

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

JUNE 30, 2015 AND 2014

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INDEPENDENT AUDITORS' REPORT,

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

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

**Independent Auditors' Report,**  
**Financial Statements and Supplementary Information**

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## Independent Auditors' Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of **THE UNIVERSITY CORPORATION, SAN FRANCISCO STATE (Component Unit of San Francisco State University) (the Corporation)**, which comprise the statement of net position as of June 30, 2015 and 2014, and the related statements of revenues, expenses and changes in net position, cash flows and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the net financial position of **THE UNIVERSITY CORPORATION, SAN FRANCISCO STATE**, as of June 30, 2015 and 2014, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information on pages 28 through 35 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Hood & Strong LLP*

San Francisco, California  
September 15, 2015

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

**Management Discussion and Analysis**  
**(Unaudited)**

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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, 2015.

The Corporation presents its financial statements for fiscal year 2015 with comparative data presented for fiscal years 2014 and 2013. The emphasis of discussions concerning these statements will be for the fiscal years ended June 30, 2015 and 2014 (2015 and 2014, respectively). There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

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

**The Corporation**

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

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

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

The Corporation's June 30, 2015 and 2014 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.

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

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

**Highlights of Financial Operations**

- **Operating revenues and expenses**

As a result of the dissolution of the Cesar Chavez Student Center (the Center) effective July 1, 2014, the Corporation assumed management of all rental agreements within the Student Center. The Sublease agreements between the Center and the vending tenants located on campus terminated and converted to a month-to-month basis under the Corporation. Increase in Rental income related to the newly assumed tenants in fiscal year 2015 is approximately \$1,530,000, and related expenses (charged back to tenants) of \$1,171,000 which includes the management fee of the Corporation. The arrangement with the University also required the Corporation to donate any residual net rental income to Associated Students of San Francisco State University (ASI). At June 30, 2015 the residual net rental income contributed to ASI was \$358,894. The net impact to the Corporation's change in net position was an increase of \$229,509 for the administrative fee charged to the leasing operations.

- **Non-Operating revenues and expenses**

Total non-operating revenue decreased by approximately \$1,300,000 primarily attributed to a decrease in investment income.

**Financial Position**

The statement of net position presents the financial position of the Corporation at the end of fiscal year 2015 and 2014. The purpose of the statement of net position is to present to the readers of the financial statements a fiscal summary of the Corporation. From the data presented, the readers of the statement of net position are able to determine the assets available to continue the operations of the Corporation. The readers are also able to determine how much the Corporation owes its vendors as well as assessing other liabilities. Finally, the statement of net position provides an overview of the net position (assets, deferred outflows of resources minus liabilities, deferred inflows of resources) and their availability for expenditure.

Net Position is divided into three major categories. The first category, Invested in Capital Assets, presents the Corporation's equity in property and equipment. The next asset category is Restricted Assets, which is divided into two categories, Nonexpendable and Expendable.

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The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted assets are available for expenditure by the Corporation, but must be spent for purposes as determined by donors and/or external entities that have placed time, purpose or legal restrictions on the use of the assets. The final category is Unrestricted Assets that are available to the Corporation for any lawful purpose of the Corporation.

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

**Condensed Statement of Net Position - 2015, 2014, and 2013**

	2015	2014	2013
<b>ASSETS</b>			
Current assets	\$ 9,966,473	\$ 6,030,045	\$ 5,454,179
Noncurrent assets	19,420,151	20,621,305	18,080,423
<b>Total assets</b>	<b>29,386,624</b>	<b>26,651,350</b>	<b>23,534,602</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>Total assets and deferred outflows of resources</b>	<b>\$ 29,386,624</b>	<b>\$ 26,651,350</b>	<b>\$ 23,534,602</b>
<b>LIABILITIES</b>			
Current liabilities	\$ 3,323,252	\$ 1,023,425	\$ 1,201,252
Noncurrent liabilities	152,552	152,552	152,552
<b>Total liabilities</b>	<b>3,475,804</b>	<b>1,175,977</b>	<b>1,353,804</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>167,319</b>	<b>239,930</b>	<b>326,332</b>
<b>NET POSITION</b>			
Investment in capital assets	1,267,630	1,098,383	1,015,301
Restricted:			
Nonexpendable - endowments	600,731	594,345	544,272
Expendable – grants and contracts, scholarships, fellowships, capital projects	14,568,251	13,925,228	11,934,167
Unrestricted	9,306,889	9,617,487	8,360,726
<b>Total net position</b>	<b>25,743,501</b>	<b>25,235,443</b>	<b>21,854,466</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 29,386,624</b>	<b>\$ 26,651,350</b>	<b>\$ 23,534,602</b>

**The University Corporation, San Francisco State**  
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**Assets**

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

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

Unearned chargebacks receivable remained the same for fiscal year 2015 and 2014 as no redemptions were received regarding the chargebacks related to Franciscan Shops.

