



Grant Thornton

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

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

June 30, 2017 and 2016

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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 statements of net position as of June 30, 2017 and 2016, and the related statements of revenues, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 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 (Component Unit of San Francisco State University) as of June 30, 2017 and 2016, and the changes in financial 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 Management Discussion and Analysis on pages 8-17 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 Corporation's financial statements. The supplementary information on pages 36-46 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 19, 2017, on our consideration of the Corporation'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 Corporation's internal control over financial reporting and compliance.

Grant Thornton LLP

San Francisco, California
September 19, 2017



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, 2017, 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 19, 2017.

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 19, 2017

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, 2017.

The Corporation presents its financial statements for fiscal year 2017 with comparative data presented for fiscal years 2016. The emphasis of discussions concerning these statements will be for the fiscal years ended June 30, 2017 and 2016 (2017 and 2016, 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 nonprofit 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 activities (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, 2017 and 2016 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 an 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 2017, the Corporation selected a new vendor to create and run a juice bar in the Mashouf Wellness Center. It is anticipated that the vendor will begin operating in fall 2017. Rental income in fiscal year 2017 was \$2,073,641 which includes recharges (charged back to tenants) of \$622,771. Expenses for the vendors in the Cesar Chavez Student Center were \$ 1,100,009. 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, 2017, the residual net rental income contributed to ASI was \$273,372. The net impact to the Corporation's change in net position was an increase of \$242,361 for the administrative fee charged for managing the vending.

The Corporation under the direction of Beacon Point, its investment consultant, updated its investment policy and has also changed some of the investment holdings and managers during 2017.

- **Non-Operating Revenues and Expenses**

Total non-operating revenue increased significantly during fiscal year 2017 as a result of contributions and investment returns.

Financial Position

The statement of net position presents the financial position of the Corporation at the end of fiscal year 2017 and 2016. 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 assess 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.

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

Condensed Statements of Net Position – June 30, 2017, 2016, and 2015

	2017	2016	2015
Assets:			
Current assets	\$ 30,870,015	\$ 16,607,694	\$ 9,966,473
Noncurrent assets	4,079,143	12,469,343	19,420,151
Total assets	34,949,158	29,077,037	29,386,624
Deferred Outflows of Resources			
Total assets and deferred outflows of resources	\$ 34,949,158	\$ 29,077,037	\$ 29,386,624
Liabilities:			
Current liabilities	\$ 3,043,241	\$ 3,098,616	\$ 3,323,252
Noncurrent liabilities	22,385	185,542	152,552
Total liabilities	3,065,626	3,284,158	3,475,804
Deferred Inflows of Resources		70,000	167,319
Net Position:			
Investment in capital assets	1,091,600	1,131,981	1,267,630
Restricted:			
Nonexpendable - endowments	613,935	583,336	600,731
Expendable - grants and contracts, scholarships, fellowships, capital projects	20,763,209	15,548,008	14,568,251
Unrestricted	9,414,788	8,459,554	9,306,889
Total net position	31,883,532	25,722,879	25,743,501
Total liabilities, deferred inflows of resources, and net position	\$ 34,949,158	\$ 29,077,037	\$ 29,386,624

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

Management Discussion and Analysis
(Unaudited)

Assets

Current assets in fiscal year 2017 increased by approximately \$14,262,321 (86%). The increase was attributed to the allocation of the Corporation's investment holdings based on maturities at year end. Accounts receivables decreased 24% in 2017 with more timely payments from the university. Pledge receivables increased during 2017 with new pledges received and the maturity of pledges currently due within one year.

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 the University for commencement-related expenses that the campus transfers quarterly to the Corporation student fees collected for commencement.

In fiscal year 2017, noncurrent assets decreased by approximately \$8,300,900 (67%). The decrease in noncurrent assets is attributed to the allocation of investments, based on maturities between current and noncurrent. Noncurrent pledges increased during 2017 as a result of new pledges received of approximately \$1.4 million.

In fiscal year 2016, 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.

It was deemed to be highly improbable that unearned chargebacks receivable in fiscal year 2017 would be collected as the chargebacks were receivables due from book publishers from the Franciscan Shops; therefore, it was fully written off.

Liabilities

In fiscal year 2017, current liabilities decreased \$55,375 (2%) over 2016. 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 2017 due to reduction in reimbursements to the University for salaries and benefits compared to 2016. Liabilities for accrued compensated absences decreased in 2017 compared to 2016 primarily due to the balance adjusted to remove sick leave which was approximately \$26,000 and had been recorded incorrectly as the Corporation's benefit policy does not require a payout to employees when separating from the company. Unearned revenue also decreased in fiscal year 2017 over 2016 by approximately \$35,000.

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.

Deferred inflows of resources was \$0 in 2017 as a result of fully recognizing the revenue from a one-time donation by Follett Higher Education Group, Inc. (Follett). Deferred inflows of resources in 2016 decreased over 2015 by approximately \$97,000 (58%) due to recognizing the current revenue attributed to a one-time payment by Follett.

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

Management Discussion and Analysis
(Unaudited)

Net Position

As of June 30, 2017, total net position was \$31,883,532, which is a significant increase over fiscal year 2016 of approximately \$6,160,600. Net position increased primarily related to an increase in contributions due to efforts associated with the ongoing university comprehensive campaign and earnings from the Corporation's investment in fiscal year 2017.

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.

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 include 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.

