

**CAL STATE EAST BAY  
EDUCATIONAL FOUNDATION, INC.  
(a Component Unit of California State University, East Bay)**

Financial Statements  
and Supplementary Information

Year Ended June 30, 2017

(With Independent Auditor's Report Thereon)

**CAL STATE EAST BAY EDUCATIONAL FOUNDATION, INC.**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Cal State East Bay Educational Foundation, Inc.  
Hayward, California

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

We have audited the accompanying financial statements of the business-type activities, of the Cal State East Bay Educational Foundation, Inc., a component unit of California State University, East Bay, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Cal State East Bay Educational Foundation, Inc. as of June 30, 2017, and the changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cal State East Bay Educational Foundation, Inc.’s basic financial statements. The schedule of net position, the schedule of revenues, expenses, and changes in net position, and other information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of the Cal State East Bay Educational Foundation, Inc., referred to above, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2017, on our consideration of the Cal State East Bay Educational Foundation, Inc.'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 result of that testing, and not to provide an opinion on the effectiveness of Cal State East Bay Educational Foundation, Inc.’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 Cal State East Bay Educational Foundation, Inc.’s internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
September 15, 2017

## CAL STATE EAST BAY EDUCATIONAL FOUNDATION, INC.

Management's Discussion and Analysis

Year Ended June 30, 2017

(Unaudited)

This section of Cal State East Bay Educational Foundation, Inc.'s (Educational Foundation) annual financial report includes some of management's insights and analyses of the Educational Foundation's financial performance for the year ended June 30, 2017. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes.

### Financial Highlights

- Non-current assets increased by \$0.7 million due to an increase in investments from an improved financial performance during the year partially offset by a decrease in pledge receivables.
- Current liabilities increased by \$1.3 million due to the recording of the contribution made to the University for the STEM capital project.
- Operating revenues increased by \$0.6 million as a result of an increase in gifts received in the current year for the Rising in the East campaign and for permanent endowments. These increases were partially offset by a decrease in capital gifts received during the year.
- Operating expenses increased by \$3.4 million due to the increase in the contributions to the University including for the STEM capital project.
- Non-operating revenues (expenses) increased by \$2.4 million due to the increase in the value of invested funds during the year.

### Overview of the Basic Financial Statements

The annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 35, Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities. This standard is applicable to the Educational Foundation because it is a component unit of California State University, East Bay (University). Consistent with the University, the Educational Foundation has adopted the Business-Type Activity (BTA) reporting model to represent its activities.

The financial statements include: the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows. These statements are supported in the annual report by the notes to the financial statements and this section. All sections should be considered together to obtain a complete understanding of the financial picture of the Educational Foundation.

*Statement of Net Position:* The statement of net position includes all assets and liabilities of the Educational Foundation. It is prepared under the accrual basis of accounting, whereby revenues and receivables are recognized when the service is provided and expenses and liabilities are recognized when incurred, regardless of when cash is exchanged. It also identifies major categories of restrictions on the net position of the Educational Foundation.

*Statement of Revenues, Expenses, and Changes in Net Position:* The statement of revenues, expenses, and changes in net position presents the revenues earned and expenses incurred during the year on an accrual basis.

*Statement of Cash Flows:* The statement of cash flows presents the inflows and outflows of cash, summarized by operating, noncapital financing, capital and related financing, and investing activities. The statement is prepared using the direct method of cash flows, and therefore, presents gross rather than net amounts for the year's operating activities.

**CAL STATE EAST BAY EDUCATIONAL FOUNDATION, INC.**  
Management's Discussion and Analysis (Continued)  
Year Ended June 30, 2017  
(Unaudited)

*Notes to Financial Statements:* The notes to financial statements provide additional information that are essential to a full understanding of the data provided in the Educational Foundation's financial statements. The notes are included immediately following the basic financial statements within this report.

A summary of key financial statement information is presented below:

**Statements of Net Position**

|                     | <b>2017</b>   | <b>2016</b>   |
|---------------------|---------------|---------------|
| Assets:             |               |               |
| Current assets      | \$ 8,367,337  | \$ 8,194,674  |
| Noncurrent assets   | 12,168,040    | 11,482,702    |
| Total Assets        | 20,535,377    | 19,677,376    |
| Liabilities:        |               |               |
| Current liabilities | 1,944,975     | 654,518       |
| Net Position:       |               |               |
| Restricted:         |               |               |
| Nonexpendable       | 11,166,341    | 10,225,472    |
| Expendable          | 7,007,410     | 8,413,206     |
| Unrestricted        | 416,651       | 384,180       |
| Total net position  | \$ 18,590,402 | \$ 19,022,858 |

Current assets slightly increased by 2% to \$8.4 million due to a 22% increase in investments offset by a 71% decrease in cash. Investments increased to \$7.0 million as a result of an improved financial performance experienced in the current year as compared to the previous year. This increase was partially offset by a decrease in the cash balance to \$0.4 million mainly due to the contribution made to the University at year-end for the STEM capital project.

Noncurrent assets increased by 6% to \$12.1 million in fiscal year 2017. A 9% increase in the value of non-current investments from improved financial performance was partially offset by a 20% decrease in non-current pledge receivables.

Current liabilities increased by 197% to \$1.9 million. This increase was due to the \$1.3 million contribution made to the University for the STEM capital project coupled by a 9% increase in agency liabilities.

Net position decreased slightly by 2% in fiscal year 2017 due to a decrease of 100% from \$2.5 million in the restricted for expendable capital project, which was partially offset by increases of 9% to \$11.2 million in the nonexpendable net position, 49% to \$3 million in restricted for expendable scholarships, 3% to \$4 million in restricted for expendable other programs and 8% to \$4 million in the unrestricted net position.

**CAL STATE EAST BAY EDUCATIONAL FOUNDATION, INC.**  
 Management's Discussion and Analysis (Continued)  
 Year Ended June 30, 2017  
 (Unaudited)

The decrease in the restricted for expendable capital project was due to the contributions made to the University in fiscal year 2017 for the STEM capital project, while the increases in the other components of net position were the result of improved financial performance of investments. The restricted for other programs net position is comprised of the investment activities that fund non-scholarship programs which makes up approximately \$2.3 million of the balance. The remaining balance consists of gift pledges of \$1.7 million net of allowances for discounts and doubtful accounts.

**Statements of Revenues, Expenses and  
 Changes in Net Position**

|                                  | <b>2017</b>   | <b>2016</b>   |
|----------------------------------|---------------|---------------|
| Operating revenues               | \$ 2,608,676  | \$ 1,959,032  |
| Operating expenses               | 4,868,007     | 1,454,333     |
| Operating (loss) income          | (2,259,331)   | 504,699       |
| Nonoperating revenues (expenses) | 1,826,875     | (531,379)     |
| Decrease in net position         | (432,456)     | (26,680)      |
| Net position, beginning of year  | 19,022,858    | 19,049,538    |
| Net position, end of year        | \$ 18,590,402 | \$ 19,022,858 |

Operating revenues increased by 33% to \$2.6 million in fiscal year 2017 due to gifts received in the current year for the Rising in the East campaign. Gifts, non-capital increased by 160% to \$1.4 million from new pledges mainly for the Rising in the East campaign. Additions to permanent endowment increased by \$0.9 million from new pledges and due to the withdrawal in the previous year of the Sabharwal Chair in Sikh endowed fund. The increase in gifts, non-capital was partially offset by a decrease in the gifts, capital due to no new gifts.

