



(a Component Unit of San Diego State University)

**Financial Statements and Supplementary  
Information**

June 30, 2017 and 2016

(With Independent Auditors' Report Thereon)

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Audit • Tax • Advisory

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San Diego State University Research Foundation

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### Report on the financial statements

We have audited the accompanying financial statements of the business-type activities of San Diego State University Research Foundation (a California State University Auxiliary Organization and Component Unite of San Diego State University) ("SDSU Research Foundation") as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise SDSU Research Foundation'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.

#### Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to SDSU Research 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 SDSU Research 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 respective financial position of the business-type activities of SDSU Research Foundation, as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows thereof 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 6-17 and the Schedule of Post-Employment Health Care Benefits Funding Progress as of December 31, 2015 on page 43 be presented to supplement the basic financial statements. Such information, although not a required 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. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary 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 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.

#### *Supplementary information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SDSU Research Foundation's basic financial statements. The supplementary information on pages 44-49 is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other reporting required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report, dated September 20, 2017, on our consideration of SDSU Research Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SDSU Research Foundation'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 SDSU Research Foundation's internal control over financial reporting and compliance.



San Diego, CA  
September 20, 2017



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

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San Diego State University Research Foundation

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We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the San Diego State University Research Foundation (a California State University Auxiliary Organization and Component Unit of San Diego State University) ("SDSU Research Foundation") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise SDSU Research Foundation's basic financial statements, and have issued our report thereon dated September 20, 2017.

**Internal control over financial reporting**

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

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

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

**Compliance and other matters**

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

**Intended purpose**

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



San Diego, CA

September 20, 2017

# SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

## Management's Discussion and Analysis

(unaudited)

June 30, 2017 and 2016

### Management's Discussion and Analysis (unaudited)

This section of the San Diego State University Foundation (dba San Diego State University (SDSU) Research Foundation) annual financial report includes management's discussion and analysis of the financial performance of SDSU Research Foundation for fiscal years ended June 30, 2017 and 2016. This discussion should be read in conjunction with the financial statements and notes.

#### Introduction to the Financial Statements

SDSU Research Foundation's financial statements include the Statements of Net Position; the Statements of Revenues, Expenses and Changes in Net Position; and the Statements of Cash Flows. These statements are supported by notes to the financial statements and Management's Discussion and Analysis. All sections must be considered together to obtain a complete understanding of the financial picture of SDSU Research Foundation.

**Statements of Net Position:** The Statements of Net Position include all assets, deferred outflows and inflows of resources, liabilities, and net position of SDSU Research Foundation. All amounts are reported on an accrual basis as of the statement date. This statement also identifies major categories of restrictions on the net position of SDSU Research Foundation.

**Statements of Revenues, Expenses and Changes in Net Position:** The Statements of Revenues, Expenses and Changes in Net Position present the revenues earned and expenses incurred during the years on an accrual basis.

**Statements of Cash Flows:** The Statements of Cash Flows present the inflows and outflows of cash for the years and are summarized by operating, capital and related financing, noncapital financing, and investing activities. These statements are prepared using the direct method of cash flows and therefore present gross rather than net amounts for the years' activities.

#### Financial Overview

##### *Summary*

The following discussion highlights management's understanding of the key financial aspects of SDSU Research Foundation's financial activities as of and for the years ended June 30, 2017 and 2016 (FY 2017 and FY 2016, respectively). Included are comparative analyses of current year and prior year activities and balances; a discussion of restrictions of SDSU Research Foundation net position; and a discussion of capital assets and long-term debt.

##### *Significant Events – Year Ended June 30, 2017*

SDSU Research Foundation had another year of positive growth in Sponsored programs revenue which increased from a total of \$106 million in FY 2015 to \$117 million in FY 2017, an increase of \$11 million or 10.3% over two years. The number and dollar amount of awards from the National Science Foundation, one of the major federal funding agencies, increased measurably over the last year - 19% more dollars; 72% more awards; and 35% more Facilities & Administrative (F&A) Cost Recovery. SDSU Research Foundation was also part of a consortium that received \$2 million from the Department of Transportation to establish a national university transportation center. While SDSU's share was \$233,751 during the fiscal year ended June 30, 2017, management expects this center to generate additional grants in other transportation-related areas. Additionally, one of our Principal Investigators in Biology received a prestigious National Institutes of Health MERIT award in recognition of and to further support his research. This award mechanism extends his current four-year award for an additional year and allows for another five years beyond that – a potential of \$5 million in total.

# SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

## Management's Discussion and Analysis

(unaudited)

June 30, 2017 and 2016

SDSU Research Foundation received \$1.9 million in February 2017 related to an initial payment for a 50-year ground lease agreement executed in April 2016. This agreement with a developer is to construct and operate a student housing facility.

### ***Significant Events – Year Ended June 30, 2016***

In March 2016, the National Institute on Minority Health and Health Disparities (NIMHD), part of the National Institutes of Health (NIH), awarded SDSU Research Foundation a \$10 million endowment on behalf of SDSU to improve the infrastructure that supports population health and health disparities research. The endowment will contribute \$2 million per year over 5 years with the first \$2 million payment occurring in the fiscal year ended June 30, 2016.

SDSU-Georgia project is a multi-year capacity-building effort to improve science, technology, engineering and mathematics (STEM) education in the country of Georgia. In October 2015, the “pre-enrollment” contract (15 months duration) ended. This phase included administrative start-up, degree accreditation assessment and institutional support. SDSU subcontracted with SDSU Research Foundation to provide services for this project. Upon successful completion of the first phase of this contract, in October 2015, MCA-Georgia granted a follow-on contract to SDSU and funded institutional, administrative, and degree accreditation preparation activities for a 45-month duration.

SDSU Research Foundation's condensed summary of net position as of June 30, 2017, 2016 and 2015 follows:

### **Condensed Summary of Net Position**

	<b>June 30</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Assets:			
Current assets	\$ 60,972,841	\$ 49,744,846	\$ 47,367,145
Capital assets, net	49,740,684	51,925,849	49,086,814
Other noncurrent assets	43,472,169	44,291,384	54,010,347
Total Assets	<u>154,185,694</u>	<u>145,962,079</u>	<u>150,464,306</u>
Deferred Outflows of Resources:			
Deferred loss on bond refunding	<u>549,384</u>	<u>577,802</u>	<u>606,220</u>
Liabilities:			
Current liabilities	33,027,465	25,875,920	31,938,374
Noncurrent liabilities	<u>34,586,756</u>	<u>33,103,743</u>	<u>33,354,370</u>
Total liabilities	<u>67,614,221</u>	<u>58,979,663</u>	<u>65,292,744</u>
Net Position:			
Net investment in capital assets	20,858,622	22,156,928	18,386,404
Restricted – nonexpendable	3,340,670	3,295,205	3,453,377
Restricted – expendable	16,033,158	11,975,356	10,612,196
Unrestricted	46,888,407	50,132,729	53,325,805
Total net position	<u>\$ 87,120,857</u>	<u>\$ 87,560,218</u>	<u>\$ 85,777,782</u>

### **Assets**

Total assets increased by \$8.2 million from FY 2016 to FY 2017 due to a combination of an increase in Cash and cash equivalents and Short-term investments. The growth in assets is related to the increase in Due to the Campanile Foundation and the retention of cash for other short-term cash needs offset by a decrease in Capital

# SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

## Management's Discussion and Analysis

(unaudited)

June 30, 2017 and 2016

assets, net and Other noncurrent assets. Total assets decreased \$4.5 million from fiscal year FY 2015 to FY 2016 primarily due to the redemption of investments and lower cash on hand, offset by additional net capital assets.



Current assets increased by \$11.2 million from FY 2016 to FY 2017 due to an increase in Cash and cash equivalents and Short-term investments. Current assets increased \$2.4 million from FY 2015 to FY 2016 primarily due to greater Short-term investments which was partially offset by less Cash and cash equivalents.

Capital assets, net of accumulated depreciation, are shown below:

	<b>June 30</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Land and land improvements	\$ 14,931,234	\$ 14,931,234	\$ 15,594,057
Buildings and improvements	29,666,367	31,459,627	28,403,933
Furniture, fixtures, equipment and construction in progress	<u>5,143,083</u>	<u>5,534,988</u>	<u>5,088,824</u>
Capital assets, net of accumulated depreciation	<u>\$ 49,740,684</u>	<u>\$ 51,925,849</u>	<u>\$ 49,086,814</u>

Capital assets decreased by \$2.2 million from FY 2016 to FY 2017 mostly due to increased Accumulated depreciation, from depreciation expense of \$4.3 million, offset by new additions. Capital assets increased \$2.8 million from FY 2015 to FY 2016 primarily due to \$4.5 million in tenant improvements for the College of Extended Studies, which was partially offset by the increase in Accumulated depreciation from depreciation expense.

Other noncurrent assets decreased by \$819,000 from FY 2016 to FY 2017 due to a decrease in Accounts receivable. Other noncurrent assets decreased by \$9.7 million from FY 2015 to FY 2016 primarily due to the redemption of

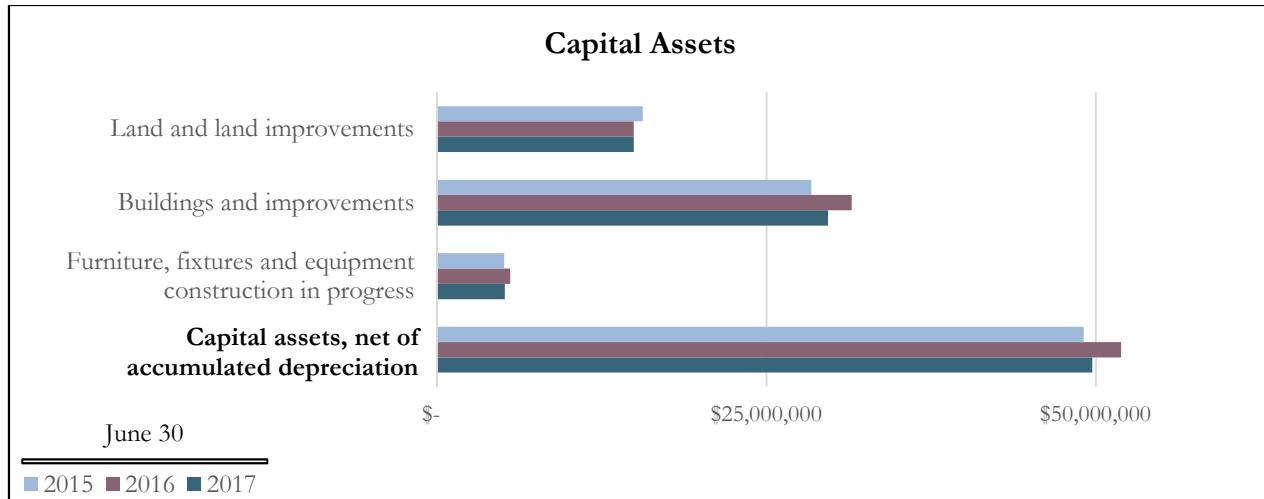
# SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

## Management's Discussion and Analysis

(unaudited)

June 30, 2017 and 2016

Long-term investments to provide funding for the College of Extended Studies tenant improvements and to reduce Current liabilities.



## Deferred Outflows of Resources

Deferred outflows of resources decreased \$28,418 from FY 2016 to FY 2017 and from FY 2015 to FY 2016, respectively, due to the amortization of the deferred loss on bond refunding.

## Liabilities

Total liabilities increased by \$8.6 million from FY 2016 to FY 2017 due to an increase in current and noncurrent liabilities. Total liabilities decreased by \$6.3 million from FY 2015 to FY 2016 due to a decrease in Current liabilities.

Current liabilities increased \$7.2 million from FY 2016 to FY 2017 mostly due to an increase in amount Due to The Campanile Foundation by \$1.7 million and an increase in the amount of "Sponsored program receipts over expenditures" of \$5.1 million. Current liabilities decreased by \$6.0 million from FY 2015 to FY 2016 primarily due to a significant advanced payment received from the sponsor of the SDSU-Georgia project in FY 2015.

