

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

**2015-16
Annual Report**

**Approved by the Audit Committee
September 15, 2016**

**CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.
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CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.
CORPORATE INFORMATION
For Fiscal Year Ended June 30, 2016

BOARD OF DIRECTORS

Ms. Deborah S. Adishian-Astone	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	President, Associated Students California State University, Fresno
Dr. Frank Lamas	Vice President for Student Affairs
Mr. Jose Plascencia	Community Member
Mr. R. Gary Renner	Community Member
Mr. Nicholas Stephens	Executive Vice President, Associated Students California State University, Fresno
Dr. Lynnette Zelezny	Provost and Vice President of Academic Affairs

OFFICERS

Ms. Deborah S. Adishian-Astone	Chair (6/3/16-6/30/16); Acting Vice Chair (7/1/15- 6/3/16)
Dr. Frank Lamas	Vice Chair (6/3/16-6/30/16); Acting Chair (7/1/15- 6/3/16)
Dr. Michael Botwin	Secretary/Treasurer

AUDIT COMMITTEE

Ms. Deborah S. Adishian-Astone	Ex-Officio Member
Dr. Kevin Ayotte	Chair, Academic Senate
Mr. Marshall Kelley	Community Member
Mr. Jose Plascencia	Community Member
Mr. R. Gary Renner, Chair	Community 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
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Auditors	Price Paige & Company Accountancy Corporation 677 Scott Avenue Clovis, California 93612 Telephone: (559) 299-9540 www.ppcpas.com
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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), which comprise the statement of financial position as of June 30, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 10, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, 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 7, 2016

**CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.
THE CALIFORNIA STATE UNIVERSITY AUXILIARY ORGANIZATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 WITH COMPARATIVE TOTALS FOR 2015**

	2015 TOTAL	2016 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	\$ 1,921,391	\$ 5,576,910	\$ (2,708,637)	\$ 4,705,232	\$ 2,981,267	\$ 599,048
Savings Accounts	22,456,283	17,323,920	(8,414,017)	14,616,175	9,260,899	1,860,863
Total Cash and Cash Equivalents (Note 3)	24,377,674	22,900,830	(11,122,654)	19,321,407	12,242,166	2,459,911
Pledges Receivable-Save Mart Center (Note 4)	3,764,867	3,649,241	3,649,241			
Accounts Receivable	10,924,439	10,760,804	284,120	2,627,983	7,824,482	24,219
Allowance for Doubtful Accounts	(76,375)	(71,375)		(38,375)	(33,000)	
Inventories	1,105,303	2,050,860		2,030,759		20,101
Deferred Charges	68,914	53,876	11,394		42,482	
Prepaid Expenses	168,503	67,194		50,644	6,769	9,781
Total Current Assets	40,333,325	39,411,430	(7,177,899)	23,992,418	20,082,899	2,514,012
Long-Term Assets:						
Pledges Receivable-Save Mart Center (Note 4)	15,184,227	13,255,194	13,255,194			
Investments (Note 7)	3,762,494	3,685,513		3,685,513		
Deferred Charges	800,594	572,503	165,215		407,288	
Other Assets - Restricted (Note 12)	3,141,456	3,141,456	3,141,456			
Total Long-Term Assets	22,888,771	20,654,666	16,561,865	3,685,513	407,288	0
Fixed Assets:						
Buildings and Improvements	115,270,343	115,270,343	102,493,965	1,980,551	10,795,827	
Land Development Costs	715,706	715,706	715,706			
Equipment, Furniture and Fixtures	16,334,278	18,767,170	4,855,433	5,694,139	6,716,732	1,500,866
Intangible Assets	40,000	40,000		40,000		
Construction in Progress	227,438	0				
Total	132,587,765	134,793,219	108,065,104	7,714,690	17,512,559	1,500,866
Less Accumulated Depreciation	(49,775,631)	(54,146,105)	(36,876,873)	(5,294,046)	(11,275,012)	(700,174)
Total Fixed Assets, Net	82,812,134	80,647,114	71,188,231	2,420,644	6,237,547	800,692
Total Assets	\$ 146,034,230	\$ 140,713,210	\$ 80,572,197	\$ 30,098,575	\$ 26,727,734	\$ 3,314,704

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, 2016 WITH COMPARATIVE TOTALS FOR 2015**

LIABILITIES AND NET ASSETS	2015 TOTAL	2016 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	\$ 3,709,264	\$ 3,820,708	\$ 247,538	\$ 2,631,636	\$ 486,851	\$ 454,683
Notes Payable (Note 5)	375,000	390,000			390,000	
Deferred Revenue	8,781,035	8,132,649	376,471	24,145	7,730,533	1,500
Interest Payable	36,965	33,873			33,873	
Capital Lease Obligations (Note 6)	8,098,500	6,147,937	6,147,937			
Agency Funds	117,151	94,117			93,583	534
Total Current Liabilities	21,117,915	18,619,284	6,771,946	2,655,781	8,734,840	456,717
Long-Term Liabilities:						
Accounts Payable	371,098	539,364		439,959	49,622	49,783
Notes Payable (Note 5)	4,978,714	4,536,289			4,536,289	
Capital Lease Obligations (Note 6)	54,620,000	53,227,039	53,227,039			
Total Long-Term Liabilities	59,969,812	58,302,692	53,227,039	439,959	4,585,911	49,783
TOTAL LIABILITIES	81,087,727	76,921,976	59,998,985	3,095,740	13,320,751	506,500
NET ASSETS:						
Unrestricted	39,862,664	43,218,022		27,002,835	13,406,983	2,808,204
Temporarily Restricted (Note 14)	25,083,839	20,573,212	20,573,212			
Total Net Assets	64,946,503	63,791,234	20,573,212	27,002,835	13,406,983	2,808,204
TOTAL LIABILITIES AND NET ASSETS	\$ 146,034,230	\$ 140,713,210	\$ 80,572,197	\$ 30,098,575	\$ 26,727,734	\$ 3,314,704

