

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

**2021-22
Annual Report**

**Approved by the Board of Directors
October 11, 2022**

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.
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CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.
CORPORATE INFORMATION
For Fiscal Year Ended June 30, 2022

BOARD OF DIRECTORS

Ms. Deborah S. Adishian-Astone	Vice President for Administration/CFO
Dr. Michael Botwin	Academic Senate
Dr. Carolyn Coon	Interim Vice President for Student Affairs and Enrollment Management
Vacant	Associate Vice President of Student Affairs
Dr. Raymond Hall	Chair, Academic Senate
Dr. Xuanning Fu	Provost and Vice President of Academic Affairs
Mr. R. Gary Renner (thru 10/19/21)	Community Member
Vacant	Community Member
Ms. D'Aungillique Jackson	President, Associated Students California State University, Fresno
Ms. Breanna Aguilar (thru 9/7/21)	Executive Vice President, Associated Students California State University, Fresno
Jose Medina III (9/22/21-1/21/22)	Executive Vice President, Associated Students California State University, Fresno
Ms. Ashley Bermudez (thru 12/31/22)	Chair, University Student Union Board of Directors
Ms. Jazmyne Barron (began 1/1/22)	Chair, University Student Union Board of Directors

OFFICERS

Ms. Deborah S. Adishian-Astone	Chair
Dr. Carolyn Coon	Vice Chair
Dr. Xuanning Fu	Secretary/Treasurer

AUDIT COMMITTEE

Mr. R. Gary Renner (thru 10/19/21)	Chair, Community Member
Mr. Marshall Kelley	Vice-Chair, Community Member
Dr. Michael Botwin	Community Member
Dr. Raymond Hall	By virtue of position

EXECUTIVE STAFF

Ms. Deborah S. Adishian-Astone	Executive Director
Ms. Nicole Lane	Associate Executive Director

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 570 N. Magnolia Ave. Suite 100 Clovis, California 93611 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

Report on the Audit of the Financial Statements

Opinion

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, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of California State University, Fresno Association, Inc. as of June 30, 2022, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion,

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forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited the Association's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 13, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Additional Information for California State University, Fresno is presented 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2022, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.



Clovis, California
September 12, 2022

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021

ASSETS	2021 TOTAL	2022 TOTAL	SAVE MART CENTER	COMMERCIAL OPERATIONS	STUDENT HOUSING	STUDENT UNION/REC CENTER
Current Assets:						
Cash and Cash Equivalents:						
On-Hand and in Commercial Accounts	\$ 1,590,155	\$ 2,350,064	\$ (1,406,572)	\$ 1,784,034	\$ 1,670,126	\$ 302,476
Savings Accounts	23,462,459	23,507,948	(14,070,098)	17,845,893	16,706,449	3,025,704
Total Cash and Cash Equivalents (Note 4)	25,052,614	25,858,012	(15,476,670)	19,629,927	18,376,575	3,328,180
Pledges Receivable-Save Mart Center (Note 5)	2,848,860	2,620,534	2,620,534	-	-	-
Accounts Receivable (Note 2)	2,162,683	2,335,271	191,313	1,598,620	504,976	40,362
Allowance for Doubtful Accounts	(72,868)	(76,368)	-	(35,268)	(41,100)	-
Inventories (Note 2)	70,213	119,893	-	111,107	180	8,606
Prepaid Expenses (Note 2)	120,113	167,296	-	137,007	8,316	21,973
Total Current Assets	30,181,615	31,024,638	(12,664,823)	21,441,393	18,848,947	3,399,121
Long-Term Assets:						
Pledges Receivable-Save Mart Center (Note 5)	6,450,758	4,803,707	4,803,707	-	-	-
Investments (Note 6)	14,554,232	12,986,187	-	12,986,187	-	-
Total Long-Term Assets	21,004,990	17,789,894	4,803,707	12,986,187	-	-
Fixed Assets: (Note 2)						
Buildings and Improvements	114,224,825	114,159,996	100,178,782	2,012,451	11,968,763	-
Land Development Costs	715,706	715,706	715,706	-	-	-
Equipment, Furniture and Fixtures	22,078,081	22,620,722	6,503,252	5,708,420	7,887,520	2,521,530
Intangible Assets	75,000	140,000	-	140,000	-	-
Construction in Progress	742,802	1,366,095	-	708,674	427,946	229,475
Total Fixed Assets	137,836,414	139,002,519	107,397,740	8,569,545	20,284,229	2,751,005
Less Accumulated Depreciation	(75,243,351)	(78,973,324)	(54,032,356)	(6,937,660)	(15,989,544)	(2,013,764)
Total Fixed Assets, Net	62,593,063	60,029,195	53,365,384	1,631,885	4,294,685	737,241
TOTAL ASSETS	\$ 113,779,668	\$ 108,843,727	\$ 45,504,268	\$ 36,059,465	\$ 23,143,632	\$ 4,136,362

See Independent Auditor's Report and Notes to the Financial Statements

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021

LIABILITIES AND NET ASSETS	2021 TOTAL	2022 TOTAL	SAVE MART CENTER	COMMERCIAL OPERATIONS	STUDENT HOUSING	STUDENT UNION/REC CENTER
Liabilities:						
Current Liabilities:						
Accounts Payable & Other Accrued Liabilities	\$ 4,062,799	\$ 3,449,356	\$ 274,048	\$ 1,894,122	\$ 627,730	\$ 653,456
Notes Payable	545,000	550,000	-	-	550,000	-
Deferred Revenue	400,662	733,904	286,527	14,990	412,164	20,223
Interest Payable	8,389	1,516,741	1,512,368	-	4,373	-
Capital Lease Obligations	-	6,261,550	6,261,550	-	-	-
Agency Funds	31,918	40,623	12,520	-	28,103	-
Total Current Liabilities	5,048,768	12,552,174	8,347,013	1,909,112	1,622,370	673,679
Long-Term Liabilities:						
SBA PPP Loan (Note 8)	1,272,900	-	-	-	-	-
Deferred Revenue	610,790	-	-	-	-	-
Interest Payable	1,529,843	-	-	-	-	-
Other Post Employment Benefit Obligation (Note 13)	5,865,888	5,762,142	-	4,717,253	125,781	919,108
Notes Payable, net of Debt Issuance Costs (Note 8)	1,650,104	1,107,552	-	-	1,107,552	-
Capital Lease Obligations, net of Debt Issuance Costs (Note 9)	46,078,893	36,865,642	36,865,642	-	-	-
Total Long-Term Liabilities	57,008,418	43,735,336	36,865,642	4,717,253	1,233,333	919,108
TOTAL LIABILITIES	62,057,186	56,287,510	45,212,655	6,626,365	2,855,703	1,592,787
NET ASSETS:						
With Donor Restrictions	7,985,483	5,744,969	5,744,969	-	-	-
Without Donor Restrictions	43,736,999	46,811,248	(5,453,356)	29,433,100	20,287,929	2,543,575
Total Net Assets	51,722,482	52,556,217	291,613	29,433,100	20,287,929	2,543,575
TOTAL LIABILITIES AND NET ASSETS	\$ 113,779,668	\$ 108,843,727	\$ 45,504,268	\$ 36,059,465	\$ 23,143,632	\$ 4,136,362

See Independent Auditor's Report and Notes to the Financial Statements

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022 WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021