Operating expenses increased by 235% to \$4.9 million mainly due to a \$3.4 million increase in contributions made to the University for capital projects and a slight increase in accounting and administrative expenses incurred during the year due to the increased transaction count utilized for the calculation of allocated costs.

Nonoperating revenues (expenses) ended the year as a net revenue of \$1.8 million. The increase against fiscal year 2016 was the result of investment gains from an improved financial performance in fiscal year 2017.

**Request for Information**

The financial report is designed to provide a general overview of the Educational Foundation's finances. For questions concerning any information in this report or for additional financial information, contact Debra Chaw, Vice President, Administration and Finance / Chief Financial Officer, California State University East Bay, 25800 Carlos Bee Boulevard, Hayward, California 94542 or call (510)885-3834.

**CAL STATE EAST BAY EDUCATIONAL FOUNDATION, INC.**

Statement of Net Position

June 30, 2017

ASSETS:

Current assets

|                        |    |                  |
|------------------------|----|------------------|
| Cash                   | \$ | 422,123          |
| Investments            |    | 7,019,638        |
| Accounts receivable    |    | 194,282          |
| Pledge receivable, net |    | 731,294          |
| Total current assets   |    | <u>8,367,337</u> |

Noncurrent assets:

|                         |  |                   |
|-------------------------|--|-------------------|
| Investments             |  | 11,166,341        |
| Pledge receivable, net  |  | 1,001,699         |
| Total noncurrent assets |  | <u>12,168,040</u> |

Total assets

20,535,377

LIABILITIES:

Current liabilities

|                    |  |                  |
|--------------------|--|------------------|
| Accounts payable   |  | 1,236,082        |
| Agency liabilities |  | 708,893          |
| Total liabilities  |  | <u>1,944,975</u> |

NET POSITION:

Restricted for:

|                              |  |            |
|------------------------------|--|------------|
| Nonexpendable-endowments     |  | 11,166,341 |
| Expendable:                  |  |            |
| Scholarships and fellowships |  | 2,977,903  |
| Other Programs               |  | 4,029,507  |

Unrestricted

416,651

Total net position

\$ 18,590,402

See accompanying notes to financial statements.



**CAL STATE EAST BAY EDUCATIONAL FOUNDATION, INC.**

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2017

Revenues:

Operating revenues

|                                   |    |                  |
|-----------------------------------|----|------------------|
| Gifts, non-capital                | \$ | 1,434,684        |
| In-kind contributions             |    | 7,697            |
| Additions to permanent endowments |    | 944,089          |
| Other operating revenues          |    | 222,206          |
| Total operating revenues          |    | <u>2,608,676</u> |

Expenses:

Operating expenses:

|   |  |                    |
|---|--|--------------------|
| Contributions to support activities of the University |  | 4,675,052          |
| Accounting and administrative cost                    |  | 192,955            |
| Total operating expenses                              |  | <u>4,868,007</u>   |
| Net operating loss                                    |  | <u>(2,259,331)</u> |

Nonoperating revenues:

|                             |  |                  |
|-----------------------------|--|------------------|
| Investment gains, net       |  | 1,679,466        |
| Investment income, net      |  | 147,409          |
| Total nonoperating revenues |  | <u>1,826,875</u> |

|                          |  |           |
|--------------------------|--|-----------|
| Decrease in net position |  | (432,456) |
|--------------------------|--|-----------|

|                                 |  |                   |
|---------------------------------|--|-------------------|
| Net position, beginning of year |  | <u>19,022,858</u> |
|---------------------------------|--|-------------------|

|                           |    |                   |
|---------------------------|----|-------------------|
| Net position, end of year | \$ | <u>18,590,402</u> |
|---------------------------|----|-------------------|

See accompanying notes to financial statements.

**CAL STATE EAST BAY EDUCATIONAL FOUNDATION, INC.**

Statement of Cash Flows

Year Ended June 30, 2017

|  |                     |
|--|---------------------|
| Cash flows from operating activities:  |                     |
| Receipts from contributors   | \$ 2,691,678        |
| Payments for contributions to the University   | (4,675,052)         |
| Payments for accounting and administrative costs                                       | (192,955)           |
| Other operating cash flows   | 1,503,364           |
| Net cash used in operating activities  | <u>(672,965)</u>    |
| <br>   |                     |
| Cash flows from investing activities:  |                     |
| Purchases of investments   | (6,915,117)         |
| Sales of investments   | 6,237,981           |
| Investment gain, net   | 319,635             |
| Net cash used in investing activities  | <u>(357,501)</u>    |
| <br>   |                     |
| Net decrease in cash   | (1,030,466)         |
| <br>   |                     |
| Cash, beginning of year  | <u>1,452,589</u>    |
| Cash, end of year  | <u>\$ 422,123</u>   |
| <br>   |                     |
| Reconciliation of operating income to net cash used in operating operating activities: |                     |
| Operating loss   | \$ (2,259,331)      |
| Adjustments to reconcile operating income to   |                     |
| Net cash used in operating activities:   |                     |
| Changes in operating assets and liabilities:   |                     |
| Accounts receivable  | (9,299)             |
| Pledges receivable, net  | 305,208             |
| Accounts payable   | 1,234,453           |
| Agency liabilities   | 56,004              |
| Net cash used in operating activities  | <u>\$ (672,965)</u> |
| <br>   |                     |
| Supplemental schedule of noncash transactions:   |                     |
| Change in fair value of investments  | <u>\$ 1,507,240</u> |

See accompanying notes to financial statements.

**CAL STATE EAST BAY EDUCATIONAL FOUNDATION, INC.**  
Notes to Financial Statements  
Year Ended June 30, 2017

**(1) Organization and Summary of Significant Accounting Policies**

**(a) Nature of Activities**

Cal State East Bay Educational Foundation, Inc. (Educational Foundation) is a California tax-exempt, nonprofit corporation organized in 1963 as the Cal State-Affiliates to support California State University, East Bay (University). The Educational Foundation promotes private sector support for educational activities to supplement state support. Contributions to the Educational Foundation support scholarships and other University programs.

**(b) Financial Reporting Entity**

The basic financial statements include the accounts of the Educational Foundation. The Educational Foundation is a government organization under accounting principles generally accepted in the United States of America (U.S. GAAP) and is also a component unit of the University, a public university under the California State University system. The Educational Foundation has chosen to use the reporting model for special-purpose governments engaged only in business-type activities.

**(c) Basis of Presentation**

The basic financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. GAAP as prescribed by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Voluntary nonexchange transactions are recognized as revenue as soon as all eligibility requirements have been met.

**(d) Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

**(e) Cash**

The Educational Foundation considers highly liquid investments with a maturity of three months or less to be cash and cash equivalents.

**(f) Pledges Receivable**

Pledges that are expected to be collected within one year are reflected as current and are recorded at their net realizable value. Pledges that are due in subsequent years are reflected as noncurrent and are discounted to their present value using risk adjusted rates. The discount rate for the year ended June 30, 2017 was 2.73%. Allowance for uncollectible pledges is provided based on management's judgment, considering such factors as prior collection history, type of contribution, relationship with the donor, and other relevant factors.

