

Sonoma State University Foundation

Financial Statements and Supplemental Information

Years Ended June 30, 2023 and 2022



SONOMA STATE UNIVERSITY FOUNDATION
Financial Statements and Supplemental Information
Years Ended June 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Audit Committee
Sonoma State University Foundation

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Sonoma State University Foundation (the Foundation), which comprise the statements of net position as of June 30, 2023 and 2022, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sonoma State University Foundation as of June 30, 2023 and 2022, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sonoma State University Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sonoma State University Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements

INDEPENDENT AUDITOR'S REPORT, CONTINUED

- Obtain an understanding of internal control relevant to the audit 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 Sonoma State University Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sonoma State University Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information presented on pages 27-30 is presented for the purposes of additional analysis as required by the California State University Chancellor's Office and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2023, on our consideration of Sonoma State University 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 Sonoma State University 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 Sonoma State University Foundation's internal control over financial reporting and compliance.

Aldrich CPAs + Advisors LLP

San Diego, California
September 15, 2023

SONOMA STATE UNIVERSITY FOUNDATION

Management's Discussion and Analysis

June 30, 2023

This section of the Sonoma State University Foundation (the Foundation) annual financial report presents management's overview and analysis of the financial activities of the Foundation for the fiscal year ended June 30, 2023. We encourage the reader to consider the information presented here in conjunction with the financial statements as a whole.

Introduction to the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Foundation's audited financial statements, which are comprised of the basic financial statements and the notes, as outlined in the table of contents. This annual report is prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*.

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

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

The required financial statements include the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows. Notes to the financial statements and this summary support these statements. All sections must be considered together to obtain a complete understanding of the financial picture of the Foundation.

The Foundation's financial statements include:

Statements of Net Position: These statements include all assets and liabilities using the accrual basis of accounting as of the statement date. The difference between the two classifications is represented as "Net Position." This section of the statement identifies major categories of restrictions and reflects the overall financial position of the Foundation as a whole. Over time, increases and decreases in total net position can be an indicator of whether the financial health of the Foundation is improving or declining.

Statements of Revenues, Expenses, and Changes in Net Position: These statements present the revenues earned and the expenses incurred during the year using the accrual basis of accounting. Under accrual basis, all increases or decreases in net position are reported as soon as the underlying event occurs, regardless of the timing of the cash flow. Consequently, revenues and/or expenditures reported during this fiscal year may result in changes to cash flow in a future period.

Statements of Cash Flows: These statements reflect inflows and outflows of cash, summarized by operating, noncapital financing, and investing activities. The direct method was used to prepare this information, which means that gross rather than net amounts were presented for the year's activities.

Notes to Financial Statements: This additional information is essential to a full understanding of the data reported in the basic financial statements.

Supplemental Information: This is offered to support the required basic financial statements and to assist the reader in obtaining a clearer understanding of the operating units within the Organization.

SONOMA STATE UNIVERSITY FOUNDATION

Management's Discussion and Analysis

June 30, 2023

Analytical Overview

The following discussion highlights management's understanding of the key financial aspects of the Foundation's activities.

Condensed Summary of Net Position

	2023	2022	2021
Assets:			
Current assets	\$ 1,650,412	\$ 1,899,264	\$ 1,977,245
Capital assets, net	-	-	133,118
Other noncurrent assets	66,700,256	62,570,647	64,525,548
Total Assets	68,350,668	64,469,911	66,635,911
Liabilities:			
Current liabilities	2,943	800	3,979
Total Liabilities	2,943	800	3,979
Net Position:			
Net investment in capital assets	-	-	133,118
Restricted, nonexpendable	50,615,917	50,212,263	45,936,172
Restricted, expendable	13,952,111	13,657,362	20,053,670
Unrestricted	3,779,697	599,486	508,972
Total Net Position	\$ 68,347,725	\$ 64,469,111	\$ 66,631,932

Assets

Current Assets

There was approximately a \$249 thousand decrease in current assets when compared to the prior year. Current assets are made up of cash and cash equivalents along with pledges receivable. During the current year there were two new pledges totaling \$350 thousand and the Foundation received \$600 thousand in pledge payments. As pledge payments are received the cash is gifted to the University to be spent as the donor intended. From 2021 to 2022, there was a decrease of approximately \$80 thousand in current assets when compared to the prior year due to pledge activity in 2021.

Capital Assets

Capital assets, included in noncurrent assets, decreased by \$133 thousand from 2021 to 2022. Capital assets consist of land, buildings and building improvements and are valued at cost less accumulated depreciation. During the prior year, the Foundation sold the remaining two townhouses. The proceeds from the sales went to support the endowment in accordance with the gift agreement.

Other Noncurrent Assets

Other noncurrent assets are made up of restricted cash and cash equivalents, pledges receivable, endowment investments, other long-term investments, and other assets. During the current year, other noncurrent assets increased by approximately \$4 million, primarily in the Other long-term investment category. During the current year the Foundation received a gift of around \$3.3 million that the Board designated as a quasi-endowment. This gift is invested along with the Endowment but is Unrestricted and therefore reported under Other long-term investments. From 2021 to 2022, other noncurrent assets decreased by approximately \$2 million, which represents endowment investment losses and the endowment distribution made during the year which are both offset by new gift additions to the endowment.

SONOMA STATE UNIVERSITY FOUNDATION

Management's Discussion and Analysis

June 30, 2023

Liabilities

Current Liabilities

Current liabilities are made up of accounts payable. The balance consists of accrued operating expenses.

Net Position

The Foundation's net position increased \$3.9 million from 2022, which had decreased \$2 million from 2021. That increase in the current year is mainly due to the quasi-endowment received and mentioned on the previous page. The decrease in 2021 was primarily the result of market fluctuations, which impacts investment balances.

The Foundation's net position consisted of:

Restricted, nonexpendable - \$50,615,917 in 2023 and \$50,212,263 in 2022; represents endowments created by a multitude of donors over time. These endowments provide a perpetual stream of annual income in support of the University's academic and academic-related programs and scholarships. Net investment depreciation reduces this category if the total endowment's market value is below corpus. If the endowment's market value is above corpus, then the net investment appreciation is recorded under the Restricted, expendable – other net position category. In the current year and previous year there was accumulated investment appreciation that was recorded under the Restricted, expendable – other net position category.

Restricted, expendable:

- Scholarships - \$1,523,512 in 2023 and \$1,723,654 in 2022; represent net position available for spending by authorized representatives of the University. This category increases from pledge donations and will decrease when pledge payments are gifted from the Foundation to the University for scholarships.
- Other - \$12,428,599 in 2023 and \$11,933,708 in 2022; represent net position available for spending by authorized representatives and appropriated endowment earnings along with investment appreciation above endowment corpus. This category increases from direct donations (including pledges), appropriated endowment earnings and investment appreciation above corpus and will decrease when gifts are made from the Foundation to the University to support various campus programs.

