

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

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

June 30, 2018 and 2017

Contents

	Page
Report of Independent Certified Public Accountants	3-5
Management Discussion and Analysis	6-17
Statements of Net Position	18
Statements of Revenues, Expenses, and Changes in Net Position	19
Statements of Cash Flows	20-21
Notes to Financial Statements	22-37
Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters required by <i>Government</i> <i>Auditing Standards</i>	38-39
Supplementary Information	
Schedule of Net Position	40
Schedule of Revenues, Expenses, and Changes in Net Position	41
Other Information	42-51



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
The University Corporation, San Francisco State

Grant Thornton LLP
101 California Street, Suite 2700
San Francisco, CA 94111
T 415.986.3900
F 415.986.3916
www.GrantThornton.com

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 as of June 30, 2018 and 2017, 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, 2018 and 2017, 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 6-17 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 40-51 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 20, 2018, 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 20, 2018

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, 2018.

The Corporation presents its financial statements for fiscal year 2018 with comparative data presented for fiscal year 2017. The emphasis of discussions concerning these statements will be for the fiscal years ended June 30, 2018 and 2017 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, 2018 and 2017 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 was 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

- **Net Position**

The Corporation's net position decreased during fiscal year 2017 – 2018. The Corporation's overall net position stands at 31.8 million at June 30, 2018, down from the previous fiscal year of 31.9 million.

The Corporation changed some assets in its portfolio as well as changed custodians during the year from UBS to Charles Schwab. All assets were fully transferred as of June 30, 2018. Investments continued to perform well with a surplus of \$1.4 million.

- **Operating Revenues and Expenses**

In fiscal year 2018, the Corporation took on the management of Student Organization Banking. The new program generated approximately \$206,000 in program revenue and contributions. The Student Organization also generated approximately \$183,000 in expenses. Clean Bites, the new vendor selected to create a juice bar in the Mashouf Wellness Center actually opened in spring 2018 instead of the projected date of fall 2017. With the delay in the opening of the juice bar the vendor paid reduced rent and will pay regular rental payments in fiscal year 2018-2019. Rental income in fiscal year 2018 was \$2,052,000 which includes recharges (charged back to tenants) of \$639,700. Expenses for the vendors in the Cesar Chavez Student Center were \$1,322,600. The management arrangement with the University and Associated Students of San Francisco State University (AS) required the Corporation to donate any residual net rental income to AS. For the year ended June 30, 2018, the residual net rental income contributed to AS was \$79,281. This amount was less than the year before due to a large expenditure paid to reimburse the university for utility related costs and repairs. The net impact to the Corporation's change in net position was an increase of \$247,393 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 2018.

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

Management Discussion and Analysis
(Unaudited)

- **Non-Operating Revenues and Expenses**

Total non-operating revenue decreased significantly during fiscal year 2018 as a result of contributions being down in comparison to last fiscal year.

Financial Position

The statement of net position presents the financial position of the Corporation at the end of fiscal year 2018 and 2017. 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.

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

Management Discussion and Analysis
(Unaudited)

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, 2018, 2017, and 2016

	2018	2017	2016
Assets:			
Current assets	\$ 32,155,381	\$ 30,870,015	\$ 16,607,694
Noncurrent assets	3,421,012	4,079,143	12,469,343
Total assets	35,576,393	34,949,158	29,077,037
Deferred Outflows of Resources			
Total assets and deferred outflows of resources	\$ 35,576,393	\$ 34,949,158	\$ 29,077,037
Liabilities:			
Current liabilities	\$ 3,689,296	\$ 3,043,241	\$ 3,098,616
Noncurrent liabilities	-	22,385	185,542
Total liabilities	3,689,296	3,065,626	3,284,158
Deferred Inflows of Resources	135,666		70,000
Net Position:			
Investment in capital assets	1,149,000	1,091,600	1,131,981
Restricted:			
Nonexpendable - endowments	618,392	613,935	583,336
Expendable - grants and contracts, scholarships, fellowships, capital projects	20,078,552	20,763,209	15,548,008
Unrestricted	9,905,487	9,414,788	8,459,554
Total net position	31,751,431	31,883,532	25,722,879
Total liabilities, deferred inflows of resources, and net position	\$ 35,576,393	\$ 34,949,158	\$ 29,077,037

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

Management Discussion and Analysis
(Unaudited)

Assets

Current assets in fiscal year 2018 increased by approximately \$1,285,365 (4%). The increase was attributed to the investment income earned by the Corporation during the fiscal year. Accounts receivables increased 108% in 2018. The increase in receivables for fiscal year 2018 is primarily related to more invoices generated between San Francisco State University. During 2018 the Corporation invoiced the campus for more activity between the two entities to better track revenue owed. There were also more outstanding invoices at year-end related to vending and related parties due to timing. The Corporation recorded a receivable of \$150,000 which contributed to the increase in receivables. This receivable is for the return of the excess funds held for the unemployment insurance program. At June 30, 2018 the Corporation had an excess balance of \$211,118. The Corporation with the return of excess funds will maintain a balance that is over 85% of the required safe level by CSURMA.

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.

In fiscal year 2018, noncurrent assets decreased by approximately \$658,000 (16%). The decrease in noncurrent assets is attributed to the decrease in pledge receivables. The Corporation received fewer pledges during the current fiscal year as well as paying down of existing pledges.

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.

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 2018, current liabilities increased \$646,000 (21%) over 2017. The increase is mainly attributed to the increase in payables to the university for scholarships, salary and benefits as well as various programs. Related party payables increased in 2018 due an increased effort to make sure all activity was appropriately captured in the correct fiscal year by extending the accrual recording period between the two entities. There were also more related party payables due to the accrual of increased scholarships awarded in fiscal year 2018.

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

Management Discussion and Analysis
(Unaudited)

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 employment. Unearned revenue also decreased in fiscal year 2017 over 2016 by approximately \$35,000.

Deferred inflows of resources was \$135,666 and \$0 respectively in 2018 and 2017. In fiscal year 2018 the Corporation recorded a charitable annuity held by the California State University Foundation.