	2021 TOTAL	2022 TOTAL	INTRAFUND ELIMINATIONS	SAVE MART CENTER	COMMERCIAL OPERATIONS				STUDENT HOUSING	STUDENT FEE OPERATIONS		
					BOOKSTORE	DINING SERVICES	ADMIN	TOTAL		REC CENTER	STUDENT UNION	TOTAL
Operating Activities												
Changes in Net Assets Without Donor Restrictions												
Revenues and Other Support												
Gross Sales	\$ 8,510,166	\$ 22,715,676	\$ (1,210,000)	\$ 2,240,873	\$ 578,326	\$ 8,056,065	\$ 1,950,168	\$ 10,584,559	\$ 6,770,565	\$ 1,536,108	\$ 2,793,571	\$ 4,329,679
Contributions	1,099,315	507,498	-	492,293	-	-	-	-	-	15,205	-	15,205
SBA PPP Federal Subsidy	45,273	1,272,900	-	-	212,200	512,095	330,337	1,054,632	218,268	-	-	-
Other Income	873,637	854,449	-	800,346	965	2,045	12,017	15,027	24,093	4,333	10,650	14,983
Total Revenues and Other Support Without Donor Restrictions	10,528,391	25,350,523	(1,210,000)	3,533,512	791,491	8,570,205	2,292,522	11,654,218	7,012,926	1,555,646	2,804,221	4,359,867
Net Assets Released from Restrictions	702,285	2,308,103	-	2,308,103	-	-	-	-	-	-	-	-
Total Revenues and Other Support Without Donor Restrictions	11,230,676	27,658,626	(1,210,000)	5,841,615	791,491	8,570,205	2,292,522	11,654,218	7,012,926	1,555,646	2,804,221	4,359,867
Expenses												
Cost of Goods Sold	516,598	2,430,300	-	-	-	2,419,771	2,550	2,422,321	-	7,979	-	7,979
Salaries/Wages	2,919,269	5,215,409	-	-	-	2,065,161	972,170	3,037,331	757,767	480,053	940,258	1,420,311
Employee Benefits	2,661,397	2,057,378	-	-	138,628	457,750	702,606	1,298,984	216,419	206,755	335,220	541,975
Administration-Food Services	833,651	569,748	(300,000)	-	-	869,748	-	869,748	-	-	-	-
Advances to SMG	2,858,103	642,058	-	642,058	-	-	-	-	-	-	-	-
Advertising/Printing	16,257	64,040	-	-	-	10,313	-	10,313	46,545	7,030	152	7,182
Athletic Corporation Entitlements	331,283	106,348	-	106,348	-	-	-	-	-	-	-	-
Audit/Legal Expense	32,626	415,651	-	-	-	-	415,651	415,651	-	-	-	-
Bad Debt Expense	597,934	848,766	-	752,355	-	38,564	-	38,564	57,847	-	-	-
Bank Charges	10,554	59,878	-	-	-	46,761	13,117	59,878	-	-	-	-
Chancellor's Office Fee	18,023	18,784	-	-	-	-	18,784	18,784	-	-	-	-
Computer Supplies/Expense	134,608	173,348	-	-	1,827	10,528	75,782	88,137	68,434	12,870	3,907	16,777
Consulting	5,909	13,396	-	-	-	-	13,396	13,396	-	-	-	-
Contract Services	479,048	1,056,394	-	-	-	53,476	-	53,476	940,883	62,035	-	62,035
Credit Card Fees	16,145	32,288	-	3,525	-	22,111	-	22,111	3,524	1,402	1,726	3,128
Depreciation/Amortization	4,290,068	4,078,434	-	2,804,318	13,821	195,903	83,297	293,021	836,760	38,200	106,135	144,335
Dues/Memberships/Subscriptions	15,633	18,852	-	-	-	-	7,487	7,487	1,255	1,926	8,184	10,110
Employee Awards/Development	8,098	32,581	-	-	-	-	32,581	32,581	-	-	-	-
Employee Recruitment	2,972	12,245	-	-	-	5,698	3,119	8,817	1,550	269	1,609	1,878
Equipment Purchased	26,209	12,995	-	-	-	-	-	-	-	7,476	5,519	12,995
Housing Incentives	3,755	-	-	-	-	-	-	-	-	-	-	-
Insurance	421,443	543,221	-	349,735	20,233	-	14,282	34,515	135,848	5,781	17,342	23,123
Janitorial/Sanitation	39,979	137,864	-	-	-	93,650	-	93,650	31,402	12,812	-	12,812
Laundry	13,359	68,970	-	-	-	48,326	-	48,326	19,966	678	-	678
Licenses/Permits/Fees	139,001	148,383	-	233	680	15,828	129,654	146,162	680	-	1,308	1,308
Management Services Fee	-	-	(610,000)	-	80,000	-	-	80,000	150,000	80,000	300,000	380,000
Miscellaneous	25,429	84,150	-	-	59	29,304	6,851	36,214	42,342	3,075	2,519	5,594
Non-Student Tax	441	6,367	-	-	-	6,367	-	6,367	-	-	-	-
Office Supplies	37,550	93,299	-	-	-	11,875	26,178	38,053	42,291	1,350	11,605	12,955
Paper Supplies	84,782	172,425	-	-	-	119,738	-	119,738	33,716	-	18,971	18,971
Possessory Interest Tax	190,767	189,806	-	189,806	-	-	-	-	-	-	-	-
Postage/Freight	16,076	26,355	-	-	13	13,347	11,808	25,168	841	-	346	346
Rent/Rental	25,914	58,591	-	-	-	19,384	11,335	30,719	18,186	9,686	-	9,686
Repairs/Maintenance	461,001	773,788	-	-	22,846	150,684	30,714	204,244	407,775	26,506	135,263	161,769
Resident Advisor Meals	109,972	215,968	-	-	-	115,246	-	115,246	100,722	-	-	-
Royalties	787	111,337	-	-	-	111,337	-	111,337	-	-	-	-
Save Mart Seat Licenses	-	-	(300,000)	-	-	-	-	-	-	-	300,000	300,000
Security Services	12,210	23,732	-	-	-	725	22,886	23,611	-	-	121	121

See Independent Auditor's Report and Notes to the Financial Statements

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022 WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021

	2021 TOTAL	2022 TOTAL	INTRAFUND ELIMINATIONS	SAVE MART CENTER	COMMERCIAL OPERATIONS				STUDENT HOUSING	STUDENT FEE OPERATIONS		
					BOOKSTORE	DINING SERVICES	ADMIN	TOTAL		REC CENTER	STUDENT UNION	TOTAL
Smallwares	27,886	92,657	-	-	-	50,631	-	50,631	42,026	-	-	-
Student Programs	85,088	120,364	-	-	-	-	-	-	-	294	120,070	120,364
Telephone/Communications	43,511	50,484	-	-	4,266	3,596	6,197	14,059	25,743	5,274	5,408	10,682
Travel/Training	19,928	45,619	-	-	-	4,645	2,471	7,116	29,058	853	8,592	9,445
University Donations	2,871	2,019,829	-	6,678	-	13,151	-	13,151	-	-	2,000,000	2,000,000
USU Co-Sponsorships	-	50,439	-	-	-	-	-	-	-	-	50,439	50,439
Utilities	1,047,499	1,229,810	-	-	96,852	145,161	18,803	260,816	333,248	419,360	216,386	635,746
Warehouse Expense	(3,184)	8,849	-	-	-	8,849	-	8,849	-	-	-	-
Wilkinson Group Fee	-	242,000	-	242,000	-	-	-	-	-	-	-	-
Total Expenses	18,580,450	24,373,200	(1,210,000)	5,097,056	379,225	7,157,628	2,621,719	10,158,572	4,344,828	1,391,664	4,591,080	5,982,744
Change in Net Assets from Operations	(7,349,774)	3,285,426	-	744,559	412,266	1,412,577	(329,197)	1,495,646	2,668,098	163,982	(1,786,859)	(1,622,877)
Nonoperating Revenues (Expenses)												
Interest and Dividend Income	403,077	413,795	-	144,591	-	-	269,204	269,204	-	-	-	-
Investment Return, Net	2,169,117	(1,909,585)	-	(305,706)	-	-	(1,603,879)	(1,603,879)	-	-	-	-
Extinguishment of Capital and Bond Obligations	2,170,119	2,363,747	-	2,363,747	-	-	-	-	-	-	-	-
Bond Expenses	(18,842)	(18,842)	-	(11,394)	-	-	-	-	(7,448)	-	-	-
Capital Lease Expense	(904,608)	(1,025,781)	-	(1,025,781)	-	-	-	-	-	-	-	-
Interest Expense	(61,366)	(34,511)	-	-	-	-	(243)	(243)	(34,268)	-	-	-
Total Nonoperating Activities	3,757,497	(211,177)	-	1,165,457	-	-	(1,334,918)	(1,334,918)	(41,716)	-	-	-
Increase (Decrease) in Net Assets Without Donor Restrictions	(3,592,277)	3,074,249	-	1,910,016	412,266	1,412,577	(1,664,115)	160,728	2,626,382	163,982	(1,786,859)	(1,622,877)
Change in Net Assets With Donor Restrictions												
Revenues and Other Support:												
Contributions	285,213	67,589	-	67,589	-	-	-	-	-	-	-	-
Net Assets Released from Restrictions	(702,285)	(2,308,103)	-	(2,308,103)	-	-	-	-	-	-	-	-
Increase (Decrease) in Net Assets With Donor Restrictions	(417,072)	(2,240,514)	-	(2,240,514)	-	-	-	-	-	-	-	-
Total Increase (Decrease) in Net Assets	(4,009,349)	833,735	-	(330,498)	412,266	1,412,577	(1,664,115)	160,728	2,626,382	163,982	(1,786,859)	(1,622,877)
Net Assets, Beginning of Year	55,731,831	51,722,482	-	622,111				29,272,372	17,661,547			4,166,452
Net Assets, End of Year	\$ 51,722,482	\$ 52,556,217	\$ -	\$ 291,613				\$ 29,433,100	\$ 20,287,929			\$ 2,543,575