In fiscal year 2014 current assets increased by approximately \$576,000 11%. The increase was mainly attributed to increase in allocation of short term investments due to distribution of holdings

**Liabilities**

In fiscal year 2015, current liabilities increased over 2014 by approximately \$2,300,000. This increase is mainly attributed to an increase in payables to related party. Related party payables increased as a result of the Corporation taking over the management of the vendors in the Cesar Chavez Student Center which involves Associated Students, Inc. and the University. There were also increased payables for the related party which was related to the reimbursement to the campus for reimbursed released time.

Deferred inflows of resources decreased over 2014 by approximately \$72,600 (-30%) primarily due to recognizing the current revenue attributed to a one-time payment by Follett Higher Education Group, Inc.

In fiscal year 2014, current liabilities saw a decrease over 2013 of approximately \$178,000. This decrease was mainly attributed to decrease in accounts payable was due to paying more invoices before the end of the year thereby reducing accrued expenses.

**Net Position**

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

As of June 30, 2014, total net position was \$25,235,443 which is an increase of approximately \$3,380,000 15% from the previous year. The increase is primarily attributed to an increase in non-operating revenues of approximately \$1,686,000 which is comprised primarily of investment income.



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

**Results of Operations**

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

Detailed statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2015 and 2014 is included in the financial statements.

**Condensed Statement of Revenues, Expenses and Changes in Net Position**

**For the years ended June 30, 2015, 2014 and 2013**

	2015	2014	2013
<u>Operating Revenues (Expenses):</u>			
Revenues	\$ 11,040,987	\$ 8,478,667	\$ 9,559,437
Expenses	(14,125,929)	(10,016,887)	(10,959,717)
<u>Operating loss</u>	<u>(3,084,942)</u>	<u>(1,538,220)</u>	<u>(1,400,280)</u>
<u>Non-operating Revenues (Expenses):</u>			
Contributions	3,528,655	2,951,233	2,817,820
Investment return	809,612	2,168,531	1,000,683
Transfers to the University	(745,267)	(200,564)	(585,319)
<u>Total Non-operating Revenues (Expenses)</u>	<u>3,593,000</u>	<u>4,919,197</u>	<u>3,233,184</u>
<u>Change in Net Position</u>	<u>\$ 508,058</u>	<u>\$ 3,380,977</u>	<u>\$ 1,832,904</u>
Transfer from Franciscan Shops			\$ 4,282,467
Transfer of assets to the University			\$ (1,144,621)

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**OPERATING REVENUES**

**Retail, Program, Grants, and Contracts Revenue**

For fiscal year 2015 grants and contract revenue increased over fiscal year 2014 by approximately \$288,000. For fiscal year 2014, grants and contracts revenue decreased approximately \$47,000.

Program revenues are the function of the many projects administered by the Corporation which must be self-supporting. Program revenue consists mainly of revenue received to support campus programs, and student scholarships. Program revenue increased \$439,000 in 2015 over 2014 mainly due to increase in revenue related to lobby shop, healthy University and campus copy center. Program revenue was down substantially in 2014 compared to 2013 as the Whirlwind Wheelchair program sales activity decreased due to the program terminating its operations under the Corporation in 2014 and all program activity ceased as of June 30, 2014.

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 \$179,900 in fiscal year 2015. During 2015 the Corporation's other self-operating retail operations were down slightly from the previous year by approximately \$81,000. The Corporation's commission revenue earned from its contract with Follett to manage the SFSU Bookstore also decreased during 2015 due to their decreasing sales by approximately \$79,720.

Transfers received from endowments increased approximately \$246,000 and \$262,000 in 2015 and 2014, respectively, which are part of operating revenues.

During 2014, program, grants and contract revenue decreased approximately \$1,080,770 overall which was primarily attributed to a decrease in retail revenue of approximately \$423,000, decrease program revenue of approximately \$742,000 and a decrease in grants and contract revenue of \$47,000. Although program, grants and contract revenue decreased related party revenue from endowments which support campus programs and scholarships increased approximately \$261,000.

Indirect costs from grants, contracts and campus programs were eliminated against revenue as not to double count the total revenue and expenses. Indirect costs incurred for grants, contracts and campus programs as of June 30, 2015 and 2014 were \$668,204 and \$340,653, respectively.

**Rental Income**

Rental income is comprised mainly of food vending tenants and the fitness facility located on campus. Rental income increased in fiscal year 2015 by approximately \$1,641,000 over the previous year. The rental income increased significantly in 2015 due to the Corporation taking over the management of all vendors within the Cesar Chavez Student Center. Rental income decreased in fiscal year 2014 by approximately \$52,000 over the previous year; primarily due to Enterprise rental car ending its lease with the Corporation in November 2013, Patelco ATMs ending its lease in June 2013 and new vendor US Bank starting its operations in January 2014 at which time the rent commenced. Tenant rents are increased based on the consumer price index (CPI) which is reviewed annually.

