Cal Poly Corporation

Audited Financial Statements and

Supplementary Information

Years Ended June 30, 2017 and 2016

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GLENN BURDETTE
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Board of Directors
Cal Poly Corporation
San Luis Obispo, California

Report on the Financial Statements

We have audited the accompanying statements of net position of Cal Poly Corporation (the Corporation), a component unit of California Polytechnic State University, San Luis Obispo, as of June 30, 2017 and 2016, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

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 s statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 entity'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 entity's internal control. Accordingly, we express no such opinion.

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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 financial position of the Corporation as of June 30, 2017 and 2016, and the changes in financial position and 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's Discussion and Analysis on pages 6 through 15, Schedule of Funding Progress for OPEB Obligation on page 57, Schedule of Changes in the Net Pension Liability and Related Ratios on page 58, and the Schedule of Contributions on page 59, be presented to supplement the basic financial statements. Such information, although not a basic part of the financial statements, is required by the *Government Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. The accompanying supplementary information for inclusion in the financial statements of the California State University on pages 61 through 69 as required by the California State University and other supplementary information on pages 71 through 72 are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements taken as a whole.

The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2017, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Glenn Burdette Attest Corporation

Glenn Burdette Attest Corporation
San Luis Obispo, California

September 7, 2017

Cal Poly Corporation
Management's Discussion and Analysis
June 30, 2017 and 2016

The Cal Poly Corporation ("Corporation") is an auxiliary organization of the California Polytechnic State University, San Luis Obispo ("University"). The Corporation is an IRC Section 501(c)(3) not-for-profit public benefit organization established to provide services which complement the instructional program of the University and assist the institution in achieving its educational mission.

This section of the Corporation's annual financial report presents a discussion and analysis of the financial performance of the Corporation during the fiscal years ended June 30, 2017 ("2016-17"), June 30, 2016 ("2015-16") and June 30, 2015 ("2014-15"). This discussion has been prepared by management and should be read in conjunction with and is qualified in its entirety by the accompanying audited financial statements and notes. The financial statements presented here are incorporated into the University's financial statements as a component unit.

Introduction to the Financial Statements

This annual report consists of a series of financial statements, prepared in accordance with principles issued by the Governmental Accounting Standards Board ("GASB"). For reporting purposes, the Corporation is considered a special-purpose government engaged in business-type activities which best represent the activities of the Corporation as an auxiliary organization of the University.

The financial statements include the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows. These statements provide information about the Corporation's financial position as a whole and the results of activities on that position for each year presented. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting, which recognizes expenses when incurred and revenues when earned rather than when payment is made or received. They are supported by the Notes to Financial Statements and this section. All sections must be considered together to obtain a complete understanding of the financial picture of the Corporation.

<u>Statements of Net Position</u>: The Statements of Net Position include all assets, deferred outflows, liabilities, and deferred inflows of the Corporation reported at their recorded value, as of the statement date. Net position - the difference between assets plus deferred outflows and liabilities plus deferred inflows - is one way to measure the Corporation's financial health, or financial position. Over time, increases or decreases in net position can be an indicator as to whether the Corporation's financial health is improving or declining.

<u>Statements of Revenues, Expenses, and Changes in Net Position</u>: The Statements of Revenues, Expenses, and Changes in Net Position present the revenues earned and expenses incurred during the year.

<u>Statements of Cash Flows</u>: The Statements of Cash Flows present the inflows and outflows of cash for the year and are summarized by operating, noncapital financing, capital and related financing, and investing activities. The statements are prepared using the direct method of cash flows, and therefore, present gross rather than net amounts for the years' activities.

Analytical Overview

Summary

The following discussion highlights management's understanding of the key financial aspects of the Corporation's financial activities for the fiscal years 2016-17, 2015-16 and 2014-15. The accompanying audited financial statements as of and for the years ended June 30, 2017 and 2016 are reported in accordance with standards and requirements of the GASB as are the following schedules.

Condensed Statements of Net Position

	June 30,		
	2017	**2016**	**2015**
Assets:			
Current assets	$ 113,710,705	$ 101,229,273	$ 90,905,754
Noncurrent assets:			
Capital assets, net	35,880,929	35,695,343	36,177,216
Other noncurrent assets	13,447,752	15,323,391	26,039,978
Total assets	163,039,386	152,248,007	153,122,948
Deferred Outflows of Resources	6,934,306	4,273,067	1,432,671
Liabilities:			
Current liabilities	20,157,714	18,907,538	19,210,681
Noncurrent liabilities	28,521,944	24,182,697	26,851,111
Total liabilities	48,679,658	43,090,235	46,061,792
Deferred Inflows of Resources	2,407,595	4,118,148	3,872,119
Net Position:			
Net investment in capital assets	33,471,712	33,205,194	33,617,216
Restricted, expendable	16,271,567	13,291,685	13,047,111
Unrestricted	69,143,160	62,815,812	57,957,381
Total net position	$ 118,886,439	$ 109,312,691	$ 104,621,708

Net Position

Net position may serve over time as an indicator of the Corporation's financial position. As of June 30, 2017, assets and deferred outflows exceeded liabilities and deferred inflows by $118.9 million, resulting in an increase of $9.6 million in net position over the prior year. The increase primarily represents the net result of a $ 4.5 million operating loss combined with investment income of $4.9 million from the Corporation investment portfolio. In addition, noncapital gifts of $5.3 million and capital grants and gifts of $4.2 million contributed to the overall increase in net position. For the year ended June 30, 2016, overall net position increased $4.7 million. The increase in net position primarily represents the net result of a $3.6 million operating loss combined with noncapital gifts of $4.6 million and capital grants and gifts of $3.5 million.

Net investment in capital assets represents the Corporation's capital assets, net of accumulated depreciation and amortization, and also net of outstanding balances of related debt. The Corporation uses these capital assets in its day-to-day operations. Net investment in capital assets increased $267,000 or 0.8% from the prior year. The increase is primarily the result of 2016-17 capital asset purchases exceeding the combination of capital asset disposals and depreciation and amortization expense on existing capital assets. During the current year, the Corporation made a significant investment in leasehold improvements for its new Cal Poly Downtown store. In addition, construction in progress for the new Vista Grande dining facility increased as design was completed and a construction contract awarded. For the year ended June 30, 2016, net investment in capital assets decreased $412,000. The decrease is primarily the result of depreciation and amortization expense on existing capital assets exceeding capital asset purchases during the year.

Restricted, expendable represents the portion of the Corporation's net position that is restricted by donors or by law. The following table summarizes at year end which funds are restricted, the type of restriction, and the amount:

	Year Ended June 30,		
	2017	**2016**	**2015**
Restricted, expendable:			
Research	$ 220,209	$ 272,206	$ 293,578
Capital projects	7,522,519	4,822,146	3,731,603
Instruction	949,572	950,772	1,272,192
Academic support	264,749	207,655	311,288
Other	7,314,518	7,038,906	7,438,450
Total restricted, expendable	$ 16,271,567	$ 13,291,685	$ 13,047,111

This balance can fluctuate from year to year based on the level of gift activity and expenditures. For the year ended June 30, 2017, overall restricted, expendable net position increased $3 million or 22.4% from the prior year. The increase is primarily the result of a $2.7 million increase in net position restricted for capital projects. During the current year, the Corporation received pledges and gifts on behalf of athletics for capital projects. For the year ended June 30, 2016, restricted, expendable net position increased $245,000 from the prior year. The increase is primarily the result of pledges and gifts received offset by current year expenditures. Funds received are restricted by their donors. Fluctuations in restricted, expendable net position are based on the timing of project expenditures in relation to the receipt of gift and other funds.

Unrestricted represents the portion of net position that can be used to finance day-to-day operations of the Corporation without constraints established by donor restrictions, debt covenants or other legal requirements. Although unrestricted net position is not subject to externally imposed restrictions per accounting definitions, significant portions of unrestricted net position are designated for specific programs or projects. Unrestricted net position increased by $6.3 million to $69.1 million from the prior year. The increase was driven by favorable operating results from commercial activities of $4.5 million combined with $1.8 million in net income from fee for service administrative activities. Unrestricted net position increased $4.9 million for the year ended June 30, 2016. The increase was driven by favorable operating results from commercial activities of $7.4 million offset by $1.8 million in market value losses.

Assets

Current assets represent assets that can normally be converted to cash in less than one year, including cash and cash equivalents, certificates of deposit, accounts receivable, contracts and grants receivable, inventories, prepaid expenses and the current portion of notes and pledges receivable.

Cash and cash equivalents are generally held in checking and money market accounts. All highly liquid investments with an original maturity date of three months or less are also classified as cash and cash equivalents. Total cash and cash equivalents increased $8 million or 36.3% for the year ended June 30, 2017, compared to a decrease of $2.4 million or 9.7% for the year ended June 30, 2016. Please refer to the Statement of Cash Flows for more information regarding changes in cash and cash equivalents.

Investments available for current operations are classified as *short-term investments,* which increased $6.4 million or 9.7% from the prior year. During 2016-17, the Corporation acquired $2.5 million in low-duration mutual funds, classified as short-term investments. This was offset by $1.4 million in funds liquidated for contributions to the VEBA Trust. In addition, the Corporation recorded investment income of $4.9 million. For the year ended June 30, 2016, short-term investments increased $11 million or 20.1%. During 2015-16, $7.8 million in certificates of deposit classified as other long-term investments matured and were re-invested into the Corporation's short-term and low duration funds, classified as short-term investments. In addition, the Corporation transferred an additional $3.2 million from money market funds into the short-term and low duration funds.

Accounts receivable, net decreased $565,000 or 27.5% from the prior year. The accounts receivable balance from the University decreased $193,000 from the prior year. In addition, commercial receivables related to the University Store decreased $360,000, which is primarily the result of the Corporation's decision to outsource bookstore operations, effective July 1, 2017. For the year ended at June 30, 2016, accounts receivable net decreased $711,000 or 25.7% from the prior year. The accounts receivable balance from the University decreased $116,000 from the prior year. In addition, net receivable balances due from book publishers decreased over $500,000 from the prior year, the result of better collection efforts by the Corporation.