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, 2016 WITH COMPARATIVE TOTALS FOR 2015

			RESTRICTED FUND		COMMERCIAL OPERATIONS				UNIVERSITY COURTYARD	STUDENT FEE OPERATIONS		
	2015 TOTAL	2016 TOTAL	INTRAFUND ELIMINATIONS	SAVE MART CENTER	BOOKSTORE	FOOD SERVICES	ADMIN	TOTAL		REC CENTER	STUDENT UNION	TOTAL
Revenue:												
Gross Sales	\$ 31,286,209	\$32,932,042	\$ (1,418,080)	\$ 890,000	\$ 12,672,734	\$ 8,635,760	2,121,754	\$ 23,430,248	\$ 5,445,355	\$ 1,574,465	\$ 3,010,054	\$ 4,584,519
Contributions	2,949,974	1,973,328		1,801,217		165,111				7,000		
Other Income	1,221,971	1,569,844		650,992	361,203	154,332	328,576	844,111	45,343	7,877	21,521	29,398
Total Revenues	35,458,154	36,475,214	(1,418,080)	3,342,209	13,033,937	8,955,203	2,450,330	24,274,359	5,490,698	1,589,342	3,031,575	4,620,917
Expenses and Losses:												
Cost of Goods Sold	11,513,414	12,471,700			9,434,346	3,037,354		12,471,700				
Salaries/Wages	6,420,487	6,490,078			1,069,919	1,952,307	1,106,268	4,128,494	762,441	509,246	1,089,897	1,599,143
Employee Benefits	2,536,077	2,717,929			629,388	524,091	727,818	1,881,297	247,546	169,227	419,859	589,086
Administration-Food Services	563,890	441,818	(260,770)			702,588		702,588				
Advances to SMG	1,505,119	1,344,132		1,344,132								
Advertising/Printing	82,894	83,073		22	3,546	24,091		27,637	47,366	170	7,878	8,048
Athletic Corporation Entitlements	250,855	265,855		265,855								
Audit/Legal Expense	215,157	101,390		65,987			35,403	35,403				
Bad Debt Expense	42,663	37,037			5,143	12,757		17,900	19,137			
Bank Charges	8,157	12,815				11,806	1,009	12,815				
Bond Expenses	68,137	51,206		10,378					40,828			
Capital Lease Expense	2,892,500	2,368,044		2,368,044								
Chancellor's Office Fee	14,061	13,341					13,341	13,341				
Computer Supplies/Expense	81,321	95,129			9,343	5,042	15,781	30,166	30,865	14,365	19,733	34,098
Consulting	25,785	36,706			30,988		5,663	36,651			55	55
Contract Services	1,016,131	1,012,446				102,800		102,800	844,372	65,274		65,274
Credit Card Fees	361,109	386,770		3,041	156,391	158,797		315,188	55,398	2,172	10,971	13,143
Depreciation/Amortization	4,101,687	4,367,095		2,835,817	27,973	261,565	153,003	442,541	809,983	38,933	239,821	278,754
Dues/Memberships/Subscriptions	31,546	36,053			18,821	135	6,546	25,502	498	1,481	8,572	10,053
Employee Recruitment	4,360	7,660				2,249	975	3,224	2,653	404	1,379	1,783
Equipment Purchased	94,818	45,940								34,656	11,284	45,940
Housing Incentives	19,879	15,331							15,331			
Insurance	476,149	413,870		249,911	21,315		12,769	34,084	107,474	7,654	14,747	22,401
Interest Expense	175,686	156,996							156,996			
Janitorial/Sanitation	102,103	104,739				65,887		65,887	12,350	26,502		26,502
Laundry	76,025	83,666				60,424		60,424	22,985	257		257
Licenses/Permits/Fees	132,072	144,846		191	7,648	14,101	114,305	136,054	8,601			
Loss on Refunding of Bonds	-	374,231		374,231								
Management Services Fee	-	-	(857,310)		260,770			260,770	260,770	75,000	260,770	335,770
Miscellaneous	89,638	70,089			3,892	14,803	6,025	24,720	23,914	19,511	1,944	21,455
Non-Student Tax	14,574	14,724				14,724		14,724				
Obsolete Merchandise	57,224	22,904			22,904			22,904				
Office Supplies	137,777	124,456			35,257	14,764	28,815	78,836	29,097	2,090	14,433	16,523
Paper Supplies	227,834	275,093				185,417		185,417	51,311		38,365	38,365
Possessory Interest Tax	121,536	150,195		150,195								
Postage/Freight	33,434	32,932			4,997	17	15,704	20,718	12,032		182	182
Rent/Rental	145,437	134,016			13,113	69,361	38,436	120,910	6,806	6,246	54	6,300
Repairs/Maintenance	659,372	713,570			51,539	161,469	37,701	250,709	256,699	33,697	172,465	206,162
Resident Advisor Meals	170,840	169,347				98,480		98,480	70,867			
Royalties	122,302	125,808				125,808		125,808				
Save Mart Seat Licenses	-	-	(300,000)								300,000	300,000
Security Services	38,589	38,697					38,697	38,697				
Smallwares	169,064	110,949				66,063		66,063	44,886			
Student Programs	126,626	190,148								22,121	168,027	190,148
Telephone/Communications	41,853	36,869				8,188	5,280	7,412	9,214	1,235	5,540	6,775
Travel/Training	66,172	54,179				4,260		16,566	32,074	1,509	4,030	5,539
University Donations	92,841	105,915		5,032	6,624	40,906	53,353	100,883				