Net Position

As of June 30, 2018, total net position was \$31,751,431 which is a decrease of approximately \$132,101. The net position decrease is due to the Corporation expenses related to the Holloway Avenue Project which will be reimbursed when the construction for the project is complete and the annual base rent for the project commences. The Corporation's investments continued to show healthy returns and operating revenue for the Corporation's retail operations as well as programs the Corporation manages had positive income for fiscal year 2018.

As of June 30, 2017, the total net position was \$31,883,532, which is a significant increase over fiscal year 2016 of approximately \$6,160,600. The 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 investments in fiscal year 2017.

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, 2018 and 2017 is included in the financial statements.

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

Management Discussion and Analysis
(Unaudited)

Condensed Statements of Revenues, Expenses, and Changes in Net Position – for the years ended June 30, 2018, 2017 and 2016

	2018	2017	2016
Operating Revenues (Expenses):			
Revenues	\$ 12,606,156	\$ 11,877,275	\$ 11,840,972
Expenses	(16,917,198)	(15,429,121)	(14,289,532)
Operating loss	(4,311,042)	(3,551,846)	(2,448,560)
Non-Operating Revenues (Expenses):			
Contributions	2,716,058	7,807,962	2,730,321
Investment return	1,462,883	1,904,537	(302,383)
Transfers to the University	-	-	-
Total non-operating revenues (expenses)	4,178,941	9,712,499	2,427,938
Change in Net Position	\$ (132,101)	\$ 6,160,653	\$ (20,622)

OPERATING REVENUES

Retail, Program, Grants, and Contracts Revenue

For fiscal year 2018, revenue increased over fiscal year 2017 by approximately \$728,881 (6%). Grants and Contracts revenue decreased by approximately 54% due to receiving fewer grants in 2018. The Corporation received a couple of multi-year grants in FY 16-17. Additionally, it did not receive funding from a repeat funder who had supported Corporation programs annually for about \$100,000 per year but recently closed its doors. This contributed to the decrease in grants and contracts revenue in fiscal year 2018. The Guardian Scholars program continues to receive a significant portion of the grants and contracts under the Corporation. The Guardian Scholars program received approximately \$617,000 in grants during fiscal year 2018.

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 by approximately \$171,000 (5%) in 2018 over 2017. This increase is primarily attributed to the Corporation management of the Student Organization banking program which had approximately \$206,000 in program revenue during fiscal 2018.

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.

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

Management Discussion and Analysis
(Unaudited)

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 \$58,583 and \$116,419 in fiscal years 2018 and 2017, respectively. Shop 24 revenue continued to be down in 2018 over 2017, as it continued to accept only cash for the whole fiscal year. Additionally, it was frequently out of service for repairs. Shop 24 Corporation shut down operations in 2017 and was no longer providing equipment support or necessary software updates to ensure regulatory compliance. Retail revenue for both convenient store operations were up in 2018 over 2017. The Lobby Shop had a light refresh at the beginning of the year, which included the space and products, which allowed the store to get off to a good start in the fall semester. Revenue for Lobby Shop was mainly flat through 2017 over 2016. Healthy U ended the year up slightly over the previous year. In 2017 Healthy U ended the year with a decrease in revenue of approximately \$37,000. Ctrl+P, an on-campus copy center, is one of the Corporation's self-operating businesses. Ctrl+P continued growing in fiscal year 2018. Ctrl+P added an additional walk-in station and provided a back office space that opened up more floor space in the shop. Ctrl+P business operation was restructured during fiscal year 2016 in an effort to reduce 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 personnel expenses. 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. These included a refresh of the location in the summer of 2017, changing out the equipment for more efficient and less expensive 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 continues to decrease by 10% over the previous year, total revenue earned in 2018 was approximately \$756,000 down from 2017 by \$134,329 (10%).

In 2018, related party revenue from endowments increased by approximately \$1,321,000 (74%). Related party revenue from endowments increased in 2017 by approximately \$73,000 (4%). 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 \$640,800 and \$729,501 as of June 30, 2018 and 2017, respectively.

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

Management Discussion and Analysis
(Unaudited)

Rental Income

Rental income is comprised of twenty food vending tenants, a bank, and ATMs. The fitness facility ceased operations in June 2017 with the anticipated opening of the Mashouf Wellness Center. Rental income decreased slightly in fiscal year 2018 by approximately \$20,000 (1%) over the previous year. Other rent was increased slightly in fiscal 2018 by \$17,000 as a result of review of common area maintenance (CAM) charges for fiscal 2017. Ike's, a vendor in the Student Center, left the campus during the fiscal year and was temporarily replaced by Crave, a sandwich shop operated by neighboring Nizario's. There was no rent lost in the assignment of the sublease. Clean Bites, the juice bar in the Mashouf Wellness Center, opened during the spring of fiscal year 2018, despite hopes of opening along with the facility in fall 2017. Delays in permitting and health department approvals caused the delay. 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 2018, other revenue increased by approximately \$356,000 (411%) primarily due to the Corporation taking on the management of the Student Organization Banking program starting in fiscal year 2018. Student Organizations that have financial transactions are required by the CSU to bank with another auxiliary or directly with the campus. The campus designated this obligation to the Corporation, an arrangement, which was memorialized in a memorandum of understanding between the parties. The Corporation also recorded a one-time refund of excess funds held for the unemployment insurance program.

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.

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 2018 by approximately \$1,488,077 (10%). Indirect costs from grants, contracts and campus programs were eliminated against revenue as not to double count the total revenue and expenses and were \$640,800 in fiscal year 2018. Expenses related to grants and contracts decreased by approximately \$278,188 (19%) during 2018 as grant expenses decreased due receiving less grants and contract revenue and completing multi-year grants awarded the previous year. Scholarship expense increased over prior year by approximately \$217,000 (12%) as more scholarships were given out to students during 2018. More funding was received from endowments to support scholarships to students.

