

**CSU FULLERTON  
AUXILIARY SERVICES CORPORATION**

Financial Statements and Supplementary Information  
Years Ended June 30, 2016 and 2015

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**  
Financial Statements and Supplementary Information

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
CSU Fullerton Auxiliary Services Corporation

### Report on the Financial Statements

We have audited the accompanying financial statements of CSU Fullerton Auxiliary Services Corporation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the 2016 financial statements referred to above present fairly, in all material respects, the financial position of CSU Fullerton Auxiliary Services Corporation as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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AKT LLP

**Prior Period Financial Statements**

The financial statements of CSU Fullerton Auxiliary Services Corporation as of June 30, 2015, were audited by other auditors whose report dated September 10, 2015, expressed an unmodified opinion on those statements.

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on pages 25 – 40 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 a report dated September 21, 2016 on our consideration of CSU Fullerton Auxiliary Services Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 CSU Fullerton Auxiliary Services Corporation's internal control over financial reporting and compliance.

AKT LLP

San Diego, California  
September 21, 2016

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Statements of Financial Position

June 30, 2016 and 2015

Assets	2016	2015
Current assets:		
Cash and cash equivalents	\$ 18,260,258	24,949,439
Investments	10,412,953	11,318,670
Accounts receivable:		
Sponsored programs	1,826,220	1,703,250
Other receivables	1,783,116	952,781
Less allowance for doubtful accounts	<u>(9,702)</u>	<u>(19,164)</u>
Total accounts receivable, net	<u>3,599,634</u>	<u>2,636,867</u>
Inventories	2,813,547	2,569,854
Capital lease receivable, current portion	980,000	930,000
Due from related parties, current portion	44,886	581,481
Other current assets	<u>410,652</u>	<u>178,705</u>
Total current assets	<u>36,521,930</u>	<u>43,165,016</u>
Property and equipment:		
Land	19,990,205	19,990,205
Building and improvements	30,992,873	30,992,873
Equipment, furniture, and fixtures	1,578,645	1,484,303
Work in progress	6,634,916	514,375
Leasehold improvements	<u>10,459,235</u>	<u>9,603,035</u>
	69,655,874	62,584,791
Less accumulated depreciation and amortization	<u>(8,144,100)</u>	<u>(6,301,500)</u>
Total property and equipment, net	<u>61,511,774</u>	<u>56,283,291</u>
Other assets:		
Due from related parties, net of current	1,206,202	1,801,422
Capital lease receivable, net of current	22,160,000	23,585,000
Annuity and life estate investments	328,769	323,408
Goodwill	<u>241,291</u>	<u>241,291</u>
Total other assets	<u>23,936,262</u>	<u>25,951,121</u>
Total assets	\$ <u><u>121,969,966</u></u>	<u><u>125,399,428</u></u>

See accompanying independent auditors' report and notes to the financial statements.

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Statements of Financial Position (continued)

June 30, 2016 and 2015

<b>Liabilities and Net Assets</b>	<b>2016</b>	<b>2015</b>
	<hr/>	<hr/>
Current liabilities:		
Accounts payable	\$ 5,848,414	4,914,994
Accrued expenses	2,880,245	3,183,370
Accrued interest	225,093	229,203
Receipts in excess of expenditures on sponsored programs	2,947,817	3,332,457
Deposits held in custody for others	1,782,983	1,426,895
Notes payable, current portion	2,424,243	3,871,713
Post retirement benefit, current portion	157,505	152,716
Unitrust, current portion	17,219	18,126
Total current liabilities	<hr/> 16,283,519	<hr/> 17,129,474
Noncurrent liabilities:		
Notes payable, net of current	70,061,998	72,668,580
Allowance for grant payments received	877,891	785,097
Post retirement benefit, net of current	3,891,647	3,534,622
Unitrust liabilities, net of current portion	227,473	219,469
Total noncurrent liabilities	<hr/> 75,059,009	<hr/> 77,207,768
Total liabilities	<hr/> 91,342,528	<hr/> 94,337,242
Net assets:		
Unrestricted:		
Designated	18,074,374	16,746,565
Undesignated	12,468,987	14,229,808
Unrestricted net assets	<hr/> 30,543,361	<hr/> 30,976,373
Temporarily restricted – annuity and life estate investments	84,077	85,813
Total net assets	<hr/> 30,627,438	<hr/> 31,062,186
Total liabilities and net assets	\$ <hr/> 121,969,966	<hr/> 125,399,428

See accompanying independent auditors' report and notes to the financial statements.

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Statement of Activities

Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains, and other support:			
Enterprise Activities:			
Sales	\$ 22,328,296	—	22,328,296
Commissions, Fees, Other	941,096	—	941,096
Total Enterprise Activities	<u>23,269,392</u>	<u>—</u>	<u>23,269,392</u>
Programs Activities:			
Grants and contracts	20,939,620	—	20,939,620
University support programs	3,631,755	—	3,631,755
University Extended Education programs	6,818,120	—	6,818,120
Total Programs Revenue	<u>31,389,495</u>	<u>—</u>	<u>31,389,495</u>
General activities:			
Rental property	10,431,531	—	10,431,531
Investment income	436,704	23,447	460,151
Net unrealized and realized gains (losses) on investments	(1,089,368)	1,088	(1,088,280)
Administrative Fees and Other Revenue	2,464,201	—	2,464,201
Total General Activities	<u>12,243,068</u>	<u>24,535</u>	<u>12,267,603</u>
Total revenues and support	66,901,955	24,535	66,926,490
Net assets released from restrictions	26,271	(26,271)	—
Total revenues, gains, and other support	<u>66,928,226</u>	<u>(1,736)</u>	<u>66,926,490</u>
Expenses and other changes:			
Enterprise Activities:			
Bookstores	15,817,115	—	15,817,115
Dining services	6,428,225	—	6,428,225
Total Enterprise Activities	<u>22,245,340</u>	<u>—</u>	<u>22,245,340</u>
Programs Activities:			
Grants and Contracts	20,939,620	—	20,939,620
University support programs	2,715,233	—	2,715,233
University Extended Education programs	7,067,654	—	7,067,654
Chartable reminder trust expenses	26,271	—	26,271
Total programs expenses	<u>30,748,778</u>	<u>—</u>	<u>30,748,778</u>
General expenses:			
Rental Property Expense	8,394,256	—	8,394,256
Administrative	4,372,895	—	4,372,895
Total General expense	<u>12,767,151</u>	<u>—</u>	<u>12,767,151</u>
Designated expense	1,423,053	—	1,423,053
Total expenses	<u>67,184,322</u>	<u>—</u>	<u>67,184,322</u>
Decrease in net assets from operating activities	(256,096)	(1,736)	(257,832)
Non-operating activities:			
Pension-related changes other than net periodic pension cost	(176,916)	—	(176,916)
Total Non-operating activities	<u>(176,916)</u>	<u>—</u>	<u>(176,916)</u>
Change in net assets	(433,012)	(1,736)	(434,748)
Net assets at beginning of year	30,976,373	85,813	31,062,186
Net assets at end of year	\$ <u>30,543,361</u>	<u>84,077</u>	<u>30,627,438</u>

See accompanying independent auditors' report and notes to the financial statements.

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Statement of Activities  
Year ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support:			
Enterprise Activities:			
Sales	\$ 21,898,811	—	21,898,811
Commissions, Fees, Other	1,035,180	—	1,035,180
Total Enterprise Activities	<u>22,933,991</u>	<u>—</u>	<u>22,933,991</u>
Programs Activities:			
Grants and contracts	19,692,755	—	19,692,755
University support programs	3,110,670	—	3,110,670
University Extended Education programs	8,993,503	—	8,993,503
Total Programs Revenue	<u>31,796,928</u>	<u>—</u>	<u>31,796,928</u>
General activities:			
Rental property	10,043,206	—	10,043,206
Investment income	261,096	23,230	284,326
Net unrealized and realized gains (losses) on investments	(43,144)	36,600	(6,544)
Administrative Fees and Other Revenue	2,723,946	—	2,723,946
Total General Activities	<u>12,985,104</u>	<u>59,830</u>	<u>13,044,934</u>
Total revenues and support	67,716,023	59,830	67,775,853
Net assets released from restrictions	<u>89,857</u>	<u>(89,857)</u>	<u>—</u>
Total revenues, gains, and other support	<u>67,805,880</u>	<u>(30,027)</u>	<u>67,775,853</u>
Expenses and other changes:			
Enterprise Activities:			
Bookstores	15,554,554	—	15,554,554
Dining services	6,238,672	—	6,238,672
Total Enterprise Activities	<u>21,793,226</u>	<u>—</u>	<u>21,793,226</u>
Programs Activities:			
Grants and Contracts	19,692,755	—	19,692,755
University support programs	3,067,855	—	3,067,855
University Extended Education programs	8,252,647	—	8,252,647
Charitable reminder trust expenses	89,857	—	89,857
Total programs expenses	<u>31,103,114</u>	<u>—</u>	<u>31,103,114</u>
General expenses:			
Rental Property Expense	7,673,478	—	7,673,478
Administrative	83,489	—	83,489
Total General expense	<u>7,756,967</u>	<u>—</u>	<u>7,756,967</u>
Designated expense	1,071,374	—	1,071,374
Total expenses	<u>61,724,681</u>	<u>—</u>	<u>61,724,681</u>
Increase (Decrease) in net assets from operating activities	6,081,199	(30,027)	6,051,172
Non-operating activities:			
Pension-related changes other than net periodic pension cost	(154,707)	—	(154,707)
Total Non-operating activities:	<u>(154,707)</u>	<u>—</u>	<u>(154,707)</u>
Change in net assets	5,926,492	(30,027)	5,896,465
Net assets at beginning of year	<u>25,049,881</u>	<u>115,840</u>	<u>25,165,721</u>
Net assets at end of year	<u>\$ 30,976,373</u>	<u>85,813</u>	<u>31,062,186</u>

See accompanying independent auditors' report and notes to the financial statements.



