

**Financial Statements, Supplementary  
Information and Report of Independent  
Certified Public Accountants**

**San Francisco State University Foundation  
(Component Unit of San Francisco State  
University)**

**June 30, 2019 and 2018**

	<b>Page</b>
<b>Contents</b>	
Report of Independent Certified Public Accountants	3-4
Management Discussion and Analysis	5-12
Statements of Net Position	13
Statements of Revenues, Expenses, and Changes in Net Position	14
Statements of Cash Flows	15-16
Notes to Financial Statements	17-29
Supplementary Information	
Schedule of Net Position	30-31
Schedule of Revenues, Expenses, and Changes in Net Position	32
Other Information	33-39

---

**GRANT THORNTON LLP**

101 California Street, Suite 2700  
San Francisco, CA 94111

**D** +1 415 986 3900

**F** +1 415 986 3916

**S** [linkd.in/grantthorntonus](https://www.linkedin.com/company/grantthorntonus)  
[twitter.com/grantthorntonus](https://twitter.com/grantthorntonus)

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors  
San Francisco State University Foundation

### Report on the financial statements

We have audited the accompanying financial statements of San Francisco State University Foundation (Component Unit of San Francisco State University) (the "Foundation"), which comprise the statements of net position as of June 30, 2019 and 2018, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

#### Management's responsibility for the financial statements

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

#### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation'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 Foundation'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 San Francisco State University Foundation (Component Unit of San Francisco State University) as of June 30, 2019 and 2018, and the changes in its net position and its cash flows for the years 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 Discussion and Analysis on pages 6-13 be presented to supplement the financial statements. Such information, although not a required part of the financial statement, is required by the Financial Accounting Standards Board who considers it to be an essential part of the financial reporting for placing financial statement in an appropriate operational, economic, or historical context. The required supplementary information is the responsibility of management. We have applied certain limited procedures to the required information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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.

*Supplementary information*

Our audit was conducted for the purpose of forming an opinions on the financial statements that collectively comprise the Foundation's financial statements. The supplementary information on pages 31-40 is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.



San Francisco, California  
October 4, 2019

**San Francisco State University Foundation  
(Component Unit of San Francisco State University)**

**Management Discussion and Analysis  
(Unaudited)**

This section of the San Francisco State University Foundation (the "Foundation") annual financial report presents management's discussion and analysis of the financial performance of the Foundation for the fiscal years ended June 30, 2019 and 2018.

The San Francisco State University Foundation (the Foundation) presents its management discussion and analysis for fiscal year 2019, with comparative data presented for fiscal years 2018 and 2017. The emphasis of the discussions concerning these statements will be on the fiscal years ended June 30, 2019 and 2018 (2019 and 2018, respectively). There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The following discussion and analysis is intended to help readers of the Foundation's financial statements to better understand its financial position and operating activities. It should be read in conjunction with, and is qualified in its entirety by, the related financial statements and footnotes. The financial statements, footnotes and this discussion and analysis were prepared by the Foundation and are the responsibility of its management.

**The Foundation**

The Foundation is a non-profit auxiliary organization of San Francisco State University (the University) with a 501(c)(3) designation with the Internal Revenue Service. The Foundation's purpose is to provide private financial support to assist the University in meeting its educational mission.

The Business-Type Activity ("BTA") reporting model has been adopted by the California State University (CSU) system for use by all of its member campuses. The CSU determined the BTA model best represents the combined activities of the CSU and its auxiliary corporations.

Two of the three auxiliary not-for-profit corporations serving the University, of which the Foundation is one, have also adopted the BTA reporting model, primarily for efficiencies gained in combining the three auxiliaries' annual financial statements with the University and ultimately, the combined CSU financial statements.

The Foundation's June 30, 2019 and 2018 financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board ("GASB"). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**San Francisco State University Foundation  
(Component Unit of San Francisco State University)**

**Management Discussion and Analysis  
(Unaudited)**

**Highlights of Financial Operations**

- **Operating Revenues and Expenses**

In fiscal year 2019, the Foundation continued adding and changing its portfolio mix with recommendations from Cambridge Associates its investment consultant. During the fiscal year, the Foundation selected US Bank as its new custodian. The Foundation has a total of approximately \$4,679,000 still in custody of UBS.

The Foundation's operating revenue for 2019 increased from the previous fiscal year. Operating revenue consists primarily of administrative fees earned from the management of the endowments. The fee is determined based on the average quarterly balance of the endowment, which can fluctuate with contributions, endowment payouts, interest/dividends and realized and unrealized income earned. The Foundation also charges an additional fee to the endowments for external investment fees incurred. The Foundation reports investment return net, which includes interest, dividends, realized and unrealized gains (losses) and investment fees. The operational expenses for the year were \$1,158,863, which are primarily composed of the administrative cost for accounting services performed by the University Corporation, San Francisco State (the "Corporation"), Auxiliary Business Services unit, auditing services, legal, professional consultancy and investment fees.

- **Non-Operating Revenue**

Total non-operating revenue increased in 2019 from 2018 by 119% due primarily to large new contributions received by the Foundation in 2019 over the previous fiscal year. Investment earnings were down during the fiscal year over the previous fiscal year though the portfolio performed well.

During 2019, additions to the permanent endowment increased substantially by 952% from 2018 due to receiving a few major gifts. The Foundation received two major gifts totaling \$50 million during this past fiscal year. We received \$25 million to benefit the College of Liberal and Creative Arts and \$25 million for the College of Business. Transfers to the University Corporation increased 28% in 2019. The transfers from the endowments are for scholarships, endowed chairs and other programs carried out by the Corporation. These transfers are in accordance with the Foundation's spending policy.

**Financial Position**

The statements of net position present the financial position of the Foundation at the end of fiscal year 2019 and 2018. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal summary of the Foundation. From the data presented, the readers of the Statement of Net Position are able to determine the assets available to continue the operations of the Foundation. The readers are also able to determine how much the Foundation owes its vendors as well as assessing other liabilities. Finally, the Statement of Net position provides an overview of the net position (assets minus liabilities) and their availability for expenditures.

**San Francisco State University Foundation**  
**(Component Unit of San Francisco State University)**

**Management Discussion and Analysis**  
**(Unaudited)**

Net position is divided into two major categories. The first category is Restricted Assets, which is divided into two categories, Nonexpendable and Expendable. The corpus of nonexpendable restricted resources are available for investment purposes and, in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), where prudent when carrying out the purpose of the donor. Expendable restricted assets are available for expenditure by the Foundation, but must be spent for purposes as determined by the donors and /or external entities that have placed time, purpose or legal restrictions on the use of the assets. The final category is Unrestricted Assets that are available to the Foundation for any lawful purpose of the Foundation.

The detailed statements of net position are included in the financial statements. A condensed version is shown below:

**Condensed Statements of Net Position - 2019, 2018, and 2017**

	2019	2018	2017
<b>Assets:</b>			
Current assets	\$ 55,712,111	\$ 31,251,869	\$ 36,680,901
Noncurrent assets	86,457,352	59,718,908	47,187,857
<b>Total assets</b>	<b>\$ 142,169,463</b>	<b>\$ 90,970,777</b>	<b>\$ 83,868,758</b>
<b>Liabilities:</b>			
Current liabilities	\$ 108,757	\$ 147,268	\$ 125,247
<b>Deferred Inflows of Resources (Note 2)</b>	<b>4,980,222</b>	<b>44,849</b>	<b>-</b>
<b>Net Position:</b>			
Restricted net assets:			
Nonexpendable - endowments	\$ 93,551,789	\$ 57,209,082	\$ 52,593,569
Expendable - scholarships, fellowships and capital projects	36,764,881	27,828,518	30,397,551
Unrestricted net assets	6,763,814	5,741,060	752,391
<b>Total net position</b>	<b>\$ 137,080,484</b>	<b>\$ 90,778,660</b>	<b>\$ 83,743,511</b>
<b>Total Liabilities, deferred inflows of resources, and net position</b>	<b>142,169,463</b>	<b>90,970,777</b>	<b>83,868,758</b>

