

# CSU Fullerton

## Auxiliary Services Corporation

Financial Statements and Supplementary Information

Years Ended June 30, 2018 and 2017



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

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
CSU Fullerton Auxiliary Services Corporation

### Report on the Financial Statements

We have audited the accompanying financial statements of CSU Fullerton Auxiliary Services Corporation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, 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 an opinion 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, 2018 and 2017, 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.

## INDEPENDENT AUDITORS' REPORT, CONTINUED

### **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on pages 27 – 43 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.

*Aldrich CPAs + Advisors LLP*

San Diego, California  
September 20, 2018

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Statements of Financial Position

June 30, 2018 and 2017

<b>Assets</b>	<b>Total 2018</b>	<b>Total 2017</b>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 6,886,072	10,391,062
Investments	9,862,651	10,908,577
Accounts receivable:		
Sponsored programs	3,298,290	1,468,683
Other receivables	1,657,858	3,284,125
Less allowance for doubtful accounts	<u>(28,474)</u>	<u>(6,756)</u>
Total accounts receivable, net	<u>4,927,674</u>	<u>4,746,052</u>
 Inventories	 2,776,540	 2,554,150
Capital lease receivable, current portion	1,060,000	990,000
Due from related parties, current portion	1,175,056	38,016
Other current assets	<u>462,671</u>	<u>441,044</u>
Total Current Assets	<u>27,150,664</u>	<u>30,068,901</u>
<b>Property and Equipment:</b>		
Land	19,990,205	19,990,205
Building and improvements	30,992,873	30,992,873
Equipment, furniture, and fixtures	3,336,468	2,081,049
Work in progress	10,182,047	7,853,116
Leasehold improvements	<u>19,258,717</u>	<u>17,980,214</u>
	83,760,310	78,897,457
Less accumulated depreciation and amortization	<u>(11,981,145)</u>	<u>(9,842,772)</u>
Total Property and Equipment, net	<u>71,779,165</u>	<u>69,054,685</u>
<b>Other Assets:</b>		
Due from related parties, net of current	—	1,175,056
Capital lease receivable, net of current	20,075,000	21,170,000
Annuity and life estate investments	309,584	329,349
Goodwill	<u>241,291</u>	<u>241,291</u>
Total Other Assets	<u>20,625,875</u>	<u>22,915,696</u>
Total Assets	\$ <u>119,555,704</u>	\$ <u>122,039,282</u>

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

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Statements of Financial Position

June 30, 2018 and 2017

<b>Liabilities and Net Assets</b>	<b>Total 2018</b>	<b>Total 2017</b>
	<hr/>	<hr/>
Current Liabilities:		
Accounts payable	\$ 2,892,538	4,777,677
Accrued expenses	4,295,567	3,806,929
Accrued interest payable	430,947	436,115
Receipts in excess of expenditures on sponsored programs	3,313,201	3,538,961
Deposits held in custody for others	2,720,347	2,160,820
Notes payable, current portion	2,448,857	2,288,857
Post retirement benefit, current portion	154,367	182,083
Unitrust liabilities, current portion	17,915	17,766
Total Current Liabilities	<hr/> 16,273,739 <hr/>	<hr/> 17,209,208 <hr/>
Noncurrent Liabilities:		
Notes payable, net of current	65,457,618	67,839,809
Allowance for grant payments received	911,657	924,224
Post retirement benefit, net of current	1,502,508	3,145,355
Unitrust liabilities, net of current portion	236,492	233,337
Total Noncurrent Liabilities	<hr/> 68,108,275 <hr/>	<hr/> 72,142,725 <hr/>
Total Liabilities	<hr/> 84,382,014 <hr/>	<hr/> 89,351,933 <hr/>
Net Assets:		
Unrestricted:		
Designated	4,987,633	17,866,324
Undesignated	30,130,880	14,742,779
Unrestricted net assets	<hr/> 35,118,513 <hr/>	<hr/> 32,609,103 <hr/>
Temporarily restricted – annuity and life estate investments	55,177	78,246
Total Net Assets	<hr/> 35,173,690 <hr/>	<hr/> 32,687,349 <hr/>
Total Liabilities and Net Assets	\$ <hr/> 119,555,704 <hr/>	<hr/> 122,039,282 <hr/>

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

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Statement of Activities  
Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
Revenues, Gains, and Other Support:			
Enterprise Activities:			
Sales	\$ 20,052,056	—	20,052,056
Commissions, fees, other	1,211,624	—	1,211,624
Total Enterprise Activities	<u>21,263,680</u>	<u>—</u>	<u>21,263,680</u>
Program Activities:			
Grants and contracts	26,731,800	—	26,731,800
University support programs	4,020,863	—	4,020,863
University Extended Education programs	3,108,157	—	3,108,157
Total Program Activities	<u>33,860,820</u>	<u>—</u>	<u>33,860,820</u>
General Activities:			
Rental property	10,461,713	—	10,461,713
Investment income	275,315	19,265	294,580
Net unrealized and realized gains (losses) on investments	826,801	(20,949)	805,852
Administrative fees and other revenue	3,872,881	—	3,872,881
Total General Activities	<u>15,436,710</u>	<u>(1,684)</u>	<u>15,435,026</u>
Total Revenues and Support	70,561,210	(1,684)	70,559,526
Net assets released from restrictions	21,385	(21,385)	—
Total Revenues, Gains, and Other Support	<u>70,582,595</u>	<u>(23,069)</u>	<u>70,559,526</u>
Expenses and Other Changes:			
Enterprise Activities:			
Bookstores	13,877,207	—	13,877,207
Dining services	7,034,217	—	7,034,217
Total Enterprise Activities	<u>20,911,424</u>	<u>—</u>	<u>20,911,424</u>
Program Activities:			
Grants and Contracts	26,731,800	—	26,731,800
University support programs	3,408,640	—	3,408,640
University Extended Education programs	4,813,304	—	4,813,304
Charitable reminder trust expenses	21,385	—	21,385
Total Program Activities	<u>34,975,129</u>	<u>—</u>	<u>34,975,129</u>
General Expenses:			
Rental property expense	8,527,930	—	8,527,930
Administrative	3,656,125	—	3,656,125
Total General Expense	<u>12,184,055</u>	<u>—</u>	<u>12,184,055</u>
Designated expense	1,761,876	—	1,761,876
Total Expenses	<u>69,832,484</u>	<u>—</u>	<u>69,832,484</u>
Increase (Decrease) in net assets from operating activities	750,111	(23,069)	727,042
Non-Operating Activities:			
Pension-related changes other than net periodic pension cost	1,759,299	—	1,759,299
Total Non-Operating Activities	<u>1,759,299</u>	<u>—</u>	<u>1,759,299</u>
Change in net assets	2,509,410	(23,069)	2,486,341
Net assets at beginning of year	32,609,103	78,246	32,687,349
Net assets at end of year	\$ <u>35,118,513</u>	<u>55,177</u>	<u>35,173,690</u>

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>
Program 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 Program Activities	<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	<u>70,230,404</u>	<u>20,238</u>	<u>70,250,642</u>
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>
Program 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 reminder trust expenses	26,069	—	26,069
Total Programs Activities	<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>
Increase (Decrease) in net assets 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	30,543,361	84,077	30,627,438
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**