Pledges receivable, net represents the portion of pledges receivable expected to be collected within one year and increased $277,000 or 16.0% from the prior year. The Corporation received $2.4 million in pledges during the current year, primarily on behalf of athletics. The increase in the current portion of pledges receivable relates to the portion of new pledges expected to be collected within one year offset by payments received on new and existing pledges. For the year ended June 30, 2016, pledges receivable, net increased $454,000. The Corporation received $2.9 million in pledges during 2015-16, which was offset by payments received.

Inventories decreased $1.2 million or 31.5% from the prior year. The decrease in inventory is primarily related to the reduction of inventory for University Store operations. Total University Store inventory decreased $1 million as a result of the decision to outsource bookstore operations, effective July 1, 2017. In addition, commercial agriculture inventories decreased $150,000 primarily from the sale of livestock. For the year ended June 30, 2016, inventories increased $450,000 from the prior year. Commercial agriculture inventories increased $257,000 primarily driven by an increase in donated livestock. In addition, courseware inventory increased $172,000 at the University Store as a result of the decision to sell less courseware inventory back to suppliers at the end of the academic school year.

Noncurrent assets consist primarily of restricted cash and cash equivalents related to endowments and split interest trusts, pledges receivable not expected to be collected within one year, endowment and other long-term investments and capital assets, net of depreciation. Investments that are restricted for withdrawal or to be used for other than current operations, including endowments and split-interest trusts, are classified as other long-term investments.

Pledges receivable, net increased $246,000 or 3.3% from the prior year. As mentioned previously, the Corporation received $2.4 million in pledges during the current year, primarily on behalf of athletics. Pledge amounts expected to be collected within one year are classified as current assets. The increase as a result of new pledges was offset by amounts reclassified to current assets. For the year ended June 30, 2016, pledges receivable, net increased $1.1 million. The Corporation received $2.9 million during 2015-16, primarily on behalf of athletics, which was offset by amounts reclassified to current assets.

Other long-term investments decreased $2.3 million or 45.0% from the prior year. The decrease is primarily due to $2.5 million in securities classified as other long-term investments, which matured and were invested in low-duration mutual funds, classified as short-term investments. For the year ended June 30, 2016, endowment investments decreased $7.9 million or 60.5% over the prior year. Additionally, $7.8 million in certificates of deposit classified as other long-term investments matured and were re-invested into the Corporation's short-term and low duration funds, classified as short-term investments.

<u>Deferred Outflows of Resources</u>

Deferred Outflows of Resources represents contributions made by the Corporation to its pension plan during 2016-17 as well as differences between projected and actual earnings on pension plan investments, which are recognized in pension expense over a closed five-year period. In addition, deferred outflows of resources at June 30, 2017 includes a $272,000 deferred loss on the refunding of a portion of the California State University ("CSU") System-Wide Revenue Bonds Series 2009A.

<u>Liabilities</u>

Current liabilities, or amounts owed or due within one year, consist of accounts payable, accrued salaries and benefits payable, unearned revenue, sponsored program receipts over expenditures, and other liabilities.

Accrued salaries and benefits payable increased by $923,000 or 119.8% from the prior year. The increase is the result of a timing difference. In 2016-17, June 30th was the last day of the pay period and therefore a full two weeks of pay were accrued as payable at June 30, 2017. In 2015-16, July 1st was the last day of the pay period, which resulted in an accrual that does not include a full pay period of salaries and wages earned. For the year ended June 30, 2016, accrued salaries and benefits payable remained fairly consistent, decreasing 4% from the prior year.

Unearned revenue includes meal plan contracts received and recorded for the upcoming academic year. As meal plans are consumed during the year, revenue is recognized and the unearned revenue balance declines. For the year ended June 30, 2017, unearned revenue increased $647,000 or 11.1% from the prior year. This increase is primarily due to an increase in freshmen enrollment for the upcoming academic year. At June 30, 2017, there were approximately 1,000 more freshmen expected for the upcoming academic year as compared to June 30, 2016. For the year ended June 30, 2016, unearned revenue remained fairly consistent, decreasing 4.6% from the prior year.

Noncurrent liabilities consist primarily of long-term debt, deposits held in custody for others (including endowments), the net other postemployment benefit (OPEB) obligation, the net pension liability, split-interest trust liabilities and the use interest of beneficiary obligation.

The Corporation's *long-term debt obligation* of $2.6 million at June 30, 2017 represents a note payable, which originated as part of the CSU System-wide Revenue Bonds Series 2009A bond issuance. During 2015-16, $2.3 million of the Series 2009A bonds were defeased through the issuance of $2.1 million in Systemwide Revenue Bonds Series 2016A. The bond refunding reduces the Corporation's total financing cost by approximately $402,000 over the life of the bonds. The bond refunding resulted in a loss of $293,000, which was recorded as a deferred outflow of resources in the statement of net position and is being amortized over the life of the note.

The long-term portion of the note payable outstanding as of June 30, 2017 includes a bond premium of $412,000 related to the issuance of the Series 2016A bonds. The Corporation made principal payments in the amounts of $75,000 and $70,000 on this debt during 2016-17 and 2015-16. This note was issued to fund the construction of the Cal Poly Technology Park ("Tech Park"). The net capital asset value of this building, including tenant improvements, and related equipment at June 30, 2017 is $4.7 million.

Deposits held in custody for others increased $431,000 or 12.3% from the prior year. During the year, the endowment fund assets increased by $133,000. In addition, agency deposits held by the Corporation increased by $294,000. For the year ended June 30, 2016, deposits held in custody for others decreased $4.1 million or 53.9% from the prior year. During the year, the Foundation for the Performing Arts Center exited their $3.5 million position from the endowment fund. In addition, there was a $208,000 decrease in agency deposits held by the Corporation.

The *net OPEB obligation* is related to the Corporation's defined benefit postretirement plan providing medical benefits to retirees of the Corporation. Based on the most recent actuarial report, the actuarial accrued liability (AAL) as of July 1, 2017 was $30.8 million. The net OPEB obligation, both current and noncurrent combined, at June 30, 2017 is equal to the AAL less the value of assets in the VEBA trust on that date, which was $25.1 million, and is also referred to as the unfunded actuarial accrued liability (UAAL).

The *net pension liability* is related to the Corporation's defined benefit pension plan. The net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures.

Deferred Inflows of Resources

Deferred Inflows of Resources represents differences between projected and actual earnings on pension plan investments and are recognized in pension expense over a closed five-year period. In addition, deferred inflows of resources includes differences between actual and expected actuarial experience as well as changes in actuarial assumptions.

Results of Operations

Increase in net position for 2016-17 was $9.6 million as compared to $4.7 million for 2015-16. The increase for 2016-17 primarily represents the net result of a $ 4.5 million operating loss combined with investment income of $4.9 million from the Corporation investment portfolio. In addition, noncapital gifts of $ 5.3 million and capital grants and gifts of $ 4.2 million contributed to the overall increase in net position.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended June 30,		
	2017	**2016**	**2015**
Operating revenues:			
Grants and contracts	$ 25,186,157	$ 24,865,017	$ 20,605,349
Sales and services of auxiliary enterprises	47,780,483	47,915,827	48,348,577
Fees for services	6,945,066	6,105,981	5,518,341
University programs support	2,988,963	2,619,639	3,637,520
Conference and workshop revenues	3,438,400	2,640,349	2,876,258
Other operating revenue	1,824,628	703,929	1,218,618
Total operating revenues	88,163,697	84,850,742	82,204,663
Operating expenses:			
Corporation administration	5,156,919	4,990,212	4,203,895
Contract and grant expense	25,626,262	25,321,198	21,246,378
Auxiliary activities cost of sales	20,603,364	19,928,144	19,929,427
Auxiliary activities expense	22,669,581	20,632,448	20,793,845
University programs support	14,703,704	13,689,572	13,397,242
Sponsored program administration	1,206,749	996,367	1,035,765
Depreciation and amortization	1,899,561	1,870,754	1,787,640
Other operating expenses	783,668	1,062,818	15,072,506
Total operating expense	92,649,808	88,491,513	97,466,698
Operating loss	(4,486,111)	(3,640,771)	(15,262,035)
Nonoperating revenues (expenses):			
Gifts, noncapital	5,313,837	4,648,095	5,362,975
Investment income (loss), net	4,871,103	(69,158)	(284,357)
Interest expense	(106,899)	(129,677)	(134,527)
Other nonoperating revenues (expenses), net	(171,213)	358,808	582,726
Total nonoperating revenues (expenses)	9,906,828	4,808,068	5,526,817
Other changes in net position:			
Capital grants and gifts	4,153,031	3,523,686	12,949,396
Increase in net position	9,573,748	4,690,983	3,214,178
Beginning net position	109,312,691	104,621,708	115,297,293
Prior year restatement	-	-	(13,889,763)
Beginning net position, as restated	109,312,691	104,621,708	101,407,530
Ending net position	$ 118,886,439	$ 109,312,691	$ 104,621,708

Operating revenues increased $3.3 million or 3.9% in 2016-17 as compared to 2015-16. *Fees for Services* revenue increased $839,000 over the prior year. The increase includes a $292,000 increase in indirect cost recovery collected by the Corporation's Sponsored Programs Administration department for services provided for sponsored research. In addition, there was $656,000 increase in fee for service income collected by campus centers and institutes. *University programs support* revenues increased $369,000 over the prior year, primarily as a result of a $186,000 increase in special activity sales (i.e. events, auctions, banquets, raffles), which relate mostly to athletics, and a $238,000 increase in income from campus centers and institutes. *Conference and workshop revenues* increased $798,000 or 30.2% over the prior year, primarily due to an increase in attendance numbers for repeat events (such as EPIC, CubeSat, and CATA). In addition, the Corporation hosted CalFire during the summer chimney fires along the central coast, which added $182,000 in revenue.

