

**California State University, Fresno
Association, Inc.**

**2014-15
Annual Report**

**Approved by the Audit Committee
September 17, 2015**

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.
TABLE OF CONTENTS

2014 - 2015

	<u>Page Number</u>
Corporate Information	1
Independent Auditor's Report	2-3
Statements of Financial Position - Assets	4
Statements of Financial Position - Liabilities and Net Assets	5
Statements of Activities	6 - 7
Statements of Cash Flows	8
Notes to the Financial Statements	9 - 21
Additional Information for California State University, Fresno:	22
Schedule of Net Position	23
Schedule of Revenues, Expenses, and Changes in Net Position	24
Other Information	25 - 27

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.
CORPORATE INFORMATION
For Fiscal Year Ended June 30, 2015

BOARD OF DIRECTORS

Ms. Deborah S. Adishian-Astone <i>(eff 1/9/15)</i>	Interim Vice President for Administration
Dr. Kevin Ayotte	Chair, Academic Senate
Dr. Michael Botwin	Faculty Representative
Dr. Carolyn Coon	President's Designee for Student Affairs
Mr. Juan Guzman	Chair, University Student Union Board of Directors
Ms. Abigail Hudson	Executive Vice President, Associated Students, Inc.
Dr. Frank Lamas	Vice President for Student Affairs
Dr. Cynthia Teniente-Matson <i>(thru 1/9/15)</i>	Vice President for Administration and Chief Financial Officer
Mr. Moses Menchaca	President, Associated Students, Inc.
Mr. Jose Plascencia	Community Member
Mr. R. Gary Renner	Community Member
Dr. Lynnette Zelezny	Provost and Vice President of Academic Affairs

OFFICERS

Dr. Cynthia Teniente-Matson <i>thru 1/9/15)</i>	Chair
Dr. Frank Lamas <i>(eff 1/9/15)</i>	Acting Chair
Dr. Frank Lamas <i>(thru 1/9/15)</i>	Vice Chair
Ms. Deborah S. Adishian-Astone <i>(eff 1/9/15)</i>	Acting Vice Chair
Dr. Michael Botwin	Secretary/Treasurer

AUDIT COMMITTEE

Dr. Kevin Ayotte	Chair, Academic Senate
Mr. Marshall Kelley	Community Member
Mr. R. Gary Renner, Chair	Community Member
Dr. Cynthia Teniente-Matson <i>(thru 1/9/15)</i>	Ex-Officio Member

EXECUTIVE STAFF

Ms. Deborah S. Adishian-Astone	Executive Director
Ms. Kate Tuckness	Auxiliary Controller
Mr. John Melikian	Staff Counsel

CORPORATE DATA

Executive Offices	2771 East Shaw Avenue Fresno, California 93710-8205 Telephone: (559) 278-0800
-------------------	---

Auditors	Price Paige & Company Accountancy Corporation 677 Scott Avenue Clovis, California 93612 Telephone: (559) 299-9540 www.ppcpas.com
----------	---



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
California State University, Fresno Association, Inc.
Fresno, California

We have audited the accompanying financial statements of California State University, Fresno Association, Inc. (the Association), a nonprofit organization, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association'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.

677 Scott Avenue
Clovis, CA 93612

tel 559.299.9540
fax 559.299.2344

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California State University, Fresno Association, Inc. as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the California State University, Fresno Association, Inc.'s 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 8, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information reflected on pages 23-27 is presented, as required by the Chancellor of the California State University, for purposes of additional analysis 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.

Price Pugh & Company

Clovis, California
September 10, 2015

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.
 THE CALIFORNIA STATE UNIVERSITY AUXILIARY ORGANIZATION
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2015 WITH COMPARATIVE TOTALS FOR 2014

	2014 TOTAL	2015 TOTAL	RESTRICTED	AUXILIARY ACTIVITIES FUND		
			FUND SAVE MART CENTER	COMMERCIAL OPERATIONS	UNIVERSITY COURTYARD	STUDENT UNION/REC CENTER
ASSETS						
Current Assets:						
Cash and Cash Equivalents:						
On-Hand and in Commercial Accounts	\$ 1,452,627	\$ 1,921,391	\$ (636,250)	\$ 1,388,119	\$ 942,458	\$ 227,064
Savings Accounts	24,700,821	22,456,283	(7,436,186)	16,223,651	11,014,989	2,653,829
Total Cash and Cash Equivalents (Note 3)	26,153,448	24,377,674	(8,072,436)	17,611,770	11,957,447	2,880,893
Pledges Receivable-Save Mart Center (Note 4)	3,759,480	3,764,867	3,764,867			
Accounts Receivable	10,224,761	10,924,439	25,623	2,420,654	8,452,609	25,553
Allowance for Doubtful Accounts	(77,474)	(76,375)		(40,375)	(36,000)	
Inventories	1,448,457	1,105,303		1,082,560		22,743
Deferred Charges	68,137	68,914	28,087		40,827	
Prepaid Expenses	158,513	168,503		160,271	6,422	1,810
Total Current Assets	41,735,322	40,333,325	(4,253,859)	21,234,880	20,421,305	2,930,999
Long Term Assets:						
Pledges Receivable-Save Mart Center (Note 4)	16,387,295	15,184,227	15,184,227			
Investments (Note 7)	3,601,070	3,762,494		3,762,494		
Deferred Charges	869,508	800,594	350,825		449,769	
Other Assets - Restricted (Note 12)	3,141,456	3,141,456	3,141,456			
Total Long Term Assets	23,999,329	22,888,771	18,676,508	3,762,494	449,769	0
Fixed Assets:						
Buildings and Improvements	114,931,342	115,270,343	102,493,964	1,980,551	10,795,828	
Land Development Costs	0	715,706	715,706			
Equipment, Furniture and Fixtures	14,576,422	16,334,278	4,798,907	5,058,177	5,736,174	741,020
Intangible Assets	906,203	40,000		40,000		
Construction in Progress	797,991	227,438		900	226,538	
Total	131,211,958	132,587,765	108,008,577	7,079,628	16,758,540	741,020
Less Accumulated Depreciation	(46,582,092)	(49,775,631)	(34,027,376)	(4,861,807)	(10,465,028)	(421,420)
Total Fixed Assets, Net	84,629,866	82,812,134	73,981,201	2,217,821	6,293,512	319,600
Total Assets	\$ 150,364,517	\$ 146,034,230	\$ 88,403,850	\$ 27,215,195	\$ 27,164,586	\$ 3,250,599

The accompanying notes are an integral part of the financial statements

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.
 THE CALIFORNIA STATE UNIVERSITY AUXILIARY ORGANIZATION
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2015 WITH COMPARATIVE TOTALS FOR 2014

<u>LIABILITIES AND NET ASSETS</u>	2014 TOTAL	2015 TOTAL	RESTRICTED FUND	AUXILIARY ACTIVITIES FUND		
			SAVE MART CENTER	COMMERCIAL OPERATIONS	UNIVERSITY COURTYARD	STUDENT UNION/REC CENTER
Liabilities:						
Current Liabilities:						
Accounts Payable & Other Accrued Liabilities	\$ 2,976,591	\$ 3,709,264	\$ 219,224	\$ 2,052,477	\$ 842,102	\$ 595,461
Notes Payable (Note 5)	355,000	375,000			375,000	
Deferred Revenue	9,147,789	8,781,035	382,287	33,848	8,364,900	
Interest Payable	39,331	36,965			36,965	
Capital Lease Obligations (Note 6)	9,587,000	8,098,500	8,098,500			
Agency Funds	127,352	117,151			116,785	366
Total Current Liabilities	22,233,063	21,117,915	8,700,011	2,086,325	9,735,752	595,827
Long-Term Liabilities:						
Accounts Payable	289,332	371,098		317,289	9,092	44,717
Notes Payable (Note 5)	5,404,548	4,978,714			4,978,714	
Capital Lease Obligations (Note 6)	56,355,000	54,620,000	54,620,000			
Total Long-Term Liabilities	62,048,880	59,969,812	54,620,000	317,289	4,987,806	44,717
TOTAL LIABILITIES	84,281,943	81,087,727	63,320,011	2,403,614	14,723,558	640,544
NET ASSETS:						
Unrestricted	37,131,610	39,862,664		24,811,581	12,441,028	2,610,055
Temporarily Restricted (Note 14)	28,950,964	25,083,839	25,083,839			
Total Net Assets	66,082,574	64,946,503	25,083,839	24,811,581	12,441,028	2,610,055
TOTAL LIABILITIES AND NET ASSETS	\$ 150,364,517	\$ 146,034,230	\$ 88,403,850	\$ 27,215,195	\$ 27,164,586	\$ 3,250,599