Unrestricted - \$3,779,697 in 2023 and \$599,486 in 2022. This category represents the Foundation's operating fund along with any Board of Directors (Board) designated funds such as quasi-endowments. This category is not restricted by external restrictions. Its use is designated by management or the Board of the Foundation.

SONOMA STATE UNIVERSITY FOUNDATION

Management's Discussion and Analysis

June 30, 2023

Condensed Summary of Revenues and Expenses

	2023	2022	2021
Revenues and expenses:			
Operating revenues	\$ 60,520	\$ 14,221	\$ 194,246
Operating expenses	(201,995)	(136,400)	(206,307)
Net operating loss	(141,475)	(122,179)	(12,061)
Non-operating revenues (expenses):			
Gifts to the Foundation, noncapital	5,318,974	2,117,287	1,075,191
Gifts to the University from the Foundation, noncapital	(4,963,255)	(3,504,999)	(2,828,286)
Investment income (loss), net	(4,684)	(5,621)	3,445
Endowment income (loss), net	3,244,570	(5,033,476)	12,508,773
Other nonoperating revenues (expenses)	-	756,981	3,115,743
Total nonoperating revenues (expenses)	3,595,605	(5,669,828)	13,874,866
Income (loss) before other additions	3,454,130	(5,792,007)	13,862,805
Additions to permanent endowments	424,484	3,629,186	1,581,754
Change in net position	3,878,614	(2,162,821)	15,444,559
Beginning net position	64,469,111	66,631,932	51,187,373
Ending net position	\$ 68,347,725	\$ 64,469,111	\$ 66,631,932

There was a net operating loss of approximately \$141 thousand in 2023. Operating revenues for the current year consist of curation revenues and lifetime alumni membership fees. These can fluctuate from year to year. Operating expenses increased slightly in the current year due to an increase in cost recovery paid to the University for services performed on behalf of the Foundation and an increase in the Foundation's support to the Advancement Division of the University.

There was a net operating loss of approximately \$122 thousand in 2022. Operating revenues for the 2022 year consisted of curation revenues and lifetime alumni membership fees. In the 2021 year there was rental income from the townhouses. The last two of the townhouses were sold in July and August of 2021 so there was no rental income in the 2022 year. Operating expenses declined in the 2022 year as well due to cleanup and maintenance expenses incurred in the 2021 year to get the townhouses ready for sale.

Net nonoperating revenues were approximately \$3 million in 2023, compared to net nonoperating expenses of approximately \$6 million in 2022. Overall, there was a substantial increase in gifts to the Foundation, due to the quasi-endowment gift mentioned previously, and there was an increase in endowment income over the previous year.

Net nonoperating expenses were approximately \$6 million in 2022, compared to net nonoperating revenues of \$14 million in 2021. Overall, there was a substantial decrease in endowment income between 2022 and 2021.

Gifts to the Foundation, noncapital, are donations to ultimately support the University. These gifts do not include donations that support the endowments. Donations to support the endowments are reported as additions to permanent endowments in the *Statements of Revenues, Expenses and Changes in Net Position*.

SONOMA STATE UNIVERSITY FOUNDATION

Management's Discussion and Analysis

June 30, 2023

Detailed below are gifts to the Foundation in 2023 and 2022. These gifts may include direct gifts, matching gifts and pledges.

	2023	2022
Scholarships	\$ 639,421	\$ 1,074,058
Academic Programs	1,157,541	1,171,076
Green Music Center	105,334	7,105
Quasi-endowment additions	3,360,000	-
Adjustments for pledge valuation	56,678	(134,952)
Total gifts to the Foundation	<u>\$ 5,318,974</u>	<u>\$ 2,117,287</u>

Direct donations to support academic programs and scholarships are received and recorded by the University, not the Foundation. The Foundation receives and records endowments, gifts of stock, pledges, and contributions made via payroll deduction.

Gifts to the University from the Foundation represent the endowment distribution along with donations to support a variety of academic departments and scholarships. Detailed below are gifts to the University in 2023 and 2022.

	2023	2022
Academic Programs	\$ 2,992,680	\$ 1,839,740
Scholarships	1,436,244	1,287,630
Support to University Advancement Division	327,571	227,000
Green Music Center	206,760	100,629
Wine Spectator Learning Center	-	50,000
Total gifts to the University	<u>\$ 4,963,255</u>	<u>\$ 3,504,999</u>

Endowment income in the current year is approximately \$3 million, compared to the endowment loss of \$5 million in the prior year. This category is the result of investment income, net of investment management fees; realized gains, net of realized losses; and unrealized gains, net of unrealized losses.

	2023	2022
Investment income, net	\$ 714,500	\$ 659,253
Realized gains, net	291,560	4,202,745
Unrealized gains (losses), net	2,238,510	(9,895,474)
Total endowment gains (losses), net	<u>\$ 3,244,570</u>	<u>\$ (5,033,476)</u>

SONOMA STATE UNIVERSITY FOUNDATION

Management's Discussion and Analysis

June 30, 2023

Additions to permanent endowments were approximately \$424 thousand in 2023. Additions to permanent endowments may include direct gifts, matching gifts and gift annuities held at the California State University Foundation. Pledges made for endowments are not recorded until the actual gift has been made. Detailed below are additions to permanent endowments to the Foundation in 2023.

Additions to Permanent Endowments

Michael MacDonald Endowment	\$	104,199
Malm OLLI Endowment		58,213
Bettelheim Endowment		35,000
Tamayo Family Endowed Scholarship		31,500
Stewart Family Endowment		27,394
Green Family - Green Music Center Endowment		25,000
Jake & Barbara Mackenzie Jazz Music Endowment		25,000
Additions between \$5,001 and \$24,999		72,722
Additions of \$5,000 or less		45,456
Total increase to permanent endowments	\$	<u>424,484</u>

Budgetary Highlights

The Foundation's operating fund is the only Foundation fund with an established budget for operations. The budget is approved annually by the Board.

Factors Impacting Future Periods

The economy and related financial markets have been very volatile the past several years and in the current year. The endowment as a whole is currently above corpus and the Board has approved the pooled endowment distribution of approximately \$1.9 million for the upcoming 2023/2024 fiscal year. The endowment distribution will support various campus programs and student scholarships.

The Foundation is anticipating a challenging investment environment for the next several years. The impact this will have on future spending rates and funds available for distribution will be evaluated in the context of preserving the endowment corpus and maximizing future distribution amounts.

