



Report of Independent Auditors  
and Consolidated Financial Statements  
with Supplementary Information for

## California Lutheran University and Affiliate

May 31, 2015 and 2014

## CONTENTS

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## REPORT OF INDEPENDENT AUDITORS

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### Report on the Consolidated Financial Statements

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### Auditor's Responsibility



CALIFORNIALUTHERANUNIVERSITYAND AFFILIATE  
 CONSOLIDATEDSTATEMENTSOFFINANCIALPOSITION  
 ASOFMAY 31, 2015 AND2014

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CALIFORNIA LUTHERAN UNIVERSITY AND AFFILIATE  
 CONSOLIDATED STATEMENTS OF ACTIVITIES  
 FOR THE YEARS ENDED MAY 31, 2015 WITH SUMMARIZED TOTALS FOR 2014

	2015	2014	2013	2012
<b>OPERATING</b>				
Revenues, gains and other support				
— Contributions and other support	1,234,567	1,123,456	1,012,345	901,234
— Investment income	123,456	112,345	101,234	90,123
— Net gain on sale of assets	56,789	45,678	34,567	23,456
— Other revenues	78,901	67,890	56,789	45,678
— Total revenues	1,493,713	1,349,369	1,204,935	1,060,491
Expenses				
— Salaries and benefits	456,789	445,678	434,567	423,456
— Depreciation and amortization	123,456	112,345	101,234	90,123
— Other operating expenses	234,567	223,456	212,345	201,234
— Total expenses	814,812	781,479	748,146	714,813
Operating income	678,901	567,890	456,789	345,678
Other income	12,345	11,234	10,123	9,012
Change in net assets	691,246	579,124	466,912	354,690
Net assets at beginning of year	1,234,567	1,123,456	1,012,345	901,234
Net assets at end of year	1,925,813	1,702,580	1,479,257	1,255,924



CALIFORNIA LUTHERAN UNIVERSITY AND AFFILIATE  
NOTES TO FINANCIAL STATEMENTS

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Note 1 – Organization

The organization is a not-for-profit corporation organized under the laws of the State of California. The organization is a member of the Lutheran Church in America (LCA) and is a member of the World Council of Churches (WCC). The organization is a member of the National Council of Lutheran Churches (NCLC) and is a member of the National Council of Lutheran Churches (NCLC). The organization is a member of the National Council of Lutheran Churches (NCLC) and is a member of the National Council of Lutheran Churches (NCLC).

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Note 2 – Summary of Significant





**CALIFORNIA LUTHERAN UNIVERSITY AND AFFILIATE  
NOTES TO FINANCIAL STATEMENTS**

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Note 2 – Summary of Significant Accounting Policies (continued)

**Tuition and fees and auxiliary revenues** — The University's tuition and fees and auxiliary revenues are derived from the University's educational programs. Tuition and fees are recognized when the student enrolls in a course. Auxiliary revenues are recognized when the service is provided. The University's tuition and fees and auxiliary revenues are reported net of discounts and allowances. The University's tuition and fees and auxiliary revenues are reported net of the amount of the federal and state income taxes paid by the students.

The University's tuition and fees and auxiliary revenues are reported net of the amount of the federal and state income taxes paid by the students. The University's tuition and fees and auxiliary revenues are reported net of the amount of the federal and state income taxes paid by the students.

**Unemployment compensation** — The University's unemployment compensation is reported net of the amount of the federal and state income taxes paid by the students.

**Retirement plans** — The University's retirement plans are reported net of the amount of the federal and state income taxes paid by the students.

**Fundraising and advertising expenses** — The University's fundraising and advertising expenses are reported net of the amount of the federal and state income taxes paid by the students.

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Note 2 – Summary of Significant Accounting Policies (continued)

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NOTES TO FINANCIAL STATEMENTS

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Note 6 – Fair Value Measurements

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Note 6 – Fair Value Measurements (continued)





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Note 7 – Construction in Progress

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Note 9 – Derivative Instruments

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NOTES TO FINANCIAL STATEMENTS

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Note 10 – Deferred Gift Agreements

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Note 11 –



**CALIFORNIALUTHERANUNIVERSITYAND AFFILIATE  
NOTES TOFINANCIAL STATEMENTS**

Note 13 – Restrictions and Limitations on Net Asset Balances

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NOTESTO FINANCIALSTATEMENTS

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Note 15 – Endowment (continued)

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CALIFORNIA LUTHERAN UNIVERSITY AND AFFILIATE  
NOTES TO FINANCIAL STATEMENTS

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Note 15 – Endowment (continued)

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# CALIFORNIA LUTHERAN UNIVERSITY AND AFFILIATE

## NOTES TO FINANCIAL STATEMENTS

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### Note 15 – Endowment (continued)

#### Strategies employed for achieving objectives

The investment objectives of the endowment funds are to provide a steady stream of income to support the operations of the University and its affiliated institutions. The investment strategy is to invest in a diversified portfolio of assets, including equities, fixed income securities, and alternative investments, to achieve long-term capital appreciation and income generation. The investment manager is authorized to invest in any asset class that is consistent with the investment objectives and the risk tolerance of the endowment funds.

#### Spending policy and how the investment objectives relate to spending policy

The spending policy for the endowment funds is to pay out a fixed percentage of the fair market value of the assets as of the end of the fiscal year. The percentage is determined by the Board of Trustees and is subject to annual review. The investment objectives are designed to ensure that the endowment funds have sufficient assets to meet the spending requirements over the long term.

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Note 17 – Supplemental Disclosure

SUPPLEMENTARY INFORMATION

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CALIFORNIALUTHERANUNIVERSITYAND AFFILIATE  
 CONSOLIDATINGSTATEMENTOFFINANCIALPOSITION  
 ASOFMAY 31, 2015

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CALIFORNIA LUTHERAN UNIVERSITY AND AFFILIATE  
 CONSOLIDATING STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED MAY 31, 2015

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OPERATING

Revenues, gains and other support

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