**CAL STATE EAST BAY EDUCATIONAL FOUNDATION, INC.**

Notes to Financial Statements

Year ended June 30, 2017

**(g) Investments**

Investments are reflected at fair value using quoted market prices. Earnings, gains, and losses are included in the statements of revenues, expenses, and changes in net position as investment gains (losses), net or investment income, net. Earnings, gains, or losses on donor restricted endowments are available or deducted from donor-designated purposes, primarily scholarships, and are presented separately under nonoperating revenues (expenses) in the accompanying statement of revenues, expenses, and changes in net position.

**(h) Property and Equipment**

Property and equipment are stated at cost, net of accumulated depreciation. Expenses for maintenance and repairs are charged against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets of three years. The Educational Foundation's property and equipment are fully depreciated and therefore, do not appear in this report.

**(i) Agency Liabilities**

The Educational Foundation administers monies and investments for the California State University East Bay Alumni Association and other University programs. Such funds are reported as agency liabilities in the accompanying statement of net position.

**(j) In-kind Contributions**

In-kind contributions are composed of miscellaneous tangible items and reported at fair value. All items greater than \$5,000 require a professional appraisal and the remainder are valued by the donor.

**(k) Net Position**

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

- *Restricted - Expendable*: Net position subject to externally imposed conditions that can be fulfilled by the actions of the Educational Foundation or by the passage of time.
- *Restricted - Nonexpendable*: Net position subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity for the purpose of generating investment income to fund the agreed-upon purpose of the donor's gift.
- *Unrestricted*: All other categories of net position, including those net position designated by the board and management.

**(l) Classification of Revenues and Expenses**

The Educational Foundation considers operating revenues and expenses in the statements of revenues, expenses, and changes in net position to be those revenues and expenses that result from exchange transactions or from other activities that are connected directly with the Educational Foundation's primary functions. Exchange transactions include charges for services rendered and the acquisition of goods and services. Certain other transactions are reported as nonoperating revenues and expenses in

**CAL STATE EAST BAY EDUCATIONAL FOUNDATION, INC.**

Notes to Financial Statements

Year ended June 30, 2017

accordance with GASB Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities-an amendment of GASB Statement No. 34*. These nonoperating activities include the Educational Foundation's net investment income and interest expense.

**(m) Services and Facilities**

Certain administrative personnel and office facilities provided to the Educational Foundation by the University were subject to reimbursement through the University cost recovery process. As these services and facilities have been priced via an objective valuation process, the related expenses have been reflected in the financial statements of the Educational Foundation as reimbursements to the University.

**(n) Income Taxes**

The Educational Foundation is exempt from Federal and State corporate income taxes under Internal Revenue Service Code Section 501(c)(3) and California Revenue and Taxation Service Code 23701d. In addition, the Educational Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1). However, the Educational Foundation remains subject to taxes on any net income which is derived from a trade or business, regularly carried on, and unrelated to its exempt purpose.

The Educational Foundation recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There are no amounts accrued in the financial statements related to uncertain tax positions.

The Educational Foundation files informational and income tax returns in the United States and various state and local jurisdictions. The Educational Foundation's Federal income tax and informational returns are subject to examination by the Internal Revenue Service and state taxing authorities generally for 3 and 4 years, respectively, after the returns were filed.

**(2) Investments**

With respect to its investment decision making, the Educational Foundation considers factors such as general economic conditions, possible effects of inflation or deflation, expected total return, availability of other resources, the needs of the University, and preservation of capital. Investment decisions are made in the context of the entire portfolio viewed as a whole.

The desired target for distributions from endowment funds for each year will be amounts that, over time, will result in the retention of earnings in the endowments equal to the rate of inflation plus 0% to 5%, after payment of investment, administration fees and distributions. In order to provide stability in distribution amounts over time, the Educational Foundation's approved overall distribution percentage will be no more than 4% times the average of the quarter-end balances of endowment and quasi-endowment values over the preceding twelve quarters as of March 31.

**CAL STATE EAST BAY EDUCATIONAL FOUNDATION, INC.**  
Notes to Financial Statements  
Year ended June 30, 2017

Investments consist of the following as of June 30, 2017:

|                           |    |               |
|---------------------------|----|---------------|
| Equity securities         | \$ | 13,065,025    |
| U.S. treasury securities  |    | 1,107,573     |
| Municipal bonds           |    | 872,943       |
| U.S. agency securities    |    | 211,170       |
| Mutual funds              |    | 536,156       |
| Corporate bonds           |    | 1,940,141     |
| Money market mutual funds |    | 452,971       |
|                           |    | \$ 18,185,979 |
|                           |    | \$ 18,185,979 |

Nonoperating revenues, net, consists of the following for the year ended June 30, 2017:

|                                     |    |              |
|-------------------------------------|----|--------------|
| Realized and unrealized gains       | \$ | 1,679,466    |
| Interest and dividends, net of fees |    | 147,409      |
|                                     |    | \$ 1,826,875 |
|                                     |    | \$ 1,826,875 |

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations. This is measured by the assignment of ratings by nationally recognized statistical rating organizations. The Educational Foundation's investment policy generally prohibits investments in the following vehicles: private placements, venture capital investments, real estate properties, futures contracts, options, short sales, or margin sales. Investments in cash equivalents, fixed income securities, equity securities and mutual funds are done in a diversified manner that is risk averse with an objective of minimize risk while obtaining a reasonable return. The Educational Foundation's investment policy dictates a diverse asset allocation as follows: equities (10-80%), fixed income (20-50%), cash (0-10%), and alternative investments (10-35%). The investment consultant is provided a maximum and minimum portfolio target for each asset class to ensure proper diversification and to avoid unnecessary risk.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that the Educational Foundation will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The California Government Code and Education Code do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the provision that a financial institution must secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The risk is mitigated in that the Educational Foundation's deposits are maintained at financial institutions that are fully insured or collateralized as required by state law.

**CAL STATE EAST BAY EDUCATIONAL FOUNDATION, INC.**

Notes to Financial Statements

Year ended June 30, 2017

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. Under the Educational Foundation's Investment Policy, no more than five percent (5%) of the total assets of the investments held by Educational Foundation may be invested in the securities of any one issuer. In order to maximize the rate of return in Educational Foundation's long-term investment portfolio while preserving capital and limiting concentration of credit risks, the Educational Foundation's investment policy dictates a diverse asset allocation as follows: equities (10-80%), fixed income (20-50%), cash (0-10%), and alternative investments (10-35%).

**Interest Rate Risk**

Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. As a means of limiting this exposure, short-term investments are limited to relatively liquid instruments such as certificates of deposit, savings accounts, federally guaranteed notes and bills, money market mutual funds.

The following indicates the credit and interest rate risk of investments as of June 30, 2017. The credit ratings listed are for Moody's Investor Services.

|                        | Weighted-Average<br>Duration (Years) | Fair Value   | Rating    |            |            |              |        |
|------------------------|--------------------------------------|--------------|-----------|------------|------------|--------------|--------|
|                        |                                      |              | AAA       | AA         | A          | BBB          | NR     |
| Corporate bonds        | 3.59                                 | \$ 1,940,141 | \$ 39,526 | \$ 141,729 | \$ 674,216 | \$ 1,084,670 | \$ -   |
| Municipal bonds        | 5.05                                 | 872,943      | 160,813   | 638,107    | -          | -            | 74,023 |
| U.S. agency securities | 1.37                                 | 211,170      | 211,170   | -          | -          | -            | -      |

**Fair Value Measurement and Application**

GASB Statement No. 72, *Fair Value Measurement and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Educational Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**CAL STATE EAST BAY EDUCATIONAL FOUNDATION, INC.**  
Notes to Financial Statements  
Year ended June 30, 2017

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The valuation technique utilized to measure the Educational Foundation investments is the market approach using prices and other relevant information generated by market transactions involving identical or comparable assets.