Statements of Cash Flows

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,486,341	2,059,911
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,138,373	2,050,438
Bond premium amortization	(252,191)	(252,575)
Realized and unrealized gains on investments	(805,852)	(2,319,728)
Loss on the sale of equipment	—	3,300
Decrease (increase) in value of annuity and life estate investments	19,765	(580)
Changes in assets and liabilities:		
Increase in accounts receivable	(181,622)	(1,146,418)
(Increase) decrease in inventories	(222,390)	259,397
Increase in other current assets	(21,627)	(30,392)
Decrease in accounts payable	(1,885,139)	(859,715)
Increase in accrued expenses	483,470	926,684
Increase (decrease) in receipts in excess of expenditures on specific sponsored programs	(225,760)	591,144
Increase in deposits held in custody for others	559,527	377,837
Increase (decrease) in allowance for grant payments received	(12,567)	46,333
Decrease in post retirement benefit	<u>(1,670,563)</u>	<u>(721,714)</u>
Net cash provided by operating activities	<u>409,765</u>	<u>983,922</u>
Cash flows from investing activities:		
Purchase of property and equipment	(4,862,853)	(9,593,349)
Proceeds from sale of property and equipment	—	(3,300)
Purchase of investments	(233,337)	(2,543,245)
Sales of investments	<u>2,085,115</u>	<u>4,367,349</u>
Net cash used in investing activities	<u>(3,011,075)</u>	<u>(7,772,545)</u>
Cash flows from financing activities:		
Payments on notes and capital lease obligations	(1,786,984)	(2,066,984)
Payments received for capital lease receivable	880,000	980,000
Decrease in annuity and unitrust payable	<u>3,304</u>	<u>6,411</u>
Net cash used in financing activities	<u>(903,680)</u>	<u>(1,080,573)</u>
Net decrease in cash	<u>(3,504,990)</u>	<u>(7,869,196)</u>
Cash and cash equivalents at beginning of year	<u>10,391,062</u>	<u>18,260,258</u>
Cash and cash equivalents at end of year	\$ <u><u>6,886,072</u></u>	\$ <u><u>10,391,062</u></u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ <u><u>2,359,475</u></u>	\$ <u><u>2,645,199</u></u>
Non-cash reduction of bond payable and affiliated note receivable	\$ <u><u>38,016</u></u>	\$ <u><u>38,016</u></u>
Non-cash reduction of lease payable and lease receivable	\$ <u><u>145,000</u></u>	\$ <u><u>135,000</u></u>

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

# CSU FULLERTON AUXILIARY SERVICES CORPORATION

## Notes to Financial Statements

Years Ended June 30, 2018 and 2017

### (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 building operations, auxiliary Enterprises, and administering various educationally related functions, University Support Programs, and other activities.

“Grants & 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.

“Buildings Operation” activities represent transactions related to the lease financing transactions of the College Park building, Police building, Irvine Campus buildings, Titan Hall building, and the University Gables, as well as related expenditures.

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

### (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.

# CSU FULLERTON AUXILIARY SERVICES CORPORATION

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

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

### **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.

### **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.

## CSU FULLERTON AUXILIARY SERVICES CORPORATION

### Notes to Financial Statements

Years Ended June 30, 2018 and 2017

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

##### **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, 2018 and 2017.

##### (c) *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.

##### (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 six months or less when purchased, to be cash equivalents. Included in the cash balance are amounts that are restricted for the University Gables home owners association in the amount of \$721,721 and \$496,122 for the years ended June 30, 2018 and 2017, respectively.

##### (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, 2018 and 2017 was held by Local Agency Investment Fund. ASC had \$5,667,913 and \$5,776,428 of uninsured cash and cash equivalents at June 30, 2018 and 2017, 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.

## CSU FULLERTON AUXILIARY SERVICES CORPORATION

### Notes to Financial Statements

Years Ended June 30, 2018 and 2017

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

##### (f) *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.

##### (g) *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.

##### (h) *Inventories*

During the year ended June 30, 2018, ASC changed its method of determining the cost of inventory from the retail method to the average cost method. ASC believes the average cost method better matches costs and revenues during periods of fluctuating prices. In addition, the new method conforms more closely with prevalent practice in similar organizations. The effect of the change on the increase in net assets for the year ended June 30, 2018 was not material. Inventories consist of books, computers, supplies, clothing and food. ASC accounts for inventories using the average cost method of accounting, at the lower of cost and net realizable value.

##### (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.

# CSU FULLERTON AUXILIARY SERVICES CORPORATION

## Notes to Financial Statements

Years Ended June 30, 2018 and 2017

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

#### (j) *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, 2018 and 2017.

#### (k) *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.

#### (l) *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 accrued a 3% liability on grant receipts to allow for such repayments.

#### (m) *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, 2018 and 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, 2018 and 2017

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

#### (n) *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.

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.

#### (o) *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.

#### (p) *Subsequent Events Accounting Pronouncement*

ASC has evaluated events and transactions for potential recognition or disclosure through September 20, 2018 which represents the date the financial statements were available to be issued.

# CSU FULLERTON AUXILIARY SERVICES CORPORATION

## Notes to Financial Statements

Years Ended June 30, 2018 and 2017

### (3) Investments and 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.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

As a practical expedient, certain financial instruments may be valued using net asset value (NAV) per share. NAV is the amount of net assets attributable to each share of outstanding capital stock at the end of the period.



## CSU FULLERTON AUXILIARY SERVICES CORPORATION

### Notes to Financial Statements

Years Ended June 30, 2018 and 2017

### (3) Investments and Fair Value Measurement (continued)

The following table sets forth by level, within the fair value hierarchy, ASC's financial instruments at fair value:

	Assets at Fair Value as of June 30, 2018				
	Level 1	Level 2	Level 3	NAV	Total
Cash and Cash Equivalents:					
Local Agency Investment Fund	\$ -	-	-	605,073	605,073
Investments:					
Cash and money market funds	92,080	-	-	-	92,080
Equity securities					
Mid value	1,071,035	-	-	-	1,071,035
Small value	984,536	-	-	-	984,536
Large value	939,332	-	-	-	939,332
Large growth	876,157	-	-	-	876,157
Large core	409,214	-	-	-	409,214
Small core	357,857	-	-	-	357,857
Mid core	269,962	-	-	-	269,962
Consumer	269,946	-	-	-	269,946
Other	423,868	-	-	-	423,868
Total equity securities	5,601,908	-	-	-	5,601,908
Mutual funds					
Fixed income	862,513	-	-	-	862,513
Large blend	308,130	-	-	-	308,130
Foreign large blend	279,155	-	-	-	279,155
Small blend	270,412	-	-	-	270,412
Large growth	209,307	-	-	-	209,307
Foreign small/mid growth	169,270	-	-	-	169,270
Mid-cap blend	82,002	-	-	-	82,002
Other	389,133	-	-	-	389,133
Total mutual funds	2,569,922	-	-	-	2,569,922
Corporate debt securities	1,598,741	-	-	-	1,598,741
Total Investments	9,862,651	-	-	-	9,862,651
Annuity and Life Estate Investments	309,584	-	-	-	309,584
	<u>\$10,172,235</u>	<u>-</u>	<u>-</u>	<u>605,073</u>	<u>10,777,308</u>

## CSU FULLERTON AUXILIARY SERVICES CORPORATION

### Notes to Financial Statements

Years Ended June 30, 2018 and 2017

### (3) Investments and Fair Value Measurement (continued)

	Assets at Fair Value as of June 30, 2017				
	Level 1	Level 2	Level 3	NAV	Total
Cash and Cash Equivalents:					
Local Agency Investment Fund	\$ -	-	-	1,590,553	1,590,553
Investments:					
Cash and money market funds	282,305	-	-	-	282,305
Equity securities					
Large value	1,474,955	-	-	-	1,474,955
Mid value	968,425	-	-	-	968,425
Small value	706,389	-	-	-	706,389
Large growth	659,688	-	-	-	659,688
Large core	643,209	-	-	-	643,209
Real Estate	225,440	-	-	-	225,440
Mid core	327,841	-	-	-	327,841
Small core	309,055	-	-	-	309,055
Large blend	186,044	-	-	-	186,044
Mid blend	183,156	-	-	-	183,156
Consumer	169,080	-	-	-	169,080
Small growth	113,017	-	-	-	113,017
Other	398,848	-	-	-	398,848
Total equity securities	6,365,147	-	-	-	6,365,147
Mutual Funds					
Fixed income	1,418,024	-	-	-	1,418,024
Large blend	567,422	-	-	-	567,422
Small blend	500,825	-	-	-	500,825
Large growth	256,150	-	-	-	256,150
Foreign large blend	235,372	-	-	-	235,372
Foreign small/mid growth	213,471	-	-	-	213,471
Mid value	159,776	-	-	-	159,776
Healthcare	159,688	-	-	-	159,688
Mid blend	224,105	-	-	-	224,105
Other	355,356	-	-	-	355,356
Total mutual funds	4,090,189	-	-	-	4,090,189
Corporate debt securities	170,936	-	-	-	170,936
Total Investments	10,908,577	-	-	-	10,908,577
Annuity and Life Estate Investments	329,349	-	-	-	329,349
	\$11,237,926	-	-	1,590,553	12,828,479

## CSU FULLERTON AUXILIARY SERVICES CORPORATION

### Notes to Financial Statements

Years Ended June 30, 2018 and 2017

#### **(3) Investments and Fair Value Measurement (continued)**

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018 and 2017.

Cash and Money Market Funds – Includes cash and money market funds valued at cost plus accrued interest.

Equity Securities – Valued at quoted market prices in active markets.

