

THE UNIVERSITY CORPORATION,
SAN FRANCISCO STATE
(COMPONENT UNIT OF SAN FRANCISCO STATE
UNIVERSITY)

JUNE 30, 2014 AND 2013

INDEPENDENT AUDITORS' REPORT,

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

The University Corporation, San Francisco State
(Component Unit of San Francisco State University)

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Financial Statements and Supplementary Information

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Independent Auditors' Report

THE BOARD OF DIRECTORS
THE UNIVERSITY CORPORATION, SAN FRANCISCO STATE
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of **THE UNIVERSITY CORPORATION, SAN FRANCISCO STATE (Component Unit of San Francisco State University) (The Corporation)**, which comprise the statement of net position as of June 30, 2014 and 2013, and the related statements of revenues, expenses and changes in net position, cash flows 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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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 net financial position of **THE UNIVERSITY CORPORATION, SAN FRANCISCO STATE**, as of June 30, 2014 and 2013, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America, require that the accompanying management's discussion and analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information on pages 29 through 36 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 audits 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.

A handwritten signature in black ink that reads "Hood & Strong LLP". The signature is written in a cursive, flowing style.

San Francisco, California
September 16, 2014

The University Corporation, San Francisco State (Component Unit of San Francisco State University)

Management Discussion and Analysis (Unaudited)

This section of the University Corporation, San Francisco State (the Corporation) annual financial report presents management's discussion and analysis of the financial performance of the Corporation for the fiscal year ended June 30, 2014.

The Corporation presents its financial statements for fiscal year 2014 with comparative data presented for fiscal years 2013 and 2012. The emphasis of discussions concerning these statements will be for the fiscal years ended June 30, 2014 and 2013 (2014 and 2013, respectively). There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The following discussion and analysis is intended to help readers of the Corporation's financial statements to better understand its financial position and operating activities. It should be read in conjunction with, and is qualified in its entirety by, the related financial statements and footnotes. The financial statements, footnotes and this discussion and analysis were prepared by the Corporation and are the responsibility of its management.

The Corporation

The Corporation is a non-profit auxiliary organization of San Francisco State University (the University) with a 501(c) (3) designation with the Internal Revenue Service. The Corporation's purpose is to support, promote and assist the University in meeting its educational mission.

The Business Type Activity (BTA) reporting model has been adopted by the California State University (CSU) system for the use by all of its member campuses. The CSU determined the BTA model best represents the combined activities of the CSU and its auxiliary corporations.

Two out of the four auxiliary not-for-profit corporations serving the University, of which the Corporation is one, have also adopted the BTA reporting model primarily for efficiencies gained in combining the four auxiliaries' annual financial statements with the University and ultimately the combined CSU financial statements.

The Corporation's June 30, 2014 and 2013 financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Franciscan Shops

The Franciscan Shops is a not-for profit organization with a 501(c) (3) designation with the Internal Revenue Service established for the purpose of promoting and assisting the educational services, development, maintenance and operations of San Francisco State University. The Franciscan Shops provided commercial services to the campus community through the operation of the bookstore and convenience stores at San Francisco State University.

The University Corporation, San Francisco State **(Component Unit of San Francisco State University)**

Management Discussion and Analysis **(Unaudited)**

On June 26, 2012, the Franciscan Shops' Board of Directors amended the Articles of Incorporation to designate the Corporation as the Franciscan Shops sole member effective July 1, 2012 at which point the Franciscan Shops ceased its auxiliary function with the University. The intent of this action was to allow the Corporation to oversee the operations of the Franciscan Shops, assign operating responsibilities to a new operator and then in the future wind up and dissolve the Franciscan Shops entity. Additionally, the Corporation became responsible for the accounting of the Franciscan Shops as well as assuming some of the commercial services that had previously been provided for by the Franciscan Shops. The Corporation also assumed responsibility for the operating space and facilities that had been leased by the Franciscan Shops from the San Francisco State University Student Center (Student Center).

Collectively the University Corporation, San Francisco State and Franciscan Shops are referred to as the Corporation.

Highlights of Financial Operations

- **Operating revenue and other additions**

Total operating revenue decreased by approximately \$1,080,000 which is primarily attributed a decrease in program revenue of approximately \$740,000 primarily due to the winding down of Whirlwind Wheelchair operations under the Corporation. The Corporation increased its retail self-operations by adding Shop 24 in July of 2013 which had revenue of approximately \$159,000. However, retail revenue decreased by approximately \$426,000 due to the continuing wind down of operations of the Franciscan shops and a decrease in commission income received from Follett of approximately \$94,000.

- **Nonoperating revenues and expenses**

Total non-operating revenue increased by approximately \$1,686,000 primarily attributed to an increase in investment income of approximately \$1,168,000.

Financial Position

The statement of net position presents the financial position of the Corporation at the end of fiscal year 2014 and 2013. The purpose of the statement of net position is to present to the readers of the financial statements a fiscal summary of the Corporation. From the data presented, the readers of the statement of net position are able to determine the assets available to continue the operations of the Corporation. The readers are also able to determine how much the Corporation owes its vendors as well as assessing other liabilities. Finally, the statement of net position provides an overview of the net position (assets, deferred outflows of resources minus liabilities, deferred inflows of resources) and their availability for expenditure.

The University Corporation, San Francisco State
(Component Unit of San Francisco State University)

Management Discussion and Analysis
(Unaudited)

Net Position is divided into three major categories. The first category, Invested in Capital Assets, presents the Corporation's equity in property and equipment. The next asset category is Restricted Assets, which is divided into two categories, Nonexpendable and Expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted assets are available for expenditure by the Corporation, but must be spent for purposes as determined by donors and/or external entities that have placed time, purpose or legal restrictions on the use of the assets. The final category is Unrestricted Assets that are available to the Corporation for any lawful purpose of the Corporation.

Detailed statement of net assets are included with the financial statements. A condensed version is shown below:

Condensed Statement of Net Position - 2014, 2013, and 2012

	2014	2013	2012
ASSETS			
Current assets	\$ 6,030,045	\$ 5,454,179	\$ 6,014,900
Noncurrent assets	20,621,305	18,080,423	12,415,750
Total assets	26,651,350	23,534,602	18,430,650
DEFERRED OUTFLOWS OF RESOURCES			
Total assets and deferred outflows of resources	26,651,350	23,534,602	18,430,650
LIABILITIES			
Current liabilities	1,023,425	1,201,252	1,196,934
Noncurrent liabilities	152,552	152,552	
Total liabilities	1,175,977	1,353,804	1,196,934
DEFERRED INFLOWS OF RESOURCES	239,930	326,332	350,000
NET POSITION			
Investment in capital assets	1,098,383	1,015,301	2,266,518
Restricted:			
Nonexpendable - endowments	594,345	544,272	544,272
Expendable – grants and contracts, scholarships, fellowships, capital projects	13,925,228	11,934,167	11,411,045
Unrestricted	9,617,487	8,360,726	2,661,881
Total net position	\$ 25,235,443	\$ 21,854,466	\$ 16,883,716
Total liabilities, deferred inflows of resources, and net position	\$ 26,651,350	\$ 23,534,602	\$ 18,430,650

The University Corporation, San Francisco State
(Component Unit of San Francisco State University)

Management Discussion and Analysis
(Unaudited)

Assets

In fiscal year 2014 current assets increased by approximately \$576,000 11%. This increase was attributed to an increase in short term investments due to distribution of holdings. Cash and cash equivalents decreased by approximately \$363,000 during 2014 over 2013 as a result of the Corporation holding less cash due to increased cash flow management.