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, 2016 WITH COMPARATIVE TOTALS FOR 2015

	2015 TOTAL	2016 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
USU Co-Sponsorships	21,048	3,920								3,920	3,920	
Utilities	1,398,802	1,381,753			28,000	195,412	19,000	242,412	542,249	482,592	114,500	597,092
Warehouse Expense	8,880	15,023				15,023		15,023				
Wilkinson Group Fee	180,000	180,000		180,000								
Total Expenses and Losses	36,735,925	37,630,483	(1,418,080)	7,852,836	11,854,365	7,943,521	2,450,330	22,248,216	4,524,743	1,514,342	2,908,426	4,422,768
Excess (Deficit) of Revenues Over Expenses and Losses	(1,277,771)	(1,155,269)	0	(4,510,627)	1,179,572	1,011,682	0	2,191,254	965,955	75,000	123,149	198,149
Transfers (Out) In	-	-	-	-	-	-	-	-	-	-	-	-
Increase (Decrease) in Net Assets	(1,277,771)	(1,155,269)	0	(4,510,627)	1,179,572	1,011,682	0	2,191,254	965,955	75,000	123,149	198,149
Transition Obligation												
Unamortized Transition Obligation	-	-										
Amortization Transition Obligation	141,700	-	-	-	-	-	-	-	-	-	-	-
Remaining Transition Obligation	141,700	-	-	-	-	-	-	-	-	-	-	-
Increase (Decrease) in Net Assets After Remaining Transition Obligation	\$ (1,136,071)	\$ (1,155,269)	\$ -	\$ (4,510,627)	\$ 1,179,572	\$ 1,011,682	\$ -	\$ 2,191,254	\$ 965,955	\$ 75,000	\$ 123,149	\$ 198,149
Net Assets at Beginning of Year, Unrestricted	\$37,131,610	\$39,862,664						\$24,811,581	\$12,441,028			\$2,610,055
Increase (Decrease) in Net Assets, Unrestricted	2,731,054	3,355,358						2,191,254	965,955			198,149
Net Assets at End of Year, Unrestricted	\$39,862,664	\$43,218,022						\$27,002,835	\$13,406,983			\$2,808,204
Net Assets at Beginning of Year, Temporarily Restricted	\$28,950,964	\$25,083,839		\$25,083,839								
Increase/(Decrease) in Net Assets	(3,867,125)	(4,510,627)		(4,510,627)								
Net Assets at End of Year, Temporarily Restricted	\$25,083,839	\$20,573,212		\$20,573,212								
Total Net Assets at Beginning of Year	\$66,082,574	\$64,946,503	-	\$25,083,839				\$24,811,581	\$12,441,028			\$2,610,055
Total Increase/(Decrease) in Net Assets	(1,136,071)	(1,155,269)	-	(4,510,627)				2,191,254	965,955			198,149
Total Net Assets at End of Year	\$64,946,503	\$63,791,234	-	\$20,573,212				\$27,002,835	\$13,406,983			\$2,808,204

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 CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016 WITH COMPARATIVE TOTALS FOR 2015**

	TOTAL	
	2015	2016
Cash Flows From Operating Activities		
Increase/(Decrease) in Net Assets	\$ (1,136,071)	\$ (1,155,269)
Adjustment to Reconcile Increase/(Decrease) in Net Assets to Net Cash Provided by Operating Activities		
Realized and Unrealized (Gain) Loss on Investments	(111,637)	76,981
Provision for Doubtful Accounts	(1,099)	(5,000)
Depreciation	4,101,687	4,367,095
Amortization	30,983	146,348
Changes in:		
Accounts Receivable	(699,678)	163,635
Pledges Receivable-Save Mart Center	1,197,681	2,044,659
Inventories	343,154	(945,557)
Prepaid Expenses and Deferred Charges	(9,990)	101,309
Accounts Payable and Other Accrued Liabilities	814,439	279,710
Deferred Revenue	(366,754)	(648,386)
Interest Payable on Bonds	(2,366)	(3,092)
Interest Payable on Capital Lease Obligations	1,371,500	54,437
Agency Funds	(10,201)	(23,034)
Net Cash Provided by (Used in) Operating Activities	5,521,648	4,453,836
 Cash Flows From Investing Activities		
Purchase of Investments	(49,787)	0
Acquisition of Fixed Assets	(2,297,635)	(2,215,755)
Net Cash Provided by (Used in) Investing Activities	(2,347,422)	(2,215,755)
 Cash Flows from Financing Activities		
Proceeds of Borrowings for Capital Purposes	0	57,500,075
Principal Payments on Notes	(355,000)	(375,000)
Principal Payments on Capital Lease Obligations	(4,595,000)	(60,840,000)
Net Cash Provided by (Used in) Financing Activities	(4,950,000)	(3,714,925)
 Net Increase (Decrease) in Cash	(1,775,774)	(1,476,844)
 Cash and Cash Equivalents, Beginning of Year	26,153,448	24,377,674
 Cash and Cash Equivalents, End of Year	\$24,377,674	\$22,900,830
 Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Year for Interest	\$ 1,749,858	\$ 2,584,157

The accompanying notes are an integral part of the financial statements

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2016

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, 2015, 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 \$76,375 and \$71,375 have been established as of June 30, 2015 and 2016, 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 2015 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, 2014.