The accompanying notes are an integral part of the financial statements

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.
 THE CALIFORNIA STATE UNIVERSITY AUXILIARY ORGANIZATION
 STATEMENTS OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2015 WITH COMPARATIVE TOTALS FOR 2014

	2014 TOTAL	2015 TOTAL	RESTRICTED FUND		COMMERCIAL OPERATIONS				UNIVERSITY COURTYARD	STUDENT FEE OPERATIONS		
			INTRAFUND ELIMINATIONS	SAVE MART CENTER	BOOKSTORE	FOOD SERVICES	ADMIN	TOTAL		REC CENTER	STUDENT UNION	TOTAL
Revenue:												
Gross Sales	\$ 30,286,524	\$ 31,286,209	\$ (1,430,081)	\$ 897,500	\$ 10,957,604	\$ 8,771,346	2,134,198	\$ 21,863,148	\$ 5,866,690	\$ 1,423,878	\$ 2,665,074	\$ 4,088,952
Contributions	2,716,648	2,949,974		2,942,974						7,000		
Other Income	1,705,091	1,221,971		479,686	218,226	140,729	311,762	670,717	40,201	8,717	22,650	31,367
Total Revenues	34,708,263	35,458,154	(1,430,081)	4,320,160	11,175,830	8,912,075	2,445,960	22,533,865	5,906,891	1,439,595	2,687,724	4,127,319
Expenses and Losses:												
Cost of Goods Sold	10,591,324	11,513,414			8,335,831	3,177,583		11,513,414				
Salaries/Wages	5,993,693	6,420,487			1,038,154	1,923,530	1,159,627	4,121,311	796,610	506,798	995,768	1,502,566
Employee Benefits	2,600,630	2,536,077			601,973	534,470	635,054	1,771,497	168,245	189,872	406,463	596,335
Administration-Food Services	427,527	563,890	(263,770)			827,660		827,660				
Advances to SMG	1,167,931	1,505,119		1,505,119								
Advertising/Printing	83,120	82,894		1,445	5,558	25,112		30,670	28,836	5,376	16,567	21,943
Athletic Corporation Entitlements	267,855	250,855		250,855								
Audit/Legal Expense	72,801	215,157		155,379			33,014	33,014	25,000		1,764	1,764
Bad Debt Expense	5,817	42,663		-	4,991	16,691		21,682	20,350	100	531	631
Bank Charges	7,395	8,157				4,312	3,845	8,157				
Bond Expenses	67,469	68,137		28,895					39,242			
Capital Lease Expense	3,114,390	2,892,500		2,892,500								
Chancellor's Office Fee	13,795	14,061					14,061	14,061				
Computer Supplies/Expense	79,097	81,321			8,695	339	14,456	23,490	38,931	9,427	9,473	18,900
Consulting	8,475	25,785		-			-	9,960			15,825	15,825
Contract Services	992,183	1,016,131				102,800		102,800	853,674	59,657		59,657
Credit Card Fees	319,670	361,109		2,865	151,221	135,402		286,623	59,253	2,015	10,353	12,368
Depreciation/Amortization	4,062,617	4,101,687		2,817,722	27,403	240,912	155,901	424,216	704,256	37,291	118,202	155,493
Dues/Memberships/Subscriptions	31,920	31,546			14,852	25	6,371	21,248	992	1,339	7,967	9,306
Employee Recruitment	3,105	4,360				2,745	2	2,747	28	255	1,330	1,585
Equipment Purchased	78,789	94,818								69,640	25,178	94,818
Housing Incentives	25,585	19,879							19,879			
Insurance	512,456	476,149		225,004	37,653		17,267	54,920	159,133	14,316	22,776	37,092
Interest Expense	213,017	175,686						-	175,686			
Janitorial/Sanitation	98,648	102,103				66,832		66,832	12,923	22,348		22,348
Laundry	79,148	76,025				53,481		53,481	22,395	149		149
Licenses/Permits/Fees	123,287	132,072		198	1,647	11,102	111,305	124,054	7,820			
Management Services Fee	-	(0)	(866,311)		263,770			263,770	263,771	75,000	263,770	338,770
Miscellaneous	68,924	89,638		-	3,084	27,609	19,888	50,581	18,311	19,180	1,566	20,746
Non-Student Tax	13,403	14,574				14,574		14,574				
Obsolete Merchandise	30,901	57,224			57,224			57,224				
Office Supplies	125,966	137,777			30,155	16,531	30,076	76,762	38,448	1,827	20,740	22,567
Paper Supplies	239,483	227,834				144,105		144,105	49,853		33,876	33,876
Possessory Interest Tax	103,437	121,536		121,536								
Postage/Freight	36,628	33,434			5,464	456	11,825	17,745	15,550		139	139
Rent/Rental	160,706	145,437			13,113	69,690	38,173	120,976	18,384	5,969	108	6,077
Repairs/Maintenance	574,255	659,372		-	49,825	188,121	50,296	288,242	182,755	11,837	176,538	188,375
Resident Advisor Meals	164,916	170,840				97,224		97,224	73,616			
Royalties	132,802	122,302				122,302		122,302				
Save Mart Seat Licenses	-	-	(300,000)								300,000	300,000
Security Services	45,060	38,589					38,589	38,589				
Smallwares	64,491	169,064		2,016		110,452		110,452	56,596			
Student Programs	82,431	125,626								9,186	117,440	126,626
Telephone/Communications	44,305	41,853			7,844	8,839	7,196	23,879	10,430	2,018	5,526	7,544
Travel/Training	64,043	66,172			3,577	408	12,829	16,814	32,113	1,285	15,960	17,245
University Donations	133,081	92,841		3,751	4,576	27,931	56,583	89,090				
USU Co-Sponsorships	2,978	21,048									21,048	21,048

The accompanying notes are an integral part of the financial statements

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.
 THE CALIFORNIA STATE UNIVERSITY AUXILIARY ORGANIZATION
 STATEMENTS OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2015 WITH COMPARATIVE TOTALS FOR 2014

