

**California State University, Fresno
Association, Inc.**

**2013-14
Annual Report**

**Approved by the Audit Committee
September 18, 2014**

**CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.
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CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.
CORPORATE INFORMATION
For Fiscal Year Ended June 30, 2014

BOARD OF DIRECTORS

Ms. Candice Amico *(6/1/13-12/31/13)*
Dr. Kevin Ayotte *(eff 4/21/14)*
Dr. Michael Botwin *(eff 2/24/14)*
Dr. Carolyn Coon
Mr. John Gonzales
Ms. Abigail Hudson *(6/1/14-6/30/14)*
Mr. Moses Menchaca
Dr. Paul Oliaro *(retired 12/31/13)*
Mr. Jose Plascencia
Mr. R. Gary Renner
Dr. Cynthia Teniente-Matson

Mr. Justin Whisten *(1/1/14-5/31/14)*
Dr. R. Lynn Williams *(thru-4/21/14)*
Dr. Lynnette Zelezny

Executive Vice President, Associated Students, Inc.
Chair, Academic Senate
Faculty Representative
President's Designee for Student Affairs
Chair, University Student Union Board of Directors
Executive Vice President, Associated Students, Inc.
President, Associated Students, Inc.
Vice President for Student Affairs
Community Member
Community Member
Vice President for Administration
and Chief Financial Officer
Executive Vice President, Associated Students, Inc.
Chair, Academic Senate
Associate Provost

OFFICERS

Dr. Cynthia Teniente-Matson
Dr. Paul Oliaro *(7/1/13-12/31/13)*
Dr. Carolyn Coon *(1/1/14-6/30/14)*
Dr. Michael Botwin *(eff 2/24/14)*

Chair
Vice Chair
Vice Chair
Secretary/Treasurer

AUDIT COMMITTEE

Dr. Kevin Ayotte *(effective 4/2014)*
Mr. Marshall Kelley
Mr. R. Gary Renner, Chair
Dr. Cynthia Teniente-Matson

Dr. R. Lynn Williams *(thru 4/2014)*

Chair, Academic Senate
Community Member
Community Member
Vice President for Administration
and Chief Financial Officer
Chair, Academic Senate

EXECUTIVE STAFF

Ms. Deborah S. Adishian-Astone
Ms. Kate Tuckness
Mr. John Melikian

Executive Director
Auxiliary Controller
Staff Counsel

CORPORATE DATA

Executive Offices

2771 East Shaw Avenue
Fresno, California 93710-8205
Telephone: (559) 278-0800

Auditors

Price Paige & Company
Accountancy Corporation
677 Scott Avenue
Clovis, California 93612
Telephone: (559) 299-9540
www.ppcpas.com



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
California State University, Fresno Association, Inc.
Fresno, California

We have audited the accompanying financial statements of California State University, Fresno Association, Inc. (the Association), a nonprofit organization, which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Association'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 Association'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.

677 Scott Avenue
Clovis, CA 93612

tel 559.299.9540

fax 559.299.2344

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California State University, Fresno Association, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the California State University, Fresno Association, Inc.'s 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 11, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Additional Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information reflected on pages 23-27 is presented, as required by the Chancellor of the California State University, for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Price Pugh & Company

Clovis, California
September 8, 2014

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.
 THE CALIFORNIA STATE UNIVERSITY AUXILIARY ORGANIZATION
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR 2013

	2013		2014		RESTRICTED FUND			AUXILIARY ACTIVITIES FUND		
	TOTAL	TOTAL	2014	2014	SAVE MART CENTER	COMMERCIAL OPERATIONS	UNIVERSITY COURTYARD	UNION/REC CENTER	STUDENT CENTER	
			TOTAL	TOTAL						
ASSETS										
Current Assets:										
Cash and Cash Equivalents:										
On-Hand and in Commercial Accounts	\$ 1,718,641	\$ 1,452,627	\$ (279,420)	\$ 939,268	\$ 637,501	\$ 155,278				
Savings Accounts	25,330,848	24,700,821	(4,751,317)	15,971,535	10,840,211	2,640,392				
Total Cash and Cash Equivalents (Note 3)	27,049,489	26,153,448	(5,030,737)	16,910,803	11,477,712	2,795,670				
Pledges Receivable-Save Mart Center (Note 4)	3,555,072	3,759,480	3,759,480	1,276,104	8,887,668	16,516				
Accounts Receivable	10,338,480	10,224,761	44,473	(39,163)	(38,311)					
Allowance for Doubtful Accounts	(87,292)	(77,474)		1,433,197						
Inventories	1,592,841	1,448,457		28,895	39,242	15,260				
Deferred Charges	67,469	68,137	28,895	150,716	6,847	950				
Prepaid Expenses	31,523	158,513								
Total Current Assets	42,547,582	41,735,322	(1,197,889)	19,731,657	20,373,158	2,828,396				
Long Term Assets:										
Pledges Receivable-Save Mart Center (Note 4)	17,955,122	16,387,295	16,387,295	3,601,070	490,596					
Investments (Note 8)	3,044,531	3,601,070								
Deferred Charges	937,646	869,508	378,912							
Other Assets - Restricted (Note 13)	3,141,456	3,141,456	3,141,456							
Total Long Term Assets	25,078,755	23,999,329	19,907,663	3,601,070	490,596	0				
Fixed Assets:										
Buildings and Improvements	114,882,842	114,931,342	102,493,964	1,980,551	10,456,827	643,342				
Equipment, Furniture and Fixtures	14,275,788	14,576,422	4,764,710	4,653,022	4,515,348					
Intangible Assets	906,203	906,203	866,203	40,000						
Construction in Progress	628,586	797,991	688,196	9,321	100,474					
Total	130,693,419	131,211,958	108,813,073	6,682,894	15,072,649	643,342				
Less Accumulated Depreciation	(42,756,593)	(46,582,092)	(32,099,478)	(4,455,914)	(9,760,773)	(265,927)				
Total Fixed Assets, Net	87,936,826	84,629,866	76,713,595	2,226,980	5,311,876	377,415				
Total Assets	\$ 155,563,163	\$ 150,364,517	\$ 95,423,369	\$ 25,559,707	\$ 26,175,630	\$ 3,205,811				

The accompanying notes are an integral part of the financial statements

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.
 THE CALIFORNIA STATE UNIVERSITY AUXILIARY ORGANIZATION
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR 2013

	2013 TOTAL	2014 TOTAL	RESTRICTED FUND				AUXILIARY ACTIVITIES FUND				
			2013 TOTAL	2014 TOTAL	SAVE MART CENTER	COMMERCIAL OPERATIONS	UNIVERSITY COURTYARD	STUDENT UNION/REC CENTER			
LIABILITIES AND NET ASSETS											
Liabilities:											
Current Liabilities:											
Accounts Payable & Other Accrued Liabilities	\$ 2,843,933	\$ 2,976,591	\$ 130,688	\$ 1,848,176	\$ 508,667	\$ 489,060					
Notes Payable (Note 5)	350,000	355,000			355,000						
Deferred Revenue	9,406,495	9,147,789	399,717	25,215	8,722,607	250					
Interest Payable	39,652	39,331	0		39,331						
Capital Lease Obligations (Note 7)	10,167,779	9,587,000	9,587,000								
Agency Funds	49,327	127,352			126,310	1,042					
Total Current Liabilities	22,857,186	22,233,063	10,117,405	1,873,391	9,751,915	490,352					
Long-Term Liabilities:											
Accounts Payable	259,351	289,332		246,076	9,548	33,708					
Notes Payable (Note 5)	5,783,161	5,404,548			5,404,548						
Capital Lease Obligations (Note 7)	60,840,000	56,355,000	56,355,000								
Total Long-Term Liabilities	66,882,512	62,048,880	56,355,000	246,076	5,414,096	33,708					
TOTAL LIABILITIES	89,739,698	84,281,943	66,472,405	2,119,467	15,166,011	524,060					
NET ASSETS:											
Unrestricted	33,296,662	37,131,610		23,440,240	11,009,619	2,681,751					
Temporarily Restricted (Note 15)	32,526,803	28,950,964	28,950,964								
Total Net Assets	65,823,465	66,082,574	28,950,964	23,440,240	11,009,619	2,681,751					
TOTAL LIABILITIES AND NET ASSETS	\$ 155,563,163	\$ 150,364,517	\$ 95,423,369	\$ 25,559,707	\$ 26,175,630	\$ 3,205,811					