SONOMA STATE UNIVERSITY FOUNDATION**Statements of Net Position**

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 378,452	\$ 948,704
Short-term investments	229,240	-
Pledges receivable, net	<u>1,042,720</u>	<u>950,560</u>
Total Current Assets	1,650,412	1,899,264
Noncurrent Assets:		
Restricted cash and cash equivalents	-	4,959
Pledges receivable, net	1,408,621	1,691,289
Endowment investments	49,704,993	49,382,194
Other long-term investments	14,653,323	10,589,794
Other assets	<u>933,319</u>	<u>902,411</u>
Total Noncurrent Assets	<u>66,700,256</u>	<u>62,570,647</u>
Total Assets	<u>68,350,668</u>	<u>64,469,911</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	2,943	800
NET POSITION		
Restricted for:		
Nonexpendable-endowments	50,615,917	50,212,263
Expendable:		
Scholarships and fellowships	1,523,512	1,723,654
Other	12,428,599	11,933,708
Unrestricted	<u>3,779,697</u>	<u>599,486</u>
Total Net Position	<u>\$ 68,347,725</u>	<u>\$ 64,469,111</u>

SONOMA STATE UNIVERSITY FOUNDATION**Statements of Revenues, Expenses, and Changes in Net Position**

Years Ended June 30, 2023 and 2022

	2023	2022
Operating Revenues:		
Sales and services of educational activities	\$ 3,328	\$ 2,981
Other operating revenues	57,192	11,240
Total Operating Revenues	60,520	14,221
Operating Expenses:		
Institutional support	201,995	135,715
Depreciation	-	685
Total Operating Expenses	201,995	136,400
Operating Loss	(141,475)	(122,179)
Nonoperating Revenues (Expenses):		
Gifts to the Foundation, noncapital	5,318,974	2,117,287
Gifts to the University from the Foundation, noncapital	(4,963,255)	(3,504,999)
Investment income (loss), net	(4,684)	(5,621)
Endowment income (loss), net	3,244,570	(5,033,476)
Other nonoperating revenues, net	-	756,981
Total Nonoperating Revenues (Expenses)	3,595,605	(5,669,828)
Total Operating Income (Loss) Before Other Additions	3,454,130	(5,792,007)
Additions to Permanent Endowments	424,484	3,629,186
Change in Net Position	3,878,614	(2,162,821)
Net Position, beginning	64,469,111	66,631,932
Net Position, ending	\$ 68,347,725	\$ 64,469,111

SONOMA STATE UNIVERSITY FOUNDATION**Statements of Cash Flows**

Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities:		
Payments to suppliers	\$ (199,852)	\$ (135,913)
Other operating receipts	60,520	11,240
Net Cash Used in Operating Activities	(139,332)	(124,673)
Cash Flows from Noncapital Financing Activities:		
Gifts received	5,903,058	5,402,622
Gifts made to the University	(4,963,255)	(3,504,999)
Net Cash Provided by Noncapital Financing Activities	939,803	1,897,623
Cash Flows from Capital Activities:		
Proceeds on sale of capital asset	-	987,135
Net Cash Provided by Capital Activities	-	987,135
Cash Flows from Investing Activities:		
Sales and maturities of investments	3,432,956	7,414,286
Purchase of investments	(5,774,736)	(10,723,585)
Investment income received	1,183,955	1,014,179
Investment expenses paid	(217,857)	(259,444)
Net Cash Used in Investing Activities	(1,375,682)	(2,554,564)
Net (Decrease) Increase in Cash and Cash Equivalents	(575,211)	205,521
Cash and Cash Equivalents, beginning of year	953,663	748,142
Cash and Cash Equivalents, end of year	\$ 378,452	\$ 953,663
Cash and Cash Equivalents:		
Cash and cash equivalents	\$ 378,452	\$ 948,704
Restricted cash and cash equivalents	-	4,959
	\$ 378,452	\$ 953,663

SONOMA STATE UNIVERSITY FOUNDATION**Statements of Cash Flows, continued**

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities:		
Operating loss	\$ (141,475)	\$ (122,179)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	-	685
Change in assets and liabilities:		
Accounts payable	2,143	(229)
Other liabilities	<u>-</u>	<u>(2,950)</u>
Total Adjustments	<u>2,143</u>	<u>(2,494)</u>
Net Cash Provided by (Used in) Operating Activities	\$ <u>(139,332)</u>	\$ <u>(124,673)</u>
Noncash Activities:		
Gain on sale of capital asset	\$ <u>-</u>	\$ <u>854,702</u>

SONOMA STATE UNIVERSITY FOUNDATION

Notes to the Financial Statements

Years Ended June 30, 2023 and 2022

Note 1 - Organization

The Sonoma State University Foundation (the Foundation) was established in 1974 as an auxiliary organization of the California State University System (the System), as defined in the California Education Code, Title V, Section 42400, to engage in activities furthering and enhancing the educational effectiveness of Sonoma State University (University) and supplement services provided by the State of California.

The Foundation's principle mission is to receive and administer endowment gifts and planned giving that enhance and promote the University's educational mission. The activities of the Foundation are directed by a board of community, student, faculty, and administrative representatives.

Note 2 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Foundation is a legally separate tax-exempt component unit of the University. The University is part of the System. The Foundation acts primarily as a support organization to supplement the resources that are available to the University in support of its programs. The Foundation's board appointments require approval from the University President, and as a result, the Foundation follows the reporting principles promulgated by the Governmental Accounting Standards Board (GASB).

The financial statements present only the *Statements of Net Position*, *Statements of Revenues, Expenses, and Changes in Net Position*, and *Statements of Cash Flows* of Sonoma State University Foundation and do not purport to, and do not, present fairly the financial position of the University or the System as of June 30, 2023 and 2022 and its changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America (GAAP).

Basis of Presentation

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with GAAP, 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The basic financial statements include a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. As a component unit of a public institution, the Foundation has chosen to present its basic financial statements using the reporting model for special-purpose governments engaged only in business-type activities. In accordance with the business-type activities reporting model, the Foundation prepares its statement of cash flows using the direct method.

Classification of Current and Noncurrent Assets and Liabilities

The Foundation considers current assets, those that can reasonably be expected, as part of its normal business operations, to be converted to cash and be available for liquidation of current liabilities within 12 months of the statement of net position date. Liabilities that reasonably can be expected, as part of normal Foundation business 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.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments that are to be used for operations with a maturity date of three months or less to be cash equivalents. Cash and cash equivalents consist of checking accounts and money market funds.

SONOMA STATE UNIVERSITY FOUNDATION

Notes to the Financial Statements

Years Ended June 30, 2023 and 2022

Note 2 - Summary of Significant Accounting Policies, continued

Pledges Receivable

Unconditional pledges receivable are recorded as receivables and revenue. To be recorded, the pledge must be documented, reasonably measured and probable of collection. The Foundation distinguishes between contributions received for each asset category in accordance with donor-imposed restrictions. Pledges receivable are discounted to the anticipated net present value of future cash flows. After pledges are originally recorded, an allowance for uncollectible pledges may be established based on past payment history. Pledges received for endowments are not recorded until received as cash.

