Note 7) | 4,812,961 | 4,812,961 |
| Due from affiliate (Note 2) | 19,334,147 | 16,865,205 |
| Beneficial interest in trusts (Note 5) | 4,216,816 | 4,156,947 |
| Other receivables, net | 2,362,790 | 2,148,139 |
| Total assets | \$ 520,466,075 | \$ 431,718,778 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable | \$ 3,940,964 | \$ 851,515 |
| Liabilities under deferred gift agreements | 4,539,573 | 6,441,820 |
| Accrued liabilities | 7,521,071 | 2,527,309 |
| Amounts held on behalf of others (Note 8) | 30,083 | 18,306 |
| Due to SDSURF (Note 5) | 39,060,761 | 24,478,043 |
| Total liabilities | 55,092,452 | 34,316,993 |
| Net assets | | |
| With donor restriction (Note 3) | 458,250,864 | 393,415,516 |
| Without donor restriction | 7,122,759 | 3,986,269 |
| Total net assets | 465,373,623 | 397,401,785 |
| Total liabilities and net assets | \$ 520,466,075 | \$ 431,718,778 |

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

The Campanile Foundation
STATEMENTS OF ACTIVITIES

Years ended June 30,

| | 2021 | | | 2020 | | |
|--|-------------------------------|----------------------------|-----------------------|-------------------------------|----------------------------|-----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenues, gains (losses) and other support: | | | | | | |
| Contributions - community and campus programs | \$ - | \$ 56,768,751 | \$ 56,768,751 | \$ - | \$ 51,198,618 | \$ 51,198,618 |
| Other revenues | - | 5,612,434 | 5,612,434 | - | 6,159,403 | 6,159,403 |
| Investment return, net | 408,598 | 52,962,879 | 53,371,477 | 117,645 | 17,724,024 | 17,841,669 |
| Net assets released from restrictions (Note 3) | 50,508,716 | (50,508,716) | - | 30,842,896 | (30,842,896) | - |
| Total revenues, gains (losses) and other support | <u>50,917,314</u> | <u>64,835,348</u> | <u>115,752,662</u> | <u>30,960,541</u> | <u>44,239,149</u> | <u>75,199,690</u> |
| Expenses: | | | | | | |
| Campus programs | 6,041,348 | - | 6,041,348 | 8,719,843 | - | 8,719,843 |
| Campus programs administered by the University | 31,637,537 | - | 31,637,537 | 10,885,857 | - | 10,885,857 |
| Student scholarships (Note 2) | 5,370,170 | - | 5,370,170 | 6,767,913 | - | 6,767,913 |
| Fundraising | 4,251,618 | - | 4,251,618 | 3,795,901 | - | 3,795,901 |
| General administration | 480,151 | - | 480,151 | 426,722 | - | 426,722 |
| Total expenses | <u>47,780,824</u> | <u>-</u> | <u>47,780,824</u> | <u>30,596,236</u> | <u>-</u> | <u>30,596,236</u> |
| CHANGE IN NET ASSETS | 3,136,490 | 64,835,348 | 67,971,838 | 364,305 | 44,239,149 | 44,603,454 |
| Net assets, beginning of year | <u>3,986,269</u> | <u>393,415,516</u> | <u>397,401,785</u> | <u>3,621,964</u> | <u>349,176,367</u> | <u>352,798,331</u> |
| Net assets, end of year | <u>\$ 7,122,759</u> | <u>\$ 458,250,864</u> | <u>\$ 465,373,623</u> | <u>\$ 3,986,269</u> | <u>\$ 393,415,516</u> | <u>\$ 397,401,785</u> |

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

The Campanile Foundation
STATEMENTS OF CASH FLOWS
Years ended June 30,

| | 2021 | 2020 |
|---|----------------------|---------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 67,971,838 | \$ 44,603,454 |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Contributions restricted for long-term investments | (56,768,751) | (51,198,618) |
| Net realized and change in unrealized gains on investments | (52,498,052) | (16,854,336) |
| Change in value of deferred gift liabilities | (1,902,247) | (388,608) |
| Investment income restricted for long-term investments | 719,196 | 980,965 |
| (Increase) decrease in assets: | | |
| Short-term investments | (7,660,281) | (8,805,661) |
| Payments received on notes receivable | - | 254,595 |
| Other receivables, net | (214,651) | (1,300,370) |
| Pledges receivable, net | (14,625,065) | (15,343,748) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 3,089,449 | 547,817 |
| Accrued liabilities | 4,993,762 | (772,108) |
| Amounts held on behalf of others | 11,777 | (134,307) |
| | <u>(56,883,025)</u> | <u>(48,410,925)</u> |
| Net cash used in operating activities | | |
| Cash flows from investing activities: | | |
| Purchase of investments | (246,778,795) | (107,642,620) |
| Sale of investments | 250,736,868 | 113,942,714 |
| Beneficial interest in trusts | (59,869) | (60,498) |
| Due from affiliate | (2,468,942) | (8,392,899) |
| | <u>1,429,262</u> | <u>(2,153,303)</u> |
| Net cash provided (used) by investing activities | | |
| Cash flows from financing activities: | | |
| Proceeds from contributions with donor restrictions | 56,172,959 | 51,545,193 |
| Investment income restricted for long-term investments | (719,196) | (980,965) |
| | <u>55,453,763</u> | <u>50,564,228</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>\$ 14,582,718</u> | <u>\$ 864,837</u> |

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

The Campanile Foundation
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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 State University Research Foundation (“SDSURF”) and Aztec Shops, Ltd (collectively, the “Auxiliaries”). 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 (“US GAAP”).