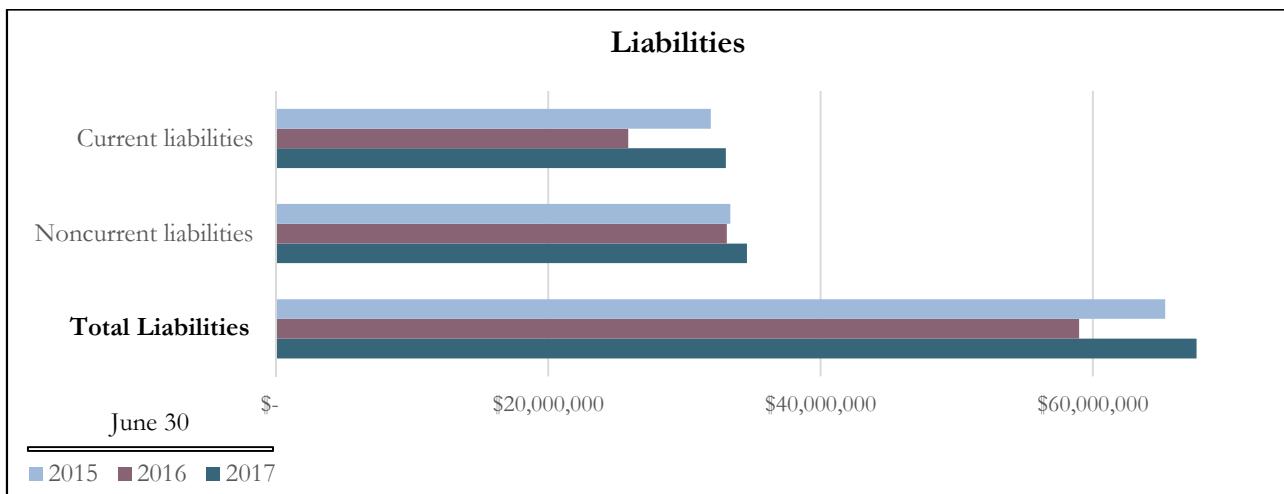
Noncurrent liabilities increased by \$1.5 million from FY 2016 to FY 2017 mostly due to deferred revenue of a ground lease for a student housing project and an increase in workers compensation liability, offset by the reduction of long-term debt. Noncurrent liabilities decreased \$300,000 from FY 2015 to FY 2016 primarily due to the reduction of long-term debt offset by an increase in workers compensation liability.

# SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

## Management's Discussion and Analysis

(unaudited)

June 30, 2017 and 2016



### ***Long-Term Debt Obligations***

Debt outstanding at June 30, 2017, 2016 and 2015 is summarized below by the type of debt instrument:

	<b>June 30</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Revenue bonds	\$ 28,035,000	\$ 28,920,000	\$ 29,785,000
Unamortized bond premium	1,331,815	1,426,721	1,521,627
<b>Total long-term debt</b>	<b>29,366,815</b>	<b>30,346,721</b>	<b>31,306,627</b>
Less current portion	(1,019,908)	(979,908)	(959,908)
Long-term debt, net of current portion	<b>\$ 28,346,907</b>	<b>\$ 29,366,813</b>	<b>\$ 30,346,719</b>

Long-term debt, net of current portion, decreased by approximately \$1.0 million from FY 2016 to FY 2017 and from FY 2015 to FY 2016 due to scheduled bond payments.

### **Net Position**

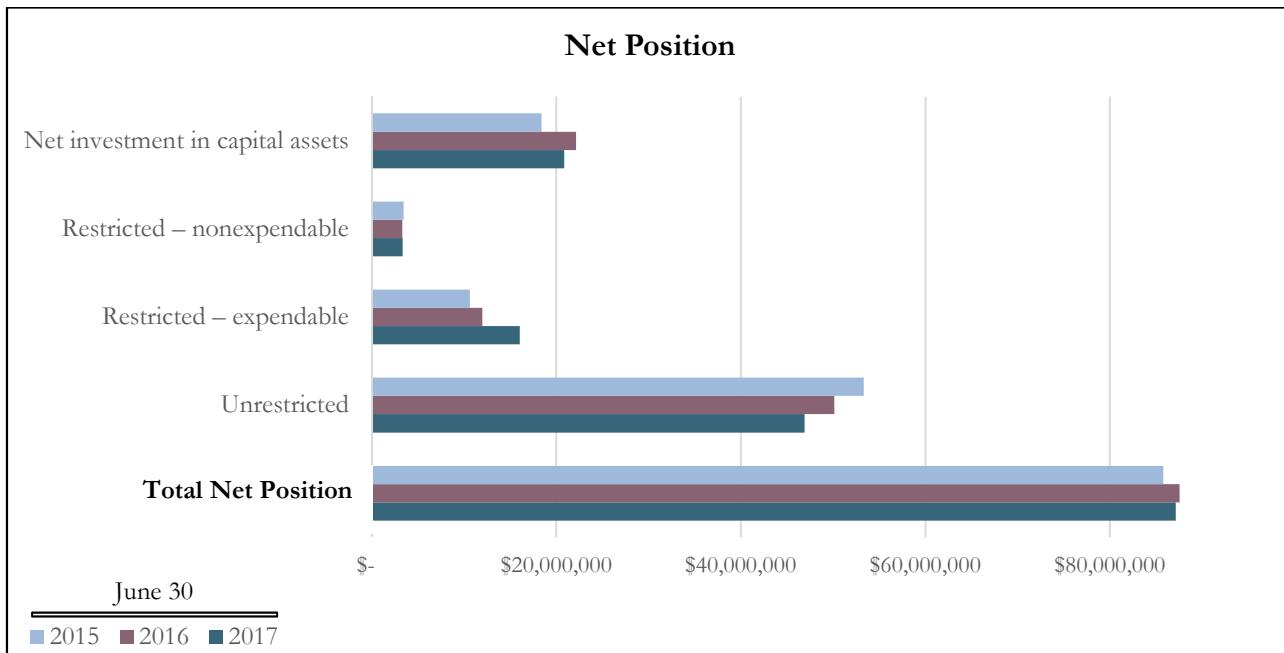
Net position decreased by \$439,000 from FY 2016 to FY 2017 due to a combination of increases and decreases in multiple asset and liability categories. Net position increased \$1.8 million from FY 2015 to FY 2016 primarily due to the increase in capital assets offset by the decrease in unrestricted net position.

# SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

## Management's Discussion and Analysis

(unaudited)

June 30, 2017 and 2016



### Restricted Resources

The net position of SDSU Research Foundation includes funds that are restricted by donor or law. Nonexpendable net position increased by \$45,000 from FY 2016 to FY 2017 and decreased by \$200,000 from FY 2015 to FY 2016 due to market value fluctuations.

The increase in expendable restricted net position of \$4.0 million from FY 2016 to FY 2017 was primarily due to the receipt of the second installment, \$1.8 million, of a five-year \$10 million expendable endowment from NIH offset by market value fluctuations, as well as an increase in the KPBS capital campaign. The increase in expendable restricted net position from FY 2016 to FY 2015 was due to the first installment of the NIH endowment.

The following table summarizes restricted funds, the type of restriction and the amount:

### Restricted Net Position

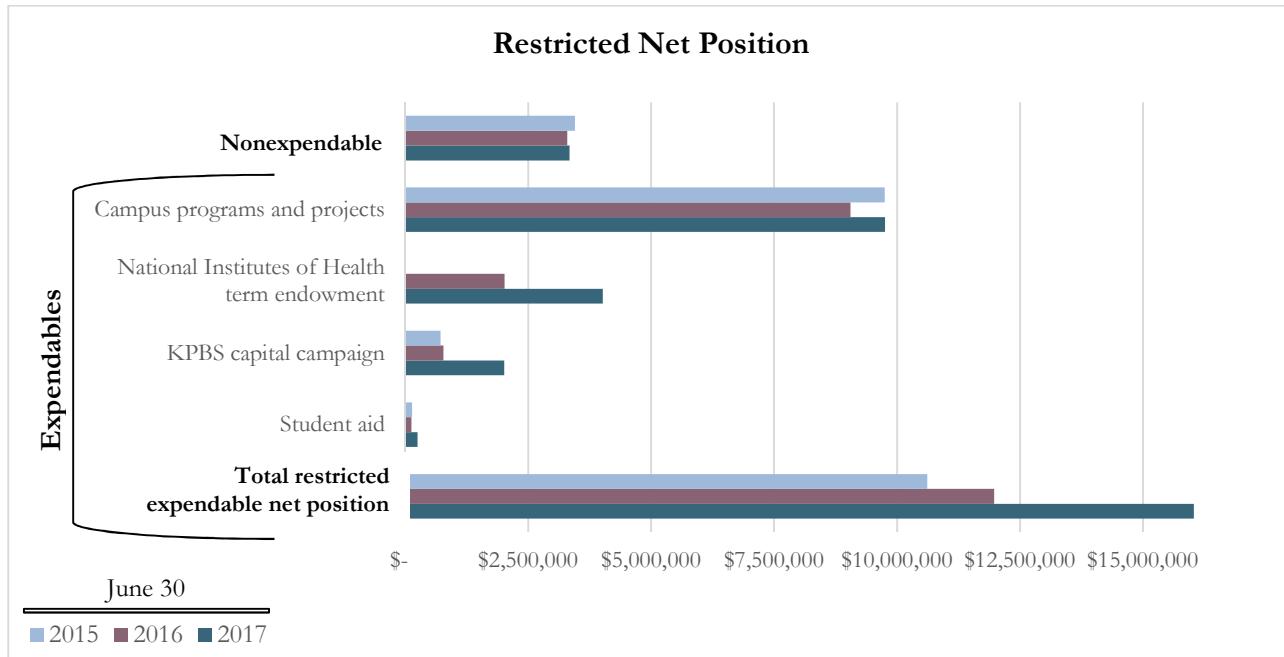
	June 30		
	2017	2016	2015
Nonexpendable	\$ 3,340,670	\$ 3,295,205	\$ 3,453,377
Expendable:			
Campus programs and projects	\$ 9,753,786	\$ 8,949,728	\$ 9,648,916
National Institutes of Health term endowment	4,016,056	2,016,953	-
KPBS capital campaign	2,013,861	779,196	720,242
Student aid	249,455	229,479	243,038
<b>Total restricted expendable net position</b>	<b>\$ 16,033,158</b>	<b>\$ 11,975,356</b>	<b>\$ 10,612,196</b>

# SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

## Management's Discussion and Analysis

(unaudited)

June 30, 2017 and 2016



# SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

## Management's Discussion and Analysis

(unaudited)

June 30, 2017 and 2016

SDSU Research Foundation's condensed summary of revenues, expenses and changes in net position for the years ended June 30, 2017, 2016 and 2015 follows:

### **Condensed Summary of Revenues, Expenses and Changes in Net Position**

	Years Ended June 30		
	2017	2016	2015
<b>Operating revenues:</b>			
Sponsored programs support	\$ 117,285,492	\$ 115,912,239	\$ 106,339,953
Community and campus programs	29,391,596	36,285,928	33,640,262
Contributions	19,948,984	19,735,879	19,287,577
Other operating revenues	7,908,332	7,856,682	7,995,732
<b>Total operating revenues</b>	<b>174,534,404</b>	<b>179,790,728</b>	<b>167,263,524</b>
<b>Operating expenses:</b>			
Sponsored programs	101,150,748	98,981,445	94,708,295
Community and campus programs, including fundraising	53,026,912	53,851,233	46,829,397
Other operating expenses	22,645,191	23,176,989	22,620,736
<b>Total operating expenses</b>	<b>176,822,851</b>	<b>176,009,667</b>	<b>164,158,428</b>
<b>Operating (loss) income</b>	<b>(2,288,447)</b>	<b>3,781,061</b>	<b>3,105,096</b>
Net nonoperating revenues (expenses)	1,765,716	(2,010,185)	(5,128,107)
<b>(Loss) income before changes to permanent endowments</b>	<b>(522,731)</b>	<b>1,770,876</b>	<b>(2,023,011)</b>
<b>Increase in permanent endowments</b>	<b>83,370</b>	<b>11,560</b>	<b>19,596</b>
<b>Net (loss) income</b>	<b>(439,361)</b>	<b>1,782,436</b>	<b>(2,003,415)</b>
<b>Net position at beginning of year</b>	<b>87,560,218</b>	<b>85,777,782</b>	<b>87,781,197</b>
<b>Net position at end of year</b>	<b>\$ 87,120,857</b>	<b>\$ 87,560,218</b>	<b>\$ 85,777,782</b>

### ***Operating Revenues and Expenses***

Operating revenues and expenses come from sources that are connected directly to SDSU Research Foundation's primary business functions.