Other operating revenues increased by $1.1 million in 2016-17 as compared to 2015-16, primarily the result of an actuarial gain related to the Corporation's OPEB obligation. In 2015-16, the actuarial study resulted in an $842,000 actuarial loss, which was included in *Other Operating Expenses*.

In 2015-16, total operating revenues increased $2.6 million or 3.2% as compared to 2014-15. *Grants and contracts* revenue increased $4.3 million or 20.7%, primarily from an increase in sponsored project activity in the federal, state and non-profit sectors. The increase in sponsored project activity also contributed to the $588,000 increase in *fee for services* income, which includes indirect cost recovery fees on sponsored projects. Offsetting these increases was a $1 million decrease in *University programs support* revenues. The 2015-16 decrease in *University programs support* revenues resulted from the loss of all activity related to the Mustang Athletic Fund, which was transferred to the University towards the end of 2014-15. In addition, there was a $269,000 decrease in ticket sales for Cal Poly Arts, which resulted from the decision to hold fewer performances. *Other operating revenues* also decreased $515,000. The Corporation sold one Bella Montana condo unit in 2014-15 compared to zero in 2015-16.

Operating expenses increased $4.2 million or 4.7% in 2016-17 as compared to 2015-16. *Auxiliary activities cost of sales* increased $675,000 primarily due to rising food costs. *Auxiliary activities expense* increased $2 million or 9.9% primarily due to a $553,000 increase in employee costs, resulting from minimum wage increases and higher fringe benefits costs and a $752,000 increase in expenses for outside services, including consulting, contract labor, and other professional services. During the current year, the Corporation contracted with Chartwells Higher Education to provide dining management services over a three-year period. *University programs support* increased $1 million or 7.4% over the prior year, which includes a $768,000 increase in expenses related to conference and workshops. The increase in expenses related to conference and workshops is consistent with the change in conference and workshop revenues during the same period. In addition, institutional support expenses increased $189,000 primarily related to increased support for program development within the College of Agriculture, Food, and Environmental Sciences.

In 2015-16, total operating expenses decreased $9 million over the prior year. The decrease was primarily driven by a $14 million decrease in *other operating expenses*. During 2014-15, the Corporation chose to amortize the remaining unamortized unfunded actuarial accrued liability, which resulted in a $9.4 million increase in other operating expenses. This liability represents the Corporation's *net other postemployment benefit obligation*. In addition, the Corporation's end-of-year contribution to the VEBA trust was $3.4 million during 2014-15 compared to $1.4 million during 2015-16. Finally, the Corporation sold one Bella Montana condo unit in 2014-15 compared to zero in 2015-16; other operating expenses include the book value of the condo unit sold.

Offsetting the decrease in other operating expenses was an increase of $4.1 million, or 19.2%, in *contract and grant expense*, which is consistent with the increase in grants and contracts revenue and reflects an overall increase in project activity, primarily in the federal, state and non-profit sectors. *Corporation administration* expense also increased in 2015-16 by $786,000 or 18.7%, which was driven by an organizational restructuring and the formation of marketing, facilities, and IT support departments. Previously, these functions were decentralized across Corporation business units.

Nonoperating revenues (expenses) consists primarily of noncapital gifts and investment income.

Gifts, noncapital increased $666,000 or 14.3% in 2016-17 as compared to 2015-16. The increase is the result of an increase in noncapital gifts and pledges received primarily on behalf of athletics. In 2015-16, noncapital gifts decreased $715,000 or 13.3% in 2015-16 as compared to 2014-15. The decrease was the result of fewer gifts and pledges received primarily on behalf of athletics. Variances in gift income are due to the varying nature of contribution revenue from year to year, which depends on a number of factors, both internal and external.

Investment income, net increased $4.9 million in 2016-17 to $4.9 million as compared to an investment loss of $69,000 in 2015-16. Investment income, net is primarily the result of $1.6 million in interest and dividends combined with $3.6 million in market value gains. In 2015-16, *investment loss, net* resulted from $1.8 million in market value losses, which exceeded interest and dividend revenues for the year.

Other changes in net position includes *capital grants and gifts*, which increased $629,000 or 17.9% in 2016-17 as compared to 2015-16. The increase is the result of an increase in capital gifts and pledges received primarily on behalf of athletics. In 2015-16, capital grants and gifts decreased $9.4 million or 72.8% as compared to 2014-15. During 2014-15, the Corporation was gifted the Bartleson Ranch and Conservatory valued at $11.3 million, which was the primary reason for the change in capital grants and gifts in the prior year.

Currently Known Facts Impacting Future Periods

The Corporation began the construction of a new facility for its campus dining commercial operations in fiscal year 2016-17. In 2017-18, a significant portion of this project with be financed through proceeds from the issuance of CSU System-wide Revenue Bonds and will be accompanied by significant capital outlay expenditures. These expenditures are expected to have a material impact on the Corporation's unrestricted net position.

In addition, during FY 2016-17, the Corporation executed a contract with Follett Higher Education Group to operate its campus bookstore and downtown retail store. The contract is effective July 1, 2017 and will result in a significant reduction in revenues and expenses related to those operations.

Financial Statements

Cal Poly Corporation

Statements of Net Position

June 30, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	$ 29,992,193	$ 22,005,340
Short-term investments	72,109,327	65,704,584
Accounts receivable, net	1,487,955	2,053,210
Contracts and grants receivable, net	4,959,867	5,077,378
Pledges receivable, net	2,013,717	1,736,428
Inventories	2,517,974	3,674,780
Prepaid expenses and other current assets	629,672	977,553
Total current assets	113,710,705	101,229,273
Noncurrent assets:		
Restricted cash and cash equivalents	29,853	48,477
Accounts receivable, net	24,647	20,356
Pledges receivable, net	7,777,344	7,531,220
Endowment investments	2,124,802	1,898,609
Other long-term investments	2,853,106	5,186,729
Capital assets, net	35,880,929	35,695,343
Other assets	638,000	638,000
Total noncurrent assets	49,328,681	51,018,734
Total assets	163,039,386	152,248,007
Deferred Outflows of Resources		
Unamortized loss on refunding	272,470	290,570
Related to net pension liability	6,661,836	3,982,497
Total deferred outflows of resources	6,934,306	4,273,067

The accompanying notes are an integral part of these financial statements.

Cal Poly Corporation

Statements of Net Position

June 30, 2017 and 2016

Page 2

	2017	2016
Liabilities		
Current liabilities:		
Accounts payable	$ 2,765,366	$ 2,642,272
Accrued salaries and benefits payable	1,694,192	770,736
Accrued compensated absences	772,363	780,364
Unearned revenue	6,499,092	5,852,176
Sponsored programs receipts over expenditures	7,106,387	7,620,834
Long-term debt obligations	80,000	75,000
Self-insurance claims liability	20,000	15,000
Other postemployment benefit obligation, current	1,220,314	1,151,156
Total current liabilities	20,157,714	18,907,538
Noncurrent liabilities:		
Long-term debt obligation	2,601,687	2,705,719
Deposits held in custody for others	3,936,851	3,506,267
Other postemployment benefit obligation, net of current	4,463,139	4,480,685
Net pension liability	16,233,426	12,199,036
Other liabilities:		
Split-interest trust liabilities	917,329	885,109
Use interest of beneficiary	369,512	405,881
Total noncurrent liabilities	28,521,944	24,182,697
Total liabilities	48,679,658	43,090,235
Deferred Inflows of Resources		
Related to net pension liability	2,407,595	4,118,148
Net Position		
Net investment in capital assets	33,471,712	33,205,194
Restricted for:		
Expendable:		
Research	220,209	272,206
Capital projects	7,522,519	4,822,146
Instruction	949,572	950,772
Academic support	264,749	207,655
Other	7,314,518	7,038,906
Unrestricted	69,143,160	62,815,812
Total net position	$ 118,886,439	$ 109,312,691

The accompanying notes are an integral part of these financial statements.

Cal Poly Corporation

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2017 and 2016

	2017	2016
Operating revenues:		
Grants and contracts, noncapital:		
Federal	$ 15,042,304	$ 15,097,189
State	3,337,931	4,034,258
Local	757,906	556,446
Nongovernmental	6,048,016	5,177,124
Sales and services of auxiliary enterprises	47,780,483	47,915,827
Fees for services	6,945,066	6,105,981
University programs support	2,988,963	2,619,639
Conference and workshop revenues	3,438,400	2,640,349
Other operating revenues	1,824,628	703,929
Total operating revenues	88,163,697	84,850,742
Operating expenses:		
Corporation administration	5,156,919	4,990,212
Contract and grant expenses	25,626,262	25,321,198
Auxiliary activities cost of sales	20,603,364	19,928,144
Auxiliary activities expenses	22,669,581	20,632,448
University programs support:		
Conference and workshops expense	2,770,372	2,002,446
Public service support	5,675,050	5,297,012
Institutional support	1,718,047	1,528,720
Academic support	1,555,722	1,438,446
Student services	284,602	485,088
Other University programs	2,699,911	2,937,860
Sponsored programs administration	1,206,749	996,367
Depreciation and amortization	1,899,561	1,870,754
Other operating expenses	783,668	1,062,818
Total operating expenses	92,649,808	88,491,513
Operating loss	(4,486,111)	(3,640,771)

The accompanying notes are an integral part of these financial statements.

Cal Poly Corporation

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2017 and 2016

Page 2

	2017	2016
Nonoperating revenues (expenses):		
Gifts, noncapital	$ 5,313,837	$ 4,648,095
Investment gain (loss), net	4,871,103	(69,158)
Interest expense	(106,899)	(129,677)
Other nonoperating revenues (expenses), net	(171,213)	358,808
Total nonoperating revenues (expenses)	9,906,828	4,808,068
Other changes in net position:		
Capital grants and gifts	4,153,031	3,523,686
Total other changes in net position	4,153,031	3,523,686
Increase in net position	9,573,748	4,690,983
Net position - beginning of year	109,312,691	104,621,708
Net position - end of year	$ 118,886,439	$ 109,312,691

The accompanying notes are an integral part of these financial statements.