**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Statements of Cash Flows

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (434,748)	5,896,465
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	1,842,600	1,729,542
Bond premium amortization	(248,377)	(212,605)
Realized and unrealized (gains) losses on investments	1,088,280	(6,544)
Gain on the sale of equipment	—	23,110
Decrease in value of annuity and life estate investments	11,197	140,659
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	(962,767)	2,338,821
Increase in inventories	(243,693)	(62,443)
Decrease (increase) in other current assets	(231,947)	913,361
Increase (decrease) in accounts payable	929,309	1,317,423
Increase (decrease) in post retirement benefit	361,814	(4,632,975)
Increase (decrease) in accrued expenses	(303,125)	66,153
Increase (decrease) in receipts in excess of expenditures on specific sponsored programs	(384,640)	1,037,250
Increase in deposits held in custody for others	356,088	88,972
Increase in allowance for grant payments received	92,794	89,177
Net cash and cash equivalents provided by operating activities	<u>1,872,785</u>	<u>8,726,366</u>
Cash flows from investing activities:		
Purchase of property and equipment	(7,071,082)	(2,256,377)
Proceeds from sale of property and equipment	—	(23,110)
Decrease in due from affiliates	1,131,815	594,063
Purchase of investments	(6,359,536)	(7,327,708)
Sales of investments	6,176,973	6,984,176
Net cash and cash equivalents used in investing activities	<u>(6,121,830)</u>	<u>(2,028,956)</u>
Cash flows from financing activities:		
Payments on notes and capital lease obligations	(3,412,340)	(5,668,207)
Proceeds from issuance of notes payable	51,665	3,750,890
Payments received for capital lease receivable	930,000	15,000
Purchase of investments in annuity and unitrust payable	(9,461)	(110,632)
Net cash and cash equivalents used in financing activities	<u>(2,440,136)</u>	<u>(2,012,949)</u>
Net increase (decrease) in cash and cash equivalents	(6,689,181)	4,684,461
Cash and cash equivalents at beginning of year	<u>24,949,439</u>	<u>20,264,978</u>
Cash and cash equivalents at end of year	\$ <u><u>18,260,258</u></u>	\$ <u><u>24,949,439</u></u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ <u><u>2,436,524</u></u>	\$ <u><u>2,261,560</u></u>
Noncash reduction of bond payable and affiliated note receivable	\$ <u><u>445,000</u></u>	\$ <u><u>—</u></u>

See accompanying independent auditors' report and notes to the financial statements.

# CSU FULLERTON AUXILIARY SERVICES CORPORATION

## Notes to Financial Statements

Years Ended June 30, 2016 and 2015

### (1) Organization

CSU Fullerton Auxiliary Services Corporation (ASC) is a nonprofit California corporation that is an auxiliary organization of California State University, Fullerton (the University). ASC assists the University in various activities, including developing and administering research and educational grants and contracts, managing bookstore, food services, building operations, and administering various educationally related functions, special programs, and other activities.

### (2) Summary of Significant Accounting Policies

A summary of ASC's significant accounting policies applied in the preparation of the accompanying financial statements follows:

#### (a) *Basis of Accounting*

The financial statements have been prepared on the accrual basis of accounting.

#### (b) *Basis of Presentation*

The ASC reports information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

#### **Unrestricted Net Assets**

Unrestricted net assets include all net assets that are not subject to donor-imposed restrictions and can be expended for any purpose in performing the primary function of ASC. Restricted assets received and expended in the fiscal year are accounted for as unrestricted activities. ASC groups its assets, liabilities, revenues, and expenses into certain classifications within unrestricted net assets. A description of each classification follows:

#### **Undesignated**

"Undesignated" contains those transactions not included in other classifications. This classification includes administrative functions as well as sponsored programs' activity. Sponsored programs' activity includes research and educational grants and contracts from government and private institutions.

#### **Designated**

"Designated" represents the activity of certain assets which ASC's Board of Directors has set aside for specific purposes.

# CSU FULLERTON AUXILIARY SERVICES CORPORATION

## Notes to Financial Statements

Years Ended June 30, 2016 and 2015

### (2) Summary of Significant Accounting Policies (continued)

#### **Buildings Fund**

“Buildings Fund” activities represent transactions related to the lease financing transactions of the College Park building, Police building, Irvine Campus buildings, and the College Park West building, as well as related expenditures.

#### **Auxiliary Enterprises**

“Auxiliary Enterprises” represent transactions related to ASC’s ongoing revenue producing, self-supporting activities that are conducted in support of the University’s activities. It is ASC’s policy to record and group all of the enterprise activities’ administrative expenses as part of the “general” classification. The enterprise activities consist primarily of the activities of the bookstore and food service operations at the University.

#### **University Support Programs**

“University Support Programs” represent self-sustaining programs that are conducted in support of the University’s activities. ASC has entered into agreements with the University’s various colleges to carry out the activities of these programs. These programs consist primarily of Centers, Institutes, Conferences, and Workshops operations at the University. These programs are responsible for providing delivery of noncredit, instructionally related programs and services provided by ASC.

#### **Deposits Held in Custody of Others**

Funds held by ASC on behalf of University-affiliated ancillary organizations are recorded within the statements of financial position as deposits held in custody. ASC is acting as an agent for the transactions of these units, and the revenue and expense activity of the organizations is not recorded. Assets held as of June 30, 2016 and 2015 are \$1,782,983 and \$1,426,895, respectively.

#### **University Extended Education**

ASC has entered into a contract with the University’s Extended Education Program. This program is responsible for providing delivery of noncredit, instructionally related programs and courses provided by ASC.

# CSU FULLERTON AUXILIARY SERVICES CORPORATION

## Notes to Financial Statements

Years Ended June 30, 2016 and 2015

### (2) Summary of Significant Accounting Policies (continued)

#### **Temporarily Restricted Net Assets**

Temporarily restricted net assets are net assets whose use is limited by either donor-imposed time restrictions or purpose restrictions. Time restrictions require resources to be used in a certain period or after a specified date. Purpose restrictions require resources to be used for a specific purpose. ASC groups its assets, liabilities, revenues, and expenses into a certain classification within temporarily restricted net assets as follows:

#### **Annuity and Life Estate Investments**

The annuity and life estate investments accounts include gifts made to ASC for which donor-imposed restrictions have not been met. These gifts are typically in the form of charitable remainder trusts or charitable annuities received by ASC. The assets are recorded at fair value, with both a corresponding liability representing the amounts due to the annuitant and net assets representing the remainder interest that will ultimately revert to ASC. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

#### **Permanently Restricted Net Assets**

Permanently restricted net assets are net assets that are subject to donor-imposed restrictions that the principal be maintained in perpetuity and invested for the purposes of providing a permanent source of income. ASC had no permanently restricted net assets as of June 30, 2016 and 2015.

#### (c) ***Grants and Contracts***

ASC serves as administrator for the University on various grants and contracts awarded by both governmental and private institutions. Support received under grants and contracts is recorded as revenue as it is earned through expenditures in accordance with the agreements. Grants and Contracts are subject to review by the grantor.

## CSU FULLERTON AUXILIARY SERVICES CORPORATION

### Notes to Financial Statements

Years Ended June 30, 2016 and 2015

#### (2) Summary of Significant Accounting Policies (continued)

##### (d) *Cash and Cash Equivalents*

Cash and cash equivalents consist primarily of investments in the State Treasurer's Local Agency Investment Fund (LAIF), fixed income securities, and deposits at financial institutions. ASC considers all highly liquid investments, with an original maturity of three months or less when purchased, to be cash equivalents.

##### (e) *Concentration of Credit*

ASC maintains its cash accounts with several major commercial banks and financial institutions and is exposed to credit risk for amounts exceeding amounts insured by the Federal Deposit Insurance Corporation (FDIC). In addition, the majority of the investment portfolio at June 30, 2016 and 2015 was held by Local Agency Investment Fund. ASC had \$5,675,533 and \$12,762,176 of uninsured cash and cash equivalents at June 30, 2016 and 2015, respectively. ASC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk for cash and cash equivalents.

##### (f) *Receivables*

Receivables are primarily comprised of reimbursements for grants and contract expenditures according to contractual agreements. There are other receivables for Auxiliary Enterprises University Support Programs for various sales and services. Accounts receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and 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 credit to accounts receivable.

##### (g) *Investments*

ASC accounts for investments in equity securities with readily determinable fair values, investments in debt securities, and investments in real estate at fair value, with gains and losses included in the statements of activities. Gains and losses on investments are reported in the statements of activities as increases or decreases in unrestricted net assets, unless their use is temporarily or permanently restricted by donor-imposed stipulations.

## CSU FULLERTON AUXILIARY SERVICES CORPORATION

### Notes to Financial Statements

Years Ended June 30, 2016 and 2015

#### (2) Summary of Significant Accounting Policies (continued)

##### (h) *Inventories*

Inventories consist of books, computers, supplies, clothing and food. ASC accounts for inventories using the retail-inventory method of accounting, at the lower of cost (first-in, first-out method) or market.

##### (i) *Property and Equipment*

Property and equipment are stated at cost or, if donated, at their estimated fair market value at the date of donation. Betterments that materially prolong the life of assets are capitalized. Repairs and maintenance that do not prolong the life of assets are expensed currently.

Depreciation and amortization are calculated on the straight-line method and are based upon the estimated useful lives of the assets, which range from seven to thirty years. Leasehold improvements are amortized using the straight-line method over their estimated useful lives or the term of the lease, whichever is shorter.

##### (j) *Allowance for Grant Payments Received*

Revenues from grants are received primarily on a reimbursement basis. Reports submitted for reimbursement are paid by various granting agencies that typically have a process of reviewing reimbursements paid. Upon review, funds deemed to be disallowed by the grantor may be required to be repaid by ASC. ASC accrues a 5% liability on grant receipts to allow for such repayments.

##### (k) *Estimates*

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### (l) *Income Taxes*

ASC is exempt from federal income and California franchise taxes under Sections 501(c)(3) of the Internal Revenue Code and 23701(d) of the California Revenue and Taxation Code, respectively. No income tax provision has been recorded as the net income, if any, from unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

# CSU FULLERTON AUXILIARY SERVICES CORPORATION

## Notes to Financial Statements

Years Ended June 30, 2016 and 2015

### (2) Summary of Significant Accounting Policies (continued)

#### (l) *Income Taxes, continued*

ASC follows accounting standards generally accepted in the United States of America related to the recognition of uncertain tax positions. ASC recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There were no amounts accrued in the financial statements related to uncertain tax positions.

