



**Financial Statements, Supplementary Information
and Report of Independent Certified Public
Accountants**

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

June 30, 2016 and 2015

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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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, 2016, and the related statements of revenue, expenses and changes in net position 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.

Auditor's 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 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 Corporation'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 Corporation'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the net financial positions of The University Corporation, San Francisco State (Component Unit of San Francisco State University) as of June 30, 2016, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Comparative Information

Other auditors previously audited the Corporation's June 30, 2015 financial statements and expressed an unmodified opinion on those audited financial statements in their report dated September 15, 2015. The comparative information presented herein as of and for the year ended June 30, 2015 is derived from those financial statements.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 8-16, be presented to supplement the financial statements. Such information, although not a required part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Foundation's financial statements. The supplementary information on pages 35-44 is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary 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. These additional procedures included comparing and reconciling the 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 supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated September 15, 2016, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Grant Thornton LLP

San Francisco, California
September 15, 2016

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING
STANDARDS*

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We have audited, 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, the business-type activities, of The University Corporation, San Francisco State (the Corporation) (a California State University Auxiliary Organization) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated September 15, 2016.

Internal control over financial reporting

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

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

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

Compliance and other matters

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

Intended purpose

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

Grant Thornton LLP

San Francisco, California
September 15, 2016

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, 2016.

The Corporation presents its financial statements for fiscal year 2016 with comparative data presented for fiscal years 2015 and 2014. The emphasis of discussions concerning these statements will be for the fiscal years ended June 30, 2016 and 2015 (2016 and 2015, 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 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.

The Corporation's June 30, 2016 and 2015 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.

In a 2015 audit of the Corporation conducted by the Chancellor's Office, audit personnel determined that the current structure of Franciscan as auxiliary controlled and operated by another auxiliary required revision and clarification. In response, the Corporation management noted that it would proceed with a dissolution of Franciscan. In 2016 the Franciscan Shops' was dissolved by merging Franciscan with and into the Corporation, which remained as the surviving corporation.

Highlights of Financial Operations

- **Operating revenues and expenses**

In fiscal year 2016 the Corporation entered into new long term sublease agreements with the vending tenants in the Cesar Chavez Student Center. A new eatery iNoodles opened during in fiscal year 2016 which replaced the previous Chinese food eatery. Rental income in fiscal year 2016 was \$1,534,706 and expenses (charged back to tenants) of \$1,255,000 which includes the management fee of the Corporation. Under the management arrangement with the University, required the Corporation to donate any residual net rental income to Associated Students of San Francisco State University (ASI). For the year ended June 30, 2016 the residual net rental income contributed to ASI was \$278,968. The net impact to the Corporation's change in net position was an increase of \$230,205 for the administrative fee charged to the leasing operations.

The Corporation issued two RFP's during fiscal year 2016 for a new audit firm and new investment consultant. Grant Thornton was selected as the new audit firm for the auxiliaries. The Corporation selected Beacon Point as its new investment consultant to assist with managing the investments, selecting managers, and updating the investment policy.

- **Non-Operating revenues and expenses**

Total non-operating revenue decreased by approximately \$1,100,000 primarily attributed to a decrease in investment income.

Financial Position

The Statement of Net Position presents the financial position of the Corporation at the end of fiscal year 2016 and 2015. 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.

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

Management Discussion and Analysis
(Unaudited)

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 Statements of Net Position – June 30, 2016, 2015, and 2014

	2016	2015	2014
ASSETS			
Current assets	\$ 16,607,694	\$ 9,966,473	\$ 6,030,045
Noncurrent assets	12,469,343	19,420,151	20,621,305
Total assets	29,077,037	29,386,624	26,651,350
DEFERRED OUTFLOWS OF RESOURCES			
Total assets and deferred outflows of resources	\$ 29,077,037	\$ 29,386,624	\$ 26,651,350
LIABILITIES			
Current liabilities	\$ 3,098,616	\$ 3,323,252	\$ 1,023,425
Noncurrent liabilities	185,542	152,552	152,552
Total liabilities	3,284,158	3,475,804	1,175,977
DEFERRED INFLOWS OF RESOURCES	70,000	167,319	239,930
NET POSITION			
Investment in capital assets	1,131,981	1,267,630	1,098,383
Restricted:			
Nonexpendable - endowments	583,336	600,731	594,345
Expendable – grants and contracts, scholarships, fellowships, capital projects	15,548,008	14,568,251	13,925,228
Unrestricted	8,459,554	9,306,889	9,617,487
Total net position	25,722,879	25,743,501	25,235,443
Total liabilities, deferred inflows of resources, and net position	\$ 29,077,037	\$ 29,386,624	\$ 26,651,350

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

Management Discussion and Analysis
(Unaudited)

Assets

Current assets in fiscal year 2016 increased by approximately \$ 6,607,900 (66%). The increase was attributed to the allocation of the Corporation's investment holdings based on maturities at year end. Accounts receivables decreased 21% in 2016 with the elimination of the invoicing related to San Francisco State University (University) for commencement related expenses, the campus transfers quarterly to the Corporation student fees collected for commencement.

In fiscal year 2015 current assets increased by approximately \$3,936,000 (65%). This increase was attributed to an increase in short term investments due to distribution of holdings at year end. Cash and cash equivalents increased by approximately \$206,000 during 2015 over 2014 as a result of the Corporation increasing cash on hand to cover outstanding obligations and short term liabilities.

Noncurrent assets decreased by approximately \$6,917,500 (36%). The decrease in noncurrent assets is attributed to the allocation of investments, based on maturities between current and noncurrent.

In fiscal year 2015 noncurrent assets decreased by approximately \$1,201,000 (6%). The decrease in noncurrent assets is mainly attributed to reduction in alternative investments invested with San Francisco State University Foundation. The Corporation's remaining fair value in alternative investments with the Foundation valued at June 30, 2015 is approximately \$82,000 which was returned during the first quarter of fiscal year 2016.

Unearned chargebacks receivable remained the same for fiscal year 2016 and 2015 as no redemptions were received regarding the chargebacks related to Franciscan Shops.