See Independent Auditor's Report and Notes to the Financial Statements

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	TOTAL	
	2022	2021
Cash Flows From Operating Activities		
Increase/(Decrease) in Net Assets	\$ 833,735	\$ (4,009,349)
Adjustments to Reconcile Increase/(Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Realized and Unrealized (Gain) Loss on Investments	1,852,200	(2,223,227)
Depreciation	4,078,434	4,290,068
Amortization	(668,094)	-
Gain on Disposal of Fixed Assets	-	(22,500)
Provision for Doubtful Accounts	848,766	597,934
Extinguishment of Capital Obligations	(2,363,747)	(2,170,119)
Changes in:		
Accounts Receivable	(265,499)	311,989
Pledges Receivable-Save Mart Center	1,123,022	96,003
Inventories	(49,680)	52,311
Prepaid Expenses and Deferred Charges	(47,185)	128,865
Accounts Payable and Other Accrued Liabilities	(709,741)	1,973,324
Deferred Revenue	(1,550,448)	(147,131)
Interest Payable on Capital Lease Obligations & Bond Obligations	999,599	(239,819)
Agency Funds	8,705	5,052
Net Cash Provided by (Used in) Operating Activities	4,090,067	(1,356,599)
Cash Flows From Investing Activities		
Investment Income Reinvested	(284,153)	(239,263)
Proceeds from Sale of Fixed Assets	-	23,500
Acquisition of Fixed Assets	(1,514,566)	(995,583)
Net Cash Provided by (Used in) Investing Activities	(1,798,719)	(1,211,346)
Cash Flows from Financing Activities		
Proceeds on Borrowings (SBA PPP)	-	1,272,900
Principal Payments on Notes	(545,000)	-
Principal Payments on Capital Lease Obligations	(940,950)	-
Net Cash Provided by (Used in) Financing Activities	(1,485,950)	1,272,900
Net Increase (Decrease) in Cash	805,398	(1,295,045)
Cash and Cash Equivalents, Beginning of Year	25,052,614	26,347,659
Cash and Cash Equivalents, End of Year	\$25,858,012	\$25,052,614
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Year for Interest	\$ 739,937	\$ 1,217,253
Noncash Financing Activities:		
Capital Lease Modification	\$ -	\$ 2,333,450

See Independent Auditor's Report and Notes to the Financial Statements

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 – GENERAL INFORMATION

The California State University, Fresno Association, Inc. (the Association) administers and manages the commercial activities for California State University, Fresno including the Save Mart Center, Kennel Bookstore, University Dining Services, Student 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.

The California State University, Fresno Association, Inc. 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 is a tax-exempt corporation under section 501(c)(3) of the Internal Revenue Code.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Association have been prepared in accordance with US generally accepted accounting principles (US GAAP), which require the Association to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Association. These net assets may be used at the discretion of the Association’s management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Basis of Accounting

Basis of accounting refers to the timing of when various financial transactions are recognized in the accounts and reported in the financial statements. The accounting records of the Association are maintained using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when goods or services are received.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Association's ongoing commercial and management services and other miscellaneous income. Nonoperating activities are limited to resources that are considered to be of a more unusual or nonrecurring nature such as return on investments, interest/dividends and debt interest expense.

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 net assets with or without donor restrictions based on the absence or existence and type of donor-imposed restrictions.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposit accounts and money market funds with financial institutions. The Association considers all highly liquid investments with maturities of three months or less, when purchased, to be cash equivalents. At June 30, 2022 and 2021, cash and equivalents included \$12,067,456 and \$9,087,087, respectively, held in a commercial bank of which \$250,000 was insured by the Federal Deposit Insurance Corporation (FDIC).

Concentrations of Credit Risk

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash and cash equivalents. The Association maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The Association's cash and cash equivalent accounts have been placed with high credit quality financial institutions. The Association has not experienced, nor does it anticipate, any losses with respect to such accounts.

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 gross sales and 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 suite holders are required to pay their suite lease in advance. If necessary, tickets and other entitlements are withheld if payment is due.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract Receivables

Contract receivables are recorded when invoices are issued and are presented in the Statement of Financial Position. 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 \$76,368 and \$72,868 have been established as of June 30, 2022 and 2021, respectively.

Inventories

The Association's inventory consists of goods held for resale in University Dining Services, University Student Union, and Student Housing, and are valued at the lower of cost or market determined by the first-in, first-out (FIFO) method.

Prepaid Expenses

Prepaid expenses are comprised of information technology maintenance and other prepaid maintenance pertaining to future periods.

Investments

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

Fair Value of Financial Instruments

US 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.

Fixed Assets

Fixed assets are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets or the lease term. The useful lives range from 3 to 55 years. The Association's policy is to capitalize renewals and betterments acquired for greater than \$5,000 and expense normal repairs and maintenance as incurred. Fully depreciated assets, which have economic value, are retained on the books although fully depreciated.

In connection with University Dining Services provided on campus, the Association has paid franchise fees to Subway, Starbucks, Taco Bell, and The Habit 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Defined Benefit Pension Plan

As described in Note 12, 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 the actuarial valuation report as of June 30, 2019.

Deferred Revenue

Income from the University, Student Housing (rent and summer conferences), and Campus Pointe are deferred and recognized over the periods to which activities relate.

Revenue Recognition

The Association recognizes revenue principally from commercial operations, including the operation of a bookstore, campus dining service, student housing program, student recreation center and student union. The Association also administers and manages the Save Mart Center, a multi-purpose sports and entertainment venue hosting events and performances. The Association's gross sales revenue is recognized based on consideration specified in a contract with a customer upon completion of performance obligations. The Association recognizes revenue from performance obligations when it satisfies the obligation by transferring control over products or services to a customer at a point in time when the product has been delivered or when the service has been fully performed. The payment terms vary depending on the nature of the performance obligations and can be recognized at the point of sale or over time.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The Association had net assets with donor restrictions of \$5,744,969 and \$7,985,483 for the years ended June 30, 2022 and 2021, respectively.

Contributed fixed assets are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Advertising Costs

Advertising costs are expensed as incurred and totaled \$64,040 and \$16,257 for the years ended June 30, 2022 and 2021, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in Note 17 – Expenses by Natural/Functional Classification. Accordingly, certain costs have been allocated among programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

Use of Estimates

The preparation of financial statements in conformity with US 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.

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.

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 US GAAP. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

NOTE 3 – AVAILABILITY AND LIQUIDITY

The following represents The Association's financial assets at June 30, 2022 and 2021:

Financial assets at year end:	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 25,858,012	\$ 25,052,614
Accounts receivable, net	2,258,903	2,089,815
Pledges receivable	2,620,534	2,848,860
Investments	<u>12,986,187</u>	<u>14,554,232</u>
Total financial assets	43,723,636	44,545,521
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(5,828,457)	(7,985,483)
Less net assets with purpose restrictions to be met in less than one year	<u>-</u>	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 37,895,179</u>	<u>\$ 36,560,038</u>

See Independent Auditor's Report

NOTE 3 – AVAILABILITY AND LIQUIDITY (Continued)

The Association’s reserve policy for commercial operations is generally to maintain financial assets to meet 20% of budgeted operating expenses for next fiscal year, net of depreciation or \$4,000,000, whichever is greater. The minimum requirement is \$4,000,000 for both fiscal years 2022 and 2021.

The Association’s reserve policy for student housing operations is generally to maintain financial assets to meet 20% of budgeted operating expenses for next fiscal year, net of depreciation, whichever is greater. The minimum requirement is \$776,165 and \$686,269 for fiscal years 2022 and 2021, respectively.