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 \$82,894 and \$83,073 in 2015 and 2016, 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>2015</u>	<u>2016</u>
Deposits:		
Cash on hand and in banks	\$ 9,580,296	\$14,050,231
Pooled Funds:		
Cash in State of California Local Agency Investment Fund	<u>14,797,378</u>	<u>8,850,599</u>
Total	<u>\$24,377,674</u>	<u>\$22,900,830</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, 2016, the FDIC insures cash balances held in interest and noninterest bearing accounts combined up to \$250,000. At June 30, 2015 and 2016, the Association's uninsured cash balances totaled \$9,385,635 and \$13,896,626 respectively.

Note 4 – Pledges Receivable-Save Mart Center

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

	<u>2015</u>	<u>2016</u>
Unconditional Promises to Give Before Unamortized Discount	\$25,895,794	\$22,605,268
Less: Unamortized Discount	<u>(6,946,700)</u>	<u>(5,700,833)</u>
Net Unconditional Promises to Give	<u>\$18,949,094</u>	<u>\$16,904,435</u>
Amounts Due in:		
One Year	\$3,764,867	\$3,649,241
Two to Five Years	8,658,180	7,989,431
More Than Five Years	<u>6,526,047</u>	<u>5,265,763</u>
Total	<u>\$18,949,094</u>	<u>\$16,904,435</u>

The discount rate used to calculate the present value of promises to give is 7% for 2015 and 2016.

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, 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	470,000	4.000%
November 1, 2021 to November 1, 2024	<u>2,130,000</u>	5.000%
	<u>\$4,280,000</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>
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
2021	470,000	116,238	586,238
Thereafter	<u>2,130,000</u>	<u>218,156</u>	<u>2,348,156</u>
	4,280,000	1,001,344	5,281,344
Unamortized Premium	<u>646,289</u>	<u>0</u>	<u>646,289</u>
	<u>\$4,926,289</u>	<u>\$1,001,344</u>	<u>\$5,927,633</u>

Note 6 – Capital Lease Obligations

In August 2015, the Association participated in the CSU Systemwide Revenue Bonds (SRB) program to refinance the 2005 Save Mart Center bonds. The effect of the refinancing was to incur a new capital lease obligation payable to the University. Interest at 4.4% is payable semi-annually, with principal payments beginning in November 2015. The Association has amortized the net premium, underwriter's discount, and cost of issuance over the life of the SRB bonds.

Capital Lease Obligation-Save Mart Center

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$4,215,000	\$3,667,749	\$7,882,749
2018	1,820,000	2,026,450	3,846,450
2019	1,855,000	1,950,550	3,805,550
2020	1,965,000	1,864,675	3,829,675
2021	1,990,000	1,793,125	3,783,125
2022	2,295,000	1,711,350	4,006,350
2023	4,640,000	1,552,225	6,192,225
Thereafter	<u>32,300,000</u>	<u>6,281,990</u>	<u>38,581,990</u>
	51,080,000	20,848,114	71,928,114
Unamortized Premium	<u>6,362,039</u>	<u>0</u>	<u>6,362,039</u>
	<u>\$57,442,039</u>	<u>\$20,848,114</u>	<u>\$78,290,153</u>

Note 7 – Investments

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

	<u>Common Fund</u>	<u>Mutual Funds</u>	<u>Total</u>
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>

Long-Term investments at June 30, 2016 consist of the following:

	<u>Common Fund</u>	<u>Mutual Funds</u>	<u>Total</u>
Investments in securities at market value at beginning of year	\$2,264,290	\$1,498,204	\$3,762,494
Return on investments designated by the Board, net of investment expenses of \$8,659:			
Dividends and interest	29,564	57,203	86,767
Net unrealized and realized gains/(losses)	<u>(93,117)</u>	<u>(31,677)</u>	<u>(124,794)</u>
Total return on investments (included in other income in the Statements of Activities)	(63,553)	25,526	(38,027)
Withdrawals from Investments	<u>(29,564)</u>	<u>(9,390)</u>	<u>(38,954)</u>
Investment in securities at market value at end of year	<u>\$2,171,173</u>	<u>\$1,514,340</u>	<u>\$3,685,513</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>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>

<u>2016</u>				
Investments –Mutual Funds	\$ 1,514,340	\$ 1,514,340	\$ 0	\$ 0
Investments –Multi Strategy Equity Fund	2,171,173	0	2,171,173	0
Cash and Cash Equivalents	22,900,830	22,900,830	0	0
Pledges Receivable-SMC	<u>16,904,435</u>	<u>0</u>	<u>0</u>	<u>16,904,435</u>
Totals	<u>\$43,490,778</u>	<u>\$24,415,170</u>	<u>\$2,171,173</u>	<u>\$16,904,435</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>2015</u>	<u>2016</u>
Balance, July 1,	\$20,146,775	\$18,949,094
New Pledges	1,992,050	477,100
Pledge payments received	(3,970,867)	(3,725,876)
Write-off	(262,663)	(41,750)
Change in present value discount	<u>1,043,799</u>	<u>1,245,867</u>
Balance, June 30,	<u>\$18,949,094</u>	<u>\$16,904,435</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 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 2015/2016 was 15.223% for the Miscellaneous Plan and 6.158% for the PEPRA Miscellaneous Plan. 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 2015/2016, California State University, Fresno Association, Inc.'s annual pension cost of \$593,616 was equal to the Association's required and actual contributions. The total pension cost for both employee and employer contributions was \$848,151. The required contribution for fiscal year 2015/2016 was determined as part of the June 30, 2013 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, 2013 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 6/30/14	\$469,669	100%	\$0
6/30/15	\$491,750	100%	\$0
6/30/16	\$593,616	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 PEPRA 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
6/30/12	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%
6/30/14	13,137,020,035	10,686,754,939	2,450,265,096	81.3%	1,982,241,289	123.6%