Liabilities

In fiscal year 2016, current liabilities decreased \$297,000 (9%) over 2015. The decrease is mainly attributed to the net change in reduction of related party payables and increase in accounts payables. Related party payables were less in 2016 due to reduction in reimbursements to the university for salaries and benefits compared to 2015. In fiscal year 2015, current liabilities increased over 2014 by approximately \$2,300,000 (225%). This increase is mainly attributed to an increase in payables to related party. Related party payables increased as a result of the Corporation taking over the management of the vendors in the Cesar Chavez Student Center which involves Associated Students, Inc. and the University. There were also increased payables for the related party which was related to the reimbursement to the campus for reimbursed released time.

Deferred inflows of resources decreased over 2015 by approximately \$97,000 (58%) due to recognizing the current revenue attributed to a one-time payment by Follett Higher Education Group, Inc. Deferred inflows of resources decreased over 2014 by approximately \$72,000 or 30% primarily due to recognizing the current revenue attributed to a one-time payment by Follett Higher Education Group, Inc.

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

Management Discussion and Analysis
(Unaudited)

Net Position

As of June 30, 2016, total net position was \$25,722,879 which is a slight decrease of approximately \$20,000. Net position was mainly flat due to the decrease in investment returns for fiscal year 2016.

As of June 30, 2015, total net position was \$25,743,501 which is an increase of approximately \$508,000 (2%) from the previous year. The increase is primarily attributed to an increase in contributions in non-operating revenues of approximately \$577,000.

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

Results of Operations

The Statement of Revenues, Expenses and Changes in Net Position presents the Corporation's operating results, as well as the non-operating 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 non-operating 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, 2016 and 2015 is included in the financial statements.

Condensed Statements of Revenues, Expenses and Changes in Net Position

For the year ended June 30, 2016, 2015 and 2014

	2016	2015	2014
<u>Operating Revenues (Expenses):</u>			
Revenues	\$ 11,840,972	\$ 11,040,987	\$ 8,478,667
Expenses	(14,289,532)	(14,125,929)	(10,016,887)
<u>Operating loss</u>	<u>(2,448,560)</u>	<u>(3,084,942)</u>	<u>(1,400,280)</u>
<u>Non-operating Revenues (Expenses):</u>			
Contributions	2,730,321	3,528,655	2,951,233
Investment return	(302,383)	809,612	2,168,531
Transfers to the University		(745,267)	(200,564)
<u>Total Non-operating Revenues (Expenses)</u>	<u>2,427,938</u>	<u>3,593,000</u>	<u>4,919,197</u>
<u>Change in Net Position</u>	<u>\$ (20,622)</u>	<u>\$ 508,058</u>	<u>\$ 1,832,904</u>
Transfer from Franciscan Shops	\$ -	\$ -	\$ 4,282,467
Transfer of assets to the University	\$ -	\$ -	\$ (1,144,621)

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

Management Discussion and Analysis
(Unaudited)

OPERATING REVENUES

Retail, Program, Grants, and Contracts Revenue

For fiscal year 2016 grants and contract revenue increased over fiscal year 2015 by approximately \$523,597 (41%) primarily due to new grant received from the Keck Foundation of approximately \$500,000. For fiscal year 2015, grants and contracts revenue increased approximately \$288,000 over fiscal year 2014.

Program revenues are the function of the many projects administered by the Corporation as well as programs run by the Corporation which must be self-supporting. Program revenue consists mainly of revenue received to support campus programs, and student scholarships. Program revenue increased \$580,137 (21%) in 2016 over 2015 mainly due to an increase in revenue related to revenue received for commencement in the amount of approximately \$866,000. In fiscal year 2016 the Corporation, entered into a new Memorandum of Understanding (MOU) with the university as a business partner, to manage commencement, directing all expenses through the Corporation thereby receiving the fees collected for that event. Another component of the increased program revenue is the revenue the Corporation receives for accounting services it provides to two auxiliaries on campus. Program revenue increased \$439,000 (19%) in 2015 over 2014 mainly due to increase in revenue related to lobby shop, healthy University and campus copy center.

The Corporation's self-operating vending projects are a component of retail revenue. Shop 24, an automated 24-hour vending machine, generated retail revenue of approximately \$175,000 and \$179,900 in fiscal years 2016 and 2015 respectively. During 2016 the Corporation's other self-operating retail operations were up slightly from the previous year by approximately \$73,000. The increase in retail revenue is attributable to continual increase in revenue for the Lobby Shops and Healthy U. The Lobby Shop had a small space refresh during 2016 as well. Ctrl P, a copy center, is one of the Corporations self-operating businesses. Ctrl P business operation was restructured during fiscal year 2016 in efforts of reducing the growing deficit from previous fiscal years by entering into better leases for equipment, entering into a new business partnership with Office Max and reducing head count. During 2015 the Corporation's other self-operating retail operations were down slightly from the previous year by approximately \$81,000. The Corporation's commission revenue earned from its contract with Follett to manage the SFSU Bookstore also decreased during 2016 due to their decreasing sales by approximately \$116,400.

Related party revenue from endowments decreased in 2016 by approximately \$208,000(-11%) and in 2015 transfers received from endowments increased approximately \$246,000 (15%), these funds are used to support campus programs and scholarships.

Indirect costs from grants, contracts and campus programs were eliminated against revenue as not to double count the total revenue and expenses. Indirect cost were \$648,944 and \$668,204 as of June 30, 2016 and 2015, respectively.

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

Management Discussion and Analysis
(Unaudited)

Rental Income

Rental income is comprised of twenty food vending tenants, bank, ATMs and the fitness facility located on campus. Rental income decreased slightly in fiscal year 2016 by approximately \$35,438 over the previous year. The rental income decrease in 2016 was due to a new vendor, which started during the fiscal year in the Cesar Chavez Student Center replacing a previous long standing vendor and was only billed for half of the year due to startup cost. The rental income increased significantly in 2015 due to the Corporation taking over the management of all vendors within the Cesar Chavez Student Center. Tenant rents are increased based on the consumer price index (CPI) which is reviewed annually.

Other Revenue

Other revenue is a category where generally one time or non-reoccurring revenue that does not belong in the other operating revenue categories is captured.

During fiscal year 2016 other revenue decreased by approximately \$50,235 (36%). Other revenue decrease was primarily due to the Corporation receiving a refund of approximately \$48,000 which was not a reoccurring activity.