Cal Poly Corporation

Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Receipts from grants and contracts	$ 24,291,459	$ 22,745,204
Receipts from sales and services of auxiliary enterprises	52,237,551	50,858,818
Receipts from fees for services	6,945,066	6,105,981
Receipts from University programs	2,988,963	2,619,639
Payments to vendors	(39,251,441)	(38,511,424)
Payments to employees	(34,013,004)	(35,448,728)
Payments to University, net	(10,892,705)	(9,939,342)
Payments to Foundation, net	(551,351)	(521,239)
Payments to VEBA Trust	(278,643)	(2,188,695)
Other receipts	612,301	702,909
Other payments	(1,344,967)	(458,995)
Net cash provided by (used in) operating activities	743,228	(4,035,872)
Cash flows from noncapital financing activities:		
Cash contributions received	3,923,197	1,968,927
Cash contributions received for split-interest trusts	75,000	10,000
Distributions to trust beneficiaries	(89,007)	(177,909)
Fees and expenses of split-interest trusts	(9,055)	(9,240)
Foundation support	442,311	442,311
Change in depository accounts	430,584	(4,097,592)
Net cash provided by (used in) noncapital financing activities	4,773,030	(1,863,503)
Cash flows from capital and related financing activities:		
Capital grants and gifts	4,445,268	3,629,155
Acquisition of capital assets	(2,888,806)	(1,349,810)
Proceeds from sale of capital assets	13,674	50,775
Interest paid on long-term debt obligation	(112,831)	(129,528)
Defeasance of long-term obligation	(75,000)	(70,000)
Net cash provided by capital and related financing activities	1,382,305	2,130,592
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	4,935,896	10,241,045
Purchase of investments	(4,985,550)	(10,626,947)
Investment income proceeds	1,119,320	1,775,828
Net cash provided by investing activities	1,069,666	1,389,926
Net increase (decrease) in cash	7,968,229	(2,378,857)
Cash and cash equivalents - beginning of year	22,053,817	24,432,674
Cash and cash equivalents - end of year	$ 30,022,046	$ 22,053,817

The accompanying notes are an integral part of these financial statements.

Cal Poly Corporation

Statements of Cash Flows

Years Ended June 30, 2017 and 2016

Page 2

		2017		2016
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	$	(4,486,111)	$	(3,640,771)
Adjustments to reconcile operating loss to				
net change in operating activities:				
Depreciation and amortization		1,899,561		1,870,754
Bad debt		4,030		13,236
Loss on disposal of assets		46,397		76,151
Other noncash expenses		41,573		179,678
Changes in operating assets and liabilities:				
Accounts receivable, net		674,445		(324,288)
Inventories		1,156,806		(449,664)
Prepaid expenses and other current assets		534,399		(458,995)
Accounts payable		5,029		488,034
Accounts payable - University		121,365		78,013
Accounts payable - Foundation		(3,300)		(241,142)
Accrued salaries and benefits payable		923,456		(32,324)
Accrued compensated absences		(8,001)		4,804
Self-insurance claims liability		5,000		
Unearned revenue		646,916		(280,144)
Sponsored programs receipts over expenditures		(514,447)		(413,463)
Other postemployment benefit obligation		51,612		319,991
Net pension liability		4,034,390		1,078,055
Deferred outflow and inflows		(4,389,892)		(2,303,797)
Net cash provided by (used in) operating activities	$	743,228	$	(4,035,872)
Supplemental disclosures of cash flow information:				
Contributions of investments	$	428,657	$	540,166
Other noncash contributions	$	595,789	$	1,114,253
Change in fair value of investments	$	3,819,004	$	(1,761,177)
Amortization of net bond premium	$	24,032	$	7,128
Amortization of loss on debt refunding	$	18,100	$	2,625

The accompanying notes are an integral part of these financial statements.

Cal Poly Corporation
Notes to Financial Statements
June 30, 2017 and 2016

Note 1: Organization

The Cal Poly Corporation (Corporation) is a nonprofit auxiliary organization to the California Polytechnic State University, San Luis Obispo (University). The Corporation is a self-supporting entity which provides the University with certain services and facilities that are an integral part of the educational program of the University. The University has delegated authority for these activities to the auxiliary in order to mitigate risk to the University or because the activities cannot be financially supported by the state government by law or can be more efficiently operated through the auxiliary. Essentially, all revenues, and the realization of certain assets, are dependent upon the continuation of the Corporation's status as an auxiliary organization to the University. The Corporation was originally incorporated as California Polytechnic State University Foundation and legally changed its name to Cal Poly Corporation in 2006.

In February 2012, the Corporation accepted all of the assets, liabilities and activities of Cal Poly Housing Corporation, a nonprofit auxiliary organization to the University organized to develop and maintain affordable housing and related facilities for University faculty and staff.

Note 2: Summary of Significant Accounting Policies

Financial Reporting Entity

The accompanying financial statements present the accounts of the Corporation, including the endowment and campus program accounts held for the benefit of the University and related organizations. The Corporation is a governmental organization under accounting principles generally accepted in the United States of America (GAAP) and is also a component unit of the University, a public university under the California State University (CSU) system. The Corporation has chosen to use the reporting model for special purpose governments engaged only in business-type activities consistent with guidance of the CSU.

Basis of Presentation

The 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 Government 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, gifts, and similar items are recognized as soon as all eligibility requirements have been met. The Corporation complies with all applicable GASB pronouncements.

Classification of Current and Noncurrent Assets (Other than Investments) and Liabilities

The Corporation considers assets and liabilities that can reasonably be expected, as part of its normal business operations, to be converted to cash or liquidated within 12 months of the dates of the Statements of Net Position to be current. All other assets and liabilities are considered to be noncurrent.

Note 2: Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Corporation considers all unrestricted highly-liquid investments with an initial original maturity of three months or less to be cash equivalents for purposes of the Statements of Cash Flows. Cash equivalents held by brokers at year-end pending long-term reinvestment are considered investments.

Investments

Investment securities are reported at fair value. Marketable securities' fair values are based on quoted market prices from independent sources. Investments in real estate are initially recorded at fair value established by independent appraisals. In subsequent periods, real estate is evaluated for impairment based on market conditions, market quotes or updated appraisals.

Investments that are used for current operations are classified as short-term investments. Investments that are restricted from withdrawal or use for other than current operations, designated or restricted for the acquisition or construction of noncurrent assets, designated or restricted for the liquidation of the noncurrent portion of long-term debt, and restricted as to the liquidity of the investments are classified as other long-term investments. All endowment and split-interest trust investments are classified as noncurrent regardless of maturity due to restrictions limiting the Corporation's ability to use these investments.

Investment income and endowment income consist of realized and unrealized gains and losses on investments, interest and dividends. The amounts are presented net of investment management and custodian fees.

Accounts Receivable

The Corporation has accounts receivable from the University, University organizations and students and external organizations in conjunction with the services it provides as an auxiliary organization. Accounts receivable are also recorded from contract and grant sponsors, generally federal, state and local governments, nonprofit organizations and corporate sponsors. The Corporation 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 against the valuation allowance. The Corporation maintains a minimal allowance for doubtful accounts for these receivables based upon management's estimate of their collectability. The allowance for doubtful accounts for accounts receivable was $1,099 and $13,179 at June 30, 2017 and 2016, respectively.

Note 2: Summary of Significant Accounting Policies (Continued)

Pledges Receivable

Pledges receivable are unconditional promises to make future payments to the Corporation. Pledges receivable are recognized as gift revenue in the period pledged when all applicable eligibility requirements are met. Pledge payments promised to be made in future years are recorded at the present value of future cash flows net of an allowance for doubtful accounts of $1,099,362 and $1,062,166 at June 30, 2017 and 2016, respectively. The discount on pledges receivable is computed using the five-year Treasury note rate applicable in the year pledged. In subsequent years, this discount is accreted and recorded as additional gift revenue.

Conditional pledges, which depend on the occurrence of a specified future or uncertain event, are recognized as gift revenue when the conditions are substantially met.

Inventories

Inventories are valued according to various methods, which approximate the lower of cost (first-in, first-out method) or market as follows:

Bookstore – contractual purchase price
Breeding stock - actual cost less accumulated depreciation
Other livestock - unit value livestock method
Foodstuff - moving average cost
Other inventories - moving average cost or first-in, first-out

Endowments

The Corporation holds 8 individual endowments for others. These endowments are managed by the Corporation to be invested long-term and the related income either expended for support of University programs, including the Alumni Association and Associated Students, Inc., or related external organizations. Additions to endowments held for others (principally the return on investment of fund assets) are recorded as liabilities as opposed to revenues.

Capital Assets

Capital assets, consisting of land, buildings, leasehold improvements, construction-in-progress, equipment and intangible assets, with an estimated useful life greater than one year, are recorded at cost at the date of acquisition. Capital assets with a unit acquisition cost of less than $5,000 are generally not capitalized. Capital assets acquired as a group with individual unit acquisition costs less than $5,000 may be capitalized if they are considered collectively

Note 2: Summary of Significant Accounting Policies (Continued)

material. The cost of normal maintenance and repairs that do not add to the value of the asset, or materially extend its useful life, are expensed to operations. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets.

Estimated useful lives are generally as follows:

Buildings	30 years
Leasehold improvements	5 - 20 years
Equipment	3 - 8 years
Intangible assets	3 - 5 years

Capital assets acquired through federal and state grants and contracts where the government retains a reversionary interest are not capitalized, or depreciated, until title passes to the Corporation.

Deferred Inflows/Outflows of Resources

The Corporation records all inflows and outflows of resources that are not assets and liabilities and are related to future periods as deferred inflows or outflows of resources.

Compensated Absences

The Corporation accrues leave for employees at rates based upon length of service and job classification. Accrued balances are categorized as current and noncurrent based upon the criteria discussed above.

