

# CSU Fullerton

# Auxiliary Services Corporation

Financial Statements and Supplementary Information

Years Ended June 30, 2017 and 2016



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

**Table of Contents**

<b>Independent Auditors' Report</b>	1 – 2
<b>Financial Statements:</b>	
Statements of Financial Position	3 – 4
Statements of Activities	5 – 6
Statements of Cash Flows	7
Notes to Financial Statements	8 – 24
<b>Supplementary Information</b>	
Schedule of Financial Position (by fund)	25 – 26
Schedule of Activity Information by Natural Classification	27 – 28
Schedule of Net Assets	29
Combining Schedule of Activities Information-Auxiliary Enterprise Activities	30
Source of Funding and Expenditures for Sponsored Programs	31
<b>Supplementary Information for Inclusion in California State University</b>	
Schedule of Net Position	32
Schedule of Revenues, Expenses, and Changes in Net Position	33
Other Information	34 – 40
<b>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 <i>Government Auditing Standards</i></b>	41 – 42

## 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 statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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 financial statements referred to above present fairly, in all material respects, the financial position of CSU Fullerton Auxiliary Services Corporation as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

Our audits were 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 20, 2017, 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.

*Aldrich CPAs + Advisors LLP*

Aldrich CPAs + Advisors LLP  
San Diego, California  
September 20, 2017

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Statements of Financial Position

June 30, 2017 and 2016

<b>Assets</b>	<b>Total 2017</b>	<b>Total 2016</b>
Current assets:		
Cash and cash equivalents	\$ 10,391,062	18,260,258
Investments	10,908,577	10,412,953
Accounts receivable:		
Sponsored programs	1,468,683	1,826,220
Other receivables	3,284,125	1,783,116
Less allowance for doubtful accounts	<u>(6,756)</u>	<u>(9,702)</u>
Total accounts receivable, net	<u>4,746,052</u>	<u>3,599,634</u>
Inventories	2,554,150	2,813,547
Capital lease receivable, current portion	990,000	980,000
Due from related parties, current portion	38,016	44,886
Other current assets	<u>441,044</u>	<u>410,652</u>
Total current assets	<u>30,068,901</u>	<u>36,521,930</u>
Property and equipment:		
Land	19,990,205	19,990,205
Building and improvements	30,992,873	30,992,873
Equipment, furniture, and fixtures	2,081,049	1,578,645
Work in progress	7,853,116	6,634,916
Leasehold improvements	<u>17,980,214</u>	<u>10,459,235</u>
	78,897,457	69,655,874
Less accumulated depreciation and amortization	<u>(9,842,772)</u>	<u>(8,144,100)</u>
Total property and equipment, net	<u>69,054,685</u>	<u>61,511,774</u>
Other assets:		
Due from related parties, net of current	1,175,056	1,206,202
Capital lease receivable, net of current	21,170,000	22,160,000
Annuity and life estate investments	329,349	328,769
Goodwill	<u>241,291</u>	<u>241,291</u>
Total other assets	<u>22,915,696</u>	<u>23,936,262</u>
Total assets	\$ <u><u>122,039,282</u></u>	<u><u>121,969,966</u></u>

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

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Statements of Financial Position

June 30, 2017 and 2016

<b>Liabilities and Net Assets</b>	<b>Total 2017</b>	<b>Total 2016</b>
	<hr/>	<hr/>
Current liabilities:		
Accounts payable	\$ 4,777,677	5,848,414
Accrued expenses	3,806,929	2,880,245
Accrued interest payable	436,115	225,093
Receipts in excess of expenditures on sponsored programs	3,538,961	2,947,817
Deposits held in custody for others	2,160,820	1,782,983
Notes payable, current portion	2,288,857	2,424,243
Post retirement benefit, current portion	182,083	157,505
Unitrust liabilities, current portion	17,766	17,219
Total current liabilities	<hr/> 17,209,208	<hr/> 16,283,519
Noncurrent liabilities:		
Notes payable, net of current	67,839,809	70,061,998
Allowance for grant payments received	924,224	877,891
Post retirement benefit, net of current	3,145,355	3,891,647
Unitrust liabilities, net of current portion	233,337	227,473
Total noncurrent liabilities	<hr/> 72,142,725	<hr/> 75,059,009
Total liabilities	<hr/> 89,351,933	<hr/> 91,342,528
Net assets:		
Unrestricted:		
Designated	17,866,324	18,074,374
Undesignated	14,742,779	12,468,987
Unrestricted net assets	<hr/> 32,609,103	<hr/> 30,543,361
Temporarily restricted – annuity and life estate investments	78,246	84,077
Total net assets	<hr/> 32,687,349	<hr/> 30,627,438
Total liabilities and net assets	\$ <hr/> <hr/> 122,039,282	<hr/> <hr/> 121,969,966

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

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Statement of Activities

Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains, and other support:			
Enterprise Activities:			
Sales	\$ 22,034,654	—	22,034,654
Commissions, Fees, Other	1,033,885	—	1,033,885
Total Enterprise Activities	<u>23,068,539</u>	<u>—</u>	<u>23,068,539</u>
Programs Activities:			
Grants and contracts	23,144,000	—	23,144,000
University support programs	3,487,995	—	3,487,995
University Extended Education programs	4,955,808	—	4,955,808
Total Programs Revenue	<u>31,587,803</u>	<u>—</u>	<u>31,587,803</u>
General activities:			
Rental property	10,184,315	—	10,184,315
Investment income	380,151	30,951	411,102
Net unrealized and realized gains (losses) on investments	2,330,441	(10,713)	2,319,728
Administrative Fees and Other Revenue	2,679,155	—	2,679,155
Total General Activities	<u>15,574,062</u>	<u>20,238</u>	<u>15,594,300</u>
Total revenues and support	70,230,404	20,238	70,250,642
Net assets released from restrictions	26,069	(26,069)	—
Total revenues, gains, and other support	<u>70,256,473</u>	<u>(5,831)</u>	<u>70,250,642</u>
Expenses and other changes:			
Enterprise Activities:			
Bookstores	15,235,769	—	15,235,769
Dining services	6,698,502	—	6,698,502
Total Enterprise Activities	<u>21,934,271</u>	<u>—</u>	<u>21,934,271</u>
Programs Activities:			
Grants and Contracts	23,144,000	—	23,144,000
University support programs	3,221,158	—	3,221,158
University Extended Education programs	5,390,338	—	5,390,338
Charitable remainder trust expenses	26,069	—	26,069
Total programs expenses	<u>31,781,565</u>	<u>—</u>	<u>31,781,565</u>
General expenses:			
Rental Property Expense	8,990,975	—	8,990,975
Administrative	3,497,151	—	3,497,151
Total General expense	<u>12,488,126</u>	<u>—</u>	<u>12,488,126</u>
Designated expense	1,759,165	—	1,759,165
Total expenses	<u>67,963,127</u>	<u>—</u>	<u>67,963,127</u>
Income (loss) from operating activities	2,293,346	(5,831)	2,287,515
Non-operating activities:			
Pension-related changes other than net periodic pension cost	(227,604)	—	(227,604)
Total Non-operating activities	<u>(227,604)</u>	<u>—</u>	<u>(227,604)</u>
Change in net assets	2,065,742	(5,831)	2,059,911
Net assets at beginning of year	<u>30,543,361</u>	<u>84,077</u>	<u>30,627,438</u>
Net assets at end of year	<u>\$ 32,609,103</u>	<u>78,246</u>	<u>32,687,349</u>