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, 2016, in accordance with ASC 715 "Employers' Accounting for Defined Benefit Pension and Other Post-Retirement Plans":

	Net Periodic Post-Retirement Benefit Cost	Post-Retirement Benefit Liability
July 1, 2015		<u>\$871,098</u>
Recognition of components of net periodic post-retirement benefit cost:		
Service cost (benefit)	\$ 666,953	666,953
Interest cost	42,734	42,734
Total	<u>\$709,687</u>	
Benefit payments		(511,421)
Net Change		<u>198,266</u>
June 30, 2016		<u>\$1,069,364</u>

Note 10 – Other Post-Retirement Benefits, continued:

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

	<u>2015</u>	<u>2016</u>
Current portion	\$ 500,000	\$ 530,000
Long-term portion	<u>371,098</u>	<u>539,364</u>
	<u>\$ 871,098</u>	<u>\$1,069,364</u>

The funded status of the plan is the following:

Accrued post-retirement benefit obligation	\$ 871,098	\$1,069,364
Plan assets	<u>0</u>	<u>0</u>
Unfunded plan obligation	<u>\$ 871,098</u>	<u>\$1,069,364</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, 2016:

Discount rate	6%
Rate of insurance premium increase	10.5%

Benefits paid under the plan in 2015 and 2016 were \$491,342 and \$511,421, respectively. Benefits expected to be paid for future years is as follows:

Year Ended June 30:	
2017	\$ 530,000
2018	550,000
2019	570,000
2020	590,000
2021-2025	<u>3,250,000</u>
Total	<u>\$5,490,000</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, 2018.
- 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, 2021.
- 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, 2016.

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 14, 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:

2017	\$27,550
2018	<u>6,462</u>
Total	<u>\$34,012</u>

Rent expense for 2014/15 and 2015/16 was \$70,373 and \$69,586, 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, 2015 were \$1,471,199 and \$33,920, respectively. Advances to SMG for the management fee/operating expenses and incentive fee for the year ended June 30, 2016 were \$1,343,209 and \$923, respectively.

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. Subsequently, the County appealed the decision of the trial court. The matter is now on appeal.

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, 2015 and 2016:

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, 2015 and June 30, 2016 were \$709,444 and \$708,573, respectively, allocated on the basis of gross revenue and services rendered. The Agricultural Foundation's administrative fees for each of the years ended June 30, 2015 and June 30, 2016 was \$150,200, based on services rendered. The Programs for Children's administrative fees for each of the years ended June 30, 2015 and June 30, 2016 was \$68,206, based on services rendered. The Associated Students administrative fees for each of the years ended June 30, 2015 and June 30, 2016 was \$57,687, 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 \$870,230 and \$928,768 for the years ended June 30, 2015 and June 30, 2016, respectively.

The amount due to the Association from the Foundation for miscellaneous expenses was \$2,684 and \$406 for the years ended June 30, 2015 and June 30, 2016, respectively. The amount due to the Foundation from the Association for miscellaneous expenses was \$125 and \$0 for the years ended June 30, 2015 and June 30, 2016, respectively.

The amount due to the Association from The Agricultural Foundation for miscellaneous expenses was \$0 and \$757 for the years ended June 30, 2015 and June 30, 2016, respectively. The amount due to The Agricultural Foundation for miscellaneous expenses was \$1,408 and \$505 for the years ended June 30, 2015 and June 30, 2016, respectively.

The amount receivable from the University was \$220,906 and \$40,639 for the years ended June 30, 2015 and June 30, 2016 respectively. The amount payable to the University was \$457,265 and \$449,638 for the years ended June 30, 2015 and June 30, 2016 respectively.

The amount due to the Association from the Associated Students for miscellaneous expenses was \$250 and \$252 for the years ended June 30, 2015 and June 30, 2016, respectively. The amount payable to Associated Students from the Association was \$2,600 for each of the years ended June 30, 2015 and June 30, 2016.

The amount due to the Association from Programs for Children for miscellaneous expenses was \$200 and \$202 for the years ended June 30, 2015 and June 30, 2016, respectively.

Note 14 – Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2015 and 2016 are available for the following:

	<u>2015</u>	<u>2016</u>
Save Mart Center	<u>\$25,083,839</u>	<u>\$20,573,212</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes during the year ended June 30, 2016 are:

Save Mart Center	<u>\$ 6,311,044</u>
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Note 15 - Expenses by Natural Classification

For The Years Ended June 30:

Expenses	2015			2016		
	Program	General & Administrative	Total	Program	General & Administrative	Total
Cost of Goods Sold	\$11,513,414		\$11,513,414	\$12,471,700		\$12,471,700
Salaries/Wages	5,260,860	\$1,159,627	6,420,487	5,383,810	\$1,106,268	6,490,078
Employee Benefits	1,901,023	635,054	2,536,077	1,990,111	727,818	2,717,929
Administration-Food Services	563,890		563,890	441,818		441,818
Advances to SMG	1,505,119		1,505,119	1,344,132		1,344,132
Advertising/Printing	82,894		82,894	83,073		83,073
Athletic Corporation Entitlements	250,855		250,855	265,855		265,855
Audit/Legal Expense	182,143	33,014	215,157	65,987	35,403	101,390
Bad Debt Expense	42,663		42,663	37,037		37,037
Bank Charges	4,312	3,845	8,157	11,806	1,009	12,815
Bond Expenses	68,137		68,137	51,206		51,206
Capital Lease Expense	2,892,500		2,892,500	2,368,044		2,368,044
Chancellor's Office Fee	14,061		14,061	13,341		13,341
Computer Supplies/Expense	66,865	14,456	81,321	79,348	15,781	95,129
Consulting	15,825	9,960	25,785	31,043	5,663	36,706
Contract Services	1,016,131		1,016,131	1,012,446		1,012,446
Credit Card Fees	361,109		361,109	386,770		386,770
Depreciation/Amortization	3,945,786	155,901	4,101,687	4,214,092	153,003	4,367,095
Dues/Memberships/Subscriptions	25,174	6,372	31,546	29,507	6,546	36,053
Employee Recruitment	4,358	2	4,360	6,685	975	7,660
Equipment Purchased	94,818		94,818	45,940		45,940
Housing Incentives	19,879		19,879	15,331		15,331
Insurance	458,882	17,267	476,149	401,101	12,769	413,870
Interest Expense	175,686		175,686	156,996		156,996
Janitorial/Sanitation	102,103		102,103	104,739		104,739
Laundry	76,025		76,025	83,666		83,666
Licenses/Permits/Fees	20,767	111,305	132,072	30,541	114,305	144,846
Loss on Refunding of Bonds	0	0	0	374,231	0	374,231
Miscellaneous	69,750	19,888	89,638	64,064	6,025	70,089
Non-Student Tax	14,574		14,574	14,724		14,724
Obsolete Merchandise	57,224		57,224	22,904		22,904
Office Supplies	107,701	30,076	137,777	95,641	28,815	124,456
Paper Supplies	227,834		227,834	275,093		275,093
Possessory Interest Tax	121,536		121,536	150,195		150,195
Postage/Freight	21,609	11,825	33,434	17,228	15,704	32,932
Rent/Rental	107,264	38,173	145,437	95,580	38,436	134,016
Repairs/Maintenance	609,075	50,297	659,372	675,869	37,701	713,570
Resident Advisors Meals	170,840		170,840	169,347		169,347
Royalties	122,302		122,302	125,808		125,808
Security Services		38,589	38,589		38,697	38,697
Smallwares	169,064		169,064	110,949		110,949
Student Programs	126,626		126,626	190,148		190,148
Telephone/Communications	34,657	7,196	41,853	29,457	7,412	36,869
Travel/Training	53,343	12,829	66,172	41,873	12,306	54,179
University Donations	36,258	56,583	92,841	52,562	53,353	105,915
USU Co-Sponsorships	21,048		21,048	3,920		3,920
Utilities	1,379,160	19,642	1,398,802	1,362,753	19,000	1,381,753
Warehouse Expense	8,880		8,880	15,023		15,023
Wilkinson Group Fee	180,000		180,000	180,000		180,000
Totals	\$34,304,024	\$2,431,901	\$36,735,925	\$35,193,494	\$2,436,989	\$37,630,483

Note 16 – Subsequent Events

Subsequent events have been evaluated through September 7, 2016, 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, 2016.

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, 2016

(for inclusion in the California State University)

Assets:

Current assets:

Cash and cash equivalents	\$ 5,576,910
Short-term investments	17,323,920
Accounts receivable, net	10,689,429
Pledges receivable, net	3,649,241
Prepaid expenses and other assets	<u>2,132,400</u>
Total current assets	<u>39,371,900</u>

Noncurrent assets:

Pledges receivable, net	13,255,194
Other long-term investments	3,685,513
Capital assets, net	80,647,114
Other assets	<u>3,328,805</u>
Total noncurrent assets	<u>100,916,626</u>

Total assets	<u>140,288,526</u>
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Deferred outflows of resources:

Unamortized loss on refunding	<u>424,684</u>
Total deferred outflows of resources	<u>424,684</u>

Liabilities:

Current liabilities:

Accounts payable	3,111,229
Accrued salaries and benefits payable	360,395
Accrued compensated absences— current portion	25,000
Unearned revenue	8,132,649
Capitalized lease obligations – current portion	4,215,000
Long-term debt obligations – current portion	390,000
Depository accounts	
Other liabilities	<u>1,966,810</u>
Total current liabilities	<u>18,201,083</u>

Noncurrent liabilities:

Accrued compensated absences, net of current portion	324,084
Capitalized lease obligations, net of current portion	53,227,039
Long-term debt obligations, net of current portion	4,536,289
Depository accounts	94,117
Other postemployment benefits obligation	<u>539,364</u>
Total noncurrent liabilities	<u>58,720,893</u>

Total liabilities	<u>76,921,976</u>
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Deferred inflows of resources:

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

Net position:

Net investment in capital assets	18,278,786
Restricted for:	
Expendable:	
Debt service	6,571,810
Unrestricted	<u>38,940,638</u>
Total net position	<u>\$ 63,791,234</u>

See accompanying independent auditor's report.

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.