	2014		2015		RESTRICTED FUND			COMMERCIAL OPERATIONS			STUDENT FEE OPERATIONS		
	TOTAL	TOTAL	INTRAFUND ELIMINATIONS	SAVE MART CENTER	BOOKSTORE	FOOD SERVICES	ADMIN	TOTAL	UNIVERSITY COURTYARD	REC CENTER	STUDENT UNION	TOTAL	
Utilities	1,275,713	1,398,802			26,572	190,089	19,642	236,303	582,731	474,099	105,669	579,768	
Warehouse Expense	5,653	8,880				8,880		8,880					
Wilkinson Group Fee	180,000	180,000		180,000									
Total Expenses and Losses	34,590,920	36,735,925	(1,430,081)	8,187,285	10,693,182	8,150,207	2,445,960	21,289,349	4,475,811	1,518,984	2,694,577	4,213,561	
Excess (Deficit) of Revenues Over Expenses and Losses	117,343	(1,277,771)	0	(3,867,125)	482,648	761,868	0	1,244,516	1,431,080	(79,389)	(6,853)	(86,242)	
Transfers (Out) In	-	-	-	-	-	-	-	-	-	-	-	-	
Increase (Decrease) in Net Assets	117,343	(1,277,771)	0	(3,867,125)	482,648	761,868	0	1,244,516	1,431,080	(79,389)	(6,853)	(86,242)	
Transition Obligation													
Unamortized Transition Obligation	-	-	-	-	-	-	-	-	-	-	-	-	
Amortization Transition Obligation	141,766	141,700	-	-	29,867	80,945	16,013	126,825	329	-	14,546	14,546	
Remaining Transition Obligation	141,766	141,700	-	-	29,867	80,945	16,013	126,825	329	-	14,546	14,546	
Increase (Decrease) in Net Assets After Remaining Transition Obligation	\$ 259,109	\$ (1,136,071)	\$ -	\$ (3,867,125)	\$ 512,515	\$ 842,813	\$ 16,013	\$ 1,371,341	\$ 1,431,409	\$ (79,389)	\$ 7,693	\$ (71,696)	
Net Assets at Beginning of Year, Unrestricted	\$33,296,662	\$37,131,610						\$23,440,240	\$11,009,619			\$2,681,751	
Increase (Decrease) in Net Assets, Unrestricted	3,834,948	2,731,054						1,371,341	1,431,409			(71,696)	
Net Assets at End of Year, Unrestricted	\$37,131,610	\$39,862,664						\$24,811,581	\$12,441,028			\$2,610,055	
Net Assets at Beginning of Year, Temporarily Restricted	\$32,526,803	\$28,950,964		\$28,950,964									
Increase/(Decrease) in Net Assets	(3,575,839)	(3,867,125)		(3,867,125)									
Net Assets at End of Year, Temporarily Restricted	\$28,950,964	\$25,083,839		\$25,083,839									
Total Net Assets at Beginning of Year	\$65,823,465	\$66,082,574	-	\$28,950,964				\$23,440,240	\$11,009,619			\$2,681,751	
Total Increase/(Decrease) in Net Assets	259,109	(1,136,071)	-	(3,867,125)				1,371,341	1,431,409			(71,696)	
Total Net Assets at End of Year	\$66,082,574	\$64,946,503	-	\$25,083,839				\$24,811,581	\$12,441,028			\$2,610,055	

**CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.
THE CALIFORNIA STATE UNIVERSITY AUXILIARY ORGANIZATION
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015 WITH COMPARATIVE TOTALS FOR 2014**

	TOTAL	
	2014	2015
Cash Flows From Operating Activities		
Increase/(Decrease) in Net Assets	\$ 259,109	\$ (1,136,071)
Adjustment to Reconcile Increase/(Decrease) in Net Assets to Net Cash Provided by Operating Activities		
Realized and Unrealized (Gain) Loss on Investments	(556,539)	(111,637)
Provision for Doubtful Accounts	(9,818)	(1,099)
Depreciation	4,062,617	4,101,687
Amortization	57,537	30,983
Gain on Disposal of Fixed Assets	(633)	0
Changes in:		
Accounts Receivable	113,720	(699,678)
Pledges Receivable-Save Mart Center	1,363,419	1,197,681
Inventories	144,384	343,154
Prepaid Expenses and Deferred Charges	(126,990)	(9,990)
Other Assets - Deposits	0	0
Accounts Payable and Other Accrued Liabilities	162,639	814,439
Deferred Revenue	(258,706)	(366,754)
Interest Payable on Bonds	(321)	(2,366)
Interest Payable on Capital Lease Obligations	(1,665,778)	1,371,500
Agency Funds	78,025	(10,201)
Net Cash Provided by (Used in) Operating Activities	3,622,665	5,521,648
Cash Flows From Investing Activities		
Proceeds from Sale of Fixed Assets	6,000	0
Purchase of Investments	0	(49,787)
Acquisition of Fixed Assets	(774,706)	(2,297,635)
Net Cash Used in Investing Activities	(768,706)	(2,347,422)
Cash Flows from Financing Activities		
Principal Payments on Notes	(350,000)	(355,000)
Principal Payments on Capital Lease Obligations	(3,400,000)	(4,595,000)
Net Cash Provided by Financing Activities	(3,750,000)	(4,950,000)
Net Increase (Decrease) in Cash	(896,041)	(1,775,774)
Cash and Cash Equivalents, Beginning of Year	27,049,489	26,153,448
Cash and Cash Equivalents, End of Year	\$26,153,448	\$24,377,674
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Year for Interest	\$ 5,017,119	\$ 1,749,858

The accompanying notes are an integral part of the financial statements

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014 and 2015

Note 1 - General Information

The California State University, Fresno Association, Inc. administers and manages the commercial activities for California State University, Fresno including the Save Mart Center, Kennel Bookstore, University Food Services, Housing, Recreation Center and the University Student Union. The Association also provides accounting and managerial services to other university auxiliary corporations. The Association is supported primarily by sales from commercial activities and contributions.

Note 2 - Summary of Significant Accounting Policies

The California State University, Fresno Association, Inc. (the "Association") was incorporated on June 12, 1961 as a non-profit corporation. The Association was formed and is operated exclusively to receive, hold, invest and administer property and to make expenditures to and for the benefit of California State University, Fresno (the "University").

The Association maintains its accounting records and prepares its financial statements on the accrual basis of accounting. Therefore, revenues are recognized when earned and expenses are recognized when goods or services are received.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fund Accounting

The accounts of the Association are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Fund balances are classified on the Statements of Financial Position as unrestricted or temporarily restricted based on the absence or existence and type of donor-imposed restrictions.

Donor Imposed Restrictions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction expires, temporarily restricted net assets are considered released from restrictions, however the expenses are reflected in the restricted fund column due to fund accounting.

Pledges Receivable-Save Mart Center

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Management is of the opinion there is no need to have an allowance for uncollectible pledges given demand for suites and seats. In most cases, refunds for previously purchased seat licenses are not given unless there is an alternative buyer for those seats. Currently, there is an extensive waiting list for suites and all suiteholders are required to pay their suite lease in advance. If necessary, tickets and other entitlements are withheld if payment is due.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Association considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Note 2 – Summary of Significant Accounting Policies, continued

Deferred Revenue

Income from the University and housing rent, board and summer conferences are deferred and recognized over the periods to which the University and housing activities relate.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

Net Assets

Unrestricted Net Assets: This category is maintained to account for the revenues and expenses of ongoing revenue-producing activities.

Temporarily Restricted Net Assets: This category is maintained to account for the operation of the Save Mart Center.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Allowances for doubtful accounts in the amounts of \$77,474 and \$76,375 have been established as of June 30, 2014 and 2015, respectively.

Inventories

The Association's inventory consists of goods held for resale in the Kennel Bookstore and by Food Services. Kennel Bookstore inventory is based on cost of goods sold historical data. Food Service inventory is valued at the lower of cost or market determined by the first-in, first-out (FIFO) method.

Investments

Investments in securities are carried at market value and realized and unrealized gains or losses are included in "Other Income" in the Statement of Activities.

Deferred Charges

Intangible assets consist of costs for financing of the Student Housing Project in 2011 and financing for the Save Mart Center in 2005 for the Capital Lease Payable. These assets are amortized over the life of the bonds using both the effective interest and straight-line methods.

Franchise Fees

In connection with the food services provided on campus, the Association has paid franchise fees to Subway and Starbucks for the privilege of operating the quick service restaurants. The franchise fees are reported, net of amortization expense, in the fixed asset section of the Statements of Financial Position. These fees are amortized over the franchise period using the straight-line method.

Fixed Assets

Fixed Assets are reflected on the financial statements at cost less accumulated depreciation. Depreciation is computed using straight line rates based upon estimated useful lives, ranging from three to 55 years. The Association capitalizes all expenditures in excess of \$5,000.

Fair Value of Financial Instruments

GAAP requires disclosure of an estimate of fair value of certain financial instruments. The Association's significant financial instruments are cash, accounts receivable, investments, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

Note 2 – Summary of Significant Accounting Policies, continued

Defined Benefit Pension Plan

As described in Note 9, the Association participates in a multi-employer public employee retirement system. The system provides disclosure information in accordance with the Governmental Accounting Standards Board (GASB). The latest information available from CalPERS is actuarial valuation as of June 30, 2013.

Tax Status

The Association is organized and operated exclusively for educational purposes and is thus allowed tax exempt status under provisions of section 501(c)(3) of the Internal Revenue Code and section 23701(d) of the California Revenue and Taxation Code. The Association does, however, pay income taxes on any unrelated business income.