TCF’s financial statements present net assets and contributions classified as with donor restrictions and without donor restrictions. These classifications are based on the existence or absence of donor-imposed restrictions related to contributions and are summarized as follows:

Without Donor Restrictions

Without donor restrictions consist of net assets that are not subject to donor-imposed stipulations.

With Donor Restrictions

With donor restrictions consist of net assets unspent that are subject to specific donor-imposed stipulations. This category includes amounts restricted by the donor in perpetuity, restricted for specified purposes, restricted by the passage of time and for amounts of underwater endowments. Also included are charitable remainder trusts (“CRT”).

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 without donor restrictions 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 contributions with donor restrictions. Net assets with donor restrictions are reclassified to without donor restrictions at such time as TCF has fulfilled the donor-imposed restriction.

Net assets with donor restrictions can also be reclassified to without donor restrictions at such time that the donors’ consent to the release of the previous donor-imposed restriction.

Revenue from contributions is recognized in accordance with Accounting Standards Update (“ASU”) 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions

The Campanile Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Received and Contributions Made. Accordingly, TCF evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be a contribution, TCF evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before TCF is entitled to the assets transferred or promised and (2) a right of return of assets or a right of release of a promisor's obligation to transfer assets. There are no conditional contributions for the years ended June 30, 2021 and 2020. Contributions which are deemed to be unconditional are considered to be available for general purposes (without donor restrictions) unless specifically restricted by the donor.

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, 2021 and 2020. 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.

The beneficial interest in trust investments is 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.

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 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 \$2,163,710 and \$1,379,242 for the years ended June 30, 2021 and 2020, respectively.

Changes in the liability under deferred gift agreements are included in contributions in the accompanying statements of activities and totaled \$(1,902,247) and \$(388,608) for the years ended June 30, 2021 and 2020, respectively.

The Campanile Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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.

TCF's primary program service is fundraising, student scholarships, and San Diego State University campus support. These expenses include salaries and benefits, operating expenses, scholarship awards and transfers to University and other Auxiliaries on campus.

| | 2021 | | | | | |
|--|---------------------|--|----------------------|---------------------|------------------------|----------------------|
| | Campus Programs | Campus Programs Administered by the University | Student Scholarships | Fundraising | General Administration | Total |
| Salaries and wages | \$ 3,141,077 | \$ - | \$ - | \$ 206,319 | \$ - | \$ 3,347,396 |
| Employee benefits | 742,767 | - | - | 32,028 | - | 774,795 |
| Services, supplies, and other expenses | 2,157,504 | - | - | 4,013,271 | 480,151 | 6,650,926 |
| Scholarship payments | - | - | 5,370,170 | - | - | 5,370,170 |
| Transfer to University and other auxiliaries | - | 31,637,537 | - | - | - | 31,637,537 |
| Total expenses | \$ 6,041,348 | \$ 31,637,537 | \$ 5,370,170 | \$ 4,251,618 | \$ 480,151 | \$ 47,780,824 |

| | 2020 | | | | | |
|--|---------------------|--|----------------------|---------------------|------------------------|----------------------|
| | Campus Programs | Campus Programs Administered by the University | Student Scholarships | Fundraising | General Administration | Total |
| Salaries and wages | \$ 3,589,742 | \$ - | \$ - | \$ 199,388 | \$ - | \$ 3,789,130 |
| Employee benefits | 844,705 | - | - | 24,509 | - | 869,214 |
| Services, supplies, and other expenses | 4,285,396 | - | - | 3,572,004 | 426,722 | 8,284,122 |
| Scholarship payments | - | - | 6,767,913 | - | - | 6,767,913 |
| Transfer to University and other auxiliaries | - | 10,885,857 | - | - | - | 10,885,857 |
| Total expenses | \$ 8,719,843 | \$ 10,885,857 | \$ 6,767,913 | \$ 3,795,901 | \$ 426,722 | \$ 30,596,236 |

Income Taxes

TCF follows the 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.

The Campanile Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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 23701d 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; 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.

Use of Estimates

The preparation of financial statements in accordance with 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 the CRT liabilities, the life expectancy of annuitants of CRTs, the collectability of pledges receivables and the fair values of alternative investments in hedge funds. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the prior periods presented have been reclassified to conform to the current period's financial statement presentation. These reclassifications have no effect on previously reported net income.

Recent Accounting Pronouncement

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers. The ASU provides updated guidance to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. Contribution revenue is specifically excluded from the scope of this update. TCF has adopted ASU 2014-09 as of and for the year ended June 30, 2021. Analysis of various provisions of this standard resulted in no significant changes in the way TCF recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

Significant Events

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic. The world-wide spread of COVID-19 has adversely affected, and may continue to adversely affect economic activity globally, nationally, and locally. Following the COVID-19 outbreak, the values of investment securities have experienced volatility. Management is closely monitoring the financial implications that may impact TCF, especially when it comes to the investment balances.

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, 2021 and 2020 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 in the April 2018 revision that either party can terminate the agreement with six months' written notice.

The Campanile Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

The balance of due from/(to) affiliate as of June 30, 2021 represents \$3,798,751 held for campus programs, \$10,055,902 for student aid and \$5,479,494 for endowments.

The balance of due from/(to) affiliate as of June 30, 2020 represents \$4,244,099 held for campus programs, \$9,618,308 for student aid and \$3,002,798 for endowments.

During the years ended June 30, 2021 and 2020, TCF transferred \$5,370,170 and \$6,767,913, respectively, from its net assets to the University for scholarships.