Unearned Revenue

The Corporation sells dining plan contracts to University students on a prepaid basis. The amount of the dining plan contracts that has not been earned is recorded as unearned revenue. Unearned revenue also includes unearned amounts for conference deposits.

Sponsored Programs Receipts Over Expenditures

Sponsored programs receipts over expenditures primarily includes revenue billed or collected in advance of when it is earned on grants and contracts.

Note 2: Summary of Significant Accounting Policies (Continued)

Actuarial Trust Liabilities and Change in Value of Split-Interest Agreements

Actuarial trust liabilities include charitable gift annuities based on the present value of future payments calculated using IRS life expectancy tables or California Department of Insurance standard annuity tables and discounted at the Treasury note rate in effect for a comparable period of time at the date of the gift. Change in value of split-interest agreements is recorded for the amortization of discount and any changes in actuarial assumptions.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Corporation's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

The Corporation's net position is classified into the following categories for accounting and reporting purposes:

Net investment in capital assets:
This category includes capital assets, net of accumulated depreciation and amortization, less the outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets, including any related deferred outflows or inflows of resources.

Restricted – expendable:
This category relates to contributions restricted by donors to be expended for specific purposes in support of the University.

Unrestricted:
This category includes the portion of net position not subject to donor-imposed restrictions, which Corporation management may designate for specific purposes. The Corporation first expends restricted-expendable assets, when available, prior to utilizing unrestricted funds.

Note 2: Summary of Significant Accounting Policies (Continued)

Classification of Revenues and Expenses

The Corporation considers operating revenues and expenses in the Statements of Revenues, Expenses and Changes in Net Position to be those revenues and expenses that result from exchange transactions or from other activities that are connected directly to the Corporation's primary functions. Exchange transactions include charges for services rendered and the acquisition of goods and services.

In accordance with GASB Statement No. 35, certain significant revenues relied upon and budgeted for fundamental operational support of the core mission of the Corporation are mandated to be recorded as nonoperating revenues. Nonoperating revenues and expenses include the Corporation's net investment income, private gifts for other than capital purposes, interest expense on capital related debt and gain or loss on disposal of capital assets. Capital grants and gifts and extraordinary and nonrecurring events are classified as other changes in net position.

Donated Assets

Donated materials, livestock, property and equipment, and other noncash donations of greater than $5,000 and all marketable securities are recorded as contributions at their estimated fair values at the date of donation.

Donated Services

The Corporation records the amount of contributed services, specialized skills that would typically be purchased if not provided by donation, as revenue in the period received. For the years ended June 30, 2017 and 2016, grants and contracts revenue included $497,761 and $685,174, respectively, of assigned time of project directors paid by the University.

Donated Collection Items

The Corporation maintains an art collection acquired by donation which has not been recorded in the financial statements, as the collection is held for public exhibition or education; the collection is protected, kept unencumbered, cared for, and preserved. The value of the collection was estimated at $1,400,000 at June 30, 2017 and 2016.

Fair Value Measurements

As defined in GASB Statement No. 72, *Fair Value Measurement and Application*, 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

Note 2: Summary of Significant Accounting Policies (Continued)

measurement date. The Corporation uses valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

GASB Statement No. 72 establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 — Observable inputs, other than Level 1 prices, for the asset or liability, either directly or indirectly;
Level 3 — Unobservable inputs for the asset or liability.

For fiscal year ended June 30, 2016, the application of valuation techniques applied to the Corporation's financial statements has been consistent.

Income Tax Status

The Corporation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Corporation's tax-exempt purpose is subject to taxation as unrelated business income. No liability for income taxes has been recorded since the amount is not expected to be significant. In addition, the Corporation qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(iv) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

The Corporation follows accounting standards generally accepted in the United States of America, which requires, among other things, the recognition and measurement of tax positions based on a "more likely than not" (likelihood greater than 50%) approach. As of June 30, 2017, management has considered its tax positions and believes that the Organization did not maintain any tax positions that did not meet the "more likely than not" threshold. The Organization does not expect any material changes through June 30, 2018. However, tax returns remain subject to examination by the Internal Revenue Service for fiscal years ending on or after June 30, 2014, and by the California Franchise Tax Board for fiscal years ending on or after June 30, 2013. As noted above, the Organization does not currently pay income taxes. However, the Organization remains subject to taxes on any net income that is derived from a trade or business, regularly carried on, and unrelated to its exempt purpose. No income taxes have been recorded in the accompanying financial statements since management believes the Organization has no taxable unrelated business income.

Note 2: Summary of Significant Accounting Policies (Continued)

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 of assets and liabilities and disclosures as of the date of the financial statements and revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Recent Pronouncements

In February 2015, GASB issued Statement No. 72, Fair Value Measurement and Application, which addresses accounting and financial reporting disclosures related to fair value measurements. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Management implemented GASB Statement No. 72 for the Corporation's June 30, 2016 financial statements. Implementation of this statement resulted in additional fair value measurement disclosures. See Note 4 to Financial Statements for further discussion.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. The provisions of Statement No. 73 are effective for fiscal years beginning after June 15, 2015. Implementation of this statement did not have a material impact on the Corporation's financial statements.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes financial reporting standards for state and local governmental OPEB plans – defined benefit OPEB plans and defined contribution OPEB plans – that are administered through trusts or equivalent arrangements. The provisions of Statement No. 74 are effective for fiscal years beginning after June 15, 2016. The Corporation is not an OPEB plan therefore this statement is not applicable to the Corporation.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. Statement No. 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions of

Note 2: Summary of Significant Accounting Policies (Continued)

Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Management has not yet determined the impact of this Statement on its financial statements.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles. The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The provisions of Statement No. 76 are effective for fiscal years beginning after June 15, 2015. Implementation of this statement did not have a material impact on the Corporation's financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The provisions of Statement No. 77 are effective for fiscal years beginning after December 15, 2015. Implementation of this statement did not have a material impact on the Corporation's financial statements.

In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. Statement No. 78 addresses a practice issue regarding the scope and applicability of Statement No. 68 for pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The provisions of Statement No. 78 are effective for fiscal years beginning after December 15, 2015. Implementation of this statement did not have a material impact on the Corporation's financial statements.

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants.* Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. The provisions of Statement No. 79 are effective for reporting periods beginning after June 15, 2016. Implementation of this statement did not have a material impact on the Corporation's financial statements.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. Statement No. 80 amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The provisions of Statement No. 80 are effective for fiscal years beginning after June 15, 2016. Implementation of this statement did not have a material impact on the Corporation's financial statements.

Note 2: Summary of Significant Accounting Policies (Continued)

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. The Statement also provides additional recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions of Statement No. 81 are effective for fiscal years beginning after December 15, 2016. Implementation of this statement did not have a material impact on the Corporation's financial statements.

In March 2016, GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions of Statement No. 82 are effective for fiscal years beginning after June 15, 2016. Implementation of this statement did not have a material impact on the Corporation's financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The provisions of Statement No. 83 are effective for fiscal years beginning after June 15, 2018. Management has not yet determined the impact of this Statement on its financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. Activities meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the entity to disburse fiduciary resources. The provisions of Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management has not yet determined the impact of this Statement on its financial statements.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions of Statement No. 85 are effective for fiscal years beginning after June 15, 2017. Management has not yet determined the impact of this Statement on its financial statements.

Note 2: Summary of Significant Accounting Policies (Continued)

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. Statement No. 86 is meant to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The provisions of Statement No. 86 are effective for fiscal years beginning after June 15, 2017. Management has not yet determined the impact of this Statement on its financial statements.

Additionally, in June 2017, GASB issued Statement No. 87, *Leases*. Statement No. 87 increases the usefulness of entities' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions of Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has not yet determined the impact of this Statement on its financial statements.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

Note 3: Cash and Cash Equivalents

The Corporation maintains cash balances at several financial institutions located in California. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per account title. The Corporation also participates in several deposit-placement programs designed to allocate funds amongst member institutions in such a way that no one bank holds more than $250,000 in Corporation assets, meaning that all the assets placed with a particular program are fully FDIC insured. These programs include the Wells Fargo Brokered CD program, the Certificate of Deposit Account Registry (CDARS) program and the Insured Cash Sweep (ICS) money market program. At June 30, 2017, the Corporation had uninsured cash deposits totaling $8,143,665, held principally at Wells Fargo Bank in the Corporation's operating bank account.

Note 3: Cash and Cash Equivalents (Continued)

At June 30, 2017 and 2016, a portion of cash and cash equivalents was restricted according to donor stipulations as follows:

	2017	2016
Endowments	$ 9,096	$ 13,752
Split interest trusts	20,757	34,725
Total restricted cash and cash equivalents	$ 29,853	$ 48,477

Note 4: Investments

At June 30, 2017 and 2016, investments were classified in the accompanying financial statements as follows:

	2017	2016
Short-term investments	$ 72,109,327	$ 65,704,584
Endowment investments	2,124,802	1,898,609
Other long-term investments	2,853,106	5,186,729
Total investments	$ 77,087,235	$ 72,789,922

At June 30, 2017 and 2016, other long-term investments included $1,868,882 and $1,672,614, respectively, held in split-interest trusts.