#### (m) *Goodwill*

ASC recorded goodwill upon the dissolution and absorption of the CSU Fullerton housing Authority Board. Goodwill is evaluated for impairment and adjusted accordingly on an annual basis. No impairment was needed for the years ended 2016 and 2015.

#### (n) *Fair Value of Financial Instruments*

ASC's financial instruments, none of which are held for trading purposes, include cash and cash equivalents, receivables accounts payable, and notes payable at June 30, 2016. We have evaluated fair value of financial instruments as follows:

*Cash and cash equivalents:* The amounts reported in the accompanying statement of financial position approximates fair value because the short maturities of those instruments

*Notes payable:* The amounts reported in the accompanying statement of financial position as notes payable have been estimated based on the range of their applicable individual rates, and compared to a range of available borrowing rates. These estimates do not vary materially from the current carrying value of notes payable, and as such, the carrying value of these notes are deemed to approximate their fair value.

#### (o) *Reclassification*

Certain amounts in the 2015 financial statements have been reclassified to conform to the presentation in the 2016 financial statements. Such reclassifications have no effect on change in net assets or equities.

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

**(2) Summary of Significant Accounting Policies (continued)**

*(p) Functional Expense*

For the years ended June 30, ASC's expenses were allocated between programs and management as follows:

	2016	2015
Program	\$ 62,988,343	61,795,899
Administrative	4,372,895	83,489
Total Expenses	\$ 67,361,238	61,879,388

During the fiscal year ended June 30, 2016 and 2015, the administrative expenses included an increase in the post- retirement benefit obligation cost in the amount of \$1,011,914 and a decrease of 4,468,595, respectively.

*(q) Subsequent Events Accounting Pronouncement*

ASC has evaluated events and transactions for potential recognition or disclosure through September 21, 2016 which represents the date the financial statements were available to be issued.

**(3) Investments**

ASC investments are generally equity securities and publicly traded debt and are recorded at fair market value. Investment assets include the following:

	June 30,	
	2016	2015
Investments:		
Cash and money market funds	\$ 1,183,073	1,057,065
Equity securities	6,545,593	8,103,627
Mutual funds	2,479,639	1,538,202
Corporate debt securities	204,648	619,776
Total	\$ 10,412,953	11,318,670



**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

**(3) Investments (Continued)**

	June 30,	
	2016	2015
Annuity and Life Estate Investments:		
Cash and money market funds	\$ 17,988	7,889
Equity securities	84,280	97,355
Mutual funds	54,661	58,634
Corporate debt securities	44,162	43,590
Annual fixed allocation	127,678	115,940
 Total	\$ 328,769	323,408

For the years ending June 30, investment revenues included the following:

	2016	2015
Realized gains	\$ 181,684	2,882,014
Unrealized (losses)	(1,269,964)	(2,888,558)
	(1,088,280)	(6,544)
Interest and dividend income from investment assets	460,151	284,326
Total Investment Gains (Losses)	\$ (628,129)	277,782

**(4) Notes Payable/Capital Lease Receivable**

- (a) The ASC issued Auxiliary Organization Revenue Bonds, \$18,990,000 Series 2000A and \$9,275,000 Series B remarketed bonds to provide conduit financing for the acquisition of a ten-story office building adjacent to the University. During March 2010, ASC entered into a loan agreement with the State of California, acting through the Board of Trustees of the California State University (Board), to refund and defease the 2000A and 2000B bond. The board assisted ASC by issuing its System Revenue Bonds Series 2010A (SRB 2010A) and depositing \$23,628,147 into an irrevocable escrow account to redeem the 2000A and 2000B series bonds maturing in 2030. Bonds 2000A and 2000B are considered defeased and are not recorded on the financial statements. SRB 2010A loan amount of \$22,040,000 bears interest at a varying rate which has averaged 3.70% annually.

The CSU Loan payments are due and payable on May 1 and November 1 of each year, commencing November 1, 2010, through and including November 1, 2030. The term of the related capital lease agreement between ASC and the University is 30 years during which time the University will be obligated to make rental payments to ASC at estimated market value amounts, or at least amounts sufficient to pay regularly scheduled debt service including interest on the loan.

# CSU FULLERTON AUXILIARY SERVICES CORPORATION

## Notes to Financial Statements

Years Ended June 30, 2016 and 2015

### **(4) Notes Payable/Capital Lease Receivable (Continued)**

- (a) Accordingly, ASC has recorded a capital lease receivable of \$18,065,000 (current portion: \$845,000; long term: \$17,220,000) representing the \$18,065,000 notes payable liability, less \$845,000 current portion, with unamortized premium on the related bond of \$1,105,355 at June 30, 2016. As of June 30, 2015 the debt totaled \$18,065,000, less \$800,000 current portion, with unamortized premium on the related bond of \$1,183,073. Title to the Office Building will be transferred to the University upon the retirement or defeasance of all the outstanding bonds. The Interest expense on the SRB 2010A loan for the years ended June 30, 2016 and 2015 was \$904,550 and \$941,300, respectively.
- (b) During fiscal year 2008-2009 the ASC agreed to support the CSUF Housing Authority in financing the loans used to acquire the University Heights project (consisting of 42 paired units in 21 buildings on a 3 acre site approximately 3 miles west of the campus in Fullerton, California) and the Creekside project, an off campus housing development in La Habra, California (consisting of 20 refurbished condominiums). On November 19, 2008 ASC entered into an a loan agreement with the State of California, acting through the Board of Trustees of the California State University (Board) to relieve the Housing Authority financial obligation. The Board assisted ASC by issuing a bond anticipated note (that was used to secure certain commercial paper notes). During the fiscal year 2013-2014, the University Heights project was sold for \$11,330,000. The funds were wired to the CSU Chancellor's office to pay against an outstanding liability of \$13,330,000. The \$1,900,000 balance remains on the ASC books as a long-term liability. This loan will be placed in commercial paper to be paid through February 2019, at an average annual cost equivalent to 1.2%. As of June 30, 2016 and 2015, the outstanding balance of the note was \$1,100,000 and \$1,500,000, respectively.
- (c) During April 2008, ASC entered into a ground and facilities lease agreement (as lessee) and a sublease agreement (as lessor) with the State of California, acting through the Board of Trustees of the California State University (Board), to finance the construction of a one-story building on the campus of California State University Fullerton that provides administrative and operational space for a police station and related facilities. Both lease agreements have a term of 30 years. The Board assisted ASC by issuing its System Revenue Bond 2008A in the principal amount of \$6,305,000. In 2016, ASC refunded \$4,800,000 of the bonds by issuing the System Revenue Bond 2016, leaving \$275,000 remaining of the 2008A bond. The bonds bear interest at a varying rate averaging 4.25% and the principal balance of the loan is to be paid in full by 2038. As of June 30, 2016 and 2015, the capital lease receivable and payable was \$5,075,000 and \$5,520,000, respectively, of which the current portion was \$135,000 and \$130,000, respectively.

## CSU FULLERTON AUXILIARY SERVICES CORPORATION

### Notes to Financial Statements

Years Ended June 30, 2016 and 2015

#### (4) Notes Payable/Capital Lease Receivable (Continued)

- (d) During July 2012, the ASC Board approved the acquisition of two office buildings of approximately 86,500 square feet, with related on-site parking of 290 spaces, on 3.628 acres of land adjacent to the main campus at a total cost of \$18,470,000. The building is being leased-back to the seller for a period of three years. Subsequently, the University agreed to lease the building from the ASC at the current market value. During September 2012, the University assisted in funding the building acquisition by depositing \$5,000,000 (through its University Extended Education reserves) into a deposit account with ASC. Upon execution of the lease agreement between ASC and the University, the deposit will be appropriately amortized over the term of the lease.

During October 2012, ASC entered into a loan agreement with the State of California, acting through the Board of Trustees of the California State University (Board), to finance a remaining portion of the building cost. The Board assisted ASC by issuing a commercial paper note in the principal amount of \$13,470,000. During the fiscal year 2015-2016, the loan agreement was amended due to conversion of the commercial paper note to a system-wide revenue bond (Series 2015A). The bond was issued at a premium, netting a long term liability of \$12,010,000. The effective rate of the bond was 5%, with payments being paid semiannually at May 1 and November 1 of each year, commencing November 11, 2015, through November 1, 2045. As of June 30, 2016 and 2015, the outstanding balance of the note was \$12,010,000 and \$13,470,000, respectively, and amount owed to the University was \$5,000,000. Unamortized bond premium at June 30, 2016 was \$1,465,474 (none in 2015).

- (e) During the fiscal year 2013-2014, the ASC Board approved the acquisition of two 2-story office buildings containing 139,610 net rentable square feet on 12.65 acres of land in the City of Irvine. The property includes approximately 877 surface parking spaces, at a total cost of \$30,000,000. The property was purchased to support the Cal State University Fullerton's educational mission to establish a presence in south Orange County. The property will be used for creating necessary facilities for an Irvine Satellite campus. One of the buildings was leased to the University, the second building was leased to a non-university entity. Once the lease on the second building expires, the University has agreed to lease the second building from the ASC. On September 1, 2013, ASC entered into a loan agreement with the State of California, acting through the Board of Trustees of the California State University (Board), to finance the property. The Board assisted ASC by issuing a commercial paper note in the principal amount of \$30,000,000. During the fiscal year 2014-2015, the loan agreement was amended due to conversion of the commercial paper note to a system-wide revenue bond (Series 2014A). The bond was issued at a premium, netting a long term liability of \$26,390,000. The effective rate of the bond was 5%, with payments being paid semiannually at May 1 and November 1 of each year, commencing November 11, 2014, through November 1, 2044. As of June 30, 2016 and 2015, the outstanding balance of the note was \$25,175,000 and 25,595,000, respectively and the interest expense was \$1,252,000 and \$878,119, respectively. Unamortized bond premium at June 30, 2016 and 2015 was \$3,490,412 and \$3,615,442, respectively.