As of June 30, 2021 and 2020, 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

With Donor Restrictions

Net assets with donor restrictions as of June 30 are available for the following purposes and periods:

| | 2021 | 2020 |
|--|----------------|----------------|
| Student aid | \$ 151,944,828 | \$ 116,733,559 |
| Campus programs | 292,298,762 | 259,873,628 |
| Annuity life income trusts for campus programs and student aid | 14,007,274 | 16,808,329 |
| | \$ 458,250,864 | \$ 393,415,516 |

Included in the Campus Programs balances are nonexpendable endowment funds. As of June 30, 2021, the balance of funds to be held in perpetuity was \$271,158,400 and as of June 30, 2020, \$214,758,718.

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

| | 2021 | 2020 |
|-----------------------------|-----------------|-----------------|
| Released from restrictions: | | |
| Use or time restricted | \$ (45,491,632) | \$ (27,098,662) |
| Student aid | (5,017,084) | (3,744,234) |
| | \$ (50,508,716) | \$ (30,842,896) |

TCF's pooled endowment portfolio consists of over 950 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.

The Campanile Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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; and
- The investment policies of the organization.

TCF's Board classified CRTs as net assets with donor 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 periods, adjustments to net assets with donor restrictions are made to reflect changes in the fair value, payments to beneficiaries and changes in actuarial assumptions during the term of the trust.

TCF's Board also classified as net assets with donor restrictions 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 is also classified as net assets with donor restrictions 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% 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, 2021 and 2020

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> |
|-----------------------|--------------------------|----------------|----------------|
| Growth assets | | | |
| Global equity | 40% | 30% | 50% |
| Private equity | 10% | 0% | 15% |
| Credit | | | |
| High yield bonds | 3% | 0% | 6% |
| Bank loans | 3% | 0% | 6% |
| Emerging markets debt | 2% | 0% | 4% |
| Inflation hedges | | | |
| Natural resources | 3% | 0% | 6% |
| Real estate | 7% | 0% | 10% |
| TIPS | 4% | 0% | 8% |
| Risk mitigation | | | |
| 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, 2021 and 2020, the Board's adopted distribution rate was 4% 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 with donor restrictions for a specific purpose on the statements of financial position. Purpose restrictions generally include student aid, faculty and program excellence.

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

| <u>As of</u> | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> |
|---------------|-----------------------------------|--------------------------------|
| June 30, 2021 | \$ 3,969,992 | \$ 395,739,872 |
| June 30, 2020 | \$ 2,392,496 | \$ 327,886,012 |

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Changes in endowment net assets for the fiscal year ended June 30, 2021, are as follows:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total Net Assets</u> |
|---|---------------------------------------|------------------------------------|-----------------------------|
| Endowment net assets, beginning of year | \$ 2,392,496 | \$ 327,886,012 | \$ 330,278,508 |
| Investment return: | | | |
| Investment income | 91,809 | 1,403,780 | 1,495,589 |
| Net appreciation (depreciation) | 408,598 | 50,180,748 | 50,589,346 |
| Total investment return | <u>500,407</u> | <u>51,584,528</u> | <u>52,084,935</u> |
| Contributions | 1,168,898 | 48,203,961 | 49,372,859 |
| Appropriations for expenditure | <u>(91,809)</u> | <u>(31,934,629)</u> | <u>(32,026,438)</u> |
| Endowment net assets, end of year | <u>\$ 3,969,992</u> | <u>\$ 395,739,872</u> | <u>\$ 399,709,864</u> |

Changes in endowment net assets for the fiscal year ended June 30, 2020, are as follows:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total Net Assets</u> |
|---|---------------------------------------|------------------------------------|-----------------------------|
| Endowment net assets, beginning of year | \$ 2,237,154 | \$ 308,308,377 | \$ 310,545,531 |
| Investment return: | | | |
| Investment income | 87,498 | 1,612,336 | 1,699,834 |
| Net appreciation (depreciation) | 117,646 | 15,736,733 | 15,854,379 |
| Total investment return | <u>205,144</u> | <u>17,349,069</u> | <u>17,554,213</u> |
| Contributions | 37,696 | 15,961,460 | 15,999,156 |
| Appropriations for expenditure | <u>(87,498)</u> | <u>(13,732,894)</u> | <u>(13,820,392)</u> |
| Endowment net assets, end of year | <u>\$ 2,392,496</u> | <u>\$ 327,886,012</u> | <u>\$ 330,278,508</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. One deficiency of this nature existed in donor-restricted endowment, with an original gift value of \$23,305, a current fair value of \$18,736, and a deficiency of \$4,572, as of June 30, 2021. As of June 30, 2020, there were 21 deficiencies of this nature existing in donor-restricted endowment, with an original gift value of \$11,992,184, a current fair value of \$9,048,524, and a deficiency of \$2,943,660. The deficiencies resulted from unfavorable market returns.

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 OCIO. Selections must abide by TCF's Investment Policy Statement and are reviewed at least quarterly by TCF's Finance and Investment Committee.

The Campanile Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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.