During fiscal year 2015 other revenue increased by approximately \$49,000 (56%) due to the Corporation receiving a refund of approximately \$48,000 during fiscal year 2015 from the City and County of San Francisco for overpayment of property taxes and approximately \$22,000 from the University College of Health and Social services from indirect cost related to the Whirlwind Wheelchairs program to reimburse the Corporation for losses associated to the wind down of the program under the Corporation.

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 2016 by approximately \$284,000(2%). Indirect costs from grants, contracts and campus programs were eliminated against revenue as not to double count the total revenue and expenses, indirect cost was \$648,944 in fiscal year 2016. Expenses related to grants and contracts decreased by approximately \$692,022 during 2016 as grant activity continues to decrease under the Corporation and more grants are awarded directly to San Francisco State. Scholarship expense decreased over the prior year by approximately \$293,200 (21%) as less scholarships were given out in 2016. The decrease was primarily due to the presidential scholarships being discontinued in 2016 which distributed approximately \$174,000 in scholarships in 2015 there was also a few scholarship funds that distributed less scholarships in 2016. One scholarship fund awarded less scholarships in 2016 due to lack of funding for that specific scholarship fund by approximately \$45,000.

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

Management Discussion and Analysis
(Unaudited)

Operating expenses increased in fiscal year 2015 by approximately \$4,109,000 (41%). Indirect cost from grants, contracts and campus programs were eliminated against revenue as not to double count the total revenue and expenses and were \$668,204 in fiscal year 2015. Expenses related to grants and contracts increased slightly by approximately \$652,000 during 2015 as grant activity continues to decrease. Scholarship expense increased over prior year by approximately \$240,000 (21%) as more scholarships were given out to students during 2015.

Retail expenses decreased by approximately \$131,800 (6%) in 2016 primarily due to the reorganization done with Ctrl P which resulted in more cost effective equipment leases, new business partnership and reduced personnel cost.

Management and general expenses increased in 2016 over prior year by approximately \$656,200 (17%).

Retail expenses increased by approximately \$104,000 in 2015 due to increased expenses related the retail operations such as contractual services, credit card processing fee and increased cost of goods.

Management and general expenses increased approximately \$2,150,000 in 2015 primarily due to increased activity as a result of the Corporation taking over the management of the Student Center vendors. The Corporation also approved a cost of living increase to its staff working under the self-operations in fiscal year 2015 of 3% however the Corporation continues to see savings in salary with efficient management.

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 decreased during fiscal year 2016 over the prior year by approximately \$798,334 (23%). There were various reasons for the decline in contributions for 2016 such as there were a few programs that received one time gifts from donors for specific purposes in 2015. Examples of those type of gifts are the gift to support architecture plans for the science building was \$100,000 in fiscal year 2015 and a gift of \$250,000 from the Kwan Family to support leadership training was received in fiscal year 2015. In fiscal year 2016 the Morrison Trust was not recorded as a contribution as it was in fiscal year 2015, but as a grant as that classification was thought to be more appropriate. The amount of this grant was \$175,000. Lastly, there was a program whose focus shifted more to fee for service than fundraising which accounted for a variance of \$140,000 over the prior year. There was an increase in pledge receivables for 2016 for grants which contributed to the contributions recorded during the fiscal year.

Contributions increased during fiscal year 2015 over the prior year by approximately \$577,000 (20%). Campus programs and scholarship funds continued to see increased contributions during fiscal year 2015 for various programs administered under the Corporation. There was an increase in pledge receivables for 2015 for campus programs which contributed to an increase in contributions during the fiscal year.

The University Corporation, San Francisco State
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Management Discussion and Analysis
(Unaudited)

Investment Return

Investment income decreased in fiscal year 2016 as the market continued its downturn. Investment returns for the fiscal year were approximately \$(302,383) (137%). With the global markets in flux there was continued uncertainty with investments and earnings had a loss at the end of the fiscal year. Though the Corporation's investment portfolio had negative earnings in fiscal year 2016 the portfolio had recovered the majority of the losses incurred during the year as the markets rallied significantly after the second quarter of the fiscal year. Over all the earnings for the portfolio ended fairly flat.

Investment income decreased in fiscal year 2015 as the market contracted from the previous year bull market. Investment returns for the fiscal year were approximately \$1,358,000 (63%) over the previous year. During fiscal year 2015 the market was quite volatile over concerns globally. The Corporation's international portfolio did not perform well for most of fiscal year 2015 but performed well in the last quarter of the fiscal year. The Corporation continues to manage its portfolio by reviewing its investment policy for the types of investment vehicles to invest in that will help to reduce its exposure to interest rates and keep its risks manageable.

SIGNIFICANT ITEMS

In fiscal year 2017, the Corporation will move forward with working with the developer selected as a partner in the development of Holloway. In the coming fiscal year the Corporation will enter a lease with the University for the acre of land. The Corporation will negotiate an agreement with the developer for development of the Holloway Revitalization project whereby the Corporation subleases the land to the developer.

The Corporation's investments will be managed by new consultant Beacon Pointe starting July 2016. The Corporation will also work with Beacon Pointe on crafting a new investment policy which will be the guiding document for how the Corporation's investments will be managed.

The Corporation is planning, pending board approval and review, to assist with the upfront capital investment for the build out for a new University Faculty Club. The capital support is expected to be returned to the Corporation over time that has yet to be determined.

The Corporation is expecting to onboard a new vendor in fiscal year 2017. San Francisco State is building a new Mashouf Wellness Center for students which is expected to be completed in the spring of 2017. As a trusted business partner to the campus, the Corporation will be bringing a new juice bar or similar offering to that location. The RFP for that new vending location will be issued sometime in the fall of 2016.