At June 30, 2017, investments comprised the following:

	2017		
	Current	Noncurrent	Total
Equity securities	$ 468,184	$	$ 468,184
Fixed income securities		472,599	472,599
Real estate		980,000	980,000
Mutual funds:			
Equity funds	23,234,155	2,870,998	26,105,153
Bond funds	45,478,009	648,749	46,126,758
All Asset All Authority funds	2,667,880		2,667,880
Other investments:			
Cash and interest receivable pending long-term investment	261,099	1,339	262,438
Agriculture related retains		4,223	4,223
Total investments	$ 72,109,327	$ 4,977,908	$ 77,087,235

Note 4: Investments (Continued)

At June 30, 2016, investments comprised the following:

	2016		
	Current	Noncurrent	Total
Equity securities	$ 548,200	$	$ 548,200
Fixed income securities		463,930	463,930
Real estate		980,000	980,000
Certificates of deposit		2,529,892	2,529,892
Mutual funds:			
Equity funds	19,853,901	2,293,031	22,146,932
Bond funds	41,196,212	416,758	41,612,970
All Asset All Authority funds	3,612,129	373,802	3,985,931
Other investments:			
Cash and interest receivable pending long-term investment	94,051	1,309	95,360
Alternative investments	400,091	22,393	422,484
Agriculture related retains		4,223	4,223
Total investments	$ 65,704,584	$ 7,085,338	$ 72,789,922

Investment Policies

The Corporation's Board of Directors (Board) oversees the management of its investments and establishes investment policy. The Board has delegated the implementation of the investment policy to staff with the concurrence of its Investment Advisory Committee. The Investment Advisory Committee advises on investment guidelines and selection of investment managers. The Corporation prohibits investments that jeopardize the safety of principal concept or non-profit status of the Corporation. The Board of Trustees of the CSU adopted a resolution urging auxiliary boards that make corporate investments to issue statements of social responsibility and to follow those precepts in examining past and considering future investments. The Corporation's Board recognizes and accepts its social responsibility with respect to the investment of funds.

The Corporation manages investments consistent with the designation and use of the assets. Investments recommended by the Investment Advisory Committee include high quality, readily marketable securities.

The goal of the fixed income securities and certificates of deposit (CDs) is to limit risk while outperforming what would otherwise be available in cash or money market products.

The All Asset All Authority fund uses an asset allocation approach, targeting solid real (after-inflation) returns from a global opportunity set of traditional and alternative asset classes. The fund has the flexibility to draw on a wide

Note 4: Investments (Continued)

selection of investments, including inflation-hedging assets, such as Treasury Inflation-Protected Securities (TIPS) and commodities, as well as U.S. and international stocks and bonds.

Alternative investments are mutual fund commodities. Alternative investments are measured against the Dow Jones UBS Commodity Index.

The equity portion of the investments may include both domestic and international equities, including foreign currency denominated, common and preferred stocks and actively managed and passive (index) strategies. The equity portion is measured against the Standard & Poor's 500 (S&P 500), S&P 500 Developed--Excluding U.S. BMI Property, Russell 2000, MSCI Europe, Australasia, and Far East (EAFE), MSCI EAFE Small Cap, MSCI EAFE Emerging Markets, FTSE NAREIT Equity and Dow Jones UBS Commodity Index.

The fixed income portion of the investments may include both domestic and international securities, along with common bond substitutes. Investment guidelines establish set ranges for the percentage of the total bond portfolio that can be invested in U.S. government, investment grade, non-investment grade and foreign bonds. The fixed income portfolio is measured against the Barclays Capital Intermediate U.S. Government/Credit, Merrill Lynch 1 – 3 Year U.S. Treasuries, Citi 3-Month Treasury Bill and Citi 1-Month CD.

Investment Risk Factors

There are many factors that can affect the value of investments. Some, such as custodial credit risk, concentration of credit risk, and foreign currency risk may affect both the equity and fixed income securities. Equity securities respond to such investment behavioral factors as economic conditions, individual company earnings, performance and market liquidity, while fixed income securities are sensitive to credit risks and changes in interest rates.

Equity Securities Risk:
Equity securities held by the Corporation through mutual funds or the Student Investment Management Portfolio comprised $26,573,337, or 34%, of the total investments of the Corporation at June 30, 2017. Equities are subject to both unsystematic and systematic risk. Unsystematic risk is the risk of a price change due to the unique circumstances of a specific security or group of related securities. The Corporation addresses unsystematic risk by investing in widely diversified equity mutual funds. Equity securities are also subject to systematic risk or market risk. Systematic risk recognizes that equity securities, as an asset class, can change in value as a result of such factors as inflation, exchanges rates, political instability, war, economic conditions and interest rates. This type of risk is not specific to a particular company or industry and cannot be substantially mitigated by diversification.

Note 4: Investments (Continued)

Credit Risk:
Fixed income securities are subject to credit risk, which is the chance that a bond issue will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. The following schedule of credit risk summarizes the fair value of the fixed income securities subject to credit risk. The Corporation maintains policies to manage credit risk which include requiring minimum credit ratings issued by nationally recognized statistical rating organizations, including Standard and Poor's or Moody's Investor Services, for certain investments. For investments in securities rated below investment grade, the Corporation and its investment advisor monitor the investments and fund managers to determine if the portfolio is managed according to the stated guidelines.

The credit ratings of the Corporation's fixed income securities held in investments and money market funds at June 30, 2017 were as follows:

	Fair Value	Rating
Bond mutual funds:		
DFA Intermediate Government Bond	$ 3,494,678	AAA
Loomis Sayles Bond Fund - Institutional	1,727,046	A
PIMCO Total Return Fund - Institutional	2,954,971	AA
PIMCO Foreign Bond Fund - Institutional	2,005,097	AA
PIMCO High Yield Fund - Institutional	781,553	BB
PIMCO Short Term - Institutional	15,454,156	A
PIMCO Low Duration Fund	19,709,257	AA
U.S. government:		
U.S. Treasury bills	160,450	AAA
U.S. government backed - asset backed securities	312,149	AAA
Money market funds:		
Wells Fargo Cash Investment Money Market - Institutional	10,822,860	Unrated
Schwab One Fund	288,917	Unrated
Schwab Government Money Fund	1,980	Unrated
Total fixed income and debt securities subject to credit risk	$ 57,713,114	

Custodial Risk:
Custodial risk is the risk that in the event of the failure of the custodian, the investments may not be returned. Substantially all of the Corporation's investments are issued, registered or held in the name of the Corporation by custodian banks and brokers, as its agent. Other types of investments represent ownership interest that do not exist in physical or book entry form.

Note 4: Investments (Continued)

Concentration of Credit Risk:

Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers; thereby exposing the organization to greater risks resulting from adverse conditions or developments. GASB requires disclosure of investments in any one individual issuer that represent 5% or more of total investments. At June 30, 2017 and 2016, the Corporation had no investments that exceeded this threshold.

Interest Rate Risk:

Interest rate risk is the risk that fixed income securities will decline because of rising interest rates. The Corporation measures interest rate risk using the weighted average duration method. The weighted average duration of the Corporation's fixed income securities and money market funds at June 30, 2017 was as follows:

	Fair Value	Weighted Average Duration (in years)
Bond mutual funds:		
DFA Intermediate Government Bond	$ 3,494,678	6.1
Loomis Sayles Bond Fund - Institutional	1,727,046	3.3
PIMCO Total Return Fund - Institutional	2,954,971	5.1
PIMCO Foreign Bond Fund - Institutional	2,005,097	7.3
PIMCO High Yield Fund - Institutional	781,553	3.2
PIMCO Short Term - Institutional	15,454,156	0.0
PIMCO Low Duration Fund	19,709,257	1.8
U.S. government:		
U.S. Treasury bills	160,450	5.7
U.S. government backed - asset backed securities	312,149	5.7
Money market funds	11,113,757	0.0
Total fixed income and debt securities subject to interest rate risk	$ 57,713,114	1.7

Foreign Currency Risk:

Exposure to foreign currency risk results from investments in foreign currency denominated equity or fixed income investments. The Corporation maintains international equity investments by investing in international mutual funds that are broadly diversified over many developed and emerging markets. Exposure to foreign currency risk from these investments is permitted and may be fully or partially hedged by the individual mutual fund managers, but hedging is not permitted for speculation or to create leverage.

Note 4: Investments (Continued)

The Corporation's exposure to foreign currency risk at June 30, 2017 was as follows:

	Fair Value
Euro	$ 3,096,052
British Pounds	1,895,305
Japanese Yen	1,632,837
Hong Kong Dollars	617,435
Swiss Francs	525,689
Chinese Yuan	433,921
Canadian Dollars	332,017
Brazilian Reals	323,015
Indian Rupee	320,008
Mexican Peso	259,215
South African Rand	189,013
Swedish Krona	183,197
Norwegian Krone	123,014
Uruguayan Peso	116,530
Malaysian Ringgit	113,239
Russian Ruble	109,891
Indonesian Rupiah	106,207
Other	279,306
Total investments subject to foreign currency risk	$ 10,655,891

Other currencies are individually less than 1% of the Corporation's investments. The foreign currency risk by investment type at June 30, 2017 was as follows:

Equity mutual funds	$ 9,605,432
Bond mutual funds	1,050,459
Total investments subject to foreign currency risk	$ 10,655,891

Alternative Investment Risks:

Included in the All Asset All Authority fund, the Corporation held insignificant alternative investments at estimated fair value at June 30, 2017. The Corporation does not have any direct investments in derivative financial instruments which would require accounting and disclosure under GASB Statement No. 53, *Accounting for Derivative Instruments*.

Note 4: Investments (Continued)

Investment Fair Values:
The Corporation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. With the exception of the following, all of the Corporation investments are classified in Level 1 of the fair value hierarchy:

Level 2 – U.S. government backed – asset backed securities
Level 3 – Agriculture related retains and real estate

Securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique, which is derived from the spread applied to U.S. treasury securities of a similar maturity and were valued at $312,149 and $366,125 at June 30, 2017 and 2016, respectively. Agriculture related retains classified in Level 3 are partnership interests based on values provided by the partnership and were valued at $4,233 at June 30, 2017 and 2016 . Real estate classified in Level 3 consists of gifted assets based on fair values at the time of donation and were valued at $980,000 at June 30, 2017 and 2016. There was no activity in Level 3 investments for the year ended June 30, 2017.