The Association’s reserve policy for University Student Union and Student Recreation Center is to maintain financial assets to meet 35% of operating expenses for the current fiscal year, less capital equipment purchases, plus 100% of budgeted capital expenses. The minimum requirement for the University Student Union is \$1,917,275 and \$766,842 for fiscal years 2022 and 2021, respectively. The minimum requirement for the Student Recreation Center is \$500,266 and \$249,088 for fiscal years 2022 and 2021, respectively. In addition, the University Student Union and Student Recreation Center also have reserves on deposit with the University in a state trust account.

As part of its liquidity plan, excess cash is invested in short-term investments including money market and State of California Local Agency Investment Fund (LAIF) accounts. The Association also has excess funds invested in long-term, highly liquid funds. The Association also has accounts receivable and pledges receivable that are available to meet funding requirements.

The Association’s financial assets available to meet the general expenditures over the next twelve months is more than adequate to meet financial obligations.

NOTE 4 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30 consisted of the following:

	<u>2022</u>	<u>2021</u>
Deposits:		
Cash on hand and in banks	\$ 10,120,274	\$ 9,358,693
Pooled Funds:		
Cash in State of California Local Agency Investment Fund	<u>15,737,738</u>	<u>15,693,921</u>
Total	<u>\$ 25,858,012</u>	<u>\$ 25,052,614</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.

NOTE 4 – CASH AND CASH EQUIVALENTS (Continued)

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.”

NOTE 5 – PLEDGES RECEIVABLE-SAVE MART CENTER

Included in “Pledges Receivable” are the following unconditional promises to give at June 30:

	<u>2022</u>	<u>2021</u>
Unconditional Promises to Give Before		
Unamortized Discount	\$ 8,527,785	\$ 10,964,925
Less: Unamortized Discount	<u>(1,103,544)</u>	<u>(1,665,307)</u>
Net Unconditional Promises to Give	<u>\$ 7,424,241</u>	<u>\$ 9,299,618</u>
Amounts Due in:		
One Year	\$ 2,625,533	\$ 2,848,864
Two to Five Years	4,688,045	6,274,037
More Than Five Years	<u>110,663</u>	<u>176,717</u>
Total	<u>\$ 7,424,241</u>	<u>\$ 9,299,618</u>

The discount rate used to calculate the present value of promises to give is 7% for 2022 and 2021.

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NOTE 6 – INVESTMENTS

Long-Term investments at June 30, 2022 consist of the following:

Long-term investments	Total
Long-term investments at beginning of year	\$ 14,554,232
Additions	-
Amounts withdrawn	(10,935)
Return on investments (net of investment fees of \$46,452):	
Dividends and interest	295,088
Net unrealized and realized gains (losses)	(1,852,198)
Total return on investments	<u>(1,557,110)</u>
Long-term investments at end of year	\$ 12,986,187

Long-Term investments at June 30, 2021 consist of the following:

Long-term investments	Total
Long-term investments at beginning of year	\$ 12,091,742
Additions	-
Amounts withdrawn	(12,714)
Return on investments (net of investment fees of \$41,396):	
Dividends and interest	251,977
Net unrealized and realized gains (losses)	2,223,227
Total return on investments	<u>2,475,204</u>
Long-term investments at end of year	\$ 14,554,232

Long-Term investments at fair value consist of the following at June 30:

Long-term investments	2022	2021
Corporate Bonds	\$ 2,409,006	\$ 2,267,778
Common fund	3,621,414	4,198,616
Mutual funds	4,001,439	4,621,775
Money Market funds	12,512	15,755
U.S. agency securities	430,801	650,254
U.S. treasury securities	1,268,458	1,384,093
Equity securities	<u>1,242,557</u>	<u>1,415,961</u>
Total long-term investments, at market	\$ 12,986,187	\$ 14,554,232

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NOTE 7 – 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 priority 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 tables below present the balance of assets measured at fair value on a recurring basis at June 30:

<u>2022</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and Cash Equivalents	\$ 25,858,012	\$ 25,858,012	\$ -	\$ -
Pledges Receivable – SMC	7,424,241	-	-	7,424,241
Long-term investments:				
Corporate Bonds	2,409,006	2,409,006	-	-
Multi strategy equity fund	3,621,414	-	3,621,414	-
Mutual funds	4,001,439	4,001,439	-	-
Money Market funds	12,512	12,512	-	-
U.S. agency securities	430,801	-	430,801	-
U.S. treasury securities	1,268,458	1,268,458	-	-
Equity securities	1,242,557	1,242,557	-	-
Total long-term investments	\$ 12,986,187	8,933,972	4,052,215	-
Total	\$ 46,268,440	\$ 34,791,984	4,052,215	\$ 7,424,241

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NOTE 7 – FAIR VALUE MEASUREMENTS (Continued)

2021	Fair Value	Level 1	Level 2	Level 3
Cash and Cash Equivalents	\$ 25,052,614	\$ 25,052,614	\$ -	\$ -
Pledges Receivable – SMC	9,299,618	-	-	9,299,618
Long-term investments:				
Corporate Bonds	2,267,778	2,267,778	-	-
Multi strategy equity fund	4,198,616	0	4,198,616	-
Mutual funds	4,621,775	4,621,775	-	-
Money Market funds	15,755	15,755	-	-
U.S. agency securities	650,254	-	650,254	-
U.S. treasury securities	1,384,093	1,384,093	-	-
Equity securities	1,415,961	1,415,961	-	-
Total long-term investments	14,554,232	9,705,362	4,848,870	-
Total	\$ 48,906,464	\$ 34,757,976	\$ 4,848,870	\$ 9,299,618

See Note 2 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:	2022	2021
Balance, July 1,	\$ 9,299,618	\$ 9,941,188
New Pledges	872,254	318,000
Pledge payments received	(3,309,398)	(811,790)
Write-off	-	(754,263)
Change in present value discount	561,767	606,483
Balance, June 30,	\$ 7,424,241	\$ 9,299,618

NOTE 8 – NOTES PAYABLE**CSU Systemwide Revenue Bonds (SRB) Series 2020B**

In February 2020, the Association participated in the CSU Systemwide Revenue Bonds (SRB) Series 2020B program to refinance the Student Housing Refunding Revenue Bonds, Series 2011A – refinance of 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 1.64% is payable semi-annually, with principal payments beginning in November 2020. The maturity schedule and interest rates of the outstanding note payable are as follows:

Maturity Date	Principal Amount	Coupon
November 1, 2022	\$ 550,000	1.523%
November 1, 2023	555,000	1.557%
November 1, 2024	560,000	1.646%
	<u>\$ 1,665,000</u>	

See Independent Auditor's Report

NOTE 8 – NOTES PAYABLE (Continued)

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>
2023	\$ 550,000	\$ 22,047	\$ 572,047
2024	555,000	13,538	568,538
2025	560,000	4,609	564,609
	<u>1,665,000</u>	<u>40,194</u>	<u>1,705,194</u>
Unamortized Debt Issuance Costs	<u>(7,448)</u>	<u>-</u>	<u>(7,448)</u>
	<u>\$ 1,657,552</u>	<u>\$ 40,194</u>	<u>\$ 1,697,746</u>

Small Business Administration Paycheck Protection Program

On April 26, 2021, the Association received a second Small Business Administration Paycheck Protection Program (SBA PPP) loan in the amount of \$1,272,900. The loan has a maturity of five years with principal and interest at 1.00% and payable monthly beginning after ten months of the covered period. The Association's covered period ended in October 2021. On March 23, 2022, the Association received full forgiveness of the second PPP loan, as such, the forgiveness amount has been recognized as revenue on the Statement of Activities for the year ended June 30, 2022.

NOTE 9 – 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, the unamortized portions are reported net of the long-term liability on the Statements of Financial Position.

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NOTE 9 – CAPITAL LEASE OBLIGATIONS (Continued)

Year Ending June 30,	Principal	Interest	Total
2023	\$ 6,261,550	\$ 2,788,105	\$ 9,049,655
2024	4,900,000	1,332,787	6,232,787
2025	5,085,000	1,101,475	6,186,475
2026	2,870,000	917,088	3,787,088
2027	3,200,000	771,275	3,971,275
2028	2,405,000	636,950	3,041,950
2029	2,450,000	542,813	2,992,813
Thereafter	<u>11,390,000</u>	<u>979,603</u>	<u>12,369,603</u>
	38,561,550	9,070,096	47,631,646
Unamortized Premium	4,673,887	-	4,673,887
Unamortized Debt Issuance Costs	<u>(100,171)</u>	<u>-</u>	<u>(100,171)</u>
	<u>\$43,135,266</u>	<u>\$9,070,096</u>	<u>\$52,205,362</u>

During the year ended June 30, 2021, the Association amended the terms of the capital lease obligation with the University. The executed memorandum of understanding (MOU) with the University modified the existing terms and conditions of the lease and the timing of certain payments. The University forgave 59% (same percentage used for determination of non-university use of SMC by county tax assessor) of the principal and interest due for fiscal years 2019/20 and 2020/21 due to the closure of and impact to the Save Mart Center caused by the COVID-19 pandemic. The MOU defers payment on any capital lease obligation until June 30, 2023.