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)

Statements of Net Position

<i>June 30,</i>	2016	2015
Assets		
Current Assets:		
Cash and cash equivalents	\$ 589,129	\$ 673,426
Investments, unrestricted	14,812,123	8,002,802
Pledges receivable, net	456,009	388,564
Accounts receivable, net	691,970	880,041
Prepaid expenses and other assets	58,463	54,908
Total current assets	16,607,694	9,999,741
Noncurrent Assets:		
Pledges receivable, net	524,557	299,411
Deferred chargebacks receivable	152,552	152,552
Investments:		
Unrestricted	10,034,317	16,984,828
Receivable from SF State University Foundation	-	81,731
Restricted	583,336	600,731
Capital assets, net	1,174,581	1,267,630
Total noncurrent assets	12,469,343	19,386,883
Total assets	29,077,037	29,386,624
Deferred Outflows of Resources (Note 2)	-	-
Total assets and deferred outflows of resources	\$ 29,077,037	\$ 29,386,624
Liabilities		
Current Liabilities:		
Accounts payable	\$ 914,001	\$ 856,605
Accrued salaries and benefits payable	177,382	160,135
Accrued compensated absences	81,884	73,003
Payable to related parties	1,852,645	2,233,509
Unearned revenue	63,095	-
Capital lease	9,610	-
Total current liabilities	3,098,616	3,323,252
NonCurrent Liabilities:		
Deferred chargebacks payable	152,552	152,552
Capital lease	32,990	-
Total noncurrent liabilities	185,542	152,552
Deferred Inflows of Resources (Note 2)	70,000	167,319
Net Position:		
Invested in capital assets	1,131,981	1,267,630
Restricted for:		
Nonexpendable - endowments	583,336	600,731
Expendable - grants and contracts, scholarships, fellowships, capital projects	15,548,008	14,568,251
Unrestricted	8,459,554	9,306,889
Total net position	25,722,879	25,743,501
Total liabilities, deferred inflows of resources and net position	\$ 29,077,037	\$ 29,386,624

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

Statements of Revenues, Expenses and Changes in Net Position

<i>Year Ended June 30,</i>	2016	2015
Operating Revenues:		
Grants and contract revenue	\$ 1,804,238	\$ 1,280,641
Program revenue	3,382,346	2,802,209
Retail revenue	2,804,184	2,813,394
Programs funded by related parties	1,718,448	1,927,314
Rental income	2,044,274	2,079,712
Other revenues	87,482	137,717
Total operating revenues	11,840,972	11,040,987
Operating Expenses:		
Grants and contracts	1,011,945	1,703,967
Campus programs	5,380,003	4,819,662
Rental expenses	1,450	-
Student scholarships	1,108,134	1,401,426
Management and general	4,466,203	3,689,107
Retail expenses	2,067,443	2,199,324
Depreciation	254,355	191,641
Total operating expenses	14,289,532	14,005,127
Operating loss	(2,448,560)	(2,964,140)
Nonoperating Revenues (Expenses):		
Contributions	2,730,321	3,528,655
Investment return	(302,383)	688,810
Transfer to San Francisco State University	-	(745,267)
Net nonoperating revenues	2,427,938	3,472,198
Change in Net Position	(20,622)	508,058
Net Position, beginning of the year	25,743,501	25,235,443
Net Position, end of the year	\$ 25,722,879	\$ 25,743,501

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

Statements of Cash Flows

<i>Year Ended June 30,</i>	2016	2015
Cash Flows from Operating Activities:		
Receipts from programs	\$ 9,601,141	\$ 8,162,309
Rent receipts	2,044,274	2,079,712
Payments to suppliers	(10,418,714)	(6,380,394)
Payments to employees for services	(2,839,894)	(3,755,908)
Scholarships to students	(1,108,134)	(1,401,426)
Other	87,482	137,717
Net cash used by operating activities	(2,633,845)	(1,157,990)
Cash Flows from Noncapital Financing Activities:		
Donations received	2,730,321	3,528,655
Transfer to San Francisco State University	-	(745,267)
Capital Lease	42,600	
Net cash provided by noncapital financing activities	2,772,921	2,783,388
Cash Flows from Capital and Related Financing Activities:		
Capital asset additions	(161,306)	(360,888)
Net cash used by capital and related financing activities	(161,306)	(360,888)
Cash Flows from Investing Activities:		
Proceeds from sales and maturities of investments	5,516,576	10,334,094
Purchase of investments	(5,276,260)	(12,080,921)
Investment income	(302,383)	688,810
Net cash used by investing activities	(62,068)	(1,058,017)
Net Change in Cash and Cash Equivalents	(84,297)	206,493
Cash and Cash Equivalents, beginning of year	673,426	466,933
Cash and Cash Equivalents, end of year	\$ 589,129	\$ 673,426

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

Statements of Cash Flows

<i>Year ended June 30,</i>	2016	2015
Reconciliation of Operating Loss to Net Cash		
Flows Used by Operating Activities:		
Operating loss	\$ (2,448,560)	\$ (3,084,942)
Adjustments to reconcile operating loss to net cash flows used by operating activities:		
Depreciation	254,355	191,641
Changes in assets and liabilities:		
Accounts receivable and pledges receivable	(104,520)	(588,638)
Prepaid expenses	(3,555)	(24,069)
Accounts payable	57,396	321,289
Deferred revenue	(34,224)	(72,611)
Payable to related parties	(380,864)	1,973,160
Accrued salaries and benefits payable	17,247	(11,636)
Accrued compensated absences	8,881	17,014
Total adjustments	(185,284)	1,806,150
Net cash used by operating activities	\$ (2,633,845)	\$ (1,278,792)

Supplemental Disclosures of Cash Flow Activity:

Non-cash activity:

Transfer of Assets to San Francisco State University	\$ 6,542	\$ -
Donation of stock received	\$ 6,202	\$ 27,863
Fixed asset addition in account payable	\$ -	\$ 113,753
Unrealized gain/(loss)	\$ (878,759)	\$ (57,549)

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

Notes to Financial Statements
June 30, 2016 and 2015

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, was formerly an auxiliary of the University; collectively “the Corporation”. For 2015, the financial statements of the Franciscan Shops have been incorporated into the financial statements of the Corporation. During fiscal year 2016 the Corporation successfully merged the Franciscan into the Corporation with the Corporation being the surviving entity.

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
(Component Unit of San Francisco State University)

Notes to Financial Statements
June 30, 2016 and 2015

Note 2 - Summary of Significant Accounting Policies, Continued:

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 which 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, 2016 and 2015, the Corporation maintains operating and capital reserves of approximately, \$2,150,000 and \$1,573,900, respectively.