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**Other Revenue**

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

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

**OPERATING EXPENSES**

**Operating Expenses**

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

Operating expenses increased in fiscal year 2015 by approximately \$4,109,000 41%. Indirect cost from grants, contracts and campus programs were eliminated against revenue as not to double count the total revenue and expenses. Indirect costs incurred for grants and contracts, campus programs and endowment were \$668,204. Expenses related to grants and contracts increased slightly by approximately \$652,000 during 2015 as grant activity continues to decrease. Scholarship expense increased over prior year by approximately \$240,000 (21%) as more scholarships were given out to students during 2015. Retail expenses increased by approximately \$104,000 due to increased expenses related the retail operations such as contractual services, credit card processing fee and increased cost of goods. Management and general expenses increased approximately \$2,150,000 primarily due to increased activity as a result of the Corporation taking over the management of the Student Center vendors. The Corporation also approved a cost of living increase to its staff working under the self-operations in fiscal year 2015 of 3% however the Corporation continues to see savings in salary with efficient management.

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

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**NON-OPERATING REVENUES AND EXPENSES**

**Contributions**

Contributions are recognized as revenue when they are verifiable, measurable, probable of collection, and the Corporation has met all time and eligibility requirements. Contributions increased during fiscal year 2015 over the prior year by approximately \$577,000 (20%). Campus programs and scholarship funds continued to see increased contributions during fiscal year 2015 for various programs administered under the Corporation. There was an increase in pledge receivables for 2015 for campus programs which contributed to an increase in contributions during the fiscal year.

Contributions increased during fiscal year 2014 over the prior year by approximately \$133,000 (5%). The increase was mainly attributed to increase of contributions for campus programs and scholarships for various programs administered under the Corporation. There was an increase in pledge receivables for 2014 for campus programs which contributed to an increase in contributions during the fiscal year.

**Investment Return**

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

Fiscal year 2014 saw an increase in investment returns as a result of the market being bullish for most of the year. The investment return increased approximately \$1,168,000 (117%) over the previous year.

**SIGNIFICANT ITEMS**

In fiscal year 2016, the Corporation will be selecting a developer in which to team as a partner in the development of the Holloway project. The Corporation will lease an acre from the campus and sublease it to the developer chosen as a partner. The Corporation will also continue as a business partner for the campus to handle commencement.

The Corporation will also enter into a new partnership with Office Max under the Copy Center and change the equipment leases for the Copy Center which will help reduce the continuing losses for that operation. Under the partnership the Corporation will continue offering same day service but will be able to greatly increase its service offerings to the public through Office Max. This new arrangement will create a profit sharing model between the Corporation and Office Max.

The chancellor's office expressed concern related to the unique standing of the Franciscan Shops (Franciscan) as a corporation wholly controlled by another auxiliary. In response, management has determined that it is in the best interest of the Franciscan and the university to pursue dissolution on the

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Franciscan in fiscal year 2016 which would be effected via a merger with and into the Corporation. The Corporation will remain as the surviving corporation with no change to its status, other than to take on all assets and liabilities currently held by Franciscan. This will have a zero effect on the Corporation's books as the financial statements have been presented consolidated since fiscal year 2013.

Franciscan's board of directors will, over the course of Fall 2015, approve a dissolution plan, effect the merger and take all steps necessary to complete the process, including obtaining approvals from the campus president and chancellor's office, and then ultimately filing a notice with the California Attorney General and then the Secretary of State.

Investment income is an important revenue source for the Corporation's unrestricted funds. The last quarter of the fiscal year the world market continued showing growth though at a lower rate of return. The beginning of 2016 fiscal year has been more volatile due to the international market uncertainty. The Corporation continues to refine its investment policy to create a portfolio that would be able to handle the market fluctuations over the medium and long term.

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.

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(Component Unit of San Francisco State University)

**Statement of Net Position**

<i>June 30,</i>	2015	2014
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 673,426	\$ 466,933
Investments, unrestricted	8,002,802	4,939,306
Pledges receivable	431,738	288,350
Accounts receivable, net	803,599	304,617
Prepaid expenses and other assets	54,908	30,839
Total current assets	9,966,473	6,030,045
<b>Noncurrent Assets:</b>		
Pledges receivable, net	332,679	386,411
Unearned chargebacks receivable	152,552	152,552
Investments:		
Unrestricted	16,984,828	16,403,768
Receivable from SF State University Foundation	81,731	1,985,846
Restricted	600,731	594,345
Capital assets, net	1,267,630	1,098,383
Total noncurrent assets	19,420,151	20,621,305
Total assets	29,386,624	26,651,350
<b>Deferred Outflows of Resources</b>		
Total assets and deferred outflows of resources	\$ 29,386,624	\$ 26,651,350
<b>Liabilities</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 856,605	\$ 535,316
Accrued salaries and benefits payable	160,135	171,771
Accrued compensated absences	73,003	55,989
Payable to related parties	2,233,509	260,349
Total current liabilities	3,323,252	1,023,425
<b>NonCurrent Liabilities:</b>		
Unearned chargebacks payable	152,552	152,552
Total noncurrent liabilities	152,552	152,552
<b>Deferred Inflows of Resources</b>	167,319	239,930
<b>Net Position:</b>		
Invested in capital assets	1,267,630	1,098,383
Restricted for:		
Nonexpendable - endowments	600,731	594,345
Expendable - grants and contracts, scholarships, fellowships, capital projects	14,568,251	13,925,228
Unrestricted	9,306,889	9,617,487
Total net position	25,743,501	25,235,443
Total liabilities, deferred inflows of resources and net position	\$ 29,386,624	\$ 26,651,350

See accompanying notes to financial statements.