The accompanying notes are an integral part of the financial statements

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.
THE CALIFORNIA STATE UNIVERSITY AUXILIARY ORGANIZATION
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR 2013

	RESTRICTED FUND		COMMERCIAL OPERATIONS				UNIVERSITY			STUDENT FEE OPERATIONS		
	2013 TOTAL	2014 TOTAL	INTRA FUND ELIMINATIONS CENTER	SAVE MART CENTER	BOOKSTORE	FOOD SERVICES	ADMIN	TOTAL	COURTYARD	REC CENTER	STUDENT UNION	TOTAL
Revenue:	\$ 29,561,142	\$ 30,286,524	\$ (1,315,877)	\$ 1,158,310	\$ 10,429,056	\$ 8,402,580	1,985,793	\$ 20,817,429	\$ 5,832,525	\$ 1,353,797	\$ 2,440,340	\$ 3,794,137
Gross Sales	9,965,996	2,716,648	625,728	2,716,648	170,480	157,639	656,347	984,466	55,611	10,978	28,310	39,288
Contributions	1,424,882	1,705,091										
Other Income	40,952,020	34,708,263	(1,315,877)	4,500,684	10,599,536	8,560,219	2,642,140	21,801,895	5,888,136	1,364,775	2,468,650	3,833,425
Total Revenues												
Expenses and Losses:												
Cost of Goods Sold	10,364,310	10,591,324			7,581,250	3,010,074		10,591,324				
Salaries/Wages	5,937,948	5,993,693			999,205	1,680,620	1,193,219	3,873,044	744,196	471,496	904,957	1,376,453
Employee Benefits	2,426,751	2,600,630			547,557	511,067	863,821	1,922,425	178,713	192,405	307,087	499,492
Administration-Food Services	184,391	427,927				662,746		662,746				
Advances to SMG	1,332,989	1,167,931	(235,219)									
Advertising/Printing	77,713	83,120		1,167,931	9,704	27,976		37,680	28,876	6,156	7,870	14,026
Athletic Corporation Entitlements	250,855	267,855		2,588				27,085				
Audit/Legal Expense	116,545	72,801		267,855		102	26,983	5,362				
Bad Debt Expense	101,747	5,817		45,716				7,395		200	255	455
Bank Charges	19,994	7,395			5,362		5,762					
Bond Expenses	173,050	67,469		29,745		1,633			37,724			
Capital Lease Expense	3,300,835	3,114,390		3,114,390								
Chancellor's Office Fee	32,224	13,795										
Computer Supplies/Expense	82,028	79,097			10,672	1,978	13,795	13,795				
Consulting	40,631	8,475					14,079	26,729	31,352	8,452	12,564	21,016
Contract Services	1,067,227	992,183					8,475	8,475				
Credit Card Fees	302,349	319,670		3,615	145,933	102,800		102,800	827,053	62,330	10,476	62,330
Depreciation/Amortization	4,219,663	4,062,617		2,805,699	22,703	241,664	135,025	399,392	644,148	33,664	79,814	113,478
Dues/Memberships/Subscriptions	30,982	31,920			16,680	260	6,226	23,166	1,332	1,433	5,989	7,422
Employee Recruitment	5,466	3,105				1,732	274	2,006	67		1,032	1,032
Equipment Purchased	64,708	78,789								42,668	36,121	78,789
Housing Incentives	35,633	25,585							25,585			
Insurance	501,908	512,456		246,458	50,389		15,906	66,295	163,711	14,893	21,099	35,992
Interest Expense	238,109	213,017							213,017			
Janitorial/Sanitization	98,950	98,648				61,554		61,554	12,985	24,109	24,109	24,109
Laundry	66,855	79,148				56,320		56,320	22,591	237	237	237
Licenses/Permits/Fees	144,762	123,287		1,312	1,916	9,500	104,676	116,092	5,883			
Loss on Retirement of Bonds	605,000	-										
Management Services Fee	-	0	(780,658)		235,219			235,219	235,219	75,000	235,220	310,220
Miscellaneous	86,442	68,924			4,588	28,894	4,519	38,001	9,158	19,187	2,578	21,765
Non-Student Tax	13,134	13,403				13,403		13,403				
Obsolete Merchandise	47,401	30,901			30,901			30,901				
Office Supplies	117,895	125,966			31,921	11,814	25,047	68,782	36,374	1,674	19,136	20,810
Paper Supplies	234,215	239,483				154,343		154,343	47,813		37,327	37,327
Possessory Interest Tax	835,304	103,437		103,437								
Postage/Freight	34,069	36,628			8,671	215	15,136	24,022	12,393		213	213
Rent/Rental	125,100	160,706			26,502	66,822	38,501	131,825	22,764	6,117	-	6,117
Repairs/Maintenance	561,377	574,255			33,200	190,464	32,840	256,504	169,507	25,025	123,219	148,244
Resident Advisor Meals	162,942	164,916				93,963		93,963	70,953			
Royalties	131,052	132,802			132,802			132,802			300,000	300,000
Save Mart Seat Licenses	-	-	(300,000)									
Security Services	36,247	45,060			2,721		42,339	45,060				
Smallwares	75,770	64,491			39,898			39,898	24,593			
Student Programs	71,086	82,431								6,681	75,750	82,431
Telephone/Communications	45,538	44,305			7,921	9,816	7,097	24,834	9,263	4,481	5,727	10,208
Travel/Training	45,448	64,043			3,798	3,273	9,492	16,563	27,566	2,510	17,404	19,914
University Donations	389,912	133,081		7,927	2,514	62,419	60,221	125,154				

The accompanying notes are an integral part of the financial statements

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.
 THE CALIFORNIA STATE UNIVERSITY AUXILIARY ORGANIZATION
 STATEMENTS OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR 2013

	RESTRICTED FUND			COMMERCIAL OPERATIONS			STUDENT FEE OPERATIONS				
	2013 TOTAL	2014 TOTAL	INTRAFUND ELIMINATIONS CENTER	BOOKSTORE	SERVICES	FOOD ADMIN	TOTAL	UNIVERSITY COURTYARD	REC CENTER	STUDENT UNION	TOTAL
USU Co-Sponsorships	10,534	2,978								2,978	2,978
Utilities	1,304,292	1,275,713		26,571	190,090	18,707	235,368	521,761	412,749	105,835	518,584
Warehouse Expense	33,548	5,653			5,653						
Wilkinson Group Fee	180,000	180,000	180,000								
Total Expenses and Losses	36,365,049	34,590,920	(1,315,877)	9,803,157	7,474,555	2,642,140	19,919,852	4,184,663	1,413,108	2,312,651	3,725,759
Excess (Deficit) of Revenues Over Expenses and Losses	4,586,971	117,343	0	796,379	1,085,664	0	1,882,043	1,703,473	(48,333)	155,999	107,666
Transfers (Out) In	-	-	-	-	-	-	-	-	-	-	-
Increase (Decrease) in Net Assets	4,586,971	117,343	0	796,379	1,085,664	0	1,882,043	1,703,473	(48,333)	155,999	107,666
Transition Obligation	-	-	0	29,881	80,983	16,020	126,884	329	-	14,553	14,553
Amortization	141,766	141,766	-	29,881	80,983	16,020	126,884	329	-	14,553	14,553
Remaining	141,766	141,766	-	29,881	80,983	16,020	126,884	329	-	14,553	14,553
Increase (Decrease) in Net Assets After Remaining Transition Obligation	4,728,737	259,109	-	826,260	1,166,647	16,020	2,008,927	1,703,802	(48,333)	170,552	122,219
Net Assets at Beginning of Year, Unrestricted	\$29,923,772	\$33,296,662					\$21,431,313	\$9,305,817			\$2,559,532
Increase (Decrease) in Net Assets, Unrestricted	3,372,890	3,834,948					2,008,927	1,703,802			122,219
Net Assets at End of Year, Unrestricted	\$33,296,662	\$37,131,610					\$23,440,240	\$11,009,619			\$2,681,751
Net Assets at Beginning of Year, Temporarily Restricted	\$31,170,956	\$32,526,803	\$32,526,803								
Increase/(Decrease) in Net Assets	1,355,847	(3,575,839)	(3,575,839)								
Net Assets at End of Year, Temporarily Restricted	\$32,526,803	\$28,950,964	\$28,950,964								
Total Net Assets at Beginning of Year	\$61,094,728	\$65,823,465	-	\$32,526,803			\$21,431,313	\$9,305,817			\$2,559,532
Total Increase/(Decrease) in Net Assets	4,728,737	259,109	-	(3,575,839)			2,008,927	1,703,802			122,219
Total Net Assets at End of Year	\$65,823,465	\$66,082,574	-	\$28,950,964			\$23,440,240	\$11,009,619			\$2,681,751