Investments

Investments are reflected at fair value using quoted market prices when available. For investments that do not have quoted market prices readily available, the fair value is determined by the Foundation to be the most recent investment manager reported asset value adjusted for calls and distributions, giving consideration to factors which might necessitate an adjustment such as ongoing due diligence monitoring and significant market or portfolio changes. Realized and unrealized gains and losses are included in the accompanying *Statements of Revenues, Expenses, and Changes in Net Position* as investment income (loss), net. It is generally the policy of the Foundation to invest all funds that are not required for operations. The three general investment pools are the current funds pool, endowment pool and the special investment pool. Alternative types of investment may be considered, although, in no case are any of the investment pools to be invested exclusively in alternative investment vehicles.

The investment objectives of the endowment pool are to achieve returns in excess of the rate of inflation, net of spending, in order to preserve the purchasing power of the assets, while also emphasizing long-term growth while avoiding excessive risk. The long-term total return objective for the portfolio is inflation, as determined by the U.S. Higher Education Price Index (HEPI), plus 4.5 percent.

Net Position

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

Restricted - nonexpendable endowments: Net position subject to externally imposed conditions require that the Foundation retains them in perpetuity; this category mainly consists of endowments held by the Foundation.

Restricted - expendable: Net position subject to externally imposed conditions that can be fulfilled by the actions of the Foundation or by the passage of time.

Unrestricted: All other categories of net position; in addition, unrestricted net position may be designated for use by management or the Board of Directors of the Foundation.

The Foundation has adopted a practice of generally utilizing restricted - expendable funds, prior to unrestricted funds, when an expense is incurred for purposes for which both are available.

Classification of Revenues and Expenses

The Foundation considers operating revenues and expenses in the *Statements of Revenues, Expenses, and Changes in Net Position* to be those revenues and expenses that result from exchange transactions or from other activities that are connected directly to the Foundation's primary functions. Exchange transactions include charges for services rendered and the acquisition of goods and services. Certain other transactions are reported as nonoperating revenues and expenses or capital contributions in accordance with GASB Statement No. 35. These nonoperating activities include net investment income and gifts.

SONOMA STATE UNIVERSITY FOUNDATION

Notes to the Financial Statements

Years Ended June 30, 2023 and 2022

Note 2 - Summary of Significant Accounting Policies, continued

Income Taxes

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from California franchise and income tax under section 23701(d) of the Revenue and Taxation Code. Continuance of such exemption is subject to compliance with laws and regulations of the taxing authorities. The Foundation utilizes accounting standards generally accepted in the United States of America related to the recognition of uncertain tax positions. The Foundation recognizes accrued interest and penalties associated with uncertain tax positions as part of the *Statements of Revenues, Expenses, and Changes in Net Position*, when applicable. Management has determined that the Foundation has no uncertain tax positions at June 30, 2023 and 2022 and therefore, no amounts have been accrued. The Foundation files income tax returns in the United States and various state and local jurisdictions.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts in the accompanying financial statements. Actual results could differ from those estimates.

Subsequent Events

The Foundation has evaluated subsequent events through September 15, 2023, which is the date the financial statements were available to be issued.

Note 3 - Cash and Cash Equivalents

The majority of the Foundation's cash and investments are pooled; however, separate accounting is maintained as to the amounts allocable to the various funds and programs.

Cash and Cash Equivalents at June 30:

	2023	2022
Book balance	\$ 378,452	\$ 948,704
Bank balance	383,177	948,704
Difference between book balance and bank	\$ (4,725)	\$ -
Significant reconciling items consist of:		
Deposits in transit	\$ -	\$ -
Outstanding checks	(4,725)	-
	\$ (4,725)	\$ -

Restricted Cash and Cash Equivalents at June 30:

	2023	2022
Portion of restricted cash and cash equivalents related to endowments	\$ -	\$ 4,959
Total restricted cash and cash equivalents	\$ -	\$ 4,959

SONOMA STATE UNIVERSITY FOUNDATION

Notes to the Financial Statements

Years Ended June 30, 2023 and 2022

Note 4 - Investments

Composition of Investments

Investments include real property, debt and equity securities, mutual funds, hedge funds, private equity and commodities. Investments are reported at fair market value. Changes in the fair value of endowment investments are reported as part of Endowment income (loss), net in the *Statements of Revenues, Expenses, and Changes in Net Position*. During the year ended June 30, 2023, the Foundation recognized \$714,500 of investment income net of fees along with a net realized gain of \$291,560 and an unrealized gain of \$2,238,510. During the year ended June 30, 2022, the Foundation recognized \$659,253 of investment income net of fees along with a net realized gain of \$4,202,745 and an unrealized loss of \$9,895,474. The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year.

The market approach is the valuation technique that the Foundation utilizes. Quoted market prices for identical assets in an active market are used to value the Foundation's mutual funds, equity and portion of commodities/real assets (Level 1). Quoted market prices for similar assets or quoted prices for identical assets but not in active markets are used to value the Foundation's hedge funds (Level 2). Investments with unobservable inputs significant to the fair value measurement include private equity and a portion of commodities (Level 3). As a practical expedient, certain financial instruments may be valued using net asset value (NAV) per share. NAV is the amount of net assets attributable to each share of outstanding capital stock at the end of the period.

These prices and values are estimates from financial institutions as of June 30, 2023 and 2022. There have been no changes in the Foundation's valuation techniques for the years presented.

The composition of investments at June 30:

	2023	2022
Equity	\$ 15,906,575	\$ 15,290,040
Mutual funds	9,869,665	7,461,344
Exchange traded funds (ETFs)	17,070,401	15,106,844
Hedge funds	7,331,997	7,376,559
Private equity	5,082,962	6,471,314
Real assets and commodities	4,723,326	4,636,904
Treasury securities	294,886	697,212
CSU Consolidated Investment pool	3,308,459	2,052,793
Federal agencies	727,432	837,735
Annuity and life insurance	42,613	41,243
Total investments	64,358,316	59,971,988
Less endowment investments	(49,704,993)	(49,382,194)
Total investments, net of endowments	\$ 14,653,323	\$ 10,589,794

Noncurrent investments are reported as Endowment investments of \$49,704,993 and other long-term investments of \$14,653,323 at June 30, 2023. Noncurrent investments are reported as Endowment investments of \$49,382,194 and other long-term investments of \$10,589,794 at June 30, 2022.

SONOMA STATE UNIVERSITY FOUNDATION

Notes to the Financial Statements

Years Ended June 30, 2023 and 2022

Note 4 - Investments, continued

Investment Costs and Fair Market Values

Aggregated costs and fair values of investments at June 30, 2023 are as follows:

	Cost	Fair Value
Equity	\$ 13,486,758	\$ 15,906,575
Mutual funds	10,766,700	9,869,665
Exchange traded funds (ETFs)	17,254,834	17,070,401
Hedge funds	4,750,930	7,331,997
Private equity funds	4,932,147	5,082,962
Real assets and commodities	3,958,623	4,723,326
Treasury securities	326,640	294,886
CSU Consolidated Investment pool	3,308,459	3,308,459
Federal agencies	761,152	727,432
Annuity and life insurance	42,613	42,613
Total	\$ 59,588,856	\$ 64,358,316

The private equity funds are invested in U.S. domiciled private equity funds that are primarily focused on growth equity and buyout strategies, but also include distressed and opportunistic strategies as well as private infrastructure assets. The Foundation has a \$7,750,000 commitment of which \$2,482,008 was unfunded as of June 30, 2023.