**The University Corporation, San Francisco State**  
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**Statement of Revenues, Expenses and Changes in Net Position**

<i>Year Ended June 30,</i>	2015	2014
<b>Operating Revenues:</b>		
Grants and contract revenue	\$ 1,280,641	\$ 992,628
Program revenue	2,802,209	2,362,409
Retail revenue	2,813,394	2,914,971
Programs funded by related parties	1,927,314	1,681,509
Rental income	2,079,712	438,643
Other revenues	137,717	88,507
<b>Total operating revenues</b>	<b>11,040,987</b>	<b>8,478,667</b>
<b>Operating Expenses:</b>		
Grants and contracts	1,703,967	1,051,569
Campus programs	4,819,662	3,846,365
Student scholarships	1,401,426	1,161,011
Management and general	3,809,909	1,660,693
Retail expenses	2,199,324	2,094,417
Depreciation	191,641	202,832
<b>Total operating expenses</b>	<b>14,125,929</b>	<b>10,016,887</b>
<b>Operating loss</b>	<b>(3,084,942)</b>	<b>(1,538,220)</b>
<b>Nonoperating Revenues (Expenses):</b>		
Contributions	3,528,655	2,951,233
Investment return	809,612	2,168,528
Transfer to San Francisco State University	(745,267)	(200,564)
<b>Net nonoperating revenues (expenses)</b>	<b>3,593,000</b>	<b>4,919,197</b>
<b>Change in Net Position</b>	<b>508,058</b>	<b>3,380,977</b>
<b>Net Position, beginning of the year</b>	<b>25,235,443</b>	<b>21,854,466</b>
<b>Net Position, end of the year</b>	<b>\$ 25,743,501</b>	<b>\$ 25,235,443</b>

See accompanying notes to financial statements.

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

**Statement of Cash Flows**

<i>Year Ended June 30,</i>	2015	2014
<b>Cash Flows from Operating Activities:</b>		
Receipts from programs	\$ 8,162,309	\$ 8,079,180
Rent receipts	2,079,712	438,643
Payments to suppliers	(6,501,196)	(6,355,970)
Payments to employees for services	(3,755,908)	(2,327,389)
Scholarships to students	(1,401,426)	(1,161,011)
Other	137,717	88,507
Net cash used by operating activities	(1,278,792)	(1,238,040)
<b>Cash Flows from Noncapital Financing Activities:</b>		
Donations received	3,528,655	2,951,233
Transfer to San Francisco State University	(745,267)	(200,564)
Net cash provided by noncapital financing activities	2,783,388	2,750,669
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Capital asset additions	(360,888)	(83,083)
Net cash used by capital and related financing activities	(360,888)	(83,083)
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sales and maturities of investments	10,334,094	13,775,555
Purchase of investments	(12,080,921)	(17,736,727)
Investment income	809,612	2,168,528
Net cash used by investing activities	(937,215)	(1,792,644)
<b>Net Change in Cash and Cash Equivalents</b>	206,493	(363,098)
<b>Cash and Cash Equivalents, beginning of year</b>	466,933	830,031
<b>Cash and Cash Equivalents, end of year</b>	\$ 673,426	\$ 466,933

See accompanying notes to financial statements.



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

**Statement of Cash Flows (continued)**

<i>June 30,</i>	2015	2014
<b>Reconciliation of Operating Loss to Net Cash</b>		
<b>Flows Used by Operating Activities:</b>		
Operating loss	\$ (3,084,942)	\$ (1,538,220)
Adjustments to reconcile operating loss to net cash flows used by operating activities:		
Depreciation	191,641	202,832
Changes in assets and liabilities:		
Accounts receivable and pledges receivable	(588,638)	210,649
Prepaid expenses and other assets	(24,069)	147,512
Accounts payable	321,289	(40,686)
Deferred inflows of resources	(72,611)	(86,402)
Payable to related parties	1,973,160	(115,278)
Accrued salaries and benefits payable	(11,636)	10,732
Accrued compensated absences	17,014	(29,179)
<b>Total adjustments</b>	<b>1,806,150</b>	<b>300,180</b>
<b>Net cash used by operating activities</b>	<b>\$ (1,278,792)</b>	<b>\$ (1,238,040)</b>
<b>Supplemental Disclosures of Cash Flow Activity:</b>		
Non-cash activity:		
Transfer of Assets to San Francisco State University		\$ (91,688)
Donations of stock received	\$ 27,863	\$ 203,016
Fixed asset addition in account payable	\$ 113,753	

See accompanying notes to financial statements.

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

**Notes to Financial Statements**

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**Note 1 - Organization:**

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

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

The Corporation, as of July 1, 2012 became the only member of the Franciscan Shops, a non-profit member corporation. The Franciscan Shops, is formerly an auxiliary of the University; collectively “the Corporation”. For 2015 and 2014, the financial statements of the Franciscan Shops have been incorporated into the financial statements of the Corporation.