The accompanying notes are an integral part of the financial statements

**CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.
THE CALIFORNIA STATE UNIVERSITY AUXILIARY ORGANIZATION
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR 2013**

	TOTAL	
	2013	2014
Cash Flows From Operating Activities		
Increase/(Decrease) in Net Assets	\$ 4,728,737	\$ 259,109
Adjustment to Reconcile Increase/(Decrease) in Net Assets to Net Cash Provided by Operating Activities		
Realized and Unrealized (Gain) Loss on Investments	(402,769)	(556,539)
Provision for Doubtful Accounts	(9,984)	(9,818)
Depreciation	4,219,683	4,062,617
Amortization	182,230	57,537
Gain on Disposal of Fixed Assets	0	(633)
Changes in:		
Accounts Receivable	1,416,998	113,720
Pledges Receivable-Save Mart Center	(6,221,561)	1,363,419
Inventories	(30,873)	144,384
Prepaid Expenses and Deferred Charges	47,124	(126,990)
Other Assets - Deposits	733,969	0
Accounts Payable and Other Accrued Liabilities	(1,616,119)	162,639
Deferred Revenue	775,745	(258,706)
Interest Payable on Bonds	(2,067,103)	(321)
Payable on Capital Lease Obligations	(1,775,418)	(1,665,778)
Agency Funds	10,260	78,025
Net Cash Provided by (Used in) Operating Activities	<u>(9,081)</u>	<u>3,622,665</u>
Cash Flows From Investing Activities		
Proceeds from Sale of Fixed Assets	0	6,000
Proceeds from Sales and Maturities of Investments	277,936	0
Acquisition of Fixed Assets	(645,054)	(774,706)
Net Cash Used in Investing Activities	<u>(367,118)</u>	<u>(768,706)</u>
Cash Flows from Financing Activities		
Decrease in Funds For Which Use is Restricted (Note 6)	65,551,860	0
Principal Payments on Notes	(345,000)	(350,000)
Principal Payments on Capital Lease Obligations		(3,400,000)
Principal Payment on Bonds Payable (Note 6)	(64,470,000)	0
Net Cash Provided by Financing Activities	<u>736,860</u>	<u>(3,750,000)</u>
Net Increase (Decrease) in Cash	360,661	(896,041)
Cash and Cash Equivalents, Beginning of Year	<u>26,688,828</u>	<u>27,049,489</u>
Cash and Cash Equivalents, End of Year	<u>\$27,049,489</u>	<u>\$26,153,448</u>
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Year for Interest	<u>\$ 6,904,607</u>	<u>\$ 5,017,119</u>

The accompanying notes are an integral part of the financial statements

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013 and 2014

Note 1 - General Information

The California State University, Fresno Association, Inc. administers and manages the commercial activities for California State University, Fresno including the Save Mart Center, Kennel Bookstore, University Food Services, Housing, Recreation Center and the University Student Union. The Association also provides accounting and managerial services to other university auxiliary corporations. The Association is supported primarily by sales from commercial activities and contributions.

Note 2 - Summary of Significant Accounting Policies

The California State University, Fresno Association, Inc. (the "Association") was incorporated on June 12, 1961 as a non-profit corporation. The Association was formed and is operated exclusively to receive, hold, invest and administer property and to make expenditures to and for the benefit of California State University, Fresno (the "University").

The Association maintains its accounting records and prepares its financial statements on the accrual basis of accounting. Therefore, revenues are recognized when earned and expenses are recognized when goods or services are received.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fund Accounting

The accounts of the Association are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Fund balances are classified on the Statements of Financial Position as unrestricted or temporarily restricted based on the absence or existence and type of donor-imposed restrictions.

Donor Imposed Restrictions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction expires, temporarily restricted net assets are considered released from restrictions, however the expenses are reflected in the restricted fund column due to fund accounting.

Pledges Receivable-Save Mart Center

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Management is of the opinion there is no need to have an allowance for uncollectible pledges given demand for suites and seats. In most cases, refunds for previously purchased seat licenses are not given unless there is an alternative buyer for those seats. Currently, there is an extensive waiting list for suites and all suiteholders are required to pay their suite lease in advance. If necessary, tickets and other entitlements are withheld if payment is due.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Association considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Note 2 – Summary of Significant Accounting Policies, continued

Deferred Revenue

Income from the University and housing rent, board and summer conferences are deferred and recognized over the periods to which the University and housing activities relate.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Net Assets

Unrestricted Net Assets: This category is maintained to account for the revenues and expenses of ongoing revenue-producing activities.

Temporarily Restricted Net Assets: This category is maintained to account for the operation of the Save Mart Center.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Allowances for doubtful accounts in the amounts of \$87,292 and \$77,474 have been established as of June 30, 2013 and 2014, respectively.

Inventories

The Association's inventory consists of goods held for resale in the Kennel Bookstore and by Food Services. All inventories are valued at the lower of cost or market determined by the first-in, first-out (FIFO) method.

Investments

Investments in securities are carried at market value and realized and unrealized gains or losses are included in "Other Income" in the Statement of Activities.

Deferred Charges

Intangible assets consist of costs for financing of the Student Housing Project in 2011 and financing for the Save Mart Center in 2005 for the Capital Lease Payable. These assets are amortized over the life of the bonds using both the effective interest and straight-line methods.

Franchise Fees

In connection with the food services provided on campus, the Association has paid franchise fees to Subway and Starbucks for the privilege of operating the quick service restaurants. The franchise fees are reported, net of amortization expense, in the fixed asset section of the Statements of Financial Position. These fees are amortized over the franchise period using the straight-line method.

Fixed Assets

Fixed Assets are reflected on the financial statements at cost less accumulated depreciation. Depreciation is computed using straight line rates based upon estimated useful lives, ranging from three to 40 years. The Association capitalizes all expenditures in excess of \$5,000.

Fair Value of Financial Instruments

GAAP requires disclosure of an estimate of fair value of certain financial instruments. The Association's significant financial instruments are cash, accounts receivable, investments, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

Note 2 – Summary of Significant Accounting Policies, continued

Defined Benefit Pension Plan

As described in Note 10, the Association participates in a multiple-employer public employee retirement system. The system provides disclosure information in accordance with Governmental Accounting Standards Board Statement (GASB) No. 27. The latest information available from PERS is actuarial valuation as of June 30, 2012.