**San Francisco State University Foundation  
(Component Unit of San Francisco State University)**

**Management Discussion and Analysis  
(Unaudited)**

**Assets**

As of June 30, 2019, total assets increased \$51,198,686 when compared to the prior year. The increase was primarily attributable to a few large gifts, which led to an influx of cash into the investment portfolio in 2019. Current assets are primarily comprised of short-term investments, accounts receivables, other assets and cash. Accounts receivables decreased \$1,288 (-2%), a result of the Foundation recognizing remaining revenue from a trust that the Foundation is a remainder interest beneficiary. Receivables from related parties increased by \$21,692 (49%) during 2019 compared to 2018. The related party receivable is related to receivable from the Corporation which payment was received in July 2019. The Foundation had other assets in fiscal year 2019, which consist of prepaid expenses paid to the Internal Revenue and Franchise Tax Board for estimated Unrelated Business Income Tax (UBIT) cost. Based on the prior fiscal year, the Foundation anticipates having UBIT expenses related to alternative investments held. The Foundation has \$35,276 in prepaid expenses representing a prepayment of potential UBIT to the Internal Revenue and Franchise Tax Board. Cash held increased in 2019 by \$739,251 (143%). The cash fluctuations are attributed to large deposits from the ongoing liquidation of XRP the large cryptocurrency gift received before June 30, 2019. Short-term investments increased \$242,299 (1%). The increase was attributed to the allocation of the Foundation investment holdings, which are based on the investment maturities at year-end. For the trailing one year as of June 30, 2019, the Endowment returned 3.0%, underperforming its Policy Benchmark's return of 6.1%. This was mainly attributed to the Endowment holding more cash as they deployed the Marcus and Larsen gifts. This caused a drag on the portfolio. The Foundation Green Fund for the trailing one year as of June 30, 2019, returned 6.6%, outperforming its Policy Benchmark return of 5.9%.

As of June 30, 2018, total assets increased \$7,102,019 when compared to the prior year. The increase was primarily attributed to an increase in investment income in 2018. Current assets are primarily comprised of short-term investments, accounts receivables, other assets and cash. Accounts receivables increased \$53,855 as a result of the Foundation recognizing revenue remaining from a trust that the Foundation is a remainder interest beneficiary. Receivables from related parties decreased by \$3,864 (8%) during 2018 compared to 2017. The receivable is from the Corporation, a related party, and relate to donations received, by the Corporation, which are payable to the Foundation. The Foundation had other assets in fiscal year 2018, which consist of prepaid expenses paid to the Internal Revenue and Franchise Tax Board for estimated Unrelated Business Income Tax (UBIT) cost. Based on the prior fiscal year, the Foundation anticipates having UBIT expenses related to alternative investments held. Cash held decreased in 2018 by \$2,175,586 (81%). The cash fluctuations are attributed to a large deposit received from the campus in 2017 for endowments transferred over to the Foundation for management. Short-term investments decreased \$3,338,714 (-10%). The decrease was attributed to the allocation of the Foundation investment holdings, which are based on the investment maturities at year-end. The Foundation held more equities and less bonds in 2018 as well as held more cash in LAIF than the prior fiscal year.

The Foundation and the Corporation have an ongoing relationship where they transfer funds between the two organizations throughout the year. The Corporation manages the spending accounts that are associated with endowments maintained by the Foundation. The Foundation transfers endowment payouts to the Corporation for the associated spending account or the Corporation may transfer a portion of contributed funds it receives that have a split allocation between the two organizations. In this case, the



**San Francisco State University Foundation  
(Component Unit of San Francisco State University)**

**Management Discussion and Analysis  
(Unaudited)**

Corporation would issue a check to the Foundation for its portion as well as contributions that are received by the Corporation that need to be rerouted to the Foundation to record as its contribution.

**Liabilities**

Accounts payable at June 30, 2019 decreased by approximately \$48,040 (-50%), mostly as a result of decreased related-party transactions to the campus. Current payables also included a related party transaction to the Corporation as part of the ongoing transactions between the two entities.

Accounts payable at June 30, 2018 decreased by approximately \$29,700 (-24%), mostly as a result of increased related-party transactions to the campus.

Deferred inflows of resources was \$4,980,222 in 2019 a substantial increase over 2018. The increase is attributable to recording deferred inflow for revenue associated with the remaining unliquidated XRP cryptocurrency gift that was part of the \$25 million gift to College of Business in the form of XRP cryptocurrency and cash. In fiscal year 2018, the Foundation recorded a charitable annuity held by the California State University Foundation.

**Net Position**

The Foundation's net position for fiscal year 2019 was \$137,080,484, which is an increase of approximately \$46,301,824 (51%) from the previous year. The overall increase is primarily attributed to increase in contribution revenue and investment income over the previous year.

The Foundation's net position for fiscal year 2018 was \$90,778,660, which is an increase of approximately \$7,035,149 (8%) from the previous year. The overall increase is primarily attributed to increase in contribution revenue and investment income over the previous year.

**Results of Operations**

The Statement of Revenues, Expenses, and Changes in Net Position presents the Foundation's operating results, as well as the non-operating revenues and expenses. Operating revenues consist primarily of revenue earned from administrative fees. Gifts and investment income are classified, as prescribed by GASB, as net non-operating revenues or expenses. This is an integral component in determining the increase or decrease in net assets.

The detailed statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2019 and 2018 are included in the financial statements. A condensed version is shown below:

**San Francisco State University Foundation  
(Component Unit of San Francisco State University)**

**Management Discussion and Analysis  
(Unaudited)**

**Condensed Statements of Revenues, Expenses, and Changes in Net Position - for the years ended June 30, 2019, 2018, and 2017**

	2019	2018	2017
<b>Operating Revenues (Expenses):</b>			
Revenues	\$ 2,034,434	\$ 1,666,641	\$ 1,445,565
Expenses	1,158,863	1,065,747	887,867
<b>Operating (loss) income</b>	<b>875,571</b>	<b>600,894</b>	<b>557,698</b>
<b>Non-operating Revenues (Expenses):</b>			
Contributions	10,106,627	2,179,377	2,943,013
Endowment management fees	(2,032,814)	(1,665,991)	(1,445,565)
Investment return	4,443,850	5,202,168	6,722,276
Additions to permanent endowments	36,420,769	3,462,948	2,045,425
Transfer to the University Corporation, SF State	(3,512,179)	(2,744,247)	(1,716,097)
Transfer from the University	-	-	2,430,082
<b>Total other non-operating revenues (expenses)</b>	<b>45,426,253</b>	<b>6,434,255</b>	<b>10,979,134</b>
<b>Change in Net Position</b>	<b>\$ 46,301,824</b>	<b>\$ 7,035,149</b>	<b>\$ 11,536,832</b>
Return of endowment donation			

## REVENUES

### Operating Revenue

For the year, ending June 30, 2019, total operating revenue was approximately \$2,034,434, which is an increase of approximately \$367,793 (22%) from the prior year.

For the year, ending June 30, 2018, total operating revenue was approximately \$1,666,600, which is an increase of approximately \$221,000 (15%) from the prior year.

Administrative fees are the main component of operating revenue earned by the Foundation for management of the endowments. The administrative fee earned is based on the annual 1.25% fee and recoupment of investment fees charged for the external management of the endowment funds. The fees are charged quarterly based on the endowments' calculated quarterly average daily balance per the Foundation's Endowment Establishment & Administration policy, which can fluctuate based on earnings and endowment distributions.

**San Francisco State University Foundation  
(Component Unit of San Francisco State University)**

**Management Discussion and Analysis  
(Unaudited)**

**OPERATING EXPENSES**

**Operating Expenses**

Operating Expenses are tied to the use of both restricted and unrestricted funds. Use of unrestricted operating funds are primarily for accounting services provided by the Corporation through its unit, Auxiliary Business Service, audit, consulting, legal and insurance expenses. The use of restricted operating funds is from the Foundation's administrative fees charged to the endowments. The expenses related to accounting services were approximately \$254,000 for fiscal year 2019. For fiscal year 2018, expenses related to accounting services were approximately \$296,700 for fiscal year 2018.