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

Retail expenses increased by approximately \$59,000 (3%) in 2018. This increase was primarily attributed to the 3% increase in the rent for the retail space. Retail expenses increased by approximately \$30,100 (1%) in 2017 primarily due to increased benefit costs and slightly higher salary costs.

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 costs 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 decreased in 2018 due primarily to returning a smaller donation back to Associated Students in 2018 in association with the Corporation's management of Cesar Chavez Student Center vendors.

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

Management Discussion and Analysis
(Unaudited)

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 were down in fiscal year 2018 over the prior fiscal year by approximately \$5,091,904(65%). The comprehensive campaign's initial period is still active and yielding positive results. There were a few large one-time gifts that were received in 2017. The athletic scholarship funds were one of the large gifts received. The athletic scholarship was approximately \$1,800,000. 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.

Investment Return

Investment income decreased in fiscal year 2018, the U.S. economy remains strong though the market cycle is a concern. The Corporation's equity holdings continued to perform well especially US equities and fixed income has been relatively flat for fiscal year 2018. Investment returns, net for the fiscal year were approximately \$ 1,462,800 down 23% over the previous years' earnings. The Corporation's total composite performance for fiscal year 2018 was 6.3% versus 6.4% for the allocation Index.

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.

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

Management Discussion and Analysis
(Unaudited)

SIGNIFICANT ITEMS

In fiscal year 2018, the Corporation signed the agreements with the developer 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. As part of the transaction, the Corporation has entered into a master lease with the University for the acre of land and then in turn has subleased the parcel to the developer. In October 2018 groundbreaking is expected. The Corporation is expected to earn about approximately \$35,000 as a management fee for managing the Holloway project during the first year of construction.

Construction has started on the University Club located in the Cesar Chavez Student Center. The Club is expected to be completed and open in the latter part of fall 2018.

In fiscal year 2019, Shop 24 will be replaced with a new vending solution. The structure will remain but the vending machine components will be removed, as will all signage referencing Shop 24. New, state-of-the-art vending machines will be inserted. This new solution will allow the Corporation to provide a new 24-hour solution to the campus, which will accept cash and credit cards. The new solution is expected to be open for Fall 2018. The Corporation has budgeted an increase in revenue associated with bringing this new vending solution online.

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, 2018 and 2017

	2018	2017
Assets		
Current Assets:		
Cash and cash equivalents	\$ 298,568	\$ 661,098
Investments, unrestricted	30,358,687	28,998,440
Pledges receivable, net	364,420	634,513
Accounts receivable, net	1,097,455	526,884
Prepaid expenses and other assets	36,250	49,080
Total current assets	32,155,380	30,870,015
Noncurrent Assets:		
Pledges receivable, net	1,192,590	1,950,668
Deferred chargebacks receivable	-	-
Investments:		
Unrestricted	461,031	389,950
Restricted	618,392	613,935
Capital assets, net	1,149,000	1,124,590
Total noncurrent assets	3,421,013	4,079,143
Total assets	35,576,393	34,949,158
Deferred Outflows of Resources (Note 2)		
Total assets and deferred outflows of resources	\$ 35,576,393	\$ 34,949,158
Liabilities		
Current Liabilities:		
Accounts payable	\$ 864,310	\$ 931,736
Accrued salaries and benefits payable	163,439	184,000
Accrued compensated absences	66,817	62,817
Payable to related parties	2,584,993	1,826,520
Unearned revenue	9,737	27,563
Capital lease	-	10,605
Total current liabilities	3,689,296	3,043,241
Noncurrent Liabilities:		
Capital lease	-	22,385
Total noncurrent liabilities	-	22,385
Deferred Inflows of Resources (Note 2)		
	135,666	-
Net Position:		
Invested in capital assets	1,149,000	1,091,600
Restricted for:		
Nonexpendable - endowments	618,392	613,935
Expendable - grants and contracts, scholarships, fellowships, capital projects	20,078,552	20,763,209
Unrestricted	9,905,487	9,414,788
Total net position	31,751,431	31,883,532
Total liabilities, deferred inflows of resources and net position	\$ 35,576,393	\$ 34,949,158

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, 2018 and 2017

	2018	2017
Operating Revenues:		
Grants and contract revenue	\$ 840,640	\$ 1,829,483
Program revenue	3,619,423	3,447,753
Retail revenue	2,537,088	2,647,724
Programs funded by related parties	3,113,109	1,791,988
Rental income	2,052,876	2,073,641
Other revenues	443,020	86,686
Total operating revenues	12,606,156	11,877,275
Operating Expenses:		
Grants and contracts	1,150,492	1,428,680
Campus programs	6,533,256	5,191,864
Student scholarships	2,053,485	1,836,485
Management and general	4,607,645	4,649,932
Retail expenses	2,156,644	2,097,568
Student Organization	183,335	-
Depreciation	232,341	224,592
Total operating expenses	16,917,198	15,429,121
Operating loss	(4,311,042)	(3,551,846)
Non-Operating Revenues (Expenses):		
Contributions	2,716,058	7,807,962
Investment return	1,462,883	1,904,537
Net non-operating revenues	4,178,941	9,712,499
Change in Net Position	(132,101)	6,160,653
Net Position, beginning of the year	31,883,532	25,722,879
Net Position, end of the year	\$ 31,751,431	\$ 31,883,532

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

Statements of Cash Flows

Years ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities:		
Receipts from programs	\$ 10,580,691	\$ 8,286,801
Rent receipts	2,052,876	2,073,641
Payments to suppliers	(12,502,958)	(9,927,492)
Payments to employees for services	(1,336,088)	(3,496,923)
Scholarships to students	(2,053,485)	(1,836,485)
Other	443,020	86,686
Net cash (used by) operating activities	(2,815,944)	(4,813,772)
Cash Flows from Noncapital Financing Activities:		
Donations received	2,716,058	7,807,962
Capital lease	(32,991)	(9,610)
Net cash provided by noncapital financing activities	2,683,067	7,798,352
Cash Flows from Capital and Related Financing Activities:		
Capital asset additions	(285,214)	(179,187)
Net cash (used by) capital and related financing activities	(285,214)	(179,187)
Cash Flows from Investing Activities:		
Proceeds from sales and maturities of investments	9,611,178	15,346,311
Purchase of investments	(10,210,798)	(19,984,272)
Investment income	655,181	1,904,537
Net cash provided / (used) by investing activities	55,561	(2,733,424)
Net Change in Cash and Cash Equivalents	(362,530)	71,969
Cash and Cash Equivalents, beginning of year	661,098	589,129
Cash and Cash Equivalents, end of year	\$ 298,568	\$ 661,098