Tax Status

The Association is organized and operated exclusively for educational purposes and is thus allowed tax exempt status under provisions of section 501(c)(3) of the Internal Revenue Code and section 23701(d) of the California Revenue and Taxation Code. The Association does, however, pay income taxes on any unrelated business income.

Advertising Costs

Advertising costs are expensed as incurred and totaled \$77,713 and \$83,120 in 2013 and 2014, respectively.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in Note 16 – Expenses by Natural Classification. Accordingly, certain costs have been allocated among programs and supporting services.

Note 3 – Cash and Cash Equivalents

Cash at June 30 consisted of the following:	<u>2013</u>	<u>2014</u>
Deposits:		
Cash on hand and in banks	\$12,324,562	\$11,392,164
Pooled Funds:		
Cash in State of California Local Agency Investment Fund	<u>14,724,927</u>	<u>14,761,284</u>
Total	<u>\$27,049,489</u>	<u>\$26,153,448</u>

The Association maintains some cash in the State of California Local Agency Investment Fund (LAIF). The state pools these funds with those of other organizations and invests the cash. These pooled funds are carried at cost which approximates market value. Interest earned is remitted quarterly to the Association. Any investment losses are proportionately shared by all participants in the pool. The LAIF is part of the Pooled Money Investment Account (PMIA). The PMIA began in 1955 and oversight is provided by the Pooled Money Investment Board (PMIB) and an in-house Investment Committee. The PMIB members are the State Treasurer, Director of Finance, and State Controller.

Additionally, the PMIA has Policies, Goals and Objectives for the portfolio to make certain that the goals of Safety, Liquidity and Yield are not jeopardized and that prudent management prevails. These policies are formulated by investment staff and reviewed by both the PMIB and the LAIF on an annual basis. All investment and LAIF claims are audited on a daily basis by the State Controller's Office as well as an in-house audit process involving three separate divisions.

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."

The Association maintains cash balances at one financial institution located in Fresno, California. At June 30, 2014, the FDIC insures cash balances held in interest and noninterest bearing accounts combined up to \$250,000. At June 30, 2013 and 2014, the Association's uninsured cash balances totaled \$11,933,157 and \$11,053,298 respectively.

Note 4 – Pledges Receivable-Save Mart Center

Included in "Pledges Receivable" are the following unconditional promises to give:

	<u>2013</u>	<u>2014</u>
Unconditional Promises to Give Before		
Unamortized Discount	\$30,929,961	\$28,137,274
Less: Unamortized Discount	<u>(9,419,767)</u>	<u>(7,990,499)</u>
Net Unconditional Promises to Give	<u>\$21,510,194</u>	<u>\$20,146,775</u>
Amounts Due in:		
One Year	\$3,555,072	\$3,759,480
Two to Five Years	9,528,304	9,007,059
More Than Five Years	<u>8,426,818</u>	<u>7,380,236</u>
Total	<u>\$21,510,194</u>	<u>\$20,146,775</u>

The discount rate used to calculate the present value of promises to give is 7% for 2013 and 2014.

Note 5 – Notes Payable

In September 2011, the Association participated in the CSU Systemwide Revenue Bonds (SRB) Series 2011A program to refinance the Student Housing Refunding Revenue Bonds, Series 2001. The effect of the refinancing was to incur a new note payable obligation payable to the Trustees of the California State University. Interest at 4.69% is payable semi-annually, with principal payments beginning in November 2012. The maturity schedule and interest rates of the outstanding note payable are as follows:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Coupon</u>
November 1, 2014	\$355,000	4.000%
November 1, 2015	375,000	4.000%
November 1, 2016	390,000	4.000%
November 1, 2017	410,000	4.000%
November 1, 2018	430,000	4.000%
November 1, 2019 to November 1, 2024	<u>3,050,000</u>	5.000%
	<u>\$5,010,000</u>	

The California State University, Fresno Association, Inc. is obligated to pay principal and interest as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$355,000	\$228,887	\$583,887
2016	375,000	212,513	587,513
2017	390,000	194,588	584,588
2018	410,000	176,237	586,237
2019	430,000	157,788	587,788
Thereafter	<u>3,050,000</u>	<u>472,731</u>	<u>3,522,731</u>
	5,010,000	1,442,744	6,452,744
Unamortized Premium	<u>749,548</u>	<u>0</u>	<u>749,548</u>
	<u>\$5,759,548</u>	<u>\$1,442,744</u>	<u>\$7,202,292</u>

Note 6 – Bonds Payable

In February 2002, the Association issued revenue bonds for the construction financing of the Save Mart Center. The issuance included \$69,475,000 Senior Series 2002 bonds and \$5,000,000 Subordinate Series 2002 bonds. In April 2005, the Association participated in the CSU Systemwide Revenue Bonds (SRB) program to refinance the 2002 Senior and Subordinate Save Mart Center bonds. The effect of the refinancing was to incur a new capital lease obligation payable to the University (see Note 7). The California State University, Fresno Association, Inc. paid off the revenue bonds in fiscal year 2013.

Under the terms of the Revenue Bonds Indentures, California State University, Fresno Association, Inc. was obligated to maintain certain deposit funds with a trustee (US Bank) for the purpose of retiring the bonds and paying accrued interest, which occurred in July 2012. For fiscal year 2013, the reduction of such deposits are included within "Decrease in Funds for Which Use Is Restricted" on the Statements of Cash Flows in the financial statements.

Note 7 – Capital Lease Obligations

In April 2005, the Association participated in the CSU Systemwide Revenue Bonds (SRB) program to refinance the 2002 Senior and Subordinate Save Mart Center bonds. The effect of the refinancing was to incur a new capital lease obligation payable to the University. Interest at 4.91% is payable semi-annually, with principal payments beginning in November 2012. Cash received from the refunding was restricted for pay-off of the Senior and Subordinate bonds which occurred in July 2012. The restricted funds were held by the bond trustee (U.S. Bank) in the name of the Association until such time of the retirement. See Note 6. The Association has amortized the net premium, underwriter's discount, cost of issuance and bond insurance over the life of the SRB bonds.

Capital Lease Obligation-Save Mart Center

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$9,080,000	\$3,399,500	\$12,479,500
2016	1,735,000	2,759,917	4,494,917
2017	1,995,000	2,664,500	4,659,500
2018	1,900,000	2,567,917	4,467,917
2019	1,950,000	2,471,250	4,421,250
2020	2,075,000	2,369,583	4,444,583
2021	2,125,000	2,264,167	4,389,167
Thereafter	<u>44,575,000</u>	<u>11,904,167</u>	<u>56,479,167</u>
	<u>\$65,435,000</u>	<u>\$30,401,001</u>	<u>\$95,836,001</u>

Note 8 – Investments

Long-Term investments at June 30, 2013 consist of the following:

	<u>Common Fund</u>	<u>Mutual Funds</u>	<u>Total</u>
Investments in securities at market value at beginning of year	\$1,484,347	\$1,435,351	\$2,919,698
Return on investments designated by the Board, net of investment expenses of \$6,611:			
Dividends and interest	22,540	33,935	56,475
Net unrealized and realized gains/(losses)	<u>294,473</u>	<u>86,506</u>	<u>380,979</u>
Total return on investments (included in other income in the Statements of Activities)	317,013	120,441	437,454
Withdrawals from Investments	<u>(22,540)</u>	<u>(290,081)</u>	<u>(312,621)</u>
Investment in securities at market value at end of year	<u>\$1,778,820</u>	<u>\$1,265,711</u>	<u>\$3,044,531</u>

Note 8 – Investments, continued

Long-Term investments at June 30, 2014 consist of the following:

	Common Fund	Mutual Funds	Total
Investments in securities at market value at beginning of year	\$1,778,820	\$1,265,711	\$3,044,531
Return on investments designated by the Board, net of investment expenses of \$8,027:			
Dividends and interest	24,709	39,020	63,729
Net unrealized and realized gains/(losses)	<u>399,553</u>	<u>127,070</u>	<u>526,623</u>
Total return on investments (included in other income in the Statements of Activities)	424,262	166,090	590,352
Withdrawals from Investments	<u>(24,709)</u>	<u>(9,104)</u>	<u>(33,813)</u>
Investment in securities at market value at end of year	<u>\$2,178,373</u>	<u>\$1,422,697</u>	<u>\$3,601,070</u>