Noncurrent assets increased by approximately \$2,541,000 14%. The increase in noncurrent assets is mainly attributed to the distribution of investment holdings between current assets and noncurrent assets. The Corporation's fair value in alternative investments with the Foundation also increased during 2014 by approximately \$337,000.

Unearned chargebacks receivable remained the same for fiscal year 2014 and 2013 as no redemptions were received regarding the chargebacks related to Franciscan Shops.

In fiscal year 2013 current assets decreased by approximately \$561,000 (-9%). The decrease was mainly attributed to a decrease in short term investments.

Liabilities

In fiscal year 2014, current liabilities saw a decrease over 2013 of approximately \$178,000. This decrease in accounts payables was due to paying more invoices before year-end closing and thereby reducing accrued payables.

Deferred inflows of resources decreased over 2013 by approximately \$86,000 (-26%) primarily due to recognizing the current revenue attributed to Follett Higher Education Group, Inc. (Follett) one-time payment.

In fiscal year 2013, current liabilities were relatively flat over 2012 by approximately \$4,000. This increase was mainly attributed to an increase in accrued payables due to new operations in 2013 and offsetting decrease in payables to related parties.

Net Position

As of June 30, 2014, total net position was \$25,235,443 which is an increase of approximately \$3,381,000 15% from the previous year. The increase is primarily attributed to an increase in non-operating revenues of approximately \$1,686,000 which is comprised primarily of investment income.

As of June 30, 2013, total net position was \$21,854,466 which is an increase of approximately \$4,971,000 29% from the previous year. The increase is primarily attributed to transfer of assets from the Franciscan Shop of approximately \$4,282,000 and an increase in revenues over expenses of \$1,833,000, net of a transfer of assets to the University of \$1,145,000.

Further discussion of the Corporation's revenue and expenses under result of operations will highlight the changes that contributed to the overall fluctuation in operating results.

The University Corporation, San Francisco State
(Component Unit of San Francisco State University)

Management Discussion and Analysis
(Unaudited)

Results of Operations

The Statement of Revenues, Expenses and Changes in Net Position presents the Corporation's operating results, as well as the nonoperating revenues and expenses. Operating revenues primarily includes grants, contracts, retail operations and program revenue. Gifts and investment income, is classified as prescribed by GASB. Net nonoperating revenues or expenses are an integral component in determining the increase or decrease in net position.

Detailed statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2014 and 2013 is included in the financial statements.

Condensed Statement of Revenues, Expenses and Changes in Net Position

For the years ended June 30, 2014, 2013 and 2012

	2014	2013	2012
<u>Operating Revenues (Expenses):</u>			
Revenues	\$ 8,478,667	\$ 9,559,437	\$ 7,464,321
Expenses	(10,016,887)	(10,959,717)	(9,597,426)
<u>Operating loss</u>	<u>(1,538,220)</u>	<u>(1,400,280)</u>	<u>(2,133,105)</u>
<u>Nonoperating Revenues (Expenses):</u>			
Contributions	2,951,233	2,817,820	3,756,012
Investment return	2,168,531	1,000,683	365,137
Transfers to the University	(200,564)	(585,319)	(455,980)
<u>Total Nonoperating Revenues (Expenses)</u>	<u>4,919,197</u>	<u>3,233,184</u>	<u>3,665,169</u>
<u>Change in Net Position</u>	<u>\$ 3,380,977</u>	<u>\$ 1,832,904</u>	<u>\$ 1,532,064</u>
Transfer from Franciscan Shops		\$ 4,282,467	
Transfer of assets to the University		\$ (1,144,621)	

OPERATING REVENUES

Retail, Program, Grants, and Contracts Revenue

The Corporation received less grants and contracts as more grants have been awarded directly to San Francisco State University. For fiscal year 2014 grants and contract revenue continued to decrease over fiscal year 2013 by approximately \$47,000. For fiscal year 2013, grants and contracts revenue decreased approximately \$641,000. As Grants and Contracts revenue has decreased the Corporation's program revenue continued to decrease.

The University Corporation, San Francisco State
(Component Unit of San Francisco State University)

Management Discussion and Analysis
(Unaudited)

Program revenues are the function of the many projects administered by the Corporation which must be self-supporting. Program revenue consists mainly of revenue received to support campus programs, and student scholarships. Whirlwind Wheelchair program revenue continued to decrease in 2014 by approximately \$1,000,000. Program revenue was down substantially in 2014 as the Whirlwind Wheelchair program sales activity decreased due to the program terminating its operations under the Corporation in 2014 and all program activity will cease as of June 30, 2014.

The Corporation's self-operating vending projects are a component of retail revenue. The Corporation added a new self-operating vending project, Shop 24 an automated 24-hour vending machine. Shop 24 generated project revenue of approximately \$158,000 in fiscal year 2014. During 2014 the Corporation's other self-operating retail operations were down slightly from the previous year by approximately \$45,000. The Corporation's commission revenue earned from its contract with Follett to manage the SFSU Bookstore decreased also during 2014 due to their decreasing sales by approximately \$94,000.

Transfers received from endowments increased approximately \$262,000 and \$143,000 in 2014 and 2013, respectively, which are part of operating revenues.

During 2013, program, grants and contract revenue increased approximately \$2,095,000 which was primarily attributed to an increase in retail revenue of approximately \$3,330,000 offset by decrease program revenue of approximately \$116,000 and a decrease in grants and contract revenue of \$640,000. Although program, grants and contract revenue increased, the Wheelchair program revenue decreased approximately \$217,000 due to manufacturing challenges during the year which slowed production.

Indirect costs from grants, contracts and campus programs were eliminated against revenue as not to double count the total revenue and expenses. Indirect costs incurred for grants, contracts and campus programs as of June 30, 2014 and 2013 were \$340,653 and \$371,178, respectively.

Rental Income

Rental income is comprised mainly of food vending tenants and the fitness facility located on campus. Rental income decreased in fiscal year 2014 by approximately \$52,000 over the previous year. The rental income decrease was primarily due to Enterprise rental car ending its lease with the Corporation in November 2013, Patelco ATMs ending its lease in June 2013 and new vendor US Bank starting its operations in January 2014 at which time the rent commenced. Rental income increased in fiscal year 2013 by approximately \$55,000 over the previous year. Rental income increased primarily due to the Corporation operating the food trucks for a full year and Peet's Coffee and Tea placed in operation in fiscal year 2013. Tenant rents are increased based on the consumer price index (CPI) which is reviewed annually.

Other Revenue

During fiscal year 2014 other revenue decreased by approximately \$78,000 (-47%) due to the Corporation receiving a refund of approximately \$70,000 in fiscal year 2013 from the IRS for bond tax refund which was not a reoccurring event and Whirlwind Wheelchairs domestic sales were approximately \$36,000 less than fiscal year 2013 due to the winding down of its operations during fiscal year 2014.

The University Corporation, San Francisco State
(Component Unit of San Francisco State University)

Management Discussion and Analysis
(Unaudited)

OPERATING EXPENSES

Operating Expenses

Operating expenses are tied to the use of funds from grants, contracts, donations, program revenue, retail operations, transfers and other miscellaneous sources.

Operating expenses decreased in fiscal year 2014 by approximately \$943,000 (-9%). Indirect cost from grants, contracts and campus programs were eliminated against revenue as not to double count the total revenue and expenses. Indirect costs incurred for grants and contracts, campus programs and endowment were \$329,000. Expenses related to grants and contracts increased by approximately \$3,000 during 2014 even as grant activity continued to decrease. Scholarship expense increased over prior year by approximately \$120,000 (12%) as more scholarships were given out to students during 2014. Retail expenses decreased by approximately \$301,000 due the retail operations not replacing a few positions when they became vacant and running the two convenient stores and copy center efficiently during peak times during the school year with student staff and a fewer permanent staff. The Corporation did give a cost of living increase to its staff working under the self-operations. Retail expenses also include costs associated with the space related to these operations. The Corporation has a lease with the Student Center, for the retail stores and the bookstore.