### ***Operating Revenues***

Operating revenues decreased by \$5.3 million from FY 2016 to FY 2017 mostly due to a decrease in Community and campus programs revenues. Operating revenues increased by \$12.5 million from FY 2015 to FY 2016 due to an increase in Sponsored program support.

Sponsored programs support increased from FY 2016 to FY 2017 by \$1.4 million due to the continued success of SDSU's faculty in applying for and being awarded new grants and contracts. Sponsored programs support increased by \$9.6 million from FY 2015 to FY 2016 primarily due to the SDSU-Georgia project in the country of Georgia and the first installment of the expendable endowment from NIH.

# SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

## Management's Discussion and Analysis

(unaudited)

June 30, 2017 and 2016

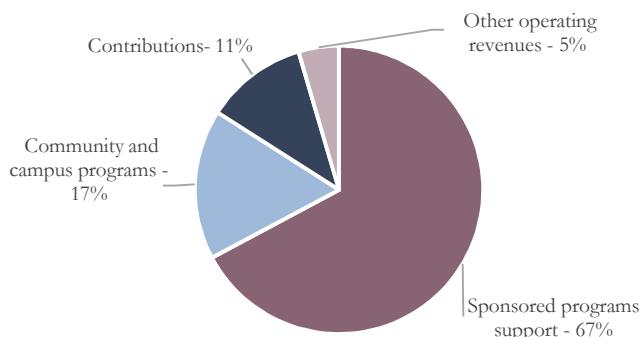
Community and campus programs include revenues generated mostly by the College of Extended Studies and KPBS as well as other campus programs. The revenues decreased by \$6.9 million from FY 2016 to FY 2017 due to a decrease in activity by the College of Extended Studies as well as the reduction in revenue from the SDSU-Georgia fixed price contract. These revenues increased by \$2.6 million from FY 2015 to FY 2016 primarily due to the recognition of revenue from the initial 15-month SDSU-Georgia fixed price, pre-enrollment contract offset by lower tuition revenue.

Contributions, primarily to KPBS, increased \$213,000 and \$448,000, respectively, from FY 2016 to FY 2017 and from FY 2015 to FY 2016.

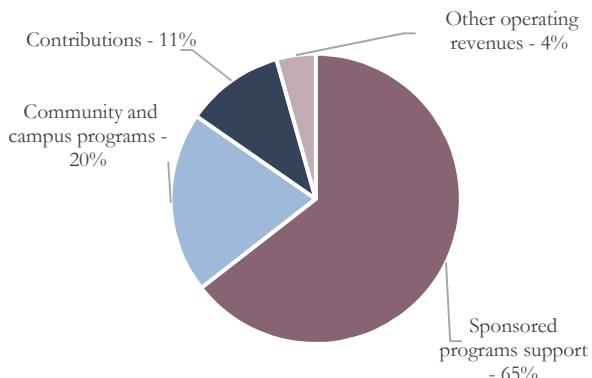
Other operating revenues increased slightly by \$52,000 from FY 2016 to FY 2017 due to an increase in rental income from leases. Additionally, Other operating revenues decreased by \$139,000 from FY 2015 to FY 2016 due to a reduction in rental income from properties transferred to Aztec Shops, Ltd. and a decrease in royalty revenue due to a large royalty distribution paid out in FY 2015.

The following charts present the percentages that each category of operating revenue contributed to total revenues for the years ended June 30, 2017, 2016 and 2015:

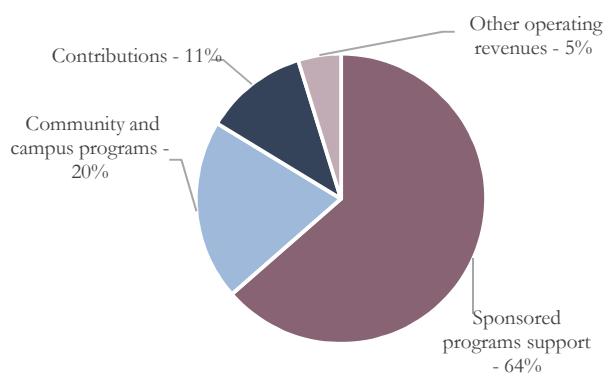
**2017 Operating Revenue**



**2016 Operating Revenue**



**2015 Operating Revenue**



# SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

## Management's Discussion and Analysis

(unaudited)

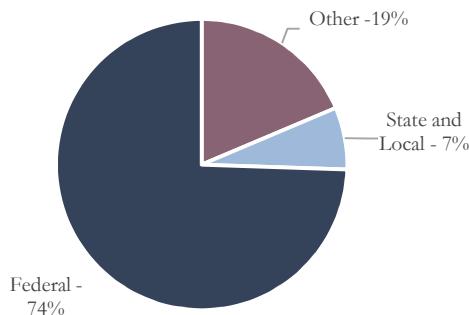
June 30, 2017 and 2016

The sources of Sponsored program support revenues for the years ended June 30, 2017, 2016, and 2015 are as follows:

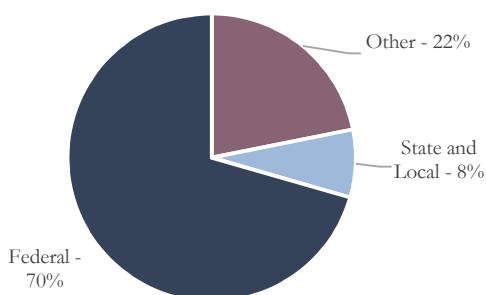
	Years Ended June 30					
	2017		2016		2015	
	\$	%	\$	%	\$	%
<b>Federal:</b>						
Department of Health & Human Services	43,905,262	37.5	39,603,114	34.2	40,107,477	37.7
Department of Education	11,724,328	10.0	10,400,980	9.0	10,165,256	9.6
Department of Defense	9,204,554	7.8	8,007,532	6.9	7,731,747	7.3
National Science Foundation	8,652,326	7.4	9,086,857	7.8	8,327,433	7.8
Department of Agriculture	6,774,828	5.8	6,410,895	5.5	6,414,030	6.0
Other	7,085,940	6.0	8,252,700	7.1	5,651,874	5.3
Total Federal	87,347,238	74.5	81,762,078	70.5	78,397,817	73.7
<b>State and Local</b>	8,074,388	6.9	8,823,989	7.7	10,682,922	10.1
<b>Other</b>	21,863,866	18.6	25,326,172	21.8	17,259,214	16.2
<b>Total</b>	<b>117,285,492</b>	<b>100.0</b>	<b>115,912,239</b>	<b>100.0</b>	<b>106,339,953</b>	<b>100.0</b>

The following charts present the percentages that each sponsor type contributed to Sponsored program support revenues for the years ended June 30, 2017, 2016 and 2015:

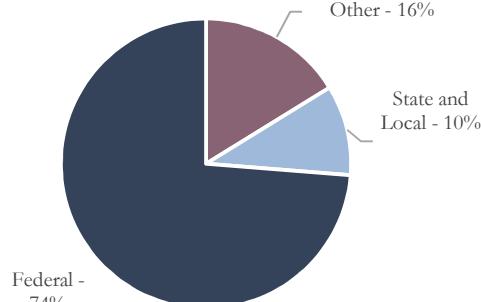
**2017 Sponsored Program Support**



**2016 Sponsored Program Support**



**2015 Sponsored Program Support**



# SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

## Management's Discussion and Analysis

(unaudited)

June 30, 2017 and 2016

### ***Operating Expenses***

Operating expenses increased by \$813,000 from FY 2016 to FY 2017 mainly due to an increase in Sponsored program support. Operating expenses increased by \$11.9 million from FY 2015 to FY 2016 due to an increase in Sponsored program support and Community and campus programs.

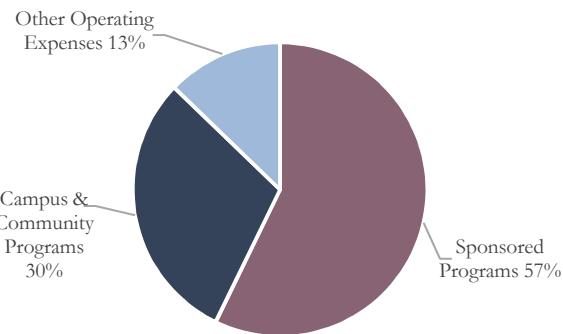
Sponsored programs expenses increased by \$2.2 million from FY 2016 to FY 2017 and \$4.3 million from FY 2015 to FY 2016. The FY 2017 increase was due to additional awards received by SDSU faculty while the FY 2016 increase was primarily due to the SDSU-Georgia project.

Community and campus programs expenses (including fundraising) decreased by \$824,000 from FY 2016 to FY 2017 due to a decrease in activity in the College of Extended Studies noncredit courses. From FY 2015 to FY 2016, the expenses increased \$7.0 million primarily due to a transfer of the College of Extended Studies cash reserves to The Campanile Foundation endowment, facilities rent, and instructional salaries and benefits.

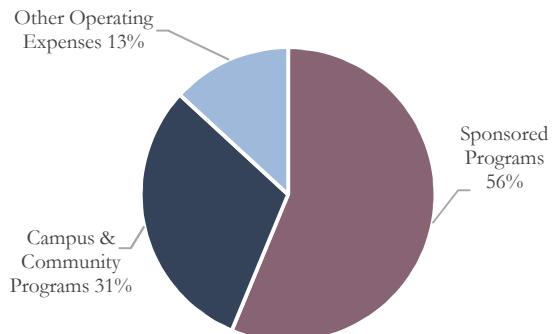
Other operating expenses decreased by \$532,000 from FY 2016 to FY 2017 due to a reduction in program expenses. Other operating expenses increased by \$556,000 from FY 2015 to FY 2016 primarily due to increase in salaries and benefits.

The following charts present the distribution of resources by percentage of operating expense category in support of SDSU Research Foundation's mission for the years ended June 30, 2017, 2016 and 2015:

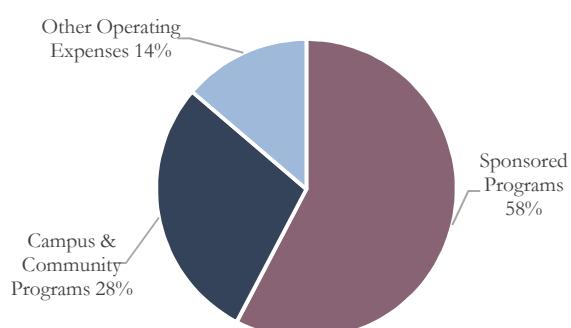
**2017 Operating Expenses**



**2016 Operating Expenses**



**2015 Operating Expenses**



# **SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION**

## Management's Discussion and Analysis

(unaudited)

June 30, 2017 and 2016

### ***Nonoperating Revenues (Expenses)***

Nonoperating revenues (expenses) come from sources that are not part of SDSU Research Foundation's primary business functions. Included in this classification are interest expense, investment income, changes in the fair value of investments, and gains and losses from the disposition of equipment or sale of donated property.

Nonoperating revenues net of nonoperating expenses increased by \$3.8 million from FY 2016 to FY 2017 due to a reduction in interest expense, an increase in fair value of investments from market value fluctuations and a gain on the sale of donated property.

Nonoperating expenses net of nonoperating revenues decreased by \$3.1 million from FY 2015 to FY 2016 due to a combination of a reduction in interest expense from paying off debt and an increase in investment income from market valuation fluctuations, offset by a decrease in fair value of investments as well as a loss on dispositions of property and equipment.

**SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION**

Statements of Net Position

June 30, 2017 and 2016

<b>Assets</b>	<b>2017</b>	<b>2016</b>
Current assets:		
Cash and cash equivalents (note 2)	\$ 8,084,367	\$ 4,628,638
Short-term investments (note 3)	27,070,726	18,939,845
Accounts receivable (note 4)	25,015,508	25,637,171
Prepaid expenses	802,240	539,192
Total current assets	<u>60,972,841</u>	<u>49,744,846</u>
Noncurrent assets:		
Accounts receivable (note 4)	378,428	624,767
Long-term investments (note 3)	14,401,888	19,138,385
Restricted assets – investments (note 3)	17,520,296	13,417,028
Restricted assets – land	1,853,532	1,853,532
Notes receivable – Aztec Shops, Ltd. (note 5)	8,371,991	8,371,991
Capital assets, net (notes 2, 6 and 8)	49,740,684	51,925,849
Other assets (note 2)	946,034	885,681
Total noncurrent assets	<u>93,212,853</u>	<u>96,217,233</u>
Total assets	<u>154,185,694</u>	<u>145,962,079</u>
<b>Deferred Outflows of Resources</b>		
Deferred loss on bond refunding (note 8)	<u>549,384</u>	<u>577,802</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued expenses (note 7)	14,142,303	13,849,425
Sponsored programs receipts over expenditures (note 2)	9,487,597	4,355,512
Long-term debt obligations – current portion (note 8)	1,019,908	979,908
Due to The Campanile Foundation (note 7)	8,377,657	6,691,075
Total current liabilities	<u>33,027,465</u>	<u>25,875,920</u>
Noncurrent liabilities:		
Long-term debt obligations, net of current portion (note 8)	28,346,907	29,366,813
Other liabilities (note 9)	<u>6,239,849</u>	<u>3,736,930</u>
Total noncurrent liabilities	<u>34,586,756</u>	<u>33,103,743</u>
Total liabilities	<u>67,614,221</u>	<u>58,979,663</u>
Commitments and Contingencies (notes 9, 10, 11 and 12)		
<b>Net Position</b>		
Net investment in capital assets	20,858,622	22,156,928
Restricted for:		
Nonexpendable – endowments and property	3,340,670	3,295,205
Expendable:		
Campus programs and projects	9,753,786	8,949,728
National Institutes of Health term endowment	4,016,056	2,016,953
KPBS capital campaign	2,013,861	779,196
Student aid	249,455	229,479
Unrestricted	<u>46,888,407</u>	<u>50,132,729</u>
Total net position	<u>\$ 87,120,857</u>	<u>\$ 87,560,218</u>

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

**SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION**

Statements of Revenues, Expenses and Changes in Net Position

Years ended June 30, 2017 and 2016

	<b>2017</b>	<b>2016</b>
Operating revenues:		
Sponsored programs support	\$ 117,285,492	\$ 115,912,239
Community and campus programs	29,391,596	36,285,928
Contributions	19,948,984	19,735,879
Rental income	5,675,408	5,850,454
Other operating revenues (note 7)	<u>2,232,924</u>	<u>2,006,228</u>
Total operating revenues	<u>174,534,404</u>	<u>179,790,728</u>
Operating expenses (notes 9, 10 and 11):		
Sponsored programs	101,150,748	98,981,445
Community and campus programs	46,723,471	47,228,818
Fundraising – broadcasting	6,303,441	6,622,415
Property management	8,239,584	8,485,900
General administration	<u>14,405,607</u>	<u>14,691,089</u>
Total operating expenses	<u>176,822,851</u>	<u>176,009,667</u>
Operating (loss) income	<u>(2,288,447)</u>	<u>3,781,061</u>
Nonoperating revenues (expenses):		
Interest expense (note 8)	(1,138,889)	(1,171,777)
Investment income, net	860,513	1,559,342
Net increase (decrease) in fair value of investments (note 3)	2,051,392	(1,087,770)
Loss on dispositions of property and equipment	(4,369)	(17,861)
Gain on sale of donated property	1,234,399	-
Transfers to The Campanile Foundation	<u>(1,237,330)</u>	<u>(1,292,119)</u>
Net nonoperating revenues (expenses)	<u>1,765,716</u>	<u>(2,010,185)</u>
(Loss) income before changes to permanent endowments	<u>(522,731)</u>	<u>1,770,876</u>
Increase in permanent endowments	<u>83,370</u>	<u>11,560</u>
Net (loss) income	<u>(439,361)</u>	<u>1,782,436</u>
Net position:		
Net position at beginning of year	<u>87,560,218</u>	<u>85,777,782</u>
Net position at end of year	<u>\$ 87,120,857</u>	<u>\$ 87,560,218</u>

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

**SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION**

Statements of Cash Flows

Years ended June 30, 2017 and 2016

	<b>2017</b>	<b>2016</b>
Cash flows from operating activities:		
Sponsored programs receipts	\$ 122,073,016	\$ 109,040,100
Community and campus programs receipts	30,269,560	35,979,351
Contributions	20,616,608	19,641,803
Rents received	7,543,065	5,883,559
Payments to suppliers	(76,871,605)	(78,079,259)
Payments to employees	(95,097,843)	(92,160,416)
Monies received on behalf of The Campanile Foundation, net	2,923,913	422,340
Monies disbursed to The Campanile Foundation	(1,237,331)	(1,292,119)
Other receipts	<u>2,031,487</u>	<u>2,438,404</u>
Net cash provided by operating activities	<u>12,250,870</u>	<u>1,873,763</u>
Cash flows from capital and related financing activities:		
Principal payments on long-term debt	(885,000)	(865,000)
Interest paid	(1,211,072)	(1,243,322)
Purchase of property and equipment	(2,142,899)	(7,096,023)
Proceeds from sale of donated property	<u>1,307,610</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(2,931,361)</u>	<u>(9,204,345)</u>
Cash flows from investing activities:		
Investment income	736,441	1,591,956
Proceeds from sale of investments	24,983,260	20,244,840
Purchase of investments	<u>(31,583,481)</u>	<u>(17,445,458)</u>
Net cash (used in) provided by investing activities	<u>(5,863,780)</u>	<u>4,391,338</u>
Net increase (decrease) in cash and cash equivalents	3,455,729	(2,939,244)
Cash and cash equivalents, beginning of year	4,628,638	7,567,882
Cash and cash equivalents, end of year	<u>\$ 8,084,367</u>	<u>\$ 4,628,638</u>

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

**SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION**

**Statements of Cash Flows - Continued**

**Years ended June 30, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
Reconciliation of operating (loss) income to net cash provided by operating activities:		
Operating (loss) income	\$ (2,288,447)	\$ 3,781,061
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	4,250,484	4,239,122
Change in assets:		
Accounts receivable	992,075	(1,511,253)
Prepaid expenses and other assets	(323,401)	712,946
Change in liabilities:		
Accounts payable	571,869	(796,068)
Accrued expenses	(273,296)	(237,687)
Sponsored programs receipts over expenses	5,132,085	(4,173,861)
Due to The Campanile Foundation	1,686,582	(869,779)
Other liabilities	<u>2,502,919</u>	<u>729,282</u>
Net cash provided by operating activities	<u><u>\$ 12,250,870</u></u>	<u><u>\$ 1,873,763</u></u>
Supplemental disclosure of noncash investing activity:		
Increase (decrease) in fair value of investments	\$ 2,051,392	\$ (1,087,770)
Increase in permanent endowments	83,370	11,560

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

# **SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION**

## **Notes to the Financial Statements**

**June 30, 2017 and 2016**

### **NOTE 1 – DESCRIPTION OF ORGANIZATION**

San Diego State University Foundation (dba San Diego State University (SDSU) Research Foundation) was formed on February 11, 1943. It is an auxiliary organization of San Diego State University (the University), and is organized and operated in accordance with the Education Code of the State of California and the California Code of Regulations. It is a nonprofit corporation chartered to provide and augment programs that are an integral part of the educational and community service mission of the University. While SDSU Research Foundation is organized to function as a separate corporation, it is integrated into the goals and programs of the University. SDSU Research Foundation reports as a special-purpose government entity engaged only in business-type activities.

SDSU Research Foundation is responsible for the accomplishment of certain University objectives that require financial support not provided by the state. These activities occur in all aspects of university life, including the development and administration of sponsored grants and contracts for faculty and staff research and educational projects; the administration of community and campus-related programs; the financial administration of certain gifts and donations; and the investment of certain endowments and other funds. SDSU Research Foundation's financial statements are included as a component unit of the University's annual financial statements as required by the Government Accounting Standards Board (GASB).

#### **Affiliated Organizations**

SDSU Research Foundation is related to the three other auxiliaries of the University: Associated Students of San Diego State University, Aztec Shops, Ltd. and The Campanile Foundation (TCF). The auxiliaries and the University periodically provide various services for one another and collaborate on projects.

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies utilized by SDSU Research Foundation follows:

#### **Basis of Accounting**

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, as prescribed by the GASB. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

#### **Classification of Current and Noncurrent Assets and Liabilities**

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

# **SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION**

## **Notes to the Financial Statements**

**June 30, 2017 and 2016**

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

#### **Cash and Cash Equivalents**

SDSU Research Foundation considers cash and short-term highly liquid investments with original maturities of three months or less to be cash and cash equivalents. These short-term investments are stated at cost, which approximates fair value.

#### **Investments**

All investments are reported at fair value, which is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

#### **Accounts Receivable**

Accounts receivable are recorded at the actual amounts expected to be collected and include both billed and unbilled amounts.

#### **Other Assets**

Other assets consist primarily of deposits held by others.

#### **Capital Assets**

Capital assets in excess of \$5,000 are recorded at cost, if purchased, or at estimated fair value, if donated. Certain equipment acquired through grants is subject to restrictions on use and disposition subsequent to the conclusion of the related grants.

Leased property meeting certain capital lease criteria is capitalized and the net present value of the related lease payments is recorded as a liability. Depreciation of assets under capital leases is recorded using the straight-line method over the shorter of the estimated useful lives or the lease terms.

Depreciation is computed by using the straight-line method over the useful life of the asset. For buildings, the useful life is generally 40 years. For building improvements, furniture, fixtures and equipment, the useful life is generally 5, 10 or 15 years. Improvements to leased property are amortized over the lesser of the term of the lease or the life of the improvement.

#### **Asset Impairment**

SDSU Research Foundation annually evaluates capital assets held for investment. The carrying values of such assets that are considered to be impaired are adjusted accordingly. Management has determined that there were no such impairments at June 30, 2017 and 2016.

#### **Deferred Outflow of Resources**

Losses on bond refundings are deferred and amortized on the straight-line method over the life of the refunded bonds.

# **SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION**

## **Notes to the Financial Statements**

June 30, 2017 and 2016

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

#### **Compensated Absences**

SDSU Research Foundation accrues vacation benefits for eligible employees at various rates depending upon length of service and employee classification. Eligible full-time employees accrue sick leave at the rate of four hours per pay period; however, except in limited cases upon retirement, employees are not paid for unused sick leave at the end of employment. Liabilities for compensated absences of approximately \$2,884,000 and \$2,634,000 as of June 30, 2017 and 2016, respectively, are included in accrued expenses.

#### **Revenue Recognition**

Revenue from sponsored programs is recognized as sponsored programs support in the fiscal year in which all eligibility requirements have been satisfied. Sponsored programs revenue received prior to satisfaction of eligibility requirements and incurrence of the related expenses have been deferred and are reflected as Sponsored programs receipts over expenditures in the accompanying statements of net position.

SDSU Research Foundation received 50.0% and 45.5% of its total operating revenue from federal sources during the years ended June 30, 2017 and 2016, respectively. The Department of Health and Human Services provided 25.2% and 22.0% of the total operating revenue for the years ended June 30, 2017 and 2016, respectively.

Revenue from community and campus programs is recognized as earned, which includes the revenue related to KPBS and the College of Extended Studies.

Revenue from contributions is recognized in the fiscal year in which all eligibility requirements have been satisfied. Contributions received prior to satisfaction of eligibility requirements are deferred.

#### **Net Position**

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

##### *Net investment in capital assets*

Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

##### *Restricted – nonexpendable*

Assets, net of related liabilities that are subject to externally imposed conditions that SDSU Research Foundation retains in perpetuity. Assets in this category consist of endowments and property held by SDSU Research Foundation.

##### *Restricted – expendable*

Assets, net of related liabilities that are subject to externally imposed conditions that can be fulfilled by the actions of SDSU Research Foundation's Board of Directors.

# **SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION**

## **Notes to the Financial Statements**

**June 30, 2017 and 2016**

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

#### ***Unrestricted***

All other categories of assets, net of related liabilities. In addition, unrestricted assets may be designated for specific purposes by SDSU Research Foundation's Board of Directors.

Restricted resources are used in accordance with SDSU Research Foundation policies. When both restricted and unrestricted resources are available for use, the determination to use restricted or unrestricted resources is made on a case-by-case basis.

#### **Classification of Revenues and Expenses**

SDSU Research Foundation considers operating revenues and expenses to be those revenues and expenses that result from exchange transactions or from activities that are connected directly to SDSU Research Foundation's primary functions. Certain other transactions are reported as nonoperating revenues and expenses, including interest expense, investment income and changes in the fair value of investments.

Included in sponsored program receipts for the year ended June 30, 2017 and 2016, is \$1.8 million and \$2.0 million respectively, received from The National Institutes of Health. These amounts were transferred to a term endowment.