Note 9 – Fair Value Measurements

Generally accepted accounting principles define fair value as 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. ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest propriety to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant observable input (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities. Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Inputs other than quoted prices within Level 1 that are observable, either directly or indirectly. Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 – Inputs are unobservable. Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounts cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The table below presents the balance of assets measured at fair value on a recurring basis at June 30:

2013	Fair Value	Level 1	Level 2	Level 3
Investments –Mutual Funds	\$ 1,265,711	\$ 1,265,711	\$ 0	\$ 0
Investments –Multi Strategy Equity Fund	1,778,820	0	1,778,820	0
Cash and Cash Equivalents	27,049,489	27,049,489	0	0
Pledges Receivable-SMC	<u>21,510,194</u>	<u>0</u>	<u>0</u>	<u>21,510,194</u>
Totals	<u>\$51,604,214</u>	<u>\$28,315,200</u>	<u>\$1,778,820</u>	<u>\$21,510,194</u>

Note 9 – Fair Value Measurements, continued

2014

Investments –Mutual Funds	\$ 1,422,697	\$ 1,422,697	\$ 0	\$ 0
Investments –Multi Strategy Equity Fund	2,178,373	0	2,178,373	0
Cash and Cash Equivalents	26,153,448	26,153,448	0	0
Pledges Receivable-SMC	<u>20,146,775</u>	<u>0</u>	<u>0</u>	<u>20,146,775</u>
Totals	<u>\$49,901,293</u>	<u>\$27,576,145</u>	<u>\$2,178,373</u>	<u>\$20,146,775</u>

See Note 1 for valuation technique used to measure fair value for Investments and Pledges Receivable-Save Mart Center. There were no changes in valuation techniques during the current year.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

Pledges Receivable – Save Mart Center:		
Balance, July 1,	<u>2013</u>	<u>2014</u>
New Pledges	\$15,288,633	\$21,510,194
Pledge payments received	11,237,551	1,239,080
Write-off	(3,617,436)	(3,959,967)
Change in present value discount	(308,894)	(71,800)
Balance, June 30,	<u>(1,089,660)</u>	<u>1,429,268</u>
	<u>\$21,510,194</u>	<u>\$20,146,775</u>

Note 10 – California Public Employees' Retirement System

Plan Description:

California State University, Fresno Association, Inc.'s (Federal Tax ID# 94-1512286) defined benefit pension plan, Miscellaneous Plan of the California State University-Fresno Association, Inc., provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous Plan of the California State University-Fresno Association, Inc. (plan ID# 3956399313) is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The California State University, Fresno Association, Inc. selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance (other local methods). CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, CA 95814 or by visiting the CalPERS website at www.calpers.ca.gov.

Funding Policy:

Under the Public Employees' Pension Reform Act of 2013, employees (who are brought into CalPERS membership for the first time on or after January 1, 2013) are required to contribute at least 50% of the annual required contributions under a new defined benefit formula of 2% Miscellaneous at age 62. The current employee and employer contribution rate is 6.25%. For employees hired prior to January 1 2013 under the defined benefit formula of 2% Miscellaneous at age 55, plan members are required to contribute 7.0% of their annual covered salary and the Association currently pays the employee portion of the required contribution (the 7%) for employees with 5 or more years of service with the Association. California State University, Fresno Association, Inc. is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2013/2014 was 12.182%. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS. Employers participating in multiemployer plans face certain risks and commitments because assets contributed by one employer may be used to provide benefits to employees of other contributing employers, and if one contributing employer fails to make its required contributions (or withdraws from the plan) other participating employers may have to bear the plan's remaining unfunded obligations.

Note 10 – California Public Employees' Retirement System continued

Annual Pension Cost:

For fiscal year 2013/2014, California State University, Fresno Association, Inc.'s annual pension cost of \$469,669 was equal to the Association's required and actual contributions. The total pension cost for both employee and employer contributions was \$739,419. The required contribution for fiscal year 2013/2014 was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.30% to 14.20% for miscellaneous members and (c) 3.0% cost-of-living adjustment. Both (a) and (b) include an inflation component of 2.75%. The actuarial value of California State University, Fresno Association, Inc.'s assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses. Miscellaneous Plan of the California State University, Fresno Association, Inc.'s unfunded actuarial excess assets are being amortized as a level percentage of projected payroll on a closed basis. The amortization period at June 30, 2011 was 30 years. Based upon the most recent valuation published for the period ending June 30, 2012, the Association did not contribute more than 5% of total contributions to the plan.

Three-Year Trend Information

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Ending 6/30/12	\$470,192	100%	\$0
6/30/13	\$476,369	100%	\$0
6/30/14	\$469,669	100%	\$0

The Association is included in a pooled plan as required by California law. The Association has less than 100 active employees, therefore, the Association's portion of the pooled information is less than 1%.

Valuation Date	Pooled Accrued Liabilities	Pooled Actuarial Value of Assets	Pooled Unfunded Liabilities (UL)	Funded Ratio	Pooled Annual Covered Payroll	UL as a % of Payroll
6/30/10	3,309,064,934	2,946,408,106	362,656,828	89.0%	748,401,352	48.5%
6/30/11	3,619,835,876	3,203,214,899	416,620,977	88.5%	759,263,518	54.9%
6/30/12	4,175,139,166	3,686,598,343	488,540,823	88.3%	757,045,663	64.5%

Note 11 – Other Post-Retirement Benefits

The Association sponsors a defined benefit post-retirement plan that provides medical benefits to retirees. The plan is contributory, with retiree contributions adjusted annually. The plan covers each employee and spouse. Employees, other than new hires after January 16, 2003, are eligible to receive full benefits at the age of 50 with 5 years of service. Employees hired after January 16, 2003 are eligible to receive benefits after 10 years of service with a vesting schedule that begins with 50% coverage after 10 years of service and increases by 5% per year. After 20 years of service, the employee is eligible for 100% of benefits.

Government Code Section 22825.6 provides that a local agency contracting under the Meyers-Geddes State Employers' Medical and Hospital Care Act shall fix the amount of the employer's contribution at an amount not less than the amount required under Section 22825 of the Act, and the Association is a local agency contracting under the Act. The Board of Directors shall take action to adjust the basis of the employer's contribution for each employee or annuitant.

The Association changed its method of accounting for post-retirement benefits other than pensions, from the pay-as-you-go method to the accrual method, as required by ASC 810, on July 1, 1995.