## CSU FULLERTON AUXILIARY SERVICES CORPORATION

### Notes to Financial Statements

Years Ended June 30, 2016 and 2015

#### (4) Notes Payable/Capital Lease Receivable (Continued)

As of June 30, 2016, future minimum payments on the notes payable and loans are as follows:

Year Ending June 30:	<u>Principal</u>	<u>Interest</u>
2017	\$ 2,424,243	\$ 2,961,976
2018	2,489,243	2,845,681
2019	2,449,243	2,772,026
2020	2,229,243	2,683,113
2021	2,314,243	2,587,988
2022 – 2026	13,116,212	11,458,206
2027 – 2031	16,189,211	8,341,125
2032 – 2036	10,145,427	5,502,125
2037 – 2041	11,705,427	3,234,725
Thereafter	<u>9,423,749</u>	<u>793,750</u>
Total	<u>\$ 72,486,241</u>	<u>\$ 43,180,715</u>

#### (5) Due From Related Parties

(a) During the fiscal year 2010-2011, ASC entered into a line of credit agreement with the University to provide funding for the University's purchase and installation of photo-voltaic equipment. The line of credit maximum was \$4,800,000. Interest was calculated on the outstanding balance at a rate of 0.5% above the Wall Street Journal Prime rate. The repayment of the outstanding balance is not to exceed six years from the date of completion of the project. As of June 30, 2015, the CSU Fullerton outstanding line of credit was \$1,086,930, which was paid in full as of June 30, 2016.

(b) During June 2005, the Board of Directors approved a loan request of \$3,500,000 to the University to assist in the funding of the construction of the College of Business and Economics building. The loan funds were transferred to the University during November 2007. The loan is to be retired as quickly as possible, but no later than December 31, 2021. The loan is collateralized by the University committing to a minimum repayment of \$375,000 per year. Loan payments were to consist of all available concession commissions, beverage marketing funds, and any additional funds required to bring the loan payment amount up to at least \$375,000 yearly. Interest on the loan was to be 0.5% above Local Agency Investment Fund, adjusted semi-annually on June 30 and December 31 of each year.

# CSU FULLERTON AUXILIARY SERVICES CORPORATION

## Notes to Financial Statements

Years Ended June 30, 2016 and 2015

### (5) Due From Related Parties (Continued)

In June 2015, an agreement was executed between the University and ASC to modify the repayment terms of the loan. Under the agreement, all lease payments due to the University under Sublease Agreement F08-19, which total \$38,016 annually, would be applied by ASC against the outstanding balance due under the Loan Agreement, through November 30, 2018. No interest will be due on the outstanding balance. Prior to November 30, 2018, ASC and the University will revisit the terms of the repayment agreement and consider various options, including payoff of the entire loan agreement outstanding balance. As of June 30, 2016 and 2015, the outstanding balance of the loan was \$1,251,088 and \$1,295,973, respectively.

### (6) Deferred Compensation Plan

The Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF) program is a tax-sheltered annuity program qualified under IRS Code Section 403(b). This is a defined contribution type plan under which employees are eligible to participate immediately, with a two year "cliff" vesting period. Employees will have a choice of contribution level as follows:

<u>Employee Contribution of Compensation</u>	<u>Employer Matching Contribution</u>
Less than 2% of compensation	0% of participant compensation
2% or greater, but less than 5%	4% of participant compensation
5% or greater of compensation	8% of participant compensation

Notwithstanding the matching contribution formula specified above, no matching contributions in excess of 8% of a Qualifying Contributing Participant's Compensation will be made with respect to any Qualifying Contributing Participant for any Plan Year. ASC's contributions are 100% vested after two years of employment. The contributions accumulate earnings in an account on a tax-deferred basis, while the employee remains employed.

Employees can choose to contribute additional funds into TIAA's Group Supplemental Retirement Annuity Certificates Defined Contribution Plan 403(b) and the Private Plan 457(b). Employee deferrals are limited to \$18,000 with an additional \$6,000 for age 50 or more per employee per year in aggregate for the 403(b) plan, and \$18,000 maximum deferral. For participants within three years of the Plan 457(b) normal retirement age, a special catch-up additional amount up to the lesser of twice the applicable limit or unused amounts from prior years. On termination of employment, each participant is entitled to the balance of his or her vested account. It is the policy of ASC to fund benefit costs as they are incurred. For the year ended June 30, 2016 and 2015, total benefit expense was \$715,932 and \$609,130, respectively.

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

**(7) Postretirement Health Benefit Plan**

The following table summarizes ASC's accrued postretirement benefit cost recorded in accrued liabilities in the accompanying statement of financial position.

	June 30,	
	2016	2015
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 6,530,392	10,309,463
Service cost	377,490	488,163
Interest cost	293,013	301,816
Actuarial (gain) or loss	601,639	(4,468,585)
Benefits paid	(121,153)	(100,455)
Benefit obligation at end of year	\$ 7,681,381	6,530,392
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 2,843,054	1,989,150
Actual return on plan assets	39,175	3,904
Employer contribution	871,153	950,455
Benefits paid	(121,153)	(100,455)
Fair value of plan assets at end of year	\$ 3,632,229	2,843,054
Funded Status:		
Fair value of plan assets at end of year	\$ 3,632,229	2,843,054
APBO, at end of year	(7,681,381)	(6,530,392)
Funded status at end of year	\$ (4,049,152)	(3,687,338)
	June 30,	
	2016	2015
Amounts Recognized in Statement of Financial Position(SFP):		
Current liabilities	\$ (157,505)	(152,716)
Non-current liabilities	(3,891,647)	(3,534,622)
Total Recognized in SFP	\$ (4,049,152)	(3,687,338)
Amounts Recognized in SFP		
Net actuarial loss (gain)	\$ 131,155	(656,933)
Total Recognized in SFP	\$ 131,155	(656,933)

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

**(7) Postretirement Health Benefit Plan (Continued)**

	June 30,	
	2016	2015
Net periodic benefit cost:		
Service cost	\$ 377,490	488,163
Interest cost	293,013	301,816
Expected return on plan assets	(225,264)	(168,991)
Amortization of transition obligation	—	17,346
Amortization of net (gain) loss	(360)	172,053
Net periodic benefit cost	\$ 444,879	810,387

Assumptions:

Weighted-average assumptions  
used to determine benefit obligation

Discount rate	3.71%	4.54%
Expected long-term return on plan assets	7.00%	7.00%
Rate of compensation increase	N/A	N/A
Health care cost trend rate assumed for next year	6.5%	7.0%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2019	2019

The following table contains annual projections for ASC's postretirement costs. The projections are based on current premium rates.

Projected Cost

2017	\$ 157,505
2018	176,916
2019	190,808
2020	208,828
2021	224,168
2022-2026	1,405,098
Total	\$ 2,363,323

# CSU FULLERTON AUXILIARY SERVICES CORPORATION

## Notes to Financial Statements

Years Ended June 30, 2016 and 2015

### (7) Postretirement Health Benefit Plan (Continued)

Investment assets in the VEBA trust are measured at fair market value and include the following:

	June 30,	
	2016	2015
Investments:		
Equity securities	\$ 1,614,035	1,403,350
Fixed income	1,799,410	1,436,195
Other	218,784	3,509
Total	\$ 3,632,229	2,843,054

### (8) Designated Net Assets

ASC designates unrestricted net assets for specific purposes. The following are the unexpended net asset balances that have been designated for specific purposes by the Board of Directors.

	June 30,	
	2016	2015
Venture capital opportunity	\$ 1,796,119	1,581,980
Working capital	5,297,058	5,235,290
Current operations	2,971,690	2,875,507
Property and equipment	3,812,726	3,778,609
University Gables HOA	496,122	–
Other designated	3,700,659	3,275,179
Total	\$ 18,074,374	16,746,565



## CSU FULLERTON AUXILIARY SERVICES CORPORATION

### Notes to Financial Statements

Years Ended June 30, 2016 and 2015

#### (9) Operating Lease Commitments

The ASC has various land and facilities operating leases from both the University and The Associated Students, CSU Fullerton, Inc. that have five year terms ending in 2021. These lease agreements are renegotiated periodically. Among other provisions, the leases require that ASC make payments based upon various percentages of net income received. ASC makes rental payments for various facilities. For the year ended June 30, 2016 and 2015, rental expense was \$269,136 and \$244,175. Future minimum payments under operating lease agreements are as follows:

Year Ending June 30:

2017	\$	277,210
2018		285,526
2019		294,092
2020		302,915
2021		<u>312,002</u>
Total	\$	<u><u>1,471,745</u></u>

As described in Note 4, ASC receives rental income from buildings on the Fullerton campus and the Irvine satellite campus. Future amounts to be received from these sources are as follows:

Year Ending June 30:

2017	\$	9,681,240
2018		9,778,052
2019		9,875,833
2020		9,974,591
2021		10,074,337
Thereafter		<u>139,644,276</u>
Total	\$	<u><u>189,028,329</u></u>

#### (10) Related Party Transactions

ASC and the University provide a variety of services on each other's behalf. As of June 30, 2016 and 2015, receivables due from the University were \$717,283 and \$148,768, respectively, and accounts payable due to the University were \$465,925 and \$1,983,400, respectively. The balances are the results of transactions in providing and receiving services. For the year ending June 30, 2016 and 2015, amounts billed by ASC and included in revenues totaled \$12,633,223 and \$13,567,632, respectively and amounts billed to ASC and included in expenses totaled \$9,948,895 and \$7,227,267, respectively.

# CSU FULLERTON AUXILIARY SERVICES CORPORATION

## Notes to Financial Statements

Years Ended June 30, 2016 and 2015

### (11) Fair Value Measurement

Generally Accepted Accounting Principles establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. The fair value hierarchy is as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Other observable inputs, which include quoted prices for similar assets and liabilities, and market support inputs. These inputs could include such items as interest rates, yield curves, auction prices for equipment or per square foot selling prices for real estate.

Level 3: Inputs that are unobservable inputs for assets and liabilities are based on the Organization's assumptions. These include inputs that are internally developed and estimated.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair measurement in its entirety.