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
Charitable remainder 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>
Loss 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**

Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,059,911	(434,748)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	2,050,438	1,842,600
Bond Premium amortization	(252,575)	(248,377)
Realized and unrealized (gains) losses on investments	(2,319,728)	1,088,280
Gain on the sale of equipment	3,300	—
Decrease (increase) in annuity and life estate investments	(580)	11,197
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	(1,146,418)	(962,767)
Decrease (increase) in inventories	259,397	(243,693)
Decrease (increase) in other current assets	(30,392)	(231,947)
Increase (decrease) in accounts payable	(859,715)	929,309
Increase (decrease) in post retirement benefit	(721,714)	361,814
Increase (decrease) in accrued expenses	926,684	(303,125)
Increase (decrease) in receipts in excess of expenditures on specific sponsored programs	591,144	(384,640)
Increase (decrease) in deposits held in custody for others	377,837	356,088
Increase (decrease) in allowance for grant payments received	46,333	92,794
Net cash provided by operating activities	<u>983,922</u>	<u>1,872,785</u>
Cash flows from investing activities:		
Purchase of property and equipment	(9,593,349)	(7,071,082)
Proceeds from sale of property and equipment	(3,300)	—
Decrease in due from affiliates	38,016	1,131,815
Purchase of investments	(2,543,245)	(6,359,536)
Sales of investments	4,367,349	6,176,973
Net cash used in investing activities	<u>(7,734,529)</u>	<u>(6,121,830)</u>
Cash flows from financing activities:		
Payments on notes and capital lease obligations	(2,105,000)	(3,412,340)
Proceeds from issuance of notes payable	—	51,665
Payments received for capital lease receivable	980,000	930,000
Decrease in annuity and unitrust payable	6,411	(9,461)
Net cash used in financing activities	<u>(1,118,589)</u>	<u>(2,440,136)</u>
Net decrease in cash and cash equivalents	<u>(7,869,196)</u>	<u>(6,689,181)</u>
Cash and cash equivalents at beginning of year	<u>18,260,258</u>	<u>24,949,439</u>
Cash and cash equivalents at end of year	\$ <u>10,391,062</u>	\$ <u>18,260,258</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ <u>2,645,199</u>	<u>2,436,524</u>
Non Cash reduction of bond payable and affiliated note receivable	\$ <u>445,000</u>	<u>445,000</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, 2017 and 2016

### (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, 2017 and 2016

### (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 Titan Hall 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 Conferences, Workshops Centers, Institutes, 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, 2017 and 2016 are \$2,160,820 and \$1,782,983, 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, 2017 and 2016

### (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 statements 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, 2017 and 2016.

#### (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, 2017 and 2016

#### (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, 2017 and 2016 was held by Local Agency Investment Fund. ASC had \$1,590,553 and \$5,675,533 of uninsured cash and cash equivalents at June 30, 2017 and 2016, 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, 2017 and 2016

### (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 3% 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, 2017 and 2016

### (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 June 30, 2017 and 2016.

#### (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, 2017. We have evaluated fair value of financial instruments as follows:

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

*Notes payable:* The amounts reported in the accompanying statements 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.

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Notes to Financial Statements

Years Ended June 30, 2017 and 2016

**(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:

	<u>2017</u>	<u>2016</u>
Program	\$ 64,693,580	62,988,343
Administrative	<u>3,497,151</u>	<u>4,372,895</u>
Total Expenses	<u><u>\$ 68,190,731</u></u>	<u><u>67,361,238</u></u>

During the fiscal year ended June 30, 2017 and 2016, the administrative expenses included an increase in the post- retirement benefit obligation cost in the amount of \$91,484 and a decrease of 1,011,914, respectively.

*(q) Subsequent Events Accounting Pronouncement*

ASC has evaluated events and transactions for potential recognition or disclosure through September 20, 2017 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:

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Investments:		
Cash and money market funds	\$ 282,306	651,960
Equity securities	7,430,049	6,545,593
Mutual funds	2,823,319	2,578,623
Corporate debt securities	<u>372,903</u>	<u>636,777</u>
Total	<u><u>\$ 10,908,577</u></u>	<u><u>10,412,953</u></u>



## CSU FULLERTON AUXILIARY SERVICES CORPORATION

### Notes to Financial Statements

Years Ended June 30, 2017 and 2016

#### (3) Investments (Continued)

	June 30,	
	2017	2016
Annuity and Life Estate Investments:		
Cash and money market funds	\$ 8,533	17,988
Equity securities	83,552	84,280
Mutual funds	76,959	54,661
Corporate debt securities	32,335	44,162
Annual fixed allocation	127,970	127,678
Total	\$ 329,349	328,769

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

	2017	2016
Realized gains (losses)	\$ 889,262	181,684
Unrealized gains (losses)	1,430,466	(1,269,964)
	2,319,728	(1,088,280)
Interest and dividend income		
from investment assets	\$ 411,102	460,151
Total Investment Income	\$ 2,730,830	(628,129)

#### (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, 2017 and 2016

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

- (a) Accordingly, ASC has recorded a capital lease receivable of \$17,220,000 (current portion: \$880,000; long term: \$16,340,000) representing the \$17,220,000 notes payable liability, less \$880,000 current portion, with unamortized premium on the related bond of \$1,028,197 at June 30, 2017. As of June 30, 2016 the debt totaled \$18,065,000, less \$845,000 current portion, with unamortized premium on the related bond of \$1,105,355. 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, 2017 and 2016 was \$865,025 and \$904,550, 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, 2017 and 2016, the outstanding balance of the note was \$600,000 and \$1,100,000, 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 2017, ASC refunded \$4,800,000 of the bonds by issuing the System Revenue Bond 2017, 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, 2017 and 2016, the capital lease receivable and payable was \$4,940,000 and \$5,075,000, respectively, of which the current portion was \$145,000 and \$135,000, respectively.

## CSU FULLERTON AUXILIARY SERVICES CORPORATION

### Notes to Financial Statements

Years Ended June 30, 2017 and 2016

#### (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 2016-2017, 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, 2017 and 2016, the outstanding balance of the note was \$11,815,000 and \$12,010,000, respectively, and amount owed to the University was \$5,000,000. Unamortized bond premium for the years ended June 30, 2017 and 2016 was \$1,415,087 and \$1,465,474, respectively.

- (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, 2017 and 2016, the outstanding balance of the note was \$24,745,000 and \$25,175,000, respectively and the interest expense was \$1,239,000 and \$1,252,000, respectively. Unamortized bond premium at June 30, 2017 and 2016 was \$3,365,382 and \$3,490,412, respectively.