As a result of the MOU, the Association was relieved (forgiven) of \$2,333,450 in principal payment obligations and approximately \$1,588,000 of interest payable on the capital lease obligation (for prior years) during the year ended June 30, 2021. Due to the continued impact of the COVID-19 pandemic, the University relieved (forgave) 59% of the Association’s fiscal year 2021/22 principal and interest capital lease payment obligations of \$2,363,747. The Association has recognized this extinguishment of debt on the Statement of Activities.

NOTE 10 – DISAGGREGATION OF REVENUE

In the following table, revenue is disaggregated by timing of satisfaction of performance obligations for the years ended June 30:

	2022	2021
Performance obligations satisfied at a point in time	\$ 5,482,533	\$ 3,358,962
Performance obligations satisfied over time	17,233,143	5,151,204
Total	<u>\$ 22,715,676</u>	<u>\$ 8,510,166</u>

NOTE 10 – DISAGGREGATION OF REVENUE (Continued)

Revenues from performance obligations satisfied at a point in time consist of revenue recognized from bookstore sales, Save Mart Center activities, dining services (excluding student dining hall), student recreation center sales and student union fees. Revenues from performance obligations satisfied over time consist of revenue recognized from management service fees, student housing and dining services and student body fees.

Bookstore Sales – includes commissions earned on the sale of textbooks, student learning materials, merchandise and other items. Revenue is earned at the time such items are purchased.

Save Mart Center – includes premium seating, naming rights, sponsorship/advertising, and ground rent from Campus Pointe. Revenue for premium seating, naming rights, and sponsorship/advertising is earned when such services are rendered or items are purchased. Revenue for ground rents from Campus Pointe is recognized monthly over the term of the lease.

Dining Services – includes housing resident meal plans, retail dining operations, and catering services to support the campus community. Revenue for housing resident meal plans is earned each month these services are used by the student. Revenue for retail dining operations and catering services is earned at the time such services are rendered or items are purchased.

Management Service Fees – the Association provides management and administrative services for other sister Fresno State auxiliary organizations. Revenue is earned as services are rendered throughout the year.

Student Housing – includes housing contracts, summer contracts, summer conference, and summer arts. Summer conference and arts are earned when the services are rendered. Housing contracts are for the entire academic year and summer contracts are for the summer months. Revenue is earned each month these services are used by the student.

University Student Union (Student Body Center - Category II Mandatory Fee) - mandatory student fee to support the debt service and operations of both the Student Union and Student Recreation Center. Revenue is received from the University who collects the fee revenue from the students. The University transfers the approved annual amount of fees needed for operations twice each fiscal year. Both operations also have miscellaneous operating revenues generated by rental of facilities and retail sales that is earned at the time such services are rendered or items are purchased. Student Recreation Center includes a membership fee, which is earned monthly over the term of the contract.

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NOTE 11 – CONTRACT BALANCES

Contract assets include accounts receivable mainly from Save Mart Center activities, bookstore sales, and student housing. Contract liabilities include deferred revenue balances originated from the receipt of customer funds prior to the completion of performance obligations. Contract assets and contract liabilities were as follows for the years ended June 30:

	6/30/2022	6/30/2021	7/1/2020
	Closing	Closing	Opening
	Balance	Balance	Balance
Contract assets:			
Contract receivables	\$ 2,335,271	\$ 2,162,683	\$ 2,526,598
Contract liabilities:			
Deferred revenues	\$ 733,904	\$ 1,011,452	\$ 1,123,810

The following table provides information about significant changes in the significant services paid in advance for the years ended June 30:

	2022	2021
Deferred revenue, beginning of the year	\$ 1,011,452	\$ 1,123,810
Revenue recognized that was included during the period	(712,936)	(112,658)
Increase in deferred revenue due to cash received during the period	435,388	300
Deferred revenue, end of year	\$ 733,904	\$ 1,011,452

NOTE 12 – EMPLOYEE DEFINED BENEFIT PENSION PLAN

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 multi-employer 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 Association 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.

NOTE 12 – EMPLOYEE DEFINED BENEFIT PENSION PLAN (Continued)

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 rate is 6.75% and the employer contribution rate is 7.59%. 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 7.00% of their annual covered salary and the Association currently pays the employee portion of the required contribution (the 7.00%) 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 2021/2022 was 10.88% plus \$823,533 towards the unfunded liability for the Miscellaneous Plan and 7.59% plus \$6,448 towards the unfunded liability 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 multi-employer 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 2021/2022, California State University, Fresno Association, Inc.'s annual pension cost of \$1,064,318 was equal to the Association's required and actual contributions. The total pension cost for both employee and employer contributions was \$1,218,750. The required contribution for fiscal year 2021/2022 was determined as part of the June 30, 2019 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.00% investment rate of return (net of administrative expenses); (b) projected overall payroll growth of 2.75%; (c) inflation factor of 2.50% compounded annually and (d) discount rate of 7.00%.

The actuarial value of California State University, Fresno Association, Inc.'s assets was determined using a technique that smooths the effect of short-term volatility in the market value of investments over a 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, 2019 was 20 years. Based upon the most recent valuation published for the period ending June 30, 2019, the Association did not contribute more than 5% of total contributions to the plan.

NOTE 12 – EMPLOYEE DEFINED BENEFIT PENSION PLAN (Continued)

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/20	\$900,806	100%	\$0
6/30/21	\$950,922	100%	\$0
6/30/22	\$1,064,318	100%	\$0

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%. Beginning in fiscal year 2013, funding history for the miscellaneous risk pools are combined to include the PEPRAs and other MISC risk pools.

Valuation Date	Pooled Accrued Liabilities	Pooled Actuarial Value of Assets	Pooled Unfunded Accrued Liabilities (UAL)	Funded Ratio	Pooled Annual Covered Payroll	UAL as a % of Payroll
6/30/18	\$17,461,594,826	\$13,162,719,111	\$4,298,875,715	75.4%	\$2,359,859,508	182.2%
6/30/19	\$18,394,114,919	\$13,985,117,157	\$4,408,997,762	76.0%	\$2,482,824,265	177.6%
6/30/20	\$19,437,975,961	\$14,709,505,985	\$4,728,469,976	75.70%	\$2,606,753,697	181.4%

NOTE 13 – OTHER POST EMPLOYMENT BENEFIT OBLIGATION

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.

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NOTE 13 – OTHER POST EMPLOYMENT BENEFIT OBLIGATION (Continued)

Following is the information on the plan as of and for the year ended June 30, 2022 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, 2021		\$ 6,467,507
Recognition of components of net periodic post-retirement benefit cost:		
Service cost (benefit)	\$ 76,068	76,068
Interest cost	370,264	303,325
Actuarial (gain) or loss	-	-
Total	<u>\$ 446,332</u>	
Benefit payments		<u>(601,619)</u>
Net Change		<u>(155,287)</u>
June 30, 2022		<u><u>\$ 6,312,220</u></u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

	2022	2021
Current portion	\$ 550,077	\$ 601,619
Long-term portion	<u>5,762,143</u>	<u>5,865,888</u>
	<u>\$ 6,312,220</u>	<u>\$ 6,467,507</u>

The funded status of the plan is the following:

Accrued post-retirement benefit obligation	\$ 6,312,220	\$ 6,467,507
Plan assets	-	-
Unfunded plan obligation	<u>\$ 6,312,220</u>	<u>\$ 6,467,507</u>

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

NOTE 13 – OTHER POST EMPLOYMENT BENEFIT OBLIGATION (Continued)

The following weighted-average assumptions were used in accounting for the post-retirement benefit obligation at June 30:

Year Ended June 30:	
2023	\$ 528,260
2024	531,196
2025	514,851
2026-2030	<u>2,509,731</u>
Total	<u>\$ 4,084,038</u>