The following shows the investments by fair value level as of June 30, 2017:

| Investment by Fair Value Level                        | <b>Fair Value Measurements Using</b> |   |  |
|---|--------------------------------------|---|--|
|   |                                      | <b>Quoted Prices in<br/>Active Markets for<br/>Identical Assets</b> | <b>Significant Other<br/>Observable Inputs</b> |
|   | <b>6/30/2017</b>                     | <b>(Level 1)</b>  | <b>(Level 2)</b>                               |
| Corporate bonds                                       | \$ 1,940,141                         | \$ 1,294,553  | \$ 645,588                                     |
| Equity securities                                     | 13,065,025                           | 13,065,025  | -  |
| U.S. treasury securities                              | 1,107,573                            | -   | 1,107,573                                      |
| Municipal bonds                                       | 872,943                              | -   | 872,943  |
| U.S. agency securities                                | 211,170                              | 166,171   | 44,999   |
| Money market mutual funds                             | 452,971                              | 452,971   | -  |
| Mutual funds  | 536,156                              | 536,156   | -  |
| <b>Total investments and cash by fair value level</b> | <b>\$ 18,185,979</b>                 | <b>\$ 15,514,876</b>  | <b>\$ 2,671,103</b>                            |

**(3) Pledges Receivable**

Pledges receivable consist of the following at June 30, 2017:

|                                       |                     |
|---------------------------------------|---------------------|
| Receivable in less than one year      | \$ 817,692          |
| Receivable in one to five years       | 1,001,699           |
| Less allowance for doubtful accounts  | (7,713)             |
| Less discount factor to present value | (78,685)            |
|                                       | <u>\$ 1,732,993</u> |

**(4) Related Parties Transactions**

The Educational Foundation may enter into transactions with the other California State University, East Bay Auxiliaries (Associated Students, Inc. of California State University, East Bay and the California State University East Bay Foundation, Inc. (collectively known as the "Auxiliaries")) as well as transactions with the University itself.

The Educational Foundation reimburses the University for certain services to Educational Foundation. The fees for these services for the year ended June 30, 2017 were \$163,568. During the year ended June 30, 2017, the Educational Foundation paid cash and contributed in-kind gifts of \$3,425,557 and \$7,697, respectively to the University. Fees of \$84,853 for services rendered in relation to these gifts were



**CAL STATE EAST BAY EDUCATIONAL FOUNDATION, INC.**

Notes to Financial Statements

Year ended June 30, 2017

deducted from the contributions. These amounts are included as contributions to support activities of the University in the accompanying statement of revenues, expenses, and changes in net position. Gifts of \$60,000 were received from the California State University, East Bay Foundation Inc.

Accounts receivables (payables) at June 30, 2017:

|  |    |                       |
|--|----|-----------------------|
| California State University, East Bay - receivable | \$ | 924                   |
| California State University, East Bay - payable    |    | (1,235,254)           |
|  |    | <u>\$ (1,234,330)</u> |

At June 30, 2017, the Educational Foundation had pledges receivable from members and officers of the Board of Directors in the amounts of \$1,122,873, net of allowances for doubtful accounts and discounts. These pledges receivable are due at various dates through 2022.

**(5) Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of revenues, expenses, and changes in net position. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**OTHER SUPPLEMENTARY INFORMATION  
FOR THE CALIFORNIA STATE UNIVERSITY  
OFFICE OF THE CHANCELLOR**

**Cal State East Bay Educational Foundation, Inc.**  
Schedule of Net Position  
June 30, 2017  
(for inclusion in the California State University)

|  |                      |
|--|----------------------|
| Assets:  |                      |
| Current assets:  |                      |
| Cash and cash equivalents  | \$ 422,123           |
| Short-term investments   | 7,019,638            |
| Accounts receivable, net   | 194,282              |
| Leases receivable, current portion   | —                    |
| Notes receivable, current portion  | —                    |
| Pledges receivable, net  | 731,294              |
| Prepaid expenses and other current assets  | —                    |
| Total current assets   | <u>8,367,337</u>     |
| Noncurrent assets:   |                      |
| Restricted cash and cash equivalents   | —                    |
| Accounts receivable, net   | —                    |
| Leases receivable, net of current portion  | —                    |
| Notes receivable, net of current portion   | —                    |
| Student loans receivable, net  | —                    |
| Pledges receivable, net  | 1,001,699            |
| Endowment investments  | 11,166,341           |
| Other long-term investments  | —                    |
| Capital assets, net  | —                    |
| Other assets   | —                    |
| Total noncurrent assets  | <u>12,168,040</u>    |
| Total assets   | <u>20,535,377</u>    |
| Deferred outflows of resources:  |                      |
| Unamortized loss on debt refunding   | —                    |
| Net pension liability  | —                    |
| Others   | —                    |
| Total deferred outflows of resources   | <u>—</u>             |
| Liabilities:   |                      |
| Current liabilities:   |                      |
| Accounts payable   | 1,236,082            |
| Accrued salaries and benefits  | —                    |
| Accrued compensated absences, current portion                                    | —                    |
| Unearned revenue   | —                    |
| Capitalized lease obligations, current portion                                   | —                    |
| Long-term debt obligations, current portion                                      | —                    |
| Claims liability for losses and loss adjustment expenses, current portion        | —                    |
| Depository accounts  | 708,893              |
| Other liabilities  | —                    |
| Total current liabilities  | <u>1,944,975</u>     |
| Noncurrent liabilities:  |                      |
| Accrued compensated absences, net of current portion                             | —                    |
| Unearned revenue   | —                    |
| Grants refundable  | —                    |
| Capitalized 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  | —                    |
| Other postemployment benefits obligations  | —                    |
| Net pension liability  | —                    |
| Other liabilities  | —                    |
| Total noncurrent liabilities   | <u>—</u>             |
| Total liabilities  | <u>1,944,975</u>     |
| Deferred inflows of resources:   |                      |
| Service concession arrangements  | —                    |
| Net pension liability  | —                    |
| Unamortized gain on debt refunding   | —                    |
| Nonexchange transactions   | —                    |
| Others   | —                    |
| Total deferred inflows of resources  | <u>—</u>             |
| Net Position:  |                      |
| Net investment in capital assets   | —                    |
| Restricted for:  |                      |
| Nonexpendable – endowments   | 11,166,341           |
| Expendable:  |                      |
| Scholarships and fellowships   | 2,977,903            |
| Research   | —                    |
| Loans  | —                    |
| Capital projects   | —                    |
| Debt service   | —                    |
| Others   | 4,029,507            |
| Unrestricted   | 416,651              |
| Total net position   | <u>\$ 18,590,402</u> |