Mutual Funds – Valued at quoted market prices in active markets which approximates fair value.

Exchange-Traded Funds - Valued at quoted market prices in active markets which approximates fair value.

Corporate Debt Securities – Debt securities are valued based on market prices in active markets.

#### **(4) 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 is 0.5% above Local Agency Investment Fund, adjusted semi-annually on June 30 and December 31 of each year.

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, 2018 and 2017, the outstanding balance of the loan was \$1,175,056 and \$1,213,072, respectively.

# CSU FULLERTON AUXILIARY SERVICES CORPORATION

## Notes to Financial Statements

Years Ended June 30, 2018 and 2017

### (5) Notes Payable, Capital Lease Payable, and 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. Payments are due and payable on May 1 and November 1 of each year, commencing November 1, 2010, through and including November 1, 2030.

ASC entered into a capital lease agreement with the University for the use of these facilities. The term 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. ASC has recorded a capital lease receivable of \$16,340,000 (current portion: \$925,000; long term: \$15,415,000) representing the \$16,340,000 notes payable liability, less \$925,000 current portion, with unamortized premium on the related bond of \$951,040 at June 30, 2018. As of June 30, 2017 the debt totaled \$17,220,000, less \$880,000 current portion, with unamortized premium on the related bond of \$1,028,197. 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, 2018 and 2017 was \$826,400 and \$865,025, 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 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 balance remained on the ASC books as a long-term liability. This loan was placed in commercial paper to be paid through February 2019, at an average annual cost equivalent to 1.2%. As of June 30, 2018 and 2017, the outstanding balance of the note was \$300,000 and \$600,000, respectively.

## CSU FULLERTON AUXILIARY SERVICES CORPORATION

### Notes to Financial Statements

Years Ended June 30, 2018 and 2017

#### **(5) Notes Payable, Capital Lease Payable and Capital Lease Receivable (Continued)**

- (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, 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, 2018 and 2017, the capital lease receivable and payable was \$4,795,000 and \$4,940,000, respectively, of which the current portion was \$135,000 and \$145,000, respectively.
- (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. 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. Construction is still underway on this portion of the building so no lease agreement has been executed.

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, 2018 and 2017, the outstanding balance of the note was \$11,615,000 and \$11,815,000, respectively, and amount owed to the University was \$5,000,000. Unamortized bond premium for the years ended June 30, 2018 and 2017 was \$1,364,697 and \$1,415,087, respectively.

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

**(5) Notes Payable, Capital Lease Payable and Capital Lease Receivable (Continued)**

(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, 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, 2018 and 2017, the outstanding balance of the note was \$24,300,000 and \$24,745,000, respectively and the interest expense was \$1,223,900 and \$1,239,000, respectively. Unamortized bond premium at June 30, 2018 and 2017 was \$3,240,352 and \$3,365,382, respectively.

As of June 30, 2018, future minimum payments on the notes payable and loans are as follows:

Year Ending June 30:	<u>Principal</u>	<u>Interest</u>
2019	\$ 2,448,857	2,755,357
2020	2,229,242	2,671,236
2021	2,314,242	2,580,595
2022	2,409,242	2,488,145
2023	2,514,242	2,386,116
2024-2028	14,271,212	10,206,019
2029-2033	13,919,897	6,930,750
2034-2038	11,000,427	4,571,517
2039-2043	12,000,427	2,150,083
Thereafter	4,798,687	110,583
Total	<u>\$ 67,906,475</u>	<u>36,850,401</u>

# CSU FULLERTON AUXILIARY SERVICES CORPORATION

## Notes to Financial Statements

Years Ended June 30, 2018 and 2017

### (5) Notes Payable, Capital Lease Payable, and Capital Lease Receivable (Continued)

As of June 30, 2018, future minimum payments on the capital lease receivable are as follows:

Year Ending June 30:	
2019	\$ 1,060,000
2020	1,105,000
2021	1,155,000
2022	1,220,000
2023	1,280,000
Thereafter	<u>15,315,000</u>
Total	<u>\$ 21,135,000</u>

### (6) Postretirement Health Benefit Plan

ASC provides post-retirement healthcare coverage on behalf of retirees who meet certain age and service requirements. Retirees must be enrolled in ASC's medical insurance plans at the time of retirement, and have met the applicable eligibility requirements as follows:

Hired prior to December 31, 1991:

According to CalPERS eligibility requirements - Age 50 and 5 years of credited service

Hired after December 31, 1991:

Age 60+ and 20 years of service: 100% of the maximum employer contribution

Age 65+ and 15-19 years of service: 75% of the maximum employer contribution

Age 65+ and 10-14 years of service: 50% of the maximum employer contribution

Once eligible, they will be covered for life under ASC's medical plans and receive an ASC contribution on behalf of retiree, spouse, domestic partner, or surviving spouse or domestic partner, equal to the corresponding contribution for active employees, subject to the percentages shown above, if applicable. This contribution is subject to the retiree making the required contributions as adjusted from time to time by ASC's Board.

## CSU FULLERTON AUXILIARY SERVICES CORPORATION

### Notes to Financial Statements

Years Ended June 30, 2018 and 2017

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

	2018	2017
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 8,091,184	7,681,381
Service cost	612,024	522,605
Interest cost	240,392	276,427
Benefits paid	(157,369)	(151,736)
Actuarial (gain) loss	(2,054,381)	(237,493)
Benefit obligation at end of year	\$ 6,731,850	8,091,184
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 4,763,746	3,632,229
Actual return on plan assets	311,229	381,517
Benefits paid	(157,369)	(151,736)
Employer contributions	157,369	901,736
Fair value of plan assets at end of year	\$ 5,074,975	4,763,746
Funded Status:		
Fair value of plan assets, end of year	\$ 5,074,975	4,763,746
Accumulated Postretirement Benefit Obligation, end of year	(6,731,850)	(8,091,184)
Funded Status at end of year	\$ (1,656,875)	(3,327,438)
	2018	2017
Amounts Recognized in Statements of Financial Position (SFP)		
Current liabilities	\$ (154,367)	(182,083)
Non-current liabilities	(1,502,508)	(3,145,355)
Total Recognized in (SFP)	\$ (1,656,875)	(3,327,438)
Amount Recognized in Changes in SFP		
Net actuarial loss (gain)	\$ (1,966,932)	65,216
Total Recognized in SFP	\$ (1,966,932)	65,216



**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

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

Net periodic benefit cost:		
Service cost	\$ 612,024	522,605
Interest cost	240,392	276,427
Expected return on plan assets	<u>(333,462)</u>	<u>412,100</u>
 Net periodic benefit cost	 <u>\$ 518,954</u>	 <u>1,211,132</u>

Assumptions:

Weighted-average assumptions  
used to determine benefit obligation

Discount rate	4.14%	3.00%
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	5.50%	6.00%
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

Annual projections for ASC's post retirement costs

Projected Cost

Year Ending June 30:

2019	\$ 175,403
2020	189,463
2021	203,606
2022	209,684
2023	225,904
2024-2028	<u>1,372,530</u>
Total Projected Cost	<u>\$ 2,376,590</u>

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

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

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

	<u>2018</u>	<u>2017</u>
Investments:		
Equity securities	\$ 2,808,347	2,076,990
Fixed income	1,980,247	2,355,721
Other	<u>286,381</u>	<u>331,035</u>
 Total	 <u>\$ 5,074,975</u>	 <u>4,763,746</u>

**(7) 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 as of June 30:

	<u>2018</u>	<u>2017</u>
Venture Capital Opportunity	\$ -	1,796,119
Working Capital	-	5,297,058
Current Operations	-	2,971,690
Fixed Assets	-	3,812,726
University Gables HOA	721,721	496,122
Other Designated	<u>4,265,912</u>	<u>3,492,609</u>
Total	<u>\$ 4,987,633</u>	<u>17,866,324</u>

**(8) 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:

Employee Contribution of Compensation

Less than 2% of compensation  
2% or greater, but less than 5%  
5% or greater of compensation

Employer Matching Contribution

0% of participant compensation  
4% of participant compensation  
8% of participant compensation

# CSU FULLERTON AUXILIARY SERVICES CORPORATION

## Notes to Financial Statements

Years Ended June 30, 2018 and 2017

### (8) Deferred Compensation Plan (continued)

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 \$18,500 with an additional \$6,000 for age 50 or more per employee per year in aggregate for the 403(b) plan. 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, 2018 and 2017, total benefit expense was \$577,084 and \$616,746, respectively.