#### **Functional Expense Allocations**

Expenses that can be identified with a specific program or supporting service are charged directly to the related program or support services. Expenses applicable to more than one activity, such as facilities-related depreciation, are allocated amongst sponsored programs, community and campus programs, and plant fund based on an evaluation from management.

#### **Interfund Eliminations**

According to SDSU Research Foundation policy, all interfund transactions have been eliminated in the accompanying financial statements.

#### **Income Taxes**

SDSU Research Foundation is an organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. Accordingly, SDSU Research Foundation has only nominal amounts that are subject to income taxes. Therefore, no provision for income taxes has been included in the accompanying financial statements.

#### **Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue, gains, expenses and losses during the reporting period. Actual results could differ from those estimates.

# **SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION**

## **Notes to the Financial Statements**

**June 30, 2017 and 2016**

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

#### **Reclassifications**

Certain reclassifications have been made to the June 30, 2016 financial statements in order to conform to the presentation as of June 30, 2017. These reclassifications had no effect on results of operations.

#### **pronouncements Issued**

For the year ended June 30, 2017, SDSU Research Foundation implemented the following GASB statements which implementation did not have a significant impact on the financial statements:

- GASB Statement No. 74, Financial Reporting for Postemployment Government Combinations and Disposals of Government Operations (effective for the year ended June 30, 2017)
- GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans (effective for the year ended June 30, 2017)
- GASB Statement No. 80, Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14 (effective for the year ended June 30, 2017)
- GASB Statement No. 81, Irrevocable Split-Interest Agreements (effective for the year ended June 30, 2017)
- GASB Statement No. 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73 (effective for the ended June 30, 2017)

For the year ended June 30, 2016, SDSU Research Foundation implemented the following GASB statements which did not have a significant impact on the financial statements:

- GASB Statement No. 72, Fair Value Measurement and Application (effective for the year ended June 30, 2016)
- GASB Statement No. 79, Certain External Investment Pools and Pool Participants (effective for the year ended June 30, 2016)

GASB Statement No. 72 contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques used for fair value measurements. All required disclosures were added to Note 3.

The GASB has issued the following statements:

- GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (effective for the year ending June 30, 2018)
- GASB Statement No. 83, Certain Asset Retirement Obligations (effective for the year ending June 30, 2019)
- GASB Statement No. 84, Fiduciary Activities (effective for the year ending June 30, 2020)

# SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

## Notes to the Financial Statements

June 30, 2017 and 2016

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- GASB Statement No. 85, Omnibus 2017 (effective for the year ending June 30, 2018)
- GASB Statement No. 86, Certain Debt Extinguishment Issues (effective for the year ending June 30, 2018)
- GASB Statement No. 87, Leases (effective for the year ending June 30, 2021)

Management has not determined what, if any, impact implementation may have on the financial statements of SDSU Research Foundation.

### NOTE 3 –INVESTMENTS

#### **Investment Policy**

The primary objective of the investment policy of SDSU Research Foundation is to protect the underlying assets so that the funds are available when needed by various projects and programs. A secondary objective is to maximize investment income on available investments. Various policies have been adopted to meet these objectives at the same time. Specific references are included below under various risk categories. In general, operating funds are limited in maturity ranges and type of debt instrument.

Investments as of June 30 were as follows:

	<b>2017</b>	<b>2016</b>
Short-term investments	\$ 27,070,726	\$ 18,939,845
Long-term investments	14,401,888	19,138,385
Long-term restricted investments	17,520,296	13,417,028
	<hr/> <b>\$ 58,992,910</b>	<hr/> <b>\$ 51,495,258</b>

SDSU Research Foundation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The following levels indicate the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- Level 1 - Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.
- Level 2 - Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset, either directly or indirectly.
- Level 3 - Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgment.

# SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

## Notes to the Financial Statements

June 30, 2017 and 2016

### NOTE 3 – INVESTMENTS – Continued

The following tables summarize SDSU Research Foundation's investments within the fair value hierarchy at June 30, 2017 and June 30, 2016, respectively:

<b>2017 Investments</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Federal Agency Issues	\$ 132,955	\$ 132,955	\$ -	\$ -
Intermediate Term Fund	463,744	-	463,744	-
Money Market Funds	3,340,662	-	3,340,662	-
Corporate Bonds	31,737,001	31,737,001	-	-
Bond Index Mutual Fund	1,680,982	1,680,982	-	-
Fixed Annuity Contracts	54,795	-	-	54,795
Deferred Gift	857,368	857,368	-	-
TCF Endowment Pool	19,577,168	-	-	19,577,168
Real Property	1,031,821	-	-	1,031,821
Amounts Held by Others	116,414	-	-	116,414
	<b><u>\$ 58,992,910</u></b>	<b><u>\$ 34,408,306</u></b>	<b><u>\$ 3,804,406</u></b>	<b><u>\$ 20,780,198</u></b>

<b>2016 Investments</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Federal Agency Issues				
Zero Coupon	\$ 249,923	\$ 249,923	\$ -	\$ -
Interest Bearing	133,850	133,850	-	-
Intermediate Term Fund	463,218	-	463,218	-
Money Market Funds	46,307	-	46,307	-
Certificates of Deposit - Marketable	906,521	-	906,521	-
Corporate Bonds	30,716,646	30,716,646	-	-
Bond Index Mutual Fund	1,688,445	1,688,445	-	-
Fixed Annuity Contracts	79,051	-	-	79,051
Deferred Gift	823,246	823,246	-	-
TCF Endowment Pool	15,249,552	-	-	15,249,552
Real Property	1,031,821	-	-	1,031,821
Amounts Held by Others	106,678	-	-	106,678
	<b><u>\$ 51,495,258</u></b>	<b><u>\$ 33,612,110</u></b>	<b><u>\$ 1,416,046</u></b>	<b><u>\$ 16,467,102</u></b>

## **SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION**

### Notes to the Financial Statements

June 30, 2017 and 2016

#### NOTE 3 – INVESTMENTS – Continued

The following is a description of the valuation methodologies used for assets measured at fair value:

- Level 1 Measurements

Federal Agency Issues, Corporate Bonds and Bond Index Mutual Funds – based on quoted prices available in an active market.

Deferred Gift – based on quoted prices available in an active market. The deferred gift is invested in a portfolio of cash, equity securities, fixed income securities, and real estate funds designed to provide a moderate amount of current income with moderate growth of capital.

- Level 2 Measurements

Money Market Funds and the Intermediate Term Fund – based on published fair value per share for each fund. The Intermediate Term Fund is a commingled investment fund that is limited to nonprofit institutions and other qualified investors.

Certificates of Deposit – stated at cost, which approximates fair value.

- Level 3 Measurements

Fixed Annuity Contracts – is reported at contract value which approximates fair value. The contract value equals the accumulated cash contributions, interest credited to the plan's contracts, and transfers, if any, less any withdrawals and transfers, if any. These contracts are not available for sale or transfer on any securities exchange.

TCF Endowment Pool – SDSU Research Foundation invests in the TCF Endowment Pool, a unitized pool managed by TCF, another university auxiliary organization. The fair value is calculated as SDSU Research Foundation's share of the pool as of the measurement date, which is based on the fair value of the underlying assets owned by the fund divided by the number of units outstanding.

Real Property – fair value reflects most recent appraised value. Because there are no observable measures, the appraiser must rely solely on experience and knowledge of the market when using inputs for real estate assets. This investment was purchased with a donor's funds to benefit specific research programs. The property may be sold should the needs of the programs change.

Amounts Held By Others – SDSU Research Foundation is the beneficiary of certain trusts held in an endowment portfolio managed by a community foundation. The fair value is calculated based on the fair value of the underlying assets owned by the fund.

#### **The Campanile Foundation Endowment Pool**

The TCF Endowment Pool has significant investments in various mutual funds and third-party investment pools. The primary investment categories as of June 30, 2017 and 2016, respectively, were stocks (58% and 57%), fixed income (24% and 24%), and alternative investments, real estate and cash equivalents (18% and 19%); therefore, it is subject to concentrations of credit risk. Investment decisions are made by the Finance

# SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

## Notes to the Financial Statements

June 30, 2017 and 2016

### NOTE 3 – INVESTMENTS – Continued

and Investment Committee of the TCF Board of Directors in consultation with an external investment consultant/advisor. Additionally, the investments are monitored by the external consultant/advisor.

SDSU Research Foundation recognized an unrealized gain of \$1,809,189 and an unrealized loss of \$653,939 for the years ended June 30, 2017 and 2016, respectively, from its investment in the TCF Endowment Pool.

The investments of the TCF Endowment Pool are exposed to both interest rate and market risk. Economic conditions can impact these risks, and resulting market values can be either positively or adversely affected. If the level of risk increases in the near term, it is possible that the investment balances, and thus SDSU Research Foundation's portion of those investments, could be materially affected. Although the market value of the investment in the TCF Endowment Pool is subject to fluctuations on a year-to-year basis, management believes the investment policies of TCF are prudent for the long-term welfare of SDSU Research Foundation.

In accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), SDSU Research Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to SDSU Research Foundation's programs and operations supported by its endowment while also seeking to maintain the long-term purchasing power of the endowment assets.

Endowment distributions are performed in accordance with SDSU Research Foundation's investment policy statement. For the fiscal years ended June 30, 2017 and 2016, the distribution rate was 4% of the endowment principal market value using a three-year moving average.

#### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of a fixed income investment. In order to reduce interest rate risk exposure, SDSU Research Foundation's investment policy states that individually held working capital and debt reserve fixed income investments are limited to a five-year maturity and should be staggered over various maturity dates.

Maturities of investments as of June 30, 2017 are as follows:

	Market Value Total	Less than One Year	Two - Five Years
Corporate Bonds	\$ 31,737,001	\$ 23,675,269	\$ 8,061,732
Federal Agency Issues	132,955	-	132,955
Bond Index Fund	1,680,982	-	1,680,982
Money Market Funds	3,340,662	3,340,662	-
Intermediate Term Fund	463,744	-	463,744
	<b>\$ 37,355,344</b>	<b>\$ 27,015,931</b>	<b>\$ 10,339,413</b>

# SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

## Notes to the Financial Statements

June 30, 2017 and 2016

### NOTE 3 – INVESTMENTS – Continued

Maturities of investments as of June 30, 2016 are as follows:

	Market Value Total	Less than One Year	Two - Five Years
Corporate Bonds	\$ 30,716,646	\$ 17,658,045	\$ 13,058,601
Federal Agency Issues - Interest Bearing	133,850	-	133,850
Federal Agency Issues - Zero coupon	249,923	249,923	-
Certificate of Deposit - Marketable	906,521	906,521	-
Intermediate Term Fund	463,218	-	463,218
	<hr/> <u>\$ 32,470,158</u>	<hr/> <u>\$ 18,814,489</u>	<hr/> <u>\$ 13,655,669</u>

### 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. SDSU Research Foundation's investment policy requires that fixed income investments must be rated as "Investment Grade," which is BBB or higher. Credit ratings by nationally recognized institutions are used to assess the creditworthiness of specific investments. Federal agency issues, bond index fund, intermediate term fund, and money market funds do not have a rating provided by a nationally recognized statistical rating organization. The range of ratings of corporate bonds is BBB to AA+.

### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer. Securities issued by federally sponsored enterprises are purchased to reduce the possibility of a loss due to a concentration of credit. SDSU Research Foundation's investment policy contains no limitations as to how much can be invested with any one issuer. As of June 30, 2017, SDSU Research Foundation had approximately \$3.2 million, or 10% of fixed income investments, invested in Wells Fargo & Co. bonds and \$3 million, or 9% of fixed income investments, invested in Credit Suisse bonds. As of June 30, 2016, SDSU Research Foundation had approximately \$3 million, or 9% of fixed income investments, invested in Citigroup bonds.

### Custodial Credit Risk

Custodial credit risk for deposits is the risk that SDSU Research Foundation will not be able to recover its deposits in the event of a failure of a depository institution. In the ordinary course of SDSU Research Foundation's operations, deposit balances in checking accounts can exceed the Federal Deposit Insurance Corporation (FDIC) insured limits; however, the depository bank has agreed to maintain collateral of at least 110% of the balance on deposit. In accordance with SDSU Research Foundation's investment policy, all certificates of deposit are FDIC insured and limited to \$250,000 at any one institution.