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

Notes to Financial Statements
June 30, 2016 and 2015

Note 2 - Summary of Significant Accounting Policies, Continued:

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 the years ended June 30, 2016 and 2015, 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 \$691,970 and \$880,041 as of June 30, 2016 and 2015, respectively, are shown net of an allowance for uncollectible accounts of \$25,000 and \$25,000, respectively.

d. Pledges Receivable, net

Pledges receivables are unconditional promises of private gifts to the Corporation. Pledges meeting the requirements specified by GASB Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions ("GASB 33") are included in the financial statements as pledges receivable and recognized as revenue in the period pledged. Pledges extending beyond one year are discounted to recognize the present value of the future cash flows.

Pledge Receivable, Net as of June 30,	<u>2016</u>	<u>2015</u>
One Year	\$456,009	\$388,564
Two to Five	<u>524,557</u>	<u>225,146</u>
Total	<u>\$980,556</u>	<u>\$613,710</u>

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

Notes to Financial Statements
June 30, 2016 and 2015

Note 2 - Summary of Significant Accounting Policies, Continued:

In subsequent years, this discount is accreted and recorded as additional contribution revenue in accordance with donor imposed restrictions, if any. In addition, pledges are recorded net of an allowance. The allowance for uncollectible pledges is determined by management. Discounts are computed using risk-adjusted market rates. Amortization of the discounts is included in grants and contracts revenue. The discount rate used to calculate the present value of pledges is 3.50% for fiscal year 2016 and 3.25% for fiscal year 2015. The pledge receivable discount at June 30, 2016 and 2015 is approximately \$39,600 and \$20,400, 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.

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

Notes to Financial Statements
June 30, 2016 and 2015

Note 2 - Summary of Significant Accounting Policies, Continued:

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. In addition, the Corporation also transfer capital assets purchased by Corporation projects when those assets are requested to be transferred to the University. The net book value of transfers made to the University during the fiscal year ended June 30, 2016 amounted to \$6,542. There were no fixed assets transfers made to the University during fiscal year ended June 30, 2015.

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 by related parties 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.

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

Notes to Financial Statements
June 30, 2016 and 2015

Note 2 - Summary of Significant Accounting Policies, Continued:

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.

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.

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

Notes to Financial Statements
June 30, 2016 and 2015

Note 2 - Summary of Significant Accounting Policies, Continued:

m. Recent Accounting Pronouncements Adopted

The GASB issued Statement No. 72, *Fair Value Measurement and Application (February 2015)*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The statement was adopted retrospectively for June 30, 2016 and 2015.

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
- Level 2 - Inputs (other than quoted market prices included within Level 1) that are observable for the asset/liability, either directly or indirectly.
- Level 3 - Unobservable inputs for the asset/liability; used to the extent that observable inputs are not available.

n. Capital lease

In April 2015 the Corporation entered into a capital lease agreement with a third party for copier equipment for Ctrl P. This agreement expires in May 2020, is payable in monthly installments of \$769.11 and \$348.08, and bears an effective annual interest rate of 10.79% and 8.07% respectively. The amount paid in 2016 principle and interest was \$10,079 and \$5,562. The amount of the leased assets are \$52,679.

The minimum lease payments required by the lease are as follows:

Year ending June 30:	
2017	\$ 13,406
2018	13,406
2019	13,406
2020	<u>11,172</u>
Total minimum lease payments	\$ 51,390
Less amount representing interest	<u>(8,790)</u>
Present value of future minimum lease payments	<u>\$42,600</u>

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

Notes to Financial Statements
June 30, 2016 and 2015

Note 3 - Investments:

Investments consist of the following as of June 30, 2016:

	Fair value	Investment Maturities (Years)				Other
		<1	1 – 5	6 – 10	10+	
Local agency investment fund	\$ 4,826,564	\$4,826,564				
Broker money market funds	2,989,129	2,989,129				
Treasury securities	1,400,544	5,164	\$ 1,062,434	\$ 332,946		
Asset-backed securities	1,027,072	1,790	200,661	124,277	\$ 700,344	
Municipal Securities	35,069	460	34,609			
Corporate debt securities	998,775	69,260	360,044	522,124	47,347	
Mutual funds	6,919,755	6,919,755				
Equity securities	7,232,867					\$ 7,232,867
	<u>\$25,429,776</u>	<u>\$14,812,123</u>	<u>\$ 1,657,748</u>	<u>\$ 979,347</u>	<u>\$ 747,691</u>	<u>\$ 7,232,867</u>

Investments consist of the following as of June 30, 2015:

	Fair value	Investment Maturities (Years)				Other
		<1	1 – 5	6 – 10	10+	
Local agency investment fund	\$ 4,701,681	\$4,701,681				
Broker money market funds	3,066,379	3,066,379				
Treasury securities	1,404,583	160,630	\$ 890,029	\$ 353,924		
Asset-backed securities	835,835	2,004	303,810	106,455	\$ 423,566	
Municipal Securities	35,438	460	34,978			
Corporate debt securities	1,015,528	71,648	485,725	458,155		
Mutual funds	7,055,228					\$ 7,055,228
Equity securities	7,473,689					7,473,689
Alternative investments	81,731					81,731
	<u>\$25,670,092</u>	<u>\$ 8,002,802</u>	<u>\$ 1,714,542</u>	<u>\$ 918,534</u>	<u>\$ 423,566</u>	<u>\$14,610,648</u>

Investment return for the years ended June 30, 2016 and 2015 consist of the following:

	2016	2015
Interest and dividends	\$ 671,572	\$ 676,381
Realized and unrealized gain (loss)	(883,557)	133,231
	<u>\$ 211,985</u>	<u>\$ 809,612</u>

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

Notes to Financial Statements
June 30, 2016 and 2015

Note 3 - Investments, Continued:

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.

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."