### (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 2023. 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, 2018 and 2017, rental expense was \$280,141 and \$264,517.

Future minimum payments under operating lease agreements as of June 30, 2018:

Year Ending June 30:	
2019	\$ 288,545
2020	297,202
2021	306,118
2022	315,301
2023	<u>324,760</u>
Total	<u>\$ 1,531,926</u>

# CSU FULLERTON AUXILIARY SERVICES CORPORATION

## Notes to Financial Statements

Years Ended June 30, 2018 and 2017

### (9) Operating Lease Commitments (continued)

As described in Note 5, 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, 2018:

Year Ending June 30:	
2019	\$ 10,673,861
2020	11,896,600
2021	12,015,566
2022	12,135,721
2023	12,257,079
Thereafter	<u>169,900,098</u>
Total	<u>\$ 228,878,925</u>

### (10) Related Party Transactions

ASC and the University provide a variety of services on each other's behalf. ASC has recorded the following related party amounts as of June 30:

	<u>2018</u>	<u>2017</u>
Receivables due from University	\$ 638,945	1,036,855
Accounts payable due to University	\$ 1,588,289	1,261,113
Amounts billed by ASC and included in revenues	\$ 15,918,577	14,112,831
Gifts to the University	\$ 949,108	-
Amounts billed to ASC and included in expenses	\$ 7,855,584	8,523,467

**SUPPLEMENTARY INFORMATION**

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Schedule of Financial Position (by fund)

June 30, 2018

(With comparative financial information as of June 30, 2017)

Assets	General	Other Designated	Buildings Fund	Auxiliary Enterprises	Univ. Support Programs	Total Unrestricted	Temporary Restricted	Total 2018	Total 2017
Current Assets:									
Cash and cash equivalents	\$ 7,753,313	5,278,761	(15,325,016)	(1,437,400)	10,616,414	6,886,072	—	6,886,072	10,391,062
Investments	9,862,651	—	—	—	—	9,862,651	—	9,862,651	10,908,577
Accounts receivable:									
Sponsored programs	3,298,290	—	—	—	—	3,298,290	—	3,298,290	1,468,683
Other receivables	90,363	203,676	638,540	196,990	528,289	1,657,858	—	1,657,858	3,284,125
Less allowance for doubtful accounts	(28,474)	—	—	—	—	(28,474)	—	(28,474)	(6,756)
Total accounts receivable, net	<u>3,360,179</u>	<u>203,676</u>	<u>638,540</u>	<u>196,990</u>	<u>528,289</u>	<u>4,927,674</u>	<u>—</u>	<u>4,927,674</u>	<u>4,746,052</u>
Inventories	—	—	—	2,776,540	—	2,776,540	—	2,776,540	2,554,150
Capital lease receivable, current portion	—	—	1,060,000	—	—	1,060,000	—	1,060,000	990,000
Due from related parties, current portion	1,175,056	—	—	—	—	1,175,056	—	1,175,056	38,016
Other current assets	280,265	—	—	182,406	—	462,671	—	462,671	441,044
Total Current Assets	<u>22,431,464</u>	<u>5,482,437</u>	<u>(13,626,476)</u>	<u>1,718,536</u>	<u>11,144,703</u>	<u>27,150,664</u>	<u>—</u>	<u>27,150,664</u>	<u>30,068,901</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	2,479,639	—	3,336,468	—	3,336,468	2,081,049
Work in progress	—	—	10,101,015	81,032	—	10,182,047	—	10,182,047	7,853,116
Leasehold improvements	—	—	16,235,897	3,022,820	—	19,258,717	—	19,258,717	17,980,214
	<u>279,293</u>	<u>—</u>	<u>77,894,448</u>	<u>5,583,491</u>	<u>3,078</u>	<u>83,760,310</u>	<u>—</u>	<u>83,760,310</u>	<u>78,897,457</u>
Less accumulated depreciation and amortization	(182,235)	—	(9,315,026)	(2,483,884)	—	(11,981,145)	—	(11,981,145)	(9,842,772)
Total Property and Equipment, net	<u>97,058</u>	<u>—</u>	<u>68,579,422</u>	<u>3,099,607</u>	<u>3,078</u>	<u>71,779,165</u>	<u>—</u>	<u>71,779,165</u>	<u>69,054,685</u>
Other Assets:									
Due from related parties, net of current	—	—	—	—	—	—	—	—	1,175,056
Capital lease receivable, net of current	—	—	20,075,000	—	—	20,075,000	—	20,075,000	21,170,000
Annuity and life estate investments	—	—	—	—	—	—	309,584	309,584	329,349
Goodwill	—	—	241,291	—	—	241,291	—	241,291	241,291
Total Other Assets	<u>—</u>	<u>—</u>	<u>20,316,291</u>	<u>—</u>	<u>—</u>	<u>20,316,291</u>	<u>309,584</u>	<u>20,625,875</u>	<u>22,915,696</u>
Total Assets	<u>\$ 22,528,522</u>	<u>5,482,437</u>	<u>75,269,237</u>	<u>4,818,143</u>	<u>11,147,781</u>	<u>119,246,120</u>	<u>309,584</u>	<u>119,555,704</u>	<u>122,039,282</u>

See independent auditors' report.

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Schedule of Financial Position (by fund)

June 30, 2018

(With comparative financial information as of June 30, 2017)

<b>Liabilities and Net Assets</b>	<b>General</b>	<b>Other Designated</b>	<b>Buildings Fund</b>	<b>Auxiliary Enterprises</b>	<b>Univ. Support Programs</b>	<b>Total Unrestricted</b>	<b>Temporary Restricted</b>	<b>Total 2018</b>	<b>Total 2017</b>
Current Liabilities:									
Accounts payable	\$ 773,776	3,077	1,206,731	741,490	167,464	2,892,538	—	2,892,538	4,777,677
Accrued expenses	778,495	23,084	676,571	1,566,077	1,251,340	4,295,567	—	4,295,567	3,806,929
Accrued interest payable	—	—	430,947	—	—	430,947	—	430,947	436,115
Receipts in excess of expenditures on sponsored programs	3,313,201	—	—	—	—	3,313,201	—	3,313,201	3,538,961
Deposits held in custody for others	—	—	—	—	2,720,347	2,720,347	—	2,720,347	2,160,820
Notes payable, current portion	—	—	2,448,857	—	—	2,448,857	—	2,448,857	2,288,857
Post retirement benefit, current portion	154,367	—	—	—	—	154,367	—	154,367	182,083
Unitrust liabilities, current portion	—	—	—	—	—	—	17,915	17,915	17,766
<b>Total Current Liabilities</b>	<b>5,019,839</b>	<b>26,161</b>	<b>4,763,106</b>	<b>2,307,567</b>	<b>4,139,151</b>	<b>16,255,824</b>	<b>17,915</b>	<b>16,273,739</b>	<b>17,209,208</b>
Noncurrent Liabilities:									
Notes payable, net of current	—	—	65,457,618	—	—	65,457,618	—	65,457,618	67,839,809
Allowance for grant payments received	911,657	—	—	—	—	911,657	—	911,657	924,224
Post retirement benefit, net of current	1,502,508	—	—	—	—	1,502,508	—	1,502,508	3,145,355
Unitrust liabilities, net of current portion	—	—	—	—	—	—	236,492	236,492	233,337
<b>Total Noncurrent Liabilities</b>	<b>2,414,165</b>	<b>—</b>	<b>65,457,618</b>	<b>—</b>	<b>—</b>	<b>67,871,783</b>	<b>236,492</b>	<b>68,108,275</b>	<b>72,142,725</b>
<b>Total Liabilities</b>	<b>7,434,004</b>	<b>26,161</b>	<b>70,220,724</b>	<b>2,307,567</b>	<b>4,139,151</b>	<b>84,127,607</b>	<b>254,407</b>	<b>84,382,014</b>	<b>89,351,933</b>
Net Assets:									
Unrestricted:									
Designated	—	4,265,912	721,721	—	—	4,987,633	—	4,987,633	17,866,324
Undesignated	15,094,518	1,190,364	4,326,792	2,510,576	7,008,630	30,130,880	—	30,130,880	14,742,779
Unrestricted net assets	15,094,518	5,456,276	5,048,513	2,510,576	7,008,630	35,118,513	—	35,118,513	32,609,103
Temporarily restricted –									
Annuity and life estate investments	—	—	—	—	—	—	55,177	55,177	78,246
<b>Total Net Assets</b>	<b>15,094,518</b>	<b>5,456,276</b>	<b>5,048,513</b>	<b>2,510,576</b>	<b>7,008,630</b>	<b>35,118,513</b>	<b>55,177</b>	<b>35,173,690</b>	<b>32,687,349</b>
<b>Total Liabilities and Net Assets \$</b>	<b>22,528,522</b>	<b>5,482,437</b>	<b>75,269,237</b>	<b>4,818,143</b>	<b>11,147,781</b>	<b>119,246,120</b>	<b>309,584</b>	<b>119,555,704</b>	<b>122,039,282</b>

See independent auditors' report.