**Note 2 - Summary of Significant Accounting Policies:**

a. Basis of Presentation

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

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

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

**Notes to Financial Statements**

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

The Corporation considers assets to be current that can reasonably be expected, as part of its normal business operations, to be converted to cash and be available for liquidation of current liabilities within twelve months of the date of the Statement of Net Position. Liabilities that reasonably can be expected, as part of the Corporation's normal business operations, to be liquidated within twelve months of the date of the Statement of Net Position are considered to be current. All other assets and liabilities are considered to be non-current; with the exception of those amounts that are required to be reported as deferred outflows or inflows of resources. The Corporation follows GASB 63 and 65 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, 2015 and 2014, the Corporation maintains operating and capital reserves of approximately, \$2,220,000 and \$1,863,000, respectively.

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

**Notes to Financial Statements**

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b. Cash and Cash Equivalents

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

Custodial credit risk - In the case of bank deposits, this is the risk that in the event of a bank failure, the Corporation's deposits may not be returned. The Corporation does not have a formal policy addressing custodial credit risk for its bank deposits. Though the Corporation is not a government agency, the financial institutions, in which the Corporation makes its deposits, have collateralized the deposits in accordance with section 53601 et. Seq. of the California Government Code. Wells Fargo is a financial institution whereby Federal Deposit Insurance Corporation (FDIC) insures deposits. Deposits of more than the \$250,000 insured amount will be collateralized by the bank by pledging identifiable collateral according to statute. Periodically, throughout June 30, 2015 and 2014, the Corporation maintained balances in excess of the federally insured limits. .

c. Accounts Receivable, net

Accounts receivable include amounts due from special projects, business services, contracts and other receivables from San Francisco State University. Accounts receivable of \$803,599 and \$304,617 as of June 30, 2015 and 2014, respectively, are shown net of an allowance for uncollectible accounts.

d. Pledges Receivable

Unconditional promises of private gifts to the Corporation are recorded as pledges receivable and revenue in the year promised at the present value of expected cash flows. Unconditional promises to give that are expected to be collected in future years are recorded at fair value based upon the present value of their estimated future cash flows. Discounts are computed using estimated market rates. Amortization of the discounts is included in grants and contracts revenue. The pledge receivable discount at June 30, 2015 and 2014 is approximately \$20,400 and \$20,500, respectively. Conditional promises and intentions to pledge are recognized as receivables and revenue when the specific condition and/or eligibility and recognition requirement is met.

e. Investments

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

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

**Notes to Financial Statements**

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

f. Restricted Investments

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

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

g. Capital Assets

Capital assets, which include property, leasehold improvements, and equipment, are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from five to ten years for equipment and ten to thirty years for buildings and related improvements. Property and equipment with a value of less than \$5,000 is not capitalized. Annually, the Corporation transfers ownership of the capital assets belonging to closed projects to the University, where appropriate. Transfers of capital assets purchased by the Corporation where Corporation projects request the transfer of those assets to the University. The net book value of transfers made to the University during the fiscal year ended June 30, 2014 amounted to \$91,688. There were no fixed assets transfers made to the University during fiscal year ended June 30, 2015.

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

**Notes to Financial Statements**

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h. Compensated Absences

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

i. Revenue and Expenses

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

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

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

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

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

j. Use of Estimates

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

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

**Notes to Financial Statements**

k. Income Taxes

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

l. Reclassifications

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

m. Recent Accounting Pronouncements Adopted or Under Consideration

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

**Note 3 - Investments:**

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

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

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

**Notes to Financial Statements**

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

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

Investment return for the years ended June 30, 2015 and 2014 consists of the following:

	2015	2014
Interest and dividends	\$ 676,381	\$ 355,112
Realized and unrealized gain	133,231	1,813,416
	\$ 809,612	\$ 2,168,528

*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**

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*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."

**Note 4 - Endowments:**

Endowments held and administered by the Corporation at June 30, 2015 and 2014 are as follows:

	Restricted Net Assets Nonexpendable	
<u>Endowments</u>	\$ 600,731	\$ 594,345

The Corporation's investment policy during fiscal year 2015 and 2014 allowed a 4 % annual payout based on quarterly average daily balance of the fund. The 4% annual payout was not changed during the year and disbursements were allowed.

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

**Notes to Financial Statements**

**Note 5 - Capital Assets:**

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

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

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

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

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

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

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

**Notes to Financial Statements**

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**Note 6 - Related Parties:**

During the year ended June 30, 2015 and 2014, the Corporation paid \$6,988,913 and \$3,309,428, respectively to the University and its affiliates for salary reimbursement, tuition and fees, scholarships, facilities, and other administrative costs. The Corporation paid \$619,765 and \$1,296,544 to the San Francisco State University Foundation in 2015 and 2014, respectively. During the year ended June 30, 2015 and 2014, the Corporation received \$3,739,266 and \$2,527,749, 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 will utilize in the Cesar Chavez Student Center. The term of the master lease is July 1, 2014 to June 30, 2019. The Corporation will share 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, 2015, the Corporation reimbursed the University approximately \$838,000 for its 56% share of the Cesar Chavez Student Center.