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

Statements of Cash Flows

Years ended June 30, 2018 and 2017

	2018	2017
Reconciliation of Operating Loss to Net Cash		
Flows Used by Operating Activities:		
Operating loss	\$ (4,311,042)	\$ (3,551,846)
Adjustments to reconcile operating loss to net cash flows used by operating activities:		
Depreciation	232,341	224,592
Changes in assets and liabilities:		
Accounts receivable and pledges receivable	457,601	(1,439,529)
Prepaid expenses	12,830	9,382
Accounts payable	(67,426)	919,367
Deferred revenue	117,840	(35,532)
Payable to related parties	758,473	(927,757)
Accrued salaries and benefits payable	(20,561)	6,618
Accrued compensated absences	4,000	(19,067)
Total adjustments	1,495,098	(1,261,926)
Net cash used by operating activities	\$ (2,815,944)	\$ (4,813,772)
Supplemental Disclosures of Cash Flow Activity:		
Non-cash activity:		
Transfer of assets to San Francisco State University	\$ -	\$ 8,385
Donation of stock received	\$ 39,161	\$ 1,085,346
Unrealized gain/loss	\$ 844,086	\$ 350,340

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

Notes to Financial Statements
June 30, 2018 and 2017

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, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies, Continued:

a. Basis of Presentation, 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, 2018 and 2017, the Corporation maintains operating and capital reserves of approximately \$2,974,074 and \$1,762,637, 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, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies, Continued:

b. Cash and Cash Equivalents, 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, 2018 and 2017, 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 \$1,097,455 and \$526,884 as of June 30, 2018 and 2017, respectively, are shown net of an allowance for uncollectible accounts of \$0, 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,	2018	2017
One year	\$ 364,420	\$ 634,513
Two to five	1,192,590	1,950,668
Total	\$ 1,557,010	\$ 2,585,181

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

Notes to Financial Statements
June 30, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies, Continued:

d. Pledges Receivable, Net, Continued

In subsequent years, this discount is accreted and recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. In addition, pledges are recorded net of an allowance. The allowance for uncollectible pledges is determined by management. Discounts are computed using risk-adjusted market rates. Amortization of the discounts is included in grants and contracts revenue. The discount rate used to calculate the present value of pledges is 5% for fiscal year 2018 and 4.25% for fiscal year 2017. The pledge receivable discount at June 30, 2018 and 2017 is approximately \$77,097 and \$129,700, 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 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 \$135,666 and \$112,400 as of June 30, 2018 and 2017, 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 the Corporation's net asset value (NAV) of the fair value of 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.

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

Notes to Financial Statements
June 30, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies, Continued:

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.

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, 2018 and 2017 amounted to \$0 and \$8,385 respectively.

h. Compensated Absences

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

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

Notes to Financial Statements
June 30, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies, Continued:

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 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
June 30, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies, Continued:

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, 2017 for federal tax purposes and the years ended June 30, 2012 through June 30, 2017 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.
- Level 3 - Unobservable inputs for the asset/liability; used to the extent that observable inputs are not available.
- Net Asset Value (NAV) - the fair value of 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.

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

Notes to Financial Statements
June 30, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies, Continued:

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 Corporation upgrade the copier equipment in June 2018 and entered an operating lease. The capital lease was fully expensed. The amount paid in 2018 principal and interest was \$10,605 and \$2,801, respectively. The amount of the leased assets is \$52,679.

n. Deferred Inflows of Resources

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and would only be recognized as an inflow of resources (revenue) at that time. The Corporation has one item that qualifies for reporting in this category: deferred inflows from charitable gift annuities held by California State Foundation.

Note 3 - Investments:

Investments consist of the following as of June 30, 2018:

	Fair Value	Investment Maturities (Years)				
		<1 Year	1 – 5 Years	6 – 10 Years	10+ Years	Other
Local agency investment fund	\$ 7,545,445	\$ 7,545,445	\$ -	\$ -	\$ -	\$ -
Broker money market funds	220,670	220,670	-	-	-	-
Corporate debt securities	-	-	-	-	-	-
Mutual funds	9,283,850	9,283,850	-	-	-	-
Equity securities	13,308,723	13,308,723	-	-	-	-
Alternative investments	1,079,423	-	-	-	-	1,079,423
	\$ 31,438,110	\$ 30,358,687	\$ -	\$ -	\$ -	\$ 1,079,423

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, 2018 and 2017

Note 3 - Investments, Continued:

Investment return for the years ended June 30, 2018 and 2017 consists of the following:

	2018	2017
Interest and dividends	\$ 655,151	\$ 420,254
Realized and unrealized gain (loss)	807,732	1,484,283
	\$ 1,462,883	\$ 1,904,537

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

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

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

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

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

Notes to Financial Statements
June 30, 2018 and 2017

Note 3 - Investments, Continued:

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 - Fair Value Measurement:

At June 30, 2018 and 2017, the Corporation investments consist of cash and money market funds of \$220,670 and \$268,068, respectively, and the following assets which are classified by level within the valuation hierarchy on a recurring basis at June 30:

	2018				
	Level 1	Level 2	Level 3	NAV	Total
Local agency investment fund	\$ -	\$ -	\$ -	\$ 7,545,445	\$ 7,545,445
Corporate debt securities	-	-	-	-	-
Mutual funds	9,283,850	-	-	-	9,283,850
Equity securities	13,308,723	-	-	-	13,308,723
Alternatives	-	-	-	1,079,423	1,079,423
	\$ 22,592,572	\$ -	\$ -	\$ 8,624,868	\$ 31,217,440