Custodial credit risk for investments is the risk that if the counterparty to an investment transaction were to fail, SDSU Research Foundation would not be able to recover its investment. With respect to investments,

# SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

## Notes to the Financial Statements

June 30, 2017 and 2016

### NOTE 3 – INVESTMENTS – Continued

custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to indirect investment in securities through the use of mutual funds, government investment pools and the Intermediate Term Fund. Federally Sponsored Enterprise Issues are held by Securities Investor Protection Corporation (SIPC) insured brokers and are not registered with the issuer in SDSU Research Foundation's name.

### NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2017 and 2016 consisted of the following:

	2017		
	Current	Noncurrent	Total
Accounts receivable - sponsored programs	\$ 21,118,135	\$ -	\$ 21,118,135
Other receivables	4,064,483	378,428	4,442,911
Allowance for doubtful accounts	(167,110)	-	(167,110)
	<u>\$ 25,015,508</u>	<u>\$ 378,428</u>	<u>\$ 25,393,936</u>
	2016		
	Current	Noncurrent	Total
Accounts receivable - sponsored programs	\$ 20,773,575	\$ -	\$ 20,773,575
Other receivables	5,070,706	624,767	5,695,473
Allowance for doubtful accounts	(207,110)	-	(207,110)
	<u>\$ 25,637,171</u>	<u>\$ 624,767</u>	<u>\$ 26,261,938</u>

It is the policy of management to review outstanding receivables at year-end for collectability and establish an allowance for doubtful accounts.

### NOTE 5 – NOTES RECEIVABLE – AZTEC SHOPS, LTD.

In May 2015, SDSU Research Foundation transferred properties adjacent to the University (College Square and College Strip) to Aztec Shops, Ltd. in exchange for cash of \$2,725,000, which was used to pay off a mortgage note and unsecured notes in the amount of \$1,470,000. Payments of interest only at 4% are payable semi-annually until October 15, 2020 from Aztec Shops, Ltd., at which time fixed principal payments of \$73,500 plus accrued interest are payable semi-annually through April 15, 2030.

In January 2014, SDSU Research Foundation transferred a property adjacent to the University (Sanctuary building) to Aztec Shops, Ltd. in exchange for an unsecured note in the amount of \$4,717,991. Payments of interest only at 4% are payable semi-annually until April 15, 2019 at which time fixed principal payments of \$235,900 plus accrued interest are payable semi-annually through October 15, 2028.

In June 2013, SDSU Research Foundation transferred two student housing projects adjacent to the University (Piedra del Sol and Fraternity Row apartments) to Aztec Shops, Ltd. As part of the consideration for the transfer, Aztec Shops, Ltd. provided an unsecured note to SDSU Research Foundation in the amount of

# SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

## Notes to the Financial Statements

June 30, 2017 and 2016

### NOTE 5 – NOTES RECEIVABLE – AZTEC SHOPS, LTD. – Continued

\$2,184,000. Payments of interest only at 4% are payable semi-annually until October 15, 2018 at which time fixed principal payments of \$109,200 plus accrued interest are payable semi-annually through April 15, 2028.

### NOTE 6 – CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2017 and 2016 consisted of the following:

	<b>Balance</b> <b>June 30, 2016</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance</b> <b>June 30, 2017</b>
Nondepreciable capital assets:				
Land, land improvements	\$ 14,931,234	\$ -	\$ -	\$ 14,931,234
Construction in progress	72,142	502,668	-	574,810
Total nondepreciable capital assets	<u>15,003,376</u>	<u>502,668</u>	<u>-</u>	<u>15,506,044</u>
Depreciable capital assets:				
Buildings and improvements	66,796,623	760,681	-	67,557,304
Furniture, fixtures and equipment	25,674,951	879,550	(1,079,563)	25,474,938
Total depreciable capital assets	<u>92,471,574</u>	<u>1,640,231</u>	<u>(1,079,563)</u>	<u>93,032,242</u>
Less accumulated depreciation:				
Buildings and improvements	(35,336,996)	(2,553,941)	-	(37,890,937)
Furniture, fixtures and equipment	(20,212,105)	(1,696,543)	1,001,983	(20,906,665)
Total accumulated depreciation	<u>(55,549,101)</u>	<u>(4,250,484)</u>	<u>1,001,983</u>	<u>(58,797,602)</u>
Total capital assets, net	<u><u>\$ 51,925,849</u></u>	<u><u>\$ (2,107,585)</u></u>	<u><u>\$ (77,580)</u></u>	<u><u>\$ 49,740,684</u></u>
	<b>Balance</b> <b>June 30, 2015</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance</b> <b>June 30, 2016</b>
Nondepreciable capital assets:				
Land, land improvements	\$ 14,931,234	\$ -	\$ -	\$ 14,931,234
Construction in progress	698,866	36,099	(662,823)	72,142
Total nondepreciable capital assets	<u>15,630,100</u>	<u>36,099</u>	<u>(662,823)</u>	<u>15,003,376</u>
Depreciable capital assets:				
Buildings and improvements	61,489,257	5,408,222	(100,856)	66,796,623
Furniture, fixtures and equipment	23,624,375	2,314,525	(263,949)	25,674,951
Total depreciable capital assets	<u>85,113,632</u>	<u>7,722,747</u>	<u>(364,805)</u>	<u>92,471,574</u>
Less accumulated depreciation:				
Buildings and improvements	(33,085,324)	(2,352,524)	100,852	(35,336,996)
Furniture, fixtures and equipment	(18,571,594)	(1,886,598)	246,087	(20,212,105)
Total accumulated depreciation	<u>(51,656,918)</u>	<u>(4,239,122)</u>	<u>346,939</u>	<u>(55,549,101)</u>
Total capital assets, net	<u><u>\$ 49,086,814</u></u>	<u><u>\$ 3,519,724</u></u>	<u><u>\$ (680,689)</u></u>	<u><u>\$ 51,925,849</u></u>

Depreciation expense totaled \$4,250,484 and \$4,239,122 for the years ended June 30, 2017 and 2016, respectively.

# **SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION**

## **Notes to the Financial Statements**

**June 30, 2017 and 2016**

### **NOTE 7 – AFFILIATED ORGANIZATIONS**

#### **The Campanile Foundation (TCF)**

TCF is the philanthropic auxiliary organization for the University. The amounts shown in the Statements of Net Position as Due to The Campanile Foundation represent TCF's claim on the cash and investments of SDSU Research Foundation.

Pursuant to an agreement with TCF effective through June 30, 2018, SDSU Research Foundation shall provide administrative services that include cash management processes, gift account administration, and accounting and financial reporting assistance. SDSU Research Foundation charges an administrative fee for all non-student aid funds at the time that TCF expends the funds. Amounts received under this agreement are a combination of fees charged on TCF non-student aid funds and additional amounts paid by TCF, for the years ended June 30, 2017 and 2016 totaled \$900,000 per year and are included in Other operating revenues in the accompanying Statements of Revenues, Expenses and Changes in Net Position.

#### **Other**

Included in Accounts payable and accrued expenses were payables to the affiliated organizations in the approximate amounts of \$1,294,000 and \$507,000 at June 30, 2017 and 2016, respectively. Included in Accounts receivable were receivables from the affiliated organizations in the approximate amounts of \$259,000 and \$435,000 at June 30, 2017 and 2016, respectively. These amounts occurred in the normal course of business among the affiliated organizations.

# SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

## Notes to the Financial Statements

June 30, 2017 and 2016

### NOTE 8 – LONG-TERM DEBT OBLIGATIONS

Long-term debt activity for the years ended June 30, 2017 and 2016 was as follows:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Current Portion</u>
CSU SRB 2010A -					
1999 Refunding (a)	\$ 3,230,000	\$ -	\$ (395,000)	\$ 2,835,000	\$ 420,000
CSU SRB 2012 -					
2002 Refunding (b)	25,690,000	-	(490,000)	25,200,000	505,000
Unamortized bond premium					
CSU SRB 2010A (a)	266,593	-	(38,084)	228,509	38,085
CSU SRB 2012 (b)	1,160,128	-	(56,822)	1,103,306	56,823
	<u>\$ 30,346,721</u>	<u>\$ -</u>	<u>\$ (979,906)</u>	<u>\$ 29,366,815</u>	<u>\$ 1,019,908</u>
	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Current Portion</u>
CSU SRB 2010A -					
1999 Refunding (a)	\$ 3,615,000	\$ -	\$ (385,000)	\$ 3,230,000	\$ 395,000
CSU SRB 2012 -					
2002 Refunding (b)	26,170,000	-	(480,000)	25,690,000	490,000
Unamortized bond premium					
CSU SRB 2010A (a)	304,677	-	(38,084)	266,593	38,085
CSU SRB 2012 (b)	1,216,950	-	(56,822)	1,160,128	56,823
	<u>\$ 31,306,627</u>	<u>\$ -</u>	<u>\$ (959,906)</u>	<u>\$ 30,346,721</u>	<u>\$ 979,908</u>

- (a) In April 2010, the California State University (CSU) System issued system wide revenue bonds (SRB 2010A). Part of this reissuance (\$11,020,000) was allocated to SDSU Research Foundation to replace the 1998 certificates of participation and the 1999 insured revenue refunding bonds. The SRB 2010A bonds bear interest at rates ranging from 1.0% to 5.0%, and are due in semi-annual principal and interest payments consistent with the terms of the original bonds. The portion related to the 1998 issue (\$6,030,000) matures in 2030. The portion related to the 1999 issue (\$4,990,000) matures in 2023 and the payments are secured by pledged revenues, including indirect cost recovery payments.

In June 2013, two student housing projects with a net book value of \$15.8 million were transferred to Aztec Shops, Ltd. Aztec Shops, Ltd. assumed \$5.2 million of bond debt related to the Series 2010A bonds.

The SRB 2010A bonds sold at amounts greater than par. The resulting bond premium of \$938,009 is being amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. A portion of the unamortized bond premium amounting to \$363,828 was transferred to Aztec Shops, Ltd. with the related debt. The amount amortized was \$38,085 for each of the years ended June 30, 2017 and 2016.

- (b) In August 2012, the CSU System issued system wide revenue bonds (SRB 2012A and SRB 2012B). Part of this reissuance (\$27,100,000) was allocated to SDSU Research Foundation to replace the 2002 SDSU Research Foundation insured revenue bonds. The SRB 2012A and 2012B bonds bear interest at rates ranging from 0.4% to 5.0%, and are due in semi-annual principal and interest payments consistent with the terms of the original bonds. The bonds mature in 2037.

# SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

## Notes to the Financial Statements

June 30, 2017 and 2016

### NOTE 8 – LONG-TERM DEBT OBLIGATIONS – Continued

The SRB 2012 bonds sold at amounts greater than par. The resulting bond premium of \$1,377,948 is being amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. The amount amortized was \$56,823 for each of the years ended June 30, 2017 and 2016.

A loss of \$686,737 was incurred on the refunding of the SRB 2012A bonds. The loss was deferred and is included on the Statement of Net Position under the caption Deferred Outflows of Resources. The loss is being recognized over the life of the bonds using the straight-line method, which approximates the effective interest method. The loss recognized was \$28,418 for each of the years ended June 30, 2017 and 2016.

In July 2016, SDSU Research Foundation entered into a revolving loan agreement with a bank. The loan is secured by two parcels of real property. The loan agreement is available for short-term cash needs, with a maximum amount available of \$12 million. The agreement calls for certain restrictive and financial covenants to be maintained. The current agreement requires monthly interest-only payments at a variable interest rate of the prime lending rate minus 1%, but in no event less than 2.5%. The loan agreement matures in five years. A different loan agreement in effect on June 30, 2016 required monthly interest-only payments at a variable interest rate of 1% above the current LIBOR rate. There were no amounts outstanding under either agreement as of June 30, 2017 and 2016.

Total interest incurred on all borrowings was approximately \$1,139,000 and \$1,172,000 for the years ended June 30, 2017 and 2016, respectively.