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

At June 30, 2015, the Corporation's recorded receivables from the University and its affiliates was \$536,965 and payables to the University and its affiliates totaled \$2,155,116. At June 30, 2014, the Corporation's recorded receivables from the University and its affiliates was \$177,285 and payables to the University and its affiliates totaled \$260,349.

During 2015, the Corporation's total investment in alternative investments held by the Foundation was approximately \$82,000 and \$1,986,000 at June 30, 2015 and 2014, respectively. The allocated fair value net of investment fees for these investments and receivable from the Foundation were \$81,732 and \$1,985,846 at June 30, 2015 and 2014, respectively.

**Note 7 - Lease Operations:**

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

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

**Notes to Financial Statements**

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

On June 30, 2014, all rental agreements and contracts between the concessionaries and the Student Center terminated. Effective July 1, 2014, those rental activities were assumed by the Corporation on behalf of San Francisco State University and were converted to month-to-month lease agreements. As of June 30, 2015, total rental receipts including recharges amounted to \$1,530,056 and total expenses were \$1,171,163.

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

**Note 8 - Administration Fees:**

The Corporation charges an administrative fee of 5% on gifts and 10% on program revenue to campus programs. Grants and contracts are charged an administrative fee based on the rate provided by the granting agency. Scholarship funds are not charged an administrative fee by the Corporation. Administrative fees of \$636,342 and \$392,023 were charged by the Corporation during the years ended June 30, 2015 and 2014, respectively.

**Note 9 - Risk Financing Activities:**

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

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

**Notes to Financial Statements**

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**Note 10 - Litigation:**

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

**Note 11 - Retirement Plan:**

The Corporation adopted a 403(b) Retirement and Savings Plan which matches fifty percent of employee contributions up to 5% of each employee's eligible compensation. The Corporation's contribution for the plan years ended June 30, 2015 and 2014 were \$27,945 and \$26,597, respectively.

**Note 12 - Bookstore Operator:**

The Corporation continues to maintain an agreement with Follett Higher Education Group, Inc. (Follett) to manage most of the operations and activities that had been conducted by the Franciscan Shops for San Francisco State University and its students. This took effect July 11, 2012. The agreement is for a five year term with three additional two year term options. The agreement allows Follett to purchase the bulk of the Franciscan Shops' inventory based on certain conditions and prices. Follett was required to make various operating and financial commitments to the Corporation in addition to the annual percentage of sales commission required by the agreement. Follett will enter into a lease with the Corporation for the operating space and facilities. In June 2012, the Corporation received a one time payment from Follett which management is amortizing over 5 years the maximum term of the contract; unearned revenue at June 30, 2015 and 2014 was \$167,319 and \$239,930, respectively and it is a component of Deferred Inflows of Resources.

**The University Corporation, San Francisco State**

Schedule of Net Position

June 30, 2015

(for inclusion in the California State University)

(See Independent Auditors' Report on Supplementary Information)

Assets:

Current assets:	
Cash and cash equivalents	\$ 673,426
Short-term investments	8,002,802
Accounts receivable, net	803,599
Leases receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	431,738
Prepaid expenses and other assets	54,908
	<hr/>
Total current assets	9,966,473

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	332,679
Endowment investments	600,731
Other long-term investments	17,066,559
Capital assets, net	1,267,630
Other assets	152,552
	<hr/>
Total noncurrent assets	19,420,151
	<hr/>
Total assets	29,386,624

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

Liabilities:

Current liabilities:	
Accounts payable	856,605
Accrued salaries and benefits payable	160,135
Accrued compensated absences- current portion	73,003
Unearned revenue	-
Capitalized lease obligations - current portion	-
Long-term debt obligations - current portion	-
Claims Liability for losses and LAE - current portion	-
Depository accounts	-
Other liabilities	2,233,509
	<hr/>
Total current liabilities	3,323,252

Noncurrent liabilities:	
Accrued compensated absences, net of current portion	-
Unearned revenue	-
Grants refundable	-
Capitalized lease obligations, net of current portion	-
Long-term debt obligations, net of current portion	-
Claims Liability for losses and LAE, net of current portion	-
Depository accounts	-
Other postemployment benefits obligation	-
Pension obligation	-
Other liabilities	152,552
	<hr/>
Total noncurrent liabilities	152,552
	<hr/>
Total liabilities	3,475,804

Deferred inflows of resources:	
Unamortized gain on debt refunding	-
Non-exchange transactions	-
Service concession arrangements	-
Net pension obligation	-
Others	167,319
	<hr/>
Total deferred inflows of resources	167,319

Net Position:	
Net investment in capital assets	1,267,630
Restricted for:	
Nonexpendable - endowments	600,731
Expendable:	
Scholarships and fellowships	14,568,251
Research	
Loans	
Capital projects	-
Debt service	
Other	
Unrestricted	9,306,889
	<hr/>
Total net position	\$ 25,743,501

**The University Corporation, San Francisco State**  
Schedule of Revenues, Expenses, and Changes in Net Position  
Year Ended June 30, 2015  
(for inclusion in the California State University)  
(See Independent Auditors' Report on Supplementary Information)