The detailed statement of revenues, expenses and changes in net position for the years ended June 30, 2017 and 2016 is included in the financial statements.

Condensed Statements of Revenues, Expenses and Changes in Net Position – for the years ended June 30, 2017, 2016 and 2015

	2017	2016	2015
Operating Revenues (Expenses):			
Revenues	\$ 11,877,275	\$ 11,840,972	\$ 11,040,987
Expenses	(15,429,121)	(14,289,532)	(14,125,929)
Operating loss	(3,551,846)	(2,448,560)	(3,084,942)
Non-Operating Revenues (Expenses):			
Contributions	7,807,962	2,730,321	3,528,655
Investment return	1,904,537	(302,383)	809,612
Transfers to the University	-	-	(745,267)
Total non-operating revenues (expenses)	9,712,499	2,427,938	3,593,000
Change in Net Position	\$ 6,160,653	\$ (20,622)	\$ 508,058

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 2017, revenue increased over fiscal year 2016 by approximately \$36,303 (.31%). Grants and Contracts revenue increased by approximately 1% due to a new grants received in 2017. The Guardian Scholars program received \$582,500 in grants during fiscal year 2017, with a significant portion of that total from Tipping Point Foundation of \$250,000 and Hearst Foundation of \$200,000. For fiscal year 2016, grants and contracts revenue increased over fiscal year 2015 by approximately \$523,597 (41%) primarily due to a new grant received from the Keck Foundation of approximately \$500,000.

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 slightly by \$65,407(2%) in 2017 over 2016. Revenue did increase for programs administered by the Corporation such as BAYSF (sailing program for youth), which increased their program revenue with increased registration for the program activity. 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.

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 \$116,419 and \$175,000 in fiscal years 2017 and 2016, respectively. Shop 24 revenue was down in 2017 due to a change in the forms of payment accepted as management determined to cease accepting credit cards when Shop 24 Corporation shut down operations and was no longer providing equipment support or necessary software updates to ensure regulatory compliance. Retail revenue for both convenient store operations were down in 2017, which was partly due to 5% decrease in university enrollment. Revenue for Lobby Shop was mainly flat through 2017 over 2016. Healthy U ended 2017 with a decrease in revenue of approximately \$37,000. Ctrl P is one of the Corporation's 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. Ctrl P revenue increased in 2017 ending the year with a surplus of approximately \$39,000. Operations management undertook a series of initiatives that have increased the revenue during 2017. A few of those initiatives were a refresh of the location in the summer of 2017, changing out the equipment for more efficient and cheaper leased equipment, improving Ctrl P's foot print on the campus with increased marketing to campus partners and using the benefits of the new business partnership with Office Max entered 2016. 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 Shop and Healthy U. The Lobby Shop had a small space refresh during 2016 as well. The Corporation's commission revenue earned from its contract with Follett to manage the University Bookstore also decreased during 2016 due to their decreasing sales by approximately \$116,400.

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

Management Discussion and Analysis
(Unaudited)

In 2017, related party revenue from endowments increased by approximately \$73,000 (4%). Related party revenue from endowments decreased in 2016 by approximately \$208,000 (11%). 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 costs were \$729,501 and \$648,944 as of June 30, 2017 and 2016, respectively.

Rental Income

Rental income is comprised of twenty food vending tenants, a bank, ATMs and the fitness facility located on campus. Rental income decreased slightly in fiscal year 2017 by approximately \$29,300 over the previous year. Other rent was increased slightly in fiscal 2017 as a result of review of common area maintenance (CAM) charges for fiscal 2016. 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 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 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 2017, other revenue decreased by approximately \$800 (1%) primarily due to various programs with miscellaneous income not related to their primary revenue sources.

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

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.

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

Management Discussion and Analysis
(Unaudited)

Operating expenses increased in fiscal year 2017 by approximately \$1,139,000 (8%). Indirect costs from grants, contracts and campus programs were eliminated against revenue as not to double count the total revenue and expenses and were \$729,501 in fiscal year 2017. Expenses related to grants and contracts increased by approximately \$416,700 (41%) during 2017 as grant expenses increased due to new grants received. Scholarship expense increased over prior year by approximately \$728,000 (66%) as more scholarships were given out to students during 2017. Additional revenue was received that created new scholarship funds within the Corporation. There was \$375,000 in scholarships given out related to a new athletic scholarship created.

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 costs were \$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 the University. 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 were 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.

Retail expenses increased by approximately \$30,100 (1%) in 2017 primarily due to increased benefit cost and slightly higher salary cost.

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 2017 over prior year by approximately \$183,700 (4%). Reimbursement cost to the university related to salaries and benefits for administrative staff increased due to general salary increases and employee reclassifications were the primary reason for the increased cost.

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

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.

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

Management Discussion and Analysis
(Unaudited)

Contributions increased during fiscal year 2017 over the prior year by approximately \$5,077,600 (186%). Contributions increased significantly due to continuing efforts with the university comprehensive campaign. Among the most significant contributions received were approximately \$1,800,000 for athletic scholarship, \$100,000 for the D. Goldstein Paralegal Scholarship, \$53,000 for Karen Grove & Jay Ach Fellowship and \$189,500 for the Shirley Barnet Memorial Scholarship.

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 types of gifts are the gift to support architecture plans for the science building of \$100,000 in fiscal year 2015 and a gift of \$250,000 from the Kwan Family to support leadership training that 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.