Operating expenses increased in fiscal year 2013 by approximately \$1,362,000 (14%). Indirect cost from grants, contracts and campus programs were eliminated against revenue as not to double count the total revenue and expenses. Indirect costs incurred for grants and contracts, campus programs and endowment were \$371,178. Expenses related to grants and contracts decreased during 2013 as grant activity decreased. Scholarship expense decreased over prior year by approximately \$113,000 as less scholarships were given out to students during 2013.

NON-OPERATING REVENUES AND EXPENSES

Contributions

Contributions are recognized as revenue when they are verifiable, measurable, probable of collection, and the Corporation has met all time and eligibility requirements. Contributions increased during fiscal year 2014 over the prior year by approximately \$133,000 (5%). The increase was mainly attributed to increase of contributions for campus programs and scholarships for various programs administered under the Corporation. There was an increase in pledge receivables for 2014 for campus programs which contributed to an increase in contributions during the fiscal year.

Contributions decreased during fiscal year 2013 over the prior year by approximately \$938,000 (-25%). The decrease was mainly attributed to reduction of contributions for scholarships of approximately \$800,000.

The University Corporation, San Francisco State
(Component Unit of San Francisco State University)

Management Discussion and Analysis
(Unaudited)

Investment Return

Fiscal year 2014 saw an increase in investment returns as a result of the market continuing its bullish trend for most of the year in addition to investments transferred during fiscal year 2013 from Franciscan Shops which were invested for the entire year during fiscal year 2014. The investment return increased approximately \$1,168,000 (117%) over the previous year.

Fiscal year 2013 saw an increase in investment returns as a result of the market being bullish for most of the year. The investment return increased approximately \$636,000 (174%) over the previous year.

SIGNIFICANT ITEMS

In fiscal year 2015, the Corporation will continue expanding its retail and vending operations offered to the campus. The Corporation will be taking over all the food vendors currently in the Student Center beginning July 1, 2014. The Corporation will become the lessor for 12 food and bankv vendors. With this change the Corporation will handle all vending on campus except for the food serves offered under SFSU Housing. This change is a result of the Student Center, the auxiliary who previously managed the relationship with the vendors in the Student Center and the building as the lessor, operating agreement will not be renewed with the campus beyond June 30, 2014.

The Corporation will be branding all of its vending services and retail operations under the Gator Group umbrella as these offerings are marketed to the campus.

Investment income is an important revenue source for the Corporation's unrestricted funds. The last quarter of the fiscal year the world market continued showing growth. The beginning of 2015 fiscal year has been fairly flat from the end of the fiscal year.

We believe all other significant items have already been disclosed and either they do not have a significant effect on future operations, or these effects have already been included in the current financial statements.

The University Corporation, San Francisco State
(Component Unit of San Francisco State University)

Statement of Net Position

<i>June 30,</i>	2014	2013
Assets		
Current Assets:		
Cash and cash equivalents	\$ 466,933	\$ 830,031
Investments, unrestricted	4,939,306	3,679,854
Pledges receivable	288,350	386,997
Accounts receivable, net	304,617	378,946
Prepaid expenses and other assets	30,839	178,351
Total current assets	6,030,045	5,454,179
Noncurrent Assets:		
Pledges receivable, net	386,411	427,500
Unearned chargebacks receivable	152,552	152,552
Investments:		
Unrestricted	16,403,768	14,292,607
Receivable from SF State University Foundation	1,985,846	1,648,191
Restricted	594,345	544,272
Capital assets, net	1,098,383	1,015,301
Total noncurrent assets	20,621,305	18,080,423
Total assets	26,651,350	23,534,602
Deferred Outflows of Resources		
Total assets and deferred outflows of resources	\$ 26,651,350	\$ 23,534,602
Liabilities		
Current Liabilities:		
Accounts payable	\$ 535,316	\$ 727,060
Accrued salaries and benefits payable	171,771	169,919
Accrued compensated absences	55,989	85,168
Payable to related parties	260,349	219,105
Total current liabilities	1,023,425	1,201,252
NonCurrent Liabilities:		
Unearned chargebacks payable	152,552	152,552
Total noncurrent liabilities	152,552	152,552
Deferred Inflows of Resources	239,930	326,332
Net Position:		
Invested in capital assets	1,098,383	1,015,301
Restricted for:		
Nonexpendable - endowments	594,345	544,272
Expendable - grants and contracts, scholarships, fellowships, capital projects	13,925,228	11,934,167
Unrestricted	9,617,487	8,360,726
Total net position	25,235,443	21,854,466
Total liabilities, deferred inflows of resources and net position	\$ 26,651,350	\$ 23,534,602

The accompanying notes are an integral part of this statement.

The University Corporation, San Francisco State
(Component Unit of San Francisco State University)

Statement of Revenues, Expenses and Changes in Net Position

<i>Year Ended June 30,</i>	2014	2013
Operating Revenues:		
Grants and contract revenue	\$ 992,628	\$ 1,039,948
Program revenue	2,362,409	3,104,823
Retail revenue	2,914,971	3,338,037
Programs funded by related parties	1,681,509	1,419,952
Rental income	438,643	490,537
Other revenues	88,507	166,140
Total operating revenues	8,478,667	9,559,437
Operating Expenses:		
Grants and contracts	1,051,569	1,109,808
Campus programs	3,846,365	4,852,888
Rental expenses	8,201	7,054
Student scholarships	1,161,011	1,041,025
Management and general	1,652,492	1,392,824
Retail expenses	2,094,417	2,395,764
Depreciation	202,832	160,354
Total operating expenses	10,016,887	10,959,717
Operating loss	(1,538,220)	(1,400,280)
Nonoperating Revenues (Expenses):		
Contributions	2,951,233	2,817,820
Investment return	2,168,528	1,000,683
Transfer to San Francisco State University	(200,564)	(585,319)
Net nonoperating revenues (expenses)	4,919,197	3,233,184
Change in Net Position	3,380,977	1,832,904
Net Position , beginning of the year	21,854,466	16,883,716
Transfer of net assets from Franciscan Shops		4,282,467
Transfer of assets to San Francisco State University		(1,144,621)
Net Position , end of the year	\$ 25,235,443	\$ 21,854,466

The accompanying notes are an integral part of this statement.

The University Corporation, San Francisco State
(Component Unit of San Francisco State University)

Statement of Cash Flows

<i>Year Ended June 30,</i>	2014	2013
Cash Flows from Operating Activities:		
Receipts from programs	\$ 8,079,180	\$ 9,919,148
Rent receipts	438,643	490,537
Payments to suppliers	(6,355,970)	(7,121,365)
Payments to employees for services	(2,327,389)	(2,656,325)
Scholarships to students	(1,161,011)	(1,041,025)
Other	88,507	166,142
Net cash used by operating activities	(1,238,040)	(242,888)
Cash Flows from Noncapital Financing Activities:		
Donations received	2,951,233	2,817,820
Transfer to San Francisco State University	(200,564)	(585,319)
Donation from Franciscan Shops		4,282,467
Net cash provided by noncapital financing activities	2,750,669	6,514,968
Cash Flows from Capital and Related Financing Activities:		
Capital asset additions	(83,083)	(53,758)
Net cash used by capital and related financing activities	(83,083)	(53,758)
Cash Flows from Investing Activities:		
Proceeds from sales and maturities of investments	13,775,555	9,875,787
Purchase of investments	(17,736,727)	(16,601,692)
Investment income	2,168,528	1,000,683
Net cash used by investing activities	(1,792,644)	(5,725,222)
Net Change in Cash and Cash Equivalents	(363,098)	493,100
Cash and Cash Equivalents, beginning of year	830,031	336,931
Cash and Cash Equivalents, end of year	\$ 466,933	\$ 830,031

The accompanying notes are an integral part of this statement.