**Cal State East Bay Educational Foundation, Inc.**  
Schedule of Revenues, Expenses, and Changes in Net Position  
Year Ended June 30, 2017  
(for inclusion in the California State University)

|   |                      |
|---|----------------------|
| Revenues:   |                      |
| Operating revenues:   |                      |
| Student tuition and fees (net of scholarship allowances of \$ _____)                    | \$ —                 |
| Grants and contracts, noncapital:   |                      |
| Federal   | —                    |
| State   | —                    |
| Local   | —                    |
| Nongovernmental   | —                    |
| Sales and services of educational activities  | —                    |
| Sales and services of auxiliary enterprises (net of scholarship allowances of \$ _____) | —                    |
| Other operating revenues  | —                    |
| Total operating revenues  | <u>—</u>             |
| Expenses:   |                      |
| Operating expenses:   |                      |
| Instruction   | —                    |
| Research  | —                    |
| Public service  | —                    |
| Academic support  | —                    |
| Student services  | —                    |
| Institutional support   | —                    |
| Operation and maintenance of plant  | —                    |
| Student grants and scholarships   | —                    |
| Auxiliary enterprise expenses   | 4,868,007            |
| Depreciation and amortization   | —                    |
| Total operating expenses  | <u>4,868,007</u>     |
| Operating income (loss)   | <u>(4,868,007)</u>   |
| Nonoperating revenues (expenses):   |                      |
| State appropriations, noncapital  | —                    |
| Federal financial aid grants, noncapital  | —                    |
| State financial aid grants, noncapital  | —                    |
| Local financial aid grants, noncapital  | —                    |
| Nongovernmental and other financial aid grants, noncapital                              | —                    |
| Other federal nonoperating grants, noncapital   | —                    |
| Gifts, noncapital   | 1,442,381            |
| Investment income (loss), net   | 1,679,466            |
| Endowment income (loss), net  | 147,409              |
| Interest expense  | —                    |
| Other nonoperating revenues (expenses)  | 222,206              |
| Net nonoperating revenues (expenses)  | <u>3,491,462</u>     |
| Income (loss) before other revenues (expenses)  | <u>(1,376,545)</u>   |
| State appropriations, capital   | —                    |
| Grants and gifts, capital   | —                    |
| Additions (reductions) to permanent endowments  | 944,089              |
| Increase (decrease) in net position   | <u>(432,456)</u>     |
| Net position:   |                      |
| Net position at beginning of year, as previously reported                               | 19,022,858           |
| Restatements  | —                    |
| Net position at beginning of year, as restated  | <u>19,022,858</u>    |
| Net position at end of year   | <u>\$ 18,590,402</u> |

**Cal State East Bay Educational Foundation, Inc.**  
Other Information  
June 30, 2017  
(for inclusion in the California State University)

**1 Noncurrent restricted cash and cash equivalents at June 30, 2017:**

|   |           |          |
|---|-----------|----------|
| Portion of restricted cash and cash equivalents related to endowments | \$        | —        |
| All other restricted cash and cash equivalents                        | —         | —        |
| <b>Total restricted cash and cash equivalents</b>                     | <b>\$</b> | <b>—</b> |

**2.1 Composition of investments at June 30, 2017:**

|  | Current<br>Unrestricted | Current Restricted | Total Current    | Noncurrent<br>Unrestricted | Noncurrent<br>Restricted | Total Noncurrent  | Total             |
|--|-------------------------|--------------------|------------------|----------------------------|--------------------------|-------------------|-------------------|
| State of California Surplus Money Investment Fund (SMIF) | \$ —                    | —                  | —                | —                          | —                        | —                 | —                 |
| State of California Local Agency Investment Fund (LAIF)  | —                       | —                  | —                | —                          | —                        | —                 | —                 |
| Corporate bonds  | 748,878                 | —                  | 748,878          | —                          | 1,191,263                | 1,191,263         | 1,940,141         |
| Certificates of deposit                                  | —                       | —                  | —                | —                          | —                        | —                 | —                 |
| Mutual funds   | 206,952                 | —                  | 206,952          | —                          | 329,204                  | 329,204           | 536,156           |
| Money Market funds                                       | 174,843                 | —                  | 174,843          | —                          | 278,128                  | 278,128           | 452,971           |
| Repurchase agreements                                    | —                       | —                  | —                | —                          | —                        | —                 | —                 |
| Commercial paper   | —                       | —                  | —                | —                          | —                        | —                 | —                 |
| Asset backed securities                                  | —                       | —                  | —                | —                          | —                        | —                 | —                 |
| Mortgage backed securities                               | —                       | —                  | —                | —                          | —                        | —                 | —                 |
| Municipal bonds  | 336,949                 | —                  | 336,949          | —                          | 535,994                  | 535,994           | 872,943           |
| U.S. agency securities                                   | 81,510                  | —                  | 81,510           | —                          | 129,660                  | 129,660           | 211,170           |
| U.S. treasury securities                                 | 427,514                 | —                  | 427,514          | —                          | 680,059                  | 680,059           | 1,107,573         |
| Equity securities  | 5,042,992               | —                  | 5,042,992        | —                          | 8,022,033                | 8,022,033         | 13,065,025        |
| Exchange traded funds (ETFs)                             | —                       | —                  | —                | —                          | —                        | —                 | —                 |
| Alternative investments:                                 |                         |                    |                  |                            |                          |                   |                   |
| Private equity (including limited partnerships)          | —                       | —                  | —                | —                          | —                        | —                 | —                 |
| Hedge funds  | —                       | —                  | —                | —                          | —                        | —                 | —                 |
| Managed futures  | —                       | —                  | —                | —                          | —                        | —                 | —                 |
| Real estate investments (including REITs)                | —                       | —                  | —                | —                          | —                        | —                 | —                 |
| Commodities  | —                       | —                  | —                | —                          | —                        | —                 | —                 |
| Derivatives  | —                       | —                  | —                | —                          | —                        | —                 | —                 |
| Other alternative investment types                       | —                       | —                  | —                | —                          | —                        | —                 | —                 |
| Other external investment pools (excluding SWIFT)        |                         |                    |                  |                            |                          |                   |                   |
| Add description  | —                       | —                  | —                | —                          | —                        | —                 | —                 |
| Add description  | —                       | —                  | —                | —                          | —                        | —                 | —                 |
| Add description  | —                       | —                  | —                | —                          | —                        | —                 | —                 |
| Add description  | —                       | —                  | —                | —                          | —                        | —                 | —                 |
| Add description  | —                       | —                  | —                | —                          | —                        | —                 | —                 |
| Add description  | —                       | —                  | —                | —                          | —                        | —                 | —                 |
| Other major investments:                                 |                         |                    |                  |                            |                          |                   |                   |
| Add description  | —                       | —                  | —                | —                          | —                        | —                 | —                 |
| Add description  | —                       | —                  | —                | —                          | —                        | —                 | —                 |
| Add description  | —                       | —                  | —                | —                          | —                        | —                 | —                 |
| Add description  | —                       | —                  | —                | —                          | —                        | —                 | —                 |
| Add description  | —                       | —                  | —                | —                          | —                        | —                 | —                 |
| Add description  | —                       | —                  | —                | —                          | —                        | —                 | —                 |
| <b>Total investments</b>                                 | <b>7,019,638</b>        | <b>—</b>           | <b>7,019,638</b> | <b>—</b>                   | <b>11,166,341</b>        | <b>11,166,341</b> | <b>18,185,979</b> |
| Less endowment investments (enter as negative number)    | —                       | —                  | —                | —                          | (11,166,341)             | (11,166,341)      | (11,166,341)      |
| <b>Total investments</b>                                 | <b>7,019,638</b>        | <b>—</b>           | <b>7,019,638</b> | <b>—</b>                   | <b>—</b>                 | <b>—</b>          | <b>7,019,638</b>  |