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

| | 2021 | 2020 |
|-----------------------|----------------|----------------|
| Growth assets | | |
| Global equity | \$ 169,314,969 | \$ 132,945,414 |
| Credit | | |
| High yield bonds | 9,403,420 | 3,035,199 |
| Bank loans | 8,782,382 | 2,981,017 |
| Emerging markets debt | 7,704,534 | 8,805,793 |
| Inflation hedges | | |
| Natural resources | 11,870,320 | 8,131,678 |
| Real estate | 14,404,527 | 15,330,553 |
| TIPS | 8,829,998 | 8,336,304 |
| Risk mitigation | | |
| Core fixed income | 138,079,597 | 137,451,731 |
| Hedge funds | 39,691,733 | 23,946,526 |
| Cash | 18,921,513 | 11,124,953 |
| Other | | |
| Deferred gifts | 16,581,466 | 20,866,541 |
| Other investments | 757,116 | 602,887 |
| | \$ 444,341,575 | \$ 373,558,596 |

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, 2021 and 2020, SDSURF had (at fair value) \$39,060,761 and \$24,478,043, 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.

Effective July 1, 2020, TCF agreed to help the University fund the Mission Valley property acquisition. TCF provided \$18,500,000 from the pooled endowment through the Fixed Income allocations, at the time equal and secured by the balance in two quasi-endowments. The quasi-endowments are collateral for the funds and remain in the pooled endowment for up to five years and continue to generate returns and make distributions according to TCF policy. As of June 30, 2021, the combined balance of the two quasi-endowments is \$24,662,569. At the end of the five-year term, TCF repays the pooled funds with the balance in the quasi-endowments. During the five-year term, the University provides quarterly payments of institutional support to the pooled endowment. The institutional support payment is offset by the distributions from the quasi-endowments.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

In order to record interest receivable, accrued interest, payments of institutional support, and distributions from quasi-endowments, two funds with a balance of \$18,500,000 each were established and recorded in long-term investment and liability, respectively. Due to the nature of the funds, they are both included in the Long-Term Investments, net in the Statements of Financial Position.

NOTE 5 - FAIR VALUE MEASUREMENTS

Short-term investment amounts, due from an affiliate, accrued liabilities and accounts payable approximate fair value due to the immediate short-term maturity of these financial instruments. Other receivables benefits 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 were reported on that date are stated at the last quoted bid price. Investments that 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; and

The Campanile Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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 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.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820) Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. The new guidance was issued to improve the effectiveness of disclosures about fair value measurements and amends the disclosure requirements for recurring and nonrecurring fair value measurements by removing, modifying, and adding certain disclosures. The new guidance was effective for TCF as of July 1, 2020. The adoption of the new guidance resulted in removal of and additional clarification for certain information related to Level 3 assets. During the year ended June 30, 2021, TCF purchased \$532,000 of Level 3 investments. There were no transfers into or out of Level 3 investments.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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

| | 2021 | | | | |
|-------------------------------|-----------------------|-----------------------|----------------------|----------------------|-----------------------|
| | Total | Level 1 | Level 2 | Level 3 | NAV |
| Growth assets | | | | | |
| Global equity | \$ 169,314,969 | \$ 109,803,157 | \$ - | \$ 44,852,039 | \$ 14,659,774 |
| Credit | | | | | |
| High yield bonds | 9,403,420 | 9,403,420 | - | - | - |
| Bank loans | 8,782,382 | - | - | - | 8,782,382 |
| Emerging markets debt | 7,704,534 | 7,704,534 | - | - | - |
| Inflation hedges | | | | | |
| Natural resources | 11,870,320 | - | - | - | 11,870,320 |
| Real estate | 14,404,527 | - | - | - | 14,404,527 |
| TIPS | 8,829,998 | - | - | - | 8,829,998 |
| Risk mitigation | | | | | |
| Core fixed income | 138,079,597 | 11,454,334 | 31,561,131 | - | 95,064,132 |
| Hedge funds | 39,691,733 | 6,795,646 | 10,962,602 | 569,025 | 21,364,459 |
| Cash | 18,921,513 | 18,921,513 | - | - | - |
| Other | | | | | |
| Deferred gifts | 16,581,466 | 16,581,466 | - | - | - |
| Other investments | 757,116 | 757,116 | - | - | - |
| | <u>\$ 444,341,575</u> | <u>\$ 181,421,186</u> | <u>\$ 42,523,733</u> | <u>\$ 45,421,064</u> | <u>\$ 174,975,592</u> |
| Beneficial interest in trusts | \$ 4,216,816 | \$ - | \$ - | \$ 4,216,816 | \$ - |
| Due to SDSURF | \$ (39,060,761) | \$ - | \$ - | \$ (39,060,761) | \$ - |
| | | | | | |
| | 2020 | | | | |
| | Total | Level 1 | Level 2 | Level 3 | NAV |
| Growth assets | | | | | |
| Global equity | \$ 132,945,414 | \$ 67,763,885 | \$ - | \$ 42,601,251 | \$ 22,580,278 |
| Credit | | | | | |
| High yield bonds | 3,035,199 | 3,035,199 | - | - | - |
| Bank loans | 2,981,017 | - | - | - | 2,981,017 |
| Emerging markets debt | 8,805,793 | 8,805,793 | - | - | - |
| Inflation hedges | | | | | |
| Natural resources | 8,131,678 | - | - | - | 8,131,678 |
| Real estate | 15,330,553 | - | - | - | 15,330,553 |
| TIPS | 8,336,304 | - | - | - | 8,336,304 |
| Risk mitigation | | | | | |
| Core fixed income | 137,451,731 | 7,120,885 | 27,054,398 | - | 103,276,448 |
| Hedge funds | 23,946,526 | - | - | - | 23,946,526 |
| Cash | 11,124,953 | 11,124,953 | - | - | - |
| Other | | | | | |
| Deferred gifts | 20,866,541 | 20,866,541 | - | - | - |
| Other investments | 602,887 | 602,887 | - | - | - |
| | <u>\$ 373,558,596</u> | <u>\$ 119,320,143</u> | <u>\$ 27,054,398</u> | <u>\$ 42,601,251</u> | <u>\$ 184,582,804</u> |
| Beneficial interest in trusts | \$ 4,156,947 | \$ - | \$ - | \$ 4,096,449 | \$ - |
| Due to SDSURF | \$ (24,478,043) | \$ - | \$ - | \$ (24,478,043) | \$ - |

The Campanile Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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 and survivor life expectancies from the 2012 Individual Annuity Reserve Table for the 2021 valuation year.