Investment Return

Investment income increased in fiscal year 2017 as the market improved. Equities, in particular US equities, performed well. Fixed income also showed a positive return in 2017. Investment returns for the fiscal year were approximately \$1,904,500. During fiscal year 2017, the Corporation changed over its portfolio based on Beacon Pointes recommendation which fit with the new investment policy. The Corporation portfolio includes various investments, such as equities, alternatives, and fixed-income, which are selected with an commitment to socially responsible investing. New managers were selected as part of the portfolio changes and allocations that were made. Through June 30, 2017, US and non-US equities had strong returns around 15-25%, fixed income was flat for the fiscal year, except high yield was also strong with returns around 15% and the Real Estate and Alternatives had positive single digit returns. The Corporation's total composite performance for fiscal year 2017 was 10.1% versus 8.8% for the Index.

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. Overall, the earnings for the portfolio ended fairly flat.

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

Management Discussion and Analysis
(Unaudited)

SIGNIFICANT ITEMS

In fiscal year 2018, having received approval from the CSU Board of Trustees, the Corporation will enter into an agreement with the developer selected for the Holloway Avenue Revitalization Project. The project is the redevelopment of a one-acre parcel into a mixed-use residential facility with ground-floor retail and other neighborhood serving amenities. In the coming fiscal year, the Corporation will enter a lease with the University for the acre of land and then in turn will sublease the parcel to the developer.

The Corporation has two capital projects which will commence in fiscal year 2018. During fiscal year 2017, the board agreed to set aside support for the University Club build out and the 19th Avenue Station Café will be rebuilt in conjunction with improvements to an existing courtyard to create more seating, better usage of the space and welcoming entry point to the campus. As part of that renovation of the area the bus stops will be revitalized to tie into the campus. The Corporation will be working with the current tenant to carry out these objectives as well as making some monetary investments into the project as well.

In 2017, the Corporation selected a new vendor to run the juice bar in the Mashouf Wellness Center. The juice bar location is expected to open at the beginning of the fall 2017 semester.

The Corporation will be assuming the management of Student Organization Banking for student and sports clubs in fiscal year 2018. The campus has designated the Corporation as the entity to handle this activity on the campus. There are approximately 250 student clubs on the campus. It is unknown at this point the total financial impact on the Corporation's revenue and expenses for these transactions.

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

June 30, 2017 and 2016

	2017	2016
Assets		
Current Assets:		
Cash and cash equivalents	\$ 661,098	\$ 589,129
Investments, unrestricted	28,998,440	14,812,123
Pledges receivable, net	634,513	456,009
Accounts receivable, net	526,884	691,970
Prepaid expenses and other assets	49,080	58,463
Total current assets	30,870,015	16,607,694
Noncurrent Assets:		
Pledges receivable, net	1,950,668	524,557
Deferred chargebacks receivable	-	152,552
Investments:		
Unrestricted	389,950	10,034,317
Restricted	613,935	583,336
Capital assets, net	1,124,590	1,174,581
Total noncurrent assets	4,079,143	12,469,343
Total assets	34,949,158	29,077,037
Deferred Outflows of Resources (Note 2)		
Total assets and deferred outflows of resources	\$ 34,949,158	\$ 29,077,037
Liabilities		
Current Liabilities:		
Accounts payable	\$ 931,736	\$ 914,001
Accrued salaries and benefits payable	184,000	177,382
Accrued compensated absences	62,817	81,884
Payable to related parties	1,826,520	1,852,645
Unearned revenue	27,563	63,095
Capital lease	10,605	9,610
Total current liabilities	3,043,241	3,098,616
Noncurrent Liabilities:		
Deferred chargebacks payable	-	152,552
Capital lease	22,385	32,990
Total noncurrent liabilities	22,385	185,542
Deferred Inflows of Resources (Note 2)		
Total liabilities, deferred inflows of resources and net position	-	70,000
Net Position:		
Invested in capital assets	1,091,600	1,131,981
Restricted for:		
Nonexpendable - endowments	613,935	583,336
Expendable - grants and contracts, scholarships, fellowships, capital projects	20,763,209	15,548,008
Unrestricted	9,414,788	8,459,554
Total net position	31,883,532	25,722,879
Total liabilities, deferred inflows of resources and net position	\$ 34,949,158	\$ 29,077,037

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

Statements of Revenues, Expenses and Changes in Net Position

Years ended June 30, 2017 and 2016

	2017	2016
Operating Revenues:		
Grants and contract revenue	\$ 1,829,483	\$ 1,804,238
Program revenue	3,447,753	3,382,346
Retail revenue	2,647,724	2,804,184
Programs funded by related parties	1,791,988	1,718,448
Rental income	2,073,641	2,044,274
Other revenues	86,686	87,482
Total operating revenues	11,877,275	11,840,972
Operating Expenses:		
Grants and contracts	1,428,680	1,011,945
Campus programs	5,191,864	5,380,003
Rental expenses	-	1,450
Student scholarships	1,836,485	1,108,134
Management and general	4,649,932	4,466,203
Retail expenses	2,097,568	2,067,443
Depreciation	224,592	254,355
Total operating expenses	15,429,121	14,289,532
Operating loss	(3,551,846)	(2,448,560)
Non-Operating Revenues (Expenses):		
Contributions	7,807,962	2,730,321
Investment return	1,904,537	(302,383)
Net non-operating revenues	9,712,499	2,427,938
Change in Net Position	6,160,653	(20,622)
Net Position, beginning of the year	25,722,879	25,743,501
Net Position, end of the year	\$ 31,883,532	\$ 25,722,879