Note 11 – Other Post-Retirement Benefits. continued

Following is the information on the plan as of and for the year ended June 30, 2014, in accordance with ASC 715 "Employers' Accounting for Defined Benefit Pension and Other Post-Retirement Plans":

	<u>Net Periodic Post-Retirement Benefit Cost</u>	<u>Increase in Unrestricted Net Assets (Recognition of Transition Obligation)</u>	<u>Post-Retirement Benefit Liability</u>	<u>Transition Obligation Remaining in Unrestricted Net Assets</u>
July 1, 2013			<u>\$739,351</u>	<u>\$283,466</u>
Recognition of components of net periodic post-retirement benefit cost:				
Service cost (benefit)	\$510,638		652,404	
Interest cost	21,973		21,973	
Amortization of transition obligation	<u>141,766</u>	<u>\$141,766</u>	(141,766)	<u>(141,766)</u>
Total	<u>\$ 674,377</u>			
Benefit payments			<u>(482,630)</u>	
Net Change		<u>\$141,766</u>	<u>49,981</u>	<u>(141,766)</u>
June 30, 2014			<u>\$789,332</u>	<u>\$ 141,700</u>

The post-retirement obligation is included in accounts payable and other liabilities as follows:

	<u>2013</u>	<u>2014</u>
Current portion	\$ 480,000	\$ 500,000
Long-term portion	<u>259,351</u>	<u>289,332</u>
	<u>\$ 739,351</u>	<u>\$ 789,332</u>

The funded status of the plan is the following:

Accrued post-retirement benefit obligation	\$ 739,351	\$ 789,332
Plan assets	<u>0</u>	<u>0</u>
Unfunded plan obligation	<u>\$ 739,351</u>	<u>\$ 789,332</u>

The following assumptions were used in accounting for the post-retirement plan:

Weighted-average assumptions used to determine post-retirement benefit cost and obligation at June 30, 2014:

Discount rate	6%
Rate of insurance premium increase	10.5%

Benefits paid under the plan in 2013 and 2014 were \$460,092 and \$482,630, respectively. Benefits expected to be paid for future years is as follows:

Year Ended June 30:	
2015	\$ 500,000
2016	520,000
2017	540,000
2018	560,000
2019	580,000
2020-2023	<u>2,520,000</u>
Total	<u>\$5,220,000</u>

Note 12 – Leases

The Association has entered into several facility leases for which minimal consideration is required by the lessor as follows:

- Use of the Kennel Bookstore, between the Trustees of the CSU, expiring June 30, 2020.
- Use of the University Center, between the Trustees of the CSU, expiring June 30, 2020.
- Use of the University Student Union, between the Trustees of the CSU, expiring June 30, 2018.
- Use of the Residence Dining Facility, between the Trustees of the CSU, expiring June 30, 2015.
- Use of the Warehouse, between the Trustees of the CSU, expiring June 30, 2019.
- Use of southeast corner of second floor of Henry Madden Library (Starbucks store), between the Trustees of the CSU, expiring June 30, 2018.
- Ground lease for University Courtyard, between the Trustees of the CSU, expiring February 1, 2020.
- Ground lease for Save Mart Center with the Trustees of the CSU, expiring May 1, 2031.
- Use of West Complex/SRC, between the Trustees of the CSU, expiring June 30, 2016.
- Ground lease for Campus Pointe with the Trustees of the CSU, expiring June 28, 2096.
- Lease with Shaw East Investors for lease of office space for 2763 E. Shaw Ave, Suite 101 at \$2,321 per month expiring December 31, 2014.

The Association has entered into the following operating leases:

- Operating lease with TCM Investments for Kennel Bookstore copier at \$1,093 per month expiring June 08, 2017.
- Operating lease with De Lage for University Courtyard copier at \$702 per month expiring August 26, 2016.
- Operating lease with De Lage for Dining Services copier at \$373 per month expiring September 14, 2016.
- Operating lease with De Lage Landen for Administration Division copier at \$644 per month expiring December 14, 2014.
- Operating lease with De Lage Landen for Student Recreation Center copier at \$471 per month expiring June 6, 2015.

Future minimum lease payments on the copiers are as follows:

Year Ended June 30:	
2015	\$35,532
2016	26,016
2017	<u>15,639</u>
Total	<u>\$77,187</u>

Rent expense for 2012/13 and 2013/14 was \$81,262 and \$80,620, respectively.

Note 13 – Commitments and Contingencies

Save Mart Center

Effective July 2011, the Association amended its current contract with SMG to manage the Save Mart Center for a twelve year term expiring June 30, 2023. The agreement provides for an initial annual fixed fee of \$516,875 inclusive of food and beverage services. Annual incentive fees are subject to negotiation after fiscal year 2013. The fixed fee is adjusted every three years for CPI increases.

Advances to SMG for the management fee/operating expenses and incentive fee for the year ended June 30, 2013 were \$1,332,989 and \$0, respectively. Advances to SMG for the management fee/operating expenses and incentive fee for the year ended June 30, 2014 were \$1,167,931 and \$0, respectively.

The Association had a ten-year contract with Ovations Fanfare to provide food and beverage services at the Save Mart Center, which would have expired in September 2013. The contract contained an early termination provision after five years with a stipulated buy-out amount. The contract was terminated on October 11, 2008 and the Association paid Ovations \$1,833,333 which was the buy-out amount for the remaining period of the contract. On October 15, 2008, the Association amended the existing SMG agreement to include food and beverages from Savor Catering by SMG (management fee plus incentive) and SMG paid the Association \$900,000 to cover 50 percent of the buy-out amount. The net amount of \$933,333 is being amortized over five years.

Note 13 – Commitments and Contingencies, continued

Litigation

The Association is the plaintiff in one legal action.

California State University, Fresno Association, Inc. v. County of Fresno, et al.; Fresno County Superior Court Case #12-CE-CG-03791: The Association has an unliquidated claim against the County of Fresno for a refund of excess possessory interest (property) taxes paid to the County for tax years 2003-2006 relative to the Save Mart Center. Though the Association paid all amounts determined by the Fresno County Assessment Appeals Board ("AAB") to be due for years 2003-2006, the Association maintains that the AAB's determination of possessory interest taxes and penalties for the years 2003-2006 was excessive and not in conformity with applicable law. As a result, on November 30, 2012 the Association filed with the Fresno County Superior Court a complaint for refund of \$3,141,456 in combined possessory interest taxes and penalties previously paid by the Association. That case is currently set for trial on September 29, 2014.

Note 14 – Related Parties

In addition to the University, the Association is related to the Agricultural Foundation of California State University, Fresno (the "Agricultural Foundation"), and the California State University, Fresno Foundation (the "Foundation") due to common management of the three entities. The Association had the following transactions with these entities during the years ended June 30, 2013 and 2014:

Pursuant to a management services agreement, the Foundation, the Agricultural Foundation, Programs for Children, and the Associated Students pay administrative fees to the Association for management services. The Foundation's administrative fees for the years ended June 30, 2013 and June 30, 2014 were \$662,500 and \$674,152, respectively, allocated on the basis of gross revenue and services rendered. The Agricultural Foundation's administrative fees for the years ended June 30, 2013 and June 30, 2014 were \$128,500 and \$149,000, respectively, based on services rendered. The Programs for Children's administrative fees for the years ended June 30, 2013 and June 30, 2014 were \$70,600 and \$68,500, respectively, based on services rendered. The Associated Students administrative fees for the years ended June 30, 2013 and June 30, 2014 were \$55,400 and \$59,791, respectively, based on services rendered.

The Foundation also reimburses the Association twice a month for salaries and benefits of Foundation Financial Services staff in the amounts of \$862,953 and \$872,781 for the years ended June 30, 2013 and June 30, 2014, respectively.

The amount due to the Association from the Foundation for miscellaneous expenses was \$56,863 and \$28,825 for the years ended June 30, 2013 and June 30, 2014, respectively. The amount due to the Foundation from the Association for miscellaneous expenses was \$7,082 and \$0 for the years ended June 30, 2013 and June 30, 2014, respectively.

The amount due to the Association from the Agricultural Foundation for miscellaneous expenses was \$750 for the years ended June 30, 2013 and June 30, 2014. The amount due to the Agricultural Foundation for miscellaneous expenses was \$0 and \$2,406 for the years ended June 30, 2013 and June 30, 2014, respectively.

The amount receivable from the University was \$20,764 and \$0 for the years ended June 30, 2013 and June 30, 2014 respectively.

The amount payable to the University was \$397,428 and \$558,735 for the years ended June 30, 2013 and June 30, 2014 respectively.

The amount due to the Association from the Associated Students for miscellaneous expenses was \$250 for the years ended June 30, 2013 and June 30, 2014.

The amount due to the Association from Programs for Children for miscellaneous expenses was \$200 for the years ended June 30, 2013 and June 30, 2014.