## CSU FULLERTON AUXILIARY SERVICES CORPORATION

### Notes to Financial Statements

Years Ended June 30, 2017 and 2016

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

As of June 30, 2017, future minimum payments on the notes payable and loans are as follows:

Year Ending June 30:	<u>Principal</u>	<u>Interest</u>
2018	\$ 2,288,857	\$ 2,846,560
2019	2,548,857	2,769,141
2020	2,228,857	2,683,927
2021	2,313,857	2,596,988
2022	2,408,857	2,504,563
2023-2027	13,679,283	10,897,519
2028-2032	15,080,125	7,659,625
2033-2037	10,563,498	5,082,650
2038-2042	11,843,498	2,740,700
Thereafter	<u>7,172,977</u>	<u>444,875</u>
Total	<u>\$ 70,128,666</u>	<u>\$ 40,226,548</u>

#### (5) Due From Related Parties

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, 2017 and 2016

#### (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, 2017 and 2016, the outstanding balance of the loan was \$1,213,072 and \$1,251,088, 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, 2017 and 2016, total benefit expense was \$616,746 and \$715,932, respectively.

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Notes to Financial Statements

Years Ended June 30, 2017 and 2016

**(7) Postretirement Health Benefit Plan**

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

	June 30,	
	2017	2016
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 7,681,381	6,530,392
Service cost	522,605	377,490
Interest cost	276,427	293,013
Actuarial (gain) or loss	(237,493)	601,639
Benefits paid	(151,736)	(121,153)
Benefit obligation at end of year	\$ 8,091,184	7,681,381
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 3,632,229	2,843,054
Actual return on plan assets	381,517	39,175
Employer contribution	901,736	871,153
Benefits paid	(151,736)	(121,153)
Fair value of plan assets at end of year	\$ 4,763,746	3,632,229
Funded Status:		
Fair value of plan assets at end of year	\$ 4,763,746	3,632,229
APBO, at end of year	(8,091,184)	(7,681,381)
Funded Status at end of year	\$ (3,327,438)	(4,049,152)
	June 30,	
	2017	2016
Amounts Recognized in Statements of Financial Position (SFP)		
Current liabilities	\$ (182,083)	(157,505)
Non-current liabilities	(3,145,355)	(3,891,647)
Total Recognized in (SFP)	\$ (3,327,438)	(4,049,152)
Amount Recognized in Changes in SFP		
Net actuarial loss (gain)	\$ 65,216	131,155
Total Recognized in SFP	\$ 65,216	131,155

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Notes to Financial Statements

Years Ended June 30, 2017 and 2016

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

	June 30,	
	2017	2016
Net periodic benefit cost:		
Service cost	\$ 522,605	377,490
Interest cost	276,427	293,013
Expected return on plan assets	412,100	(225,264)
Amortization of net gain	-	(360)
Net periodic benefit cost	<u>\$ 1,211,132</u>	<u>444,879</u>

Assumptions:

Weighted-average assumptions  
used to determine benefit obligation

Discount rate	3.00%	3.71%
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	7.00%	7.00%
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

2018	\$ 168,018
2019	175,084
2020	185,139
2021	192,018
2022	199,165
2023 - 2027	<u>1,125,372</u>
Total Projected Cost	<u>\$ 2,044,796</u>

# CSU FULLERTON AUXILIARY SERVICES CORPORATION

## Notes to Financial Statements

Years Ended June 30, 2017 and 2016

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

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

	June 30,	
	2017	2016
Investments:		
Equity securities	\$ 2,076,990	1,614,035
Fixed income	2,355,721	1,799,410
Other	331,035	218,784
Total	<u>\$ 4,763,746</u>	<u>3,632,229</u>

### (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,	
	2017	2016
Venture capital opportunity	\$ 1,796,119	1,796,119
Working capital	5,297,058	5,297,058
Current operations	2,971,690	2,971,690
Property and equipment	3,812,726	3,812,726
University Gables HOA	496,122	496,122
Other designated	3,492,609	3,700,659
Total	<u>\$ 17,866,324</u>	<u>18,074,374</u>



## CSU FULLERTON AUXILIARY SERVICES CORPORATION

### Notes to Financial Statements

Years Ended June 30, 2017 and 2016

#### (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 2022. 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, 2017 and 2016, rental expense was \$264,517 and \$269,136. Future minimum payments under operating lease agreements as of June 30, 2017:

Year Ending June 30:	
2018	\$ 272,451
2019	280,625
2020	289,044
2021	297,715
2022	<u>306,647</u>
Total	<u>\$ 1,446,482</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 as of June 30, 2017:

Year Ending June 30:	
2018	\$ 9,950,510
2019	11,166,015
2020	11,277,675
2021	11,390,452
2022	11,504,357
Thereafter	<u>159,466,330</u>
Total	<u>\$ 214,755,339</u>

#### (10) Related Party Transactions

ASC and the University provide a variety of services on each other's behalf. As of June 30, 2017 and 2016, receivables due from the University were \$1,036,855 and \$717,283, respectively, and accounts payable due to the University were \$1,261,113 and \$465,925, respectively. The balances are the results of transactions in providing and receiving services. For the year ending June 30, 2017 and 2016, amounts billed by ASC and included in revenues totaled \$14,112,831 and \$12,633,223, respectively and amounts billed to ASC and included in expenses totaled \$8,523,467 and \$9,948,895, respectively.

# CSU FULLERTON AUXILIARY SERVICES CORPORATION

## Notes to Financial Statements

Years Ended June 30, 2017 and 2016

### (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, 2017 are as follows:

Fair Value Measurements at June 30, 2017					
		Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$	10,391,062	-	-	10,391,062
Investments		10,908,577	-	-	10,908,577
Annuity and life estate assets		329,349	-	-	329,349
	\$	21,628,988	-	-	21,628,988

Fair Value Measurements at June 30, 2016					
		Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$	18,260,258	-	-	18,260,258
Investments		10,412,953	-	-	10,412,953
Annuity and life estate assets		328,769	-	-	328,769
	\$	29,001,980	-	-	29,001,980

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, 2017

(With comparative financial information as of June 30, 2016)