Future principal and interest payments on long-term debt are as follows:

Year ending June 30:	Principal	Interest	Total
2018	\$ 925,000	\$ 1,176,433	\$ 2,101,433
2019	960,000	1,140,252	2,100,252
2020	1,005,000	1,102,128	2,107,128
2021	1,045,000	1,062,349	2,107,349
2022	1,080,000	1,020,505	2,100,505
2023-2027	6,100,000	4,355,556	10,455,556
2028-2032	7,570,000	2,879,475	10,449,475
2033-2037	9,350,000	1,089,130	10,439,130
	<u>\$ 28,035,000</u>	<u>\$ 13,825,828</u>	<u>\$ 41,860,828</u>

# SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

## Notes to the Financial Statements

June 30, 2017 and 2016

### NOTE 9 – OTHER LIABILITIES

Activities in other liabilities for the years ended June 30, 2017 and 2016 consisted of the following:

	Balance			
	June 30, 2016	Additions	Reductions	June 30, 2017
Workers' compensation	\$ 1,936,981	\$ 1,069,687	\$ (565,059)	\$ 2,441,609
Deferred revenue - ground lease	-	1,987,000	(87,759)	1,899,241
Unemployment insurance	1,241,120	562,911	(509,593)	1,294,438
Other obligations	558,829	61,183	(15,451)	604,561
	<b>\$ 3,736,930</b>	<b>\$ 3,680,781</b>	<b>\$ (1,177,862)</b>	<b>\$ 6,239,849</b>

	Balance			
	June 30, 2015	Additions	Reductions	June 30, 2016
Workers' compensation	\$ 1,318,320	\$ 1,247,563	\$ (628,902)	\$ 1,936,981
Unemployment insurance	1,070,240	642,431	(471,551)	1,241,120
Other obligations	619,090	-	(60,261)	558,829
	<b>\$ 3,007,650</b>	<b>\$ 1,889,994</b>	<b>\$ (1,160,714)</b>	<b>\$ 3,736,930</b>

### Risk Management

SDSU Research Foundation is subject to risks of loss such as general liabilities, torts and employee health expenses. SDSU Research Foundation participates in the California State University risk management pool, California State University Risk Management Authority (CSURMA), for most of its insurance needs. CSURMA provides insurance and risk management services for California State University campuses and auxiliary organizations, including insurance and self-insurance. Auxiliary Organizations Risk Management Alliance (AORMA) operates within CSURMA to offer tailored coverage for California State University auxiliary organizations. CSURMA AORMA assumes charge of the control, negotiation, investigation, settlement, defense, or appeal of any claims made, or suits brought, or proceedings instituted against SDSU Research Foundation for areas covered by the pool. For their services, SDSU Research Foundation remits annual contribution payments computed in accordance with CSURMA AORMA's rules and rates.

For its unemployment and workers' compensation plans, SDSU Research Foundation is partially self-insured. Using insurance policies with commercial carriers to cover these risks of loss, SDSU Research Foundation maintains excess unemployment insurance coverage of \$1,500,000, in the aggregate, and excess workers' compensation coverage for claims in excess of \$250,000 per occurrence. The unemployment and workers' compensation liabilities are determined annually as part of management's risk analysis based on the claims history and insurance premiums. SDSU Research Foundation engages an actuary to analyze workers' compensation claims filed and estimate those incurred but not reported to determine the discounted ultimate cost for self-insured claims. Management's goal is to accrue the liability to an 80-90% confidence level based on the actuary's estimated liability with an additional accrual for deductibles.

### Deferred Revenue

SDSU Research Foundation received payments of \$2 million related to a ground lease with a developer. The lease is from April 2016 to April 2066 and is being recognized ratably over the 50-year term.

# SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

## Notes to the Financial Statements

June 30, 2017 and 2016

### NOTE 10 – LEASING ARRANGEMENTS

#### Operating Lease Revenues

Land, buildings and improvements, with a current net book value of approximately \$39 million, are leased to University-related and commercial organizations.

The following is a schedule of the minimum future rentals to be received on these operating leases, by year, as of June 30, 2017:

Year ending June 30:	Affiliated Organizations	Unrelated Parties	Total
2018	\$ 1,016,000	\$ 2,204,000	\$ 3,220,000
2019	657,000	1,442,000	2,099,000
2020	502,000	1,042,000	1,544,000
2021	467,000	815,000	1,282,000
2022	473,000	292,000	765,000
Thereafter	14,444,000	2,199,000	16,643,000
	<u>\$ 17,559,000</u>	<u>\$ 7,994,000</u>	<u>\$ 25,553,000</u>

In April 2016, SDSU Research Foundation entered into a 50-year ground lease agreement of real property with a developer to construct and operate a student housing facility. The agreement provides additional lease payments to SDSU Research Foundation, not included in the schedule above, based on a percentage of the net operating surplus of the developer. The deferred revenue liability related to the ground lease is included in Other liabilities (note 9).

#### Operating Lease Obligations

SDSU Research Foundation leases certain land, buildings, and equipment under operating leases. The total rental expense incurred was \$5.8 million and \$6.2 million for the years ended June 30, 2017 and 2016, respectively.

SDSU Research Foundation executed a 30-year ground and facility lease with the Board of Trustees of the California State University for the SDSU BioScience Center in March 2004. Lease payments began in May 2006. SDSU Research Foundation incurred rental expense under this agreement of \$474,000 and \$472,800 for the years ended June 30, 2017 and 2016, respectively.

On behalf of the College of Extended Studies, SDSU Research Foundation executed a 10-year lease with Aztec Shops, Ltd. for a portion of the College Square building in October 2015. Lease payments began in March 2016. SDSU Research Foundation incurred rental expense under this agreement of \$144,000 and \$96,000 for the year ended June 30, 2017 and 2016, respectively. During the fiscal year ended June 30, 2017, SDSU Research Foundation entered into an agreement with the University and Aztec Shops, Ltd. to lease College Square to the University.

# SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

## Notes to the Financial Statements

June 30, 2017 and 2016

### NOTE 10 – LEASING ARRANGEMENTS – Continued

SDSU Research Foundation has also executed commercial leases for projects located away from the campus. Terms of some leases have the option to renew and include periodic fixed escalations.

The minimum rental commitments at June 30, 2017 are as follows:

Year ending June 30:	Affiliated		Unrelated Parties	Total
	Organizations			
2018	\$ 1,010,000		\$ 803,000	\$ 1,813,000
2019	989,000		262,000	1,251,000
2020	994,000		36,000	1,030,000
2021	1,004,000		-	1,004,000
2022	1,009,000		-	1,009,000
2023-2027	4,577,000		-	4,577,000
2028-2032	2,314,000		-	2,314,000
2033-2037	1,859,000		-	1,859,000
	<u>\$ 13,756,000</u>		<u>\$ 1,101,000</u>	<u>\$ 14,857,000</u>

### NOTE 11 – POSTRETIREMENT BENEFIT PLAN

The Health, Vision, Life Insurance/AD&D and Employee Assistance Program of San Diego State University Foundation (the Plan) was created by SDSU Research Foundation as a fully insured, single-employer benefit plan. The Plan was effective as of August 1, 1982. It also provides for post-retirement medical benefits to certain former regular employees and qualified dependents of the SDSU Research Foundation. On June 24, 1996, SDSU Research Foundation established a voluntary employees' beneficiary association trust (the VEBA) with a registered investment company. The VEBA holds the assets and funds the post-retirement benefit obligation provided under the plan. The plan issues stand-alone, publicly available financial reports that include financial statements and required supplementary information. The report may be obtained by contacting the Human Resources Department at SDSU Research Foundation.

SDSU Research Foundation provides health insurance benefits for retirees who meet certain eligibility requirements as established by Board policy. There are three groups of eligible retirees, as follows:

- Group 1 Retirees – Individuals who were employed as eligible employees on June 30, 1991 and at the time of retirement, had 10 years of service as eligible employees, and retired either (a) under “SDSURF Defined Contribution Retirement Plan” offered through Teachers Insurance and Annuity Association (TIAA) after attaining age 55 (or after attaining age 50 if the individual was employed by SDSU Research Foundation and covered by California Public Employees’ Retirement System (CalPERS) on June 30, 1982), or (b) due to permanent and total disability, as approved by TIAA, under the “Group Total Disability Benefits Plan for Regular Salaried Employees of SDSURF.”
- Group 2 Retirees – Individuals who were employed as eligible employees on or after July 1, 1991 and,

## **SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION**

### Notes to the Financial Statements

June 30, 2017 and 2016

#### NOTE 11 – POSTRETIREMENT BENEFIT PLAN – Continued

at the time of retirement, had 15 years of service as eligible employees, and retired either (a) under “SDSURF Defined Contribution Retirement Plan” offered through TIAA after attaining age 60, or (b) due to permanent total disability, as approved by TIAA, under the “Group Total Disability Benefits Plan for Regular Salaries Employees of SDSURF.”

- Group 3 Retirees – Individuals who retired prior to July 1, 1991 and, as of July 1, 1991, were receiving benefits under SDSU Research Foundation’s “Health Insurance at Retirement” policy, which was approved by SDSU Research Foundation’s Board of Directors on May 14, 1984.

For Group 3 retirees, SDSU Research Foundation pays the same percentage of the premium it pays for active employees. Retirees are required to make the same contribution for spousal or domestic partner coverage, if any, that is paid by active employees to cover one dependent. For Group 1 and 2 retirees, SDSU Research Foundation’s premium contribution is based upon the cost of the least expensive plan for which the retiree is eligible. The amount of contribution is determined by the years of service the employee has earned on the date of retirement in accordance with the vesting schedule within the policy. The minimum retiree contribution for individual coverage is the amount an active employee pays for individual coverage. The minimum retiree contribution for spousal or domestic partner coverage is the amount paid by active employees to cover one dependent.

Only certain regular employees of SDSU Research Foundation are eligible. Regular employees are members of either (a) central staff under the programmatic direction of SDSU Research Foundation’s Executive Director, (b) KPBS, (c) the College of Extended Studies, (d) University Advancement or (e) the University’s Department of Intercollegiate Athletics. A regular employee is appointed to an approved class code, works a regular schedule of 30 hours or more per week, and is not a temporary or leased employee. The number of regular employee participants at June 30, 2017 and 2016 were 328 and 349, respectively. No contributions to fund the future liability of the plan are required from employees.

SDSU Research Foundation has voluntarily opted for a funding policy under which it contributes 100% of the actuarially determined annual required contribution (ARC); therefore, there was no net Other Post-retirement Benefits (OPEB) obligation at June 30, 2017, nor 2016. The fair value of assets held by the VEBA trust for the years ended June 30, 2017 and 2016 were \$10,862,000 and \$9,643,000, respectively. The actuarially determined contribution amounts for the years ended June 30, 2017 and 2016 were \$247,957 and \$137,689, respectively.

# SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION

## Notes to the Financial Statements

June 30, 2017 and 2016

### NOTE 11 – POSTRETIREMENT BENEFIT PLAN – Continued

The following table sets forth the plan's funded status as of December 31 2015, the plan's most recent actuarial valuation date:

	<u>2015</u>
Accumulated post-retirement benefit obligation:	
Retirees	\$ 3,303,451
Fully eligible active employees	2,315,223
Other active employees	<u>2,621,887</u>
Actuarial accrued liability (AAL)	8,240,561
Less plan assets at fair value	<u>9,418,321</u>
(Surplus)/Unfunded actuarial accrued liability (UAAL)	<u>\$ (1,177,760)</u>
Funded ratio	114.3%
Covered payroll	<u>\$ 20,579,029</u>
(Surplus)/Unfunded UAAL as a percentage of covered payroll	<u>(5.7%)</u>

The following table shows the components of SDSU Research Foundation's annual OPEB costs for the years ended December 31, 2016, 2015 and 2014:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
OPEB costs for the year:			
Service cost	\$ 333,519	\$ 275,751	\$ 299,160
30-year amortization of Unfunded Accrued Liability (UAL)	<u>(85,562)</u>	<u>(138,062)</u>	761
Annual Required Contribution	247,957	137,689	299,921
Interest on net OPEB obligation	-	-	-
Amortization of net OPEB obligation	-	-	-
Annual OPEB cost	<u>\$ 247,957</u>	<u>\$ 137,689</u>	<u>\$ 299,921</u>

The assumptions used to calculate the actuarial accrued liability at December 31, 2015 included a weighted-average discount rate of 6.0% and a 7.0% annual rate of increase in the per capita cost of covered health care for 2015, with such annual rate of increase gradually declining to 5.0% in 2017. The actuarial cost method used was Projected Unit Credit and the amortization method used was Level Dollar over a remaining amortization period of Rolling 30 Years.

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

## **SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION**

### **Notes to the Financial Statements**

**June 30, 2017 and 2016**

#### **NOTE 11 – POSTRETIREMENT BENEFIT PLAN – Continued**

##### **Actuarial Methods and Assumptions**

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

##### **Other Retirement Benefits**

SDSU Research Foundation contracts with TIAA to provide retirement benefits to its employees. Benefit liabilities are funded through individually owned non-participating annuity contracts. The obligation for payment of the benefits has been transferred to TIAA. Total contributions to fund benefits and pay administrative costs included in operating expenses for the years ended June 30, 2017 and 2016 were approximately \$5,032,000 and \$4,999,700, respectively.