	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
	\$ 21,252,229	\$ -	\$ -	\$ 8,482,028	\$ 29,734,257

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

Notes to Financial Statements
June 30, 2018 and 2017

Note 4 - Fair Value Measurement, Continued:

Alternative Investments Measured at NAV

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Multi-strategy hedge funds				
Real estate funds	1,079,423	-	Annually	90 days
Total alternative investments measured at the NAV		1,079,423		

1. Real estate funds. This type includes 1 real estate fund that invest primarily in US multi-family low income property properties. The real estate fund purchases, owns, and manages affordable housing including manufactured housing, senior housing, student housing and commercial real estate. The fair values of the investments in this type have been determined using the NAV per share of the Plan's ownership interest in partners' capital. The investment can be redeemed after a lock-up period lasting either a) two years after the fund has raised \$300 million or b) five years after the inception of the fund. After that there is a 20% gate, so liquidity will provided quarterly, but no more than 20% of the fund can be liquidated in any given calendar year. The fund has a 90-day advance notice for any withdrawal of any quarter end date.

Note 5 - Endowments:

Endowments held and administered by the Corporation at June 30, 2018 and 2017 are as follows:

	Restricted Net Assets - Nonexpendable	
Endowments	\$ 618,392	\$ 613,935

The Corporation's investment policy during fiscal years 2018 and 2017 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
(Component Unit of San Francisco State University)

Notes to Financial Statements
June 30, 2018 and 2017

Note 6 - Capital Assets:

The following is a roll forward schedule of capital assets for the year ended June 30, 2018:

	Balance June 30, 2017	Additions	Reductions	Transfers	Balance June 30, 2018
Capital assets:					
Leasehold improvements	\$ 1,936,489	\$ 205,976	\$ -	\$ -	\$ 2,142,464
Equipment, furniture, fixtures, and project in progress	2,044,601	79,239	(61,389)	-	2,062,451
Total capital assets	3,981,090	285,215	(61,389)	-	4,204,915
Less accumulated depreciation:					
Leasehold improvements	1,146,023	149,317	-	-	1,295,340
Equipment, furniture, and fixtures	1,710,477	83,024	(32,925)	-	1,760,575
Total accumulated depreciation	2,856,500	232,341	(32,925)	-	3,055,916
Net capital assets	\$ 1,124,590	\$ 52,874	\$ (28,463)	\$ -	\$ 1,149,000

Total depreciation expense for the year ended June 30, 2018 was \$232,341.

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

Notes to Financial Statements
June 30, 2018 and 2017

Note 7 - Related Parties:

During the years ended June 30, 2018 and 2017, the Corporation paid \$8,380,870 and \$7,335,628, respectively, to the University salary reimbursement, tuition and fees, scholarships, facilities, and other administrative costs. The Corporation paid \$62,644 and \$324,235 to the San Francisco State University Foundation in 2018 and 2017, respectively. During the years ended June 30, 2018 and 2017, the Corporation received \$881,728 and \$1,413,026, respectively, from the University 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. For the year ended June 30, 2018 and 2017 respectively, the Corporation reimbursed the University approximately \$1,123,301 and \$936,586 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, 2018 and 2017, the residual net rental income contributed to ASI was \$79,281 and \$273,372 respectively.

At June 30, 2018, the Corporation's recorded receivables from the University were \$242,697, and payables to the University and its affiliates totaled \$2,584,993. The Corporation recorded payables to the Foundation of \$3,864. At June 30, 2017, the Corporation's recorded receivables from the University were \$50,262, and payables to the University totaled \$1,826,520.

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, 2018 and 2017

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, 2018, total rental receipts including recharges amounted to \$1,649,284, and total expenses were \$1,322,611. As of June 30, 2017, total rental receipts including recharges amounted to \$1,615,743, and total expenses were \$1,100,009.

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 \$640,807 and \$729,502 were charged by the Corporation during the years ended June 30, 2018 and 2017, respectively.

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

Notes to Financial Statements
June 30, 2018 and 2017

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 does not have any active litigation pending. 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, 2018 and 2017 were \$19,997 and \$19,102, 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.

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

Notes to Financial Statements
June 30, 2018 and 2017

Note 14 - Holloway Avenue Revitalization Project:

The Corporation, as a business partner of the campus has entered into ground lease with San Francisco State University, dated January 2018 for Block six, a one-acre parcel. The Corporation entered into the lease with the purpose of subleasing the premises to a third party, Holloway Avenue Partners, LLC (“Tenant”), which will own and operate a one-building facility consisting of approximately 230,000 – 280,000 gross square feet with (a) approximately 167 apartment-style student housing units with kitchens comprising a total of approximately 542 beds on levels 3-8, (b) approximately 20,000 – 70,000 gross square feet of ground floor and plaza level space, including 20,000 – 45,000 net leasable square footage of retail space and the balance of the ground floor and plaza level space consisting of residential support and “back-of-house” space, (c) approximately 20-50 parking spaces. The Corporation entered into a sublease agreement dated January 12, 2018 with Holloway Avenue Partners, LLC (“Development Team”). Holloway Avenue Partners, LLC, will assign its interest in the ground lease to American Campus Communities Operating Partnership, LP, a Maryland limited partnership. The lease term end sixty-five (65) years following the Commencement of Construction. Construction is set to begin October 2018. Once construction commences the tenant shall pay Construction Period rent which means the rent payable during the Construction Period shall be an amount equal to Three Hundred Twenty Thousand and No/100 dollars (\$320,000) per annum.

The Corporation will collect rent from the tenant and will remit to San Francisco State University all revenue derived after first deducting a management fee of ten percent (10%) of the gross revenue and thereafter deducting any Related Project Cost incurred by the Corporation.