Note 15 – Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2013 and 2014 are available for the following:

	<u>2013</u>	<u>2014</u>
Save Mart Center	<u>\$32,526,803</u>	<u>\$28,950,964</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes during the year ended June 30, 2014 are:

Save Mart Center	<u>\$ 6,292,487</u>
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Note 16 - Expenses by Natural Classification

For The Years Ended June 30:

Expenses	2013			2014		
	Program	General & Administrative	Total	Program	General & Administrative	Total
Cost of Goods Sold	\$10,364,310		\$10,364,310	\$10,591,324		\$10,591,324
Salaries/Wages	4,768,505	\$1,169,443	5,937,948	4,800,474	\$1,193,219	5,993,693
Employee Benefits	1,841,951	584,800	2,426,751	1,736,809	863,821	2,600,630
Administration-Food Services	184,391		184,391	427,527		427,527
Advances to SMG	1,332,989		1,332,989	1,167,931		1,167,931
Advertising/Printing	77,713		77,713	83,120		83,120
Athletic Corporation Entitlements	250,855		250,855	267,855		267,855
Audit/Legal Expense	83,334	33,211	116,545	45,818	26,983	72,801
Bad Debt Expense	101,747		101,747	5,817		5,817
Bank Charges	1,534	18,460	19,994	1,633	5,762	7,395
Bond Expenses	173,050		173,050	67,469		67,469
Capital Lease Expense	3,300,835		3,300,835	3,114,390		3,114,390
Chancellor's Office Fee	32,224		32,224	13,795		13,795
Computer Supplies/Expense	71,794	10,234	82,028	65,018	14,079	79,097
Consulting	35,931	4,700	40,631	0	8,475	8,475
Contract Services	1,067,227		1,067,227	992,183		992,183
Credit Card Fees	302,349		302,349	319,670		319,670
Depreciation/Amortization	4,087,966	131,717	4,219,683	3,927,592	135,025	4,062,617
Dues/Memberships/Subscriptions	24,856	6,126	30,982	25,694	6,226	31,920
Employee Recruitment	4,499	987	5,466	2,831	274	3,105
Equipment Purchased	64,708		64,708	78,789		78,789
Housing Incentives	35,633		35,633	25,585		25,585
Insurance	486,853	15,055	501,908	496,550	15,906	512,456
Interest Expense	238,109		238,109	213,017		213,017
Janitorial/Sanitation	98,950		98,950	98,648		98,648
Laundry	66,855		66,855	79,148		79,148
Licenses/Permits/Fees	40,629	104,133	144,762	18,611	104,676	123,287
Loss on Retirement of Bonds	605,000		605,000	0		0
Miscellaneous	81,419	5,023	86,442	64,403	4,521	68,924
Non-Student Tax	13,134		13,134	13,403		13,403
Obsolete Merchandise	47,401		47,401	30,901		30,901
Office Supplies	88,173	29,822	117,995	100,919	25,047	125,966
Paper Supplies	234,215		234,215	239,483		239,483
Possessory Interest Tax	835,304		835,304	103,437		103,437
Postage/Freight	20,059	14,010	34,069	21,492	15,136	36,628
Rent/Rental	91,213	33,887	125,100	122,205	38,501	160,706
Repairs/Maintenance	513,528	47,849	561,377	541,415	32,840	574,255
Resident Advisors Meals	162,942		162,942	164,916		164,916
Royalties	131,052		131,052	132,802		132,802
Security Services		36,247	36,247	2,721	42,339	45,060
Smallwares	75,770		75,770	64,491		64,491
Student Programs	71,086		71,086	82,431		82,431
Telephone/Communications	38,635	6,903	45,538	37,208	7,097	44,305
Travel/Training	35,080	10,368	45,448	54,551	9,492	64,043
University Donations	103,021	286,891	389,912	72,860	60,221	133,081
USU Co-Sponsorships	10,534		10,534	2,978		2,978
Utilities	1,285,810	18,482	1,304,292	1,257,006	18,707	1,275,713
Warehouse Expense	33,548		33,548	5,653		5,653
Wilkinson Group Fee	180,000		180,000	180,000		180,000
Totals	\$33,796,721	\$2,568,328	\$36,365,049	\$31,962,573	\$2,628,347	\$34,590,920

Note 17 – Subsequent Events

Subsequent events have been evaluated through September 8, 2014, which is the date the financial statements were available to be issued, noting no matters requiring disclosure in the financial statements for the year ended June 30, 2014.

Note 18 – Uncertain Tax Positions

The Association has qualified as a non-profit organization and has been granted tax-exempt status pursuant to the Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d) and is exempt from Federal and State of California income taxes.

Generally accepted accounting principles provides accounting and disclosures guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Association's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

ADDITIONAL INFORMATION FOR
CALIFORNIA STATE UNIVERSITY, FRESNO

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.

Schedule of Net Position

June 30, 2014

(for inclusion in the California State University)

Assets:

Current assets:

Cash and cash equivalents	\$ 11,392,164
Short-term investments	14,761,284
Accounts receivable, net	10,147,287
Pledges receivable, net	3,759,480
Prepaid expenses and other assets	<u>1,615,477</u>
Total current assets	<u>41,675,692</u>

Noncurrent assets:

Pledges receivable, net	16,387,295
Other long-term investments	3,601,070
Capital assets, net	84,629,866
Other assets	<u>3,280,202</u>
Total noncurrent assets	<u>107,898,433</u>
Total assets	<u>149,574,125</u>

Deferred outflows of resources:

Unamortized loss on refunding	<u>498,851</u>
Total deferred outflows of resources	<u>498,851</u>

Liabilities:

Current liabilities:

Accounts payable	2,262,837
Accrued salaries and benefits payable	373,671
Accrued compensated absences— current portion	25,000
Unearned revenue	9,147,789
Capitalized lease obligations – current portion	9,080,000
Long-term debt obligations – current portion	355,000
Other liabilities	<u>546,331</u>
Total current liabilities	<u>21,790,628</u>

Noncurrent liabilities:

Accrued compensated absences, net of current portion	315,083
Capitalized lease obligations, net of current portion	56,355,000
Long-term debt obligations, net of current portion	5,404,548
Depository accounts	127,352
Other postemployment benefits obligation	<u>289,332</u>
Total noncurrent liabilities	<u>62,491,315</u>
Total liabilities	<u>84,281,943</u>

Net position:

Net investment in capital assets	13,435,318
Restricted for:	
Expendable:	
Debt service	9,981,331
Unrestricted	<u>42,374,384</u>
Total net position	<u>\$ 65,791,033</u>

See accompanying independent auditors' report.

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.
Schedule of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2014
(for inclusion in the California State University)

Revenues:	
Operating revenues:	
Student tuition and fees (net of scholarship allowances of \$0)	\$ 2,916,400
Sales and services of auxiliary enterprises (net of scholarship allowances of \$0)	27,370,124
Other operating revenues	<u>1,036,765</u>
Total operating revenues	<u>31,323,289</u>
Expenses:	
Operating expenses:	
Auxiliary enterprise expenses	30,149,330
Depreciation and amortization	<u>4,062,617</u>
Total operating expenses	<u>34,211,947</u>
Operating income (loss)	<u>(2,888,658)</u>
Nonoperating revenues (expenses):	
Gifts, noncapital	0
Investment income (loss), net	668,326
Interest Expenses	<u>(213,017)</u>
Net nonoperating revenues (expenses)	<u>455,309</u>
Income (loss) before other additions	(2,433,349)
Grants and gifts, capital	<u>2,716,648</u>
Increase (decrease) in net position	283,299
Net position:	
Net position at beginning of year, as previously reported	65,507,734
Restatements	0
Net position at beginning of year, as restated	<u>65,507,734</u>
Net position at end of year	<u>\$ 65,791,033</u>

See accompanying independent auditors' report.

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.