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

Statements of Cash Flows

Years ended June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities:		
Receipts from programs	\$ 8,286,801	\$ 9,601,141
Rent receipts	2,073,641	2,044,274
Payments to suppliers	(9,927,492)	(10,418,714)
Payments to employees for services	(3,496,923)	(2,839,894)
Scholarships to students	(1,836,485)	(1,108,134)
Other	86,686	87,482
Net cash used by operating activities	(4,813,772)	(2,633,845)
Cash Flows from Noncapital Financing Activities:		
Donations received	7,807,962	2,730,321
Capital lease	(9,610)	42,600
Net cash provided by noncapital financing activities	7,798,352	2,772,921
Cash Flows from Capital and Related Financing Activities:		
Capital asset additions	(179,187)	(161,306)
Net cash used by capital and related financing activities	(179,187)	(161,306)
Cash Flows from Investing Activities:		
Proceeds from sales and maturities of investments	15,346,311	5,516,576
Purchase of investments	(19,984,272)	(5,276,260)
Investment income	1,904,537	(302,383)
Net cash used by investing activities	(2,733,424)	(62,068)
Net Change in Cash and Cash Equivalents	71,969	(84,297)
Cash and Cash Equivalents, beginning of year	589,129	673,426
Cash and Cash Equivalents, end of year	\$ 661,098	\$ 589,129

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

Statements of Cash Flows

Years ended June 30, 2017 and 2016

	2017	2016
Reconciliation of Operating Loss to Net Cash		
Flows Used by Operating Activities:		
Operating loss	\$ (3,551,846)	\$ (2,448,560)
Adjustments to reconcile operating loss to net cash flows used by operating activities:		
Depreciation	224,592	254,355
Changes in assets and liabilities:		
Accounts receivable and pledges receivable	(1,439,529)	(104,520)
Prepaid expenses	9,382	(3,555)
Accounts payable	919,367	57,396
Deferred revenue	(35,532)	(34,224)
Payable to related parties	(927,757)	(380,864)
Accrued salaries and benefits payable	6,618	17,247
Accrued compensated absences	(19,067)	8,881
Total adjustments	(1,261,926)	(185,284)
Net cash used by operating activities	\$ (4,813,772)	\$ (2,633,845)
Supplemental Disclosures of Cash Flow Activity:		
Non-cash activity:		
Transfer of assets to San Francisco State University	\$ 8,385	\$ 6,542
Donation of stock received	\$ 1,085,346	\$ 6,202
Unrealized gain/loss	\$ 350,340	\$ (878,759)

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

Notes to Financial Statements
June 30, 2017 and 2016

Note 1 - Organization:

The University Corporation, San Francisco State (the Corporation), formerly the San Francisco State University Foundation, Inc., is a nonprofit, 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 nonprofit member corporation. The Franciscan Shops was formerly an auxiliary of the University, collectively "the Corporation". For 2015, the financial statements of the Franciscan Shops were incorporated into the financial statements of the Corporation. During fiscal year 2016, the Corporation successfully merged the Franciscan Shops 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 the Governmental Accounting Standards Board (GASB) Statement Nos. 34, 35 and 36 include 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, 2017 and 2016

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 noncurrent, 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, 2017 and 2016, the Corporation maintains operating and capital reserves of approximately \$1,762,637 and \$875,000, respectively.

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.

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

Notes to Financial Statements
June 30, 2017 and 2016

Note 2 - Summary of Significant Accounting Policies, Continued:

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, 2017 and 2016, the Corporation maintained balances in excess of the federally insured limits.

c. Accounts Receivable, Net

Accounts receivable includes amounts due from special projects, business services, contracts and other receivables from the University. Accounts receivable of \$526,884 and \$691,970 as of June 30, 2017 and 2016, respectively, are shown net of an allowance for uncollectible accounts of \$0 and \$25,000, respectively.

d. Pledges Receivable, Net

Pledges receivable 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.

Pledges Receivable, Net as of June 30,	2017	2016
One year	\$ 634,513	\$ 456,009
Two to five	1,950,668	524,557
Total	\$ 2,585,181	\$ 980,556

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 4.25% for fiscal year 2017 and 3.50% for fiscal year 2016. The pledge receivable discount at June 30, 2017 and 2016 is approximately \$129,700 and \$39,600, 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.

The University Corporation, San Francisco State
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Notes to Financial Statements
June 30, 2017 and 2016

Note 2 - Summary of Significant Accounting Policies, Continued:

The pledge receivable balance also includes annuities which are held by the CSU Foundation (“CSU Foundation”) on behalf of the Corporation, which serves as the designated entity for the University to collect and administer current use gifts. The annuities have been recorded at present value of the total annuity. The annuity recorded was approximately \$112,400 and \$0 as of June 30, 2017 and 2016, respectively.

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 authorizes an institution to spend the amount it deems prudent considering 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.

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

Notes to Financial Statements
June 30, 2017 and 2016

Note 2 - Summary of Significant Accounting Policies, Continued:

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 transfers 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, 2017 amounted to \$8,385. The net book value of transfers made to the University during the fiscal year ended June 30, 2016 amounted to \$6,542.

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 are derived from program-specific grants and contracts and contributions arising from exchange transactions with federal, state, local, private foundation 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.