NOTE 14 – LEASE COMMITMENTS

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, 2025.
- Use of the University Center, between the Trustees of the CSU, expiring June 30, 2025.
- Use of the University Student Union, between the Trustees of the CSU, expiring June 30, 2023.
- Use of the Residence Dining Facility, between the Trustees of the CSU, expiring June 30, 2023.
- Use of the Warehouse, between the Trustees of the CSU, expiring June 30, 2024.
- Use of southeast corner of second floor of Henry Madden Library (Starbucks store), between the Trustees of the CSU, expiring June 30, 2023.
- Ground lease for Student Housing, between the Trustees of the CSU, expiring February 1, 2025.
- Ground lease for Save Mart Center with the Trustees of the CSU, expiring December 13, 2031.
- Use of SRC, between the Trustees of the CSU, expiring June 30, 2026.
- Ground lease for Campus Pointe with the Trustees of the CSU, expiring June 28, 2096.
- Use of the space at the North Gym for the Paws-N-Go Market, expiring June 30, 2023.
- Use of space at the Kremen Education Building and the Peters Business Building for the Paws-N-Go Market locations, expiring June 30, 2024

The Association has entered into the following operating leases:

- Operating lease with De Lage Landen for Student Housing copier at \$0 per month, expiring March 14, 2026 (only pay for meter usage, not flat lease payment).
- Operating lease with De Lage Landen for Dining Services copier at \$0 per month, expiring March 14, 2026 (only pay for meter usage, not flat lease payment).
- Operating lease with Ray Morgan for Administration Division copier at \$607 per month, expiring December 14, 2025.
- Operating lease with Ray Morgan for Student Recreation Center copier at \$561 per month, expiring March 14, 2026.

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NOTE 14 – LEASE COMMITMENTS (Continued)

Future minimum lease payments on the copiers are as follows:

Year Ended June 30:	
2023	\$ 14,022
2024	14,022
2025	10,378
2026	5,054
Total	<u>\$ 43,476</u>

Rent expense for the years ended June 30, 2022 and 2021 was \$58,591 and \$26,628, respectively.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Save Mart Center – Effective July 2011, the Association amended its current contract with ASM Global (formerly 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 and limitations after fiscal year 2013. The fixed fee is adjusted every three years for CPI increases.

Advances to ASM Global for the management fee/operating expenses and incentive fee for the year ended June 30, 2022 were \$932,942 and \$0, respectively. Advances to ASM Global for the management fee/operating expenses and incentive fee for the year ended June 30, 2021 were \$2,858,103 and \$0, respectively.

Kennel Bookstore – Effective April 10, 2019, the Association entered into a contract with Follett Higher Education Group (Follett) for the management of the Kennel Bookstore, expiring June 30, 2024. The agreement provides for commission to the Association of 7% of Immediate Access gross sales and 8.5% of all other commissionable sales up to \$9 million plus 10.5% of commissionable sales in excess of \$9 million.

Claims and Litigation – The Association, during its normal course of business, may be subject from time to time to disputes and legal proceedings against it or may be indirectly impacted by litigation against the CSU or the University. This includes recent claim(s) against the CSU asserting that students who were enrolled in Spring 2020 are entitled to prorated refunds of Campus Fees as a result of transitioning to online instruction in response to the COVID-19 pandemic. Management, with the support of CSU counsel, believes that the entity has a valid defense against the lawsuits and will rigorously defend its position. Both management and legal counsel do not expect the ultimate outcome of any current claims or lawsuits to have a material adverse effect on the Association’s financial statements.

During the fiscal year, the Association settled a lawsuit related to the Campus Pointe development which resulted in a write-off of prior amounts due of \$752,355 (primarily attributed to COVID related impacts) and a one-time payment of \$250,000. These amounts are reflected accordingly in the Statement of Activities. The terms of the settlement agreement also included additional financial considerations that will significantly benefit the Association over the term of the ground lease.

NOTE 16 – RELATED PARTIES

In addition to the University, the Association is related to The Agricultural Foundation of California State University, Fresno (the Agricultural Foundation), Associated Students California State University, Fresno (Associated Students), Fresno State Programs for Children, Inc. (Programs for Children) and the California State University, Fresno Foundation (the Foundation) due to common management of the five entities. The Association had the following transactions with these entities during the years ended June 30, 2022 and 2021:

Pursuant to a management services agreement, the Foundation, The Agricultural Foundation, Programs for Children, and Associated Students pay administrative fees to the Association for management services. The Foundation's administrative fees for the years ended June 30, 2022 and 2021 were \$651,386 and \$677,684, respectively, allocated on the basis of gross revenue and services rendered. The Agricultural Foundation's administrative fees for the years ended June 30, 2022 and 2021 were \$161,385 for both years, based on services rendered. Programs for Children's administrative fees for the years ended June 30, 2022 and 2021 were \$80,112 for both years, based on services rendered. Associated Students administrative fees for the years ended June 30, 2022 and 2021 were \$62,262 for both years, 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 \$772,502 and \$817,502 for the years ended June 30, 2022 and 2021, respectively.

The amounts due to the Association from the Foundation for miscellaneous expenses were \$16,178 and \$193 for the years ended June 30, 2022 and 2021, respectively. The amounts due to the Association from the Foundation for salaries and benefits were \$25,746 and \$35,799 for the years ended June 30, 2022 and 2021, respectively. The amounts due to the Foundation from the Association for miscellaneous expenses were \$825 and \$2,789 for the years ended June 30, 2022 and 2021, respectively. The amounts due to the Foundation from the Association for salaries and benefits were \$154,832 and \$59,857 for the years ended June 30, 2022 and 2021, respectively.

The amounts due to the Association from The Agricultural Foundation for miscellaneous expenses were \$9,641 and \$17,709 for the years ended June 30, 2022 and 2021. The amounts due to The Agricultural Foundation for miscellaneous expenses were \$1,030 and \$35 for the years ended June 30, 2022 and 2021, respectively.

The amounts receivable from the University were \$490,239 and \$302,467 for the years ended June 30, 2022 and 2021 respectively. The amounts payable to the University were \$2,155,444 and \$815,646 for the years ended June 30, 2022 and 2021, respectively.

The amounts due to the Association from Associated Students for miscellaneous expenses were \$205 and \$9,586 for the years ended June 30, 2022 and 2021, respectively. The amounts payable to Associated Students were \$876 and \$0 for the years ended June 30, 2022 and 2021, respectively.

NOTE 17 – EXPENSES BY NATURAL/FUNCTIONAL CLASSIFICATION

The accompanying statement of activities reports certain categories of expenses that may be attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable and systematic basis that is consistently applied by management in the preparation of its annual financial statements. All of the Association's expenses are directly allocated to the functional categories by cost center. Such methodologies are deemed by management to be reasonable and appropriate and reflective of the functional purpose of each cost incurred for the respective reporting period.

NOTE 17 - EXPENSES BY NATURAL/FUNCTIONAL CLASSIFICATION (Continued)

The following is a detailed list of expenses by natural/functional classification for the years ended June 30:

	2022			2021		
	Program	General & Admin	Total	Program	General & Admin	Total
Cost of Goods Sold	\$ 2,427,750	\$ 2,550	\$ 2,430,300	\$ 515,197	\$ 1,401	\$ 516,598
Salaries/Wages	4,243,239	972,170	5,215,409	1,991,616	927,653	2,919,269
Employee Benefits	1,354,772	702,606	2,057,378	1,717,180	944,217	2,661,397
Administration-Food Services	569,748	-	569,748	833,651	-	833,651
Advances to SMG	642,058	-	642,058	2,858,103	-	2,858,103
Advertising/Printing	64,040	-	64,040	16,257	-	16,257
Athletic Corporation Entitlements	106,348	-	106,348	331,283	-	331,283
Audit/Legal Expense	-	415,651	415,651	-	32,626	32,626
Bad Debt Expense	848,766	-	848,766	597,934	-	597,934
Bank Charges	46,761	13,117	59,878	1,054	9,500	10,554
Bond Expenses	18,842	-	18,842	18,842	-	18,842
Capital Lease Expense	1,025,781	-	1,025,781	904,608	-	904,608
Chancellor's Office Fee	-	18,784	18,784	-	18,023	18,023
Computer Supplies/Expense	97,566	75,782	173,348	122,211	12,397	134,608
Consulting	-	13,396	13,396	-	5,909	5,909
Contract Services	1,056,394	-	1,056,394	479,048	-	479,048
Credit Card Fees	32,288	-	32,288	16,145	-	16,145
Depreciation/Amortization	3,995,137	83,297	4,078,434	4,200,172	89,896	4,290,068
Dues/Memberships/Subscriptions	11,365	7,487	18,852	11,898	3,735	15,633
Employee Awards/Development	-	32,581	32,581	-	8,098	8,098
Employee Recruitment	9,126	3,119	12,245	595	2,377	2,972
Equipment Purchased	12,995	-	12,995	26,209	-	26,209
Housing Incentives	-	-	-	3,755	-	3,755
Insurance	528,939	14,282	543,221	414,726	6,717	421,443
Interest Expense	34,268	243	34,511	61,429	(63)	61,366
Janitorial/Sanitation	137,864	-	137,864	39,979	-	39,979
Laundry	68,970	-	68,970	13,359	-	13,359
Licenses/Permits/Fees	18,729	129,654	148,383	10,075	128,926	139,001
Miscellaneous	77,299	6,851	84,150	20,752	4,677	25,429
Non-Student Tax	6,367	-	6,367	441	-	441
Office Supplies	67,121	26,178	93,299	18,959	18,591	37,550
Paper Supplies	172,425	-	172,425	84,782	-	84,782
Possessory Interest Tax	189,806	-	189,806	190,767	-	190,767
Postage/Freight	14,547	11,808	26,355	4,275	11,801	16,076
Rent/Rental	47,256	11,335	58,591	16,195	9,719	25,914
Repairs/Maintenance	743,074	30,714	773,788	427,615	33,386	461,001
Resident Advisors Meals	215,968	-	215,968	109,972	-	109,972
Royalties	111,337	-	111,337	787	-	787
Security Services	846	22,886	23,732	-	12,210	12,210
Smallwares	92,657	-	92,657	27,886	-	27,886
Student Programs	120,364	-	120,364	85,088	-	85,088
Telephone/Communications	44,287	6,197	50,484	36,890	6,621	43,511
Travel/Training	43,148	2,471	45,619	19,061	867	19,928
University Donations	2,019,829	-	2,019,829	2,871	-	2,871
USU Co-Sponsorships	50,439	-	50,439	-	-	-
Utilities	1,211,007	18,803	1,229,810	1,027,487	20,012	1,047,499
Warehouse Expense	8,849	-	8,849	(3,184)	-	(3,184)
Wilkinson Group Fee	242,000	-	242,000	-	-	-
Totals	\$ 22,830,372	\$ 2,621,962	\$ 25,452,334	\$ 17,255,970	\$ 2,309,296	\$ 19,565,266

See Independent Auditor's Report

NOTE 18 – SALARIES/WAGES AND EMPLOYEE BENEFITS

Salaries/Wages at June 30, 2022 and 2021 are reflected on the Statements of Activities and consist of the following:

	<u>2022</u>	<u>2021</u>
Salaries/Wages	\$ 3,884,298	\$ 2,151,020
Salaries Reimbursed to the Foundation	1,239,254	664,484
Salaries Reimbursed to the University	91,857	103,765
Total Salaries/Wages	<u>\$ 5,215,409</u>	<u>\$ 2,919,269</u>

Employee Benefits at June 30, 2022 and 2021 are reflected on the Statements of Activities and consist of the following:

	<u>2022</u>	<u>2021</u>
Employee Benefits	\$ 1,674,319	\$ 2,419,290
Employee Benefits Reimbursed to the Foundation	383,059	234,130
Employee Benefits Reimbursed to the University	-	7,977
Total Employee Benefits	<u>\$ 2,057,378</u>	<u>\$ 2,661,397</u>

NOTE 19 – UNCERTAINTY

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus, COVID-19, a pandemic. As a result of the pandemic, the Association’s operations were negatively impacted by the closure of the University’s campus in complying with health and safety guidelines. In fall 2021, the University resumed primarily in-person classes and that allowed the Association’s commercial operations to resume near-normal activities. The Association’s operations changed as needed to comply with Public Health and Campus guidelines to protect the health and safety of its employees.

The ultimate financial impact on the Association that could occur as a result of the pandemic is unknown at this time.

NOTE 20 – NET ASSETS WITH DONOR RESTRICTIONS

The Association’s net assets with donor restrictions comprise of contributions related to pledges made that will be collected in future periods. The Association’s net assets with donor restrictions are all restricted due to time and totaled \$5,744,969 and \$7,985,483 for the years ended June 30, 2022 and 2021, respectively.

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NOTE 21 – UNCERTAIN TAX POSITIONS

Income Taxes – The Association is exempt from Federal and State of California income tax under IRC section 501(c)(3) and California Revenue and Taxation Code Section 23701(d), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Association has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Association has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

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 returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

NOTE 22 – SUBSEQUENT EVENTS

Management has evaluated and concluded that there are no subsequent events that have occurred from June 30, 2022 through the date the financial statements were available to be issued at September 12, 2022 that would require disclosure or adjustment.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of California State University, Fresno Association, Inc. (the "Association"), a nonprofit organization, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 12, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

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

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

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Report on Compliance and Other Matters

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

Purpose of This Report

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

A handwritten signature in blue ink that reads "Price Paige & Company". The signature is written in a cursive, flowing style.

Clovis, California
September 12, 2022

California State University, Fresno Association, Inc.

Schedule of Net Position

June 30, 2022

(for inclusion in the California State University Financial Statements)

Assets:

Current assets:

Cash and cash equivalents	\$ 2,350,064
Short-term investments	23,507,948
Accounts receivable, net	2,258,903
Pledges receivable, net	2,620,534
Prepaid expenses and other current assets	287,189

Total current assets	31,024,638
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Noncurrent assets:

Pledges receivable, net	4,803,707
Other long-term investments	12,986,187
Capital assets, net	60,029,195

Total noncurrent assets	77,819,089
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Total assets	108,843,727
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Liabilities:

Current liabilities:

Accounts payable	2,262,799
Accrued salaries and benefits	347,058
Accrued compensated absences, current portion	25,000
Unearned revenues	733,904
Lease liabilities, current portion	6,261,550
Long-term debt obligations, current portion	550,000
Other liabilities	1,516,741

Total current liabilities	11,697,052
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Noncurrent liabilities:

Accrued compensated absences, net of current portion	264,422
Lease liabilities, net of current portion	32,300,000
Long-term debt obligations, net of current portion	1,107,552
Depository accounts	40,623
Net other postemployment benefits liability	6,312,219
Other liabilities	4,565,642

Total noncurrent liabilities	44,590,458
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Total liabilities	\$ 56,287,510
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Net position:

Net investment in capital assets	26,071,643
Unrestricted	26,484,574

Total net position	\$ 52,556,217
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See Independent Auditor's Report

California State University, Fresno Association, Inc.
Schedule of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2022
(for inclusion in the California State University Financial Statements)

Revenues:

Operating revenues:

Sales and services of auxiliary enterprises, gross	\$	18,814,476
Other operating revenues		6,028,549
		6,028,549
Total operating revenues		24,843,025

Expenses:

Operating expenses:

Auxiliary enterprise expenses		20,294,766
Depreciation and amortization		4,078,434
		4,078,434
Total operating expenses		24,373,200

Operating income (loss)

469,825

Nonoperating revenues (expenses):

Gifts, noncapital		575,087
Investment income (loss), net		(1,495,790)
Interest expense		(34,511)
Other nonoperating revenues (expenses)		1,319,124
		1,319,124

Net nonoperating revenues (expenses)

363,910

Income (loss) before other revenues (expenses)

833,735

Increase (decrease) in net position

833,735

Net position:

Net position at beginning of year		51,722,482
Net position at end of year	\$	52,556,217

California State University, Fresno Association, Inc.
Other Information
June 30, 2022
(for inclusion in the California State University Financial Statements)

1 Cash and cash equivalents:

Current cash and cash equivalents	\$ 2,350,064
Total	\$ 2,350,064

2.1 Composition of investments:

Investment Type	Current	Noncurrent	Total
Money market funds	\$ 7,770,213	\$ 12,512	\$ 7,782,725
U.S. agency securities		430,801	430,801
U.S. treasury securities		1,268,458	1,268,458
Corporate bonds		2,409,006	2,409,006
Mutual funds		4,001,439	4,001,439
Equity securities		4,863,971	4,863,971
State of California Local Agency Investment Fund (LAIF)	15,737,735		15,737,735
Total investments	23,507,948	12,986,187	36,494,135
Total investments, net of endowments	\$ 23,507,948	12,986,187	36,494,135