Schedule of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2016

(for inclusion in the California State University)

Revenues:		
Operating revenues:		
Student tuition and fees (net of scholarship allowances of \$0)	\$	3,620,000
Sales and services of auxiliary enterprises (net of scholarship allowances of \$0)		29,312,042
Other operating revenues		<u>1,525,599</u>
Total operating revenues		<u>34,457,641</u>
Expenses:		
Operating expenses:		
Auxiliary enterprise expenses		33,106,392
Depreciation and amortization		<u>4,367,095</u>
Total operating expenses		<u>37,473,487</u>
Operating income (loss)		<u>(3,015,846)</u>
Nonoperating revenues (expenses):		
Investment income (loss), net		44,245
Interest Expenses		<u>(156,996)</u>
Net nonoperating revenues (expenses)		<u>(112,751)</u>
Income (loss) before other additions		(3,128,597)
Grants and gifts, capital		<u>1,973,328</u>
Increase (decrease) in net position		(1,155,269)
Net position:		
Net position at beginning of year, as previously reported		64,946,503
Restatements		<u>0</u>
Net position at beginning of year, as restated		<u>64,946,503</u>
Net position at end of year	\$	<u><u>63,791,234</u></u>

See accompanying independent auditor's report.

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.
Other Information
June 30, 2016
(for inclusion in the California State University)

1 Restricted Cash and Cash Equivalents at June 30,2016:

Portion of restricted cash and cash equivalents related to endowments	\$	—
All other restricted cash and cash equivalents	\$	—
Total restricted cash and cash equivalents	\$	—

2.1 Composition of Investments at June 30,2016:

	Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
State of California Local Agency Investment Fund (LAIF)	\$ 8,850,600	\$ —	\$ 8,850,600	\$ —	\$ —	\$ —	\$ 8,850,600
Mutual funds	—	—	—	1,514,340	—	1,514,340	1,514,340
Money Market funds	8,473,320	—	8,473,320	—	—	—	8,473,320
Equity securities	—	—	—	2,171,173	—	2,171,173	2,171,173
Total investments	17,323,920	—	17,323,920	3,685,513	—	3,685,513	21,009,433
Less endowment investments (enter as negative number)	—	—	—	—	—	—	—
Total investments	\$ 17,323,920	\$ —	\$ 17,323,920	\$ 3,685,513	\$ —	\$ 3,685,513	\$ 21,009,433

2.1 - F Restricted Noncurrent Investments at June 30,2016 related to:

Not Applicable

2.5 Fair Value Hierarchy in Investments at June 30,2016:

	Total	Fair Value Measurements Using			
		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)
25 State of California Local Agency Investment Fund (LAIF)	\$ 8,850,599	8,850,599	—	—	—
Mutual funds	1,514,340	1,514,340	—	—	—
Money Market funds	8,473,320	8,473,320	—	—	—
Equity securities	2,171,173	—	—	—	2,171,173
Total investments	21,009,432	18,838,259	—	—	2,171,173

3.1 Composition of Capital Assets at June 30,2016:

	Balance June 30, 2015	Prior period Adjustments	Reclassifications	Balance June 30, 2015 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2016
Nondepreciable capital assets:								
Construction work in progress (CWIP)	227,438	—	—	227,438	537,746	(4,050)	(761,134)	—
Total nondepreciable capital assets	227,438	—	0	227,438	537,746	(4,050)	(761,134)	—
Depreciable/amortizable capital assets:								
Buildings and building improvements	115,256,664	—	13,679	115,270,343	—	(13,680)	—	\$ 115,256,663
Improvements, other than buildings	715,706	—	—	715,706	—	—	—	715,706
Personal property:								
Equipment	16,334,278	—	—	16,334,278	1,682,059	(10,301)	761,134	18,767,170
Intangible assets	40,000	—	—	40,000	—	—	—	40,000
Total depreciable capital assets	132,346,648	0	13,679	132,360,327	1,682,059	(23,981)	761,134	134,779,539
Total cost	132,574,086	—	13,679	132,587,765	2,219,805	(28,031)	—	134,779,539
Less accumulated depreciation:								
Buildings and building improvements	(38,280,886)	—	(13,679)	(38,294,565)	(3,142,762)	—	—	(41,437,327)
Improvements, other than buildings	(1,084)	—	—	(1,084)	(13,013)	—	—	(14,097)
Personal property:								
Equipment	(11,448,982)	—	—	(11,448,982)	(1,208,320)	10,301	—	(12,647,001)
Intangible assets:								
Franchise Fees	(31,000)	—	—	(31,000)	(3,000)	—	—	(34,000)
Unamortized buyout	—	—	—	—	—	—	—	—
Total accumulated depreciation/amortization	(49,761,952)	—	(13,679)	(49,775,631)	(4,367,095)	10,301	—	(54,132,425)
Total capital assets, net	\$ 82,812,134	\$ —	\$ —	\$ 82,812,134	\$ (2,147,290)	\$ (17,730)	\$ —	\$ 80,647,114

See accompanying independent auditor's report.

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.
Other Information
June 30, 2016
(for inclusion in the California State University)

Detail of Depreciation and Amortization Expense for the Year Ended June 30, 2016:

Depreciation and amortization expense related to capital assets	\$ 4,367,095
Amortization expense related to other assets	<u>—</u>
Total depreciation and amortization	<u>\$ 4,367,095</u>