The University Corporation, San Francisco State
(Component Unit of San Francisco State University)

Statement of Cash Flows (continued)

<i>June 30,</i>	2014	2013
Reconciliation of Operating Loss to Net Cash		
Flows Used by Operating Activities:		
Operating loss	\$ (1,538,220)	\$ (1,400,280)
Adjustments to reconcile operating loss to net cash flows used by operating activities:		
Depreciation	202,832	160,354
Changes in assets and liabilities:		
Accounts receivable and pledges receivable	210,649	844,739
Other receivable		350,000
Prepaid expenses and other assets	147,512	(178,351)
Accounts payable	(40,686)	306,932
Deferred inflows of resources	(86,402)	(23,668)
Payable to related parties	(115,278)	(350,137)
Accrued salaries and benefits payable	10,732	34,049
Accrued compensated absences	(29,179)	13,474
Total adjustments	300,180	1,157,392
Net cash used by operating activities	\$ (1,238,040)	\$ (242,888)

Supplemental Disclosures of Cash Flow Activity:

Non-cash activity:

Transfer of Assets to San Francisco State University	\$ (91,688)	\$ (1,144,621)
Donations of stock received	\$ 203,016	\$ 63,434

The accompanying notes are an integral part of this statement.

The University Corporation, San Francisco State
(Component Unit of San Francisco State University)

Notes to Financial Statements

Note 1 - Organization:

The University Corporation, San Francisco State (the Corporation), formerly the San Francisco State University Foundation, Inc., is a non-profit, tax-exempt California corporation. The Corporation serves as an auxiliary organization of San Francisco State University. The Corporation is a component unit of San Francisco State University (the University).

The Corporation was established in 1946 for the purpose of promoting and assisting the University through administration of educational projects, university research and development projects, commercial services and community outreach programs. The Corporation has grants, contracts and agreements with state, local and private agencies and organizations.

The Corporation, as of July 1, 2012 became the only member of the Franciscan Shops, a non-profit member corporation. The Franciscan Shops, is formerly an auxiliary of the University; collectively “the Corporation”. For 2014 and 2013, the financial statements of the Franciscan Shops have been incorporated into the financial statements of the Corporation.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Presentation

The basic financial statements required by GASB Statements number 34, 35 and 36 includes a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position and a Statement of Cash Flows. As a component unit of a public institution, the Corporation has chosen to present its basic financial statements using the reporting model for special purpose governments engaged only in business-type activities. This model allows all financial information for the Corporation to be reported in a single column in each of the basic financial statements. In accordance with the business-type activities reporting model, the Corporation prepares its Statement of Cash Flows using the direct method.

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by GASB. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Generally, grants, contributions, and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The University Corporation, San Francisco State
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Notes to Financial Statements

In accordance with GASB Statement No. 62, the Corporation has incorporated certain accounting and financial reporting guidance included in the Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure (collectively, referred to as the “FASB and AICPA pronouncements”), which were issued on or before November 30, 1989, and which do not conflict or contradict GASB pronouncements.

The Corporation considers assets to be current that can reasonably be expected, as part of its normal business operations, to be converted to cash and be available for liquidation of current liabilities within twelve months of the date of the Statement of Net Position. Liabilities that reasonably can be expected, as part of the Corporation's normal business operations, to be liquidated within twelve months of the date of the Statement of Net Position are considered to be current. All other assets and liabilities are considered to be non-current; with the exception of those amounts that are required to be reported as deferred outflows or inflows of resources. The Corporation follows GASB 63 and 65 provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The standard defines deferred outflows or inflows of resources as transactions that result in the consumption or acquisition of net assets in one period that are applicable to future periods.

The Corporation's net assets are classified into the following categories:

- *Invested in capital assets:* Capital assets, net of accumulated depreciation.
- *Restricted, nonexpendable:* Net assets subject to externally imposed conditions that the Corporation retains in perpetuity. Net assets in this category consist of endowments.
- *Restricted, expendable:* Net assets subject to externally imposed conditions that can be fulfilled by the actions of the Corporation or by the passage of time. This category includes grants, contracts, scholarships and fellowships.
- *Capital Projects:* Net assets subject to externally imposed conditions whose restricted use is for capital projects which can be fulfilled by the actions of the Corporation.
- *Unrestricted:* This represents all unrestricted net assets. Unrestricted net assets may be designated for use by management or the Board of Directors. As of June 30, 2014 and 2013, the Corporation maintains operating and capital reserves of approximately, \$1,863,000 and \$1,179,000, respectively.

The University Corporation, San Francisco State
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Notes to Financial Statements

b. Cash and Cash Equivalents

Cash and cash equivalents consist of unrestricted cash, checking accounts, savings accounts and money market funds held outside of investment brokerage accounts with an original maturity date of three months or less.

Custodial credit risk - In the case of bank deposits, this is the risk that in the event of a bank failure, the Corporation's deposits may not be returned. The Corporation does not have a formal policy addressing custodial credit risk for its bank deposits. Though the Corporation is not a government agency, the financial institutions, in which the Corporation makes its deposits, have collateralized the deposits in accordance with section 53601 et. Seq. of the California Government Code. Wells Fargo is a financial institution whereby Federal Deposit Insurance Corporation (FDIC) insures deposits. Deposits of more than the \$250,000 insured amount will be collateralized by the bank by pledging identifiable collateral according to statute. Periodically, throughout June 30, 2014 and 2013, the Corporation maintained balances in excess of the federally insured limits. .

c. Accounts Receivable, net

Accounts receivable include amounts due from special projects, business services, contracts and other receivables from San Francisco State University. Accounts receivable of \$304,617 and \$378,946 as of June 30, 2014 and 2013, respectively, are shown net of an allowance for uncollectible accounts.

d. Pledges Receivable

Unconditional promises of private gifts to the Corporation are recorded as pledges receivable and revenue in the year promised at the present value of expected cash flows. Unconditional promises to give that are expected to be collected in future years are recorded at fair value based upon the present value of their estimated future cash flows. Discounts are computed using estimated market rates. Amortization of the discounts is included in grants and contracts revenue. The pledge receivable discount at June 30, 2014 and 2013 is approximately \$20,522 and \$28,300, respectively. Conditional promises and intentions to pledge are recognized as receivables and revenue when the specific condition and/or eligibility and recognition requirement is met.

e. Investments

Investments are stated at fair value. The Corporation pools available resources into savings, management and investment accounts. Interest and dividends earned are allocated to the respective funds, net of fees, based on the ratio of a fund's invested resources to the total amount invested.

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Notes to Financial Statements

Investments in alternative investments are based upon fair values of the underlying assets as reported by the entities in their financial statements or as determined by the fund manager. In some cases the underlying assets are marketable securities with quoted market prices. In other situations, the underlying assets are not marketable and valuations are determined by the fund managers. Due to the inherent uncertainty of valuation of non-marketable and restricted investments, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed and the differences could be material. Additionally, these investments may have liquidity constraints, including lock up periods of a quarter or longer.

f. Restricted Investments

Investments made from donor restricted endowments are pooled with the Corporation's other investments. Any appreciation of such investments is tracked separately and recorded in unrestricted net assets as long as the donor has not restricted those earnings. The Uniform Prudent Management of Institutional Funds Act (UPMIFA) passed in July 2006 and adopted by California in 2008 which authorizes an institution to spend the amount it deems prudent considering the intent of the donor's intent, the purposes of the fund, and relevant economic factors. According to the Corporation's policy, up to 4% of the earnings may be distributed each year. Earnings available for distribution are identified as interest, dividends and realized gains and losses and are calculated quarterly based on the average daily balance of the portfolio.