**2.2 Investments held by the University under contractual agreements at June 30, 2017:**

|   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|
| Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2017 : | — | — | — | — | — | — | — |
|---|---|---|---|---|---|---|---|

**2.3 Restricted current investments at June 30, 2017 related to:**

| Amount   |             |
|--|-------------|
| Add description  | \$ —        |
| Add description  | —           |
| Add description  | —           |
| Add description  | —           |
| Add description  | —           |
| Add description  | —           |
| Add description  | —           |
| <b>Total restricted current investments at June 30, 2017</b> | <b>\$ —</b> |

**Cal State East Bay Educational Foundation, Inc.**  
Other Information  
June 30, 2017  
(for inclusion in the California State University)

**2.4 Restricted noncurrent investments at June 30, 2017 related to:**

|   | <u>Amount</u>        |
|---|----------------------|
| Endowment investment  | \$ 11,166,341        |
| Add description   | —                    |
| Add description   | —                    |
| Add description   | —                    |
| Add description   | —                    |
| Add description   | —                    |
| Add description   | —                    |
| <b>Total restricted noncurrent investments at June 30, 2017</b> | <b>\$ 11,166,341</b> |

**2.5 Fair value hierarchy in investments at June 30, 2017:**

|  | <u>Fair Value Measurements Using</u> |   |  |  | <u>Net Asset Value (NAV)</u> |
|--|--------------------------------------|---|--|--|------------------------------|
|  | <u>Total</u>                         | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |                              |
| State of California Surplus Money Investment Fund (SMIF) | \$ —                                 | \$ —  | \$ —   | \$ —   | \$ —                         |
| State of California Local Agency Investment Fund (LAIF)  | —                                    | —   | —  | —  | —                            |
| Corporate bonds  | 1,940,141                            | 1,294,553   | 645,588  | —  | —                            |
| Certificates of deposit                                  | —                                    | —   | —  | —  | —                            |
| Mutual funds   | 536,156                              | 536,156   | —  | —  | —                            |
| Money Market funds                                       | 452,971                              | 452,971   | —  | —  | —                            |
| Repurchase agreements                                    | —                                    | —   | —  | —  | —                            |
| Commercial paper   | —                                    | —   | —  | —  | —                            |
| Asset backed securities                                  | —                                    | —   | —  | —  | —                            |
| Mortgage backed securities                               | —                                    | —   | —  | —  | —                            |
| Municipal bonds  | 872,943                              | —   | 872,943  | —  | —                            |
| U.S. agency securities                                   | 211,170                              | 166,171   | 44,999   | —  | —                            |
| U.S. treasury securities                                 | 1,107,573                            | —   | 1,107,573  | —  | —                            |
| Equity securities  | 13,065,025                           | 13,065,025  | —  | —  | —                            |
| Exchange traded funds (ETFs)                             | —                                    | —   | —  | —  | —                            |
| Alternative investments:                                 |                                      |   |  |  |                              |
| Private equity (including limited partnerships)          | —                                    | —   | —  | —  | —                            |
| Hedge funds  | —                                    | —   | —  | —  | —                            |
| Managed futures  | —                                    | —   | —  | —  | —                            |
| Real estate investments (including REITs)                | —                                    | —   | —  | —  | —                            |
| Commodities  | —                                    | —   | —  | —  | —                            |
| Derivatives  | —                                    | —   | —  | —  | —                            |
| Other alternative investment types                       | —                                    | —   | —  | —  | —                            |
| Other external investment pools (excluding SWIFT)        |                                      |   |  |  |                              |
| Add description  | —                                    | —   | —  | —  | —                            |
| Add description  | —                                    | —   | —  | —  | —                            |
| Add description  | —                                    | —   | —  | —  | —                            |
| Add description  | —                                    | —   | —  | —  | —                            |
| Add description  | —                                    | —   | —  | —  | —                            |
| Add description  | —                                    | —   | —  | —  | —                            |
| Other major investments:                                 |                                      |   |  |  |                              |
| Add description  | —                                    | —   | —  | —  | —                            |
| Add description  | —                                    | —   | —  | —  | —                            |
| Add description  | —                                    | —   | —  | —  | —                            |
| Add description  | —                                    | —   | —  | —  | —                            |
| Add description  | —                                    | —   | —  | —  | —                            |
| Add description  | —                                    | —   | —  | —  | —                            |
| <b>Total investments</b>                                 | <b>\$ 18,185,979</b>                 | <b>\$ 15,514,876</b>  | <b>\$ 2,671,103</b>                                  | <b>\$ —</b>                                      | <b>\$ —</b>                  |

Cal State East Bay Educational Foundation, Inc.  
Other Information  
June 30, 2017  
(for inclusion in the California State University)

3.1 Composition of capital assets at June 30, 2017:

|  | Balance<br>June 30, 2016 | Prior period<br>Adjustments | Reclassifications | Balance<br>June 30, 2016<br>(restated) | Additions | Reductions | Transfers of<br>Completed<br>CWIP | Balance<br>June 30, 2017 |
|--|--------------------------|-----------------------------|-------------------|--|-----------|------------|-----------------------------------|--------------------------|
| 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:                           |                          |                             |                   |  |           |            |                                   |                          |
| Add description                                    | —                        | —                           | —                 | —                                      | —         | —          | —                                 | —                        |
| Add description                                    | —                        | —                           | —                 | —                                      | —         | —          | —                                 | —                        |
| Add description                                    | —                        | —                           | —                 | —                                      | —         | —          | —                                 | —                        |
| Add description                                    | —                        | —                           | —                 | —                                      | —         | —          | —                                 | —                        |
| Add description                                    | —                        | —                           | —                 | —                                      | —         | —          | —                                 | —                        |
| 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                              | 112,000                  | —                           | —                 | 112,000                                | —         | —          | —                                 | 112,000                  |
| Rights and easements                               | —                        | —                           | —                 | —                                      | —         | —          | —                                 | —                        |
| Patents, copyright and trademarks                  | —                        | —                           | —                 | —                                      | —         | —          | —                                 | —                        |
| Licenses and permits                               | —                        | —                           | —                 | —                                      | —         | —          | —                                 | —                        |
| Other intangible assets:                           |                          |                             |                   |  |           |            |                                   |                          |
| Add description                                    | —                        | —                           | —                 | —                                      | —         | —          | —                                 | —                        |
| Add description                                    | —                        | —                           | —                 | —                                      | —         | —          | —                                 | —                        |
| Add description                                    | —                        | —                           | —                 | —                                      | —         | —          | —                                 | —                        |
| Add description                                    | —                        | —                           | —                 | —                                      | —         | —          | —                                 | —                        |
| Add description                                    | —                        | —                           | —                 | —                                      | —         | —          | —                                 | —                        |
| Total intangible assets                            | 112,000                  | —                           | —                 | 112,000                                | —         | —          | —                                 | 112,000                  |
| Total depreciable/amortizable capital assets       | 112,000                  | —                           | —                 | 112,000                                | —         | —          | —                                 | 112,000                  |
| Total capital assets                               | 112,000                  | —                           | —                 | 112,000                                | —         | —          | —                                 | 112,000                  |
| Less accumulated depreciation/amortization:        |                          |                             |                   |  |           |            |                                   |                          |
| Buildings and building improvements                | —                        | —                           | —                 | —                                      | —         | —          | —                                 | —                        |
| Improvements, other than buildings                 | —                        | —                           | —                 | —                                      | —         | —          | —                                 | —                        |
| Infrastructure                                     | —                        | —                           | —                 | —                                      | —         | —          | —                                 | —                        |
| Leasehold improvements                             | —                        | —                           | —                 | —                                      | —         | —          | —                                 | —                        |
| Personal property:                                 |                          |                             |                   |  |           |            |                                   |                          |
| Equipment  | —                        | —                           | —                 | —                                      | —         | —          | —                                 | —                        |
| Library books and materials                        | —                        | —                           | —                 | —                                      | —         | —          | —                                 | —                        |