Assets	General	Other Designated	Buildings Fund	Auxiliary Enterprises	Univ. Support Programs	Quasi-endowments	Total Unrestricted	Temporary Restricted	Total 2017	Total 2016
Current assets:										
Cash and cash equivalents	\$ 10,390,559	4,500,146	(14,474,050)	(1,158,211)	11,132,618	—	10,391,062	—	10,391,062	18,260,258
Investments	10,908,577	—	—	—	—	—	10,908,577	—	10,908,577	10,412,953
Accounts receivable:										
Sponsored programs	1,516,885	—	—	—	—	—	1,516,885	—	1,516,885	1,826,220
Other receivables	40,753	7,412	1,890,536	569,866	727,356	—	3,235,923	—	3,235,923	1,783,116
Less allowance for doubtful accounts	—	—	—	(6,756)	—	—	(6,756)	—	(6,756)	(9,702)
Total accounts receivable, net	<u>1,557,638</u>	<u>7,412</u>	<u>1,890,536</u>	<u>563,110</u>	<u>727,356</u>	<u>—</u>	<u>4,746,052</u>	<u>—</u>	<u>4,746,052</u>	<u>3,599,634</u>
Inventories	—	—	—	2,554,150	—	—	2,554,150	—	2,554,150	2,813,547
Capital lease receivable, current portion	—	—	990,000	—	—	—	990,000	—	990,000	980,000
Due from related parties, current portion	38,016	—	—	—	—	—	38,016	—	38,016	44,886
Other current assets	367,101	—	—	73,943	—	—	441,044	—	441,044	410,652
Total current assets	<u>23,261,891</u>	<u>4,507,558</u>	<u>(11,593,514)</u>	<u>2,032,992</u>	<u>11,859,974</u>	<u>—</u>	<u>30,068,901</u>	<u>—</u>	<u>30,068,901</u>	<u>36,521,930</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	—	577,536	1,224,220	—	—	2,081,049	—	2,081,049	1,578,645
Work in progress	—	—	6,986,097	867,019	—	—	7,853,116	—	7,853,116	6,634,916
Leasehold improvements	—	—	15,710,763	2,269,451	—	—	17,980,214	—	17,980,214	10,459,235
	<u>279,293</u>	<u>—</u>	<u>74,254,396</u>	<u>4,360,690</u>	<u>3,078</u>	<u>—</u>	<u>78,897,457</u>	<u>—</u>	<u>78,897,457</u>	<u>69,655,874</u>
Less accumulated depreciation and amortization	<u>(152,242)</u>	<u>—</u>	<u>(7,552,805)</u>	<u>(2,137,725)</u>	<u>—</u>	<u>—</u>	<u>(9,842,772)</u>	<u>—</u>	<u>(9,842,772)</u>	<u>(8,144,100)</u>
Total property and equipment, net	<u>127,051</u>	<u>—</u>	<u>66,701,591</u>	<u>2,222,965</u>	<u>3,078</u>	<u>—</u>	<u>69,054,685</u>	<u>—</u>	<u>69,054,685</u>	<u>61,511,774</u>
Other assets:										
Due from related parties, net of current	1,175,056	—	—	—	—	—	1,175,056	—	1,175,056	1,206,202
Capital lease receivable, net of current	—	—	21,170,000	—	—	—	21,170,000	—	21,170,000	22,160,000
Annuity and life estate investments	—	—	—	—	—	—	—	329,349	329,349	328,769
Goodwill	—	—	241,291	—	—	—	241,291	—	241,291	241,291
Total other assets	<u>1,175,056</u>	<u>—</u>	<u>21,411,291</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>22,586,347</u>	<u>329,349</u>	<u>22,915,696</u>	<u>23,936,262</u>
Total assets	<u>\$ 24,563,998</u>	<u>4,507,558</u>	<u>76,519,368</u>	<u>4,255,957</u>	<u>11,863,052</u>	<u>—</u>	<u>121,709,933</u>	<u>329,349</u>	<u>122,039,282</u>	<u>121,969,966</u>

See accompanying independent auditors' report.

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Schedule of Financial Position (by fund)

June 30, 2017

(With comparative financial information as of June 30, 2016)

<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>Quasi-endowments</b>	<b>Total Unrestricted</b>	<b>Temporary Restricted</b>	<b>Total 2017</b>	<b>Total 2016</b>
<b>Current liabilities:</b>										
Accounts payable	\$ 1,280,024	—	2,031,185	1,362,156	104,312	—	4,777,677	—	4,777,677	5,848,414
Accrued liabilities	704,796	61,614	808,672	735,481	1,496,366	—	3,806,929	—	3,806,929	2,880,245
Accrued interest payable	—	—	436,115	—	—	—	436,115	—	436,115	225,093
Receipts in excess of expenditures on sponsored programs	3,538,961	—	—	—	—	—	3,538,961	—	3,538,961	2,947,817
Deposits held in custody for others	—	—	—	—	2,160,820	—	2,160,820	—	2,160,820	1,782,983
Notes payable, current portion	—	—	2,488,857	—	—	—	2,488,857	—	2,488,857	2,424,243
Post retirement benefit, current portion	182,083	—	—	—	—	—	182,083	—	182,083	157,505
Unitrust liabilities, current portion	—	—	—	—	—	—	—	17,766	17,766	17,219
<b>Total current liabilities</b>	<b>5,705,864</b>	<b>61,614</b>	<b>5,764,829</b>	<b>2,097,637</b>	<b>3,761,498</b>	<b>—</b>	<b>17,391,442</b>	<b>17,766</b>	<b>17,409,208</b>	<b>16,283,519</b>
<b>Noncurrent liabilities:</b>										
Notes payable, net of current	—	—	67,639,809	—	—	—	67,639,809	—	67,639,809	70,061,998
Allowance for grant payments received	924,224	—	—	—	—	—	924,224	—	924,224	877,891
Post retirement benefit, net of current	3,145,355	—	—	—	—	—	3,145,355	—	3,145,355	3,891,647
Unitrust liabilities, net of current portion	—	—	—	—	—	—	—	233,337	233,337	227,473
<b>Total noncurrent liabilities</b>	<b>4,069,579</b>	<b>—</b>	<b>67,639,809</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>71,709,388</b>	<b>233,337</b>	<b>71,942,725</b>	<b>75,059,009</b>
<b>Total liabilities</b>	<b>9,775,443</b>	<b>61,614</b>	<b>73,404,638</b>	<b>2,097,637</b>	<b>3,761,498</b>	<b>—</b>	<b>89,100,830</b>	<b>251,103</b>	<b>89,351,933</b>	<b>91,342,528</b>
<b>Net assets:</b>										
<b>Unrestricted:</b>										
Designated	13,877,593	3,492,609	496,122	—	—	—	17,866,324	—	17,866,324	18,074,374
Undesignated	910,962	953,335	2,618,608	2,158,320	8,101,554	—	14,742,779	—	14,742,779	12,468,987
<b>Unrestricted net assets</b>	<b>14,788,555</b>	<b>4,445,944</b>	<b>3,114,730</b>	<b>2,158,320</b>	<b>8,101,554</b>	<b>—</b>	<b>32,609,103</b>	<b>—</b>	<b>32,609,103</b>	<b>30,543,361</b>
<b>Temporarily restricted – annuity and life estate investments</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>78,246</b>	<b>78,246</b>	<b>84,077</b>
<b>Total net assets</b>	<b>14,788,555</b>	<b>4,445,944</b>	<b>3,114,730</b>	<b>2,158,320</b>	<b>8,101,554</b>	<b>—</b>	<b>32,609,103</b>	<b>78,246</b>	<b>32,687,349</b>	<b>30,627,438</b>
<b>Total liabilities and net assets</b>	<b>\$ 24,563,998</b>	<b>4,507,558</b>	<b>76,519,368</b>	<b>4,255,957</b>	<b>11,863,052</b>	<b>—</b>	<b>121,709,933</b>	<b>329,349</b>	<b>122,039,282</b>	<b>121,969,966</b>

See accompanying independent auditors' report.