The Corporation invests these funds to produce current income to meet spending needs, and to preserve the real value of the endowment principal. The Payout Policy Objective is interlinked with the Investment Objectives for the Total Fund and has been formulated in the context of the overarching goal for prudent management of endowments: to optimize the balance between preserving the real (after inflation) long-term purchasing power of the endowment principal with the need to make annual distributions to campus beneficiaries.

g. Capital Assets

Capital assets, which include property, leasehold improvements, and equipment, are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from five to ten years for equipment and ten to thirty years for buildings and related improvements. Property and equipment with a value of less than \$5,000 is not capitalized. Annually, the Corporation transfers ownership of the capital assets belonging to closed projects to the University, where appropriate. Transfers of capital assets purchased by the Corporation where Corporation projects request the transfer of those assets to the University. The net book value of transfers made to the University during the fiscal year ended June 30, 2014 amounted to \$91,688.

The University Corporation, San Francisco State
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Notes to Financial Statements

h. Compensated Absences

Employees accrue annual vacation leave based on length of service and job classification.

i. Revenue and Expenses

The Corporation classifies operating revenues into six categories: program revenue, grants and contracts, programs funded by related parties, retail revenue, rental income, and other revenues. Program revenue, grants and contracts, and programs funded is derived from program-specific grants and contracts and contributions arising from exchange transactions with federal, state, local, private foundations and individual contributions restricted for a particular program. Programs funded by related parties represent primarily revenue transferred from the San Francisco State University Foundation for scholarships and campus programs.

Retail revenue and expenses category includes revenue from the operation of two convenient stores, 24 hour automated vending machine and a copy center, the balance relates to commission revenue from the operator of the University's bookstore.

Rental Income is revenue generated from food vendors and commercial space leased to various corporations.

Other Revenues are revenues which are not required to be reported under program revenue or rental income.

Non-Operating revenue and expenses category includes revenue from restricted and unrestricted contributions where the restrictions have been met, and transfers. This category also includes investment returns which are net of administrative fees charged per the investment policy (such as, interest, dividends and net realized and unrealized gains and losses).

j. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The University Corporation, San Francisco State
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Notes to Financial Statements

k. Income Taxes

The Corporation is a not-for-profit corporation and is exempt from federal and state income taxes under provisions of section 501 (c)(3) of the Internal Revenue Code and the California Tax Code. Continuance of such exemption is subject to compliance with laws and regulations of the taxing authorities. Certain activities considered unrelated to the tax exempt purposes of the Corporation may generate income that is taxable. No provision has been recorded for income taxes, as the net income, if any, from unrelated business in the opinion of management; it is not material to the basic financial statements taken as a whole.

l. Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to conform to current year presentation. These reclassifications had no effect on net position or change in net position.

m. Recent Accounting Pronouncements Adopted or Under Consideration

The GASB issued statement No. 65, *Items Previously Reported as Assets and Liabilities (March 2012)*, this Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The statement is applicable for June 30, 2014. The Foundation implemented the guidance of this pronouncement and it did not have a significant impact on its financial statements, with the exception of reclassification of certain assets and liabilities to deferred inflows and outflows of resources.

The University Corporation, San Francisco State
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Notes to Financial Statements

Note 3 - Investments:

Investments consist of the following as of June 30, 2014:

	<u>Fair value</u>	<u><1</u>	<u>Investment Maturities (Years)</u>			<u>Other</u>
			<u>1 – 5</u>	<u>6 – 10</u>	<u>10+</u>	
Local agency investment fund	\$ 3,711,864	\$3,711,864				
Broker money market funds	1,091,813	1,091,813				
Treasury securities	642,368	70,080	\$ 495,244	\$ 77,044		
Asset-backed securities	638,387		287,612	64,818	\$ 285,957	
Municipal Securities	36,160			36,160		
Corporate debt securities	5,177,419	65,549	533,731	400,212		\$ 4,177,927
Mutual funds	3,106,852					3,106,852
Equity securities	7,532,556					7,532,556
Alternative investments	1,985,846					1,985,846
	<u>\$23,923,265</u>	<u>\$ 4,939,306</u>	<u>\$ 1,316,587</u>	<u>\$ 578,234</u>	<u>\$ 285,957</u>	<u>\$16,803,181</u>

Investments consist of the following as of June 30, 2013:

	<u>Fair value</u>	<u><1</u>	<u>Investment Maturities (Years)</u>			<u>Other</u>
			<u>1 – 5</u>	<u>6 – 10</u>	<u>10+</u>	
Local agency investment fund	\$ 2,024,625	\$ 2,024,625				
Broker money market funds	1,585,302	1,585,302				
Treasury securities	1,942,955		\$ 1,523,245	\$ 419,710		
Asset-backed securities	886,235		506,526	53,299	\$ 326,410	
Corporate debt securities	5,718,787	69,927	1,104,306	691,684		\$ 3,852,870
Equity securities	6,358,829					6,358,829
Alternative investments	1,648,191					1,648,191
	<u>\$20,164,924</u>	<u>\$ 3,679,854</u>	<u>\$ 3,134,077</u>	<u>\$1,164,693</u>	<u>\$ 326,410</u>	<u>\$11,859,890</u>

The University Corporation, San Francisco State
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Notes to Financial Statements

Investment return for the years ended June 30, 2014 and 2013 consists of the following:

	2014	2013
Interest and dividends	\$ 355,112	\$ 431,347
Realized and unrealized gain	1,813,416	569,336
	<u>\$ 2,168,528</u>	<u>\$ 1,000,683</u>

Interest rate risk - The Corporation mitigates its interest rate risk through the use of professional money managers that use their judgment on the selection of debt securities. The Corporation does not currently have a formal policy on future maturity limitations.

Credit risk - The Corporation's investment policy provides that all investments must be rated at least investment grade by one nationally recognized ratings agency. In the event that an investment falls below investment grade, the manager must notify the Corporation of the downgrade and provide a recommended course of action. Securities rated BBB are limited to 10% of the managers' bond portfolio and the maximum exposure to an issuer rated BBB is limited to 3% of the Corporation's fixed income holdings.

Concentration of credit risk - Securities held in any one issuer are limited to 10% of a particular money manager's bond portfolio, and 3% of the Corporation's total fixed income holdings. Individual equities are also mandated to be no more than 5% of the stock portfolio. As a result, no one issuer exceeds 5% of the Corporation's total investments.

Custodial credit risk - Custodial credit risk represents the risk that, in the event of the failure of counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The account held by UBS Financial Services, Inc. is insured with a combination of SIPC and other commercial insurance. SIPC coverage protects customers of a U.S. registered broker-dealer in the event the broker-dealer becomes financially insolvent and cannot return the full value of a customer's securities and cash in the broker-dealer's possession or control. SIPC covers each customer's account up to \$500,000, of which up to \$100,000 may be cash. Excess coverage follows the terms of SIPC coverage but covers each account up to its full net equity value, including all cash balances. CAPCO, an insurer who provides securities account protection for amounts in excess of SIPC, is rated A+ by Standard & Poor's. The Corporation does not have a formal policy covering custodial credit risk for its investments.