The Corporation has incurred cost related to the Holloway Avenue Project which are defined as related project cost in the master ground lease between the Corporation and San Francisco State University. Related project cost are limited to the following:

- a. Costs associated with audits to be borne by SFSU or the Corporation;
- b. Legal fees, including attorneys’ fees;
- c. Costs associated with real estate advisory services;
- d. Costs associated with CEQA compliance, including the costs of securing and environmental impact report;
- e. Travel by SFSU employees related to the project;
- f. Any other costs mutually agreed to by the parties.

Total cost incurred as of June 30, 2018 by the Corporation is \$541,363. The Corporation has recorded these costs as expenses and will discuss with related parties about the potential for reimbursement in future periods.



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

The Board of Directors
The University Corporation, San Francisco State

Grant Thornton LLP
101 California Street, Suite 2700
San Francisco, CA 94111
T 415.986.3900
F 415.986.3916
www.GrantThornton.com

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, 2018, and the related notes to the financial statements, which collectively comprise the Corporation's financial statements, and have issued our report thereon dated September 20, 2018.

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 opinion 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 a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify the following deficiency in internal control, described in the accompanying schedule of findings as items (2018-001) that we consider to be significant deficiencies in the Corporation's internal control.

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*.

Corporation's response to findings

The Corporation's response to our findings, which is described in the accompanying schedule of findings, along with Management's Corrective Action Plan was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the Corporation's response.

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 20, 2018

University Corporation, San Francisco State
Schedule of Net Position
June 30, 2018
(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 298,568
Short-term investments	30,358,687
Accounts receivable, net	1,097,455
Capital lease receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	364,420
Prepaid expenses and other current assets	36,250
Total current assets	<u>32,155,380</u>
Noncurrent assets:	
Restricted cash and cash equivalents	—
Accounts receivable, net	—
Capital lease receivable, net of current portion	—
Notes receivable, net of current portion	—
Student loans receivable, net	—
Pledges receivable, net	1,192,590
Endowment investments	618,392
Other long-term investments	461,031
Capital assets, net	1,149,000
Other assets	—
Total noncurrent assets	<u>3,421,013</u>
Total assets	<u>35,576,393</u>
Deferred outflows of resources:	
Unamortized loss on debt refunding	—
Net pension liability	—
Net OPEB liability	—
Others	—
Total deferred outflows of resources	<u>—</u>
Liabilities:	
Current liabilities:	
Accounts payable	3,449,302
Accrued salaries and benefits	163,439
Accrued compensated absences, current portion	66,817
Unearned revenues	9,737
Capital lease obligations, current portion	—
Long-term debt obligations, current portion	—
Claims liability for losses and loss adjustment expenses, current portion	—
Depository accounts	—
Other liabilities	—
Total current liabilities	<u>3,689,296</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	—
Unearned revenues	—
Grants refundable	—
Capital lease obligations, net of current portion	—
Long-term debt obligations, net of current portion	—
Claims liability for losses and loss adjustment expenses, net of current portion	—
Depository accounts	—
Net other postemployment benefits liability	—
Net pension liability	—
Other liabilities	—
Total noncurrent liabilities	<u>—</u>
Total liabilities	<u>3,689,296</u>
Deferred inflows of resources:	
Service concession arrangements	—
Net pension liability	—
Net OPEB liability	—
Unamortized gain on debt refunding	—
Nonexchange transactions	135,666
Others	—
Total deferred inflows of resources	<u>135,666</u>
Net Position:	
Net investment in capital assets	1,149,000
Restricted for:	—
Nonexpendable – endowments	618,392
Expendable:	—
Scholarships and fellowships	20,078,552
Research	—
Loans	—
Capital projects	—
Debt service	—
Others	—
Unrestricted	9,905,487
Total net position	<u>\$ 31,751,431</u>

University Corporation, San Francisco State
Schedule of Revenues, Expenses, and Changes in Net Position
June 30, 2018
(for inclusion in the California State University)

Revenues:	
Operating revenues:	
Student tuition and fees, gross	\$ —
Scholarship allowances (enter as negative)	—
Grants and contracts, noncapital:	
Federal	—
State	85,406
Local	37,500
Nongovernmental	717,735
Sales and services of educational activities	11,322,496
Sales and services of auxiliary enterprises, gross	—
Scholarship allowances (enter as negative)	—
Other operating revenues	443,020
	<hr/>
Total operating revenues	12,606,156
	<hr/>
Expenses:	
Operating expenses:	
Instruction	3,371,343
Research	363,929
Public service	534,891
Academic support	2,735,481
Student services	1,878,820
Institutional support	803,392
Operation and maintenance of plant	33,079
Student grants and scholarships	2,382,352
Auxiliary enterprise expenses	4,581,570
Depreciation and amortization	232,341
	<hr/>
Total operating expenses	16,917,198
	<hr/>
Operating income (loss)	(4,311,042)
	<hr/>
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	2,716,058
Investment income (loss), net	1,462,883
Endowment income (loss), net	—
Interest expense	—
Other nonoperating revenues (expenses) - excl. interagency transfers	—
Other nonoperating revenues (expenses) - interagency transfers	—
	<hr/>
Net nonoperating revenues (expenses)	4,178,941
	<hr/>
Income (loss) before other revenues (expenses)	(132,101)
	<hr/>
State appropriations, capital	—
Grants and gifts, capital	—
Additions (reductions) to permanent endowments	—
	<hr/>
Increase (decrease) in net position	(132,101)
	<hr/>
Net position:	
Net position at beginning of year, as previously reported	31,883,532
Restatements	—
	<hr/>
Net position at beginning of year, as restated	31,883,532
	<hr/>
Net position at end of year	\$ 31,751,431
	<hr/>

University Corporation, San Francisco State
Other Information
June 30, 2018
(for inclusion in the California State University)