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**  
Schedule of Activity Information by Natural Classification  
Year Ended June 30, 2018  
(with comparative financial information for the year ended June 30, 2017)

	<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 2018</u>	<u>Total 2017</u>
Operating:										
Revenues, gains, and other support:										
Grants and Contracts Revenue	\$ 26,731,800	—	—	—	—	—	26,731,800	—	26,731,800	23,144,000
Sales	—	—	—	20,052,056	62,713	—	20,114,769	—	20,114,769	22,102,346
Rental Income	—	—	9,582,214	265,671	278,422	—	10,126,307	—	10,126,307	9,977,437
Program Income	—	—	—	—	3,587,219	3,108,157	6,695,376	—	6,695,376	7,835,515
Indirect Cost Recoveries	1,044,366	1,546,025	—	—	—	—	2,590,391	—	2,590,391	2,064,018
Other Income	72,045	966,183	872,920	314,252	90,584	—	2,315,984	—	2,315,984	1,458,127
Commissions Income	80,253	—	—	631,701	1,925	—	713,879	—	713,879	732,212
Investment Gain	590,629	—	4,664	—	—	—	595,293	—	595,293	890,196
Investment/Interest Income	275,315	—	1,915	—	—	—	277,230	19,265	296,495	413,937
Unrealized Gain (Loss) Investment	236,172	—	—	—	—	—	236,172	(20,949)	215,223	1,430,466
Administrative Services	164,009	—	—	—	—	—	164,009	—	164,009	202,388
Total revenues, gains, and other support	<u>29,194,589</u>	<u>2,512,208</u>	<u>10,461,713</u>	<u>21,263,680</u>	<u>4,020,863</u>	<u>3,108,157</u>	<u>70,561,210</u>	<u>(1,684)</u>	<u>70,559,526</u>	<u>70,250,642</u>
Cost of Goods	—	—	—	11,815,878	—	—	11,815,878	—	11,815,878	13,103,984
Payroll expense:										
Salaries and wages	2,542,569	329,972	258,418	4,419,600	1,740,940	2,085,557	11,377,056	—	11,377,056	11,581,278
Benefits	706,970	9,731	107,899	872,340	382,360	865,786	2,945,086	—	2,945,086	2,828,319
Total payroll expenses	<u>3,249,539</u>	<u>339,703</u>	<u>366,317</u>	<u>5,291,940</u>	<u>2,123,300</u>	<u>2,951,343</u>	<u>14,322,142</u>	<u>—</u>	<u>14,322,142</u>	<u>14,409,597</u>
Operating expenses:										
Administrative fee	—	—	3,000	—	(145,230)	145,220	2,990	—	2,990	62,380
Advertising & Promotion	935	—	—	179,370	33,245	8,006	221,556	—	221,556	240,008
Audit and Legal	42,344	—	5,940	—	—	113,479	161,763	—	161,763	93,893
Bank and Discount Charges	17,980	—	44,085	586,179	26,244	13,509	687,997	240	688,237	698,052
Commission & Royalty	—	—	—	424,337	4,076	—	428,413	—	428,413	416,182
Communications	26,256	—	14,887	64,589	11,724	30,649	148,105	—	148,105	153,717
Conference & Travel	49,642	—	4,161	18,859	125,798	168,510	366,970	—	366,970	596,960
Debt Service & Interest Exp.	—	—	2,359,475	—	—	—	2,359,475	—	2,359,475	2,645,199
Departmental Allocation	—	—	—	—	52,737	—	52,737	—	52,737	41,351
Depreciation & Amortization	29,993	—	1,762,221	346,158	—	—	2,138,372	—	2,138,372	2,050,438
Donations & Scholarships	30,667	—	—	74,022	101,815	1,000	207,504	—	207,504	258,689
Employee Development	173,639	—	—	99,555	10,023	22,380	305,597	—	305,597	317,763
Equipment Rental/Expense	12,310	—	22,589	67,242	74,075	40,335	216,551	—	216,551	170,208
Grants and Contracts Expenses	26,731,800	—	—	—	—	—	26,731,800	—	26,731,800	23,144,000
Insurance	18,989	—	224,114	44,347	10,302	51,960	349,712	—	349,712	393,805
Other Direct Costs	(358,972)	—	880,196	27,021	280,076	690,405	1,518,726	21,145	1,539,871	1,104,461
Professional Serv/Consultants	85,365	—	251,827	269,841	155,779	402,603	1,165,415	—	1,165,415	1,125,457
Public Relations	55,435	—	—	12,898	172,197	32,817	273,347	—	273,347	259,761
Rentals	—	—	—	154,678	106,135	7,407	268,220	—	268,220	415,132
Repairs and Maintenance	82,951	—	1,488,026	554,591	56,494	86,910	2,268,972	—	2,268,972	2,234,366

See independent auditors' report.



**CSU FULLERTON AUXILIARY SERVICES CORPORATION**  
Schedule of Activity Information by Natural Classification  
Year Ended June 30, 2018  
(with comparative financial information for the year ended June 30, 2017)

	<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 2018</u>	<u>Total 2017</u>
Stipends/Honorariums	—	—	—	—	9,175	—	9,175	—	9,175	111,517
Supplies	135,270	—	61,808	545,949	145,533	46,771	935,331	—	935,331	1,022,323
Taxes & Licenses	3,782	—	34,895	9,700	—	—	48,377	—	48,377	111,778
Utilities	—	—	1,004,389	324,270	55,142	—	1,383,801	—	1,383,801	1,368,149
Research support	—	410,387	—	—	—	—	410,387	—	410,387	519,553
Community outreach	—	956,582	—	—	—	—	956,582	—	956,582	823,129
Faculty research awards	—	55,204	—	—	—	—	55,204	—	55,204	71,275
Total operating expenses	<u>27,138,386</u>	<u>1,422,173</u>	<u>8,161,613</u>	<u>3,803,606</u>	<u>1,285,340</u>	<u>1,861,961</u>	<u>43,673,079</u>	<u>21,385</u>	<u>43,694,464</u>	<u>40,449,546</u>
Total expenses	<u>30,387,925</u>	<u>1,761,876</u>	<u>8,527,930</u>	<u>20,911,424</u>	<u>3,408,640</u>	<u>4,813,304</u>	<u>69,811,099</u>	<u>21,385</u>	<u>69,832,484</u>	<u>67,963,127</u>
Increase (Decrease) in net assets from operating activities	<u>(1,193,336)</u>	<u>750,332</u>	<u>1,933,783</u>	<u>352,256</u>	<u>612,223</u>	<u>(1,705,147)</u>	<u>750,111</u>	<u>(23,069)</u>	<u>727,042</u>	<u>2,287,515</u>
Nonoperating:										
Pension-related changes other than net periodic pension cost	<u>1,759,299</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,759,299</u>	<u>—</u>	<u>1,759,299</u>	<u>(227,604)</u>
Change in net assets	<u>\$ 565,963</u>	<u>750,332</u>	<u>1,933,783</u>	<u>352,256</u>	<u>612,223</u>	<u>(1,705,147)</u>	<u>2,509,410</u>	<u>(23,069)</u>	<u>2,486,341</u>	<u>2,059,911</u>

See independent auditors' report.

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Schedule of Net Assets

Year Ended June 20, 2018

(With comparative financial information as of June 30, 2017)

	<u>General</u>	<u>Other Designated</u>	<u>Buildings Fund</u>	<u>Auxiliary Enterprises</u>	<u>Univ. Support Programs</u>	<u>Total Unrestricted</u>	<u>Temporary Restricted</u>	<u>Total 2018</u>	<u>Total 2017</u>
Net assets at beginning of year	\$ 14,788,555	4,445,944	3,114,730	2,158,320	8,101,554	32,609,103	78,246	32,687,349	30,627,438
Change in net assets	565,963	750,332	1,933,783	352,256	(1,092,924)	2,509,410	(23,069)	2,486,341	2,059,911
Designations from other classifications	<u>(260,000)</u>	<u>260,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net assets at end of year	\$ <u>15,094,518</u>	<u>5,456,276</u>	<u>5,048,513</u>	<u>2,510,576</u>	<u>7,008,630</u>	<u>35,118,513</u>	<u>55,177</u>	<u>35,173,690</u>	<u>32,687,349</u>

See independent auditors' report.