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 liability to SDSURF:

| | 2021 | 2020 |
|--------------------------------|----------------------|----------------------|
| Beginning balance | \$ 24,478,043 | \$ 23,613,206 |
| Realized and unrealized gains | 4,854,549 | 3,177,632 |
| Realized and unrealized losses | - | (1,968,148) |
| Additions | 9,728,169 | (344,647) |
| Withdrawals | - | - |
| Ending balance | <u>\$ 39,060,761</u> | <u>\$ 24,478,043</u> |

The following tables set forth additional disclosures of TCF's investments whose fair value is estimated using NAV per share (or its equivalent) as of June 30, 2021:

| | Fair Value | Number of Funds | Unfunded Commitment | Redemption Frequency | Redemption Notice Period ^(h) |
|--|---------------|-----------------|---------------------|----------------------|---|
| Global equity ^(a) | \$ 14,659,774 | 1 | \$ - | Daily / Monthly | NA / T-30 |
| Bank loans ^(b) | 8,782,382 | 1 | \$ - | Monthly | T-90 |
| Natural resources ^(c) | 11,870,320 | 1 | \$ - | Daily | NA |
| Real estate ^(d) | 14,404,527 | 1 | \$ - | Quarterly | T-60 |
| Core-fixed income ^(e) | 95,064,132 | 1 | \$ - | Daily | NA |
| Hedge funds ^(f) | 21,364,459 | 5 | \$ - | Quarterly | NA / T-90 |
| Treasury inflation-protected securities ^(g) | 8,829,998 | 1 | \$ - | Daily | NA |

(a) Investment in a commingled fund that invests in publicly traded companies.

(b) Investment in a Collective Investment Trust ("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.

(g) Investment in a Treasury Protected Security is a Treasury bond that is indexed to inflation.

(h) Redemption Notice Period is a minimum notice time-frame investors may be required to give advance notice before any redemption. Redemption notice periods range from 30 days to one year, although the most common periods notice periods are 30, 60, and 90 days, T-30, T-60, and T-90, respectively. Some funds do not impose a minimum redemption notice period.

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

The Campanile Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

involved. The rates used to discount pledges outstanding at June 30, 2021 and 2020 ranged from 1.25% to 3.20%. Pledges receivable are assessed periodically for collectability. The allowance for uncollectable pledges receivables was \$1,117,358 and \$1,184,524 as of June 30, 2021 and 2020, respectively.

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

| | 2021 | 2020 |
|---|---------------|---------------|
| Amounts due in: | | |
| Less than one year | \$ 11,256,761 | \$ 6,859,256 |
| One to five years | 27,415,713 | 17,614,271 |
| More than five years | 10,786,175 | 9,020,000 |
| Less: Discount to present value | (2,943,505) | (2,132,073) |
| Less: Allowance for uncollectable pledges | (1,117,358) | (1,184,524) |
| | \$ 45,397,786 | \$ 30,176,930 |

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% 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% 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:

| | |
|---------------------|--------------|
| 2022 | \$ 527,667 |
| 2023 | 273,369 |
| 2024 | 279,930 |
| 2025 | 286,649 |
| 2026 | 293,528 |
| Thereafter | 3,151,818 |
| Total principal due | \$ 4,812,961 |

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 - LIQUIDITY

The following chart represents TCF's financial assets available to meet cash needs for general expenditure within one year as of June 30, 2021 and 2020. Amounts not available include amounts set aside for long-term investing in the endowment that is unavailable for expenditure, beneficial interest in trusts, and

The Campanile Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

noncurrent portions of notes receivable and pledge receivables. Financial assets are considered unavailable if not liquid or convertible within one year.

TCF commitments to campus programs and student scholarships are dependent on available resources. For example, as mentioned in Note 3, TCF has established an annual spending rate of 4.0% of endowment principal based upon a rolling three-year average market value. 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" dividends and interest income.

| | 2021 | 2020 |
|---|---------------|---------------|
| Cash equivalents | \$ - | \$ - |
| Short-term investments | 19,287,261 | 11,626,980 |
| Long-term investments | 425,054,314 | 361,931,616 |
| Pledges receivable, net | 45,397,786 | 30,176,930 |
| Note receivable | 4,812,961 | 4,812,961 |
| Due from affiliate | 19,334,147 | 16,865,205 |
| Beneficial interest in trusts | 4,216,816 | 4,156,947 |
| Other receivables, net | 2,362,790 | 2,148,139 |
| Total financial assets | 520,466,075 | 431,718,778 |
| Less financial assets unavailable for general expenditure within one year | | |
| Long-term investments | (425,054,314) | (361,931,616) |
| Noncurrent portion of note receivable | (4,285,294) | (4,552,256) |
| Noncurrent portion of pledge receivable | (35,465,864) | (24,616,766) |
| Beneficial interest in trusts | (4,216,816) | (4,156,947) |
| Liquid financial assets available within one year | \$ 51,443,787 | \$ 36,461,193 |

NOTE 10 - SUBSEQUENT EVENTS

TCF has evaluated subsequent events through September 10, 2021, 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.