#### Fair values measured on a recurring basis

Fair values of assets measured on a recurring basis as of June 30, 2016 are as follows:

Fair Value Measurements at June 30, 2016					
		Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$	13,640,172	4,620,086	–	18,260,258
Investments		9,732,014	680,939	–	10,412,953
Annuity and life estate assets		328,769	–	–	328,769
	\$	23,700,955	5,301,025	–	29,001,980

Fair Value Measurements at June 30, 2015					
		Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$	22,591,117	2,358,322	–	24,949,439
Investments		10,698,915	619,755	–	11,318,670
Annuity and life estate assets		323,408	–	–	323,408
	\$	33,613,440	2,978,077	–	36,591,517

Fair values for investments and Annuity & Life Estate investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

**SUPPLEMENTARY INFORMATION**

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Schedule of Financial Position (by fund)

June 30, 2016

(With comparative financial information for the year ended June 30, 2015)

Assets	<u>General</u>	<u>Other Designated</u>	<u>Buildings Fund</u>	<u>Auxiliary Enterprises</u>	<u>Univ. Support Programs</u>	<u>Total Unrestricted</u>	<u>Temporary Restricted</u>	<u>Total 2016</u>	<u>Total 2015</u>
Current assets:									
Cash and cash equivalents	\$ 11,014,864	3,702,587	(5,773,500)	(1,995,047)	11,311,354	18,260,258	—	18,260,258	24,949,439
Investments	10,412,953	—	—	—	—	10,412,953	—	10,412,953	11,318,670
Accounts receivable:									
Sponsored programs	1,826,220	—	—	—	—	1,826,220	—	1,826,220	1,703,250
Other receivables	70,245	11,478	262,732	889,929	548,732	1,783,116	—	1,783,116	952,781
Less allowance for doubtful accounts	—	—	—	(9,702)	—	(9,702)	—	(9,702)	(19,164)
Total accounts receivable, net	<u>1,896,465</u>	<u>11,478</u>	<u>262,732</u>	<u>880,227</u>	<u>548,732</u>	<u>3,599,634</u>	<u>—</u>	<u>3,599,634</u>	<u>2,636,867</u>
Inventories	—	—	—	2,813,547	—	2,813,547	—	2,813,547	2,569,854
Capital lease receivable, current portion	—	—	980,000	—	—	980,000	—	980,000	930,000
Due from related parties, current portion	44,886	—	—	—	—	44,886	—	44,886	581,481
Other current assets	383,300	—	—	27,352	—	410,652	—	410,652	178,705
Total current assets	<u>23,752,468</u>	<u>3,714,065</u>	<u>(4,530,768)</u>	<u>1,726,079</u>	<u>11,860,086</u>	<u>36,521,930</u>	<u>—</u>	<u>36,521,930</u>	<u>43,165,016</u>
Property and equipment:									
Land	—	—	19,987,127	—	3,078	19,990,205	—	19,990,205	19,990,205
Building and improvements	—	—	30,992,873	—	—	30,992,873	—	30,992,873	30,992,873
Equipment, furniture, and fixtures	279,293	—	19,554	1,279,798	—	1,578,645	—	1,578,645	1,484,303
Work in progress	—	—	6,404,283	230,633	—	6,634,916	—	6,634,916	514,375
Leasehold improvements	—	—	8,214,919	2,244,316	—	10,459,235	—	10,459,235	9,603,035
	<u>279,293</u>	<u>—</u>	<u>65,618,756</u>	<u>3,754,747</u>	<u>3,078</u>	<u>69,655,874</u>	<u>—</u>	<u>69,655,874</u>	<u>62,584,791</u>
Less accumulated depreciation and amortization	(117,984)	—	(5,865,491)	(2,160,625)	—	(8,144,100)	—	(8,144,100)	(6,301,500)
Total property and equipment, net	<u>161,309</u>	<u>—</u>	<u>59,753,265</u>	<u>1,594,122</u>	<u>3,078</u>	<u>61,511,774</u>	<u>—</u>	<u>61,511,774</u>	<u>56,283,291</u>
Other assets:									
Due from related parties, net of current	1,206,202	—	—	—	—	1,206,202	—	1,206,202	1,801,422
Capital lease receivable, net of current	—	—	22,160,000	—	—	22,160,000	—	22,160,000	23,585,000
Annuity and life estate investments	—	—	—	—	—	—	328,769	328,769	323,408
Goodwill	—	—	241,291	—	—	241,291	—	241,291	241,291
Total other assets	<u>1,206,202</u>	<u>—</u>	<u>22,401,291</u>	<u>—</u>	<u>—</u>	<u>23,607,493</u>	<u>328,769</u>	<u>23,936,262</u>	<u>25,951,121</u>
Total assets	<u>\$ 25,119,979</u>	<u>3,714,065</u>	<u>77,623,788</u>	<u>3,320,201</u>	<u>11,863,164</u>	<u>121,641,197</u>	<u>328,769</u>	<u>121,969,966</u>	<u>125,399,428</u>

See accompanying independent auditors' report.

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Schedule of Financial Position (by fund)

June 30, 2016

(With comparative financial information for the year ended June 30, 2015)

<b>Liabilities and Net Assets</b>	<b>General</b>	<b>Other Designated</b>	<b>Buildings Fund</b>	<b>Auxiliary Enterprises</b>	<b>Univ. Support Programs</b>	<b>Total Unrestricted</b>	<b>Temporary Restricted</b>	<b>Total 2016</b>	<b>Total 2015</b>
Current liabilities:									
Accounts payable	\$ 1,754,063	2,898	2,377,125	1,696,278	18,050	5,848,414	—	5,848,414	4,914,994
Accrued liabilities	808,622	10,508	613,939	599,871	847,305	2,880,245	—	2,880,245	3,183,370
Accrued interest payable	—	—	225,093	—	—	225,093	—	225,093	229,203
Receipts in excess of expenditures on sponsored programs	2,947,817	—	—	—	—	2,947,817	—	2,947,817	3,332,457
Deposits held in custody for others	—	—	—	—	1,782,983	1,782,983	—	1,782,983	1,426,895
Notes payable, current portion	—	—	2,424,243	—	—	2,424,243	—	2,424,243	3,871,713
Post retirement benefit, current portion	157,505	—	—	—	—	157,505	—	157,505	152,716
Unitrust liabilities, current portion	—	—	—	—	—	—	17,219	17,219	18,126
Total current liabilities	<u>5,668,007</u>	<u>13,406</u>	<u>5,640,400</u>	<u>2,296,149</u>	<u>2,648,338</u>	<u>16,266,300</u>	<u>17,219</u>	<u>16,283,519</u>	<u>17,129,474</u>
Noncurrent liabilities:									
Notes payable, net of current	—	—	70,061,998	—	—	70,061,998	—	70,061,998	72,668,580
Allowance for grant payments received	877,891	—	—	—	—	877,891	—	877,891	785,097
Post retirement benefit, net of current	3,891,647	—	—	—	—	3,891,647	—	3,891,647	3,534,622
Unitrust liabilities, net of current portion	—	—	—	—	—	—	227,473	227,473	219,469
Total noncurrent liabilities	<u>4,769,538</u>	<u>—</u>	<u>70,061,998</u>	<u>—</u>	<u>—</u>	<u>74,831,536</u>	<u>227,473</u>	<u>75,059,009</u>	<u>77,207,768</u>
Total liabilities	<u>10,437,545</u>	<u>13,406</u>	<u>75,702,398</u>	<u>2,296,149</u>	<u>2,648,338</u>	<u>91,097,836</u>	<u>244,692</u>	<u>91,342,528</u>	<u>94,337,242</u>
Net assets:									
Unrestricted:									
Designated	13,877,593	3,700,659	496,122	—	—	18,074,374	—	18,074,374	16,746,565
Undesignated	804,841	—	1,425,268	1,024,052	9,214,826	12,468,987	—	12,468,987	14,229,808
Unrestricted net assets	<u>14,682,434</u>	<u>3,700,659</u>	<u>1,921,390</u>	<u>1,024,052</u>	<u>9,214,826</u>	<u>30,543,361</u>	<u>—</u>	<u>30,543,361</u>	<u>30,976,373</u>
Temporarily restricted – annuity and life estate investments	—	—	—	—	—	—	84,077	84,077	85,813
Total net assets	<u>14,682,434</u>	<u>3,700,659</u>	<u>1,921,390</u>	<u>1,024,052</u>	<u>9,214,826</u>	<u>30,543,361</u>	<u>84,077</u>	<u>30,627,438</u>	<u>31,062,186</u>
Total liabilities and net assets	<u>\$ 25,119,979</u>	<u>3,714,065</u>	<u>77,623,788</u>	<u>3,320,201</u>	<u>11,863,164</u>	<u>121,641,197</u>	<u>328,769</u>	<u>121,969,966</u>	<u>125,399,428</u>

See accompanying independent auditors' report.

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**  
Schedule of Activity Information by Natural Classification  
Years Ended June 30, 2016 and 2015