Advertising Costs

Advertising costs are expensed as incurred and totaled \$83,120 and \$82,894 in 2014 and 2015, respectively.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in Note 15 – Expenses by Natural Classification. Accordingly, certain costs have been allocated among programs and supporting services.

Note 3 – Cash and Cash Equivalents

Cash at June 30 consisted of the following:	<u>2014</u>	<u>2015</u>
Deposits:		
Cash on hand and in banks	\$11,392,164	\$ 9,580,296
Pooled Funds:		
Cash in State of California Local Agency Investment Fund	<u>14,761,284</u>	<u>14,797,378</u>
- Total	<u>\$26,153,448</u>	<u>\$24,377,674</u>

The Association maintains some cash in the State of California Local Agency Investment Fund (LAIF). The state pools these funds with those of other organizations and invests the cash. These pooled funds are carried at cost which approximates market value. Interest earned is remitted quarterly to the Association. Any investment losses are proportionately shared by all participants in the pool. The LAIF is part of the Pooled Money Investment Account (PMIA). The PMIA began in 1955 and oversight is provided by the Pooled Money Investment Board (PMIB) and an in-house Investment Committee. The PMIB members are the State Treasurer, Director of Finance, and State Controller.

Additionally, the PMIA has Policies, Goals and Objectives for the portfolio to make certain that the goals of Safety, Liquidity and Yield are not jeopardized and that prudent management prevails. These policies are formulated by investment staff and reviewed by both the PMIB and the LAIF on an annual basis. All investment and LAIF claims are audited on a daily basis by the State Controller's Office as well as an in-house audit process involving three separate divisions.

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

The Association maintains cash balances at one financial institution located in Fresno, California. At June 30, 2015, the FDIC insures cash balances held in interest and noninterest bearing accounts combined up to \$250,000. At June 30, 2014 and 2015, the Association's uninsured cash balances totaled \$11,053,298 and \$9,385,635 respectively.

Note 4 – Pledges Receivable-Save Mart Center

Included in "Pledges Receivable" are the following unconditional promises to give:

	<u>2014</u>	<u>2015</u>
Unconditional Promises to Give Before Unamortized Discount	\$28,137,274	\$25,895,794
Less: Unamortized Discount	<u>(7,990,499)</u>	<u>(6,946,700)</u>
Net Unconditional Promises to Give	<u>\$20,146,775</u>	<u>\$18,949,094</u>
Amounts Due in:		
One Year	\$3,759,480	\$3,764,867
Two to Five Years	9,007,059	8,658,180
More Than Five Years	<u>7,380,236</u>	<u>6,526,047</u>
Total	<u>\$20,146,775</u>	<u>\$18,949,094</u>

The discount rate used to calculate the present value of promises to give is 7% for 2014 and 2015.

Note 5 – Notes Payable

In September 2011, the Association participated in the CSU Systemwide Revenue Bonds (SRB) Series 2011A program to refinance the Student Housing Refunding Revenue Bonds, Series 2001. The effect of the refinancing was to incur a new note payable obligation payable to the Trustees of the California State University. Interest at 4.69% is payable semi-annually, with principal payments beginning in November 2012. The maturity schedule and interest rates of the outstanding note payable are as follows:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Coupon</u>
November 1, 2015	\$375,000	4.000%
November 1, 2016	390,000	4.000%
November 1, 2017	410,000	4.000%
November 1, 2018	430,000	4.000%
November 1, 2019	450,000	4.000%
November 1, 2020 to November 1, 2024	<u>2,600,000</u>	5.000%
	<u>\$4,655,000</u>	

The California State University, Fresno Association, Inc. is obligated to pay principal and interest as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$375,000	\$212,513	\$587,513
2017	390,000	194,588	584,588
2018	410,000	176,237	586,237
2019	430,000	157,788	587,788
2020	450,000	138,337	588,337
Thereafter	<u>2,600,000</u>	<u>334,393</u>	<u>2,934,393</u>
	4,655,000	1,213,856	5,868,856
Unamortized Premium	<u>698,714</u>	<u>0</u>	<u>698,714</u>
	<u>\$5,353,714</u>	<u>\$1,213,856</u>	<u>\$6,567,570</u>

Note 6 – Capital Lease Obligations

In April 2005, the Association participated in the CSU Systemwide Revenue Bonds (SRB) program to refinance the 2002 Senior and Subordinate Save Mart Center bonds. The effect of the refinancing was to incur a new capital lease obligation payable to the University. Interest at 4.91% is payable semi-annually, with principal payments beginning in November 2012. The Association has amortized the net premium, underwriter's discount, cost of issuance and bond insurance over the life of the SRB bonds.

Capital Lease Obligation-Save Mart Center

Year Ending June 30,	Principal	Interest	Total
2016	\$6,220,000	\$4,638,417	\$10,858,417
2017	1,995,000	2,664,500	4,659,500
2018	1,900,000	2,567,917	4,467,917
2019	1,950,000	2,471,250	4,421,250
2020	2,075,000	2,369,583	4,444,583
2021	2,125,000	2,264,167	4,389,167
2022	2,505,000	2,145,250	4,650,250
Thereafter	<u>42,070,000</u>	<u>9,758,916</u>	<u>51,828,916</u>
	<u>\$60,840,000</u>	<u>\$28,880,000</u>	<u>\$89,720,000</u>

Note 7 – Investments

Long-Term investments at June 30, 2014 consist of the following:

	Common Fund	Mutual Funds	Total
Investments in securities at market value at beginning of year	\$1,778,820	\$1,265,711	\$3,044,531
Return on investments designated by the Board, net of investment expenses of \$8,027:			
Dividends and interest	24,709	39,020	63,729
Net unrealized and realized gains/(losses)	<u>399,553</u>	<u>127,070</u>	<u>526,623</u>
Total return on investments (included in other income in the Statements of Activities)	424,262	166,090	590,352
Withdrawals from Investments	<u>(24,709)</u>	<u>(9,104)</u>	<u>(33,813)</u>
Investment in securities at market value at end of year	<u>\$2,178,373</u>	<u>\$1,422,697</u>	<u>\$3,601,070</u>

Long-Term investments at June 30, 2015 consist of the following:

	Common Fund	Mutual Funds	Total
Investments in securities at market value at beginning of year	\$2,178,373	\$1,422,697	\$3,601,070
Return on investments designated by the Board, net of investment expenses of \$8,975:			
Dividends and interest	27,442	53,081	80,523
Net unrealized and realized gains/(losses)	<u>85,917</u>	<u>(17,812)</u>	<u>68,105</u>
Total return on investments (included in other income in the Statements of Activities)	113,359	35,269	148,628
Purchase of investments	0	49,787	49,787
Withdrawals from Investments	<u>(27,442)</u>	<u>(9,549)</u>	<u>(36,991)</u>
Investment in securities at market value at end of year	<u>\$2,264,290</u>	<u>\$1,498,204</u>	<u>\$3,762,494</u>

Note 8 – Fair Value Measurements

Generally accepted accounting principles define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest propriety to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant observable input (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities. Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Inputs other than quoted prices within Level 1 that are observable, either directly or indirectly. Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 – Inputs are unobservable. Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounts cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The table below presents the balance of assets measured at fair value on a recurring basis at June 30:

	Fair Value	Level 1	Level 2	Level 3
<u>2014</u>				
Investments –Mutual Funds	\$ 1,422,697	\$ 1,422,697	\$ 0	\$ 0
Investments –Multi Strategy Equity Fund	2,178,373	0	2,178,373	0
Cash and Cash Equivalents	26,153,448	26,153,448	0	0
Pledges Receivable-SMC	<u>20,146,775</u>	<u>0</u>	<u>0</u>	<u>20,146,775</u>
Totals	<u>\$ 49,901,293</u>	<u>\$ 27,576,145</u>	<u>\$ 2,178,373</u>	<u>\$ 20,146,775</u>
<u>2015</u>				
Investments –Mutual Funds	\$ 1,498,204	\$ 1,498,204	\$ 0	\$ 0
Investments –Multi Strategy Equity Fund	2,264,290	0	2,264,290	0
Cash and Cash Equivalents	24,377,674	24,377,674	0	0
Pledges Receivable-SMC	<u>18,949,094</u>	<u>0</u>	<u>0</u>	<u>18,949,094</u>
Totals	<u>\$47,089,262</u>	<u>\$25,875,878</u>	<u>\$ 2,264,290</u>	<u>\$18,949,094</u>