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**  
Schedule of Activity Information by Natural Classification  
June 30, 2017  
(With comparative financial information as of June 30, 2016)

	<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 2017</u>	<u>Total 2016</u>
Operating:										
Revenues, gains, and other support:										
Sales	\$ —	—	—	22,034,654	67,692	—	22,102,346	—	22,102,346	22,392,071
Unrealized Gain (Loss) Investmnt	1,441,179	—	—	—	—	—	1,441,179	(10,713)	1,430,466	(1,269,964)
Investment Gain	889,262	—	934	—	—	—	890,196	—	890,196	181,684
Administrative Services	202,388	—	—	—	—	—	202,388	—	202,388	179,302
Indirect Cost Recoveries	954,698	1,109,320	—	—	—	—	2,064,018	—	2,064,018	1,857,641
Grants and Contracts Revenue	23,144,000	—	—	—	—	—	23,144,000	—	23,144,000	20,939,620
Program Income	—	—	—	—	2,879,772	4,955,743	7,835,515	—	7,835,515	9,968,394
Commissions Income	80,000	—	—	650,048	2,164	—	732,212	—	732,212	673,974
Investment/Interest Income	380,151	—	2,835	—	—	—	382,986	30,951	413,937	467,110
Rental Income	—	—	9,411,728	283,501	282,208	—	9,977,437	—	9,977,437	10,443,077
Other Income	36,943	295,806	768,818	100,336	256,159	65	1,458,127	—	1,458,127	1,093,581
Total revenues, gains, and other support	<u>27,128,621</u>	<u>1,405,126</u>	<u>10,184,315</u>	<u>23,068,539</u>	<u>3,487,995</u>	<u>4,955,808</u>	<u>70,230,404</u>	<u>20,238</u>	<u>70,250,642</u>	<u>66,926,490</u>
Cost of Goods Sold										
Cost of Goods	—	—	—	13,103,984	—	—	13,103,984	—	13,103,984	13,701,428
Total Cost of Goods Sold	<u>—</u>	<u>—</u>	<u>—</u>	<u>13,103,984</u>	<u>—</u>	<u>—</u>	<u>13,103,984</u>	<u>—</u>	<u>13,103,984</u>	<u>13,701,428</u>
Payroll expense:										
Salaries and wages	2,490,350	295,230	357,353	4,314,379	1,289,241	2,834,725	11,581,278	—	11,581,278	12,129,473
Benefits	426,228	28,300	85,747	829,684	287,432	1,170,928	2,828,319	—	2,828,319	4,015,195
Total payroll expenses	<u>2,916,578</u>	<u>323,530</u>	<u>443,100</u>	<u>5,144,063</u>	<u>1,576,673</u>	<u>4,005,653</u>	<u>14,409,597</u>	<u>—</u>	<u>14,409,597</u>	<u>16,144,668</u>
Operating expenses:										
Administrative fee	—	—	62,349	32	(128,868)	128,867	62,380	—	62,380	47,106
Advertising & Promotion	794	—	—	201,822	31,720	5,672	240,008	—	240,008	268,498
Audit and Legal	70,393	—	13,629	—	7,647	350	92,019	1,874	93,893	198,088
Bank and Discount Charges	24,992	—	39,978	599,742	18,234	14,816	697,762	290	698,052	684,673
Commission & Royalty	—	—	—	411,810	4,372	—	416,182	—	416,182	407,204
Communications	28,118	—	11,907	64,337	18,288	31,067	153,717	—	153,717	206,040
Conference & Travel	59,342	—	2,162	29,828	175,200	330,428	596,960	—	596,960	535,427
Debt Service & Interest Exp.	—	—	2,645,199	—	—	—	2,645,199	—	2,645,199	2,436,524
Departmental Allocation	—	—	—	—	41,351	—	41,351	—	41,351	18,911
Depreciation & Amortization	34,257	—	1,687,314	328,867	—	—	2,050,438	—	2,050,438	1,842,600
Donations & Scholarships	55,284	21,678	—	83,686	92,421	5,620	258,689	—	258,689	202,379
Employee Development	165,893	—	—	138,661	758	12,451	317,763	—	317,763	312,808
Equipment Rental/Expense	27,836	—	10,023	73,034	31,865	27,450	170,208	—	170,208	162,894
Grants and Contracts Expenses	23,144,000	—	—	—	—	—	23,144,000	—	23,144,000	20,939,620
Insurance	15,773	—	196,768	40,426	14,711	126,127	393,805	—	393,805	404,342
Other Direct Costs	(356,438)	—	845,354	38,812	295,281	257,547	1,080,556	23,905	1,104,461	1,159,488
Professional Serv/Consultants	151,799	—	321,586	216,781	322,700	112,591	1,125,457	—	1,125,457	1,211,170
Public Relations	51,556	—	27	5,145	153,210	49,823	259,761	—	259,761	348,989
Rentals	(24,304)	—	—	156,303	115,260	167,873	415,132	—	415,132	388,386
Repairs and Maintenance	124,576	—	1,573,416	370,334	104,498	61,542	2,234,366	—	2,234,366	2,079,422

See accompanying independent auditors' report.

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**  
Schedule of Activity Information by Natural Classification  
June 30, 2017  
(With comparative financial information as of June 30, 2016)

	<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 2017</u>	<u>Total 2016</u>
Stipends/Honorariums	—	—	—	—	111,517	—	111,517	—	111,517	17,922
Supplies	148,965	—	67,978	563,367	189,552	52,461	1,022,323	—	1,022,323	952,498
Taxes & Licenses	1,737	—	100,313	9,728	—	—	111,778	—	111,778	258,088
Utilities	—	—	969,872	353,509	44,768	—	1,368,149	—	1,368,149	1,224,278
Research support	—	519,553	—	—	—	—	519,553	—	519,553	619,802
Community outreach	—	823,129	—	—	—	—	823,129	—	823,129	347,784
Faculty research awards	—	71,275	—	—	—	—	71,275	—	71,275	63,285
Total operating expenses	<u>23,724,573</u>	<u>1,435,635</u>	<u>8,547,875</u>	<u>3,686,224</u>	<u>1,644,485</u>	<u>1,384,685</u>	<u>40,423,477</u>	<u>26,069</u>	<u>40,449,546</u>	<u>37,338,226</u>
Total expenses	<u>26,641,151</u>	<u>1,759,165</u>	<u>8,990,975</u>	<u>21,934,271</u>	<u>3,221,158</u>	<u>5,390,338</u>	<u>67,937,058</u>	<u>26,069</u>	<u>67,963,127</u>	<u>67,184,322</u>
Increase (Decrease) in net assets from operating activities	<u>487,470</u>	<u>(354,039)</u>	<u>1,193,340</u>	<u>1,134,268</u>	<u>266,837</u>	<u>(434,530)</u>	<u>2,293,346</u>	<u>(5,831)</u>	<u>2,287,515</u>	<u>(257,832)</u>
Nonoperating:										
Pension-related changes other than net periodic pension cost	<u>(227,604)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(227,604)</u>	<u>—</u>	<u>(227,604)</u>	<u>(176,916)</u>
Change in net assets	<u>\$ 259,866</u>	<u>(354,039)</u>	<u>1,193,340</u>	<u>1,134,268</u>	<u>266,837</u>	<u>(434,530)</u>	<u>2,065,742</u>	<u>(5,831)</u>	<u>2,059,911</u>	<u>(434,748)</u>

See accompanying independent auditors' report.