**NON-OPERATING REVENUES AND EXPENSES**

**Contributions**

Contributions are recognized as revenue when they are verifiable, measurable, probable of collection, and the Foundation has met all time and eligibility requirements. Contributions were \$10,106,627 for the 2019 fiscal year. Contributions increased in fiscal year 2019 compared to fiscal year 2018 by \$7,927,250 (364%) attributed to significant contributions for the College of Liberal and Creative Arts and the College of Business. These gifts funded \$1,000,000 for a temporary endowment and approximately \$6,234,000 (received from the cryptocurrency gift) for a temporary endowment respectively.

Quasi endowments are endowments where the designation is decided by the Foundation's board. Endowments established in 2018 with significant contributions included the Mary MacWilliam Library Endowment and the Joseph M & Lotte M Dadone Endowment.

Contributions were \$2,179,377 for the 2018 fiscal year. Contributions decreased in fiscal year 2018 compared to fiscal year 2017 by approximately \$763,635 related to quasi-endowments that the Foundation holds. Endowments established in 2017 with significant contributions included the Mary MacWilliam Library Endowment and the Joseph M & Lotte M Dadone Endowment. Though contributions were less in fiscal year 2018, the Foundation continued to receive strong donor support such as \$704,824 for the College of Liberal and Creative Arts from estate of Frauke Gries, Professional Development Endowment, \$351,884 also from the estate of Frauke Gries and \$2,010,553 from the estate of Serena de Bellis are a few of the notable donations received.

**Investment Return**

The Foundation investment income continued to perform well during fiscal year 2019 though investment income decreased over the previous year. Investment returns for the fiscal year was \$4,443,850, a loss of \$758,318 (-15%) compared to last year. During fiscal year 2019, Global Stocks and US Stocks generated the strongest returns for the Foundation's endowment and green fund, while Alternative Investments, Real Assets, and Fixed Income also contributed to performance. The Foundation's total portfolio consists of approximately 63% equities of which approximately 14.9% belongs to global equities. The Foundation owed \$12,259 in taxes associated with Unrelated Business Income Tax (UBIT) as a result, primarily earnings from its alternative investment holdings in March Capital, which invests in real estate. The Foundation hired

**San Francisco State University Foundation**  
**(Component Unit of San Francisco State University)**

**Management Discussion and Analysis**  
**(Unaudited)**

Cambridge Associates in 2018 as its new investment consultant; Cambridge Associates guides and reviews the Foundation's portfolio, continually looking at investment vehicles that will increase earnings, help reduce the Foundation's exposure to inflation and keep its risks manageable. The Foundation's portfolio continues to align with policy benchmarks.

**Other Additions and Transfers**

Other Additions highlights contributions received for permanent endowments. The Foundation's two major gifts totaling \$50 million contributed to additions to permanent endowments during this past fiscal year. It received \$25 million to benefit the College of Liberal and Creative Arts and \$25 million for the College of Business. The permanent endowment funds received \$24million of the \$25 million contributed for the College of Liberal and Creative Arts. For the cryptocurrency gift of \$25million benefiting the College of Business, the permanent endowment received \$9,163,637, which had been liquidated as of June 30, 2019.

Other additions highlights contributions received for permanent endowments. Contributions for additions to the permanent endowments increased during fiscal year 2018 by approximately \$1,417,000 (69.30%). This increase was mainly attributed to the generous gift of approximately \$1,500,000 to create the Iranian Diaspora Studies Endowment. The Foundation transferred approximately \$2,744,000 to the Corporation where the spending accounts related to the endowments are held to cover expenses for scholarships, endowed chairs and projects as stated above.

Transfers highlight the funds transferred to related parties to fund campus programs, scholarships, endowed chairs and projects carried out by the University or the Corporation, which are not true operational expenses of the Foundation.

**SIGNIFICANT ITEMS**

The Foundation also had major leadership change during the FY with its president and CEO resigning at the beginning of the year and the role being temporarily filled. With the pending departure of the University's president, the Board voted to postpone its strategic planning until a new president was onboard. With the new university leadership in place, the strategic planning will resume in the upcoming fiscal year (2019 – 2020).

After nearly 10 years of operations, the Foundation amended its spending policy to pay out annually, 4% of a 12-quarter moving average market value of the endowment pool. This was to moderate short-term volatility in spending and help preserve the endowment principal. The new spending policy was used to determine the endowment payouts for the upcoming fiscal year.

We believe all other significant items have already been disclosed and either they do not have a significant effect on future operations, or these effects have already been included in the current financial statements.

**San Francisco State University Foundation**  
**(Component Unit of San Francisco State University)**

**Statements of Net Position**

Years ended June 30, 2019 and 2018

	2019	2018
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 1,256,830	\$ 517,579
Investments, unrestricted	5,462,132	5,237,543
Investments, restricted	48,839,540	25,363,541
Receivable from related parties	65,766	44,074
Accounts receivable	52,567	53,855
Other assets	35,276	35,277
<b>Total current assets</b>	<b>55,712,111</b>	<b>31,251,869</b>
<b>Noncurrent Assets:</b>		
Investments, restricted	81,477,130	59,674,059
Pledge receivables, net	46,964	44,849
Capital assets	4,933,258	-
<b>Total noncurrent assets</b>	<b>86,457,352</b>	<b>59,718,908</b>
<b>Total assets</b>	<b>142,169,463</b>	<b>90,970,777</b>
<b>Deferred Outflows of Resources (Note 2)</b>	-	-
<b>Total assets and deferred outflows of resources</b>	<b>\$ 142,169,463</b>	<b>\$ 90,970,777</b>
<b>Liabilities</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 47,469	\$ 95,509
Payable to the University Corporation, SF State	45,749	51,759
Other liabilities	15,539	-
<b>Total current liabilities</b>	<b>108,757</b>	<b>147,268</b>
<b>Deferred Inflows of Resources (Note 2)</b>	4,980,222	44,849
<b>Net Position:</b>		
Restricted for:		
Nonexpendable - endowments	93,551,789	57,209,082
Expendable - scholarships, fellowships, capital projects	36,764,881	27,828,518
Unrestricted	6,763,814	5,741,060
<b>Total net position</b>	<b>137,080,484</b>	<b>90,778,660</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 142,169,463</b>	<b>\$ 90,970,777</b>

**San Francisco State University Foundation**  
**(Component Unit of San Francisco State University)**

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

*Years ended June 30, 2019 and 2018*

	2019	2018
<b>Operating Revenues:</b>		
Administrative fees	\$ 2,032,814	\$ 1,665,991
Other revenues	1,620	650
<b>Total operating revenues</b>	<b>2,034,434</b>	<b>1,666,641</b>
<b>Operating Expenses:</b>		
Management and general	1,158,863	1,065,747
<b>Total operating expenses</b>	<b>1,158,863</b>	<b>1,065,747</b>
<b>Operating income, net</b>	<b>875,571</b>	<b>600,894</b>
<b>Nonoperating Revenues (Expenses):</b>		
Contributions	10,106,627	2,179,377
Endowment management fees	(2,032,814)	(1,665,991)
Investment return, net	4,443,850	5,202,168
<b>Net nonoperating revenues</b>	<b>12,517,663</b>	<b>5,715,554</b>
<b>Income before other additions and transfers</b>	<b>13,393,234</b>	<b>6,316,448</b>
<b>Other Additions and Transfers:</b>		
Additions to permanent endowments	36,420,769	3,462,948
Transfers to the University Corporation, SF State	(3,512,179)	(2,744,247)
<b>Total other additions and transfers</b>	<b>32,908,590</b>	<b>718,701</b>
<b>Change in Net Position</b>	<b>46,301,824</b>	<b>7,035,149</b>
<b>Net Position, beginning of the year</b>	<b>90,778,660</b>	<b>83,743,511</b>
<b>Net Position, end of the year</b>	<b>\$ 137,080,484</b>	<b>\$ 90,778,660</b>