The retail revenue and expenses category includes revenue from the operation of two convenience stores, the 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.

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

Notes to Financial Statements
June 30, 2017 and 2016

Note 2 - Summary of Significant Accounting Policies, Continued:

The 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. The open tax years are generally the years ended June 30, 2013 through June 30, 2016 for federal tax purposes and the years ended June 30, 2012 through June 30, 2016 for California tax purposes.

l. Fair Value Measurement

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.

- 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.

The University Corporation, San Francisco State
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Notes to Financial Statements
June 30, 2017 and 2016

Note 2 - Summary of Significant Accounting Policies, Continued:

- Level 3 - Unobservable inputs for the asset/liability; used to the extent that observable inputs are not available.

m. 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 and \$348, and bears an effective annual interest rate of 10.79% and 8.07%, respectively. The amount paid in 2017 principal and interest was \$9,610 and \$3,797, respectively. The amount of the leased assets is \$52,679.

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

Year ending June 30:

2018	\$	13,406
2019		13,406
2020		11,172
Total minimum lease payments		37,984
Less amount representing interest		(4,994)
Present value of future minimum lease payments		\$ 32,990

Note 3 - Investments:

Investments consist of the following as of June 30, 2017:

	Fair Value	Investment Maturities (Years)				
		<1 Year	1 – 5 Years	6 – 10 Years	10+ Years	Other
Local agency investment fund	\$ 7,478,143	\$ 7,478,143	\$ -	\$ -	\$ -	\$ -
Broker money market funds	268,068	268,068	-	-	-	-
Corporate debt securities	8,917,156	8,917,156	-	-	-	-
Mutual funds	4,992,347	4,992,347	-	-	-	-
Equity securities	7,342,726	7,342,726	-	-	-	-
Alternative investments	1,003,885	-	-	-	-	1,003,885
	\$ 30,002,325	\$ 28,998,440	\$ -	\$ -	\$ -	\$ 1,003,885

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

Notes to Financial Statements
June 30, 2017 and 2016

Note 3 - Investments, Continued:

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

	Fair Value	Investment Maturities (Years)				
		<1 Year	1 – 5 Years	6 – 10 Years	10+ Years	Other
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>

Investment return for the years ended June 30, 2017 and 2016 consists of the following:

	2017	2016
Interest and dividends	\$ 420,254	\$ 671,573
Realized and unrealized gain (loss)	1,484,283	(973,956)
	<u>\$ 1,904,537</u>	<u>\$ (302,383)</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.

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

Notes to Financial Statements
June 30, 2017 and 2016

Note 3 - Investments, Continued:

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
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Notes to Financial Statements
June 30, 2017 and 2016

Note 4 - Fair Value Measurement:

At June 30, 2017 and 2016, the Corporation investments consist of cash and money market funds of \$268,068 and \$2,889,129, respectively, and the following assets which are classified by level within the valuation hierarchy on a recurring basis at June 30:

	2017				
	Level 1	Level 2	Level 3	NAV	Total
Local agency investment fund	\$ -	\$ -	\$ -	\$ 7,478,143	\$ 7,478,143
Corporate debt securities	8,917,156	-	-	-	8,917,156
Mutual funds	4,992,347	-	-	-	4,992,347
Equity securities	7,342,726	-	-	-	7,342,726
Alternatives	-	-	-	1,003,885	1,003,885
	<u>\$ 21,252,229</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,482,028</u>	<u>\$ 29,734,257</u>

	2016				
	Level 1	Level 2	Level 3	NAV	Total
Local agency investment fund	\$ -	\$ -	\$ -	\$ 4,826,565	\$ 4,826,565
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
	<u>\$ 13,217,857</u>	<u>\$ 4,396,225</u>	<u>\$ -</u>	<u>\$ 4,826,565</u>	<u>\$ 22,440,647</u>

Note 5 - Endowments:

Endowments held and administered by the Corporation at June 30, 2017 and 2016 are as follows:

	Restricted Net Assets - Nonexpendable	
Endowments	\$ 613,935	\$ 583,336

The Corporation's investment policy during fiscal years 2017 and 2016 allowed a 4% annual payout based on the 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, 2017 and 2016

Note 6 - Capital Assets:

The following is a roll forward schedule of capital assets for the year ended June 30, 2017:

	Balance June 30, 2016	Additions	Reductions	Transfers	Balance June 30, 2017
Capital assets:					
Leasehold improvements	\$ 1,885,862	\$ 50,627	\$ -	\$ -	\$ 1,936,489
Equipment, furniture, fixtures, and project in progress	2,156,227	124,360	(235,986)	-	2,044,601
Total capital assets	4,042,089	174,987	(235,986)	-	3,981,090
Less accumulated depreciation:					
Leasehold improvements	1,003,876	142,147	-	-	1,146,023
Equipment, furniture, and fixtures	1,863,632	82,445	(235,600)	-	1,710,477
Total accumulated depreciation	2,867,508	224,592	(235,600)	-	2,856,500
Net capital assets	\$ 1,174,581	\$ (49,605)	\$ (386)	\$ -	\$ 1,124,590

Total depreciation expense for the year ended June 30, 2017 was \$224,592.