Revenues:	
Operating revenues:	
Student tuition and fees (net of scholarship allowances of \$_____)	\$ -
Grants and contracts, noncapital:	
Federal	-
State	35,575
Local	-
Nongovernmental	1,245,066
Sales and services of educational activities	-
Sales and services of auxiliary enterprises (net of scholarship allowances of \$_____)	9,622,629
Other operating revenues	137,717
Total operating revenues	<u>11,040,987</u>
Expenses:	
Operating expenses:	
Instruction	1,133,790
Research	833,835
Public service	884,857
Academic support	2,867,224
Student services	122,111
Institutional support	1,808,956
Operation and maintenance of plant	-
Student grants and scholarships	1,401,426
Auxiliary enterprise expenses	4,882,089
Depreciation and amortization	191,641
Total operating expenses	<u>14,125,929</u>
Operating income (loss)	<u>(3,084,942)</u>
Nonoperating revenues (expenses):	
State appropriations, noncapital	-
Federal financial aid grants, noncapital	-
State financial aid grants, noncapital	-
Local financial aid grants, noncapital	-
Nongovernmental and other financial aid grants, noncapital	-
Other federal nonoperating grants, noncapital	-
Gifts, noncapital	2,783,388
Investment income (loss), net	809,612
Endowment income (loss), net	-
Interest Expenses	-
Other nonoperating revenues (expenses)	-
Net nonoperating revenues (expenses)	<u>3,593,000</u>
Income (loss) before other additions	508,058
State appropriations, capital	-
Grants and gifts, capital	-
Additions (reductions) to permanent endowments	-
Increase (decrease) in net position	<u>508,058</u>
Net position:	
Net position at beginning of year, as previously reported	25,235,443
Restatements	-
Net position at beginning of year, as restated	<u>25,235,443</u>
Net position at end of year	<u>\$ 25,743,501</u>

**The University Corporation, San Francisco State**  
Other Information  
June 30, 2015  
(for inclusion in the California State University)  
(See Independent Auditors' Report on Supplementary Information)

**1 Restricted cash and cash equivalents at June 30, 2015:**  
Portion of restricted cash and cash equivalents related to endowments  
All other restricted cash and cash equivalents  
Total restricted cash and cash equivalents

	\$ -
	-
	\$ -

**2.1 Composition of investments at June 30, 2015:**

	Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
State of California Surplus Money Investment Fund (SMIF)	-	-	-	-	-	-	-
State of California Local Agency Investment Fund (LAIF)	-	4,701,681	4,701,681	-	-	-	4,701,681
Corporate bonds	-	71,648	71,648	943,880	-	943,880	1,015,528
Certificates of deposit	-	-	-	-	-	-	-
Mutual funds	-	-	-	7,055,228	-	7,055,228	7,055,228
Money Market funds	-	3,066,379	3,066,379	-	-	-	3,066,379
Repurchase agreements	-	-	-	-	-	-	-
Commercial paper	-	-	-	-	-	-	-
Asset backed securities	-	2,004	2,004	833,831	-	833,831	835,835
Mortgage backed securities	-	-	-	-	-	-	-
Municipal bonds	-	460	460	34,978	-	34,978	35,438
U.S. agency securities	-	-	-	-	-	-	-
U.S. treasury securities	-	160,630	160,630	1,243,953	-	1,243,953	1,404,583
Equity securities	-	-	-	6,872,958	600,731	7,473,689	7,473,689
Exchange traded funds (ETFs)	-	-	-	-	-	-	-
Alternative investments:	-	-	-	-	-	-	-
Private equity (including limited partnerships)	-	-	-	-	-	-	-
Hedge funds	-	-	-	81,731	-	81,731	81,731
Managed futures	-	-	-	-	-	-	-
Real estate investments (including REITs)	-	-	-	-	-	-	-
Commodities	-	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-	-
Other alternative investment types	-	-	-	-	-	-	-
Other external investment pools (excluding SWIFT)	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Other major investments:	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Total investments	-	8,002,802	8,002,802	17,066,559	600,731	17,667,290	25,670,092
Less endowment investments (enter as negative number)	-	-	-	-	(600,731)	(600,731)	(600,731)
Total investments	-	8,002,802	8,002,802	17,066,559	-	17,066,559	25,069,361

**2.2 Investments held by the University under contractual agreements at June 30, 2015:**  
Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2015 :

	-
--	---

**2.3 Restricted current investments at June 30, 2015 related to:**

	<u>Amount</u>
Restricted for Expendable scholarships, fellowships	\$ 8,002,802
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Total restricted current investments at June 30, 2015	\$ 8,002,802

**2.4 Restricted noncurrent investments at June 30, 2015 related to:**

	<u>Amount</u>
Endowment investment	\$ 600,731
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Total restricted noncurrent investments at June 30, 2015	\$ 600,731



**The University Corporation, San Francisco State**  
Other Information  
June 30, 2015  
(for inclusion in the California State University)  
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**3.1 Composition of capital assets at June 30, 2015:**