**San Francisco State University Foundation**  
**(Component Unit of San Francisco State University)**

**Statements of Cash Flows**

*Years ended June 30, 2019 and 2018*

	2019	2018
<b>Cash Flows from Operating Activities:</b>		
Payments to suppliers	\$ (1,212,913)	\$ (1,050,636)
Other receipts	1,620	650
Net cash provided by operating activities	(1,211,293)	(1,049,986)
<b>Cash Flows from Noncapital Financing Activities:</b>		
Donations received	46,527,396	5,642,326
Transfers to the University Corporation, SF State	(3,512,179)	(2,744,247)
Net cash provided by noncapital financing activities	43,015,217	2,898,079
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Capital asset addition (intangible asset)	4,933,258	-
Net cash provided by capital and related financing activities	4,933,258	-
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sales and maturities of investments	3,100,294	8,570,818
Purchase of investments	(51,493,517)	(17,796,666)
Investment income (loss)	2,395,292	5,202,168
Net cash used in investing activities	(45,997,931)	(4,023,680)
<b>Net Change in Cash and Cash Equivalents</b>	739,251	(2,175,587)
<b>Cash and Cash Equivalents, beginning of year</b>	517,579	2,693,166
<b>Cash and Cash Equivalents, end of year</b>	\$ 1,256,830	\$ 517,579

See accompanying financial statement

**San Francisco State University Foundation**  
**(Component Unit of San Francisco State University)**

**Statements of Cash Flows**

*Years ended June 30, 2019 and 2018*

	2019	2018
<b>Reconciliation of Operating Income to Net Cash</b>		
<b>Flows Provided by Operating Activities:</b>		
Operating income	\$ 875,571	\$ 600,894
Adjustments to reconcile operating income to net cash flows provided by operating activities:		
Changes in assets and liabilities:		
Accounts payable	(54,050)	(29,738)
Deferred Inflows	-	44,849
Administrative Fees	(2,032,814)	(1,665,991)
<b>Total adjustments</b>	<b>(2,086,864)</b>	<b>(1,650,880)</b>
<b>Net cash provided by operating activities</b>	<b>\$ (1,211,293)</b>	<b>\$ (1,049,986)</b>
<b>Supplemental Disclosures of Cash Flow Activity:</b>		
Non-cash activity:		
Donations of stock received	\$ 67,473	\$ 217,567
Unrealized gain(loss)	\$ 1,651,927	\$ (2,826,587)
Cash paid for income taxes	\$ 5,800	\$ 60,724

See accompanying financial statement



**San Francisco State University Foundation**  
**(Component Unit of San Francisco State University)**

**Notes to Financial Statements**  
**June 30, 2019 and 2018**

**Note 1 - Organization:**

The San Francisco State University Foundation (the "Foundation") is a non-profit, tax-exempt California corporation. The Foundation serves as an auxiliary organization of San Francisco State University (the "University"). The Foundation was established in 2007 for the purpose of philanthropy. The Foundation encourages the solicitation and acceptance of private gifts, trusts, and bequests that will help the Foundation in the furtherance of its mission to foster private financial support for the University.

**Note 2 - Summary of Significant Accounting Policies:**

a. Basis of Presentation

The basic financial statements required by the Governmental Accounting Standards Board ("GASB"), Statement numbers 34 and 35, include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position and a Statement of Cash Flows. As a component unit of a public institution, the Foundation has chosen to present its basic financial statements using the reporting model for special purpose governments engaged only in business-type activities. This model allows all financial information for the Foundation to be reported in a single column in each of the basic financial statements. In accordance with the business-type activities reporting model, the Foundation prepares its Statement of Cash Flows using the direct method.

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

**San Francisco State University Foundation  
(Component Unit of San Francisco State University)**

**Notes to Financial Statements  
June 30, 2019 and 2018**

**Note 2 - Summary of Significant Accounting Policies, Continued:**

a. Basis of Presentation, Continued

The Foundation considers assets to be current when they can reasonably be expected, as part of its normal business operations, to be converted to cash and be available for liquidation of current liabilities within twelve months of the date of the Statement of Net Position. Liabilities that reasonably can be expected, as part of the Foundation's normal business operations, to be liquidated within twelve months of the date of the Statement of Net Position are considered to be current. All other assets and liabilities are considered to be non-current, with the exception of those amounts that are required to be reported as deferred outflows or inflows of resources. The Foundation follows GASB 63 and 65 which provide guidance for reporting deferred outflows of resources, deferred inflows of resources and net position in a Statement of Financial Position and related disclosures. The standard defines deferred outflows or inflows of resources as transactions that result in the consumption or acquisition of net assets in one period that are applicable to future periods. At June 30, 2019 and 2018, the Foundation did not enter into transactions that meet the definition of deferred outflows or inflows. At June 30, 2019 and 2018 the Foundation reported deferred inflows of \$4,980,222 and \$44,849 associated with the gifts received for which time requirements have not been met.

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

- *Restricted, non-expendable*: Net assets subject to externally imposed conditions that the Foundation retains in perpetuity. Net assets in this category consist of endowments.
- *Restricted, expendable*: Net assets subject to externally imposed conditions that can be fulfilled by the actions of the Foundation or by the passage of time. Net assets in this category also include endowments for capital projects which can be fulfilled by the actions of the University.
- *Unrestricted*: This represents all unrestricted net assets. Unrestricted net assets may be designated for use by management or the Board of Directors. As of June 30, 2019 and 2018, the Foundation maintains operating reserves of \$351,419 and \$300,160, respectively.

b. Cash and Cash Equivalents

Cash and cash equivalents consist of unrestricted cash, checking accounts, savings accounts and money market funds held outside of investment brokerage accounts with an original maturity date of three months or less.

**San Francisco State University Foundation  
(Component Unit of San Francisco State University)**

**Notes to Financial Statements  
June 30, 2019 and 2018**

**Note 2 - Summary of Significant Accounting Policies, Continued:**

**b. Cash and Cash Equivalents, Continued**

Custodial credit risk - In the case of bank deposits, this is the risk that in the event of a bank failure, the Foundation's deposits may not be returned. The Foundation does not have a formal policy addressing custodial credit risk for its bank deposits. Though the Foundation is not a government agency, the financial institutions, in which the Foundation makes its deposits, have collateralized the deposits in accordance with section 53601 et. Seq. of the California Government Code. Wells Fargo is a financial institution whereby Federal Deposit Insurance Corporation ("FDIC") insures deposits. Deposits of more than the \$250,000 insured amount will be collateralized by the bank by pledging identifiable collateral according to statute. Periodically, as of and throughout the years ended June 30, 2019 and 2018, the Foundation maintained balances in excess of the federally insured limits.

**c. Related Party Receivable and Payables**

Related party receivables and payables include amounts due from the University Corporation, San Francisco State (the "Corporation"). Account receivables are presented net of an allowance for uncollectible accounts. There is no allowance for uncollectible accounts at June 30, 2019 and 2018.

**d. Investments**

Investments are stated at fair value. The Foundation pools available resources into savings, management and investment accounts. Interest and dividends earned are allocated to the respective funds, based on the ratio of a fund's invested resources to the total amount invested.

Investments in alternative investments are based upon fair values of the underlying assets as reported by the entities in their financial statements or as determined by the fund manager. In some cases, the underlying assets are marketable securities with quoted market prices. In other situations, the underlying assets are not marketable and valuations are determined by the fund managers. Due to the inherent uncertainty of valuation of non-marketable and restricted investments, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed and the differences could be material. Additionally, these investments may have liquidity constraints, including lock up periods of a quarter or longer.

**San Francisco State University Foundation**  
**(Component Unit of San Francisco State University)**

Notes to Financial Statements  
June 30, 2019 and 2018

**Note 2 - Summary of Significant Accounting Policies, Continued:**

e. Capital Assets

Capital Assets, includes intangible assets stated at acquisition value. Intangible assets with indefinite useful lives are not amortized. If changes in factors and conditions result in the useful life of an intangible asset no longer being indefinite, the asset will be tested for impairment due to the change in expected duration of the use of the asset has occurred. The carrying value of the intangible asset, if any, following the recognition of any impairment loss will be amortized using the straight-line method in subsequent reporting periods over the remaining estimated useful life of the asset.