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)	\$ -	\$ -	\$ 1,174,581

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

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

Notes to Financial Statements
June 30, 2017 and 2016

Note 7 - Related Parties:

During the years ended June 30, 2017 and 2016, the Corporation paid \$7,335,628 and \$7,725,874, respectively, to the University and its affiliates for salary reimbursement, tuition and fees, scholarships, facilities, and other administrative costs. The Corporation paid \$324,235 and \$268,622 to the San Francisco State University Foundation in 2017 and 2016, respectively. During the years ended June 30, 2017 and 2016, the Corporation received \$1,413,026 and \$4,323,512, 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 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, 2017 and 2016 respectively, the Corporation reimbursed the University approximately \$936,586 and \$797,400 for its 56% share of the 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, 2017, the residual net rental income contributed to ASI was \$273,372. For the year ended June 30, 2016, the residual net rental income contributed to ASI was \$278,968.

At June 30, 2017, the Corporation's recorded receivables from the University were \$50,262, and payables to the University and its affiliates totaled \$1,826,520. The Corporation recorded payables to the Foundation of \$34,015. At June 30, 2016, the Corporation's recorded receivables from the University and its affiliates were \$325,331, and payables to the University and its affiliates totaled \$1,852,645.

Note 8 - Lease Operations:

On June 5, 2014, the Board of Directors of the Student Center approved the merger of the Student Center with ASI, a related party. 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 ASI 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, 2017 and 2016

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 the University and were converted to month-to-month lease agreements. As of June 30, 2017, total rental receipts including recharges amounted to \$1,615,743, and total expenses were \$1,100,009. As of June 30, 2016, total rental receipts including recharges amounted to \$1,534,700, and total expenses were \$1,253,700.

During fiscal year 2016, the Corporation entered into long-term sublease 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 1 each year thereafter. Each sub-lessee will have the opportunity to obtain a second five-year lease which would range from July 1, 2019 to 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 is 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 are based on the fees 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 \$729,502 and \$648,944 were charged by the Corporation during the years ended June 30, 2017 and 2016, respectively.

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

Notes to Financial Statements
June 30, 2017 and 2016

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.

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. The Corporation is currently a party to one matter in active litigation. 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 50% of employee contributions up to 5% of each employee's eligible compensation. The Corporation's contributions for the plan years ended June 30, 2017 and 2016 were \$19,102 and \$18,634, 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 the 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 five years, the maximum term of the contract. Deferred revenue at June 30, 2017 and 2016 was \$0 and \$70,000, respectively, and it is a component of deferred inflows of resources.

The University Corporation, San Francisco State
Schedule of Net Position
June 30, 2017
(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 661,098
Short-term investments	28,998,440
Accounts receivable, net	526,884
Leases receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	634,513
Prepaid expenses and other current assets	49,080
Total current assets	<u>30,870,015</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	1,950,668
Endowment investments	613,935
Other long-term investments	389,950
Capital assets, net	1,124,590
Other assets	—
Total noncurrent assets	<u>4,079,143</u>
Total assets	<u>34,949,158</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	2,404,710
Accrued salaries and benefits	184,000
Accrued compensated absences, current portion	62,817
Unearned revenue	27,563
Capitalized lease obligations, current portion	10,605
Long-term debt obligations, current portion	—
Claims liability for losses and loss adjustment expenses, current portion	—
Depository accounts	—
Other liabilities	353,546
Total current liabilities	<u>3,043,241</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	—
Unearned revenue	—
Grants refundable	—
Capitalized lease obligations, net of current portion	22,385
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	—
Total noncurrent liabilities	<u>22,385</u>
Total liabilities	<u>3,065,626</u>
Deferred inflows of resources:	
Service concession arrangements	—
Net pension liability	—
Unamortized gain on debt refunding	—
Nonexchange transactions	—
Others	—
Total deferred inflows of resources	<u>—</u>
Net Position:	
Net investment in capital assets	1,091,600
Restricted for:	
Nonexpendable – endowments	613,935
Expendable:	
Scholarships and fellowships	20,763,209
Research	—
Loans	—
Capital projects	—
Debt service	—
Others	—
Unrestricted	9,414,788
Total net position	<u>\$ 31,883,532</u>

The University Corporation, San Francisco State
Schedule of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2017
(for inclusion in the California State University)

Revenues:

Operating revenues:	
Student tuition and fees (net of scholarship allowances of \$ _____)	\$ —
Grants and contracts, noncapital:	
Federal	—
State	20,674
Local	—
Nongovernmental	1,808,809
Sales and services of educational activities	9,961,106
Sales and services of auxiliary enterprises (net of scholarship allowances of \$ _____)	—
Other operating revenues	86,686
Total operating revenues	11,877,275

Expenses:

Operating expenses:	
Instruction	855,620
Research	283,867
Public service	699,847
Academic support	2,681,642
Student services	1,412,900
Institutional support	1,181,865
Operation and maintenance of plant	—
Student grants and scholarships	2,110,267
Auxiliary enterprise expenses	5,978,521
Depreciation and amortization	224,592
Total operating expenses	15,429,121
Operating income (loss)	(3,551,846)

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	7,807,962
Investment income (loss), net	1,904,537
Endowment income (loss), net	—
Interest expense	—
Other nonoperating revenues (expenses)	—
Net nonoperating revenues (expenses)	9,712,499
Income (loss) before other revenues (expenses)	6,160,653
State appropriations, capital	—
Grants and gifts, capital	—
Additions (reductions) to permanent endowments	—
Increase (decrease) in net position	6,160,653
Net position:	
Net position at beginning of year, as previously reported	25,722,879
Restatements	—
Net position at beginning of year, as restated	25,722,879
Net position at end of year	\$ 31,883,532