The University Corporation, San Francisco State
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Notes to Financial Statements

Local Agency Investment Fund (LAIF)

Under Federal Law, the State of California cannot declare bankruptcy, thereby allowing the Government Code Section 16429.3 to stand. This section states that "moneys placed with the Treasurer for deposit in the LAIF by cities, counties, special districts, nonprofit corporations, or qualified quasi-governmental agencies shall not be subject to either of the following: (a) transfer or loan pursuant to Sections 16310, 16312, or 16313, or (b) impoundment or seizure by any state official or state agency.

During the 2002 legislative session, California Government Code Section 16429.4 was added to the LAIF's enabling legislation. The section states that "the right of a city, county, city and county, special district, nonprofit corporation, or qualified quasi-governmental agency to withdraw its deposited moneys from the LAIF, upon demand, may not be altered, impaired, or denied in any way, by any state official or state agency based upon the state's failure to adopt a State Budget by July 1 of each new fiscal year."

Note 4 - Endowments:

Endowments held and administered by the Corporation at June 30, 2014 and 2013 are as follows:

	Restricted Net Assets	
	Nonexpendable	
<u>Endowments</u>	\$ 594,345	\$ 544,272

The Corporation's investment policy during fiscal year 2014 and 2013 allowed a 4% annual payout based on quarterly average daily balance of the fund. The 4% annual payout was not changed during the year and disbursements were allowed.

The University Corporation, San Francisco State
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Notes to Financial Statements

Note 5 - Capital Assets:

The following is a roll forward schedule of capital assets for the year ended June 30, 2014:

	Balance June 30, 2013	Additions	Reductions	Transfers	Balance June 30, 2014
Capital Assets:					
Leasehold improvements	\$ 1,374,432	\$ 267,986			\$ 1,642,418
Equipment	1,918,142	20,795	\$ (11,330)		1,927,607
Total Capital Assets	3,292,574	288,781	(11,330)		3,570,025
Less accumulated depreciation:					
Leasehold improvements	654,917	103,821			758,738
Equipment	1,622,356	99,011	(8,463)		1,712,904
Total accumulated depreciation	2,277,273	202,832	(8,463)		2,471,642
Net Capital Assets	\$ 1,015,301	\$ 85,949	\$ (2,867)		\$ 1,098,383

Total depreciation expense for the year ended June 30, 2014 was \$202,832.

The following is a roll forward schedule of capital assets for the year ended June 30, 2013:

	Balance June 30, 2012	Additions	Reductions	Transfers	Balance June 30, 2013
Capital Assets:					
Leasehold improvements	\$ 2,503,184			\$ (1,128,752)	\$ 1,374,432
Equipment	2,448,725	\$ 54,736	\$ (10,015)	(575,304)	1,918,142
Total Capital Assets	4,951,909	54,736	(10,015)	(1,704,056)	3,292,574
Less accumulated depreciation:					
Leasehold improvements	932,284	61,259		(338,626)	654,917
Equipment	1,753,107	99,095	(9,037)	(220,809)	1,622,356
Total accumulated depreciation	2,685,391	160,354	(9,037)	(559,435)	2,277,273
Net Capital Assets	\$ 2,266,518	\$ (105,618)	\$ (978)	\$ (1,144,621)	\$ 1,015,301

Total depreciation expense for the year ended June 30, 2013 was \$160,354.

The University Corporation, San Francisco State
(Component Unit of San Francisco State University)

Notes to Financial Statements

Note 6 - Related Parties:

During the year ended June 30, 2014 and 2013, the Corporation paid \$3,309,428 and \$3,814,711, respectively to the University and its affiliates for salary reimbursement, tuition and fees, scholarships, facilities, and other administrative costs. The Corporation paid \$1,296,544 and \$105,543 to the San Francisco State University Foundation in 2014 and 2013, respectively. During the year ended June 30, 2014 and 2013, the Corporation received \$2,527,749 and \$2,394,443, respectively, from the University and its affiliates for reimbursements related to grants and contracts, campus programs, and operating facilities used by University students.

At June 30, 2014, the Corporation's recorded receivables from the University and its affiliates was \$177,285 and payables to the University and its affiliates totaled \$260,349. At June 30, 2013, the Corporation's recorded receivables from the University and its affiliates was \$51,240 and payables to the University and its affiliates totaled \$88,580.

During 2014, the Corporation's total investment in alternative investments held by the Foundation was approximately \$1,986,000 and \$1,648,000 at June 30, 2014 and 2013, respectively. The allocated fair value net of investment fees for these investments and receivable from the Foundation were \$1,985,846 and \$1,648,191 at June 30, 2014 and 2013, respectively.

Note 7 - Administration Fees:

The Corporation charges an administrative fee of 5% on gifts and 10% on program revenue to campus programs. Grants and contracts are charged an administrative fee based on the rate provided by the granting agency. Scholarship funds are not charged an administrative fee by the Corporation. Administrative fees of \$392,023 and \$371,178 were charged by the Corporation during the years ended June 30, 2014 and 2013, respectively.

Note 8 - Risk Financing Activities:

The Corporation is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Corporation carries commercial insurance. The Corporation has not had any significant reduction in insurance coverage, and there have been no claims in excess of coverage, in any of the past three years.

The University Corporation, San Francisco State
(Component Unit of San Francisco State University)

Notes to Financial Statements

Note 9 - Litigation:

From time to time, the Corporation is subject to various claims and legal proceedings covering a range of matters that arise in the ordinary course of its business activities. In the opinion of management, although the outcome of any legal proceedings cannot be predicted with certainty, the ultimate liability of the Corporation in connection with its legal proceedings is not expected to have a material adverse effect on the Corporation's financial position and activities.

Note 10 - Retirement Plan:

The Corporation adopted a 403(b) Retirement and Savings Plan which matches fifty percent of employee contributions up to 5% of each employee's eligible compensation. The Corporation's contribution for the plan years ended June 30, 2014 and 2013 were \$26,597 and \$26,256, respectively.

Note 11 - Donated Assets and Bookstore Operator:

Effective July 1, 2012, the Corporation became the Franciscan Shops' sole member. The intent of this action was to allow the Corporation to oversee the operations of the Franciscan Shops, assign operating responsibilities to a new operator and then wind up and dissolve the Franciscan Shops entity. Additionally, the Corporation became responsible for the accounting of the Franciscan Shops as well as assuming some of the retail services that had previously been provided for by the Franciscan Shops. The Corporation also assumed responsibility for the operating space and facilities that had been leased by the SFSU Bookstore from the San Francisco State University Student Center (Student Center). As of June 30, 2013, the Franciscan Shops liquidated its investment portfolio and inventory and transferred the proceeds to the Corporation. The total transfer of net assets was \$4,282,467.

On June 30, 2012, the Corporation entered into an agreement with Follett Higher Education Group, Inc. (Follett) to manage most of the operations and activities that had been conducted by the Franciscan Shops for San Francisco State University and its students. This took effect July 11, 2012. The agreement is for a five year term with three additional two year term options. The agreement allows Follett to purchase the bulk of the Franciscan Shops' inventory based on certain conditions and prices. Follett was required to make various operating and financial commitments to the Corporation in addition to the annual percentage of sales commission required by the agreement. Follett will enter into a lease with the Corporation for the operating space and facilities that had been leased by the Franciscan Shops. In June 2012, the Corporation received a one time payment from Follett which management is amortizing over 5 years the maximum term of the contract; unearned revenue at June 30, 2014 and 2013 was \$239,930 and \$326,332, respectively and it is a component of Deferred Inflows of Resources.