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|   |                  |             |             |                  |             |             |             |                  |
|---|------------------|-------------|-------------|------------------|-------------|-------------|-------------|------------------|
| Intangible assets:                          |                  |             |             |                  |             |             |             |                  |
| Software and websites                       | (112,000)        | —           | —           | (112,000)        | —           | —           | —           | (112,000)        |
| Rights and easements                        | —                | —           | —           | —                | —           | —           | —           | —                |
| Patents, copyright and trademarks           | —                | —           | —           | —                | —           | —           | —           | —                |
| Licenses and permits                        | —                | —           | —           | —                | —           | —           | —           | —                |
| Other intangible assets:                    |                  |             |             |                  |             |             |             |                  |
| Add description                             | —                | —           | —           | —                | —           | —           | —           | —                |
| Add description                             | —                | —           | —           | —                | —           | —           | —           | —                |
| Add description                             | —                | —           | —           | —                | —           | —           | —           | —                |
| Add description                             | —                | —           | —           | —                | —           | —           | —           | —                |
| Add description                             | —                | —           | —           | —                | —           | —           | —           | —                |
| Total intangible assets                     | <u>(112,000)</u> | <u>—</u>    | <u>—</u>    | <u>(112,000)</u> | <u>—</u>    | <u>—</u>    | <u>—</u>    | <u>(112,000)</u> |
| Total accumulated depreciation/amortization | <u>(112,000)</u> | <u>—</u>    | <u>—</u>    | <u>(112,000)</u> | <u>—</u>    | <u>—</u>    | <u>—</u>    | <u>(112,000)</u> |
| Total capital assets, net                   | <u>\$ —</u>      | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u>      | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u>      |

**3.2 Detail of depreciation and amortization expense for the year ended June 30, 2017:**

|   |             |
|---|-------------|
| 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<br>June 30, 2016 | Prior period<br>adjustments | Reclassifications | Balance<br>June 30, 2016<br>(restated) | Additions | Reductions | Balance<br>June 30, 2017 | Current<br>portion | Long-term<br>portion |
|---|--------------------------|-----------------------------|-------------------|--|-----------|------------|--------------------------|--------------------|----------------------|
| Accrued compensated absences                                      | \$ —                     | —                           | —                 | —                                      | —         | —          | —                        | —                  | —                    |
| Claims liability for losses and loss adjustment expenses          | —                        | —                           | —                 | —                                      | —         | —          | —                        | —                  | —                    |
| Capitalized lease obligations:                                    |                          |                             |                   |  |           |            |                          |                    |                      |
| Gross balance   | —                        | —                           | —                 | —                                      | —         | —          | —                        | —                  | —                    |
| Unamortized premium / (discount) on capitalized 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)  |                          |                             |                   |  |           |            |                          |                    |                      |
| Add description   | —                        | —                           | —                 | —                                      | —         | —          | —                        | —                  | —                    |
| Add description   | —                        | —                           | —                 | —                                      | —         | —          | —                        | —                  | —                    |
| Add description   | —                        | —                           | —                 | —                                      | —         | —          | —                        | —                  | —                    |
| Add description   | —                        | —                           | —                 | —                                      | —         | —          | —                        | —                  | —                    |
| Add description   | —                        | —                           | —                 | —                                      | —         | —          | —                        | —                  | —                    |
| Add description   | —                        | —                           | —                 | —                                      | —         | —          | —                        | —                  | —                    |
| Add description   | —                        | —                           | —                 | —                                      | —         | —          | —                        | —                  | —                    |
| 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>             |



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5 Future minimum lease payments - capitalized lease obligations:

|   | Capitalized lease obligations related to SRB |               |                        | All other capitalized lease obligations |               |                        | Total capitalized 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:  |  |               |                        |   |               |                        |                                     |               |                        |
| 2018  | —  | —             | —                      | —                                       | —             | —                      | —                                   | —             | —                      |
| 2019  | —  | —             | —                      | —                                       | —             | —                      | —                                   | —             | —                      |
| 2020  | —  | —             | —                      | —                                       | —             | —                      | —                                   | —             | —                      |
| 2021  | —  | —             | —                      | —                                       | —             | —                      | —                                   | —             | —                      |
| 2022  | —  | —             | —                      | —                                       | —             | —                      | —                                   | —             | —                      |
| 2023 - 2027   | —  | —             | —                      | —                                       | —             | —                      | —                                   | —             | —                      |
| 2028 - 2032   | —  | —             | —                      | —                                       | —             | —                      | —                                   | —             | —                      |
| 2033 - 2037   | —  | —             | —                      | —                                       | —             | —                      | —                                   | —             | —                      |
| 2038 - 2042   | —  | —             | —                      | —                                       | —             | —                      | —                                   | —             | —                      |
| 2043 - 2047   | —  | —             | —                      | —                                       | —             | —                      | —                                   | —             | —                      |
| 2048 - 2052   | —  | —             | —                      | —                                       | —             | —                      | —                                   | —             | —                      |
| 2053 - 2057   | —  | —             | —                      | —                                       | —             | —                      | —                                   | —             | —                      |
| 2058 - 2062   | —  | —             | —                      | —                                       | —             | —                      | —                                   | —             | —                      |
| 2063 - 2067   | —  | —             | —                      | —                                       | —             | —                      | —                                   | —             | —                      |
| Total minimum lease payments                                | —  | —             | —                      | —                                       | —             | —                      | —                                   | —             | —                      |
| Less amounts representing interest                          |  |               |                        |   |               |                        |                                     |               | —                      |
| Present value of future minimum lease payments              |  |               |                        |   |               |                        |                                     |               | —                      |
| Unamortized net premium (discount)                          |  |               |                        |   |               |                        |                                     |               | —                      |
| Total capitalized lease obligations                         |  |               |                        |   |               |                        |                                     |               | —                      |
| Less: current portion                                       |  |               |                        |   |               |                        |                                     |               | —                      |
| <b>Capitalized lease obligation, net of current portion</b> |  |               |                        |   |               |                        |                                     |               | <b>\$ —</b>            |