See Note 1 for valuation technique used to measure fair value for Investments and Pledges Receivable-Save Mart Center. There were no changes in valuation techniques during the current year.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

Pledges Receivable – Save Mart Center:	<u>2014</u>	<u>2015</u>
Balance, July 1,	\$21,510,194	\$20,146,775
New Pledges	1,239,080	1,992,050
Pledge payments received (3,970,867)	(3,959,967)	
Write-off	(71,800)	(262,663)
Change in present value discount	<u>1,429,268</u>	<u>1,043,799</u>
Balance, June 30,	<u>\$20,146,775</u>	<u>\$18,949,094</u>

Note 9 – California Public Employees' Retirement System

Plan Description:

The California State University, Fresno Association, Inc. (Federal Tax ID# 94-1512286), is a participating employer in two separate multiemployer defined benefit pension plans. The plans generally provide retirement to employees based on years of service to the Association, and also provide disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous Plan of the California State University- Fresno Association, Inc. and PEPRA Miscellaneous Plan of the California State University-Fresno Association, Inc. (CalPERS ID: 3956399313) are part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The California State University, Fresno Association, Inc. selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance (other local methods). CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, CA 95814 or by visiting the CalPERS website at www.calpers.ca.gov.

Funding Policy:

Under the Public Employees' Pension Reform Act of 2013, employees (who are brought into CalPERS membership for the first time on or after January 1, 2013) are required to contribute at least 50% of the annual required contributions under a new defined benefit formula of 2% Miscellaneous at age 62. The current employee and employer contribution rate is 6.25%. For employees hired prior to January 1 2013 under the defined benefit formula of 2% Miscellaneous at age 55, plan members are required to contribute 7.0% of their annual covered salary and the Association currently pays the employee portion of the required contribution (the 7%) for employees with 5 or more years of service with the Association. California State University, Fresno Association, Inc. is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2014/2015 was 13.002%. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Employers participating in multiemployer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (b) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be required to be borne by the remaining participating employers, and (c) if the Association chooses to stop participating in one of its multiemployer plans, it may be required to pay a withdrawal liability to the plan.

Annual Pension Cost:

For fiscal year 2014/2015, California State University, Fresno Association, Inc.'s annual pension cost of \$491,750 was equal to the Association's required and actual contributions. The total pension cost for both employee and employer contributions was \$764,068. The required contribution for fiscal year 2014/2015 was determined as part of the June 30, 2012 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.30% to 14.20% for miscellaneous members and (c) 3.0% cost-of-living adjustment. Both (a) and (b) include an inflation component of 2.75%. The actuarial value of California State University, Fresno Association, Inc.'s assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses. Miscellaneous Plan of the California State University, Fresno Association, Inc.'s unfunded actuarial excess assets are being amortized as a level percentage of projected payroll on a closed basis. The amortization period at June 30, 2012 was 30 years. Based upon the most recent valuation published for the period ending June 30, 2013, the Association did not contribute more than 5% of total contributions to the plan.

Three-Year Trend Information

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Ending 6/30/13	\$476,369	100%	\$0
6/30/14	\$469,669	100%	\$0
6/30/15	\$491,750	100%	\$0

Note 9 – California Public Employees’ Retirement System continued:

The Association is included in a pooled plan as required by California law. The Association has less than 100 active employees, therefore, the Association’s portion of the pooled information is less than 1%. In fiscal year 2013, funding history for the miscellaneous risk pools are combined to include the PEPR and other MISC risk pools.

Valuation Date	Pooled Accrued Liabilities	Pooled Actuarial Value of Assets	Pooled Unfunded Liabilities (UL)	Funded Ratio	Pooled Annual Covered Payroll	UL as a % of Payroll
6/30/11	3,619,835,876	3,203,214,899	416,620,977	88.5%	759,263,518	54.9%
6/30/12	4,175,139,166	3,686,598,343	488,540,823	88.3%	757,045,663	64.5%
6/30/13	11,805,627,557	9,093,458,815	2,712,168,742	77.0%	1,909,639,449	142.0%

Note 10 – Other Post-Retirement Benefits

The Association sponsors a defined benefit post-retirement plan that provides medical benefits to retirees. The plan is contributory, with retiree contributions adjusted annually. The plan covers each employee and spouse. Employees, other than new hires after January 16, 2003, are eligible to receive full benefits at the age of 50 with 5 years of service. Employees hired after January 16, 2003 are eligible to receive benefits after 10 years of service with a vesting schedule that begins with 50% coverage after 10 years of service and increases by 5% per year. After 20 years of service, the employee is eligible for 100% of benefits.

Government Code Section 22825.6 provides that a local agency contracting under the Meyers-Geddes State Employers’ Medical and Hospital Care Act shall fix the amount of the employer’s contribution at an amount not less than the amount required under Section 22825 of the Act, and the Association is a local agency contracting under the Act. The Board of Directors shall take action to adjust the basis of the employer’s contribution for each employee or annuitant.

The Association changed its method of accounting for post-retirement benefits other than pensions, from the pay-as-you-go method to the accrual method, as required by ASC 810, on July 1, 1995.

Following is the information on the plan as of and for the year ended June 30, 2015, in accordance with ASC 715 “Employers’ Accounting for Defined Benefit Pension and Other Post-Retirement Plans”:

	Net Periodic Post-Retirement Benefit Cost	Increase in Unrestricted Net Assets (Recognition of Transition Obligation)	Post-Retirement Benefit Liability	Transition Obligation Remaining in Unrestricted Net Assets
July 1, 2014			<u>\$789,332</u>	<u>\$141,700</u>
Recognition of components of net periodic post-retirement benefit cost:				
Service cost (benefit)	\$541,548		683,248	
Interest cost	31,560		31,560	
Amortization of transition obligation	<u>141,700</u>	<u>\$141,700</u>	(141,700)	<u>(141,700)</u>
Total	<u>\$ 714,808</u>			
Benefit payments			<u>(491,342)</u>	
Net Change		<u>\$141,700</u>	<u>81,766</u>	<u>(141,700)</u>
June 30, 2015			<u>\$871,098</u>	<u>\$ 0</u>

Note 10 – Other Post-Retirement Benefits, continued:

The post-retirement obligation is included in accounts payable and other liabilities as follows:

	<u>2014</u>	<u>2015</u>
Current portion	\$ 500,000	\$ 500,000
Long-term portion	<u>289,332</u>	<u>371,098</u>
	<u>\$ 789,332</u>	<u>\$871,098</u>

The funded status of the plan is the following:

Accrued post-retirement benefit obligation	\$ 789,332	\$ 871,098
Plan assets	<u>0</u>	<u>0</u>
Unfunded plan obligation	<u>\$ 789,332</u>	<u>\$ 871,098</u>

The following assumptions were used in accounting for the post-retirement plan:

Weighted-average assumptions used to determine post-retirement benefit cost and obligation at June 30, 2015:

Discount rate	6%
Rate of insurance premium increase	10.5%

Benefits paid under the plan in 2014 and 2015 were \$482,630 and \$491,342, respectively. Benefits expected to be paid for future years is as follows:

Year Ended June 30:	
2016	\$ 500,000
2017	520,000
2018	540,000
2019	560,000
2020	580,000
2021-2023	<u>2,520,000</u>
Total	<u>\$5,220,000</u>

Note 11 – Leases

The Association has entered into several facility leases for which minimal consideration is required by the lessor as follows:

- Use of the Kennel Bookstore, between the Trustees of the CSU, expiring June 30, 2020.
- Use of the University Center, between the Trustees of the CSU, expiring June 30, 2020.
- Use of the University Student Union, between the Trustees of the CSU, expiring June 30, 2018.
- Use of the Residence Dining Facility, between the Trustees of the CSU, expiring June 30, 2015.
- Use of the Warehouse, between the Trustees of the CSU, expiring June 30, 2019.
- Use of southeast corner of second floor of Henry Madden Library (Starbucks store), between the Trustees of the CSU, expiring June 30, 2018.
- Ground lease for University Courtyard, between the Trustees of the CSU, expiring February 1, 2020.
- Ground lease for Save Mart Center with the Trustees of the CSU, expiring May 1, 2031.
- Use of West Complex/SRC, between the Trustees of the CSU, expiring June 30, 2016.
- Ground lease for Campus Pointe with the Trustees of the CSU, expiring June 28, 2096.
- Use of the east side of the North Gym for the Paws-N-Go Market, expiring June 30, 2018.
- Use of space at the Kremen Education Building and the Peters Business Building for the Paws-N-Go Market locations, expiring June 30, 2019.
- Lease with Shaw East Investors for lease of office space for 2763 E. Shaw Ave, Suite 101 at \$2,321 per month expiring December 31, 2015.