The University Corporation, San Francisco State
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Notes to Financial Statements

Note 12 - Subsequent Event:

On June 5, 2014, the Board of Directors of the San Francisco State University Student Center (the Student Center) approved the merger of the Student Center with the Associated Students Inc., a related party, (Associated Students). The Student Center ceased its operations on June 30, 2014. Beginning July 1, 2014, all student related programs, activities and transactions of the Student Center transferred to Associated Students Inc. with the exception of the lease operations, which were assumed by the Corporation.

On June 30, 2014, all rental agreements and contracts between the concessionaries and the Student Center terminated. Effective July 1, 2014, those rental activities were assumed by the Corporation on behalf of San Francisco State University. The Corporation is currently negotiating new long-term lease agreements with all vendors as all leases were converted to month-to-month. As part of the agreement with San Francisco State University, the Corporation agreed to donate any residual net rental income to Associated Students Inc. for the student related programs and activities it assumed from the Student Center.

The University Corporation San Francisco State
Schedule of Net Position
June 30, 2014
(for inclusion in the California State University)

Assets:

Current assets:

Cash and cash equivalents	\$ 466,933
Short-term investments	4,939,306
Accounts receivable, net	304,617
Leases receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	288,350
Prepaid expenses and other assets	30,839
Total current assets	<u>6,030,045</u>

Noncurrent assets:

Restricted cash and cash equivalents	—
Accounts receivable, net	—
Leases receivable, net of current portion	—
Notes receivable, net of current portion	—
Student loans receivable, net	—
Pledges receivable, net	386,411
Endowment investments	594,345
Other long-term investments	18,389,614
Capital assets, net	1,098,383
Other assets	152,552
Total noncurrent assets	<u>20,621,305</u>

Total assets	<u>26,651,350</u>
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Deferred outflows of resources:

Unamortized loss on refunding(s)	—
Total deferred outflows of resources	<u>—</u>

Liabilities:

Current liabilities:

Accounts payable	535,316
Accrued salaries and benefits payable	171,771
Accrued compensated absences— current portion	55,989
Unearned revenue	—
Capitalized lease obligations — current portion	—
Long-term debt obligations — current portion	—
Claims Liability for losses and LAE - current portion	—
Depository accounts	—
Other liabilities	260,349
Total current liabilities	<u>1,023,425</u>

Noncurrent liabilities:

Accrued compensated absences, net of current portion	—
Unearned revenue	152,552
Grants refundable	—
Capitalized lease obligations, net of current portion	—
Long-term debt obligations, net of current portion	—
Claims Liability for losses and LAE, net of current portion	—
Depository accounts	—
Other postemployment benefits obligation	—
Other liabilities	—
Total noncurrent liabilities	<u>152,552</u>

Total liabilities	<u>1,175,977</u>
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Deferred inflows of resources:

Deferred inflows from SCAs, grants, and others	239,930
Total deferred inflows of resources	<u>239,930</u>

Net Position:

Net investment in capital assets	1,098,383
Restricted for:	
Nonexpendable — endowments	594,345
Expendable:	
Scholarships and fellowships	13,925,228
Research	
Loans	
Capital projects	
Debt service	
Other	
Unrestricted	9,617,487
Total net position	<u>\$ 25,235,443</u>

The University Corporation San Francisco State
Schedule of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2014
(for inclusion in the California State University)

Revenues:

Operating revenues:	
Student tuition and fees (net of scholarship allowances of \$_____)	\$ —
Grants and contracts, noncapital:	
Federal	—
State	54,449
Local	23,290
Nongovernmental	1,059,512
Sales and services of educational activities	—
Sales and services of auxiliary enterprises (net of scholarship allowances of \$_____)	7,231,099
Other operating revenues	110,317
Total operating revenues	<u>8,478,667</u>

Expenses:

Operating expenses:	
Instruction	361,146
Research	418,606
Public service	1,404,020
Academic support	2,132,036
Student services	169,913
Institutional support	809,529
Operation and maintenance of plant	—
Student grants and scholarships	1,478,244
Auxiliary enterprise expenses	3,040,561
Depreciation and amortization	202,832
Total operating expenses	<u>10,016,887</u>
Operating income (loss)	<u>(1,538,220)</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	2,951,230
Investment income (loss), net	2,168,531
Endowment income (loss), net	—
Interest Expenses	—
Other nonoperating revenues (expenses)	<u>(200,564)</u>
Net nonoperating revenues (expenses)	<u>4,919,197</u>
Income (loss) before other additions	<u>3,380,977</u>

State appropriations, capital	—
Grants and gifts, capital	—
Additions (reductions) to permanent endowments	<u>—</u>
Increase (decrease) in net position	<u>3,380,977</u>

Net position:

Net position at beginning of year, as previously reported	21,854,466
Restatements	—
Net position at beginning of year, as restated	<u>21,854,466</u>
Net position at end of year	<u>\$ 25,235,443</u>

The University Corporation San Francisco State
Other Information
June 30, 2014
(for inclusion in the California State University)

1 Restricted cash and cash equivalents at June 30, 20CY:

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

2.1 Composition of investments at June 30, 20CY:

	Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
State of California Surplus Money Investment Fund (SMIF)	\$ -	-	-	-	-	-	-
State of California Local Agency Investment Fund (LAIF)	-	3,711,864	3,711,864	-	-	-	3,711,864
Wachovia Short Term Fund	-	-	-	-	-	-	-
Wachovia Medium Term Fund	-	-	-	-	-	-	-
Wachovia Equity Fund	-	-	-	-	-	-	-
CSU Consolidated Investment Pool (includes SWIFT and 0948 SMIF)	-	-	-	-	-	-	-
Common Fund - Short Term Fund	-	-	-	-	-	-	-
Common Fund - Others	-	-	-	-	-	-	-
Debt securities	-	65,549	65,549	5,786,417	-	5,786,417	5,851,966
Equity securities	-	-	-	6,938,211	594,345	7,532,556	7,532,556
Fixed income securities (Treasury notes, GNMA's)	-	70,080	70,080	572,288	-	572,288	642,368
Land and other real estate	-	-	-	-	-	-	-
Certificates of deposit	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	-
Mutual funds	-	-	-	3,106,852	-	3,106,852	3,106,852
Money Market funds	-	1,091,813	1,091,813	-	-	-	1,091,813
Collateralized mortgage obligations:	-	-	-	-	-	-	-
Inverse floaters	-	-	-	-	-	-	-
Interest-only strips	-	-	-	-	-	-	-
Agency pass-through	-	-	-	-	-	-	-
Partnership interests (includes private pass-through)	-	-	-	-	-	-	-
Alternative investments	-	-	-	1,985,846	-	1,985,846	1,985,846
Hedge funds	-	-	-	-	-	-	-
Other major investments:	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Total investments	<u>-</u>	<u>4,939,306</u>	<u>4,939,306</u>	<u>18,389,614</u>	<u>594,345</u>	<u>18,983,959</u>	<u>23,923,265</u>
Less endowment investments (enter as negative number)					<u>(594,345)</u>	<u>(594,345)</u>	<u>(594,345)</u>
Total investments	<u><u>-</u></u>	<u><u>4,939,306</u></u>	<u><u>4,939,306</u></u>	<u><u>18,389,614</u></u>	<u><u>-</u></u>	<u><u>18,389,614</u></u>	<u><u>23,328,920</u></u>

2.2 Investments held by the University under contractual agreements at June 30, 20CY:

Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 20CY :	-	-	-	-	-	-	-
---	---	---	---	---	---	---	---

2.3 Restricted current investments at June 30, 20CY related to:

Restricted for Expendable Scholarships, Fellowships	\$	<u>4,939,306</u>
Add description		<u>—</u>
Add description		<u>—</u>
Add description		<u>—</u>
Add description		<u>—</u>
Add description		<u>—</u>
Add description		<u>—</u>
Total restricted current investments at June 30, 20CY	\$	<u><u>4,939,306</u></u>