Aggregated costs and fair values of investments at June 30, 2022 are as follows:

	Cost	Fair Value
Equity	\$ 14,438,375	\$ 15,290,040
Mutual funds	7,778,775	7,461,344
Exchange traded funds (ETFs)	16,909,720	15,106,844
Hedge funds	4,750,930	7,376,559
Private equity funds	5,339,850	6,471,314
Real assets and commodities	3,653,280	4,636,904
Treasury securities	779,799	697,212
CSU Consolidated Investment pool	2,052,793	2,052,793
Federal agencies	881,627	837,735
Annuity and life insurance	41,243	41,243
Total	\$ 56,626,392	\$ 59,971,988

SONOMA STATE UNIVERSITY FOUNDATION

Notes to the Financial Statements

Years Ended June 30, 2023 and 2022

Note 4 - Investments, continued

Investments Broken Down Using the Fair Value Hierarchy

The fair market value of investments is categorized as follows for the year ended June 30, 2023:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Equity	\$ 15,906,575	\$ 15,906,575	\$ -	\$ -	\$ -
Mutual funds	9,869,665	9,869,665	-	-	-
Exchange traded funds (ETFs)	17,070,401	17,070,401	-	-	-
Hedge funds	7,331,997	-	-	-	7,331,997
Private equity	5,082,962	-	-	1,144,691	3,938,271
Real assets and commodities	4,723,326	-	-	1,426,498	3,296,828
Treasury securities	294,886	-	294,886	-	-
CSU Consolidated Investment pool	3,308,459	-	-	-	3,308,459
Federal agencies	727,432	-	727,432	-	-
Annuity and life insurance	42,613	-	-	42,613	-
Total investments	<u>\$ 64,358,316</u>	<u>\$ 42,846,641</u>	<u>\$ 1,022,318</u>	<u>\$ 2,613,802</u>	<u>\$ 17,875,555</u>

The fair market value of investments is categorized as follows for the year ended June 30, 2022:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Equity	\$ 15,290,040	\$ 15,290,040	\$ -	\$ -	\$ -
Mutual funds	7,461,344	7,461,344	-	-	-
Exchange traded funds (ETFs)	15,106,844	15,106,844	-	-	-
Hedge funds	7,376,559	-	-	-	7,376,559
Private equity	6,471,314	783,226	-	1,826,398	3,861,690
Real assets and commodities	4,636,904	-	-	1,402,603	3,234,301
Treasury securities	697,212	-	697,212	-	-
CSU Consolidated Investment pool	2,052,793	-	-	-	2,052,793
Federal agencies	837,735	-	837,735	-	-
Annuity and life insurance	41,243	-	-	41,243	-
Total investments	<u>\$ 59,971,988</u>	<u>\$ 38,641,454</u>	<u>\$ 1,534,947</u>	<u>\$ 3,270,244</u>	<u>\$ 16,525,343</u>

SONOMA STATE UNIVERSITY FOUNDATION

Notes to the Financial Statements

Years Ended June 30, 2023 and 2022

Note 4 - Investments, continued

Investments Broken Down Using the Fair Value Hierarchy, continued

Changes in the fair value of Level 3 investments are as follows for the years ended June 30:

	2023	2022
Fair value, beginning of year	\$ 3,270,244	\$ 1,753,915
Deposits	177,442	766,943
Unrealized gains (losses)	(835,254)	748,243
Change in annuity and life insurance	1,370	1,143
	<u>\$ 2,613,802</u>	<u>\$ 3,270,244</u>

Changes in the fair value of NAV investments are as follows for the years ended June 30:

	2023	2022
Fair value, beginning of year	\$ 16,525,343	\$ 15,568,508
Deposits	1,860,865	472,997
Unrealized gains (losses)	(510,653)	483,838
	<u>\$ 17,875,555</u>	<u>\$ 16,525,343</u>

Commitments and redemption schedule for Level 3 investments are as follows:

	Fair value at June 30, 2023	Unfunded commitment	Redemption frequency	Redemption notice period
McMorgan Infrastructure Fund (a)	\$ 854,106	\$ 331,964	n/a	n/a
KKR Americas (b)	1,144,691	106,652	n/a	n/a
Bridge WFAH (a)	572,392	447,683	n/a	n/a
Annuity and life insurance	42,613	-	n/a	n/a
	<u>\$ 2,613,802</u>	<u>\$ 886,299</u>		

	Fair value at June 30, 2022	Unfunded commitment	Redemption frequency	Redemption notice period
McMorgan Infrastructure Fund (a)	\$ 785,849	\$ 331,964	n/a	n/a
KKR Americas (b)	1,826,398	117,255	n/a	n/a
Bridge WFAH (a)	616,754	451,562	n/a	n/a
Annuity and life insurance	41,243	-	n/a	n/a
	<u>\$ 3,270,244</u>	<u>\$ 900,781</u>		

SONOMA STATE UNIVERSITY FOUNDATION

Notes to the Financial Statements

Years Ended June 30, 2023 and 2022

Note 4 - Investments, continued

Investments Broken Down Using the Fair Value Hierarchy, continued

	Fair value at June 30, 2023	Unfunded commitment	Redemption frequency	Redemption notice period
Private Advisors Fund V (c)	\$ 256,587	\$ 83,535	n/a	n/a
Private Advisors Fund VI (c)	522,394	141,124	n/a	n/a
Hamilton Lane (d)	442,082	102,777	n/a	n/a
Vintage Access (e)	549,809	105,000	n/a	n/a
Millennium (f)	683,580	-	semi-annual	90 days
Evanston Weatherlow (f)	2,049,667	-	quarterly	65 days
Canyon Value (f)	2,032,368	-	quarterly	by 20th day of each quarter
Sculptor Overseas (f)	1,521,379	-	annually	45 days
BREIT (g)	3,296,828	-	monthly	90 days
Goldman Sachs Vintage VIII (d)	959,663	499,523	n/a	n/a
NB Select Opps III (d)	835,915	101,250	n/a	n/a
Schonfeld (f)	1,045,003	-	quarterly	45 days
HarbourVest (h)	371,821	562,500	n/a	n/a
CSU consolidated SWIFT pool	3,308,459	-	n/a	n/a
	<u>\$ 17,875,555</u>	<u>\$ 1,595,709</u>		
	Fair value at June 30, 2022	Unfunded commitment	Redemption frequency	Redemption notice period
Private Advisors Fund V (c)	\$ 335,697	\$ 90,125	n/a	n/a
Private Advisors Fund VI (c)	537,368	157,332	n/a	n/a
Hamilton Lane (d)	461,771	137,639	n/a	n/a
Vintage Access (e)	592,941	155,000	n/a	n/a
Millennium (f)	628,723	-	semi-annual	90 days
Evanston Weatherlow (f)	2,043,150	-	quarterly	65 days
Canyon Value (f)	2,031,910	-	quarterly	by 20th day of each quarter
Sculptor Overseas (f)	1,633,728	-	annually	45 days
BREIT (g)	3,234,301	-	monthly	90 days
Goldman Sachs Vintage VIII (d)	864,571	610,339	n/a	n/a
NB Select Opps III (d)	1,031,842	101,250	n/a	n/a
Schonfeld (f)	1,039,048	-	quarterly	45 days
HarbourVest (h)	37,500	712,500	n/a	n/a
CSU consolidated SWIFT pool	2,052,793	-	n/a	n/a
	<u>\$ 16,525,343</u>	<u>\$ 1,964,185</u>		