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**  
Combining Statement of Activities Information – Auxiliary Enterprise Activities  
Year Ended June 30, 2018  
(With comparative financial information for the year ended June 30, 2017)

	<u>Bookstore</u>	<u>Food Services</u>	<u>Total 2018</u>	<u>Total 2017</u>
Sales	\$ 13,628,012	6,424,044	20,052,056	22,034,654
Cost of sales	9,620,772	2,195,106	11,815,878	13,103,984
Gross margin	<u>4,007,240</u>	<u>4,228,938</u>	<u>8,236,178</u>	<u>8,930,670</u>
Other revenue:				
Commissions	265,567	366,134	631,701	650,048
Other	284,702	295,221	579,923	383,837
Total other revenues	<u>550,269</u>	<u>661,355</u>	<u>1,211,624</u>	<u>1,033,885</u>
Operating expenses:				
Salaries and wages	2,119,277	2,300,323	4,419,600	4,314,379
Staff and benefits	400,984	471,356	872,340	829,684
Total payroll expenses	<u>2,520,261</u>	<u>2,771,679</u>	<u>5,291,940</u>	<u>5,144,063</u>
Administrative Fee	—	—	—	32
Advertising & Promotion	102,431	76,939	179,370	201,822
Bank and Discount Charges	317,698	268,481	586,179	599,742
Commission & Royalty	52,087	372,250	424,337	411,810
Communications	46,879	17,710	64,589	64,337
Conference & Travel	7,613	11,246	18,859	29,828
Depreciation	101,704	244,454	346,158	328,867
Donations & Scholarships	63,310	10,712	74,022	83,686
Employee Development	57,368	42,187	99,555	138,661
Equipment Rental/Expense	26,963	40,279	67,242	73,034
Insurance	24,463	19,884	44,347	40,426
Merchant Supplies	81,481	261,196	342,677	366,346
Other Direct Costs	20,851	6,170	27,021	38,812
Professional Serv/Consultants	201,851	67,990	269,841	216,781
Public Relations	11,832	1,066	12,898	5,145
Rentals	38,471	116,207	154,678	156,303
Repairs and Maintenance	341,400	213,191	554,591	370,334
Supplies	103,454	99,818	203,272	197,021
Taxes & Licenses	2,626	7,074	9,700	9,728
Utilities	133,692	190,578	324,270	353,509
Total operating expenses	<u>1,736,174</u>	<u>2,067,432</u>	<u>3,803,606</u>	<u>3,686,224</u>
Total expenses	<u>4,256,435</u>	<u>4,839,111</u>	<u>9,095,546</u>	<u>8,830,287</u>
Excess revenues over expenses	<u>\$ 301,074</u>	<u>51,182</u>	<u>352,256</u>	<u>1,134,268</u>

See independent auditors' report

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Source of Funding and Expenditures for Sponsored Programs

Year Ended June 30, 2018

Source of funding (direct):	
Federal government	\$ 15,675,200
State of California and local governments	5,855,400
For-profit organizations	331,556
Foundations and other tax-exempt organizations	<u>2,275,774</u>
Total source of direct funding	<u>24,137,930</u>
Source of indirect cost reimbursement:	
Federal government	1,722,706
State of California and local governments	638,146
For-profit organizations	55,498
Foundations and other tax-exempt organizations	<u>177,520</u>
Total source of indirect cost reimbursement	<u>2,593,870</u>
Total funding	\$ <u><u>26,731,800</u></u>
Direct expenditures:	
Salaries and wages	\$ 9,892,588
Staff benefits	2,040,795
Operating expenditures	2,989,869
Consultants	928,535
Sub-Contractors	4,629,855
Equipment	453,515
Stipends/Tuition	<u>3,202,773</u>
Total direct expenditures	<u>24,137,930</u>
Indirect expenditures:	
Salaries and wages	1,482,479
Staff benefits	286,978
Operating expenditures	504,135
Consultants	136,840
Sub-Contractors (first 25k only)	120,157
Equipment	876
Stipends/Tuition	<u>62,405</u>
Total indirect expenditures	<u>2,593,870</u>
Total expenditures	\$ <u><u>26,731,800</u></u>

See independent auditors' report

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Schedule of Net Position

June 30, 2018

(for inclusion in the California State University)

Assets:

Current assets:

Cash and cash equivalents	\$ 5,444,564
Short-term investments	10,582,438
Accounts receivable, net	4,927,674
Capital lease receivable, current portior	1,060,000
Notes receivable, current portion	1,175,056
Pledges receivable, net	—
Prepaid expenses and other current assets	3,239,211
<b>Total current assets</b>	<b>26,428,943</b>

Noncurrent assets:

Restricted cash and cash equivalents	721,721
Accounts receivable, net	—
Capital lease receivable, net of current portior	20,075,000
Notes receivable, net of current portion	—
Student loans receivable, net	—
Pledges receivable, net	—
Endowment investments	—
Other long-term investments	309,584
Capital assets, net	71,779,165
Other assets	241,291
<b>Total noncurrent assets</b>	<b>93,126,761</b>
<b>Total assets</b>	<b>119,555,704</b>

Deferred outflows of resources:

Unamortized loss on debt refunding	—
Net pension liability	—
Net OPEB liability	—
Others	—
<b>Total deferred outflows of resources</b>	<b>—</b>

Liabilities:

Current liabilities:

Accounts payable	5,599,978
Accrued salaries and benefits	—
Accrued compensated absences, current portior	336,098
Unearned revenues	951,789
Capital lease obligations, current portior	135,000
Long-term debt obligations, current portior	2,061,667
Claims liability for losses and loss adjustment expenses, current portior	—
Depository accounts	2,720,347
Other liabilities	3,762,063
<b>Total current liabilities</b>	<b>15,566,942</b>

Noncurrent liabilities:

Accrued compensated absences, net of current portior	300,239
Unearned revenues	—
Grants refundable	—
Capital lease obligations, net of current portior	4,660,000
Long-term debt obligations, net of current portior	61,049,809
Claims liability for losses and loss adjustment expenses, net of current portior	—
Depository accounts	—
Net other postemployment benefits liability	1,656,875
Net pension liability	—
Other liabilities	1,148,149
<b>Total noncurrent liabilities</b>	<b>68,815,072</b>
<b>Total liabilities</b>	<b>84,382,014</b>

Deferred inflows of resources:

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

Net Position:

Net investment in capital assets	25,007,689
Restricted for:	—
Nonexpendable – endowments	—
Expendable:	—
Scholarships and fellowships	—
Research	—
Loans	—
Capital projects	—
Debt service	—
Others	—
Unrestricted	10,166,001
<b>Total net position</b>	<b>\$ 35,173,690</b>

See independent auditors' report

**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

Schedule of Revenues, Expenses, and Changes in Net Position

June 30, 2018

(for inclusion in the California State University)

Revenues:	
Operating revenues:	
Student tuition and fees, gross	\$ —
Scholarship allowances (enter as negative)	—
Grants and contracts, noncapital:	
Federal	17,397,906
State	4,388,318
Local	2,105,228
Nongovernmental	2,840,348
Sales and services of educational activities	—
Sales and services of auxiliary enterprises, gross	32,770,720
Scholarship allowances (enter as negative)	—
Other operating revenues	10,461,713
Total operating revenues	<u>69,964,233</u>
Expenses:	
Operating expenses:	
Instruction	5,796,235
Research	5,863,932
Public service	7,341,156
Academic support	45,893
Student services	6,331,478
Institutional support	763,657
Operation and maintenance of plant	4,406,234
Student grants and scholarships	589,449
Auxiliary enterprise expenses	34,196,602
Depreciation and amortization	2,138,373
Total operating expenses	<u>67,473,009</u>
Operating income (loss)	<u>2,491,224</u>
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	595,293
Endowment income (loss), net	—
Interest expense	(2,359,475)
Other nonoperating revenues (expenses) - excl. interagen18 transfers	1,759,299
Other nonoperating revenues (expenses) - interagen18 transfers	—
Net nonoperating revenues (expenses)	<u>(4,883)</u>
Income (loss) before other revenues (expenses)	2,486,341
State appropriations, capital	—
Grants and gifts, capital	—
Additions (reductions) to permanent endowments	—
Increase (decrease) in net position	2,486,341
Net position:	
Net position at beginning of year, as previously reported	32,687,349
Restatements	—
Net position at beginning of year, as restated	<u>32,687,349</u>
Net position at end of year	<u>\$ 35,173,690</u>