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6 Long-term debt obligation 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:                                      |                         |               |                        |                                      |               |                        |                                  |               |                        |
| 2018  | \$ —                    | —             | —                      | —                                    | —             | —                      | —                                | —             | —                      |
| 2019  | —                       | —             | —                      | —                                    | —             | —                      | —                                | —             | —                      |
| 2020  | —                       | —             | —                      | —                                    | —             | —                      | —                                | —             | —                      |
| 2021  | —                       | —             | —                      | —                                    | —             | —                      | —                                | —             | —                      |
| 2022  | —                       | —             | —                      | —                                    | —             | —                      | —                                | —             | —                      |
| 2023 - 2027   | —                       | —             | —                      | —                                    | —             | —                      | —                                | —             | —                      |
| 2028 - 2032   | —                       | —             | —                      | —                                    | —             | —                      | —                                | —             | —                      |
| 2033 - 2037   | —                       | —             | —                      | —                                    | —             | —                      | —                                | —             | —                      |
| 2038 - 2042   | —                       | —             | —                      | —                                    | —             | —                      | —                                | —             | —                      |
| 2043 - 2047   | —                       | —             | —                      | —                                    | —             | —                      | —                                | —             | —                      |
| 2048 - 2052   | —                       | —             | —                      | —                                    | —             | —                      | —                                | —             | —                      |
| 2053 - 2057   | —                       | —             | —                      | —                                    | —             | —                      | —                                | —             | —                      |
| 2058 - 2062   | —                       | —             | —                      | —                                    | —             | —                      | —                                | —             | —                      |
| 2063 - 2067   | —                       | —             | —                      | —                                    | —             | —                      | —                                | —             | —                      |
| 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                                     |                         |               |                        |                                      |               |                        |                                  |               | —                      |
| <b>Long-term debt obligations, net of current portion</b> |                         |               |                        |                                      |               |                        |                                  |               | <b>\$ —</b>            |

7 Calculation of net position

7.1 Calculation of net position - net investment in capital assets

|   |             |
|---|-------------|
| Capital assets, net of accumulated depreciation         | \$ —        |
| Capitalized lease obligations, current portion          | —           |
| Capitalized 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 | —           |
| Other adjustments: (please list)                        |             |
| Add description   | —           |
| Add description   | —           |
| Add description   | —           |
| Add description   | —           |
| Add description   | —           |
| Net position - net investment in capital asset          | <b>\$ —</b> |

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**7.2 Calculation of net position - restricted for nonexpendable - endowments**

|   |           |                          |
|---|-----------|--------------------------|
| Portion of restricted cash and cash equivalents related to endowments   | \$        | —                        |
| Endowment investments   |           | 11,166,341               |
| Other adjustments: (please list)  |           |                          |
| Add description   |           | —                        |
| Add description   |           | —                        |
| Add description   |           | —                        |
| Add description   |           | —                        |
| Add description   |           | —                        |
| Add description   |           | —                        |
| Add description   |           | —                        |
| Add description   |           | —                        |
| Add description   |           | —                        |
| Add description   |           | —                        |
| Add description   |           | —                        |
| <b>Net position - Restricted for nonexpendable - endowments per SNP</b> | <b>\$</b> | <b><u>11,166,341</u></b> |

**8 Transactions with related entities**

|  | <u>Amount</u> |
|--|---------------|
| Payments to University for salaries of University personnel working on contracts, grants, and other programs | \$ —          |
| Payments to University for other than salaries of University personnel                                       | 163,568       |
| Payments received from University for services, space, and programs  | 84,853        |
| Gifts-in-kind to the University from discretely presented component units                                    | 7,697         |
| Gifts (cash or assets) to the University from discretely presented component units                           | 3,425,557     |
| Accounts (payable to) University (enter as negative number)  | (1,235,254)   |
| Other amounts (payable to) University (enter as negative number)   | —             |
| Accounts receivable from University  | 924           |
| Other amounts receivable from University   | —             |

**9 Other postemployment benefits obligation (OPEB)**

|  |           |                 |
|--|-----------|-----------------|
| Annual required contribution (ARC)               | \$        | —               |
| Contributions during the year                    |           | <u>—</u>        |
| Increase (decrease) in net OPEB obligation (NOO) |           | —               |
| Other adjustments                                |           | —               |
| NOO - beginning of year                          |           | —               |
| NOO - end of year                                | <b>\$</b> | <b><u>—</u></b> |

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

| <u>Description</u>   | <u>Amount</u> |                 |
|--|---------------|-----------------|
| Add description  | \$ —          |                 |
| Add description  | —             |                 |
| Add description  | —             |                 |
| Add description  | —             |                 |
| Add description  | —             |                 |
| Add description  | —             |                 |
| Add description  | —             |                 |
| Add description  | —             |                 |
| Add description  | —             |                 |
| Add description  | —             |                 |
| Add description  | —             |                 |
| Add description  | —             |                 |
| <b>Total pollution remediation liabilities</b>                   | <b>\$</b>     | <b><u>—</u></b> |
| Less: current portion  |               | <u>—</u>        |
| <b>Pollution remediation liabilities, net of current portion</b> |               | <b><u>—</u></b> |

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

|  | Net Position<br>Class | Amount<br>Dr. (Cr.) |
|--|-----------------------|---------------------|
| Net position as of June 30, 2016, as previously reported |                       | \$ 19,022,858       |
| Prior period adjustments:                                |                       |                     |
| 1 (list description of each adjustment)                  |                       | —                   |
| 2 (list description of each adjustment)                  |                       | —                   |
| 3 (list description of each adjustment)                  |                       | —                   |
| 4 (list description of each adjustment)                  |                       | —                   |
| 5 (list description of each adjustment)                  |                       | —                   |
| 6 (list description of each adjustment)                  |                       | —                   |
| 7 (list description of each adjustment)                  |                       | —                   |
| 8 (list description of each adjustment)                  |                       | —                   |
| 9 (list description of each adjustment)                  |                       | —                   |
| 10 (list description of each adjustment)                 |                       | —                   |
| Net position as of June 30, 2016, as restated            |                       | \$ 19,022,858       |

**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: _____<br>1 (breakdown of adjusting journal entry)  | \$ —  | —      |
| Net position class: _____<br>2 (breakdown of adjusting journal entry)  | —     | —      |
| Net position class: _____<br>3 (breakdown of adjusting journal entry)  | —     | —      |
| Net position class: _____<br>4 (breakdown of adjusting journal entry)  | —     | —      |
| Net position class: _____<br>5 (breakdown of adjusting journal entry)  | —     | —      |
| Net position class: _____<br>6 (breakdown of adjusting journal entry)  | —     | —      |
| Net position class: _____<br>7 (breakdown of adjusting journal entry)  | —     | —      |
| Net position class: _____<br>8 (breakdown of adjusting journal entry)  | —     | —      |
| Net position class: _____<br>9 (breakdown of adjusting journal entry)  | —     | —      |
| Net position class: _____<br>10 (breakdown of adjusting journal entry) | —     | —      |

**CAL STATE EAST BAY EDUCATIONAL FOUNDATION, INC.**

Note to Supplementary Information

Year ended June 30, 2017

**NOTE 1 – SUPPLEMENTARY SCHEDULES**

As an auxiliary organization of The California State University (CSU), Cal State East Bay Educational Foundation, Inc. (Foundation) is required to include audited supplementary information in its financial statements in the form and content specified by CSU. As a result, there are differences in reporting format between the Foundation's financial statements and the supplementary schedules for CSU.