	Balance June 30, 2014	Prior period Adjustments	Reclassifications	Balance June 30, 2014 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2015
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:	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
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**The University Corporation, San Francisco State**  
Other Information  
June 30, 2015  
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**3.2 Detail of depreciation and amortization expense for the year ended June 30, 2015:**

Depreciation and amortization expense related to capital assets	\$ 191,641
Amortization expense related to other assets	—
Total depreciation and amortization	<u>\$ 191,641</u>

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

	Balance June 30, 2014	Prior period adjustments	Reclassifications	Balance June 30, 2014 (restated)	Additions	Reductions	Balance June 30, 2015	Current portion	Long-term portion
Accrued compensated absences	\$ 55,989	—	—	55,989	57,464	(40,450)	73,003	73,003	—
Capitalized lease obligations:									
Gross balance	—	—	—	—	-	-	—	—	—
Unamortized premium / (discount) on capitalized lease obligations	—	—	—	—	-	-	—	—	—
Total capitalized lease obligations	—	—	—	—	-	-	—	—	—
Long-term debt obligations:									
Revenue Bonds	—	—	—	—	-	-	—	—	—
Other bonds (non-Revenue Bonds)	—	—	—	—	-	-	—	—	—
Commercial Paper	—	—	—	—	-	-	—	—	—
Note Payable related to SRB	—	—	—	—	-	-	—	—	—
Other:									
Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-	-	—	—	—
Total long-term debt obligations	—	—	—	—	-	-	—	—	—
Unamortized bond premium / (discount)	—	—	—	—	-	-	—	—	—
Total long-term debt obligations, net	—	—	—	—	-	-	—	—	—
Total long-term liabilities	\$ 55,989	—	—	55,989	57,464	(40,450)	73,003	73,003	—

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

	Principal	Interest	Principal and Interest
Year ending June 30:			
2016	-	-	—
2017	-	-	—
2018	-	-	—
2019	-	-	—
2020	-	-	—
2021 - 2025	-	-	—
2026 - 2030	-	-	—
2031 - 2035	-	-	—
2036 - 2040	-	-	—
2041 - 2045	-	-	—
2046 - 2050	-	-	—
2051 - 2055	-	-	—
2056 - 2060	-	-	—
2061 - 2065	-	-	—
Total minimum lease payments	—	—	—
Less amounts representing interest			—
Present value of future minimum lease payments			—
Less: current portion			—
<b>Capitalized lease obligation, net of current portion</b>			<u>\$ —</u>

**The University Corporation, San Francisco State**  
Other Information  
June 30, 2015  
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**6 Long-term debt obligation schedule**

	Revenue Bonds		Principal and Interest	All other long-term debt obligations		Total		Principal and Interest
	Principal	Interest		Principal	Interest	Principal	Interest	
Year ending June 30:								
2016	\$ -	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-
2021 - 2025	-	-	-	-	-	-	-	-
2026 - 2030	-	-	-	-	-	-	-	-
2031 - 2035	-	-	-	-	-	-	-	-
2036 - 2040	-	-	-	-	-	-	-	-
2041 - 2045	-	-	-	-	-	-	-	-
2046 - 2050	-	-	-	-	-	-	-	-
2051 - 2055	-	-	-	-	-	-	-	-
2056 - 2060	-	-	-	-	-	-	-	-
2061 - 2065	-	-	-	-	-	-	-	-
Total	\$ -	-	-	-	-	-	-	-

**7 Calculation of net position**

	Auxiliary Organizations		Total Auxiliaries
	GASB	FASB	
<b>7.1 Calculation of net position - Net investment in capital assets</b>			
Capital assets, net of accumulated depreciation	\$ 1,267,630		1,267,630
Capitalized lease obligations - current portion	—	—	—
Capitalized lease obligations, net of current portion	—	—	—
Long-term debt obligations - current portion	—	—	—
Long-term debt obligations, net of current portion	—	—	—
Portion of outstanding debt that is unspent at year-end	—	—	—
Other adjustments: (please list)			
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Net position - net investment in capital asset	\$ 1,267,630	—	1,267,630
<b>7.2 Calculation of net position - Restricted for nonexpendable - endowments</b>			
Portion of restricted cash and cash equivalents related to endowments	\$ —		—
Endowment investments	600,731		600,731
Other adjustments: (please list)			
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Net position - Restricted for nonexpendable - endowments per SNP	\$ 600,731	—	600,731

**The University Corporation, San Francisco State**  
 Other Information  
 June 30, 2015  
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**8 Transactions with Related Entities**

	<b>Amount</b>
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 1,511,581
Payments to University for other than salaries of University personnel	4,731,352
Payments received from University for services, space, and programs	971,928
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)	(1,787,248)
Other amounts (payable to) University (enter as negative number)	—
Accounts receivable from University	459,528
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)	—
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	—
Add description	—
Add description	—
Total pollution remediation liabilities	\$ —
Less: current portion	—
Pollution remediation liabilities, net of current portion	—

**The University Corporation, San Francisco State**  
 Other Information  
 June 30, 2015  
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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, 2014, as previously reported	\$	25,235,443
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, 2014, as restated	\$	25,235,443

**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)	—	—