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**1 Restricted cash and cash equivalents at June 30, 2018:**

Portion of restricted cash and cash equivalents related to endowments	\$	—
All other restricted cash and cash equivalents		<u>721,721</u>
Total restricted cash and cash equivalents	\$	<u><u>721,721</u></u>

**2.1 Composition of investments at June 30, 2018:**

	<b>Current Unrestricted</b>	<b>Current Restricted</b>	<b>Total Current</b>	<b>Noncurrent Unrestricted</b>	<b>Noncurrent Restricted</b>	<b>Total Noncurrent</b>	<b>Total</b>
State of California Surplus Money Investment Fund (SMIF)	\$ —	—	—	—	—	—	—
State of California Local Agen18 Investment Fund (LAIF)	605,073	—	605,073	—	—	—	605,073
Corporate bonds	1,598,741	—	1,598,741	—	31,423	31,423	1,630,164
Certificates of deposit	114,714	—	114,714	—	—	—	114,714
Mutual funds	2,569,922	—	2,569,922	—	73,760	73,760	2,643,682
Money Market funds	92,080	—	92,080	—	8,533	8,533	100,613
Repurchase agreements	—	—	—	—	—	—	—
Commercial paper	—	—	—	—	—	—	—
Asset backed securities	—	—	—	—	—	—	—
Mortgage backed securities	—	—	—	—	—	—	—
Municipal bonds	—	—	—	—	—	—	—
U.S. agen18 securities	—	—	—	—	—	—	—
U.S. treasury securities	—	—	—	—	—	—	—
Equity securities	5,601,908	—	5,601,908	—	24,156	24,156	5,626,064
Exchange traded funds (ETFs)	—	—	—	—	171,712	171,712	171,712
Alternative investments:							
Private equity (including limited partnerships)	—	—	—	—	—	—	—
Hedge funds	—	—	—	—	—	—	—
Managed futures	—	—	—	—	—	—	—
Real estate investments (including REITs)	—	—	—	—	—	—	—
Commodities	—	—	—	—	—	—	—
Derivatives	—	—	—	—	—	—	—
Other alternative investment types	—	—	—	—	—	—	—
Other external investment pools (excluding SWIFT)							
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Other major investments:							
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Total investments	<u>10,582,438</u>	<u>—</u>	<u>10,582,438</u>	<u>—</u>	<u>309,584</u>	<u>309,584</u>	<u>10,892,022</u>
Less endowment investments (enter as negative number)	—	—	—	—	—	—	—
Total investments	<u>10,582,438</u>	<u>—</u>	<u>10,582,438</u>	<u>—</u>	<u>309,584</u>	<u>309,584</u>	<u>10,892,022</u>

**2.2 Investments held by the University under contractual agreements at June 30, 2018:**

Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2018 :	—	—	—	—	—	—	—
---	---	---	---	---	---	---	---

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**2.3 Restricted current investments at June 30, 2018 related to:**

	<b>Amount</b>
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
<b>Total restricted current investments at June 30, 2018</b>	<b>—</b>

**2.4 Restricted noncurrent investments at June 30, 2018 related to:**

	<b>Amount</b>
Endowment investment	—
Scholarships	—
Inflation reserves	—
University projects	—
Charitable Remainder Trusts	309,584
Add description	—
Add description	—
Add description	—
<b>Total restricted noncurrent investments at June 30, 2018</b>	<b>309,584</b>

**2.5 Fair value hierarchy in investments at June 30, 2018:**

	<u>Fair Value Measurements Using</u>				Net Asset Value (NAV)
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>		
	<b>Total</b>				
State of California Surplus Money Investment Fund (SMIF)	\$ —	—	—	—	—
State of California Local Agen18 Investment Fund (LAIF)	605,073	—	—	—	605,073
Corporate bonds	1,630,164	1,630,164	—	—	—
Certificates of deposit	114,714	114,714	—	—	—
Mutual funds	2,643,682	2,643,682	—	—	—
Money Market funds	100,613	100,613	—	—	—
Repurchase agreements	—	—	—	—	—
Commercial paper	—	—	—	—	—
Asset backed securities	—	—	—	—	—
Mortgage backed securities	—	—	—	—	—
Municipal bonds	—	—	—	—	—
U.S. agen18 securities	—	—	—	—	—
U.S. treasury securities	—	—	—	—	—
Equity securities	5,626,064	5,626,064	—	—	—
Exchange traded funds (ETFs)	171,712	171,712	—	—	—
Alternative investments:					
Private equity (including limited partnerships)	—	—	—	—	—
Hedge funds	—	—	—	—	—
Managed futures	—	—	—	—	—
Real estate investments (including REITs)	—	—	—	—	—
Commodities	—	—	—	—	—
Derivatives	—	—	—	—	—
Other alternative investment types	—	—	—	—	—
Other external investment pools (excluding SWIFT)					
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Other major investments:					
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
<b>Total investments</b>	<b>10,892,022</b>	<b>10,286,949</b>	<b>—</b>	<b>—</b>	<b>605,073</b>

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CSU FULLERTON AUXILIARY SERVICES CORPORATION

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3.1 Composition of capital assets at June 30, 2018:

	Balance June 30, 2017	Prior period Adjustments	Reclassifications	Balance June 30, 2017 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2018
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)	7,853,116	—	—	7,853,116	2,328,931	—	—	10,182,047
Intangible assets:								
Rights and easements	—	—	—	—	—	—	—	—
Patents, co17rights 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	27,843,321	—	—	27,843,321	2,328,931	—	—	30,172,252
Depreciable/amortizable capital assets:								
Buildings and building improvements	30,992,873	—	—	30,992,873	—	—	—	30,992,873
Improvements, other than buildings	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	16,548,384	—	1,431,831	17,980,215	1,278,502	—	—	19,258,717
Personal property:								
Equipment	3,512,879	—	(1,431,831)	2,081,048	1,255,420	—	—	3,336,468
Library books and materials	—	—	—	—	—	—	—	—
Intangible assets:								
Software and websites	—	—	—	—	—	—	—	—
Rights and easements	—	—	—	—	—	—	—	—
Patents, co17right 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	51,054,136	—	—	51,054,136	2,533,922	—	—	53,588,058
Total capital assets	78,897,457	—	—	78,897,457	4,862,853	—	—	83,760,310
Less accumulated depreciation/amortization:								
Buildings and building improvements	(4,289,348)	—	—	(4,289,348)	(1,033,097)	—	—	(5,322,445)
Improvements, other than buildings	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	(4,118,456)	—	—	(4,118,456)	(819,421)	—	—	(4,937,877)
Personal property:								
Equipment	(1,434,968)	—	—	(1,434,968)	(285,855)	—	—	(1,720,823)
Library books and materials	—	—	—	—	—	—	—	—
Intangible assets:								
Software and websites	—	—	—	—	—	—	—	—
Rights and easements	—	—	—	—	—	—	—	—
Patents, co17right 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	(9,842,772)	—	—	(9,842,772)	(2,138,373)	—	—	(11,981,145)
Total capital assets, net	\$ 69,054,685	—	—	69,054,685	2,724,480	—	—	71,779,165

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**3.2 Detail of depreciation and amortization expense for the year ended June 30, 2018:**

Depreciation and amortization expense related to capital assets	\$ 2,138,373
Amortization expense related to other assets	<u>—</u>
Total depreciation and amortization	<u>\$ 2,138,373</u>