The University Corporation, San Francisco State
Other Information
June 30, 2017
(for inclusion in the California State University)

1 Noncurrent restricted cash and cash equivalents at June 30, 2017:

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, 2017:

	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)	7,478,143	—	7,478,143	—	—	—	7,478,143
Corporate bonds	8,917,156	—	8,917,156	—	—	—	8,917,156
Certificates of deposit	—	—	—	—	—	—	—
Mutual funds	4,992,347	—	4,992,347	—	—	—	4,992,347
Money Market funds	268,068	—	268,068	—	—	—	268,068
Repurchase agreements	—	—	—	—	—	—	—
Commercial paper	—	—	—	—	—	—	—
Asset backed securities	—	—	—	—	—	—	—
Mortgage backed securities	—	—	—	—	—	—	—
Municipal bonds	—	—	—	—	—	—	—
U.S. agency securities	—	—	—	—	—	—	—
U.S. treasury securities	—	—	—	—	—	—	—
Equity securities	7,342,726	—	7,342,726	—	—	—	7,342,726
Exchange traded funds (ETFs)	—	—	—	—	—	—	—
Alternative investments:							
Private equity (including limited partnerships)	—	—	—	—	—	—	—
Hedge funds	—	—	—	—	—	—	—
Managed futures	—	—	—	—	—	—	—
Real estate investments (including REITs)	—	—	—	389,950	613,935	1,003,885	1,003,885
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
 Other Information
 June 30, 2017
 (for inclusion in the California State University)

	<u>Amount</u>
2.3 Restricted current investments at June 30, 2017 related to:	
Restricted for expendable scholarships, fellowships, and grants	\$ —
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Total restricted current investments at June 30, 2017	\$ —
2.4 Restricted noncurrent investments at June 30, 2017 related to:	
Endowment investment	\$ 613,935
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Total restricted noncurrent investments at June 30, 2017	\$ 613,935

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

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

	Total	Fair Value Measurements Using			Net Asset Value (NAV)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
State of California Surplus Money Investment Fund (SMIF)	\$ —	—	—	—	—
State of California Local Agency Investment Fund (LAIF)	7,478,143	—	—	—	7,478,143
Corporate bonds	8,917,156	8,917,156	—	—	—
Certificates of deposit	—	—	—	—	—
Mutual funds	4,992,347	4,992,347	—	—	—
Money Market funds	268,068	268,068	—	—	—
Repurchase agreements	—	—	—	—	—
Commercial paper	—	—	—	—	—
Asset backed securities	—	—	—	—	—
Mortgage backed securities	—	—	—	—	—
Municipal bonds	—	—	—	—	—
U.S. agency securities	—	—	—	—	—
U.S. treasury securities	—	—	—	—	—
Equity securities	7,342,726	7,342,726	—	—	—
Exchange traded funds (ETFs)	—	—	—	—	—
Alternative investments:					
Private equity (including limited partnerships)	—	—	—	—	—
Hedge funds	—	—	—	—	—
Managed futures	—	—	—	—	—
Real estate investments (including REITs)	1,003,885	—	—	—	1,003,885
Commodities	—	—	—	—	—
Derivatives	—	—	—	—	—
Other alternative investment types	—	—	—	—	—
Other external investment pools (excluding SWIFT)					
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
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Add description	—	—	—	—	—
Other major investments:					
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Total investments	30,002,325	21,520,297	—	—	8,482,028

The University Corporation, San Francisco State
Other Information
June 30, 2017
(for inclusion in the California State University)

3.1 Composition of capital assets at June 30, 2017:

	Balance June 30, 2016	Prior period Adjustments	Reclassifications	Balance June 30, 2016 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2017
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	\$ —	—	—	—	—	—	—	—
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:								
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
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Total intangible assets	—	—	—	—	—	—	—	—
Total nondepreciable/nonamortizable capital assets	—	—	—	—	—	—	—	—
Depreciable/amortizable capital assets:								
Buildings and building improvements	—	—	—	—	—	—	—	—
Improvements, other than buildings	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	1,885,862	—	—	1,885,862	50,627	—	—	1,936,489
Personal property:								
Equipment	2,156,227	—	—	2,156,227	124,360	(235,986)	—	2,044,601
Library books and materials	—	—	—	—	—	—	—	—
Intangible assets:								
Software and websites	—	—	—	—	—	—	—	—
Rights and easements	—	—	—	—	—	—	—	—
Patents, copyright and trademarks	—	—	—	—	—	—	—	—
Licenses and permits	—	—	—	—	—	—	—	—
Other intangible assets:								
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Add description	—	—	—	—	—	—	—	—
Total intangible assets	—	—	—	—	—	—	—	—
Total depreciable/amortizable capital assets	4,042,089	—	—	4,042,089	174,987	(235,986)	—	3,981,090
Total capital assets	4,042,089	—	—	4,042,089	174,987	(235,986)	—	3,981,090
Less accumulated depreciation/amortization:								
Buildings and building improvements	—	—	—	—	—	—	—	—
Improvements, other than buildings	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	(1,003,876)	—	—	(1,003,876)	(142,147)	—	—	(1,146,023)
Personal property:								
Equipment	(1,863,632)	—	—	(1,863,632)	(82,445)	235,600	—	(1,710,477)
Library books and materials	—	—	—	—	—	—	—	—
Intangible assets:								
Software and websites	—	—	—	—	—	—	—	—
Rights and easements	—	—	—	—	—	—	—	—
Patents, copyright and trademarks	—	—	—	—	—	—	—	—
Licenses and permits	—	—	—	—	—	—	—	—
Other intangible assets:								
Add description	—	—	—	—	—	—	—	—
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Add description	—	—	—	—	—	—	—	—
Total intangible assets	—	—	—	—	—	—	—	—
Total accumulated depreciation/amortization	(2,867,508)	—	—	(2,867,508)	(224,592)	235,600	—	(2,856,500)
Total capital assets, net	\$ 1,174,581	—	—	1,174,581	(49,605)	(386)	—	1,124,590