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

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

2.1 Composition of investments at June 30, 2018:

	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)	7,545,445	—	7,545,445	—	—	—	7,545,445
Corporate bonds	—	—	—	—	—	—	—
Certificates of deposit	—	—	—	—	—	—	—
Mutual funds	9,283,850	—	9,283,850	—	—	—	9,283,850
Money Market funds	220,640	—	220,640	—	—	—	220,640
Repurchase agreements	—	—	—	—	—	—	—
Commercial paper	—	—	—	—	—	—	—
Asset backed securities	—	—	—	—	—	—	—
Mortgage backed securities	—	—	—	—	—	—	—
Municipal bonds	—	—	—	—	—	—	—
U.S. agency securities	—	—	—	—	—	—	—
U.S. treasury securities	—	—	—	—	—	—	—
Equity securities	13,308,753	—	13,308,753	—	—	—	13,308,753
Exchange traded funds (ETFs)	—	—	—	—	—	—	—
Alternative investments:	—	—	—	—	—	—	—
Private equity (including limited partnerships)	—	—	—	—	—	—	—
Hedge funds	—	—	—	—	—	—	—
Managed futures	—	—	—	—	—	—	—
Real estate investments (including REITs)	—	—	—	461,031	618,392	1,079,423	1,079,423
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	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Total investments	<u>30,358,687</u>	<u> </u>	<u>30,358,687</u>	<u>461,031</u>	<u>618,392</u>	<u>1,079,423</u>	<u>31,438,110</u>
Less endowment investments (enter as negative number)	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>(618,392)</u>	<u>(618,392)</u>	<u>(618,392)</u>
Total investments	<u>30,358,687</u>	<u> </u>	<u>30,358,687</u>	<u>461,031</u>	<u> </u>	<u>461,031</u>	<u>30,819,718</u>

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

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

University Corporation, San Francisco State
 Other Information
 June 30, 2018
 (for inclusion in the California State University)

2.3 Restricted current investments at June 30, 2018 related to:	<u>Amount</u>
Add description	\$ —
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Total restricted current investments at June 30, 2018	\$ <u>—</u>

2.4 Restricted noncurrent investments at June 30, 2018 related to:	<u>Amount</u>
Endowment investment	\$ 618,392
Scholarships	
Inflation reserves	
University projects	
Add description	—
Add description	—
Add description	—
Add description	—
Total restricted noncurrent investments at June 30, 2018	\$ <u>618,392</u>

University Corporation, San Francisco State
Other Information
June 30, 2018
(for inclusion in the California State University)

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

	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)	7,545,445	—	—	—	7,545,445
Corporate bonds	—	—	—	—	—
Certificates of deposit	—	—	—	—	—
Mutual funds	9,283,850	9,283,850	—	—	—
Money Market funds	220,640	220,640	—	—	—
Repurchase agreements	—	—	—	—	—
Commercial paper	—	—	—	—	—
Asset backed securities	—	—	—	—	—
Mortgage backed securities	—	—	—	—	—
Municipal bonds	—	—	—	—	—
U.S. agency securities	—	—	—	—	—
U.S. treasury securities	—	—	—	—	—
Equity securities	13,308,753	13,308,753	—	—	—
Exchange traded funds (ETFs)	—	—	—	—	—
Alternative investments:					
Private equity (including limited partnerships)	—	—	—	—	—
Hedge funds	—	—	—	—	—
Managed futures	—	—	—	—	—
Real estate investments (including REITs)	1,079,423	—	—	—	1,079,423
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	31,438,110	22,813,242	—	—	8,624,868

University Corporation, San Francisco State
Other Information
June 30, 2018
(for inclusion in the California State University)

3.1 Composition of capital assets at June 30, 2018:

	Balance June 30, 2017	Prior period Adjustments	Reclassifications	Balance June 30, 2017 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2018
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	\$ —	—	—	—	—	—	—	—
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	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Total intangible assets	—	—	—	—	—	—	—	—
Total nondepreciable/nonamortizable capital assets	—	—	—	—	—	—	—	—
Depreciable/amortizable capital assets:								
Buildings and building improvements	—	—	—	—	—	—	—	—
Improvements, other than buildings	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	1,936,489	—	—	1,936,489	32,690	—	—	1,969,179
Personal property:								
Equipment	2,044,602	(8,710)	—	2,035,892	252,524	(52,679)	—	2,235,737
Library books and materials	—	—	—	—	—	—	—	—
Intangible assets:								
Software and websites	—	—	—	—	—	—	—	—
Rights and easements	—	—	—	—	—	—	—	—
Patents, copyright and trademarks	—	—	—	—	—	—	—	—
Licenses and permits	—	—	—	—	—	—	—	—
Other intangible assets:								
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Total intangible assets	—	—	—	—	—	—	—	—
Total depreciable/amortizable capital assets	3,981,090	(8,710)	—	3,972,381	285,214	(52,679)	—	4,204,916
Total capital assets	3,981,090	(8,710)	—	3,972,381	285,214	(52,679)	—	4,204,916
Less accumulated depreciation/amortization:								
Buildings and building improvements	—	—	—	—	—	—	—	—
Improvements, other than buildings	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	(1,146,022)	—	—	(1,146,022)	(149,317)	—	—	(1,295,339)
Personal property:								
Equipment	(1,710,478)	—	—	(1,710,478)	(83,024)	32,924	—	(1,760,577)
Library books and materials	—	—	—	—	—	—	—	—
Intangible assets:								
Software and websites	—	—	—	—	—	—	—	—
Rights and easements	—	—	—	—	—	—	—	—
Patents, copyright and trademarks	—	—	—	—	—	—	—	—
Licenses and permits	—	—	—	—	—	—	—	—
Other intangible assets:								
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Total intangible assets	—	—	—	—	—	—	—	—
Total accumulated depreciation/amortization	(2,856,499)	—	—	(2,856,499)	(232,341)	32,924	—	(3,055,916)
Total capital assets, net	\$ 1,124,591	(8,710)	—	1,115,881	52,873	(19,755)	—	1,149,000

University Corporation, San Francisco State
Other Information
June 30, 2018
(for inclusion in the California State University)

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

Depreciation and amortization expense related to capital assets	\$ 232,341
Amortization expense related to other assets	<u>—</u>
Total depreciation and amortization	<u>\$ 232,341</u>