The Foundation received a contribution in the form of XRP cryptocurrency, which had an estimated value of \$25,000,000 and commenced selling that cryptocurrency. At June 30, 2019, the Foundation had 9,878,462 units of XRP remaining as an intangible asset which had not yet been sold and converted to cash. The Foundation recorded an intangible asset with a recorded fair value of \$4,933,258 for the remaining XRP units at June 30, 2019. The recorded value was determined based on the liquidation of the XRP after June 30, 2019. This amount was also referred to as deferred inflow at June 30, 2019. See Note 10.

f. Endowment Investments

Investments made from donor-restricted endowments are pooled with the Foundation's other investments. Any appreciation of such investments is tracked separately and recorded in restricted net assets. The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") passed in July 2006 and as adopted by California in 2008 authorizes an institution to spend the amount it deems prudent considering the donor's intent, the purposes of the fund and relevant economic factors. According to the Foundation's policy, up to 4% of the earnings may be distributed each year. Earnings available for distribution are identified as interest, dividends and realized gains and losses and are calculated quarterly based on the average daily balance of the portfolio.

The Foundation invests these funds to produce current income to meet spending needs and to preserve the real value of the endowment principal. The Payout Policy Objective is interlinked with the Investment Objectives for the Total Fund and has been formulated in the context of the overarching goal for prudent management of endowments: to optimize the balance between preserving the real (after inflation) long-term purchasing power of the endowment principal with the need to make annual distributions to campus beneficiaries.

**San Francisco State University Foundation  
(Component Unit of San Francisco State University)**

**Notes to Financial Statements  
June 30, 2019 and 2018**

**Note 2 - Summary of Significant Accounting Policies, Continued:**

g. Revenue and Expenses

The Foundation currently has two categories classified as operating revenue. Administrative Fees are costs associated with administering endowments and other revenue.

Non-Operating revenue and expenses category includes revenue from restricted and unrestricted contributions where the restrictions have been met, transfers and expenses related to endowment expendable administrative fees charged per the investment policy. This category also includes investment returns (such as interest, dividends and net realized and unrealized gains and losses).

Other Addition and Transfers category includes contributions related to capital projects and permanent endowments and transfers related to funds given to the Corporation and the University as a gift.

h. Use of Estimates

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

i. Income Taxes

The Foundation is a not-for-profit Foundation and is exempt from federal and state income taxes under provisions of section 501(c)(3) of the Internal Revenue Code and the California Tax Code. Continuance of such exemption is subject to compliance with laws and regulations of the taxing authorities. Certain activities considered unrelated to the tax exempt purposes of the Foundation may generate income that is taxable. The Foundation paid \$12,259 and \$65,503 for unrelated business income in fiscal year 2019 and 2018, respectively, due to Foundation's alternative investments. The open tax years are generally the years ended June 30, 2015 through June 30, 2019 for federal tax purposes and the years ended June 30, 2014 through June 30, 2019 for California tax purposes.

**San Francisco State University Foundation**  
**(Component Unit of San Francisco State University)**

Notes to Financial Statements  
June 30, 2019 and 2018

**Note 2 - Summary of Significant Accounting Policies, Continued:**

j. Fair Value Measurement

The GASB issued Statement No. 72, *Fair Value Measurement and Application* (February 2015). This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
- Level 2 - Inputs (other than quoted market prices included within Level 1) that are observable for the asset/liability, either directly or indirectly.
- Level 3 - Unobservable inputs for the asset/liability; used to the extent that observable inputs are not available.
- Net Asset Value (NAV) - the fair value of underlying assets as reported by the entities in their financial statements or as determined by the fund manager. In some cases, the underlying assets are marketable securities with quoted market prices. In other situations, the underlying assets are not marketable, and valuations are determined by the fund managers. Due to the inherent uncertainty of valuation of non-marketable and restricted investments, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material. Additionally, these investments may have liquidity constraints, including lock up periods of a quarter or longer.

l. Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and would only be recognized as an inflow of resources (revenue) at that time. The Foundation has two items that qualify for reporting in this category including deferred inflows from charitable gift annuities held by California State University Foundation and an intangible asset in the form of cryptocurrency.

**San Francisco State University Foundation**  
**(Component Unit of San Francisco State University)**

Notes to Financial Statements  
June 30, 2019 and 2018

**Note 3 - Investments:**

Investments consist of the following as of June 30, 2019:

	Fair value	Maturities				
		<1 year	1 – 5 years	6 – 10 years	10+ years	Other
Local agency investment fund	\$ 14,904,328	\$ 14,904,328	\$ -	\$ -	\$ -	\$ -
Broker money market funds	11,567,662	11,567,662	-	-	-	-
Treasury securities	4,165,522	463,218	2,773,125	929,179	-	-
Municipal securities	2,033,143	165,065	751,648	1,116,430	-	-
Corporate debt securities	4,248,302	300,247	2,538,422	1,409,633	-	-
Mutual funds	23,458,288	23,458,288	-	-	-	-
Equity securities	3,110,082	3,110,082	-	-	-	-
REIT	332,782	332,782	-	-	-	-
Alternative investments	71,958,693	-	-	-	-	71,958,693
	<b>\$ 135,778,802</b>	<b>\$ 54,301,672</b>	<b>\$ 6,063,195</b>	<b>\$ 3,455,242</b>	<b>\$ -</b>	<b>\$ 71,958,693</b>

Investments consist of the following as of June 30, 2018:

	Fair value	Maturities				
		<1 year	1 – 5 years	6 – 10 years	10+ years	Other
Local agency investment fund	\$ 10,584,273	\$ 10,584,273	\$ -	\$ -	\$ -	\$ -
Broker money market funds	2,243,874	2,243,874	-	-	-	-
Treasury securities	2,468,138	601,417	1,039,925	\$ 826,796	-	-
Asset-backed securities	302,639	302,639	-	-	-	-
Municipal securities	1,925,248	61,136	610,254	1,253,858	-	-
Corporate debt securities	2,947,695	152,770	1,916,671	878,254	-	-
Mutual funds	16,654,975	16,654,975	-	-	-	-
Equity securities	42,543,068	-	-	-	-	42,543,068
Alternative investments	10,605,233	-	-	-	-	10,605,233
	<b>\$ 90,275,143</b>	<b>\$ 30,601,084</b>	<b>\$ 3,566,850</b>	<b>\$ 2,958,908</b>	<b>\$ -</b>	<b>\$ 53,148,301</b>

Investment return for the years ended June 30, 2019 and 2018 consist of the following:

	2019	2018
Interest and dividends	\$ 2,513,182	\$ 1,632,625
Realized and unrealized gain/loss	1,930,668	3,569,543
	<b>\$ 4,443,850</b>	<b>\$ 5,202,168</b>

*Interest rate risk* - The Foundation mitigates its interest rate risk through the use of professional money managers that use their judgment on the selection of debt securities. The Foundation does not currently have a formal policy on future maturity limitations.

**San Francisco State University Foundation**  
**(Component Unit of San Francisco State University)**

**Notes to Financial Statements**  
**June 30, 2019 and 2018**

**Note 3 - Investments, Continued:**

*Credit risk* – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to repay the debt security when due. The Foundation's investment policy provides that the fund will be diversified both by asset class (e.g., stocks and bonds) and within asset classes (e.g., within stocks by economic sector, quality, and market capitalization). The purpose of diversification is to enhance prospective returns, lower the volatility of the overall assets, and provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the total portfolio. Federal agency issues, bond funds (bond index funds and intermediate term funds), and money market funds do not have a rating provided by a nationally recognized statistical rating organization.

*Concentration of credit risk* – Concentration of credit risk of loss attributed to the magnitude of the investment in a single issuer. The Foundation's investment policy contains no limitations as to how much can be invested with any one issuer. As of June 30, 2019, the Foundation's fixed income investments did not have exposure to any single issuer exceeding 5% of the total endowment portfolio, with the exception of the US Treasury.