The University Corporation, San Francisco State
Other Information
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3.2 Detail of depreciation and amortization expense for the year ended June 30, 2017:

Depreciation and amortization expense related to capital assets	\$ 224,592
Amortization expense related to other assets	<u>—</u>
Total depreciation and amortization	<u>\$ 224,592</u>

4 Long-term liabilities activity schedule:

	Balance June 30, 2016	Prior period adjustments	Reclassifications	Balance June 30, 2016 (restated)	Additions	Reductions	Balance June 30, 2017	Current portion	Long-term portion
Accrued compensated absences	\$ 81,884	—	—	81,884	51,197	(70,264)	62,817	62,817	—
Claims liability for losses and loss adjustment expenses	—	—	—	—	—	—	—	—	—
Capitalized lease obligations:									
Gross balance	42,600	—	—	42,600	—	(9,610)	32,990	10,605	22,385
Unamortized premium / (discount) on capitalized lease obligations	—	—	—	—	—	—	—	—	—
Total capitalized lease obligations	<u>42,600</u>	<u>—</u>	<u>—</u>	<u>42,600</u>	<u>—</u>	<u>(9,610)</u>	<u>32,990</u>	<u>10,605</u>	<u>22,385</u>
Long-term debt obligations:									
Auxiliary revenue bonds	—	—	—	—	—	—	—	—	—
Commercial paper	—	—	—	—	—	—	—	—	—
Notes payable related to SRB	—	—	—	—	—	—	—	—	—
Others: (list by type)									
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Total long-term debt obligations	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Unamortized bond premium / (discount)	—	—	—	—	—	—	—	—	—
Total long-term debt obligations, net	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total long-term liabilities	<u>\$ 124,484</u>	<u>—</u>	<u>—</u>	<u>124,484</u>	<u>51,197</u>	<u>(79,874)</u>	<u>95,807</u>	<u>73,422</u>	<u>22,385</u>

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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:									
2018	—	—	—	10,605	2,801	13,406	10,605	2,801	13,406
2019	—	—	—	11,706	1,700	13,406	11,706	1,700	13,406
2020	—	—	—	10,679	493	11,172	10,679	493	11,172
2021	—	—	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—	—	—
2023 - 2027	—	—	—	—	—	—	—	—	—
2028 - 2032	—	—	—	—	—	—	—	—	—
2033 - 2037	—	—	—	—	—	—	—	—	—
2038 - 2042	—	—	—	—	—	—	—	—	—
2043 - 2047	—	—	—	—	—	—	—	—	—
2048 - 2052	—	—	—	—	—	—	—	—	—
2053 - 2057	—	—	—	—	—	—	—	—	—
2058 - 2062	—	—	—	—	—	—	—	—	—
2063 - 2067	—	—	—	—	—	—	—	—	—
Total minimum lease payments	—	—	—	32,990	4,994	37,984	32,990	4,994	37,984
Less amounts representing interest									(4,994)
Present value of future minimum lease payments									32,990
Unamortized net premium (discount)									—
Total capitalized lease obligations									32,990
Less: current portion									(10,605)
Capitalized lease obligation, net of current portion									\$ 22,385

6 Long-term debt obligation schedule

	Auxiliary revenue bonds			All other long-term debt obligations			Total long-term debt obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2018	—	—	—	—	—	—	—	—	—
2019	—	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—	—	—
2023 - 2027	—	—	—	—	—	—	—	—	—
2028 - 2032	—	—	—	—	—	—	—	—	—
2033 - 2037	—	—	—	—	—	—	—	—	—
2038 - 2042	—	—	—	—	—	—	—	—	—
2043 - 2047	—	—	—	—	—	—	—	—	—
2048 - 2052	—	—	—	—	—	—	—	—	—
2053 - 2057	—	—	—	—	—	—	—	—	—
2058 - 2062	—	—	—	—	—	—	—	—	—
2063 - 2067	—	—	—	—	—	—	—	—	—
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									\$ —

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8 Transactions with related entities

	Amount
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 2,771,268
Payments to University for other than salaries of University personnel	4,564,360
Payments received from University for services, space, and programs	1,413,026
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)	(1,826,520)
Other amounts (payable to) University (enter as negative number)	—
Accounts receivable from University	50,262
Other amounts receivable from University	—

9 Other postemployment benefits obligation (OPEB)

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

10 Pollution remediation liabilities under GASB Statement No. 49:

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

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

	Net Position Class	Amount Dr. (Cr.)
Net position as of June 30, 2016, as previously reported	\$	25,722,879
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, 2016, as restated	\$	25,722,879

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)	—	—



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