	<u>General</u>	<u>Other Designated</u>	<u>Buildings Fund</u>	<u>Auxiliary Enterprises</u>	<u>University Support Programs</u>	<u>University Extended Education</u>	<u>Total Unrestricted</u>	<u>Temporary Restricted</u>	<u>Total 2016</u>	<u>Total 2015</u>
Operating:										
Revenues, gains, and other support:										
Sales	\$ —	—	—	22,328,296	63,775	—	22,392,071	—	22,392,071	21,957,594
Unrealized Gain (Loss) Investmnt	(1,271,052)	—	—	—	—	—	(1,271,052)	1,088	(1,269,964)	(2,888,558)
Investment Gain	181,684	—	—	—	—	—	181,684	—	181,684	2,882,014
Administrative Services	179,302	—	—	—	—	—	179,302	—	179,302	116,318
Indirect Cost Recoveries	895,037	962,604	—	—	—	—	1,857,641	—	1,857,641	1,786,323
Grants and Contracts Revenue	20,939,620	—	—	—	—	—	20,939,620	—	20,939,620	19,692,755
Program Income	—	—	—	—	3,150,274	6,818,120	9,968,394	—	9,968,394	11,493,434
Commissions Income	80,000	—	—	587,003	6,971	—	673,974	—	673,974	545,297
Investment/Interest Income	436,704	—	6,959	—	—	—	443,663	23,447	467,110	284,326
Rental Income	—	—	9,855,646	333,014	254,417	—	10,443,077	—	10,443,077	10,062,082
Other Income	136,150	211,108	568,926	21,079	156,318	—	1,093,581	—	1,093,581	1,844,268
Total revenues, gains, and other support	<u>21,577,445</u>	<u>1,173,712</u>	<u>10,431,531</u>	<u>23,269,392</u>	<u>3,631,755</u>	<u>6,818,120</u>	<u>66,901,955</u>	<u>24,535</u>	<u>66,926,490</u>	<u>67,775,853</u>
Cost of Goods Sold										
Cost of Goods	—	—	—	13,701,428	—	—	13,701,428	—	13,701,428	13,443,476
Total Cost of Goods Sold	<u>—</u>	<u>—</u>	<u>—</u>	<u>13,701,428</u>	<u>—</u>	<u>—</u>	<u>13,701,428</u>	<u>—</u>	<u>13,701,428</u>	<u>13,443,476</u>
Payroll expense:										
Salaries and wages	2,483,152	313,314	317,211	4,090,756	1,121,958	3,803,082	12,129,473	—	12,129,473	11,798,724
Benefits	1,466,916	64,546	70,345	795,296	218,073	1,400,019	4,015,195	—	4,015,195	(602,255)
Total payroll expenses	<u>3,950,068</u>	<u>377,860</u>	<u>387,556</u>	<u>4,886,052</u>	<u>1,340,031</u>	<u>5,203,101</u>	<u>16,144,668</u>	<u>—</u>	<u>16,144,668</u>	<u>11,196,469</u>
Operating expenses:										
Administrative fee	—	—	47,107	—	(216,816)	216,815	47,106	—	47,106	38,617
Advertising & Promotion	—	—	—	222,630	31,784	14,084	268,498	—	268,498	291,952
Audit and Legal	116,517	—	81,571	—	—	—	198,088	—	198,088	193,387
Bank and Discount Charges	28,318	—	34,305	584,933	32,924	4,193	684,673	—	684,673	610,483
Commission & Royalty	—	—	—	403,111	4,093	—	407,204	—	407,204	361,235
Communications	31,150	—	14,434	68,123	26,589	65,744	206,040	—	206,040	213,162
Conference & Travel	63,348	—	2,520	25,210	128,986	315,363	535,427	—	535,427	847,851
Debt Service & Interest Exp.	—	—	2,436,524	—	—	—	2,436,524	—	2,436,524	2,261,560
Departmental Allocation	—	—	—	—	18,911	—	18,911	—	18,911	124,126
Depreciation & Amortization	35,794	—	1,405,447	401,359	—	—	1,842,600	—	1,842,600	1,729,542
Donations & Scholarships	9,554	—	—	106,202	61,352	500	177,608	24,771	202,379	409,927
Employee Development	149,046	—	—	144,972	1,448	17,342	312,808	—	312,808	284,512
Equipment Rental/Expense	23,177	—	2,534	62,336	41,827	33,020	162,894	—	162,894	153,349
Grants and Contracts Expenses	20,939,620	—	—	—	—	—	20,939,620	—	20,939,620	19,692,755
Insurance	18,460	—	160,797	41,970	26,334	156,781	404,342	—	404,342	937,929
Other Direct Costs	(454,405)	—	775,666	39,541	267,704	529,482	1,157,988	1,500	1,159,488	1,387,525
Professional Serv/Consultants	143,251	—	385,332	181,893	376,211	124,483	1,211,170	—	1,211,170	1,174,705
Public Relations	48,150	—	373	6,892	182,285	111,289	348,989	—	348,989	247,357
Rentals	(24,304)	—	—	167,422	68,532	176,736	388,386	—	388,386	625,009
Repairs and Maintenance	94,166	—	1,534,452	333,347	88,813	28,644	2,079,422	—	2,079,422	1,679,518
Stipends/Honorariums	—	14,322	—	—	3,600	—	17,922	—	17,922	19,800

See accompanying independent auditors' report.

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**  
Schedule of Activity Information by Natural Classification  
Years Ended June 30, 2016 and 2015

	<u>General</u>	<u>Other Designated</u>	<u>Buildings Fund</u>	<u>Auxiliary Enterprises</u>	<u>University Support Programs</u>	<u>University Extended Education</u>	<u>Total Unrestricted</u>	<u>Temporary Restricted</u>	<u>Total 2016</u>	<u>Total 2015</u>
Supplies	142,556	—	55,790	509,658	174,417	70,077	952,498	—	952,498	1,052,986
Taxes & Licenses	(1,951)	—	251,056	8,906	77	—	258,088	—	258,088	452,567
Utilities	—	—	818,792	349,355	56,131	—	1,224,278	—	1,224,278	1,248,287
Research support	—	619,802	—	—	—	—	619,802	—	619,802	718,661
Community outreach	—	347,784	—	—	—	—	347,784	—	347,784	225,124
Faculty research awards	—	63,285	—	—	—	—	63,285	—	63,285	102,810
Total operating expenses	<u>21,362,447</u>	<u>1,045,193</u>	<u>8,006,700</u>	<u>3,657,860</u>	<u>1,375,202</u>	<u>1,864,553</u>	<u>37,311,955</u>	<u>26,271</u>	<u>37,338,226</u>	<u>37,084,736</u>
Total expenses	<u>25,312,515</u>	<u>1,423,053</u>	<u>8,394,256</u>	<u>22,245,340</u>	<u>2,715,233</u>	<u>7,067,654</u>	<u>67,158,051</u>	<u>26,271</u>	<u>67,184,322</u>	<u>61,724,681</u>
Increase (Decrease) in net assets from operating activities	<u>(3,735,070)</u>	<u>(249,341)</u>	<u>2,037,275</u>	<u>1,024,052</u>	<u>916,522</u>	<u>(249,534)</u>	<u>(256,096)</u>	<u>(1,736)</u>	<u>(257,832)</u>	<u>6,051,172</u>
Nonoperating:										
Pension-related changes other than net periodic pension cost	(176,916)	—	—	—	—	—	(176,916)	—	(176,916)	(154,707)
Change in net assets	<u>\$ (3,911,986)</u>	<u>(249,341)</u>	<u>2,037,275</u>	<u>1,024,052</u>	<u>916,522</u>	<u>(249,534)</u>	<u>(433,012)</u>	<u>(1,736)</u>	<u>(434,748)</u>	<u>5,896,465</u>

See accompanying independent auditors' report.

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Schedule of Net Assets

Years Ended June 30, 2016 and 2015

	<u>General</u>	<u>Other Designated</u>	<u>Buildings Fund</u>	<u>Auxiliary Enterprises</u>	<u>Univ. Support Programs and Ext. Education</u>	<u>Total Unrestricted</u>	<u>Temporary Restricted</u>	<u>Total 2016</u>	<u>Total 2015</u>
Net assets at beginning of year	\$ 15,659,729	3,275,179	2,369,728	1,140,766	8,530,971	30,976,373	85,813	31,062,186	25,165,721
Change in net assets	(3,911,986)	(249,341)	2,037,275	1,024,052	666,988	(433,012)	(1,736)	(434,748)	5,896,465
Designations from other classifications	3,626,379	—	(2,485,613)	(1,140,766)	—	—	—	—	—
Reserves allocation	(691,688)	674,821	—	—	16,867	—	—	—	—
Net assets at end of year	\$ <u>14,682,434</u>	<u>3,700,659</u>	<u>1,921,390</u>	<u>1,024,052</u>	<u>9,214,826</u>	<u>30,543,361</u>	<u>84,077</u>	<u>30,627,438</u>	<u>31,062,186</u>

See accompanying independent auditors' report.



**CSU FULLERTON AUXILIARY SERVICES CORPORATION**  
Combining Statement of Activities Information – Auxiliary Enterprise Activities  
Years Ended June 30, 2016 and 2015

	<u>Bookstore</u>	<u>Food Services</u>	<u>Total 2016</u>	<u>Total 2015</u>
Sales	\$ 15,903,983	6,424,313	22,328,296	21,898,811
Cost of goods sold	<u>11,646,052</u>	<u>2,055,376</u>	<u>13,701,428</u>	<u>13,443,476</u>
Gross margin	<u>4,257,931</u>	<u>4,368,937</u>	<u>8,626,868</u>	<u>8,455,335</u>
Other revenue:				
Commissions	231,032	355,968	587,000	461,514
Other	<u>53,871</u>	<u>300,225</u>	<u>354,096</u>	<u>573,666</u>
Total other revenues	<u>284,903</u>	<u>656,193</u>	<u>941,096</u>	<u>1,035,180</u>
Operating expenses:				
Salaries and wages	2,068,180	2,022,579	4,090,759	3,905,983
Staff and benefits	<u>387,217</u>	<u>408,077</u>	<u>795,294</u>	<u>837,093</u>
Total payroll expenses	<u>2,455,397</u>	<u>2,430,656</u>	<u>4,886,053</u>	<u>4,743,076</u>
Administrative Fee	—	—	—	500
Advertising and Promotion	155,897	66,734	222,631	223,072
Bank and Discount Charges	335,980	248,953	584,933	543,167
Commission and Royalty	48,361	354,751	403,112	357,275
Communications	49,060	19,062	68,122	64,303
Conference and Travel	18,052	7,157	25,209	30,546
Depreciation	134,685	266,675	401,360	406,461
Donations and Scholarships	97,820	8,382	106,202	125,670
Employee Development	93,720	51,251	144,971	122,296
Equipment Rental/Expense	27,360	34,978	62,338	58,349
Insurance	22,574	19,397	41,971	53,451
Merchant Supplies	69,926	248,429	318,355	357,615
Other Direct Costs	28,794	10,741	39,535	24,479
Professional Serv/Consultants	139,334	42,558	181,892	187,761
Public Relations	6,199	693	6,892	9,324
Rentals	62,958	104,464	167,422	160,039
Repairs and Maintenance	164,550	168,798	333,348	306,704
Supplies	99,374	91,931	191,305	167,698
Taxes and Licenses	2,424	6,482	8,906	12,518
Utilities	<u>158,598</u>	<u>190,757</u>	<u>349,355</u>	<u>395,446</u>
Total operating expenses	<u>1,715,666</u>	<u>1,942,193</u>	<u>3,657,859</u>	<u>3,606,674</u>
Total expenses	<u>4,171,063</u>	<u>4,372,849</u>	<u>8,543,912</u>	<u>8,349,750</u>
Excess revenues over expenses	\$ <u>371,771</u>	<u>652,281</u>	<u>1,024,052</u>	<u>1,140,765</u>

See accompanying independent auditors' report

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**  
**Source of Funding and Expenditures for Sponsored Programs**  
Year Ended June 30, 2016

Source of funding (direct):	
Federal government	\$ 14,856,662
State of California and local governments	3,633,840
For-profit organizations	232,487
Foundations and other tax-exempt organizations	2,216,631
Total source of direct funding	20,939,620
Source of indirect cost reimbursement:	
Federal government	1,285,295
State of California and local governments	357,347
For-profit organizations	50,758
Foundations and other tax-exempt organizations	164,241
Total source of indirect cost reimbursement	1,857,641
Total funding	22,797,261
Direct expenditures:	
Salaries and wages	8,334,596
Staff benefits	1,729,873
Operating expenditures	3,558,992
Consultants	426,083
Sub-Contractors	4,389,638
Equipment	184,878
Stipends/Tuition	2,315,560
Total direct expenditures	20,939,620
Indirect expenditures:	
Salaries and wages	1,096,194
Staff benefits	217,714
Operating expenditures	368,588
Consultants	49,309
Sub-Contractors	84,120
Equipment	8,308
Stipends/Tuition	33,408
Total indirect expenditures	1,857,641
Total expenditures	\$ 22,797,261

See accompanying independent auditors' report.