4 Long-term liabilities activity schedule:

	Balance June 30, 2017	Prior period adjustments	Reclassifications	Balance June 30, 2017 (re stated)	Additions	Reductions	Balance June 30, 2018	Current portion	Long-term portion
Accrued compensated absences	\$ 62,817	—	—	62,817	48,812	(44,812)	66,817	66,817	—
Claims liability for losses and loss adjustment expenses	—	—	—	—	—	—	—	—	—
Capital lease obligations:									
Gross balance	32,990	—	—	32,990.00	—	(32,990)	—	—	—
Unamortized premium / (discount) on capital lease obligations	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total capitalized lease obligations	<u>32,990</u>	<u>—</u>	<u>—</u>	<u>32,990</u>	<u>—</u>	<u>(32,990.00)</u>	<u>—</u>	<u>—</u>	<u>—</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	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
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)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
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>\$ 95,807</u>	<u>—</u>	<u>—</u>	<u>95,807</u>	<u>48,812</u>	<u>(77,802)</u>	<u>66,817</u>	<u>66,817</u>	<u>—</u>

University Corporation, San Francisco State
Other Information
June 30, 2018
(for inclusion in the California State University)

5 Future minimum lease payments - Capital lease obligations:

	Capital lease obligations related to SRB			All other capital lease obligations			Total capital 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:									
2019	—	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—	—	—
2023	—	—	—	—	—	—	—	—	—
2024 - 2028	—	—	—	—	—	—	—	—	—
2029 - 2033	—	—	—	—	—	—	—	—	—
2034 - 2038	—	—	—	—	—	—	—	—	—
2039 - 2043	—	—	—	—	—	—	—	—	—
2044 - 2048	—	—	—	—	—	—	—	—	—
2049 - 2053	—	—	—	—	—	—	—	—	—
2054 - 2058	—	—	—	—	—	—	—	—	—
2059 - 2063	—	—	—	—	—	—	—	—	—
2064 - thereafter	—	—	—	—	—	—	—	—	—
Total minimum lease payments	—	—	—	—	—	—	—	—	—
Less amounts representing interest									—
Present value of future minimum lease payments									—
Unamortized net premium (discount)									—
Total capital lease obligations									—
Less: current portion									—
Capital lease obligations, net of current portion									\$ —

6 Long-term debt obligations schedule:

	Auxiliary revenue bonds			All other long-term debt obligations			Total long-term debt obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2019	\$ —	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—	—	—
2023	—	—	—	—	—	—	—	—	—
2024 - 2028	—	—	—	—	—	—	—	—	—
2029 - 2033	—	—	—	—	—	—	—	—	—
2034 - 2038	—	—	—	—	—	—	—	—	—
2039 - 2043	—	—	—	—	—	—	—	—	—
2044 - 2048	—	—	—	—	—	—	—	—	—
2049 - 2053	—	—	—	—	—	—	—	—	—
2054 - 2058	—	—	—	—	—	—	—	—	—
2059 - 2063	—	—	—	—	—	—	—	—	—
2064 - thereafter	—	—	—	—	—	—	—	—	—
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									\$ —

University Corporation, San Francisco State
 Other Information
 June 30, 2018
 (for inclusion in the California State University)

7 Calculation of net position:

7.1 Calculation of net position - Net investment in capital assets

Capital assets, net of accumulated depreciation	\$	1,149,000
Capital lease obligations, current portion		—
Capital 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 (enter as positive)		—
Other adjustments: (please list)		
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Net position - Net investment in capital assets	\$	<u>1,149,000</u>

7.2 Calculation of net position - Restricted for nonexpendable - endowments

Portion of restricted cash and cash equivalents related to endowments	\$	—
Endowment investments		618,392
Other adjustments: (please list)		
Restricted expendable endowments		
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Net position - Restricted for nonexpendable - endowments	\$	<u>618,392</u>

University Corporation, San Francisco State
 Other Information
 June 30, 2018
 (for inclusion in the California State University)

8 Transactions with related entities:

	Amount
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 2,855,719
Payments to University for other than salaries of University personnel	5,525,151
Payments received from University for services, space, and programs	881,728
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)	(2,584,993)
Other amounts (payable to) University (enter as negative number)	—
Accounts receivable from University (enter as positive number)	242,697
Other amounts receivable from University	—

9 Other postemployment benefits (OPEB) liability
 Intentionally left blank - not required/applicable eff FY17/18

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	—

University Corporation, San Francisco State
 Other Information
 June 30, 2018
 (for inclusion in the California State University)

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, 2017, as previously reported		\$ 31,883,532
Prior period adjustments:		
1 (list description of each adjustment)		—
2 (list description of each adjustment)		—
3 (list description of each adjustment)		—
4 (list description of each adjustment)		—
5 (list description of each adjustment)		—
6 (list description of each adjustment)		—
7 (list description of each adjustment)		—
8 (list description of each adjustment)		—
9 (list description of each adjustment)		—
10 (list description of each adjustment)		—
Net position as of June 30, 2017, as restated		\$ 31,883,532

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)	—	—

University Corporation, San Francisco State
 Other Information
 June 30, 2018
 (for inclusion in the California State University)

12 Natural Classifications of Operating Expenses:

	Salaries	Benefits	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total operating expenses
Instruction	(200,357)	42,690	—	3,529,009	—	3,371,342
Research	53,020	7,972		302,937		363,929
Public service	182,423	84,049		268,418		534,891
Academic support	236,424	42,864		2,456,193		2,735,481
Student services	(504)	79,748		1,799,577		1,878,820
Institutional support	11,479	189		791,724		803,392
Operation and maintenance of plant	—			33,079		33,079
Student grants and scholarships			2,382,352			2,382,352
Auxiliary enterprise expenses	427,892	171,075		3,982,604		4,581,570
Depreciation and amortization	—				232,341	232,341
Total	710,376	428,587	2,382,352	13,163,541	232,341	16,917,197.96