SONOMA STATE UNIVERSITY FOUNDATION

Notes to the Financial Statements

Years Ended June 30, 2023 and 2022

Note 4 - Investments, continued

Investments Broken Down Using the Fair Value Hierarchy, continued

- (a) limited partnership formed for the purpose of investing in private infrastructure assets
- (b) limited liability company formed to invest in private equity with the particular focus on buyout
- (c) limited partnership organized for the purpose of investing in private equity and small company buyout, distressed and opportunistic funds and limited partnership organized for the purpose of investing in private equity funds focused on growth equity, buyout and distressed strategies
- (d) limited partnership organized for the purpose of investing in global private equity including real assets
- (e) limited liability company formed for the purpose of making direct investments in institutional private equity and private credit
- (f) various hedge funds where the NAV is calculated separately with respect to the company's different classes and series of shares
- (g) non-traded perpetual life REIT that invests in private commercial real estate and real estate debt securities
- (h) limited liability company formed for the purpose of making investments in limited partnerships or other pooled investment vehicles and directly in private equity transactions

Endowment Investments

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) authorizes the spending of corpus and net appreciation. Spending under UPMIFA is governed by a comprehensive prudence standard that considers a number of factors. One of those factors is the duration and preservation of the endowment fund. The Board of Directors has interpreted this factor as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies the original value of the gift donated along with the original value of subsequent gifts donated to the permanent endowment. These are included in the Restricted, Nonexpendable-endowment net position category on the *Statements of Net Position*. The Foundation's current spending policy is targeted to distribute up to 4% of a five-year rolling average of the market value of the pooled endowment, based on the average market value of the previous 20 quarters with the final quarter ending on December 31, while taking into account the required prudence evaluation as guided by UPMIFA, which requires considering the donor's intent as well as several economic factors.

If the endowments' market value is above corpus then the net investment appreciation, realized and unrealized, is reported in the Restricted, Expendable – Other net position category on the *Statements of Net Position* until appropriated for spending pursuant to donor agreements. However, if the endowments' market value is below corpus then the net investment depreciation, realized and unrealized, is reported in the Restricted, Nonexpendable-endowment net position category on the *Statements of Net Position*.

The Foundation made a pooled endowment distribution of approximately \$1.8 million dollars to the University in fall of 2022 (FY22/23) and approximately \$1.6 million dollars in fall of 2021 (FY21/22). These amounts are included in Gifts to the University from the Foundation, noncapital on the *Statements of Revenues, Expenses, and Changes in Net Position*. These distributions were funded with endowment income and realized gains on endowment assets. The Foundation's Board has already approved a distribution of approximately \$1.9 million for the upcoming year.

SONOMA STATE UNIVERSITY FOUNDATION

Notes to the Financial Statements

Years Ended June 30, 2023 and 2022

Note 5 - Deposit and Investment Risk

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of a counterparty, the Foundation would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Financial instruments that potentially subject the Foundation to custodial risk consist primarily of bank demand deposits and investments in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC) or the Securities Investors Protector Corporation (SIPC). The Foundation places its cash investments with a number of quality financial institutions to limit the exposure to loss by any one institution.

The Foundation had cash and cash equivalent and restricted cash deposits of \$383,177, which represents the balance recorded at the respective financial institutions compared to the book balance recorded by the Foundation of \$378,452 at June 30, 2023, of which \$340,942 was covered by the FDIC or SIPC insurance programs. Coverage amounts are based on the balance recorded by the financial institution.

Investments other than cash are held in the name of the Foundation. No policy exists related to custodial risk specifically. The Foundation's investment policy does not prohibit deposits in single institutions that expose the Foundation to custodial credit risk.

Concentration of Credit Risk

The Foundation does not limit the amount that may be invested in any one issuer. At June 30, 2023, the Foundation's Schedule of Investments had \$59,583,810 or 93% of its noncurrent investments with its primary investment advisor, Graystone Consulting. Graystone Consulting's parent Morgan Stanley (MS) carries \$600 million coverage for loss due to fraudulent acts and \$20 million coverage for Errors and Omissions, which covers MS and all of their subsidiaries. The Foundation has no policy which limits concentration of credit risk.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Foundation participates in a CSU system wide internal investment pool managed by an asset management and investment advisory firm that serves the CSU system.

Interest Rate Risk

Interest rate risk is the risk of exposure to fair value losses resulting from rising interest rates. The Foundation has various types of fixed income investments. The other investments subject to interest rate risk are bond funds, which are invested in mutual funds that mitigate interest rate risk through a multi-strategy approach.

SONOMA STATE UNIVERSITY FOUNDATION

Notes to the Financial Statements

Years Ended June 30, 2023 and 2022

Note 6 - Pledges Receivable

Pledges receivable at June 30, 2023 consisted of the following:

	Current	Noncurrent	Total
Year ending June 30, 2024	\$ 1,132,316	\$ -	\$ 1,132,316
Years ending June 30, 2024 through 2029	-	1,624,474	1,624,474
Total pledges at full pledged value	1,132,316	1,624,474	2,756,790
Less:			
Allowance for uncollectible pledges	(56,616)	(81,224)	(137,840)
Reduction in pledges for present value	(32,980)	(134,629)	(167,609)
Total pledges, net	\$ 1,042,720	\$ 1,408,621	\$ 2,451,341

Pledges receivable at June 30, 2022 consisted of the following:

	Current	Noncurrent	Total
Year ending June 30, 2023	\$ 1,032,237	\$ -	\$ 1,032,237
Years ending June 30, 2023 through 2028	-	1,975,290	1,975,290
Total pledges at full pledged value	1,032,237	1,975,290	3,007,527
Less:			
Allowance for uncollectible pledges	(51,612)	(98,764)	(150,376)
Reduction in pledges for present value	(30,065)	(185,237)	(215,302)
Total pledges, net	\$ 950,560	\$ 1,691,289	\$ 2,641,849