SUPPLEMENTAL INFORMATION

The Campanile Foundation
SCHEDULE OF NET POSITION
June 30, 2021
(for inclusion in the California State University)

ASSETS

Current assets

| | | |
|---|----|-------------------|
| Cash and cash equivalents | \$ | - |
| Short-term investments | | 19,287,261 |
| Accounts receivable, net | | 21,523,704 |
| Capital lease receivable, current portion | | - |
| Notes receivable, current portion | | 527,667 |
| Pledges receivable, net | | 11,049,280 |
| Prepaid expenses and other current assets | | <u>173,233</u> |
| Total current assets | | <u>52,561,145</u> |

Noncurrent assets

| | | |
|--|--|------------------------------|
| Restricted cash and cash equivalents | | - |
| Accounts receivable, net | | - |
| Capital lease receivable, net of current portion | | - |
| Notes receivable, net of current portion | | 4,285,294 |
| Student loans receivable, net | | - |
| Pledges receivable, net | | 34,348,506 |
| Endowment investments | | 399,709,864 |
| Other long-term investments | | 25,344,450 |
| Capital assets, net | | - |
| Other assets | | <u>4,216,816</u> |
| Total noncurrent assets | | <u>467,904,930</u> |
| Total assets | | <u><u>\$ 520,466,075</u></u> |

The Campanile Foundation

SCHEDULE OF NET POSITION - CONTINUED

June 30, 2021

(for inclusion in the California State University)

Deferred outflows of resources

| | |
|--------------------------------------|---------|
| Unamortized loss on debt refunding | \$ - |
| Net pension liability | - |
| Net OPEB liability | - |
| Others | - |
| | <hr/> |
| Total deferred outflows of resources | <hr/> - |

LIABILITIES

Current liabilities

| | |
|---|------------------|
| Accounts payable | 8,375,538 |
| Accrued salaries and benefits | - |
| Accrued compensated absences, current portion | - |
| Unearned revenues | 586,887 |
| 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 | 39,298,298 |
| | <hr/> |
| Total current liabilities | <hr/> 48,260,723 |

Noncurrent liabilities

| | |
|--|---------------------------|
| Accrued compensated absences, net of current portion | - |
| Unearned revenues | 3,952,686 |
| 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 | 2,879,043 |
| | <hr/> |
| Total noncurrent liabilities | <hr/> 6,831,729 |
| | <hr/> |
| Total liabilities | <hr/> <hr/> \$ 55,092,452 |

The Campanile Foundation

SCHEDULE OF NET POSITION - CONTINUED

June 30, 2021

(for inclusion in the California State University)

| | | |
|-------------------------------------|----|--------------------|
| Deferred inflows of resources: | | |
| Service concession arrangements | \$ | - |
| Net pension liability | | - |
| Net OPEB liability | | - |
| Unamortized gain on debt refunding | | - |
| Nonexchange transactions | | - |
| Others | | - |
| | | <hr/> |
| Total deferred inflows of resources | | - |
| | | <hr/> |
| Net position: | | |
| Net investment in capital assets | | - |
| Restricted for: | | |
| Nonexpendable – endowments | | 271,158,400 |
| Expendable: | | |
| Scholarships and fellowships | | 22,179,477 |
| Research | | - |
| Loans | | - |
| Capital projects | | - |
| Debt service | | - |
| Others | | 164,912,987 |
| Unrestricted | | 7,122,759 |
| | | <hr/> |
| Total net position | \$ | <u>465,373,623</u> |

The Campanile Foundation

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

June 30, 2021

(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 (enter as negative) | - |
| Other operating revenues | <u>5,612,434</u> |
| Total operating revenues | <u>5,612,434</u> |

Expenses:

Operating expenses:

| | |
|------------------------------------|----------------------------|
| Instruction | - |
| Research | - |
| Public service | - |
| Academic support | 6,041,348 |
| Student services | - |
| Institutional support | 4,731,769 |
| Operation and maintenance of plant | - |
| Student grants and scholarships | 5,370,170 |
| Auxiliary enterprise expenses | - |
| Depreciation and amortization | <u>-</u> |
| Total operating expenses | <u>16,143,287</u> |
| Operating income (loss) | <u>\$ (10,530,853)</u> |

The Campanile Foundation

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

June 30, 2021

(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 | 50,508,716 |
| Investment income (loss), net | 719,196 |
| Endowment income (loss), net | 52,652,281 |
| Interest expense | - |
| Other nonoperating revenues (expenses) - excl. interagency transfers | <u>(73,581,463)</u> |
| Net nonoperating revenues (expenses) | <u>30,298,730</u> |
| Income (loss) before other revenues (expenses) | <u>19,767,877</u> |
| State appropriations, capital | - |
| Grants and gifts, capital | - |
| Additions (reductions) to permanent endowments | <u>48,203,961</u> |
| Increase (decrease) in net position | 67,971,838 |
| Net position: | |
| Net position at beginning of year, as previously reported | 397,401,785 |
| Restatements | <u>-</u> |
| Net position at beginning of year, as restated | <u>397,401,785</u> |
| Net position at end of year | <u>\$ 465,373,623</u> |

The Campanile Foundation

OTHER INFORMATION

June 30, 2021

(for inclusion in the California State University)

1 Cash and cash equivalents:

Portion of restricted cash and cash equivalents related to endowments

All other restricted cash and cash equivalents

Noncurrent restricted cash and cash equivalents

Current cash and cash equivalents

\$ -

-

-

\$ -

Total

-

The Campanile Foundation

OTHER INFORMATION - CONTINUED

June 30, 2021

(for inclusion in the California State University)