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**  
Schedule of Net Position  
June 30, 2016  
(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 4,986,776
Short-term investments	23,686,435
Accounts receivable, net	3,599,634
Leases receivable, current portion	980,000
Notes receivable, current portion	44,886
Pledges receivable, net	—
Prepaid expenses and other current assets	3,224,199
Total current assets	<u>36,521,930</u>
Noncurrent assets:	
Restricted cash and cash equivalents	—
Accounts receivable, net	—
Leases receivable, net of current portion	22,160,000
Notes receivable, net of current portion	1,206,202
Student loans receivable, net	—
Pledges receivable, net	—
Endowment investments	—
Other long-term investments	328,769
Capital assets, net	61,511,774
Other assets	241,291
Total noncurrent assets	<u>85,448,036</u>
Total assets	<u>121,969,966</u>
Deferred outflows of resources:	
Unamortized loss on debt refunding	—
Net pension liability	—
Others	—
Total deferred outflows of resources	<u>—</u>
Liabilities:	
Current liabilities:	
Accounts payable	8,419,782
Accrued salaries and benefits	—
Accrued compensated absences, current portion	387,676
Unearned revenue	—
Capitalized lease obligations, current portion	135,000
Long-term debt obligations, current portion	2,036,667
Claims liability for losses and loss adjustment expenses, current portion	—
Depository accounts	—
Other liabilities	4,995,517
Total current liabilities	<u>15,974,642</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	283,774
Unearned revenue	—
Grants refundable	—
Capitalized lease obligations, net of current portion	4,940,000
Long-term debt obligations, net of current portion	65,374,574
Claims liability for losses and loss adjustment expenses, net of current portion	—
Depository accounts	—
Other postemployment benefits obligations	3,891,647
Net pension liability	—
Other liabilities	877,891
Total noncurrent liabilities	<u>75,367,886</u>
Total liabilities	<u>91,342,528</u>
Deferred inflows of resources:	
Service concession arrangements	—
Net pension liability	—
Unamortized gain on debt refunding	—
Nonexchange transactions	—
Others	—
Total deferred inflows of resources	<u>—</u>
Net Position:	
Net investment in capital assets	12,165,533
Restricted for:	
Nonexpendable – endowments	—
Expendable:	
Scholarships and fellowships	—
Research	—
Loans	—
Capital projects	—
Debt service	—
Others	—
Unrestricted	18,461,905
Total net position	<u>\$ 30,627,438</u>

See accompanying independent auditors' report.

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Schedule of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2016

(for inclusion in the California State University)

Revenues:

Operating revenues:

Student tuition and fees (net of scholarship allowances of \$ _____)	\$	—
Grants and contracts, noncapital:		
Federal		14,856,662
State		3,633,840
Local		232,487
Nongovernmental		2,216,631
Sales and services of educational activities		—
Sales and services of auxiliary enterprises (net of scholarship allowances of \$ _____)		33,719,267
Other operating revenues		10,431,531
		<hr/>
Total operating revenues		65,090,418

Expenses:

Operating expenses:

Instruction		4,740,934
Research		4,339,901
Public service		3,608,686
Academic support		517,203
Student services		5,372,512
Institutional support		2,245,910
Operation and maintenance of plant		8,394,256
Student grants and scholarships		114,474
Auxiliary enterprise expenses		30,211,897
Depreciation and amortization		1,842,600
		<hr/>
Total operating expenses		61,388,373
		<hr/>
Operating income (loss)		3,702,045

Nonoperating revenues (expenses):

State appropriations, noncapital		—
Federal financial aid grants, noncapital		—
State financial aid grants, noncapital		—
Local financial aid grants, noncapital		—
Nongovernmental and other financial aid grants, noncapital		—
Other federal nonoperating grants, noncapital		—
Gifts, noncapital		—
Investment income (loss), net		(628,129)
Endowment income (loss), net		—
Interest expense		—
Other nonoperating revenues (expenses)		(3,508,664)
		<hr/>
Net nonoperating revenues (expenses)		(4,136,793)
		<hr/>
Income (loss) before other revenues (expenses)		(434,748)

State appropriations, capital

Grants and gifts, capital		—
Additions (reductions) to permanent endowments		—
		<hr/>
Increase (decrease) in net position		(434,748)

Net position:

Net position at beginning of year, as previously reported		31,062,186
Restatements		—
Net position at beginning of year, as restated		<hr/>
		31,062,186
		<hr/>
Net position at end of year	\$	<u>30,627,438</u>

See accompanying independent auditors' report.

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Other Information

June 30, 2016

(for inclusion in the California State University)

**1 Restricted cash and cash equivalents at June 30, 2016:**

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

**2.1 Composition of investments at June 30, 2016:**

	<b>Current</b>			<b>Noncurrent</b>	<b>Noncurrent</b>		
	<b>Unrestricted</b>	<b>Current Restricted</b>	<b>Total Current</b>	<b>Unrestricted</b>	<b>Restricted</b>	<b>Total Noncurrent</b>	<b>Total</b>
State of California Surplus Money Investment Fund (SMIF)	\$ —	—	—	—	—	—	—
State of California Local Agency Investment Fund (LAIF)	8,653,396	—	8,653,396	—	—	—	8,653,396
Corporate bonds	636,777	—	636,777	—	44,162	44,162	680,939
Certificates of deposit	4,620,086	—	4,620,086	—	—	—	4,620,086
Mutual funds	2,578,622	—	2,578,622	—	54,661	54,661	2,633,283
Money Market funds	651,961	—	651,961	—	17,988	17,988	669,949
Repurchase agreements	—	—	—	—	—	—	—
Commercial paper	—	—	—	—	—	—	—
Asset backed securities	—	—	—	—	—	—	—
Mortgage backed securities	—	—	—	—	—	—	—
Municipal bonds	—	—	—	—	—	—	—
U.S. agency securities	—	—	—	—	—	—	—
U.S. treasury securities	—	—	—	—	—	—	—
Equity securities	6,545,593	—	6,545,593	—	84,280	84,280	6,629,873
Exchange traded funds (ETFs)	—	—	—	—	127,678	127,678	127,678
Alternative investments:							
Private equity (including limited partnerships)	—	—	—	—	—	—	—
Hedge funds	—	—	—	—	—	—	—
Managed futures	—	—	—	—	—	—	—
Real estate investments (including REITs)	—	—	—	—	—	—	—
Commodities	—	—	—	—	—	—	—
Derivatives	—	—	—	—	—	—	—
Other alternative investment types	—	—	—	—	—	—	—
Other external investment pools (excluding SWIFT)							
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Other major investments:							
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Total investments	<u>23,686,435</u>	<u>—</u>	<u>23,686,435</u>	<u>—</u>	<u>328,769</u>	<u>328,769</u>	<u>24,015,204</u>
Less endowment investments (enter as negative number)						—	—
Total investments	<u>23,686,435</u>	<u>—</u>	<u>23,686,435</u>	<u>—</u>	<u>328,769</u>	<u>328,769</u>	<u>24,015,204</u>

**2.2 Investments held by the University under contractual agreements at June 30, 2016:**

Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2016 :	—	—	—	—	—	—	—
---	---	---	---	---	---	---	---

**2.3 Restricted current investments at June 30, 2016 related to:**

	<u>Amount</u>
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
	<u>—</u>
<b>Total restricted current investments at June 30, 2016</b>	<u>\$ —</u>

See accompanying independent auditors' report

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

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(for inclusion in the California State University)

**2.4 Restricted noncurrent investments at June 30, 2016 related to:**

	<u>Amount</u>
Endowment investment	\$ —
Charitable Remainder Trusts	328,769
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
<b>Total restricted noncurrent investments at June 30, 2016</b>	<b>\$ 328,769</b>

**2.5 Fair value hierarchy in investments at June 30, 2016:**

	<u>Fair Value Measurements Using</u>				Net Asset Value (NAV)
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>		
<b>Total</b>					
\$ State of California Surplus Money Investment Fund (SMIF)	—	—	—	—	—
State of California Local Agency Investment Fund (LAIF)	8,653,396	8,653,396	—	—	—
Corporate bonds	680,939	—	680,939	—	—
Certificates of deposit	4,620,086	—	4,620,086	—	—
Mutual funds	2,633,283	2,633,283	—	—	—
Money Market funds	669,949	669,949	—	—	—
Repurchase agreements	—	—	—	—	—
Commercial paper	—	—	—	—	—
Asset backed securities	—	—	—	—	—
Mortgage backed securities	—	—	—	—	—
Municipal bonds	—	—	—	—	—
U.S. agency securities	—	—	—	—	—
U.S. treasury securities	—	—	—	—	—
Equity securities	6,629,873	6,629,873	—	—	—
Exchange traded funds (ETFs)	127,678	127,678	—	—	—
Alternative investments:					
Private equity (including limited partnerships)	—	—	—	—	—
Hedge funds	—	—	—	—	—
Managed futures	—	—	—	—	—
Real estate investments (including REITs)	—	—	—	—	—
Commodities	—	—	—	—	—
Derivatives	—	—	—	—	—
Other alternative investment types	—	—	—	—	—
Other external investment pools (excluding SWIFT)					
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Other major investments:					
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
<b>Total investments</b>	<b>24,015,204</b>	<b>18,714,179</b>	<b>5,301,025</b>	<b>—</b>	<b>—</b>

See accompanying independent auditors' report



**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

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**3.2 Detail of depreciation and amortization expense for the year ended June 30, 2016:**

Depreciation and amortization expense related to capital assets	\$ 1,842,600
Amortization expense related to other assets	—
Total depreciation and amortization	<u>\$ 1,842,600</u>