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

Notes to Financial Statements
June 30, 2016 and 2015

Note 4 - Fair Value Measurement:

	2016			NAV	Total
	Level 1	Level 2	Level 3		
Local agency investment fund				\$ 4,826,565	\$ 4,826,565
Broker money market funds	\$ 2,989,129				2,989,129
Treasury securities	1,400,544				1,400,544
Asset-backed securities		\$ 1,027,072			1,027,072
Municipal Securities		35,069			35,069
Corporate debt securities		998,775			998,775
Mutual funds	6,919,755	-			6,919,755
Equity securities	4,897,558	2,335,309			7,232,867
	\$ 16,206,986	\$ 4,396,225		\$ 4,826,565	\$ 25,429,776

	2015			NAV	Total
	Level 1	Level 2	Level 3		
Local agency investment fund				\$ 4,701,681	\$ 4,701,681
Broker money market funds	\$ 3,066,379				3,066,379
Treasury securities	1,404,583				1,404,583
Asset-backed securities		\$ 835,835			835,835
Municipal Securities		35,438			35,438
Corporate debt securities		1,015,528			1,015,528
Mutual funds	7,055,228				7,055,228
Equity securities	5,093,361	2,380,328			7,473,689
Alternatives				81,731	81,731
	\$ 16,619,551	\$ 4,267,129		\$ 4,783,412	\$ 25,670,092

Note 5 - Endowments:

Endowments held and administered by the Corporation at June 30, 2016 and 2015 are as follows:

	Restricted Net Assets Nonexpendable	
Endowments	\$ 583,336	\$ 600,731

The Corporation's investment policy during fiscal years 2016 and 2015 allowed a 4% annual payout based on quarterly average daily balance of the fund. The 4% annual payout was not changed during the years and disbursements were allowed.

The University Corporation, San Francisco State
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Notes to Financial Statements
June 30, 2016 and 2015

Note 6 - Capital Assets:

The following is a roll forward schedule of capital assets for the year ended June 30, 2016:

	Balance June 30, 2015	Additions	Reductions	Transfers	Balance June 30, 2016
Capital Assets:					
Leasehold improvements	\$ 1,812,249	\$ 73,613			\$ 1,885,862
Equipment, Furniture, and Fixtures	2,079,232	87,693	\$ (10,698)		2,156,227
Total Capital Assets	3,891,481	161,306	(10,698)		4,042,089
Less accumulated depreciation:					
Leasehold improvements	864,583	139,293			1,003,876
Equipment, Furniture, and Fixtures	1,759,268	115,062	(10,698)		1,863,632
Total accumulated depreciation	2,623,851	254,355	(10,698)		2,867,508
Net Capital Assets	\$ 1,267,630	\$ (93,049)	\$ 0		\$ 1,174,581

Total depreciation expense for the year ended June 30, 2016 was \$254,355

The following is a roll forward schedule of capital assets for the year ended June 30, 2015:

	Balance June 30, 2014	Additions	Reductions	Transfers	Balance June 30, 2015
Capital Assets:					
Leasehold improvements	\$ 1,642,418	\$ 169,831			\$ 1,812,249
Equipment	1,927,607	192,417	\$ (40,792)		2,079,232
Total Capital Assets	3,570,025	362,248	(40,792)		3,891,481
Less accumulated depreciation:					
Leasehold improvements	758,738	105,844			864,582
Equipment	1,712,904	85,797	(39,432)		1,759,269
Total accumulated depreciation	2,471,642	191,641	(39,432)		2,623,851
Net Capital Assets	\$ 1,098,383	\$ 170,607	\$ (1,360)		\$ 1,267,630

Total depreciation expense for the year ended June 30, 2015 was \$191,641

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

Notes to Financial Statements
June 30, 2016 and 2015

Note 7 - Related Parties:

During the years ended June 30, 2016 and 2015, the Corporation paid \$7,725,874 and \$6,988,913, respectively to the University and its affiliates for salary reimbursement, tuition and fees, scholarships, facilities, and other administrative costs. The Corporation paid \$268,622 and \$619,765 to the San Francisco State University Foundation in 2016 and 2015, respectively. During the years ended June 30, 2016 and 2015, the Corporation received \$4,323,512 and \$3,739,266, respectively, from the University and its affiliates for reimbursements related to grants and contracts, campus programs, and operating facilities used by University students.

Effective July 1, 2014, The Corporation entered into an operating agreement and lease (Master Lease) with the Board of Trustees of the California State University (Trustees), for the facilities and space that it utilizes in the Cesar Chavez Student Center. The term of the master lease is July 1, 2014 to June 30, 2019. The Corporation shares usage of the facility with Associated Students of San Francisco State University (ASI). For lease costs, the Corporation is required to pay its share of common area and facilities upkeep costs. As of June 30, 2016 and 2015 respectively, the Corporation reimbursed the University approximately \$797,400 and \$838,000 for its 56% share of the Cesar Chavez Student Center.

As part of the Master Lease agreement with the University, the Corporation agreed to donate any residual net rental income to ASI to support student related programs and activities it assumed from the Student Center. For the year ended June 30, 2016 the residual net rental income contributed to ASI was \$278,968. For the year ended June 30, 2015 the residual net rental income contributed to ASI was \$358,894

At June 30, 2016, the Corporation's recorded receivables from the University and its affiliates was \$325,331 and payables to the University and its affiliates totaled \$1,852,645. At June 30, 2015, the Corporation's recorded receivables from the University and its affiliates was \$536,965 and payables to the University and its affiliates totaled \$2,155,116.

During 2016, the Corporation did not invest in alternative investments held by the Foundation.

Note 8 - Lease Operations:

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.

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

Notes to Financial Statements
June 30, 2016 and 2015

Note 8 - Lease Operations, Continued:

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 and were converted to month-to-month lease agreements. As of June 30, 2016, total rental receipts including recharges amounted to \$1,534,700 and total expenses were \$1,253,700. As of June 30, 2015, total rental receipts including recharges amounted to \$1,530,056 and total expenses were \$1,171,163.

During fiscal year 2016, the Corporation entered into long-term sub-lease arrangements with many of its vendors in the Student Center, the terms of those subleases commenced on either July 1, 2015 or August 1, 2015 and all shall terminate on June 30, 2019. One sublease was signed in January 2016 (with new base rent effective on February 1, 2016). Effective July 1, 2015, the base rent will range from \$13,000 - \$50,500 annually depending on the specific vendor and increase 3% in each year of the contract, with the first increase occurring July 1, 2016 for all subleases and with subsequent 3% increases on July 1st each year thereafter. Each sub-lessee will have the opportunity to obtain a second five year lease which would range from July 1, 2019 and June 30, 2024.