2.1 Composition of investments:

| | <u>Current</u> | <u>Noncurrent</u> | <u>Total</u> |
|--|----------------------|----------------------|----------------------|
| Money market funds | \$ 19,235,513 | \$ - | \$ 19,235,513 |
| Repurchase agreements | - | - | - |
| Certificates of deposit | - | - | - |
| U.S. agency securities | - | - | - |
| U.S. treasury securities | - | 47,532,066 | 47,532,066 |
| Municipal bonds | - | - | - |
| Corporate bonds | - | 19,012,826 | 19,012,826 |
| Asset backed securities | - | - | - |
| Mortgage backed securities | - | 28,519,240 | 28,519,240 |
| Commercial paper | - | - | - |
| Mutual funds | - | 77,421,798 | 77,421,798 |
| Exchange traded funds | - | - | - |
| Equity securities | - | 163,887,191 | 163,887,191 |
| Alternative investments: | - | - | - |
| Private equity (including limited partnerships) | - | - | - |
| Hedge funds | - | 32,367,792 | 32,367,792 |
| Managed futures | - | - | - |
| Real estate investments (including REITs) | - | 14,404,527 | 14,404,527 |
| Commodities | - | 17,298,098 | 17,298,098 |
| Derivatives | - | - | - |
| Other alternative investment | - | - | - |
| Other external investment pools | - | - | - |
| CSU Consolidated Investment Pool (formerly SWIFT) | - | - | - |
| State of California Local Agency Investment Fund (LAIF) | - | - | - |
| State of California Surplus Money Investment Fund (SMIF) | - | - | - |
| Other investments: | - | - | - |
| Deferred gifts | - | 16,581,466 | 16,581,466 |
| Other investments | 51,748 | 8,029,310 | 8,081,058 |
| Total investments | <u>19,287,261</u> | <u>425,054,314</u> | <u>444,341,575</u> |
| Less endowment investments (enter as negative number) | <u>-</u> | <u>(399,709,864)</u> | <u>(399,709,864)</u> |
| Total investments, net of endowments | <u>\$ 19,287,261</u> | <u>\$ 25,344,450</u> | <u>\$ 44,631,711</u> |

The Campanile Foundation

OTHER INFORMATION - CONTINUED

June 30, 2021

(for inclusion in the California State University)

2.2 Fair value hierarchy in investments:

| | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | NAV |
|--|-----------------------|---|---|--|-----------------------|
| Money market funds | \$ 19,235,513 | \$ 19,235,513 | \$ - | \$ - | \$ - |
| Repurchase agreements | - | - | - | - | - |
| Certificates of deposit | - | - | - | - | - |
| U.S. agency securities | - | - | - | - | - |
| U.S. treasury securities | 47,532,066 | - | - | - | 47,532,066 |
| Municipal bonds | - | - | - | - | - |
| Corporate bonds | 19,012,826 | - | - | - | 19,012,826 |
| Asset backed securities | - | - | - | - | - |
| Mortgage backed securities | 28,519,240 | - | - | - | 28,519,240 |
| Commercial paper | - | - | - | - | - |
| Mutual funds | 77,421,798 | 28,248,287 | 31,561,131 | - | 17,612,380 |
| Exchange traded funds | - | - | - | - | - |
| Equity securities | 163,887,191 | 104,375,378 | - | 44,852,039 | 14,659,774 |
| Alternative investments: | | | | | |
| Private equity (including limited partnerships) | - | - | - | - | - |
| Hedge funds | 32,367,792 | 6,795,648 | 10,962,602 | 569,025 | 14,040,517 |
| Managed futures | - | - | - | - | - |
| Real estate investments (including REITs) | 14,404,527 | - | - | - | 14,404,527 |
| Commodities | 17,298,098 | 5,427,778 | - | - | 11,870,320 |
| Derivatives | - | - | - | - | - |
| Other alternative investment | - | - | - | - | - |
| Other external investment pools | - | - | - | - | - |
| CSU Consolidated Investment Pool (formerly SWIFT) | - | - | - | - | - |
| State of California Local Agency Investment Fund (LAIF) | - | - | - | - | - |
| State of California Surplus Money Investment Fund (SMIF) | - | - | - | - | - |
| Other investments: | | | | | |
| Deferred gifts | 16,581,466 | 16,581,466 | - | - | - |
| Other investments | 8,081,058 | 757,116 | - | - | 7,323,942 |
| Total investments | \$ 444,341,575 | \$ 181,421,186 | \$ 42,523,733 | \$ 45,421,064 | \$ 174,975,592 |

The Campanile Foundation

OTHER INFORMATION - CONTINUED

June 30, 2021

(for inclusion in the California State University)

2.3 Investments held by the University under contractual agreements:

| | <u>Current</u> | <u>Noncurrent</u> | <u>Total</u> |
|---|----------------|-------------------|--------------|
| Investments held by the University under contractual agreements (e.g., CSU Consolidated Investment Pool (formerly SWIFT): | \$ - | \$ - | \$ - |

The Campanile Foundation
OTHER INFORMATION - CONTINUED
 June 30, 2021
 (for inclusion in the California State University)