**4 Long-term liabilities activity schedule:**

	Balance June 30, 2015	Prior period adjustments	Reclassifications	Balance June 30, 2015 (restated)	Additions	Reductions	Balance June 30, 2016	Current portion	Long-term portion
Accrued compensated absences	\$ 608,168	—	—	608,168	1,226,224	(1,162,942)	671,450	387,676	283,774
Claims liability for losses and loss adjustment expenses	—	—	—	—	—	—	—	—	—
Capitalized lease obligations:									
Gross balance	—	—	5,650,000	5,650,000	4,800,000	(5,375,000)	5,075,000	135,000	4,940,000
Unamortized premium / (discount) on capitalized lease obligations	—	—	—	—	—	—	—	—	—
Total capitalized lease obligations	—	—	5,650,000	5,650,000	4,800,000	(5,375,000)	5,075,000	135,000	4,940,000
Long-term debt obligations:									
Auxiliary revenue bonds	24,515,000	—	(24,515,000)	—	—	—	—	—	—
Commercial paper	—	—	—	—	—	—	—	—	—
Notes payable related to SRB	—	—	59,430,000	59,430,000	12,010,000	(15,090,000)	56,350,000	2,036,667	54,313,333
Others: (list by type)									
Bond Anticipation Note	40,565,000	—	(40,565,000)	—	—	—	—	—	—
College Park West L.T. liability	5,000,000	—	—	5,000,000	—	—	5,000,000	—	5,000,000
Add description	1,662,340	—	—	1,662,340	—	(1,662,340)	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Total long-term debt obligations	71,742,340	—	(5,650,000)	66,092,340	12,010,000	(16,752,340)	61,350,000	2,036,667	59,313,333
Unamortized bond premium / (discount)	4,995,766	—	—	4,995,766	1,065,475	—	6,061,241	—	6,061,241
Total long-term debt obligations, net	76,738,106	—	(5,650,000)	71,088,106	13,075,475	(16,752,340)	67,411,241	2,036,667	65,374,574
Total long-term liabilities	\$ 77,346,274	—	—	77,346,274	19,101,699	(23,290,282)	73,157,691	2,559,343	70,598,348

**5 Future minimum lease payments - capitalized lease obligations:**

	Capitalized lease obligations related to SRB			All other capitalized lease obligations			Total capitalized lease obligations		
	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:									
2017	—	—	—	135,000	240,606	375,606	135,000	240,606	375,606
2018	—	—	—	145,000	228,350	373,350	145,000	228,350	373,350
2019	—	—	—	135,000	222,800	357,800	135,000	222,800	357,800
2020	—	—	—	140,000	216,600	356,600	140,000	216,600	356,600
2021	—	—	—	145,000	209,475	354,475	145,000	209,475	354,475
2022 - 2026	—	—	—	860,000	926,000	1,786,000	860,000	926,000	1,786,000
2027 - 2031	—	—	—	1,105,000	681,625	1,786,625	1,105,000	681,625	1,786,625
2032 - 2036	—	—	—	1,405,000	375,350	1,780,350	1,405,000	375,350	1,780,350
2037 - 2041	—	—	—	1,005,000	63,100	1,068,100	1,005,000	63,100	1,068,100
2042 - 2046	—	—	—	—	—	—	—	—	—
2047 - 2051	—	—	—	—	—	—	—	—	—
2052 - 2056	—	—	—	—	—	—	—	—	—
2057 - 2061	—	—	—	—	—	—	—	—	—
2062 - 2066	—	—	—	—	—	—	—	—	—
Total minimum lease payments	—	—	—	5,075,000	3,163,906	8,238,906	5,075,000	3,163,906	8,238,906
Less amounts representing interest									(3,163,906)
Present value of future minimum lease payments									5,075,000
Unamortized net premium (discount)									—
Total capitalized lease obligations									5,075,000
Less: current portion									(135,000)
<b>Capitalized lease obligation, net of current portion</b>									<u>\$ 4,940,000</u>

See accompanying independent auditors' report



**CSU FULLERTON AUXILIARY SERVICES CORPORATION**  
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**6 Long-term debt obligation schedule**

	Auxiliary revenue bonds			All other long-term debt obligations			Total long-term debt obligations		
	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:									
2017	\$ —	—	—	2,036,667	2,691,370	4,728,037	2,036,667	2,691,370	4,728,037
2018	—	—	—	2,091,667	2,628,331	4,719,998	2,091,667	2,628,331	4,719,998
2019	—	—	—	2,061,667	2,549,226	4,610,893	2,061,667	2,549,226	4,610,893
2020	—	—	—	1,836,667	2,466,513	4,303,180	1,836,667	2,466,513	4,303,180
2021	—	—	—	1,916,667	2,387,513	4,304,180	1,916,667	2,387,513	4,304,180
2022 - 2026	—	—	—	10,993,335	10,532,206	21,525,541	10,993,335	10,532,206	21,525,541
2027 - 2031	—	—	—	13,873,335	7,659,500	21,532,835	13,873,335	7,659,500	21,532,835
2032 - 2036	—	—	—	7,863,335	5,126,775	12,990,110	7,863,335	5,126,775	12,990,110
2037 - 2041	—	—	—	9,823,335	3,171,625	12,994,960	9,823,335	3,171,625	12,994,960
2042 - 2046	—	—	—	8,853,325	793,750	9,647,075	8,853,325	793,750	9,647,075
2047 - 2051	—	—	—	—	—	—	—	—	—
2052 - 2056	—	—	—	—	—	—	—	—	—
2057 - 2061	—	—	—	—	—	—	—	—	—
2062 - 2066	—	—	—	—	—	—	—	—	—
Total minimum payments	—	—	—	61,350,000	40,006,809	101,356,809	61,350,000	40,006,809	101,356,809
Less amounts representing interest									(40,006,809)
Present value of future minimum payments									61,350,000
Unamortized net premium (discount)									6,061,241
Total long-term debt obligations									67,411,241
Less: current portion									(2,036,667)
<b>Long-term debt obligations, net of current portion</b>									<b>\$ 65,374,574</b>

**7 Calculation of net position**

**7.1 Calculation of net position - net investment in capital assets**

Capital assets, net of accumulated depreciation	\$ 61,511,774
Capitalized lease obligations, current portion	(135,000)
Capitalized lease obligations, net of current portion	(4,940,000)
Long-term debt obligations, current portion	(2,036,667)
Long-term debt obligations, net of current portion	(65,374,574)
Portion of outstanding debt that is unspent at year-end	—
Other adjustments: (please list)	
Capital lease receivable from affiliate	5,075,000
Capital lease receivable from affiliate	18,065,000
Add description	—
Add description	—
Add description	—
Net position - net investment in capital asset	<u>\$ 12,165,533</u>

**7.2 Calculation of net position - restricted for nonexpendable - endowments**

Portion of restricted cash and cash equivalents related to endowments	\$ —
Endowment investments	—
Other adjustments: (please list)	
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
<b>Net position - Restricted for nonexpendable - endowments per SNP</b>	<u>\$ —</u>

See accompanying independent auditors' report

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

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**8 Transactions with related entities**

	<u>Amount</u>
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 7,644,239
Payments to University for other than salaries of University personnel	2,304,656
Payments received from University for services, space, and programs	12,230,543
Gifts-in-kind to the University from discretely presented component units	
Gifts (cash or assets) to the University from discretely presented component units	402,680
Accounts (payable to) University (enter as negative number)	(465,925)
Other amounts (payable to) University (enter as negative number)	—
Accounts receivable from University	717,263
Other amounts receivable from University	—

**9 Other postemployment benefits obligation (OPEB)**

Annual required contribution (ARC)	\$ 1,075,462
Contributions during the year	<u>(871,153)</u>
Increase (decrease) in net OPEB obligation (NOO)	204,309
Other adjustments	—
NOO - beginning of year	<u>3,687,338</u>
NOO - end of year	<u>\$ 3,891,647</u>

**10 Pollution remediation liabilities under GASB Statement No. 49:**

<u>Description</u>	<u>Amount</u>
Add description	\$ —
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Total pollution remediation liabilities	\$ —
Less: current portion	<u>—</u>
Pollution remediation liabilities, net of current portion	<u>—</u>

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

	<u>Net Position Class</u>	<u>Amount Dr. (Cr.)</u>
Net position as of June 30, 20PY, as previously reported		\$ 31,062,186
Prior period adjustments:		
1 (list description of each adjustment)		—
2 (list description of each adjustment)		—
3 (list description of each adjustment)		—
4 (list description of each adjustment)		—
5 (list description of each adjustment)		—
6 (list description of each adjustment)		—
7 (list description of each adjustment)		—
8 (list description of each adjustment)		—
9 (list description of each adjustment)		—
10 (list description of each adjustment)		—
Net position as of June 30, 2013, as restated		<u>\$ 31,062,186</u>

See accompanying independent auditors' report

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Other Information

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

	<u>Debit</u>	<u>Credit</u>
Net position class: _____ 1 (breakdown of adjusting journal entry)	\$ —	—
Net position class: _____ 2 (breakdown of adjusting journal entry)	—	—
Net position class: _____ 3 (breakdown of adjusting journal entry)	—	—
Net position class: _____ 4 (breakdown of adjusting journal entry)	—	—
Net position class: _____ 5 (breakdown of adjusting journal entry)	—	—
Net position class: _____ 6 (breakdown of adjusting journal entry)	—	—
Net position class: _____ 7 (breakdown of adjusting journal entry)	—	—
Net position class: _____ 8 (breakdown of adjusting journal entry)	—	—
Net position class: _____ 9 (breakdown of adjusting journal entry)	—	—
Net position class: _____ 10 (breakdown of adjusting journal entry)	—	—

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**INDEPENDENT AUDITORS' 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***

September 21, 2016  
To the Board of Directors  
CSU Fullerton Auxiliary Services Corporation  
Fullerton, 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 CSU Fullerton Auxiliary Services Corporation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 21, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered CSU Fullerton Auxiliary Services Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CSU Fullerton Auxiliary Services Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of CSU Fullerton Auxiliary Services Corporation's internal control.

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

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

**Compliance and Other Matters**

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

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AKT LLP

## **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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*AKT LLP*

AKT, LLP

San Diego, California

September 21, 2016