4 Long-term liabilities activity schedule:

	Balance June 30, 2015	Prior period adjustments	Reclassifications	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Current portion	Long-term portion
Accrued compensated absences	\$ 362,775	\$ —	\$ —	\$ 362,775	\$ 238,012	\$ (251,703)	\$ 349,084	\$ 25,000	\$ 324,084
Capitalized lease obligations:									
Gross balance	60,840,000	—	—	60,840,000	51,080,000	(60,840,000)	51,080,000	4,215,000	46,865,000
Unamortized premium / (discount) on capitalized lease obligations	—	—	—	—	6,420,075	(58,036)	6,362,039	—	6,362,039
Total capitalized lease obligations	<u>60,840,000</u>	<u>—</u>	<u>—</u>	<u>60,840,000</u>	<u>57,500,075</u>	<u>(60,898,036)</u>	<u>57,442,039</u>	<u>4,215,000</u>	<u>53,227,039</u>
Long-term debt obligations:									
Revenue bonds	—	—	—	—	—	—	—	—	—
Commercial paper	—	—	—	—	—	—	—	—	—
Note payable related to SRB	4,655,000	—	—	4,655,000	—	(375,000)	4,280,000	390,000	3,890,000
Total long-term debt obligations	<u>4,655,000</u>	<u>—</u>	<u>—</u>	<u>4,655,000</u>	<u>—</u>	<u>(375,000)</u>	<u>4,280,000</u>	<u>390,000</u>	<u>3,890,000</u>
Unamortized bond premium / (discount)	698,714	—	—	698,714	—	(52,425)	646,289	—	646,289
Unamortized loss on refunding	—	—	—	—	—	—	—	—	—
Total long-term debt obligations, net	<u>5,353,714</u>	<u>—</u>	<u>—</u>	<u>5,353,714</u>	<u>—</u>	<u>(427,425)</u>	<u>4,926,289</u>	<u>390,000</u>	<u>4,536,289</u>
Total long-term liabilities	<u>\$ 66,556,489</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 66,556,489</u>	<u>\$ 57,738,087</u>	<u>\$ (61,577,164)</u>	<u>\$ 62,717,412</u>	<u>\$ 4,630,000</u>	<u>\$ 58,087,412</u>

5 Future minimum lease payments:

	Capitalized lease obligations related to SRB			All other capitalized lease obligations			Total		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
Year ending June 30:									
2017	\$ 4,215,000	\$ 3,667,749	\$ 7,882,749	—	—	—	\$ 4,215,000	\$ 3,667,749	\$ 7,882,749
2018	1,820,000	2,026,450	3,846,450	—	—	—	1,820,000	2,026,450	3,846,450
2019	1,855,000	1,950,550	3,805,550	—	—	—	1,855,000	1,950,550	3,805,550
2020	1,965,000	1,864,675	3,829,675	—	—	—	1,965,000	1,864,675	3,829,675
2021	1,990,000	1,793,125	3,783,125	—	—	—	1,990,000	1,793,125	3,783,125
2022-2026	19,790,000	6,614,925	26,404,925	—	—	—	19,790,000	6,614,925	26,404,925
2027-2031	13,215,000	2,774,890	15,989,890	—	—	—	13,215,000	2,774,890	15,989,890
2032	6,230,000	155,750	6,385,750	—	—	—	6,230,000	155,750	6,385,750
Total minimum lease payments									71,928,114
Less amounts representing interest									(20,848,114)
Present value of future minimum lease payments									51,080,000
Unamortized net premium (discount)									6,362,039
Total capitalized lease obligations									57,442,039
Less: current portion									(4,215,000)
Capitalized lease obligation, net of current portion									<u>\$ 53,227,039</u>

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.

Other Information

June 30, 2016

(for inclusion in the California State University)

6 Long-term debt obligation schedule

Year ending June 30:	Auxiliary revenue bonds		All other long-term debt obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ —	\$ —	\$ 390,000	\$ 194,588	\$ 390,000	\$ 194,588
2018	—	—	410,000	176,237	410,000	176,237
2019	—	—	430,000	157,788	430,000	157,788
2020	—	—	450,000	138,337	450,000	138,337
2021	—	—	470,000	116,238	470,000	116,238
2022-2025	—	—	2,130,000	218,156	2,130,000	218,156
Total minimum payments				2,348,156		2,348,156
Less amounts representing interest				(1,001,344)		(1,001,344)
Present value of future minimum payments				4,280,000		4,280,000
Unamortized net premium (discount)				646,289		646,289
Total long-term debt obligations				4,976,289		4,976,289
Less: current portion				(390,000)		(390,000)
Long-term debt obligations, net of current portion				4,586,289		4,586,289

7 Calculation of net position

7.1 Calculation of net position - net investment in capital assets

	Auxiliary Organizations		Total	
	GASB	FASB	Auxiliaries	
Capital assets, net of accumulated depreciation	\$ —	\$ 80,647,114	\$ 80,647,114	
Capitalized lease obligations - current portion	—	(4,215,000)	(4,215,000)	
Capitalized lease obligations, net of current portion	—	(53,227,039)	(53,227,039)	
Long-term debt obligations - current portion	—	(390,000)	(390,000)	
Long-term debt obligations, net of current portion	—	(4,536,289)	(4,536,289)	
Portion of outstanding debt that is unspent at year-end	—	—	—	
Other:				
(description)	—	—	—	
(description)	—	—	—	
(description)	—	—	—	
(description)	—	—	—	
Net position - net investment in capital asset	\$ —	\$ 18,278,786	\$ 18,278,786	

8 Transactions with Related Entities

	Amount
Reimbursements to University for salaries of University personnel working on contracts, grants, and other programs	\$ 119,055
Reimbursements to University for other than salaries of University personnel	1,192,008
Payments received from University for services, space, and programs	832,027
Gifts-in-kind to the University from discretely presented component units	105,915
Amounts (payable to) University (enter as negative number)	(449,638)
Amounts receivable from University	40,639

9 Other Postemployment Benefits Obligation (OPEB)

Annual required contribution (ARC)	\$ 709,687
Contributions during the year	(511,421)
Increase (decrease) in net OPEB obligation (NOO)	198,266
NOO - beginning of year	871,098
NOO - end of year	\$ 1,069,364

10 Pollution remediation liabilities under GASB Statement No. 49

Not applicable