Note 7 - Other Assets

Other assets consist of the following at June 30:

	2023	2022
Beneficial interest in perpetual trust	\$ 851,404	\$ 817,623
Gift annuities held at CSU Foundation	81,915	84,788
Total other assets	\$ 933,319	\$ 902,411

SONOMA STATE UNIVERSITY FOUNDATION

Notes to the Financial Statements

Years Ended June 30, 2023 and 2022

Note 7 - Other Assets, continued

The Foundation is the beneficiary of a perpetual trust agreement that is administered by an independent third party. The principal assets will remain part of the trust for perpetuity. Market appreciation is offset by a distribution made by the Trustee as required by the trust. This distribution, which is to an outside party, was \$0 for the year ended June 30, 2023, and was \$97,721 for the year ended June 30, 2022, respectively. This distribution, when it occurs, is reflected in other nonoperating expenses in the *Statements of Revenues, Expenses, and Changes in Net Position*. The Foundation will receive a stream of income from this trust, which is included in endowment income (loss), net in the *Statements of Revenues, Expenses, and Changes in Net Position*.

The Foundation records its interest in gift annuities held under agency agreement at the CSU Foundation at their estimated present value. The contribution revenue is included in Gifts to the Foundation, noncapital, on the *Statements of Revenues, Expenses and Changes in Net Position*.

The Foundation is also the beneficiary of certain trusts that are administered by third parties. These interests are not recognized in the financial statements as they do not meet the eligibility requirements.

Note 8 - Risk Management

The Foundation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Foundation has joined together with other CSU Auxiliaries in the CSU Risk Management Authority (the Authority), a public entity risk pool. The Foundation pays an annual premium to the Authority for its general insurance coverage. The intent is for the Authority to remain self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of the \$5,000,000 limit per each insured event. There have been zero claims against the insurance in the past three years. Annual premiums totaled \$6,763 and \$6,521 for the years ending June 30, 2023 and 2022, respectively.

Note 9 - Classification of Operating Expenses

The Foundation has elected to report operating expenses by functional classification in the *Statements of Revenues, Expenses, and Changes in Net Position*, but to provide the natural classification of those expenses as an additional disclosure. For the years ended June 30, 2023 and 2022, operating expenses by natural classification consisted of the following:

	2023	Supplies and other services	Depreciation and amortization	Total
Functional classification:				
Institutional support		\$ 201,995	\$ -	\$ 201,995
Total		\$ 201,995	\$ -	\$ 201,995
	2022	Supplies and other services	Depreciation and amortization	Total
Functional classification:				
Institutional support		\$ 135,715	\$ -	\$ 135,715
Depreciation		-	685	685
Total		\$ 135,715	\$ 685	\$ 136,400

SONOMA STATE UNIVERSITY FOUNDATION

Notes to the Financial Statements

Years Ended June 30, 2023 and 2022

Note 10 - Calculation of Net Position Restricted for Nonexpendable Endowments

	2023	2022
Endowment investments	\$ 49,704,993	\$ 49,382,194
Restricted cash and cash equivalents	-	4,959
Portion of other assets restricted to endowments	910,924	825,110
Net position - restricted for nonexpendable - endowments	<u>\$ 50,615,917</u>	<u>\$ 50,212,263</u>

Note 11 - Transactions with Related Entities

The Foundation has an operating agreement with the University for executive management, oversight, financial resources, and logistical services and reimburses the University in accordance with the approved cost allocation plan (Executive Order 1000). The Foundation manages endowment donations received. The Foundation manages pledges and accepts stock donations; once pledges or stocks are converted to cash, they are transferred to the University. The Foundation transfers funds to the University as authorized and directed by the respective programs. Included in the Transfers to the University are amounts for scholarships and support of programs.

The Foundation is the beneficiary of gift annuities that are held by the CSU Foundation. These gift annuities are included in other assets in the *Statements of Net Position*. Each year, an annual update of the gift annuities is provided and the changes in the values are recognized as additional revenues and receivables.

The accompanying financial statements include the following transactions with related parties as of and for the years ended June 30:

	2023	2022
Transfer from the University for Lifetime Alumni Endowment	\$ 3,328	\$ 2,236
Total payments received from the University	<u>\$ 3,328</u>	<u>\$ 2,236</u>
Gifts to the University	\$ 4,963,255	\$ 3,504,999
Gifts to the University to support Advancement Division	327,571	227,000
Payments to the University in accordance with CSU Executive Order 1000	85,669	67,376
Other payments to the University	-	5,924
Transfers to the University for program activities	<u>\$ 5,376,495</u>	<u>\$ 3,805,299</u>
Payments to other auxiliaries for program activities (included in operating expenses)	<u>\$ 1,478</u>	<u>\$ -</u>
Accounts payable to the University	<u>\$ 25</u>	<u>\$ -</u>
Accounts payable to related auxiliary organizations	<u>\$ 477</u>	<u>\$ -</u>
Gift annuities held by the California State University Foundation (included in <i>Other Assets</i> in the Statements of Net Position)	<u>\$ 81,915</u>	<u>\$ 84,788</u>

SUPPLEMENTAL INFORMATION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

To the Audit Committee
Sonoma State University Foundation

We have audited, in accordance with the 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 Sonoma State University Foundation (the Foundation), which comprise the statement of net position as of June 30, 2023, the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 15, 2023.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the 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 the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Purpose of this Report

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

Aldrich CPAs + Advisors LLP

San Diego, California
September 15, 2023

**INFORMATION FOR THE CALIFORNIA STATE
UNIVERSITY CHANCELLOR'S OFFICE**

SONOMA STATE UNIVERSITY FOUNDATION

Schedule of Net Position

June 30, 2023

(for inclusion in the California State University)

Assets:

Current assets:

Cash and cash equivalents	\$ 378,452
Short-term investments	229,240
Accounts receivable, net	-
Lease receivable, current portion	-
P3 receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	1,042,720
Prepaid expenses and other current assets	-

Total current assets

1,650,412

Noncurrent assets:

Restricted cash and cash equivalents	-
Accounts receivable, net	-
Lease receivable, net of current portion	-
P3 receivable, net of current portion	-
Notes receivable, net of current portion	-
Student loans receivable, net	-
Pledges receivable, net	1,408,621
Endowment investments	49,704,993
Other long-term investments	14,653,323
Capital assets, net	-
Other assets	933,319

Total noncurrent assets

66,700,256

Total assets

68,350,668

Deferred outflows of resources:

Unamortized loss on debt refunding	-
Net pension liability	-
Net OPEB liability	-
Leases	-
P3	-
Others	-

Total deferred outflows of resources

-

Liabilities:

Current liabilities:

Accounts payable	2,943
Accrued salaries and benefits	-
Accrued compensated absences, current portion	-
Unearned revenues	-
Lease liabilities, current portion	-
SBITA liabilities - current portion	-
P3 liabilities - current portion	-
Long-term debt obligations, current portion	-
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	-