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

	<u>Balance June 30, 2017</u>	<u>Prior period adjustments</u>	<u>Reclassifications</u>	<u>Balance June 30, 2017 (restated)</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Current portion</u>	<u>Long-term portion</u>
Accrued compensated absences	\$ 601,441	—	—	601,441	622,570	(587,674)	636,337	336,098	300,239
Claims liability for losses and loss adjustment expenses	—	—	—	—	—	—	—	—	—
Capital lease obligations:									
Gross balance	4,940,000	—	—	4,940,000	—	(145,000)	4,795,000	135,000	4,660,000
Unamortized premium / (discount) on capital lease obligations	—	—	—	—	—	—	—	—	—
Total capitalized lease obligations	<u>4,940,000</u>	<u>—</u>	<u>—</u>	<u>4,940,000</u>	<u>—</u>	<u>(145,000)</u>	<u>4,795,000</u>	<u>135,000</u>	<u>4,660,000</u>
Long-term debt obligations:									
Auxiliary revenue bonds	—	—	—	—	—	—	—	—	—
Commercial paper	—	—	—	—	—	—	—	—	—
Notes payable related to SRB	54,380,000	—	—	54,380,000	—	(1,825,000)	52,555,000	1,895,000	50,660,000
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	<u>59,380,000</u>	<u>—</u>	<u>—</u>	<u>59,380,000</u>	<u>—</u>	<u>(1,825,000)</u>	<u>57,555,000</u>	<u>2,061,667</u>	<u>55,493,333</u>
Unamortized bond premium / (discount)	5,808,665	—	—	5,808,665	—	(252,189)	5,556,476	—	5,556,476
Total long-term debt obligations, net	<u>65,188,665</u>	<u>—</u>	<u>—</u>	<u>65,188,665</u>	<u>—</u>	<u>(2,077,189)</u>	<u>63,111,476</u>	<u>2,061,667</u>	<u>61,049,809</u>
Total long-term liabilities	\$ <u>70,730,106</u>	<u>—</u>	<u>—</u>	<u>70,730,106</u>	<u>622,570</u>	<u>(2,809,863)</u>	<u>68,542,813</u>	<u>2,532,765</u>	<u>66,010,048</u>

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

	<u>Capital lease obligations related to SRB</u>			<u>All other capital lease obligations</u>			<u>Total capital lease obligations</u>		
	<u>Principal Only</u>	<u>Interest Only</u>	<u>Principal and Interest</u>	<u>Principal Only</u>	<u>Interest Only</u>	<u>Principal and Interest</u>	<u>Principal Only</u>	<u>Interest Only</u>	<u>Principal and Interest</u>
Year ending June 30:									
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	—	—	—	165,000	193,975	358,975	165,000	193,975	358,975
2024 - 2028	—	—	—	950,000	835,500	1,785,500	950,000	835,500	1,785,500
2029 - 2033	—	—	—	1,215,000	565,625	1,780,625	1,215,000	565,625	1,780,625
2034 - 2038	—	—	—	1,540,000	242,000	1,782,000	1,540,000	242,000	1,782,000
2039 - 2043	—	—	—	350,000	7,000	357,000	350,000	7,000	357,000
2044 - 2048	—	—	—	—	—	—	—	—	—
2049 - 2053	—	—	—	—	—	—	—	—	—
2054 - 2058	—	—	—	—	—	—	—	—	—
2059 - 2063	—	—	—	—	—	—	—	—	—
2064 - thereafter	—	—	—	—	—	—	—	—	—
Total minimum lease payments	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,795,000</u>	<u>2,694,950</u>	<u>7,489,950</u>	<u>4,795,000</u>	<u>2,694,950</u>	<u>7,489,950</u>
Less amounts representing interest	—	—	—	—	—	—	—	—	<u>(2,694,950)</u>
Present value of future minimum lease payments	—	—	—	—	—	—	—	—	<u>4,795,000</u>
Unamortized net premium (discount)	—	—	—	—	—	—	—	—	—
Total capital lease obligations	—	—	—	—	—	—	—	—	<u>4,795,000</u>
Less: current portion	—	—	—	—	—	—	—	—	<u>(135,000)</u>
<b>Capital lease obligation, net of current portion</b>	—	—	—	—	—	—	—	—	<u>\$ 4,660,000</u>

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**6 Long-term debt obligations 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:								
2019	\$ —	—	—	2,061,667	2,544,033	4,605,700	2,061,667	2,544,033	4,605,700
2020	—	—	—	1,836,666	2,466,513	4,303,179	1,836,666	2,466,513	4,303,179
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	—	—	—	2,096,667	2,209,438	4,306,105	2,096,667	2,209,438	4,306,105
2024 - 2028	—	—	—	12,058,335	9,471,481	21,529,816	12,058,335	9,471,481	21,529,816
2029 - 2033	—	—	—	11,648,335	6,465,375	18,113,710	11,648,335	6,465,375	18,113,710
2034 - 2038	—	—	—	8,583,335	4,403,850	12,987,185	8,583,335	4,403,850	12,987,185
2039 - 2043	—	—	—	10,773,335	2,228,250	13,001,585	10,773,335	2,228,250	13,001,585
2044 - 2048	—	—	—	4,578,326	202,875	4,781,201	4,578,326	202,875	4,781,201
2049 - 2053	—	—	—	—	—	—	—	—	—
2054 - 2058	—	—	—	—	—	—	—	—	—
2059 - 2063	—	—	—	—	—	—	—	—	—
2064 - thereafter	—	—	—	—	—	—	—	—	—
Total minimum payments	—	—	—	57,555,000	34,681,916	92,236,916	57,555,000	34,681,916	92,236,916
Less amounts representing interest									(34,681,916)
Present value of future minimum payments									57,555,000
Unamortized net premium (discount)									5,556,476
Total long-term debt obligations									63,111,476
Less: current portion									(2,061,667)
<b>Long-term debt obligations, net of current portion</b>									<b>\$ 61,049,809</b>

**7 Calculation of net position**

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

Capital assets, net of accumulated depreciation	\$ 71,779,165
Capital lease obligations, current portion	(135,000)
Capital lease obligations, net of current portion	(4,660,000)
Long-term debt obligations, current portion	(2,061,667)
Long-term debt obligations, net of current portion	(61,049,809)
Portion of outstanding debt that is unspent at year-end (enter as positive number)	—
Other adjustments: (please list)	
Capital lease receivable from affiliate	4,795,000
Capital lease receivable from affiliate	16,340,000
Add description	—
Add description	—
Add description	—
<b>Net position - Net investment in capital assets</b>	<b>\$ 25,007,689</b>

**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)	
Restricted expendable endowments	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
<b>Net position - Restricted for nonexpendable - endowments</b>	<b>\$ —</b>

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**8 Transactions with related entities**

	<u>Amount</u>
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 6,677,362
Payments to University for other than salaries of University personnel	1,178,222
Payments received from University for services, space, and programs	15,918,577
Gifts-in-kind to the University from discretely presented component units	—
Gifts (cash or assets) to the University from discretely presented component units	949,108
Accounts (payable to) University (enter as negative number)	(1,588,289)
Other amounts (payable to) University (enter as negative number)	—
Accounts receivable from University (enter as positive number)	638,945
Other amounts receivable from University	—

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

Annual required contribution (ARC)	\$ —
Contributions during the year (enter as negative number)	<u>(157,369)</u>
Increase (decrease) in net OPEB liability (NOO)	(157,369)
Other adjustments	(1,513,194)
NOO - beginning of year	<u>3,327,438</u>
NOO - end of year	\$ <u>1,656,875</u>

Percentage of annual OPEB cost contributed during the year ended **0%**

**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	<u>—</u>
Pollution remediation liabilities, net of current portion	<u>—</u>

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**CSU FULLERTON AUXILIARY SERVICES CORPORATION**

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

	<u>Net Position Class</u>	<u>Amount Dr. (Cr.)</u>
Net position as of June 30, 2017, as previously reported		\$ 32,687,349
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, 2017, as restated		<u>\$ 32,687,349</u>

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

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

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12 Natural Classifications of Operating Expenses

	Salaries	Benefits	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total operating expenses
Instruction	2,145,119	635,516	1,495,888	1,519,712	—	5,796,235
Research	2,602,510	422,230	507,448	2,331,744	—	5,863,932
Public service	2,544,396	429,746	16,250	4,350,764	—	7,341,156
Academic support	42,978	815	2,100	—	—	45,893
Student services	3,491,077	712,137	699,838	1,428,426	—	6,331,478
Institutional support	469,434	80,905	124,759	88,559	—	763,657
Operation and maintenance of plant	258,418	107,899	—	4,039,917	—	4,406,234
Student grants and scholarships	79,553	46,425	418,896	44,575	—	589,449
Auxiliary enterprise expenses	—	—	—	34,196,602	—	34,196,602
Depreciation and amortization	—	—	—	—	2,138,373	2,138,373
Total	11,633,485	2,435,673	3,265,179	48,000,299	2,138,373	67,473,009

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