5 Capital lease obligations schedule:

| | Capital Lease Obligations Related to SRB | | | All Other Capital Lease Obligations | | | Total Capital Lease Obligations | | |
|--|--|---------------|------------------------|-------------------------------------|---------------|------------------------|---------------------------------|---------------|------------------------|
| | Principal Only | Interest Only | Principal and Interest | Principal Only | Interest Only | Principal and Interest | Principal Only | Interest Only | Principal and Interest |
| Year ending June 30: | | | | | | | | | |
| 2022 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2023 | - | - | - | - | - | - | - | - | - |
| 2024 | - | - | - | - | - | - | - | - | - |
| 2025 | - | - | - | - | - | - | - | - | - |
| 2026 - 2030 | - | - | - | - | - | - | - | - | - |
| 2031 - 2035 | - | - | - | - | - | - | - | - | - |
| 2036 - 2040 | - | - | - | - | - | - | - | - | - |
| 2041 - 2045 | - | - | - | - | - | - | - | - | - |
| 2046 - 2050 | - | - | - | - | - | - | - | - | - |
| 2051 - 2055 | - | - | - | - | - | - | - | - | - |
| 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 (Non-SRB Related) | | | 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: | | | | | | | | | |
| 2022 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2023 | - | - | - | - | - | - | - | - | - |
| 2024 | - | - | - | - | - | - | - | - | - |
| 2025 | - | - | - | - | - | - | - | - | - |
| 2026 - 2030 | - | - | - | - | - | - | - | - | - |
| 2031 - 2035 | - | - | - | - | - | - | - | - | - |
| 2036 - 2040 | - | - | - | - | - | - | - | - | - |
| 2041 - 2045 | - | - | - | - | - | - | - | - | - |
| 2046 - 2050 | - | - | - | - | - | - | - | - | - |
| 2051 - 2055 | - | - | - | - | - | - | - | - | - |
| 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

June 30, 2021

(for inclusion in the California State University)

7 Transactions with related entities:

| | | |
|--|----|--------------|
| Payments to University for salaries of University personnel working on contracts, grants, and other programs | \$ | 503,627 |
| Payments to University for other than salaries of University personnel | | 728,197 |
| Payments received from University for services, space, and programs | | - |
| Gifts-in-kind to the University from discretely presented component units | | 3,576,890 |
| Gifts (cash or assets) to the University from discretely presented component units | | 34,900,367 |
| Accounts (payable to) University (enter as negative number) | | (11,258,435) |
| Other amounts (payable to) University (enter as negative number) | | - |
| Accounts receivable from University (enter as positive number) | | 9,015 |
| Other amounts receivable from University (enter as positive number) | | 753,765 |

8 Restatements/Prior period adjustments:

| | |
|----------------|-------------------------------|
| Transaction #1 | Enter transaction description |
| Transaction #2 | Enter transaction description |

The Campanile Foundation

OTHER INFORMATION - CONTINUED

June 30, 2021
(for inclusion in the California State University)

9 Natural classifications of operating expenses:

| | Salaries | Benefit - Other | Benefits - Pension | Benefits - OPEB | Scholarships and Fellowships | Supplies and Other Services | Depreciation and Amortization | Total Operating Expenses |
|------------------------------------|---------------------|-------------------|--------------------|-----------------|------------------------------|-----------------------------|-------------------------------|--------------------------|
| Instruction | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Research | - | - | - | - | - | - | - | - |
| Public service | - | - | - | - | - | - | - | - |
| Academic support | 3,141,077 | 742,767 | - | - | - | 2,157,504 | - | 6,041,348 |
| Student services | - | - | - | - | - | - | - | - |
| Institutional support | 206,319 | 32,028 | - | - | - | 4,493,422 | - | 4,731,769 |
| Operation and maintenance of plant | - | - | - | - | - | - | - | - |
| Student grants and scholarships | - | - | - | - | 5,370,170 | - | - | 5,370,170 |
| Auxiliary enterprise expenses | - | - | - | - | - | - | - | - |
| Depreciation and amortization | - | - | - | - | - | - | - | - |
| Total operating expenses | <u>\$ 3,347,396</u> | <u>\$ 774,795</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,370,170</u> | <u>\$ 6,650,926</u> | <u>\$ -</u> | <u>\$ 16,143,287</u> |

10 Deferred outflows/inflows of resources:

1. Deferred Outflows of Resources

| | |
|---|-------------|
| Deferred outflows - unamortized loss on refunding(s) | \$ - |
| Deferred outflows - net pension liability | - |
| Deferred outflows - net OPEB liability | - |
| Deferred outflows - others: | - |
| Sales/intra-entity transfers of future revenues | - |
| Gain/loss on sale leaseback | - |
| Loan origination fees and costs | - |
| Change in fair value of hedging derivative instrument | - |
| Irrevocable split-interest agreements | - |
| Total deferred outflows - others | - |
| Total deferred outflows of resources | <u>\$ -</u> |

2. Deferred Inflows of Resources

| | |
|---|-------------|
| Deferred inflows - service concession arrangements | - |
| Deferred inflows - net pension liability | - |
| Deferred inflows - net OPEB liability refunding(s) | - |
| Deferred inflows - nonexchange transactions | - |
| Deferred inflows - others: | - |
| Sales/intra-entity transfers of future revenues | - |
| Gain/loss on sale leaseback | - |
| Loan origination fees and costs | - |
| Change in fair value of hedging derivative instrument | - |
| Irrevocable split-interest agreements | - |
| Total deferred inflows - others | - |
| Total deferred inflows of resources | <u>\$ -</u> |

11 Other nonoperating revenues (expenses)

| | |
|---|------------------------|
| Other nonoperating revenues | \$ - |
| Other nonoperating (expenses) | (73,581,463) |
| Total other nonoperating revenues (expenses) | <u>\$ (73,581,463)</u> |