Total current liabilities

2,943

Noncurrent liabilities:

Accrued compensated absences, net of current portion	-
Unearned revenues	-
Grants refundable	-
Lease liabilities, net of current portion	-
SBITA liabilities, net of current portion	-
P3 liabilities, net of current portion	-
Long-term debt obligations, net of current portion	-
Claims liability for losses and loss adjustment expenses, net of current portion	-
Depository accounts	-
Net other postemployment benefits liability	-
Net pension liability	-
Other liabilities	-

Total noncurrent liabilities

-

Total liabilities

2,943

Deferred inflows of resources:

P3 service concession arrangements	-
Net pension liability	-
Net OPEB liability	-
Unamortized gain on debt refunding	-
Nonexchange transactions	-
Lease	-
P3	-
Others	-

Total deferred inflows of resources

-

Net position:

Net investment in capital assets	-
Restricted for:	
Nonexpendable – endowments	50,615,917
Expendable:	
Scholarships and fellowships	1,523,512
Research	-
Loans	-
Capital projects	-
Debt service	-
Others	12,428,599
Unrestricted	3,779,697
Total net position	\$ <u>68,347,725</u>

See independent auditor's report.

SONOMA STATE UNIVERSITY FOUNDATION**Schedule of Revenues, Expenses, and Changes in Net Position**

Year Ended June 30, 2023

(for inclusion in the California State University)

Revenues:**Operating revenues:**

Student tuition and fees, gross	\$	-
Scholarship allowances (enter as negative)		-

Grants and contracts, noncapital:

Federal		-
State		-
Local		-
Nongovernmental		-
Sales and services of educational activities		3,328
Sales and services of auxiliary enterprises, gross		-
Scholarship allowances (enter as negative)		-
Other operating revenues		57,192

Total operating revenues60,520**Expenses:****Operating expenses:**

Instruction		-
Research		-
Public service		-
Academic support		-
Student services		-
Institutional support		201,995
Operation and maintenance of plant		-
Student grants and scholarships		-
Auxiliary enterprise expenses		-
Depreciation and amortization		-

Total operating expenses201,995**Operating income (loss)**(141,475)**Nonoperating revenues (expenses):**

State appropriations, noncapital		-
Federal financial aid grants, noncapital		-
State financial aid grants, noncapital		-
Local financial aid grants, noncapital		-
Nongovernmental and other financial aid grants, noncapital		-
Other federal nonoperating grants, noncapital		-
Gifts, noncapital		355,719
Investment income (loss), net		(4,684)
Endowment income (loss), net		3,244,570
Interest expense		-
Other nonoperating revenues (expenses)		-

Net nonoperating revenues (expenses)3,595,605**Income (loss) before other revenues (expenses)**3,454,130

State appropriations, capital		-
Grants and gifts, capital		-
Additions (reductions) to permanent endowments		424,484

Increase (decrease) in net position3,878,614**Net position:**

Net position at beginning of year, as previously reported		64,469,111
Restatements		-

Net position at beginning of year, as restated		<u><u>64,469,111</u></u>
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Net position at end of year	\$	<u><u>68,347,725</u></u>
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SONOMA STATE UNIVERSITY FOUNDATION

Other Information

June 30, 2023

(for inclusion in the California State University)

1 Cash and cash equivalents:

Current cash and cash equivalents	\$ 378,452
Total	\$ 378,452

2.1 Composition of investments:

Investment Type	Current	Noncurrent	Total
U.S. agency securities	\$ -	\$ 727,432	\$ 727,432
U.S. treasury securities	-	294,886	294,886
Mutual funds	-	9,869,665	9,869,665
Exchange-traded funds	-	17,070,401	17,070,401
Equity securities	-	15,906,575	15,906,575
Alternative investments:			
Private equity (including limited partnerships)	-	5,082,962	5,082,962
Hedge funds	-	7,331,997	7,331,997
Real estate investments (including REITs)	-	4,723,326	4,723,326
CSU Consolidated Investment Pool (formerly SWIFT)	229,240	3,308,459	3,537,699
Other investments:			
Annuity and life insurance	-	42,613	42,613
Total other investments	-	42,613	42,613
Total investments	229,240	64,358,316	64,587,556
Less endowment investments (enter as negative number)	-	(49,704,993)	(49,704,993)
Total investments, net of endowments	\$ 229,240	\$ 14,653,323	\$ 14,882,563

2.2 Fair value hierarchy in investments:

Investment Type	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
U.S. agency securities	\$ 727,432	\$ -	\$ 727,432	\$ -	\$ -
U.S. treasury securities	294,886	-	294,886	-	-
Mutual funds	9,869,665	9,869,665	-	-	-
Exchange-traded funds	17,070,401	17,070,401	-	-	-
Equity securities	15,906,575	15,906,575	-	-	-
Alternative investments:					
Private equity (including limited partnerships)	5,082,962	-	-	1,144,691	3,938,271
Hedge funds	7,331,997	-	-	-	7,331,997
Real estate investments (including REITs)	4,723,326	-	-	1,426,498	3,296,828
CSU Consolidated Investment Pool (formerly SWIFT)	3,537,699	-	-	-	3,537,699
Other investments:					
Annuity and life insurance	42,613	-	-	42,613	-
Total other investments	42,613	-	-	42,613	-
Total investments	\$ 64,587,556	\$ 42,846,641	\$ 1,022,318	\$ 2,613,802	\$ 18,104,795

See independent auditor's report.

SONOMA STATE UNIVERSITY FOUNDATION

Other Information

June 30, 2023

(for inclusion in the California State University)

2.3 Investments held by the University under contractual agreements:

	Current	Noncurrent	Total
Investments held by the University under contractual agreements e.g. - CSU Consolidated Investment Pool (formerly SWIFT):	\$ 229,240	\$ 3,308,459	\$ 3,537,699

3.1 Capital Assets, excluding ROU assets:

Not Applicable

3.2 Detail of depreciation and amortization expense:

Not Applicable

4 Long-term liabilities:

Not Applicable

5 Future minimum payments schedule - leases, SBITA, P3:

Not Applicable

6 Future minimum payments schedule - Long-term debt obligations:

Not Applicable

7 Transactions with related entities:

Payments to University for other than salaries of University personnel	\$ 413,240
Payments received from University for services, space, and programs	\$ 3,328
Gifts (cash or assets) to the University from discretely presented component units	\$ 4,963,255
Accounts payable to University	\$ (25)

8 Restatements

Not Applicable

9 Natural classifications of operating expenses:

	Salaries	Benefits - Other	Benefits - Pension	Benefits - OPEB	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total operating expenses
Institutional support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 201,995	\$ -	\$ 201,995
Total operating expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 201,995	\$ -	\$ 201,995

No pension plan reported

Not Applicable

10 Deferred outflows/inflows of resources:

Not Applicable

11 Other nonoperating revenues (expenses)

Not Applicable