Note 5: Pledges Receivable

At June 30, 2017 and 2016, pledges receivable comprised the following:

	2017	2016
Athletic programs	$ 4,826,248	$ 4,267,083
College-specific facilities	6,519,618	6,839,480
Stadium suites	445,938	121,491
Subtotal	11,791,804	11,228,054
Less allowance for uncollectible accounts	(1,099,362)	(1,062,166)
Less unamortized discount	(901,381)	(898,240)
Pledges receivable, net	$ 9,791,061	$ 9,267,648
Amounts due in:		
One year or less	$ 2,270,502	$ 1,948,817
One to five years	3,275,468	2,757,418
More than five years	6,245,834	6,521,819
Total amounts due	$ 11,791,804	$ 11,228,054

Note 6: Capital Assets

At June 30, 2017, capital assets comprised the following:

	2017					
	Balance June 30, 2016	Reclassifications	Additions	Reductions	Transfers of Completed CIP	Balance June 30, 2017
Nondepreciable capital assets:						
Land and improvements	$ 18,692,425	$	$	$	$	$ 18,692,425
Works of art and historical treasures	445,799					445,799
Construction in progress	2,261,943		2,254,655	(623,547)	(1,428,366)	2,464,685
Total nondepreciable capital assets	21,400,167	-	2,254,655	(623,547)	(1,428,366)	21,602,909
Depreciable and amortizable capital assets:						
Buildings and building improvements	22,616,504	(7,504,790)	22,526		6,446	15,140,686
Leasehold improvements	837,372	7,447,290	20,884	(526,682)	798,442	8,577,306
Equipment	9,440,766		638,483	(1,018,041)	593,478	9,654,686
Intangible assets:						
Software and websites	1,253,851	15,094	8,712	(40,500)		1,237,157
Licenses and permits	487,815	42,406			30,000	560,221
Total depreciable and amortizable capital assets	34,636,308	-	690,605	(1,585,223)	1,428,366	35,170,056
Less accumulated depreciation and amortization:						
Buildings and building improvements	(10,904,064)	5,803,851	(673,745)			(5,773,958)
Leasehold improvements	(354,889)	(5,750,018)	(471,713)	369,318		(6,207,302)
Equipment	(7,781,161)		(566,471)	946,151		(7,401,481)
Intangible assets:						
Software and websites	(1,031,008)	65,794	(124,891)	33,188		(1,056,917)
Licenses and permits	(270,010)	(119,627)	(62,741)			(452,378)
Total accumulated depreciation and amortization	(20,341,132)	-	(1,899,561)	1,348,657	-	(20,892,036)
Total capital assets, net	$ 35,695,343	$ -	$ 1,045,699	$ (860,113)	$ -	$ 35,880,929

Note 6: Capital Assets (Continued)

At June 30, 2016, capital assets comprised the following:

	2016				
	Balance June 30, 2015	Additions	Reductions	Transfers of Completed CIP	Balance June 30, 2016
Nondepreciable capital assets:					
Land and improvements	$ 18,692,425	$	$	$	$ 18,692,425
Works of art and historical treasures	445,799				445,799
Construction in progress	1,871,496	1,033,105	(61,766)	(580,892)	2,261,943
Total nondepreciable capital assets	21,009,720	1,033,105	(61,766)	(580,892)	21,400,167
Depreciable and amortizable capital assets:					
Buildings	22,204,671	21,716		390,117	22,616,504
Leasehold improvements	1,148,379	11,110	(462,184)	140,067	837,372
Equipment	9,451,023	477,713	(509,628)	21,658	9,440,766
Intangible assets:					
Software and websites	1,195,804	29,485	(488)	29,050	1,253,851
Licenses and permits	461,733	26,082			487,815
Total depreciable and amortizable capital assets	34,461,610	566,106	(972,300)	580,892	34,636,308
Less accumulated depreciation and amortization:					
Buildings	(10,231,639)	(672,425)			(10,904,064)
Leasehold improvements	(369,260)	(426,500)	440,871		(354,889)
Equipment	(7,586,488)	(577,538)	382,865		(7,781,161)
Intangible assets:					
Software and websites	(896,048)	(134,960)			(1,031,008)
Licenses and permits	(210,679)	(59,331)			(270,010)
Total accumulated depreciation and amortization	(19,294,114)	(1,870,754)	823,736	-	(20,341,132)
Total capital assets, net	$ 36,177,216	$ (271,543)	$ (210,330)	$ -	$ 35,695,343

Note 7: Long-Term Debt Obligation

At June 30, 2017 and 2016, the long-term debt obligation represents a note payable related to the CSU System-Wide Revenue Bonds Series 2009A bond issuance, which was amended through a partial defeasance with proceeds from the issuance of the Systemwide Revenue Bonds Series 2016A. Principal payments began in 2012 with $60,000 due for each of the first two years, with payments continuing until the final payment in November 2035. The note is secured by pledged revenues, including indirect cost recovery payments. The Corporation cannot incur, assume, guarantee, or obligate itself for any debt senior to this unless it meets certain income tests and notifies the Board of Trustees of the CSU of such issuance.

Prior Year Refunding

In May 2016, a portion of the Series 2009A bonds were partially defeased by placing a portion of the proceeds from the issuance of the Systemwide Revenue Bonds Series 2016A refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. The proceeds from the Series 2016A refunding bonds were used to purchase U.S. federal, state, and local government securities that were placed in escrow accounts. The investments and fixed earnings from the investments are considered sufficient to fully service the defeased debt until the debt is called or matured. These transactions will reduce the Corporation's total financing cost by approximately $401,738 over the life of the bonds. The economic gain (difference between net present values of the debt service payments on the old debt and new debt) from these transactions was approximately $310,963. Accordingly, the refunded bonds have been considered defeased and, therefore, a portion of the note payable was removed as a liability from the accompanying financial statements. The note payable related to the amount of defeased bonds outstanding as of the date of refunding totaled $2,260,000.

The loss on the debt refunding for SRB Series 2016A of $293,195 as of date of refunding was included in deferred outflows of resources in the statement of net position. The loss on debt refunding is the difference between the reacquisition price and the net carrying amount of the old debt. The loss on debt refunding is deferred and amortized over the shorter of the old debt (or original amortization period remaining in the prior refunding) or the life of the latest refunding debt. The unamortized loss on debt refunding, included in deferred outflows of resources in the Statements of Net Position, was $272,470 and $290,570 as of June 30, 2017 and 2016, respectively.

The SRB Series 2016A refunding also resulted in a bond premium of $442,847 that will be amortized over the life of the latest refunding debt. Amortization of the bond premium for the year ended June 30, 2017 and 2016 was $24,032 and $7,128, respectively.

The all-in true interest rate of the original loan was 5.28% and of the refunded bonds is 2.78%. Payments on the note are made each May and November. The long-term debt obligation activity for the year ended June 30, 2017 was as follows:

Note 7: Long-Term Debt Obligation (Continued)

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Note payable, State-Wide:					
Revenue Bond Series 2009A	$ 230,000	$	$ (75,000)	$ 155,000	$ 75,000
Revenue Bond Series 2016A	2,115,000			2,115,000	5,000
	2,345,000	-	(75,000)	2,270,000	80,000
Unamortized bond premium	435,719		(24,032)	411,687	
	$ 2,780,719	$ -	$ (99,032)	$ 2,681,687	$ 80,000

At June 30, 2017, future maturities of the long-term debt obligation balance were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2018	$ 80,000	$ 107,825	$ 187,825
2019	85,000	103,950	188,950
2020	80,000	99,850	179,850
2021	85,000	95,725	180,725
2022	90,000	91,350	181,350
2023-2027	525,000	382,375	907,375
2028-2032	675,000	233,125	908,125
2033-2036	650,000	56,550	706,550
Total future maturities	$ 2,270,000	$ 1,170,750	$ 3,440,750

Note 8: Other Postemployment Benefit (OPEB) Obligation

Plan Description

The Corporation sponsors a defined benefit postretirement plan (Plan) that covers both salaried and non-salaried employees. The Plan provides an extension of medical benefits provided while under employment to the plan participants. The Plan is contributory, with retiree contributions adjusted annually for the difference between the total medical premium cost and the Corporation contribution rate. Retirees pay their portion of medical premiums directly to CalPERS so retiree contributions are not recorded in the accompanying financial statements. For employees hired prior to December 1, 2011, vesting occurs after five years credited service with CalPERS and attainment of age fifty. Employees hired as of December 1, 2011 and thereafter are subject to an alternative vesting schedule based on years of service and age. Under this revised schedule, an employee is eligible for 50% of the benefits after ten years credited service with CalPERS (five of which must be with the Corporation) and attainment of age fifty, and is eligible for 100% after twenty years of service and attainment of age fifty.

Note 8: Other Postemployment Benefit (OPEB) Obligation (Continued)

Funding Policy

The annual required contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The Corporation's ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and recognize the unfunded actuarial liability.

In March 2014, the Corporation established a single employer Voluntary Employees' Beneficiary Association (VEBA) Trust, which is a separate welfare benefit trust established to provide health care benefits to qualified retirees. The Cal Poly Corporation VEBA Trust (Trust) is intended to hold assets sufficient to cover, at a minimum, the calculated future healthcare benefits associated with current retirees and active, vested employees. The Corporation funded $296,314 and $2,188,695 into the Trust during the fiscal years ended June 30, 2017 and 2016, respectively. Copies of the Trust annual financial report may be obtained from the Cal Poly Corporation Business Office at One Grand Avenue, San Luis Obispo, CA 93407.