Note 11 – Leases, continued:

The Association has entered into the following operating leases:

- Operating lease with TCM Investments for Kennel Bookstore copier at \$1,093 per month expiring June 2, 2017.
- Operating lease with De Lage Landen for University Courtyard copier at \$702 per month expiring August 26, 2016.
- Operating lease with De Lage Landen for Dining Services copier at \$373 per month expiring September 4, 2016.
- Operating lease with De Lage Landen for Administration Division copier at \$644 per month expiring October 29, 2017.
- Operating lease with De Lage Landen for Student Recreation Center copier at \$414 per month expiring March 23, 2018.
- Operating lease with De Lage Landen for University Student Union at \$234 per month expiring September 4, 2016.

Future minimum lease payments on the copiers are as follows:

Year Ended June 30:	
2016	\$41,534
2017	27,338
2018	<u>6,303</u>
Total	<u>\$75,175</u>

Rent expense for 2013/14 and 2014/15 was \$80,620 and \$70,373, respectively.

Note 12 – Commitments and Contingencies

Save Mart Center

Effective July 2011, the Association amended its current contract with SMG to manage the Save Mart Center for a twelve year term expiring June 30, 2023. The agreement provides for an initial annual fixed fee of \$516,875 inclusive of food and beverage services. Annual incentive fees are subject to negotiation after fiscal year 2013. The fixed fee is adjusted every three years for CPI increases.

Advances to SMG for the management fee/operating expenses and incentive fee for the year ended June 30, 2014 were \$1,167,931 and \$0, respectively. Advances to SMG for the management fee/operating expenses and incentive fee for the year ended June 30, 2015 were \$1,471,199 and \$33,920, respectively.

The Association had a ten-year contract with Ovations Fanfare to provide food and beverage services at the Save Mart Center, which would have expired in September 2013. The contract contained an early termination provision after five years with a stipulated buy-out amount. The contract was terminated on October 11, 2008 and the Association paid Ovations \$1,833,333 which was the buy-out amount for the remaining period of the contract. On October 15, 2008, the Association amended the existing SMG agreement to include food and beverages from Savor Catering by SMG (management fee plus incentive) and SMG paid the Association \$900,000 to cover 50 percent of the buy-out amount. The net amount of \$933,333 is being amortized over five years.

Litigation

The Association is the plaintiff in one legal action.

California State University, Fresno Association, Inc. v. County of Fresno, et al.; Fresno County Superior Court Case #12-CE-CG-03791: The Association has an unliquidated claim against the County of Fresno for a refund of excess possessory interest (property) taxes and penalties paid to the County for tax years 2003-2006, inclusive, relative to the Save Mart Center. Though the Association paid all amounts determined by the Fresno County Assessment Appeals Board ("AAB") to be due for years 2003-2006, the Association maintains that the AAB's determination of possessory interest taxes and penalties for the years 2003-2006 was excessive and not in conformity with applicable law. As a result, on November 30, 2012 the Association filed a complaint with the Fresno County Superior Court seeking a refund of \$3,141,456 in combined possessory interest taxes and penalties previously paid by the Association. The case was heard by the Fresno County Superior Court in October, 2014. In May, 2015, the Superior Court held in favor of the Association and ordered that the matter be remanded back to the AAB for a redetermination of the proper amount to impose on the Association in possessory interest taxes and any applicable penalties. The matter has not yet been reconsidered by the AAB.

Note 13 – Related Parties

In addition to the University, the Association is related to the Agricultural Foundation of California State University, Fresno (the "Agricultural Foundation"), and the California State University, Fresno Foundation (the "Foundation") due to common management of the three entities. The Association had the following transactions with these entities during the years ended June 30, 2014 and 2015:

Pursuant to a management services agreement, the Foundation, the Agricultural Foundation, Programs for Children, and the Associated Students pay administrative fees to the Association for management services. The Foundation's administrative fees for the years ended June 30, 2014 and June 30, 2015 were \$674,152 and \$709,444, respectively, allocated on the basis of gross revenue and services rendered. The Agricultural Foundation's administrative fees for the years ended June 30, 2014 and June 30, 2015 were \$149,000 and \$150,200, respectively, based on services rendered. The Programs for Children's administrative fees for the years ended June 30, 2014 and June 30, 2015 were \$68,500 and \$68,206, respectively, based on services rendered. The Associated Students administrative fees for the years ended June 30, 2014 and June 30, 2015 were \$59,791 and \$57,687, respectively, based on services rendered.

The Foundation also reimburses the Association twice a month for salaries and benefits of Foundation Financial Services staff in the amounts of \$872,781 and \$870,230 for the years ended June 30, 2014 and June 30, 2015, respectively.

The amount due to the Association from the Foundation for miscellaneous expenses was \$28,825 and \$2,684 for the years ended June 30, 2014 and June 30, 2015, respectively. The amount due to the Foundation from the Association for miscellaneous expenses was \$0 and \$125 for the years ended June 30, 2014 and June 30, 2015, respectively.

The amount due to the Association from the Agricultural Foundation for miscellaneous expenses was \$750 and \$0 for the years ended June 30, 2014 and June 30, 2015, respectively. The amount due to the Agricultural Foundation for miscellaneous expenses was \$2,406 and \$1,408 for the years ended June 30, 2014 and June 30, 2015, respectively.

The amount receivable from the University was \$0 and \$220,906 for the years ended June 30, 2014 and June 30, 2015 respectively. The amount payable to the University was \$558,735 and \$457,265 for the years ended June 30, 2014 and June 30, 2015 respectively.

The amount due to the Association from the Associated Students for miscellaneous expenses was \$250 for the years ended June 30, 2014 and June 30, 2015. The amount payable to Associated Students from the Association was \$0 and \$2,600 for the years ended June 30, 2014 and June 30, 2015, respectively.

The amount due to the Association from Programs for Children for miscellaneous expenses was \$200 for the years ended June 30, 2014 and June 30, 2015.

Note 14 – Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2014 and 2015 are available for the following:

	<u>2014</u>	<u>2015</u>
Save Mart Center	<u>\$28,950,964</u>	<u>\$25,083,839</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes during the year ended June 30, 2015 are:

Save Mart Center	<u>\$ 6,817,099</u>
------------------	---------------------

Note 15 - Expenses by Natural Classification

For The Years Ended June 30:

Expenses	2014			2015		
	Program	General & Administrative	Total	Program	General & Administrative	Total
Cost of Goods Sold	\$10,591,324		\$10,591,324	\$11,513,414		\$11,513,414
Salaries/Wages	4,800,474	\$1,193,219	5,993,693	5,260,860	\$1,159,627	6,420,487
Employee Benefits	1,736,809	863,821	2,600,630	1,901,023	635,054	2,536,077
Administration-Food Services	427,527		427,527	563,890		563,890
Advances to SMG	1,167,931		1,167,931	1,505,119		1,505,119
Advertising/Printing	83,120		83,120	82,894		82,894
Athletic Corporation Entitlements	267,855		267,855	250,855		250,855
Audit/Legal Expense	45,818	26,983	72,801	182,143	33,014	215,157
Bad Debt Expense	5,817		5,817	42,663		42,663
Bank Charges	1,633	5,762	7,395	4,312	3,845	8,157
Bond Expenses	67,469		67,469	68,137		68,137
Capital Lease Expense	3,114,390		3,114,390	2,892,500		2,892,500
Chancellor's Office Fee	13,795		13,795	14,061		14,061
Computer Supplies/Expense	65,018	14,079	79,097	66,865	14,456	81,321
Consulting	0	8,475	8,475	15,825	9,960	25,785
Contract Services	992,183		992,183	1,016,131		1,016,131
Credit Card Fees	319,670		319,670	361,109		361,109
Depreciation/Amortization	3,927,592	135,025	4,062,617	3,945,786	155,901	4,101,687
Dues/Memberships/Subscriptions	25,694	6,126	31,920	25,174	6,372	31,546
Employee Recruitment	2,831	274	3,105	4,358	2	4,360
Equipment Purchased	78,789		78,789	94,818		94,818
Housing Incentives	25,585		25,585	19,879		19,879
Insurance	496,550	15,906	512,456	458,882	17,267	476,149
Interest Expense	213,107		213,107	175,686		175,686
Janitorial/Sanitation	98,648		98,648	102,103		102,103
Laundry	79,148		79,148	76,025		76,025
Licenses/Permits/Fees	18,611	104,676	123,287	20,767	111,305	132,072
Miscellaneous	64,403	4,521	68,924	69,750	19,888	89,638
Non-Student Tax	13,403		13,403	14,574		14,574
Obsolete Merchandise	30,901		30,901	57,224		57,224
Office Supplies	100,919	25,047	125,966	107,701	30,076	137,777
Paper Supplies	239,483		239,483	227,834		227,834
Possessory Interest Tax	103,437		103,437	121,536		121,536
Postage/Freight	21,492	15,136	36,628	21,609	11,825	33,434
Rent/Rental	122,205	38,501	160,706	107,264	38,173	145,437
Repairs/Maintenance	541,415	32,840	574,255	609,075	50,297	659,372
Resident Advisors Meals	164,916		164,916	170,840		170,840
Royalties	132,802		132,802	122,302		122,302
Security Services	2,721	42,339	45,060		38,589	38,589
Smallwares	64,491		64,491	169,064		169,064
Student Programs	82,431		82,431	126,626		126,626
Telephone/Communications	37,208	7,097	44,305	34,657	7,196	41,853
Travel/Training	54,551	9,492	64,043	53,343	12,829	66,172
University Donations	72,860	60,221	133,081	36,258	56,583	92,841
USU Co-Sponsorships	2,978		2,978	21,048		21,048
Utilities	1,257,006	18,707	1,275,713	1,379,160	19,642	1,398,802
Warehouse Expense	5,653		5,653	8,880		8,880
Wilkinson Group Fee	180,000		180,000	180,000		180,000
Totals	\$31,962,573	\$2,628,347	\$34,590,920	\$34,304,024	\$2,431,901	\$36,735,925

Note 16 – Subsequent Events

Subsequent events have been evaluated through September 10, 2015, which is the date the financial statements were available to be issued, noting no matters requiring disclosure in the financial statements for the year ended June 30, 2015.

Note 17 – Uncertain Tax Positions

The Association has qualified as a non-profit organization and has been granted tax-exempt status pursuant to the Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d) and is exempt from Federal and State of California income taxes.

Generally accepted accounting principles provide accounting and disclosures guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Association's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

ADDITIONAL INFORMATION FOR
CALIFORNIA STATE UNIVERSITY, FRESNO

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.

Schedule of Net Position

June 30, 2015

(for inclusion in the California State University)

Assets:

Current assets:

Cash and cash equivalents	\$ 9,580,296
Short-term investments	14,797,378
Accounts receivable, net	10,848,064
Pledges receivable, net	3,764,867
Prepaid expenses and other assets	1,304,844
Total current assets	<u>40,295,449</u>

Noncurrent assets:

Pledges receivable, net	15,184,227
Other long-term investments	3,762,494
Capital assets, net	82,812,134
Other assets	3,517,366
Total noncurrent assets	<u>105,276,221</u>
Total assets	<u>145,571,670</u>

Deferred outflows of resources:

Unamortized loss on refunding	462,560
Total deferred outflows of resources	<u>462,560</u>

Liabilities:

Current liabilities:

Accounts payable	2,972,307
Accrued salaries and benefits payable	374,182
Accrued compensated absences— current portion	25,000
Unearned revenue	8,781,035
Capitalized lease obligations – current portion	6,220,000
Long-term debt obligations – current portion	375,000
Depository accounts	
Other liabilities	1,915,465
Total current liabilities	<u>20,662,989</u>

Noncurrent liabilities:

Accrued compensated absences, net of current portion	337,775
Capitalized lease obligations, net of current portion	54,620,000
Long-term debt obligations, net of current portion	4,978,714
Depository accounts	117,151
Other postemployment benefits obligation	371,098
Total noncurrent liabilities	<u>60,424,738</u>

Total liabilities	<u>81,087,727</u>
-------------------	-------------------

Deferred inflows of resources:

Unamortized gain on debt refunding	-
Net pension obligation	-
Total deferred inflows of resources	<u>-</u>

Net position:

Net investment in capital assets	16,618,420
Restricted for:	
Expendable:	
Debt service	8,510,465
Unrestricted	39,817,618
Total net position	<u>\$ 64,946,503</u>

See accompanying independent auditors' report.

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.

Schedule of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2015

(for inclusion in the California State University)

Revenues:	
Operating revenues:	
Student tuition and fees (net of scholarship allowances of \$0)	\$ 3,168,775
Sales and services of auxiliary enterprises (net of scholarship allowances of \$0)	28,117,434
Other operating revenues	<u>1,006,588</u>
Total operating revenues	<u>32,292,797</u>
Expenses:	
Operating expenses:	
Auxiliary enterprise expenses	32,316,852
Depreciation and amortization	<u>4,101,687</u>
Total operating expenses	<u>36,418,539</u>
Operating income (loss)	<u>(4,125,742)</u>
Nonoperating revenues (expenses):	
Investment income (loss), net	215,383
Interest Expenses	<u>(175,686)</u>
Net nonoperating revenues (expenses)	<u>39,697</u>
Income (loss) before other additions	<u>(4,086,045)</u>
Grants and gifts, capital	<u>2,949,974</u>
Increase (decrease) in net position	<u>(1,136,071)</u>
Net position:	
Net position at beginning of year, as previously reported	65,791,033
Restatements	<u>291,541</u>
Net position at beginning of year, as restated	<u>66,082,574</u>
Net position at end of year	<u>\$ 64,946,503</u>

See accompanying independent auditors' report.

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.
Other Information
June 30, 2015
(for inclusion in the California State University)

1 Restricted Cash and Cash Equivalents at June 30, 2015:

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

2.1 Composition of Investments at June 30, 2015:

	Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
State of California Local Agency Investment Fund (LAIF)	\$ 14,797,378	\$ —	\$ 14,797,378	\$ —	\$ —	\$ —	\$ 14,797,378
Mutual funds	—	—	—	1,498,204	—	1,498,204	1,498,204
Equity securities	—	—	—	2,264,290	—	2,264,290	2,264,290
Total investments	<u>14,797,378</u>	<u>—</u>	<u>14,797,378</u>	<u>3,762,494</u>	<u>—</u>	<u>3,762,494</u>	<u>18,559,872</u>
Less endowment investments (enter as negative number)	—	—	—	—	—	—	—
Total investments	\$ <u>14,797,378</u>	\$ <u>—</u>	\$ <u>14,797,378</u>	\$ <u>3,762,494</u>	\$ <u>—</u>	\$ <u>3,762,494</u>	\$ <u>18,559,872</u>

2.1 - F Restricted Noncurrent Investments at June 30, 2015 related to:

Not Applicable

3 Composition of Capital Assets at June 30, 2015:

	Balance June 30, 2014	Prior period Adjustments	Reclassifications	Balance June 30, 2014 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2015
Nondepreciable capital assets:								
Construction work in progress (CWIP)	\$ 797,991	\$ —	\$ —	\$ 797,991	\$ 1,251,859	\$ —	\$ (1,822,412)	\$ 227,438
Total nondepreciable capital assets	<u>797,991</u>	<u>—</u>	<u>—</u>	<u>797,991</u>	<u>1,251,859</u>	<u>—</u>	<u>(1,822,412)</u>	<u>227,438</u>
Depreciable capital assets:								
Buildings and building improvements	114,917,662	—	13,680	114,931,342	339,002	(13,680)	—	115,256,664
Improvements, other than buildings	—	—	—	—	—	—	715,706	715,706
Personal property:								
Equipment	14,576,422	—	—	14,576,422	706,774	(55,624)	1,106,706	16,334,278
Intangible assets	906,203	—	—	906,203	—	(866,203)	—	40,000
Total depreciable capital assets	<u>130,400,287</u>	<u>—</u>	<u>13,680</u>	<u>130,413,967</u>	<u>1,045,776</u>	<u>(935,507)</u>	<u>1,822,412</u>	<u>132,346,648</u>
Total cost	<u>131,198,278</u>	<u>—</u>	<u>13,680</u>	<u>131,211,958</u>	<u>2,297,635</u>	<u>(935,507)</u>	<u>0</u>	<u>132,574,086</u>
Less accumulated depreciation:								
Buildings and building improvements	(35,112,837)	—	(13,680)	(35,126,517)	(3,154,369)	—	—	(38,280,886)
Improvements, other than buildings	—	—	—	—	(1,084)	—	—	(1,084)
Personal property:								
Equipment	(10,561,372)	—	—	(10,561,372)	(943,234)	55,624	—	(11,448,982)
Intangible assets:								
Franchise Fees	(28,000)	—	—	(28,000)	(3,000)	—	—	(31,000)
Unamortized buyout	(866,203)	—	—	(866,203)	—	866,203	—	(0)
Total accumulated depreciation/amortization	<u>(46,568,412)</u>	<u>—</u>	<u>(13,680)</u>	<u>(46,582,092)</u>	<u>(4,101,687)</u>	<u>921,827</u>	<u>—</u>	<u>(49,761,952)</u>
Total capital assets, net	\$ <u>84,629,866</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>84,629,866</u>	\$ <u>(1,804,052)</u>	\$ <u>(13,680)</u>	\$ <u>0</u>	\$ <u>82,812,134</u>

Detail of Depreciation and Amortization Expense for the Year Ended June 30, 2015:

Depreciation and amortization expense related to capital assets	\$ 4,101,687
Amortization expense related to other assets	—
Total depreciation and amortization	\$ <u>4,101,687</u>

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.
Other Information
June 30, 2015
(for inclusion in the California State University)

4 Long-term liabilities activity schedule:

	Balance June 30, 2014	Prior period adjustments	Reclassifications	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Current portion	Long-term portion
Accrued compensated absences	\$ 340,083	\$ —	\$ —	\$ 340,083	\$ 305,423	\$ (282,731)	\$ 362,775	\$ 25,000	\$ 337,775
Capitalized lease obligations:									
Gross balance	65,435,000	—	—	65,435,000	—	(4,595,000)	60,840,000	6,220,000	54,620,000
Unamortized premium / (discount) on capitalized lease obligations	—	—	—	—	—	—	—	—	—
Total capitalized lease obligations	65,435,000	—	—	65,435,000	—	(4,595,000)	60,840,000	6,220,000	54,620,000
Long-term debt obligations:									
Revenue bonds	—	—	—	—	—	—	—	—	—
Commercial paper	—	—	—	—	—	—	—	—	—
Note payable related to SRB	5,010,000	—	—	5,010,000	—	(355,000)	4,655,000	375,000	4,280,000
Total long-term debt obligations	5,010,000	—	—	5,010,000	—	(355,000)	4,655,000	375,000	4,280,000
Unamortized bond premium / (discount)	749,548	—	—	749,548	—	(50,834)	698,714	—	698,714
Unamortized loss on refunding	—	—	—	—	—	—	—	—	—
Total long-term debt obligations, net	5,759,548	—	—	5,759,548	—	(405,834)	5,353,714	375,000	4,978,714
Total long-term liabilities	\$ 71,534,631	\$ —	\$ —	\$ 71,534,631	\$ 305,423	\$ (5,283,565)	\$ 66,556,489	\$ 6,620,000	\$ 59,936,489

5 Future minimum lease payments:

	Principal	Interest	Principal and Interest
Year ending June 30:			
2016	\$ 6,220,000	\$ 4,638,417	\$ 10,858,417
2017	1,995,000	2,664,500	4,659,500
2018	1,900,000	2,567,917	4,467,917
2019	1,950,000	2,471,250	4,421,250
2020	2,075,000	2,369,583	4,444,583
2021-2025	21,230,000	9,363,833	30,593,833
2026-2030	15,195,000	4,270,250	19,465,250
2031-2032	10,275,000	534,250	10,809,250
Total minimum lease payments			89,720,000
Less amounts representing interest			(28,880,000)
Present value of future minimum lease payments			60,840,000
Less: current portion			(6,220,000)
Capitalized lease obligation, net of current portion			\$ 54,620,000

6 Long-term debt obligation schedule

	Revenue Bonds			All other long-term debt obligations			Total		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
Year ending June 30:									
2016			\$ -	\$ 375,000	\$ 212,513	\$ 587,513	\$ 375,000	\$ 212,513	\$ 587,513
2017			-	390,000	194,588	584,588	390,000	194,588	584,588
2018			-	410,000	176,237	586,237	410,000	176,237	586,237
2019			-	430,000	157,788	587,788	430,000	157,788	587,788
2020			-	450,000	138,337	588,337	450,000	138,337	588,337
2021-2025			-	2,600,000	334,393	2,934,393	2,600,000	334,393	2,934,393
Total	\$ -	\$ -	\$ -	\$ 4,655,000	\$ 1,213,856	\$ 5,868,856	\$ 4,655,000	\$ 1,213,856	\$ 5,868,856

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.
Other Information
June 30, 2015
(for inclusion in the California State University)

7 Calculation of net position

7.1 Calculation of net assets - Invested in capital assets, net of related debt

	Auxiliary Organizations		Total
	GASB	FASB	Auxiliaries
Capital assets, net of accumulated depreciation	\$ —	\$ 82,812,134	\$ 82,812,134
Capitalized lease obligations - current portion	—	(6,220,000)	(6,220,000)
Capitalized lease obligations, net of current portion	—	(54,620,000)	(54,620,000)
Long-term debt obligations - current portion	—	(375,000)	(375,000)
Long-term debt obligations, net of current portion	—	(4,978,714)	(4,978,714)
Portion of outstanding debt that is unspent at year-end	—	—	—
Other:			
(description)	—	—	—
(description)	—	—	—
(description)	—	—	—
(description)	—	—	—
(description)	—	—	—
Net position - net investment in capital asset	<u>\$ —</u>	<u>\$ 16,618,420</u>	<u>\$ 16,618,420</u>

8 Transactions with Related Entities

	Amount
Reimbursements to University for salaries of University personnel working on contracts, grants, and other programs	\$ 253,445
Reimbursements to University for other than salaries of University personnel	1,141,903
Payments received from University for services, space, and programs	1,760,533
Gifts-in-kind to the University from discretely presented component units	—
Amounts (payable to) University (enter as negative number)	(457,265)
Amounts receivable from University	220,906

9 Other Postemployment Benefits Obligation (OPEB)

Annual required contribution (ARC)	\$ 573,108
Contributions during the year	(491,342)
Increase (decrease) in net OPEB obligation (NOO)	81,766
NOO - beginning of year	789,332
NOO - end of year	<u>\$ 871,098</u>

10 Pollution remediation liabilities under GASB Statement No. 49
Not applicable

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

Net position class	Amount
Net position as of June 30, 2014, as previously reported	\$ 65,791,033
Reclass Issuance Costs 2011 from Net Position to Other Assets -FASB presentation	\$ 30,987
Reclass Issuance Costs 2005 SMC from Net Position to Other Assets- FASB presentation	\$ 260,554
Net position as of June 30, 2014 as restated	<u>\$ 66,082,574</u>

Provide a detailed breakdown of the journal entries (at the financial statement line item level) booked to record each prior period adjustment:

Net position class	Debit	Credit
1 (breakdown of adjusting journal entry)		
Not applicable		