*Custodial credit risk* - Custodial credit risk represents the risk that, in the event of the failure of counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. UBS Financial Services account is insured with a combination of SIPC and other commercial insurance. SIPC coverage protects customers of a U.S. registered broker-dealer in the event the broker-dealer becomes financially insolvent and cannot return the full value of a customer's securities and cash in the broker-dealer's possession or control. SIPC covers each customer's account up to \$500,000, of which up to \$250,000 may be cash. Excess coverage follows the terms of SIPC coverage but covers each account up to its full net equity value, including all cash balances. UBS Financial Services and certain affiliates have purchased supplemental insurance from London Insurers to augment the SIPC protection. The supplemental policy is subject to policy conditions and limitations and has an aggregate policy limit of \$500,000,000. Within this aggregate policy limit, each separate client has up to \$1,900,000 in protection for cash held in all of the client's accounts. The Foundation does not have a formal policy covering custodial credit risk for its investments.

Local Agency Investment Fund (LAIF)

Under Federal Law, the State of California cannot declare bankruptcy, thereby allowing the Government Code Section 16429.3 to stand. This section states that "moneys placed with the Treasurer for deposit in the LAIF by cities, counties, special districts, nonprofit Foundations, or qualified quasi-governmental agencies shall not be subject to either of the following: (a) transfer or loan pursuant to Sections 16310, 16312, or 16313, or (b) impoundment or seizure by any state official or state agency."



**San Francisco State University Foundation**  
**(Component Unit of San Francisco State University)**

Notes to Financial Statements  
June 30, 2019 and 2018

**Note 3 - Investments, Continued:**

During a legislative session, California Government Code Section 16429.4 was added to the LAIF's enabling legislation. The section states that "the right of a city, county, city and county, special district, nonprofit Foundation, or qualified quasi-governmental agency to withdraw its deposited moneys from the LAIF, upon demand, may not be altered, impaired, or denied in any way, by any state official or state agency based upon the state's failure to adopt a State Budget by July 1 of each new fiscal year."

Participating agencies' portions of the fund are held at fair value using net asset value ("NAV") information provided by LAIF.

**Note 4 - Fair Value Measurement:**

At June 30, 2019 and June 30, 2018, the Foundation's investment consist of cash and money market funds of \$11,567,662 and \$2,243,874, respectively, and the following assets which are classified by level within the valuation hierarchy on a recurring basis at June 30:

	2019				
	Level 1	Level 2	Level 3	NAV	Total
Local agency investment fund	\$ -	\$ -	\$ -	\$ 14,904,328	\$ 14,904,328
Treasury securities	4,165,522	-	-	-	4,165,522
Municipal securities	123,938	1,909,205	-	-	2,033,143
Corporate debt securities	4,101,405	146,897	-	-	4,248,302
Mutual funds	23,458,288	-	-	-	23,458,288
Equity securities	3,101,567	8,515	-	-	3,110,082
REITS	332,782	-	-	-	332,782
Alternative Investments	-	-	-	71,958,693	71,958,693
	\$ 35,283,502	\$ 2,064,617	\$ -	\$ 86,863,021	\$ 124,211,140

	2018				
	Level 1	Level 2	Level 3	NAV	Total
Local agency investment fund	\$ -	\$ -	\$ -	\$ 10,584,273	\$ 10,584,273
Treasury securities	\$ 2,468,138	-	-	-	2,468,138
Asset-backed securities	302,639	\$ -	-	-	302,639
Municipal securities	106,138	1,819,110	-	-	1,925,248
Corporate debt securities	2,770,632	177,063	-	-	2,947,695
Mutual funds	16,654,975	-	-	-	16,654,975
Equity securities	2,829,596	10,937	-	39,702,535	42,543,068
Alternative Investments	-	-	-	10,605,233	10,605,233
	\$ 25,132,118	\$ 2,007,110	\$ -	\$ 60,892,041	\$ 88,031,269

**San Francisco State University Foundation**  
**(Component Unit of San Francisco State University)**

**Statements of Cash Flows**

**Note 4 - Fair Value Measurement, Continued:**

**Alternative Investments Measured at NAV**

	Fair Value	Unfunded Commitments (1)	Lock-up	Redemption Frequency (If Currently Eligible)
Equity long/short hedge funds	1,784,473	-	N/A	25% Calendar Quarter
Hedge Funds	27,239,699	-	N/A	50% semi-annually - Daily
Private Equity	1,163,532	7,771,740	N/A	25% Calendar Quarter
Global opportunities hedge funds	4,633,647	-	N/A	Every 36 months on Fiscal Year End on or after Anniversary
Multi-strategy hedge funds	3,350,145	-	30 months	50% semi-annually June/Dec
Real estate funds *	986,606	220,000	N/A	Not redeemable
Commingled Fund	30,866,585	-	180 days	Monthly - Daily
Open-Ended Mutual Fund	1,934,006	-	N/A	Daily
<hr/>				
Total alternative investments measured at NAV	71,958,693			

1. Equity long/short hedge funds. This type includes investments in small cap public companies as a long term and value-added shareholder. This is a hedge fund that invest in both long and short in U.S. common stocks. The fair value for of the investments in this type have been determined using the NAV per share of the investments.
2. Hedge Funds. This type of investment vehicle includes 10 hedge funds. These funds invest primarily in securities emerging markets, international equity, global equity and fixed income. The fair values of the investments have been determined using NAV per share (or its equivalent) of the investments. The Gaoling Feeder Fund LTD, one of the investments, valued at \$1,232,796 can be redeemed in part 50% semi-annually June/Dec. The Gaoling Feeder Fund Ltd also has a 30-month hard lockup, the initial funding was 3/1/19. The fixed income vehicle, Brandywine International, fair value at \$2,824,180, can be redeemed daily.
3. Private Equities. This type includes five private equity funds that invests in technology and healthcare; investment fund interest with underlying strategy in growth equity, venture capital, infrastructure, distressed debt and hedge funds; invest in established and emerging global venture capital funds; and invest in renewable energy and closely related companies or assets represent the largest exposure. The nature of the investment in this type is that distributions are received through the liquidation of the underlying assets of the fund.
4. Global opportunities hedge funds. This type includes one hedge fund that hold investments securities in multi-strategy, equity long and short and distressed in the US and foreign issuers. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments. The value of the investment is, valued at \$ 4,633,647 can redeem all or part of its initial or additional investment, every 36 months on fiscal year end on or after the anniversary.

**San Francisco State University Foundation  
(Component Unit of San Francisco State University)**

**Notes to Financial Statements  
June 30, 2019 and 2018**

**Note 4 - Fair Value Measurement, Continued:**

**Alternative Investments Measured at NAV, Continued**

5. Multi-strategy hedge funds. This type of includes investments in one hedge fund that pursues multiple strategies to diversity risks and reduce volatility which includes credit, Long/Short Equity, Merger Arbitrage, Real Estate-related and direct investments. Invests globally in emerging and developed markets. The fair values of the investments in this type have been determined using the NAV per share (or equivalent) of the investments. Investments can be redeemed 50 percent semi-annually June/December.
6. Real estate funds. This type includes three real estate funds that invest in the U.S. residential and commercial real estate. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. One of the funds has been liquidated but 5 percent was held back.
7. Commingled Funds. This type includes seven funds consisting of assets from blended accounts which invest in Long/Short equity. The underlining investments are invested in US stocks, global stocks, international stocks and emerging market stocks. The majority of the funds can be redeemed monthly.
8. Open-Ended Mutual Fund. This type includes two funds consisting of diversified portfolio mutual funds. The funds invest in clean energy, agriculture, and copper. The fair vales for this investment type has been determined by the portfolio's NAV daily.