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Schedule of Net Assets

Years Ended June 30, 2017 and 2016

	<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 2017</u>	<u>Total 2016</u>
Net assets at beginning of year	\$ 14,682,434	3,700,659	1,921,390	1,024,052	9,214,826	30,543,361	84,077	30,627,438	31,062,186
Change in net assets	259,866	(354,039)	1,193,340	1,134,268	(167,693)	2,065,742	(5,831)	2,059,911	(434,748)
Designations from other classifications	945,579	—	—	—	(945,579)	—	—	—	—
Reserves allocation	(1,099,324)	1,099,324	—	—	—	—	—	—	—
Net assets at end of year	\$ <u>14,788,555</u>	<u>4,445,944</u>	<u>3,114,730</u>	<u>2,158,320</u>	<u>8,101,554</u>	<u>32,609,103</u>	<u>78,246</u>	<u>32,687,349</u>	<u>30,627,438</u>

See accompanying independent auditors' report.



**CSU FULLERTON AUXILIARY SERVICES CORPORATION**  
Combining Statement of Activities Information – Auxiliary Enterprise Activities  
Year ended June 30, 2017  
(With comparative financial information as of June 30, 2016)

	<u>Bookstore</u>	<u>Food Services</u>	<u>Total 2017</u>	<u>Total 2016</u>
Sales	\$ 15,422,923	6,611,731	22,034,654	22,328,296
Cost of sales	11,024,914	2,079,070	13,103,984	13,701,428
Gross margin	<u>4,398,009</u>	<u>4,532,661</u>	<u>8,930,670</u>	<u>8,626,868</u>
Other revenue:				
Commissions	226,872	423,176	650,048	587,000
Other	100,501	283,336	383,837	354,096
Total other revenues	<u>327,373</u>	<u>706,512</u>	<u>1,033,885</u>	<u>941,096</u>
Operating expenses:				
Salaries and wages	2,149,025	2,165,354	4,314,379	4,090,759
Staff and benefits	399,129	430,555	829,684	795,294
Total payroll expenses	<u>2,548,154</u>	<u>2,595,909</u>	<u>5,144,063</u>	<u>4,886,053</u>
Administrative Fee	32	—	32	—
Advertising & Promotion	138,316	63,506	201,822	222,631
Bank and Discount Charges	329,781	269,961	599,742	584,933
Commission & Royalty	40,922	370,888	411,810	403,112
Communications	47,745	16,592	64,337	68,122
Conference & Travel	18,915	10,913	29,828	25,209
Depreciation	138,685	190,182	328,867	401,360
Donations & Scholarships	80,063	3,623	83,686	106,202
Employee Development	80,291	58,370	138,661	144,971
Equipment Rental/Expense	28,418	44,616	73,034	62,338
Insurance	21,241	19,185	40,426	41,971
Merchant Supplies	91,093	275,253	366,346	318,355
Other Direct Costs	25,110	13,702	38,812	39,530
Professional Serv/Consultants	171,388	45,393	216,781	181,892
Public Relations	4,078	1,067	5,145	6,892
Rentals	60,148	96,155	156,303	167,422
Repairs and Maintenance	127,875	242,459	370,334	333,348
Supplies	102,504	94,517	197,021	191,305
Taxes & Licenses	2,118	7,610	9,728	8,906
Utilities	153,978	199,531	353,509	349,355
Total operating expenses	<u>1,662,701</u>	<u>2,023,523</u>	<u>3,686,224</u>	<u>3,657,854</u>
Total expenses	<u>4,210,855</u>	<u>4,619,432</u>	<u>8,830,287</u>	<u>8,543,912</u>
Excess revenues over expenses	<u>\$ 514,527</u>	<u>619,741</u>	<u>1,134,268</u>	<u>1,024,052</u>

See accompanying independent auditors' report

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**  
Source of Funding and Expenditures for Sponsored Programs  
Year Ended June 30, 2017

Source of funding (direct):	
Federal government	\$ 15,134,553
State of California and local governments	3,780,570
For-profit organizations	128,798
Foundations and other tax-exempt organizations	2,034,223
Total source of direct funding	21,078,144
Source of indirect cost reimbursement:	
Federal government	1,473,458
State of California and local governments	428,259
For-profit organizations	12,966
Foundations and other tax-exempt organizations	151,173
Total source of indirect cost reimbursement	2,065,856
Total funding	23,144,000
Direct expenditures:	
Salaries and wages	9,095,210
Staff benefits	1,952,258
Operating expenditures	3,162,889
Consultants	523,234
Sub-Contractors	3,642,335
Equipment	457,037
Stipends/Tuition	2,245,181
Total direct expenditures	21,078,144
Indirect expenditures:	
Salaries and wages	1,302,874
Staff benefits	265,473
Operating expenditures	342,449
Consultants	75,236
Sub-Contractors (first 25K only)	40,216
Stipends/Tuition	39,609
Total indirect expenditures	2,065,856
Total expenditures	\$ 23,144,000

See accompanying independent auditors' report

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Schedule of Net Position

June 30, 2017

(for inclusion in the California State University)

Assets:

Current assets:	
Cash and cash equivalents	\$ 5,169,025
Short-term investments	15,634,492
Accounts receivable, net	4,746,052
Leases receivable, current portion	990,000
Notes receivable, current portion	38,016
Pledges receivable, net	—
Prepaid expenses and other current assets	2,995,194
	<hr/>
Total current assets	29,572,779

Noncurrent assets:	
Restricted cash and cash equivalents	496,122
Accounts receivable, net	—
Leases receivable, net of current portion	21,170,000
Notes receivable, net of current portion	1,175,056
Student loans receivable, net	—
Pledges receivable, net	—
Endowment investments	—
Other long-term investments	329,349
Capital assets, net	69,054,685
Other assets	241,291
	<hr/>
Total noncurrent assets	92,466,503

Total assets	<hr/> <hr/> 122,039,282
--------------	-------------------------

Deferred outflows of resources:	
Unamortized loss on debt refunding	—
Net pension liability	—
Others	—
	<hr/>
Total deferred outflows of resources	—

Liabilities:

Current liabilities:	
Accounts payable	6,839,667
Accrued salaries and benefits	—
Accrued compensated absences, current portion	317,667
Unearned revenue	1,143,498
Capitalized lease obligations, current portion	145,000
Long-term debt obligations, current portion	2,091,667
Claims liability for losses and loss adjustment expenses, current portion	—
Depository accounts	2,160,820
Other liabilities	4,627,115
	<hr/>
Total current liabilities	17,325,434

Noncurrent liabilities:	
Accrued compensated absences, net of current portion	283,774
Unearned revenue	—
Grants refundable	—
Capitalized lease obligations, net of current portion	4,795,000
Long-term debt obligations, net of current portion	63,096,998
Claims liability for losses and loss adjustment expenses, net of current portion	—
Depository accounts	—
Other postemployment benefits obligations	3,145,355
Net pension liability	—
Other liabilities	705,372
	<hr/>
Total noncurrent liabilities	72,026,499

Total liabilities	<hr/> <hr/> 89,351,933
-------------------	------------------------

Deferred inflows of resources:	
Service concession arrangements	—
Net pension liability	—
Unamortized gain on debt refunding	—
Nonexchange transactions	—
Others	—
	<hr/>
Total deferred inflows of resources	—

Net Position:

Net investment in capital assets	21,136,020
Restricted for:	
Nonexpendable – endowments	—
Expendable:	
Scholarships and fellowships	—
Research	—
Loans	—
Capital projects	—
Debt service	—
Others	—
Unrestricted	11,551,329
	<hr/>
Total net position	\$ 32,687,349

See accompanying independent auditors' report

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Schedule of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2017

(for inclusion in the California State University)

Revenues:

Operating revenues:

Student tuition and fees (net of scholarship allowances of \$_____)	\$	—
Grants and contracts, noncapital:		
Federal		16,608,011
State		4,208,829
Local		141,764
Nongovernmental		2,185,396
Sales and services of educational activities		—
Sales and services of auxiliary enterprises (net of scholarship allowances of \$_____)		36,032,131
Other operating revenues		10,184,315
		<hr/>
Total operating revenues		69,360,446

Expenses:

Operating expenses:

Instruction		5,082,705
Research		5,306,382
Public service		4,188,570
Academic support		442,795
Student services		6,661,543
Institutional support		1,344,279
Operation and maintenance of plant		8,394,256
Student grants and scholarships		117,726
Auxiliary enterprise expenses		30,877,282
Depreciation and amortization		2,050,438
		<hr/>
Total operating expenses		64,465,976
		<hr/>
Operating income (loss)		4,894,470

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		890,196
Endowment income (loss), net		—
Interest expense		—
Other nonoperating revenues (expenses)		(3,724,755)
		<hr/>
Net nonoperating revenues (expenses)		(2,834,559)
		<hr/>
Income (loss) before other revenues (expenses)		2,059,911

State appropriations, capital

Grants and gifts, capital		—
Additions (reductions) to permanent endowments		—
		<hr/>
Increase (decrease) in net position		2,059,911

Net position:

Net position at beginning of year, as previously reported		30,627,438
Restatements		—
		<hr/>
Net position at beginning of year, as restated		30,627,438
		<hr/>
Net position at end of year	\$	32,687,349

See accompanying independent auditors' report



CSU FULLERTON AUXILIARY SERVICES CORPORATION  
Other Information  
June 30, 2017  
(for inclusion in the California State University)

2.5 Fair value hierarchy in investments at June 30, 2017:

	Total	Fair Value Measurements Using			Net Asset Value (NAV)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
State of California Surplus Money Investment Fund (SMIF)	\$ —	—	—	—	—
State of California Local Agency Investment Fund (LAIF)	1,590,553	1,590,553	—	—	—
Corporate bonds	405,238	405,238	—	—	—
Certificates of deposit	3,135,363	3,135,363	—	—	—
Mutual funds	2,900,279	2,900,279	—	—	—
Money Market funds	290,838	290,838	—	—	—
Repurchase agreements	—	—	—	—	—
Commercial paper	—	—	—	—	—
Asset backed securities	—	—	—	—	—
Mortgage backed securities	—	—	—	—	—
Municipal bonds	—	—	—	—	—
U.S. agency securities	—	—	—	—	—
U.S. treasury securities	—	—	—	—	—
Equity securities	7,513,600	7,513,600	—	—	—
Exchange traded funds (ETFs)	127,970	127,970	—	—	—
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>15,963,841</b>	<b>15,963,841</b>	<b>—</b>	<b>—</b>	<b>—</b>

See accompanying independent auditors' report

CSU FULLERTON AUXILIARY SERVICES CORPORATION  
Other Information  
June 30, 2017  
(for inclusion in the California State University)

3.1 Composition of capital assets at June 30, 2017:

	Balance June 30, 2016	Prior period Adjustments	Reclassifications	Balance June 30, 2016 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2017
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	\$ 19,990,205	—	—	19,990,205	—	—	—	19,990,205
Works of art and historical treasures	—	—	—	—	—	—	—	—
Construction work in progress (CWIP)	6,634,915	—	—	6,634,915	4,854,472	—	(3,636,271)	7,853,116
Intangible assets:								
Rights and easements	—	—	—	—	—	—	—	—
Patents, copyrights and trademarks	—	—	—	—	—	—	—	—
Internally generated intangible assets in progress	—	—	—	—	—	—	—	—
Licenses and permits	—	—	—	—	—	—	—	—
Other intangible assets:								
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Total intangible assets	—	—	—	—	—	—	—	—
Total nondepreciable/nonamortizable capital assets	26,625,120	—	—	26,625,120	4,854,472	—	(3,636,271)	27,843,321
Depreciable/amortizable capital assets:								
Buildings and building improvements	30,992,873	—	—	30,992,873	—	—	—	30,992,873
Improvements, other than buildings	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	9,027,404	—	—	9,027,404	3,884,709	—	3,636,271	16,548,384
Personal property:								
Equipment	3,010,475	—	—	3,010,475	854,172	(351,768)	—	3,512,879
Library books and materials	—	—	—	—	—	—	—	—
Intangible assets:								
Software and websites	—	—	—	—	—	—	—	—
Rights and easements	—	—	—	—	—	—	—	—
Patents, copyright and trademarks	—	—	—	—	—	—	—	—
Licenses and permits	—	—	—	—	—	—	—	—
Other intangible assets:								
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Total intangible assets	—	—	—	—	—	—	—	—
Total depreciable/amortizable capital assets	43,030,752	—	—	43,030,752	4,738,881	(351,768)	3,636,271	51,054,136
Total capital assets	69,655,872	—	—	69,655,872	9,593,353	(351,768)	—	78,897,457
Less accumulated depreciation/amortization:								
Buildings and building improvements	(3,256,252)	—	—	(3,256,252)	(1,033,096)	—	—	(4,289,348)
Improvements, other than buildings	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	(3,465,871)	—	—	(3,465,871)	(652,585)	—	—	(4,118,456)
Personal property:								
Equipment	(1,421,977)	—	—	(1,421,977)	(364,759)	351,768	—	(1,434,968)
Library books and materials	—	—	—	—	—	—	—	—
Intangible assets:								
Software and websites	—	—	—	—	—	—	—	—
Rights and easements	—	—	—	—	—	—	—	—
Patents, copyright and trademarks	—	—	—	—	—	—	—	—
Licenses and permits	—	—	—	—	—	—	—	—
Other intangible assets:								
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Total intangible assets	—	—	—	—	—	—	—	—
Total accumulated depreciation/amortization	(8,144,100)	—	—	(8,144,100)	(2,050,440)	351,768	—	(9,842,772)
Total capital assets, net	\$ 61,511,772	—	—	61,511,772	7,542,913	—	—	69,054,685

See accompanying independent auditors' report

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**  
Other Information  
June 30, 2017  
(for inclusion in the California State University)

**3.2 Detail of depreciation and amortization expense for the year ended June 30, 2017:**

Depreciation and amortization expense related to capital assets	\$ 2,050,438
Amortization expense related to other assets	—
Total depreciation and amortization	\$ 2,050,438