Note 9 - Administration Fees:

The Corporation charges a one-time administrative fee of 5% when a gift is accepted, unless the gift is for a scholarship. Gifts are funds received from donor contributions, gifts and fundraising revenue that projects receive for their respective programs and overall campus fundraising efforts. The Corporation also charges a one-time administrative fee of 10% when program revenue generated under its campus programs are received. The Corporation defines program revenue as earned revenue for which a tax deduction would not qualify. Membership fees, conferences and meetings, fee for service, sale of goods and special events are highlighted examples of program revenue. The Corporation may charge an administrative fee for activity under various business partnerships with the Campus or other auxiliaries such as the Corporation taking over the administration of commencement. Fees earned based on fee negotiated per each agreement. Grants and contracts are charged an administrative fee based on the rate provided by the granting agency and are calculated as a percentage of grant expense or salaries and wages. The Corporation does not charge an administrative fee on funds received for scholarship funds. Administrative fees of \$648,944 and \$636,342 were charged by the Corporation during the years ended June 30, 2016 and 2015, respectively.

Note 10 - 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
June 30, 2016 and 2015

Note 11 - 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 12 - 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, 2016 and 2015 were \$18,634 and \$27,945, respectively.

Note 13 - Bookstore Operator:

The Corporation continues to maintain 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. 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; deferred revenue at June 30, 2016 and 2015 was \$70,000 and \$167,319, respectively and it is a component of Deferred Inflows of Resources.

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

Assets:	
Current assets:	
Cash and cash equivalents	\$ 589,129
Short-term investments	14,812,123
Accounts receivable, net	691,970
Leases receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	456,009
Prepaid expenses and other current assets	58,463
Total current assets	<u>16,607,694</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	524,557
Endowment investments	583,336
Other long-term investments	10,034,317
Capital assets, net	1,174,581
Other assets	152,552
Total noncurrent assets	<u>12,469,343</u>
Total assets	<u>29,077,037</u>
Deferred outflows of resources:	
Unamortized loss on debt refunding	-
Net pension liability	-
Others	-
Total deferred outflows of resources	<u>-</u>
Liabilities:	
Current liabilities:	
Accounts payable	2,374,094
Accrued salaries and benefits	177,382
Accrued compensated absences, current portion	81,884
Unearned revenue	63,095
Capitalized lease obligations, current portion	9,610
Long-term debt obligations, current portion	-
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	392,551
Total current liabilities	<u>3,098,616</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	-
Unearned revenue	-
Grants refundable	-
Capitalized lease obligations, net of current portion	32,990
Long-term debt obligations, net of current portion	-
Claims liability for losses and loss adjustment expenses, net of current portion	-
Depository accounts	-
Other postemployment benefits obligations	-
Net pension liability	-
Other liabilities	152,552
Total noncurrent liabilities	<u>185,542</u>
Total liabilities	<u>3,284,158</u>
Deferred inflows of resources:	
Service concession arrangements	-
Net pension liability	-
Unamortized gain on debt refunding	-
Nonexchange transactions	70,000
Others	-
Total deferred inflows of resources	<u>70,000</u>
Net Position:	
Net investment in capital assets	1,131,981
Restricted for:	
Nonexpendable – endowments	583,336
Expendable:	
Scholarships and fellowships	15,548,008
Research	-
Loans	-
Capital projects	-
Debt service	-
Others	-
Unrestricted	8,459,554
Total net position	<u>\$ 25,722,879</u>

The University Corporation, San Francisco State
(Component Unit of San Francisco State University)
Schedule of Revenues, Expenses and Changes in Net Position

<i>Year Ended June 30,</i>	2016
Revenues:	
Operating revenues:	
Student tuition and fees (net of scholarship allowances of \$_____)	\$ -
Grants and contracts, noncapital:	
Federal	-
State	44,489
Local	-
Nongovernmental	1,759,749
Sales and services of educational activities	-
Sales and services of auxiliary enterprises (net of scholarship allowances of \$_____)	9,949,252
Other operating revenues	87,482
Total operating revenues	<u>11,840,972</u>
Expenses:	
Operating expenses:	
Instruction	784,009
Research	56,728
Public service	836,627
Academic support	2,254,401
Student services	807,588
Institutional support	3,339,577
Operation and maintenance of plant	-
Student grants and scholarships	1,348,304
Auxiliary enterprise expenses	4,607,943
Depreciation and amortization	254,355
Total operating expenses	<u>14,289,532</u>
Operating income (loss)	<u>(2,448,560)</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	2,730,321
Investment income (loss), net	(302,383)
Endowment income (loss), net	-
Interest expense	-
Other nonoperating revenues (expenses)	-
Net nonoperating revenues (expenses)	<u>2,427,938</u>
Income (loss) before other revenues (expenses)	(20,622)
State appropriations, capital	-
Grants and gifts, capital	-
Additions (reductions) to permanent endowments	-
Increase (decrease) in net position	(20,622)
Net position:	
Net position at beginning of year, as previously reported	25,743,501
Restatements	-
Net position at beginning of year, as restated	<u>25,743,501</u>
Net position at end of year	<u>\$ 25,722,879</u>

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

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		—
Total restricted cash and cash equivalents	\$	<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)	4,826,565	-	4,826,565	-	-	-	4,826,565
Corporate bonds	69,260	-	69,260	929,515	-	929,515	998,775
Certificates of deposit	-	-	-	-	-	-	-
Mutual funds	6,919,755	-	6,919,755	-	-	-	6,919,755
Money Market funds	2,989,129	-	2,989,129	-	-	-	2,989,129
Repurchase agreements	-	-	-	-	-	-	-
Commercial paper	-	-	-	-	-	-	-
Asset backed securities	1,790	-	1,790	1,025,282	-	1,025,282	1,027,072
Mortgage backed securities	-	-	-	-	-	-	-
Municipal bonds	460	-	460	34,609	-	34,609	35,069
U.S. agency securities	-	-	-	-	-	-	-
U.S. treasury securities	5,164	-	5,164	1,395,380	-	1,395,380	1,400,544
Equity securities	-	-	-	6,649,531	583,336	7,232,867	7,232,867
Exchange traded funds (ETFs)	-	-	-	-	-	-	-
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)							
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Other major investments:							
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The University Corporation, San Francisco State
(Component Unit of San Francisco State University)
Other Information