**San Francisco State University Foundation**  
**(Component Unit of San Francisco State University)**

Notes to Financial Statements  
June 30, 2019 and 2018

**Note 5 - Endowments:**

Endowments held and administered by the Foundation at June 30, 2019 are as follows:

	Restricted net assets		Total
	Nonexpendable	Expendable	
Endowments	\$ 93,551,789	\$ 36,764,881	\$ 130,316,670

Endowments held and administered by the Foundation at June 30, 2018 are as follows:

	Restricted net assets		Total
	Nonexpendable	Expendable	
Endowments	\$ 57,209,082	\$ 27,828,518	\$ 85,037,600

The Foundation's endowment policy during fiscal years 2019 and 2018 allowed up to a 4% annual payout based on the quarterly average daily balance of the fund. The 4% annual payout was not changed during the year and disbursements were allowed. The Foundation had endowment funds underwater in the amount of \$59,946 and \$0 at June 30, 2019 and 2018, respectively. Underwater is defined as the current endowment value of an endowment gift being less than the value of the original endowment gift.

**Note 6 - Related Parties:**

During the years ended June 30, 2019 and 2018, the Foundation paid \$46,561 and \$103,603, respectively, to the University for reimbursements and funding for salary reimbursements, cost allocation, other expense reimbursements.

During the years ended June 30, 2019 and 2018, the Foundation paid \$4,205,173 and \$3,108,689, respectively, for scholarships, other endowment spendable accounts, donations received by the Foundation that belong to the Corporation, fee for accounting services provided by the Corporation and other various reimbursements to the Corporation. The total paid includes \$3,512,179 paid to the Corporation for funds released from the endowments for scholarships, department chairs and allowable support to the endowments spending accounts managed by the Corporation. The Corporation paid \$306,536 and \$62,644 to the Foundation in 2019 and 2018, respectively.

At June 30, 2019 and 2018, the Foundation recorded receivables from the Corporation totaling \$2,560 and \$3,864, respectively, and payables to the University totaling \$15,524 and \$51,758, respectively.

**San Francisco State University Foundation**  
**(Component Unit of San Francisco State University)**

Notes to Financial Statements  
June 30, 2019 and 2018

**Note 7 - Risk Financing Activities:**

The Foundation is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Foundation carries commercial insurance. The Foundation has not had any significant reduction in insurance coverage, and there have been no claims in excess of coverage, in any of the past three years.

**Note 8 - Litigation:**

From time to time, the Foundation is subject to various claims and legal proceedings covering a range of matters that arise in the ordinary course of its business activities. In the opinion of management, although the outcome of any legal proceedings cannot be predicted with certainty, the ultimate liability of the Foundation in connection with its legal proceedings is not expected to have a material adverse effect on the Foundation's financial position and activities.

**Note 9 - Administrative Fee:**

The Foundation charges an administrative fee of 1.25% annually plus recoupment of investment fees paid to manage the endowment funds. This is calculated on the quarterly average daily balance of all endowments managed by the Foundation per the endowment policy. Administrative fees of 1.25% plus recoupment of external investment fees in the amounts of \$2,032,814 and \$1,665,991 were earned by the Foundation during the years ended June 30, 2019 and 2018, respectively. The Foundation administrative fee charged for fiscal year 2019 includes \$402,176 recouped to offset investment management fees. In fiscal year 2018, the Foundation earned \$591,234 to offset investment management fees.

**Note 10 - Capital Assets:**

The following is a roll forward schedule of capital assets for the year ended June 30, 2019:

	<u>June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers</u>	<u>June 30, 2019</u>
Capital assets not being depreciated:					
Intangible assets	\$ -	\$ 4,933,258	\$ -	\$ -	\$ 4,933,258

**San Francisco State University Foundation**  
**Schedule of Net Position**  
**June 3, 2019**  
(for inclusion in the California State University)

**Assets:**

**Current assets:**

Cash and cash equivalents	\$ 1,256,830
Short-term investments	42,227,013
Accounts receivable, net	118,333
Capital lease receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	—
Prepaid expenses and other current assets	35,276
	<hr/>
Total current assets	43,637,452
	<hr/>

**Noncurrent assets:**

Restricted cash and cash equivalents	—
Accounts receivable, net	—
Capital lease receivable, net of current portion	—
Notes receivable, net of current portion	—
Student loans receivable, net	—
Pledges receivable, net	46,964
Endowment investments	93,551,789
Other long-term investments	—
Capital assets, net	4,933,258
Other assets	—
	<hr/>
Total noncurrent assets	98,532,011
	<hr/>
Total assets	142,169,463
	<hr/>

**Deferred outflows of resources:**

Unamortized loss on debt refunding	—
Net pension liability	—
Net OPEB liability	—
Others	—
	<hr/>
Total deferred outflows of resources	—
	<hr/>

**San Francisco State University Foundation**  
**Schedule of Net Position**  
**June 3, 2019**  
(for inclusion in the California State University)

**Liabilities:**

**Current liabilities:**

Accounts payable	93,218
Accrued salaries and benefits	—
Accrued compensated absences, current portion	—
Unearned revenues	—
Capital lease obligations, current portion	—
Long-term debt obligations, current portion	—
Claims liability for losses and loss adjustment expenses, current portion	—
Depository accounts	—
Other liabilities	15,539

**Total current liabilities**

108,757

**Noncurrent liabilities:**

Accrued compensated absences, net of current portion	—
Unearned revenues	—
Grants refundable	—
Capital lease obligations, net of current portion	—
Long-term debt obligations, net of current portion	—
Claims liability for losses and loss adjustment expenses, net of current portion	—
Depository accounts	—
Net other postemployment benefits liability	—
Net pension liability	—
Other liabilities	—

**Total noncurrent liabilities**

—

**Total liabilities**

108,757

**Deferred inflows of resources:**

Service concession arrangements	—
Net pension liability	—
Net OPEB liability	—
Unamortized gain on debt refunding	—
Nonexchange transactions	4,980,222
Others	—

**Total deferred inflows of resources**

4,980,222

**Net Position:**

Net investment in capital assets	—
Restricted for:	—
Nonexpendable – endowments	93,551,789
Expendable:	—
Scholarships and fellowships	28,968,396
Research	—
Loans	—
Capital projects	7,796,485
Debt service	—
Others	—
Unrestricted	6,763,814

**Total net position**

\$ 137,080,484

**San Francisco State University Foundation**  
**Schedule of Revenues, Expenses, and Changes in Net Position**  
**June 3, 2019**  
**(for inclusion in the California State University)**

Revenues:

Operating revenues:

Student tuition and fees, gross	\$ —
Scholarship allowances (enter as negative)	—
Grants and contracts, noncapital:	
Federal	—
State	—
Local	—
Nongovernmental	—
Sales and services of educational activities	—
Sales and services of auxiliary enterprises, gross	—
Scholarship allowances (enter as negative)	—
Other operating revenues	2,034,434
Total operating revenues	<u>2,034,434</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	1,158,863
Depreciation and amortization	—
Total operating expenses	<u>1,158,863</u>
Operating income (loss)	<u>875,571</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	10,106,627
Investment income (loss), net	4,443,850
Endowment income (loss), net	—
Interest expense	—
Other nonoperating revenues (expenses) - excl. interagency transfers	(3,434,827)
Other nonoperating revenues (expenses) - interagency transfers	—
Net nonoperating revenues (expenses)	<u>11,115,650</u>

Income (loss) before other revenues (expenses)	11,991,221
--	------------

State appropriations, capital	—
Grants and gifts, capital	—
Additions (reductions) to permanent endowments	34,310,603
Increase (decrease) in net position	46,301,824

Net position:

Net position at beginning of year, as previously reported	90,778,660
Restatements	
Net position at beginning of year, as restated	<u>90,778,660</u>
Net position at end of year	<u>\$ 137,080,484</u>



**San Francisco State University Foundation**  
Other Information  
June 3, 2019  
(for inclusion in the California State University)

**1 Cash and cash equivalents:**

Portion of restricted cash and cash equivalents related to endowments  
All other restricted cash and cash equivalents