2.2 Fair value hierarchy in investments:

Investment Type	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Money market funds	\$ 7,782,725	\$ 7,782,725			
U.S. agency securities	430,801		430,801		
U.S. treasury securities	1,268,458	1,268,458			
Corporate bonds	2,409,006	2,409,006			
Mutual funds	4,001,439	4,001,439			
Equity securities	4,863,971	1,242,557	3,621,414		
State of California Local Agency Investment Fund (LAIF)	15,737,735				15,737,735
Total investments	36,494,135	16,704,185	4,052,215	-	15,737,735

2.3 Investments held by the University under contractual agreements: Nothing to report

3.1 Composition of capital assets:

	Balance June 30, 2021	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2021	Additions	Retirements	Transfer of completed CWIP/PWIP	Balance June 30, 2022
Non-depreciable/Non-amortizable capital assets:									
Construction work in progress (CWIP)	\$ 742,802	\$ -	\$ -	\$ -	\$ 742,802	\$ 623,293	\$ -	\$ -	\$ 1,366,095
Total non-depreciable/non-amortizable capital assets	\$ 742,802	-	-	-	\$ 742,802	623,293	-	-	\$ 1,366,095
Depreciable/Amortizable capital assets:									
Buildings and building improvements	114,224,826				114,224,826		(64,830)		114,159,996
Improvements, other than buildings	715,706				715,706				715,706
Personal property:									
Equipment	22,078,081				22,078,081	572,641			22,650,722
Other intangible assets:									
Franchise Fees	75,000				75,000	65,000			140,000
Total Other intangible assets:	75,000				75,000	65,000			140,000
Total intangible assets	75,000	-	-	-	75,000	65,000	-	-	140,000
Total depreciable/amortizable capital assets	137,093,613	-	-	-	137,093,613	637,641	(64,830)	-	137,666,424
Total capital assets	\$ 137,836,415	-	-	-	\$ 137,836,415	1,260,934	(64,830)	-	\$ 139,032,519
Less accumulated depreciation/amortization: (enter as negative number, except for reductions enter as positive number)									
Buildings and building improvements	(57,024,927)				(57,024,927)	(3,024,816)			(60,049,743)
Improvements, other than buildings	(79,161)				(79,161)	(13,013)			(92,174)
Personal property:									
Equipment	(18,093,514)				(18,093,514)	(1,035,772)	318,462		(18,810,824)
Intangible assets:									
Other intangible assets:									
Franchise Fees	(45,750)				(45,750)	(4,833)			(50,583)
Total Other intangible assets:	(45,750)				(45,750)	(4,833)			(50,583)
Total intangible assets	(45,750)	-	-	-	(45,750)	(4,833)	-	-	(50,583)
Total accumulated depreciation/amortization	(75,243,352)	-	-	-	(75,243,352)	(4,078,434)	318,462	-	(79,003,324)
Total capital assets, net excluding lease assets	\$ 62,593,063	-	-	-	\$ 62,593,063	(2,817,500)	253,632	-	60,029,195

3.2 Detail of depreciation and amortization expense:

Depreciation and amortization expense related to capital assets	\$ 4,078,434
Total depreciation and amortization	\$ 4,078,434

California State University, Fresno Association, Inc.
Other Information
June 30, 2022
(for inclusion in the California State University Financial Statements)

4 Long-term liabilities:

	Balance June 30, 2021	Prior Period Adjustments/Reclassifications	Balance June 30, 2021 (Restated)	Additions	Reductions	Balance June 30, 2022	Current Portion	Noncurrent Portion
1. Accrued compensated absences	\$ 252,228		252,228	179,340	(167,146)	\$ 264,422	\$ 25,000	\$ 239,422
2. Claims liability for losses and loss adjustment expenses	-		-			-		-
3. Capital lease obligations:								
Gross balance	40,856,550		40,856,550	805,650	(2,295,000)	39,367,200	6,261,550	33,105,650
Unamortized net premium/(discount)	5,222,343		5,222,343		(656,701)	4,565,642	-	4,565,642
Total capital lease obligations	\$ 46,078,893		46,078,893	805,650	(2,951,701)	43,932,842	6,261,550	37,671,292
								-Should be zero-
4. Long-term debt obligations:								
4.1 Auxiliary revenue bonds (non-SRB related)	\$ -		-		\$ -	-	-	-
4.2 Commercial paper	-		-			-	-	-
4.3 Notes payable (SRB related)	2,210,000		2,210,000		(545,000)	1,665,000	550,000	1,115,000
4.4 Others:								
PPP Loan	1,272,900		1,272,900		(1,272,900)	-	-	-
	-		-			-	-	-
	-		-			-	-	-
Total others	1,272,900		1,272,900		(1,272,900)	-	-	-
Sub-total long-term debt	\$ 3,482,900		3,482,900		(1,817,900)	\$ 1,665,000	550,000	1,115,000
4.5 Unamortized net bond premium/(discount)	(14,896)		(14,896)		7,448	(7,448)	-	(7,448)
Total long-term debt obligations	3,468,004		3,468,004		(1,810,452)	1,657,552	550,000	1,107,552

5 Lease Liabilities schedule:

	Lease Liabilities related to SRB			All other lease liabilities			Total lease liabilities		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2023	6,261,550	2,788,105	9,049,655	-	-	-	6,261,550	2,788,105	9,049,655
2024	4,900,000	1,332,788	6,232,788	-	-	-	4,900,000	1,332,788	6,232,788
2025	5,085,000	1,101,475	6,186,475	-	-	-	5,085,000	1,101,475	6,186,475
2026	2,870,000	917,088	3,787,088	-	-	-	2,870,000	917,088	3,787,088
2027	3,200,000	771,275	3,971,275	-	-	-	3,200,000	771,275	3,971,275
2028 - 2032	10,015,000	2,003,615	12,018,615	-	-	-	10,015,000	2,003,615	12,018,615
2033 - 2037	6,230,000	155,750	6,385,750	-	-	-	6,230,000	155,750	6,385,750
Total minimum lease payments	38,561,550	9,070,096	47,631,646	-	-	-	38,561,550	9,070,096	47,631,646
Less: amounts representing interest									(9,070,096)
Present value of future minimum lease payments									38,561,550
Total lease liabilities									38,561,550
Less: current portion									(6,261,550)
Lease liabilities, net of current portion									\$ 32,300,000

6 Long-term debt obligations schedule:

	Auxiliary revenue bonds (non-SRB related)			All other long-term debt obligations			Total long-term debt obligations		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
Year ending June 30:									
2023	-	-	-	550,000	22,047	572,047	550,000	22,047	572,047
2024	-	-	-	555,000	13,538	568,538	555,000	13,538	568,538
2025	-	-	-	560,000	4,609	564,609	560,000	4,609	564,609
Total minimum payments	\$ -	-	-	1,665,000	40,194	1,705,194	1,665,000	40,194	1,705,194
Less: amounts representing interest									(40,194)
Present value of future minimum payments									1,665,000
Unamortized net premium/(discount)									(7,448)
Total long-term debt obligations									1,657,552
Less: current portion									(550,000)
Long-term debt obligations, net of current portion									1,107,552

7 Transactions with related entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs	91,857
Payments to University for other than salaries of University personnel	3,268,702
Payments received from University for services, space, and programs	859,617
Gifts (cash or assets) to the University from discretely presented component units	2,019,829
Accounts (payable to) University (enter as negative number)	(2,155,444)
Accounts receivable from University (enter as positive number)	490,239

California State University, Fresno Association, Inc.
 Other Information
 June 30, 2022
 (for inclusion in the California State University Financial Statements)

8 Restatements: Nothing to report

9 Natural classifications of operating expenses:

	Salaries	Benefits - Other	Benefits - Pension	Benefits - OPEB	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total operating expenses
Auxiliary enterprise expenses	\$ 5,215,409	\$ 805,402	\$ 909,878	\$ 342,098		\$ 13,021,979		\$ 20,294,766
Depreciation and amortization							4,078,434	4,078,434
Total operating expenses	\$ 5,215,409	\$ 805,402	\$ 909,878	\$ 342,098	\$ -	\$ 13,021,979	\$ 4,078,434	\$ 24,373,200

10 Deferred outflows/inflows of resources: Nothing to report

11 Other nonoperating revenues (expenses)

Other nonoperating revenues	\$ 2,363,747
Other nonoperating (expenses)	(1,044,623)
Total other nonoperating revenues (expenses)	\$ 1,319,124