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

Depreciation and amortization expense related to capital assets	\$	254,355
Amortization expense related to other assets		-
Total depreciation and amortization	\$	<u>254,355</u>

4 Long-term liabilities activity schedule:

	Balance June 30, 2015	Prior period adjustments	Reclassifications	Balance June 30, 2015 (restated)	Additions	Reductions	Balance June 30, 2016	Current portion	Long-term portion
Accrued compensated absences	\$ 73,003	-	-	73,003	57,241	(48,360)	81,884	81,884	-
Claims liability for losses and loss adjustment expenses	-	-	-	-	-	-	-	-	-
Capitalized lease obligations:									
Gross balance	-	-	-	-	42,600	-	42,600	9,610	32,990
Unamortized premium / (discount) on capitalized lease obligations	-	-	-	-	-	-	-	-	-
Total capitalized lease obligations	-	-	-	-	42,600	-	42,600	9,610	32,990
Long-term debt obligations:									
Auxiliary revenue bonds	-	-	-	-	-	-	-	-	-
Commercial paper	-	-	-	-	-	-	-	-	-
Notes payable related to SRB	-	-	-	-	-	-	-	-	-
Others: (list by type)									
Add description	-	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-	-
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Total long-term debt obligations	-	-	-	-	-	-	-	-	-
Unamortized bond premium / (discount)	-	-	-	-	-	-	-	-	-
Total long-term debt obligations, net	-	-	-	-	-	-	-	-	-
Total long-term liabilities	\$ 73,003	-	-	73,003	99,841	(48,360)	124,484	91,494	32,990

The University Corporation, San Francisco State
(Component Unit of San Francisco State University)
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5 Future minimum lease payments - capitalized lease obligations:

	Capitalized lease obligations related to SRB			All other capitalized lease obligations			Total capitalized lease obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2017	-	-	-	9,610	-	9,610	9,610	-	9,610
2018	-	-	-	10,605	-	10,605	10,605	-	10,605
2019	-	-	-	11,706	-	11,706	11,706	-	11,706
2020	-	-	-	10,679	-	10,679	10,679	-	10,679
2021	-	-	-	-	-	-	-	-	-
2022 - 2026	-	-	-	-	-	-	-	-	-
2027 - 2031	-	-	-	-	-	-	-	-	-
2032 - 2036	-	-	-	-	-	-	-	-	-
2037 - 2041	-	-	-	-	-	-	-	-	-
2042 - 2046	-	-	-	-	-	-	-	-	-
2047 - 2051	-	-	-	-	-	-	-	-	-
2052 - 2056	-	-	-	-	-	-	-	-	-
2057 - 2061	-	-	-	-	-	-	-	-	-
2062 - 2066	-	-	-	-	-	-	-	-	-
Total minimum lease payments	-	-	-	42,600	-	42,600	42,600	-	42,600
Less amounts representing interest									-
Present value of future minimum lease payments									42,600
Unamortized net premium (discount)									-
Total capitalized lease obligations									42,600
Less: current portion									(9,610)
Capitalized lease obligation, net of current portion									\$ 32,990

6 Long-term debt obligation schedule

	Auxiliary revenue bonds			All other long-term debt obligations			Total long-term debt obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2017	-	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-	-
2022 - 2026	-	-	-	-	-	-	-	-	-
2027 - 2031	-	-	-	-	-	-	-	-	-
2032 - 2036	-	-	-	-	-	-	-	-	-
2037 - 2041	-	-	-	-	-	-	-	-	-
2042 - 2046	-	-	-	-	-	-	-	-	-
2047 - 2051	-	-	-	-	-	-	-	-	-
2052 - 2056	-	-	-	-	-	-	-	-	-
2057 - 2061	-	-	-	-	-	-	-	-	-
2062 - 2066	-	-	-	-	-	-	-	-	-
Total minimum payments	-	-	-	-	-	-	-	-	-
Less amounts representing interest									-
Present value of future minimum payments									-
Unamortized net premium (discount)									-
Total long-term debt obligations									-
Less: current portion									-
Long-term debt obligations, net of current portion									\$ -

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

7 Calculation of net position

7.1 Calculation of net position - net investment in capital assets

Capital assets, net of accumulated depreciation	\$	1,174,581
Capitalized lease obligations, current portion		(9,610)
Capitalized lease obligations, net of current portion		(32,990)
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		-
Net position - net investment in capital asset	\$	<u>1,131,981</u>

7.2 Calculation of net position - restricted for nonexpendable - endowments

Portion of restricted cash and cash equivalents related to endowments	\$	-
Endowment investments		583,336
Other adjustments: (please list)		
Add description		-
Net position - Restricted for nonexpendable - endowments per SNP	\$	<u>583,336</u>

8 Transactions with related entities

	<u>Amount</u>
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 563,556
Payments to University for other than salaries of University personnel	6,530,765
Payments received from University for services, space, and programs	1,738,772
Gifts-in-kind to the University from discretely presented component units	-
Gifts (cash or assets) to the University from discretely presented component units	-
Accounts (payable to) University (enter as negative number)	(1,573,245)
Other amounts (payable to) University (enter as negative number)	-
Accounts receivable from University	267,616
Other amounts receivable from University	-

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

9 Other postemployment benefits obligation (OPEB)

Annual required contribution (ARC)	\$	-
Contributions during the year		-
		<u> </u>
Increase (decrease) in net OPEB obligation (NOO)		-
Other adjustments		-
NOO - beginning of year		-
NOO - end of year	\$	<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	-
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Add description	-
Add description	-
	<u> </u>
Total pollution remediation liabilities	\$ -
Less: current portion	<u> </u>
Pollution remediation liabilities, net of current portion	<u> </u>

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

	<u>Net Position</u>	<u>Amount</u>
	<u>Class</u>	<u>Dr. (Cr.)</u>
Net position as of June 30, 20PY, as previously reported		\$ 25,743,501
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)		-
		<u> </u>
Net position as of June 30, 2013, as restated		\$ <u>25,743,501</u>

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

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

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