#### **NOTE 12 – CONTINGENCIES**

SDSU Research Foundation is involved in various legal proceedings arising in the normal course of business. Management believes that the final outcomes of these proceedings will not have a material adverse effect on SDSU Research Foundation's results of operations or financial position.

**SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION**

Required Supplementary Information

Schedule of Post-Employment Health Care Benefits Funding Progress

<b>Actuarial Valuation Date</b>	<b>12/31/2015</b>	<b>12/31/2014</b>	<b>12/31/2013</b>
Total actuarial accrued liability (AAL)	\$ 8,240,561	\$ 7,524,247	\$ 8,597,602
Less plan assets at fair value	<u>9,418,321</u>	<u>9,424,660</u>	<u>8,587,125</u>
(Surplus) unfunded actuarial accrued liability (UAAL)	<u><u>\$ (1,177,760)</u></u>	<u><u>\$ (1,900,413)</u></u>	<u><u>\$ 10,477</u></u>
Funded ratio	114.3%	125.3%	99.9%
Covered payroll	\$ 20,579,029	\$ 19,959,322	\$ 18,579,753
UAAL as a percentage of covered payroll	(5.7%)	(9.5%)	0.1%

**SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION**

Combining Schedule of Net Position

June 30, 2017

	<b>General</b>	<b>Designated</b>	<b>Property Management</b>	<b>Plant</b>
Current assets:				
Cash and cash equivalents	\$ 8,079,259	\$ -	\$ 700	\$ -
Short-term investments	27,015,931	54,795	-	-
Receivables:				
Sponsored programs	-	-	-	-
Other receivables	314,380	409,578	172,342	-
Receivables from other funds	-	416,509	1,094,064	-
Prepaid expenses and other	301,597	50,176	3,451	-
Total current assets	<u>35,711,167</u>	<u>931,058</u>	<u>1,270,557</u>	<u>-</u>
Investments and other assets:				
Long-term investments	8,194,687	-	-	-
Restricted assets - land	-	-	-	1,853,532
Accounts receivable	-	-	-	-
Notes Receivable	-	13,980,624	-	-
Other assets	-	923,502	22,532	-
Total investments and other assets	<u>8,194,687</u>	<u>14,904,126</u>	<u>22,532</u>	<u>1,853,532</u>
Capital assets:				
Land and land improvements	-	-	-	14,931,234
Buildings and improvements	-	-	-	67,557,303
Construction in progress	-	-	-	574,810
Furniture, fixtures and equipment	-	-	-	25,474,939
Total capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,538,286</u>
Less accumulated depreciation and amortization	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,797,602</u>
Total capital assets, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,740,684</u>
Total assets	43,905,854	15,835,184	1,293,089	51,594,216
Deferred outflows of resources:				
Deferred loss on bond refunding	-	-	-	549,384
Total assets and deferred outflows of resources	<u>\$ 43,905,854</u>	<u>\$ 15,835,184</u>	<u>\$ 1,293,089</u>	<u>\$ 52,143,600</u>

**SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION**

Combining Schedule of Net Position - Continued

June 30, 2017

**Schedule 1**

<b>Sponsored Programs</b>	<b>Community and Campus Programs</b>	<b>Endowment</b>	<b>Eliminating Entries</b>	<b>Total</b>
\$ -	\$ 4,408	\$ -	\$ -	\$ 8,084,367
-	-	-	-	27,070,726
21,118,135	-	-	-	21,118,135
-	3,395,621	10,626	(405,174)	3,897,373
-	39,086,503	-	(40,597,076)	-
-	447,016	-	-	802,240
<u>21,118,135</u>	<u>42,933,548</u>	<u>10,626</u>	<u>(41,002,250)</u>	<u>60,972,841</u>
-	-	23,727,497	-	31,922,184
-	-	-	-	1,853,532
-	378,428	-	-	378,428
-	-	1,258,537	(6,867,170)	8,371,991
-	-	-	-	946,034
<u>-</u>	<u>378,428</u>	<u>24,986,034</u>	<u>(6,867,170)</u>	<u>43,472,169</u>
-	-	-	-	14,931,234
-	-	-	-	67,557,303
-	-	-	-	574,810
-	-	-	-	25,474,939
-	-	-	-	108,538,286
-	-	-	-	58,797,602
-	-	-	-	49,740,684
21,118,135	43,311,976	24,996,660	(47,869,420)	154,185,694
-	-	-	-	549,384
<u>\$ 21,118,135</u>	<u>\$ 43,311,976</u>	<u>\$ 24,996,660</u>	<u>\$ (47,869,420)</u>	<u>\$ 154,735,078</u>

**SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION**

Combining Schedule of Net Position - Continued

June 30, 2017

	<b>General</b>	<b>Designated</b>	<b>Property Management</b>	<b>Plant</b>
<b>Current liabilities:</b>				
Accounts payable and accrued expenses	\$ 4,906,785	\$ 2,323,205	\$ 504,766	\$ 19,087
Due to The Campanile Foundation	8,377,657	-	-	-
Payable to other activities	25,449,421	-	-	2,334,287
Long-term debt obligations, current portion	-	-	-	1,425,082
Sponsored programs receipts over expenditures	-	-	-	-
Total current liabilities	<u>38,733,863</u>	<u>2,323,205</u>	<u>504,766</u>	<u>3,778,456</u>
<b>Noncurrent liabilities:</b>				
Long-term debt obligations, net of current portion	-	-	-	33,977,170
Bond premium	-	-	-	1,236,907
Other liabilities	-	<u>5,635,288</u>	-	<u>45,542</u>
Total noncurrent liabilities	<u>-</u>	<u>5,635,288</u>	<u>-</u>	<u>35,259,619</u>
Total liabilities	<u>38,733,863</u>	<u>7,958,493</u>	<u>504,766</u>	<u>39,038,075</u>
<b>Net position:</b>				
Net investment in capital assets	-	-	-	20,858,622
Restricted/nonexpendable	-	-	-	1,853,532
Restricted/expendable	-	2,013,861	-	-
Unrestricted	<u>5,171,991</u>	<u>5,862,830</u>	<u>788,323</u>	<u>(9,606,629)</u>
Total net position	<u>5,171,991</u>	<u>7,876,691</u>	<u>788,323</u>	<u>13,105,525</u>
Total liabilities and net position	<u>\$ 43,905,854</u>	<u>\$ 15,835,184</u>	<u>\$ 1,293,089</u>	<u>\$ 52,143,600</u>

**SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION**

Combining Schedule Of Net Position - Continued

June 30, 2017

**Schedule 1, continued**

<b>Sponsored Programs</b>	<b>Community and Campus Programs</b>	<b>Endowment</b>	<b>Eliminating Entries</b>	<b>Total</b>
\$ 1,535,340	\$ 4,853,120	\$ -	\$ -	\$ 14,142,303
-	-	-	-	8,377,657
10,095,198	-	2,718,170	(40,597,076)	-
-	-	-	(405,174)	1,019,908
<u>9,487,597</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,487,597</u>
<u>21,118,135</u>	<u>4,853,120</u>	<u>2,718,170</u>	<u>(41,002,250)</u>	<u>33,027,465</u>
-	-	-	(6,867,170)	27,110,000
-	-	-	-	1,236,907
-	-	559,019	-	6,239,849
<u>-</u>	<u>-</u>	<u>559,019</u>	<u>(6,867,170)</u>	<u>34,586,756</u>
<u>21,118,135</u>	<u>4,853,120</u>	<u>3,277,189</u>	<u>(47,869,420)</u>	<u>67,614,221</u>
-	-	-	-	20,858,622
-	-	1,487,138	-	3,340,670
4,016,056	444,544	9,558,697	-	16,033,158
(4,016,056)	38,014,312	10,673,636	-	46,888,407
-	38,458,856	21,719,471	-	87,120,857
<u>\$ 21,118,135</u>	<u>\$ 43,311,976</u>	<u>\$ 24,996,660</u>	<u>\$ (47,869,420)</u>	<u>\$ 154,735,078</u>

**SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION**

Combining Schedule of Revenues, Expenses and Changes in Net Position

June 30, 2017

	<u>General</u>	<u>Designated</u>	<u>Property Management</u>	<u>Plant</u>
Revenues:				
Program income	\$ -	\$ -	\$ -	\$ -
Facilities and administrative cost recovery	22,744,962	-	-	-
Contributions	-	-	-	-
Investment income	1,136,307	1,599	(861)	-
Net increase (decrease) in fair value of investments	193,797	(1,332)	-	-
Rental income	-	48,019	5,627,389	-
Other income	514,348	2,052,975	-	(4,369)
Total revenues	<u>24,589,414</u>	<u>2,101,261</u>	<u>5,626,528</u>	<u>(4,369)</u>
Expenses:				
Program expenses	14,405,607	5,485,361	5,595,206	-
Depreciation	-	-	-	4,250,484
Interest	-	-	1,537,435	-
Total Expenses	<u>14,405,607</u>	<u>5,485,361</u>	<u>7,132,641</u>	<u>4,250,484</u>
Other activity:				
Equipment acquisitions, sponsored programs	-	-	-	(712,673)
	<u>14,405,607</u>	<u>5,485,361</u>	<u>7,132,641</u>	<u>3,537,811</u>
Excess (deficiency) of expenses	<u>10,183,807</u>	<u>(3,384,100)</u>	<u>(1,506,113)</u>	<u>(3,542,180)</u>
Transfers and allocations:				
General fund allocations	(4,320,629)	4,320,629	-	-
Interfund transfers (out) in	(4,334,116)	554,264	1,532,096	1,962,552
Capitalized asset transfers	(67,658)	-	-	259,098
	<u>(8,722,403)</u>	<u>4,874,893</u>	<u>1,532,096</u>	<u>2,221,650</u>
Income (Loss) before transfer of assets	1,461,404	1,490,793	25,983	(1,320,530)
Net effect from transfer of assets to The Campanile Foundation	-	-	-	-
Net position at beginning of year	<u>3,710,587</u>	<u>6,385,898</u>	<u>762,340</u>	<u>14,426,055</u>
Net position at end of year	<u>\$ 5,171,991</u>	<u>\$ 7,876,691</u>	<u>\$ 788,323</u>	<u>\$ 13,105,525</u>

**SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION**

Combining Schedule of Revenues, Expenses and Changes in Net Position - Continued

June 30, 2017

**Schedule 2**

<b>Sponsored Programs</b>	<b>Community and Campus Programs</b>	<b>Endowment</b>	<b>Eliminating Entries</b>	<b>Total</b>
\$ 117,285,492	\$ 29,391,596	\$ -	\$ -	\$ 146,677,088
-	-	-	(21,844,962)	900,000
-	19,975,980	56,373	-	20,032,353
-	373,684	(251,670)	(398,546)	860,513
-	(24,836)	1,883,763	-	2,051,392
-	-	-	-	5,675,408
-	-	-	-	2,562,954
<u>117,285,492</u>	<u>49,716,424</u>	<u>1,688,466</u>	<u>(22,243,508)</u>	<u>178,759,708</u>
115,485,492	54,158,335	-	(21,844,962)	173,285,039
-	-	-	-	4,250,484
-	-	-	(398,546)	1,138,889
<u>115,485,492</u>	<u>54,158,335</u>	<u>-</u>	<u>(22,243,508)</u>	<u>178,674,412</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(712,673)</u>
<u>115,485,492</u>	<u>54,158,335</u>	<u>-</u>	<u>(22,243,508)</u>	<u>177,961,739</u>
<u>1,800,000</u>	<u>(4,441,911)</u>	<u>1,688,466</u>	<u>-</u>	<u>797,969</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(1,800,000)</u>	<u>375,433</u>	<u>1,709,771</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>(191,440)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(1,800,000)</u>	<u>183,993</u>	<u>1,709,771</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>(4,257,918)</u>	<u>3,398,237</u>	<u>-</u>	<u>797,969</u>
<u>-</u>	<u>(1,147,330)</u>	<u>(90,000)</u>	<u>-</u>	<u>(1,237,330)</u>
<u>-</u>	<u>43,864,104</u>	<u>18,411,234</u>	<u>-</u>	<u>87,560,218</u>
<u>\$ -</u>	<u>\$ 38,458,856</u>	<u>\$ 21,719,471</u>	<u>\$ -</u>	<u>\$ 87,120,857</u>