2.4 Restricted noncurrent investments at June 30, 20CY related to:

Endowment investment	\$	<u>594,345</u>
Add description		<u>—</u>
Add description		<u>—</u>
Add description		<u>—</u>
Add description		<u>—</u>
Add description		<u>—</u>
Add description		<u>—</u>
Total restricted noncurrent investments at June 30, 20CY	\$	<u><u>594,345</u></u>

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3.1 Composition of capital assets at June 30, 20CY:

	Balance June 30, 2013	Prior period Adjustments	Reclassifications	Balance June 30, 2013 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2014
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	\$ -	-	-	-	-	-	-	-
Works of art and historical treasures	-	-	-	-	-	-	-	-
Construction work in progress (CWIP)	-	-	-	-	-	-	-	-
Intangible assets:								
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-
Internally generated intangible assets in progress	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total nondepreciable/nonamortizable capital assets	-	-	-	-	-	-	-	-
Depreciable/amortizable capital assets:								
Buildings and building improvements	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	1,374,432	-	-	1,374,432	267,986	-	-	1,642,418
Personal property:								
Equipment	1,918,142	-	-	1,918,142	20,795	(11,330)	-	1,927,607
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total depreciable/amortizable capital assets	3,292,574	-	-	3,292,574	288,781	(11,330)	-	3,570,025
Total capital assets	3,292,574	-	-	3,292,574	288,781	(11,330)	-	3,570,025
Less accumulated depreciation/amortization:								
Buildings and building improvements	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	(654,917)	-	-	(654,917)	(103,821)	-	-	(758,738)
Personal property:								
Equipment	(1,622,356)	-	-	(1,622,356)	(99,011)	8,463	-	(1,712,904)
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total accumulated depreciation/amortization	(2,277,273)	-	-	(2,277,273)	(202,832)	8,463	-	(2,471,642)
Total capital assets, net	\$ 1,015,301	-	-	1,015,301	85,949	(2,867)	-	1,098,383

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3.2 Detail of depreciation and amortization expense for the year ended June 30, 2014:

Depreciation and amortization expense related to capital assets	\$ 202,832
Amortization expense related to other assets	—
Total depreciation and amortization	<u>\$ 202,832</u>

4 Long-term liabilities activity schedule:

	Balance June 30, 2013	Prior period adjustments	Reclassifications	Balance June 30, 2013 (restated)	Additions	Reductions	Balance June 30, 2014	Current portion	Long-term portion
Accrued compensated absences	\$ 85,168	—	—	85,168	52,180	(81,359)	55,989	55,989	(0)
Capitalized lease obligations:									
Gross balance	—	—	—	—	-	-	—	—	—
Unamortized premium / (discount) on capitalized lease obligations	—	—	—	—	-	-	—	—	—
Total capitalized lease obligations	—	—	—	—	-	-	—	—	—
Long-term debt obligations:									
Revenue Bonds	—	—	—	—	-	-	—	—	—
Other bonds (non-Revenue Bonds)	—	—	—	—	-	-	—	—	—
Commercial Paper	—	—	—	—	-	-	—	—	—
Note Payable related to SRB	—	—	—	—	-	-	—	—	—
Other:									
Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-	-	—	—	—
Total long-term debt obligations	—	—	—	—	-	-	—	—	—
Unamortized bond premium / (discount)	—	—	—	—	-	-	—	—	—
Total long-term debt obligations, net	—	—	—	—	—	—	—	—	—
Total long-term liabilities	<u>\$ 85,168</u>	<u>—</u>	<u>—</u>	<u>85,168</u>	<u>52,180</u>	<u>(81,359)</u>	<u>55,989</u>	<u>55,989</u>	<u>(0)</u>

5 Future minimum lease payments - capital lease obligations:

	Principal	Interest	Principal and Interest
Year ending June 30:			
2015	-	-	—
2016	-	-	—
2017	-	-	—
2018	-	-	—
2019	-	-	—
2020 - 2024	-	-	—
2025 - 2029	-	-	—
2030 - 2034	-	-	—
2035 - 2039	-	-	—
2040 - 2044	-	-	—
2045 - 2049	-	-	—
2050 - 2054	-	-	—
2055 - 2059	-	-	—
2060 - 2064	-	-	—
Total minimum lease payments			—
Less amounts representing interest			—
Present value of future minimum lease payments			—
Less: current portion			—
Capitalized lease obligation, net of current portion			<u>\$ —</u>

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6 Long-term debt obligation schedule

	Revenue Bonds			All other long-term debt obligations			Total		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
Year ending June 30:									
2015	\$ -	-	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-	-
2020 - 2024	-	-	-	-	-	-	-	-	-
2025 - 2029	-	-	-	-	-	-	-	-	-
2030 - 2034	-	-	-	-	-	-	-	-	-
2035 - 2039	-	-	-	-	-	-	-	-	-
2040 - 2044	-	-	-	-	-	-	-	-	-
2045 - 2049	-	-	-	-	-	-	-	-	-
2050 - 2054	-	-	-	-	-	-	-	-	-
2055 - 2059	-	-	-	-	-	-	-	-	-
2060 - 2064	-	-	-	-	-	-	-	-	-
Total	\$ -	-	-	-	-	-	-	-	-

7 Calculation of net position

	Auxiliary Organizations		Total
	GASB	FASB	Auxiliaries
7.1 Calculation of net position - Net investment in capital assets			
Capital assets, net of accumulated depreciation	\$ 1,098,383		1,098,383
Capitalized lease obligations - current portion	—	—	—
Capitalized lease obligations, net of current portion	—	—	—
Long-term debt obligations - current portion	—	—	—
Long-term debt obligations, net of current portion	—	—	—
Portion of outstanding debt that is unspent at year-end	—	—	—
Other adjustments: (please list)			
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Net position - net investment in capital asset	\$ 1,098,383	—	1,098,383
7.2 Calculation of net position - Restricted for nonexpendable - endowments			
Portion of restricted cash and cash equivalents related to endowments	\$ —		—
Endowment investments	594,345		594,345
Other adjustments: (please list)			
Add description	—		—
Add description	—		—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Net position - Restricted for nonexpendable - endowments per SNP	\$ 594,345	—	594,345

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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	\$ 237,937
Payments to University for other than salaries of University personnel	3,071,491
Payments received from University for services, space, and programs	924,795
Gifts-in-kind to the University from discretely presented component units	—
Gifts (cash or assets) to the University from discretely presented component units	91,688
Accounts (payable to) University (enter as negative number)	(251,440)
Other amounts (payable to) University (enter as negative number)	—
Accounts receivable from University	128,778
Other amounts receivable from University	—

9 Other Postemployment Benefits Obligation (OPEB)

Annual required contribution (ARC)	\$ —
Contributions during the year	<u>—</u>
Increase (decrease) in net OPEB obligation (NOO)	—
NOO - beginning of year	<u>—</u>
NOO - end of year	<u><u>\$ —</u></u>

10 Pollution remediation liabilities under GASB Statement No. 49:

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

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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, 20PY, as previously reported		\$ 21,854,466
Prior period adjustments:		
1 (list description of each adjustment)		—
2 (list description of each adjustment)		—
3 (list description of each adjustment)		—
4 (list description of each adjustment)		—
5 (list description of each adjustment)		—
6 (list description of each adjustment)		—
7 (list description of each adjustment)		—
8 (list description of each adjustment)		—
9 (list description of each adjustment)		—
10 (list description of each adjustment)		—
Net position as of June 30, 2013, as restated		\$ <u>21,854,466</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)	—	—