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

	Balance June 30, 2016	Prior period adjustments	Reclassifications	Balance June 30, 2016 (restated)	Additions	Reductions	Balance June 30, 2017	Current portion	Long-term portion
Accrued compensated absences	\$ 671,450	—	—	671,450	1,229,152	(1,299,161)	601,441	317,667	283,774
Claims liability for losses and loss adjustment expenses	—	—	—	—	—	—	—	—	—
Capitalized lease obligations:									
Gross balance	5,075,000	—	—	5,075,000	—	(135,000)	4,940,000	145,000	4,795,000
Unamortized premium / (discount) on capitalized lease obligations	—	—	—	—	—	—	—	—	—
Total capitalized lease obligations	5,075,000	—	—	5,075,000	—	(135,000)	4,940,000	145,000	4,795,000
Long-term debt obligations:									
Auxiliary revenue bonds	—	—	—	—	—	—	—	—	—
Commercial paper	—	—	—	—	—	—	—	—	—
Notes payable related to SRB	56,350,000	—	—	56,350,000	—	(1,970,000)	54,380,000	1,925,000	52,455,000
Others: (list by type)									
College Park West L.T.	5,000,000	—	—	5,000,000	—	—	5,000,000	166,667	4,833,333
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Total long-term debt obligations	61,350,000	—	—	61,350,000	—	(1,970,000)	59,380,000	2,091,667	57,288,333
Unamortized bond premium / (discount)	6,061,241	—	—	6,061,241	—	(252,576)	5,808,665	—	5,808,665
Total long-term debt obligations, net	67,411,241	—	—	67,411,241	—	(2,222,576)	65,188,665	2,091,667	63,096,998
Total long-term liabilities	\$ 73,157,691	—	—	73,157,691	1,229,152	(3,656,737)	70,730,106	2,554,334	68,175,772

**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:									
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	—	—	—	155,000	201,975	356,975	155,000	201,975	356,975
2023 - 2027	—	—	—	905,000	881,875	1,786,875	905,000	881,875	1,786,875
2028 - 2032	—	—	—	1,160,000	625,000	1,785,000	1,160,000	625,000	1,785,000
2033 - 2037	—	—	—	1,470,000	309,525	1,779,525	1,470,000	309,525	1,779,525
2038 - 2042	—	—	—	685,000	27,700	712,700	685,000	27,700	712,700
2043 - 2047	—	—	—	—	—	—	—	—	—
2048 - 2052	—	—	—	—	—	—	—	—	—
2053 - 2057	—	—	—	—	—	—	—	—	—
2058 - 2062	—	—	—	—	—	—	—	—	—
2063 - 2067	—	—	—	—	—	—	—	—	—
Total minimum lease payments	—	—	—	4,940,000	2,923,300	7,863,300	4,940,000	2,923,300	7,863,300
Less amounts representing interest									(2,923,300)
Present value of future minimum lease payments									4,940,000
Unamortized net premium (discount)									—
Total capitalized lease obligations									4,940,000
Less: current portion									(145,000)
<b>Capitalized lease obligation, net of current portion</b>									\$ 4,795,000

See accompanying independent auditors' report



CSU FULLERTON AUXILIARY SERVICES CORPORATION  
Other Information  
June 30, 2017  
(for inclusion in the California State University)

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:									
2018	\$ —	—	—	2,091,667	2,618,210	4,709,877	2,091,667	2,618,210	4,709,877
2019	—	—	—	1,961,667	2,546,341	4,508,008	1,961,667	2,546,341	4,508,008
2020	—	—	—	1,836,667	2,467,327	4,303,994	1,836,667	2,467,327	4,303,994
2021	—	—	—	1,916,667	2,387,513	4,304,180	1,916,667	2,387,513	4,304,180
2022	—	—	—	2,001,667	2,302,588	4,304,255	2,001,667	2,302,588	4,304,255
2023 - 2027	—	—	—	11,513,333	10,015,644	21,528,977	11,513,333	10,015,644	21,528,977
2028 - 2032	—	—	—	12,788,333	7,034,625	19,822,958	12,788,333	7,034,625	19,822,958
2033 - 2037	—	—	—	8,218,333	4,773,125	12,991,458	8,218,333	4,773,125	12,991,458
2038 - 2042	—	—	—	10,283,333	2,713,000	12,996,333	10,283,333	2,713,000	12,996,333
2043 - 2047	—	—	—	6,768,333	444,875	7,213,208	6,768,333	444,875	7,213,208
2048 - 2052	—	—	—	—	—	—	—	—	—
2053 - 2057	—	—	—	—	—	—	—	—	—
2058 - 2062	—	—	—	—	—	—	—	—	—
2063 - 2067	—	—	—	—	—	—	—	—	—
Total minimum payments	—	—	—	59,380,000	37,303,248	96,683,248	59,380,000	37,303,248	96,683,248
Less amounts representing interest									(37,303,248)
Present value of future minimum payments									59,380,000
Unamortized net premium (discount)									5,808,665
Total long-term debt obligations									65,188,665
Less: current portion									(2,091,667)
<b>Long-term debt obligations, net of current portion</b>									<b>\$ 63,096,998</b>

7 Calculation of net position

7.1 Calculation of net position - net investment in capital assets

Capital assets, net of accumulated depreciation	\$ 69,054,687
Capitalized lease obligations, current portion	(145,000)
Capitalized lease obligations, net of current portion	(4,795,000)
Long-term debt obligations, current portion	(2,091,667)
Long-term debt obligations, net of current portion	(63,096,998)
Portion of outstanding debt that is unspent at year-end	—
Other adjustments: (please list)	
Capital lease receivable from affiliate	4,990,000
Capital lease receivable from affiliate	17,220,000
Add description	—
Add description	—
Net position - net investment in capital asset	<u>\$ 21,136,022</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	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Net position - Restricted for nonexpendable - endowments per SNP	<u>\$ —</u>

See accompanying independent auditors' report

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Other Information

June 30, 2017

(for inclusion in the California State University)

**8 Transactions with related entities**

	<u>Amount</u>
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 6,975,850
Payments to University for other than salaries of University personnel	1,547,617
Payments received from University for services, space, and programs	14,112,831
Gifts-in-kind to the University from discretely presented component units	—
Gifts (cash or assets) to the University from discretely presented component units	618,103
Accounts (payable to) University (enter as negative number)	(1,261,113)
Other amounts (payable to) University (enter as negative number)	—
Accounts receivable from University	1,036,855
Other amounts receivable from University	—

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

Annual required contribution (ARC)	\$ 567,308
Contributions during the year	<u>(1,131,517)</u>
Increase (decrease) in net OPEB obligation (NOO)	(564,209)
Other adjustments	—
NOO - beginning of year	3,891,647
NOO - end of year	<u><u>\$ 3,327,438</u></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	—
Total pollution remediation liabilities	\$ —
Less: current portion	—
Pollution remediation liabilities, net of current portion	<u><u>—</u></u>

See accompanying independent auditors' report

CSU FULLERTON AUXILIARY SERVICES CORPORATION  
 Other Information  
 June 30, 2017  
 (for inclusion in the California State University)

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

	Net Position Class	Amount Dr. (Cr.)
Net position as of June 30, 2016, as previously reported	\$	30,627,438
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	\$	30,627,438

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

	Debit	Credit
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)	—	—

See accompanying independent auditors' report

**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 20, 2017  
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 statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated September 20, 2017.

**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*.

## **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.

*Aldrich CPAs + Advisors LLP*

Aldrich CPAs + Advisors LLP  
San Diego, California  
September 20, 2017