**Noncurrent restricted cash and cash equivalents**

Current cash and cash equivalents

**Total**

-
1,256,830
<b>\$ 1,256,830</b>

**2.1 Composition of investments:**

	Current	Noncurrent	Total
Money market funds	11,567,662		11,567,662
Repurchase agreements			-
Certificates of deposit			-
U.S. agency securities	463,218	3,702,304	4,165,522
U.S. treasury securities	165,065	1,868,078	2,033,143
Municipal bonds	300,247	3,948,055	4,248,302
Corporate bonds			-
Asset backed securities			-
Mortgage backed securities			-
Commercial paper	11,383,629	12,074,659	23,458,288
Mutual funds			-
Exchange traded funds	3,442,864		3,442,864
Equity securities			-
Alternative investments:			
Private equity (including limited partnerships)		1,163,532	1,163,532
Hedge funds		37,007,964	37,007,964
Managed futures			-
Real estate investments (including REITs)		986,606	986,606
Commodities			-
Derivatives			-
Other alternative investment types		32,800,591	32,800,591
Other external investment pools (excluding SWIFT)			-
Other investments	14,904,328		14,904,328
State of California Local Agency Investment Fund (LAIF)			-
State of California Surplus Money Investment Fund (SMIF)			-
<b>Total investments</b>	<b>42,227,013</b>	<b>93,551,789</b>	<b>135,778,802</b>
Less endowment investments (enter as negative number)	-	(93,551,789)	(93,551,789)
<b>Total investments, net of endowments</b>	<b>\$ 42,227,013</b>	<b>-</b>	<b>42,227,013</b>

**San Francisco State University Foundation**  
**Other Information**  
**June 3, 2019**  
(for inclusion in the California State University)

**2.2 Fair value hierarchy in investments:**

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Money market funds	\$ 11,567,662	11,567,662	-	-	-
Repurchase agreements	-	-	-	-	-
Certificates of deposit	-	-	-	-	-
U.S. agency securities	-	-	-	-	-
U.S. treasury securities	4,165,522	4,165,522	-	-	-
Municipal bonds	2,033,143	123,938	190,920	-	-
Corporate bonds	4,248,302	410,140	146,897	-	-
Asset backed securities	-	-	-	-	-
Mortgage backed securities	-	-	-	-	-
Commercial paper	-	-	-	-	-
Mutual funds	23,458,288	234,582	-	-	-
Exchange traded funds	-	-	-	-	-
Equity securities	3,442,864	343,439	8,515	-	-
Alternative investments:	0	-	-	-	-
Private equity (including limited partnerships)	1,163,532	-	-	-	1,163,532
Hedge funds	37,007,964	-	-	-	37,007,964
Managed futures	-	-	-	-	-
Real estate investments (including REITs)	986,606	-	-	-	986,606
Commodities	-	-	-	-	-
Derivatives	-	-	-	-	-
Other alternative investment types	-	-	-	-	-
Other external investment pools (excluding SWIFT)	32,800,591	-	-	-	32,800,591
Other investments	-	-	-	-	-
State of California Local Agency Investment Fund (LAIF)	-	-	-	-	-
State of California Surplus Money Investment Fund (SMIF)	14,904,328	-	-	-	14,904,328
<b>Total investments</b>	<b>\$ 135,778,802</b>	<b>46,851,164</b>	<b>2,064,617</b>	<b>-</b>	<b>86,863,021</b>

**2.3 Investments held by the University under contractual agreements:**

Investments held by the University under contractual agreements (e.g. CSU Consolidated SWIFT Inv pool):

Current	Noncurrent	Total
		\$ -

**San Francisco State University Foundation**  
**Other Information**  
**June 3, 2019**  
**(for inclusion in the California State University)**

**3.1 Composition of capital assets:**

	Balance June 30, 2018	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2018 (Re-stated)	Additions	Retirements	Transfer of completed CWIP	Balance June 30, 2019
<b>Non-depreciable/non-amortizable capital assets:</b>									
Land and land improvements	\$ -	-	-	-	-	-	-	-	-
Works of art and historical treasures	-	-	-	-	-	-	-	-	-
Construction work in progress (CWIP)	-	-	-	-	-	-	-	-	-
<b>Intangible assets:</b>									
Rights and easements	-	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-	-
Intangible assets in progress (PWIP)	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Other intangible assets:									
Cryptocurrency	-	-	-	-	-	4,933,258	-	-	4,933,258
<b>Total intangible assets</b>	-	-	-	-	-	4,933,258	-	-	4,933,258
<b>Total non-depreciable/non-amortizable capital assets</b>	-	-	-	-	-	4,933,258	-	-	4,933,258
<b>Depreciable/Amortizable capital assets:</b>									
Buildings and building improvements	-	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-	-
Personal property	-	-	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-	-	-
Library books and materials	-	-	-	-	-	-	-	-	-
<b>Intangible assets</b>									
Software and websites	-	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Other intangible assets	-	-	-	-	-	-	-	-	-
Cryptocurrency	-	-	-	-	-	-	-	-	-
<b>Total intangible assets</b>	-	-	-	-	-	-	-	-	-
<b>Total depreciable/amortizable capital assets</b>	-	-	-	-	-	4,933,258	-	-	4,933,258
<b>Total capital assets</b>	-	-	-	-	-	4,933,258	-	-	4,933,258
<b>Less accumulated depreciation/amortization: (enter as negative number, except for reductions enter as positive number)</b>									
Buildings and building improvements	-	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-	-
Personal property	-	-	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-	-	-
Library books and materials	-	-	-	-	-	-	-	-	-
<b>Intangible assets:</b>									
Software and websites	-	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Other intangible assets:									
Cryptocurrency	-	-	-	-	-	-	-	-	-
<b>Total intangible assets</b>	-	-	-	-	-	-	-	-	-
<b>Total accumulated depreciation/amortization</b>	-	-	-	-	-	4,933,258	-	-	4,933,258
<b>Total capital assets, net</b>	-	-	-	-	-	-	-	-	-



See accompanying independent auditor's report.

**San Francisco State University Foundation**  
**Other Information**  
**June 3, 2019**  
**(for inclusion in the California State University)**

**7 Transactions with related entities:**

Payments to University for salaries of University personnel working on contracts, grants, and other programs	2,500
Payments to University for other than salaries of University personnel	44,061
Payments received from University for services, space, and programs	
Gifts-in-kind to the University from discretely presented component units	
Gifts (cash or assets) to the University from discretely presented component units	
Accounts payable to University	
Other amounts payable to University	(110,707)
Accounts receivable from University	
Other amounts receivable from University	

**8 Restatements/Prior period adjustments:**

**Provide a detailed breakdown of the journal entries (at the financial statement line items level) booked to record each restatement/PPA:**

Transaction #1	Debit/(Credit)
Enter transaction description	
Transaction #2	
Enter transaction description	

**San Francisco State University Foundation**  
Other Information  
June 3, 2019  
(for inclusion in the California State University)

9 Natural classifications of operating expenses:

	Salaries	Benefits - Other	Benefits - Pension	Benefits - OPEB	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total operating expenses
Instruction	-	-	-	-	-	-	-	-
Research	-	-	-	-	-	-	-	-
Public service	-	-	-	-	-	-	-	-
Academic support	-	-	-	-	-	-	-	-
Student services	-	-	-	-	-	-	-	-
Institutional support	-	-	-	-	-	-	-	-
Operation and maintenance of plant	-	-	-	-	-	-	-	-
Student grants and scholarships	-	-	-	-	-	-	-	-
Auxiliary enterprise expenses	-	-	-	-	-	-	-	-
Depreciation and amortization	-	-	-	-	-	1,158,863	-	1,158,863
Total operating expenses	-	-	-	-	-	1,158,863	-	1,158,863

10 Deferred outflows/inflows of resources:

1. Deferred Outflows of Resources	
Deferred outflows - unamortized loss on refunding(s)	
Deferred outflows - net pension liability	
Deferred outflows - net OPEB liability	
Deferred outflows - others:	
Total deferred outflows - others	-
Total deferred outflows of resources	\$ -
2. Deferred Inflows of Resources	
Deferred inflows - service concession arrangements	
Deferred inflows - net pension liability	
Deferred inflows - net OPEB liability	
Deferred inflows - unamortized gain on debt refunding(s)	
Deferred inflows - nonexchange transactions	4,980,222
Deferred inflows - others:	
Total deferred inflows - others	-
Total deferred inflows of resources	\$ 4,980,222