Other Information

June 30, 2014

(for inclusion in the California State University)

1 Restricted Cash and Cash Equivalents at June 30, 2014:

Portion of restricted cash and cash equivalents related to endowments
 All other restricted cash and cash equivalents
 Total restricted cash and cash equivalents

\$	---
\$	---
\$	---

2.1 Composition of Investments at June 30, 2014:

State of California Local Agency Investment Fund (LAIF)

Equity securities

Other investments:

Mutual Funds

Total investments

Less endowment investments (enter as negative number)

Total investments

	Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
\$	14,761,284	---	14,761,284	2,178,373	---	2,178,373	14,761,284
				1,422,697	---	1,422,697	2,178,373
	14,761,284	---	14,761,284	3,601,070	---	3,601,070	1,422,697
				---	---	---	18,362,354
\$	14,761,284	---	14,761,284	3,601,070	---	3,601,070	18,362,354

2.1 - F Restricted Noncurrent Investments at June 30, 2014 related to:

3 Composition of Capital Assets at June 30, 2014:

Nondepreciable capital assets:

Construction work in progress (CWIP)

Total nondepreciable capital assets

Depreciable capital assets:

Buildings and building improvements

Personal property:

Equipment

Intangible assets

Total depreciable capital assets

Total cost

Less accumulated depreciation:

Buildings and building improvements

Personal property:

Equipment

Intangible assets:

Franchise Fees

Unamortized buyout

Total accumulated depreciation/amortization

Total capital assets, net

	Balance June 30, 2013	Prior period Adjustments	Reclassifications	Balance June 30, 2013 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2014
\$	628,586	---	---	628,586	294,228	---	(124,823)	797,991
	628,586	---	---	628,586	294,228	---	(124,823)	797,991
	114,869,162	---	13,680	114,882,842	48,500	(13,680)	---	114,917,662
	14,275,788	---	---	14,275,788	431,978	(256,167)	124,823	14,576,422
	906,203	---	---	906,203	---	---	---	906,203
	130,051,153	---	13,680	130,064,833	480,478	(259,847)	124,823	130,400,287
	130,679,739	---	13,680	130,693,419	774,706	(259,847)	---	131,198,278
	(31,967,724)	---	---	(31,967,724)	(3,145,113)	---	---	(35,112,837)
	(9,950,887)	---	---	(9,950,887)	(861,283)	250,798	---	(10,561,372)
	(25,000)	---	---	(25,000)	(3,000)	---	---	(28,000)
	(799,302)	---	(13,680)	(812,982)	(53,221)	---	---	(866,203)
	(42,742,913)	---	(13,680)	(42,756,593)	(4,062,617)	250,798	---	(46,568,412)
\$	87,936,826	---	---	87,936,826	(3,287,911)	(19,049)	---	84,629,866

Detail of Depreciation and Amortization Expense for the Year Ended June 30, 2014:

Depreciation and amortization expense related to capital assets
 Amortization expense related to other assets
 Total depreciation and amortization

\$	4,062,617
\$	---
\$	4,062,617

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.

Other Information

June 30, 2014

(for inclusion in the California State University)

4 Long-term liabilities activity schedule:

	Balance June 30, 2013	Prior period adjustments	Reclassifications	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Current portion	Long-term portion
Accrued compensated absences	\$ 270,599	\$ —	\$ —	\$ 270,599	\$ 183,371	\$ (113,887)	\$ 340,083	\$ 25,000	\$ 315,083
Capitalized lease obligations:									
Gross balance	68,835,000	—	—	68,835,000	—	(3,400,000)	65,435,000	9,080,000	56,355,000
Unamortized premium / (discount) on capitalized lease obligations	—	—	—	—	—	(3,400,000)	65,435,000	9,080,000	56,355,000
Total capitalized lease obligations	68,835,000	—	—	68,835,000	—	—	65,435,000	9,080,000	56,355,000
Long-term debt obligations:									
Revenue bonds	—	—	—	—	—	—	—	—	—
Commercial paper	5,360,000	—	—	5,360,000	—	(350,000)	5,010,000	355,000	4,655,000
Note payable related to SFB	5,360,000	—	—	5,360,000	—	(350,000)	5,010,000	355,000	4,655,000
Total long-term debt obligations	773,161	—	—	773,161	—	(23,613)	749,548	—	749,548
Unamortized bond premium / (discount)	—	—	—	—	—	—	—	—	—
Unamortized loss on refunding	6,133,161	—	—	6,133,161	—	(373,613)	5,759,548	355,000	5,404,548
Total long-term debt obligations, net	75,238,760	—	—	75,238,760	183,371	(3,887,500)	71,534,631	9,460,000	62,074,631
Total long-term liabilities	\$ 144,073,760	\$ —	\$ —	\$ 144,073,760	\$ 183,371	\$ (3,887,500)	\$ 138,369,631	\$ 19,540,000	\$ 118,829,631

5 Future minimum lease payments:

Year ending June 30:	Principal	Interest	Principal and Interest
2015	\$ 9,080,000	\$ 3,399,500	\$ 12,479,500
2016	1,735,000	2,759,917	4,494,917
2017	1,995,000	2,664,500	4,659,500
2018	1,900,000	2,567,917	4,467,917
2019	1,950,000	2,471,250	4,421,250
2020-2024	17,515,000	10,363,417	27,878,417
2025-2029	18,055,000	5,077,667	23,132,667
2030-2032	13,205,000	1,096,833	14,301,833
Total minimum lease payments			95,836,001
Less amounts representing interest			(30,401,001)
Present value of future minimum lease payments			65,435,000
Less: current portion			(9,080,000)
Capitalized lease obligation, net of current portion			\$ 56,355,000

6 Long-term debt obligation schedule

Year ending June 30:	Revenue Bonds		All other long-term debt obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ —	\$ —	\$ 355,000	\$ 228,887	\$ 355,000	\$ 228,887
2016	—	—	375,000	587,513	375,000	587,513
2017	—	—	390,000	584,588	390,000	584,588
2018	—	—	410,000	586,237	410,000	586,237
2019	—	—	430,000	587,788	430,000	587,788
2020-2024	—	—	2,480,000	2,938,481	2,480,000	2,938,481
2025	—	—	570,000	14,250	570,000	14,250
Total	\$ —	\$ —	\$ 5,010,000	\$ 1,442,744	\$ 5,010,000	\$ 1,442,744

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.
Other Information
June 30, 2014
(for inclusion in the California State University)

7 Calculation of net position

7.1 Calculation of net assets - Invested in capital assets, net of related debt

	Auxiliary Organizations		Total
	GASB	FASB	Auxiliaries
Capital assets, net of accumulated depreciation	\$	\$ 84,629,866	\$ 84,629,866
Capitalized lease obligations - current portion		(9,080,000)	(9,080,000)
Capitalized lease obligations, net of current portion		(56,355,000)	(56,355,000)
Long-term debt obligations - current portion		(355,000)	(355,000)
Long-term debt obligations, net of current portion		(5,404,548)	(5,404,548)
Portion of outstanding debt that is unspent at year-end			
Other:			
(description)			
(description)			
(description)			
(description)			
(description)			
Net position - net investment in capital asset	\$	\$ 13,435,318	\$ 13,435,318

8 Transactions with Related Entities

	Amount
Reimbursements to University for salaries of University personnel working on contracts, grants, and other programs	\$ 416,834
Reimbursements to University for other than salaries of University personnel	973,147
Payments received from University for services, space, and programs	369,156
Gifts-in-kind to the University from discretely presented component units	
Amounts (payable to) University (enter as negative number)	(553,735)
Amounts receivable from University	

9 Other Postemployment Benefits Obligation (OPEB)

Annual required contribution (ARC)	\$ 532,611
Contributions during the year	(482,630)
Increase (decrease) in net OPEB obligation (NOO)	49,981
NOO - beginning of year	739,351
NOO - end of year	789,332

10 Pollution remediation liabilities under GASB Statement No. 49

Not applicable

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

Net position class	Amount
	\$ -

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

Net position class (breakdown of adjusting journal entry)	Debit	Credit
1 Not applicable		