Annual OPEB Cost and Net OPEB Obligation

The Corporation's annual OPEB cost, annual OPEB cost contributed to the Plan (as described in the funding policy above) and the net OPEB obligation for the years ended June 30, 2017 and 2016 were as follows:

	2017	2016
Annual required contribution (ARC)	$ 5,979,767	$ 7,820,536
Interest on net OPEB obligation	366,070	345,270
Adjustment to annual required contributions	(5,997,911)	(5,657,120)
Annual OPEB cost	347,926	2,508,686
Contributions made	(296,314)	(2,188,695)
Increase in net OPEB obligation	51,612	319,991
Net OPEB obligation - beginning of year	5,631,841	5,311,850
Net OPEB obligation - end of year	$ 5,683,453	$ 5,631,841

The Corporation's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the years ended June 30, 2017, 2016 and 2015 were as follows:

Fiscal Year	Annual OPEB Cost	Actual Contributions	% of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	$ 347,926	$ 296,314	85.17%	$ 5,683,453
6/30/2016	$ 2,508,686	$ 2,188,695	87.24%	$ 5,631,841
6/30/2015	$ 15,417,510	$ 6,020,115	39.05%	$ 5,311,850

Note 8: Other Postemployment Benefit (OPEB) Obligation (Continued)

Funded Status and Funding Progress

The funded status of the Plan as of July 1, 2016, the Plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability	$ 30,825,198
Actuarial value of plan assets	25,141,745
Unfunded actuarial accrued liability (UAAL)	$ 5,683,453
Funded ratio	81.56%
Covered payroll	$ 12,085,567
UAAL as a percentage of covered payroll	47.03%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress is presented as required supplementary information following the notes to the financial statements. The schedule presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits, and will include additional years in the future as information becomes available.

As of June 30, 2017, the Trust held cash and investments of $25,141,745 which are restricted for the purpose of providing medical healthcare benefits for qualified employees. In addition, the Corporation's Board has designated $6,515,269 of the Corporation's cash and investments for payments of future post-employment benefit obligation liabilities.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Note 8: Other Postemployment Benefit (OPEB) Obligation (Continued)

The Plan's most recent actuarial valuation was performed as of July 1, 2016. In that valuation, the entry age of normal actuarial cost method was used and assumed full recognition of the unfunded actuarial accrued liability. The actuarial assumptions assumed a 6.5% discount rate and assumed that in all future years the maximum annual contribution for employees hired prior to November 1, 2011 will increase by 5% per year. Similarly, the actuarial assumptions assumed that beginning in 2016 the State Annuitant Contribution (applicable to employees hired November 1, 2011 and later) will increase by 5% per year.

Note 9: Transactions with Related Parties

As discussed in Note 1, the Corporation is an auxiliary organization of the University. Services are provided by the Corporation to the University with billings rendered for services provided. The University also bills the Corporation for services it provides. The following were transactions with the University as of and for the years ended June 30, 2017 and 2016:

	2017	2016
Accounts receivable	$ 367,271	$ 560,500
Accounts payable	659,757	538,392
Reimbursements to University for salaries and benefits of University personnel	3,354,415	2,808,154
Reimbursements to University for other than salaries of University personnel	5,811,665	4,866,977
Payments received from University for services, space and programs	5,853,628	5,260,788
Cash gifts to the University	2,007,592	2,458,436
Noncash gifts to the University	557,110	471,081

Effective July 1, 2012, a Business Support Services Agreement (BSSA) was implemented with the Cal Poly Foundation. Under the BSSA, the Corporation provides information technology and other services to the Foundation through June 30, 2015. Effective July 1, 2015, a new BSSA was implemented, which provides information technology and other services to the Foundation through June 30, 2017. The following were transactions with the Foundation as of and for the years ended June 30, 2017 and 2016:

	2017	2016
Current accounts receivable	$ 22,290	$ 20,321
Deposit with Corporation	638,000	638,000
Accounts payable		3,300
Payments from Foundation under BSSA/ASA	40,000	40,000
Reimbursements from Foundation for salaries and benefits	202	3,000
Cash contributions to Foundation	546,082	292,243
Cash contributions from Foundation	3,427,247	2,872,636

Note 10: Operating Leases

In exchange for services provided to the University, the Corporation has entered into certain long-term operating lease agreements with the University which allow the Corporation the use of campus land and facilities at nominal amounts through June 30, 2019. In addition, the Corporation has operating lease agreements with the University and its auxiliaries for certain facilities. Rental payments are due through June 30, 2023 and are subject to annual rent adjustments of up to 4%. The total rent expense paid on these leases for the years ended June 30, 2017 and 2016 was $293,211 and $285,412, respectively. At June 30, 2017, future minimum rental payments for these leases were as follows:

For the Year Ending June 30,		
2018	$	299,425
2019		214,403
2020		211,995
2021		217,825
2022		223,816
Thereafter		229,971
Total	$	1,397,435

The Corporation also had a lease with an unrelated third party for Cal Poly Downtown. Rental payments were due through March 31, 2017 and were subject to annual rent adjustments of up to 5%. During the prior year, the Corporation executed a new lease with another unrelated third party for Cal Poly Downtown. Monthly rental payments began November 1, 2016 at a monthly base amount of $13,650 and are subject to biannual rent adjustments based on CPI indices for a term of 10 years. The total rent expense paid on these leases for the years ended June 30, 2017 and 2016 was $220,852 and $148,870, respectively. At June 30, 2017, future minimum rental payments for these leases were as follows:

For the Year Ending June 30,		
2018	$	163,800
2019		167,076
2020		168,714
2021		172,088
2022		173,775
Thereafter		784,619
Total	$	1,630,072

The Corporation leases office space to various tenants in the Technology Park (Tech Park) with original lease terms of one to six years. The leases require tenants to pay their pro-rata share of common area maintenance (CAM) expenses. Rental income and CAM charges for the years ended June 30, 2017 and 2016 were $408,356 and $432,061, respectively. The cost of the Tech Park included in land, building and improvements was $6,703,016 and $6,695,132 and related accumulated depreciation was $1,988,474 and $1,677,873 at June 30, 2017 and 2016, respectively.

Note 10: Operating Leases (Continued)

At June 30, 2017, future minimum rental income and CAM charges under these leases were as follows:

For the Year Ending June 30,		
2018	$	341,727
2019		163,932
2020		118,969
2021		81,762
2022		62,611
Total	$	769,001

In conjunction with the Bella Montaña development, the Corporation holds a ground lease with the University which expires April 2104. The lease requires the homes to be sold under a University faculty and staff housing eligibility priority system which requires the homeowner to reside there as principal place of residence and restricts resale to eligible buyers. Each home is subject to a ground sublease. Under the ground lease agreement, the Corporation is to pay the University annually all ground rents received under the subleases less costs of administration, operating expenses and reserves. Total ground rents less costs of administration, operating expenses and reserves for the years ended June 30, 2017 and 2016 were $0 and no amounts were paid to the University.

Note 11: Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description and Benefits Provided
Substantially all full-time employees of the Corporation participate in CalPERS (the Plan), an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California.

Employees hired for the first time by the Corporation on or after January 1, 2013 (Tier 3) who are eligible for retirement at the age of 62 are entitled to a monthly benefit of 2% of final compensation for each year of service credit. Employees hired for the first time on or after May 14, 2005 but before January 1, 2013 (Tier 2) may become eligible for the 2% benefit at age 60. Employees hired for the first time prior to May 14, 2005 (Tier 1) may become eligible for the 2% benefit at age 55. Retirement compensation is reduced if the plan is coordinated with social security. Retirement may begin at age 50 (Tiers 1 and 2) or 52 (Tier 3) with a reduced benefit rate. The Plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the Corporation, members' accumulated contributions are refundable with interest credited through the date of separation. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Note 11: Defined Benefit Pension Plan (Continued)

Employees Covered

At June 30, 2017, the following employees were covered by the benefit terms for the Plan:

Inactive employees or beneficiaries currently receiving benefits	349
Inactive employees entitled to but not yet receiving benefits	553
Active employees	268
Total	1,170

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Corporation is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Net Pension Liability

The Corporation's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Note 11: Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	(1)
Investment Rate of Return	7.50% (2)
Mortality	(3)

(1) Depending on age, service and type of employment
(2) Net of pension plan investment and administrative expenses, including inflation
(3) The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

Note 11: Defined Benefit Pension Plan (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11 + (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period.
(b) An expected inflation of 3.0% used for this period.

Note 11: Defined Benefit Pension Plan (Continued)

Changes in the Net Pension Liability

The changes in the Net Pension Liability for the Plan follow:

	Increase (Decrease)		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability**
Balance at June 30, 2016	$ 68,285,789	$ 56,086,753	$ 12,199,036
Changes in the year:			
Service cost	1,565,548		1,565,548
Interest on total pension liability	5,128,834		5,128,834
Differences between actual and expected experience	(207,770)		(207,770)
Contribution - employer		1,570,071	(1,570,071)
Contribution - employee		636,058	(636,058)
Net investment income		280,275	(280,275)
Benefit payments, including refunds of employee contributions	(3,634,440)	(3,634,440)	
Administrative expense		(34,182)	34,182
Net changes	2,852,172	(1,182,218)	4,034,390
Balance at June 30, 2017	$ 71,137,961	$ 54,904,535	$ 16,233,426

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan, calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate - 1% (6.65%)	**Current Discount Rate - (7.65%)**	**Discount Rate + 1% (8.65%)**
Plan's Net Pension Liability	$ 25,607,458	$ 16,233,426	$ 8,512,977

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Note 11: Defined Benefit Pension Plan (Continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the Corporation recognized pension expense of $1,337,346. At June 30, 2017, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,691,953	$
Changes of assumptions		(198,807)
Differences between expected and actual experiences		(272,729)
Net difference between projected and actual earnings on plan investments	4,969,883	(1,936,059)
Total	$ 6,661,836	$ (2,407,595)

Deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. All other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in future pension expense as follows:

For the Year Ending June 30,	
2018	$ (4,709)
2019	383,720
2020	1,393,304
2021	789,973
Total	$ 2,562,288

Payable to the Pension Plan

At June 30, 2017 and 2016, the Corporation reported a payable of $64,937 and $133, respectively, for the outstanding amount of contributions to the pension plan required for the year then ended.

Note 12: Risk Management

The Corporation manages its risk through the purchase of insurance through California State University Risk Management Authority (CSURMA), a public entity risk pool, for coverage of liability, property and general organizational risk. CSURMA provides self-insured risk with purchase of excess insurance. The Corporation maintains general liability insurance coverage for individual claims up to $15 million per occurrence. Unfair employment practices liability claims under $50,000 are self-insured. The Corporation also maintains excess property insurance coverage to limits of $100 million in excess of $5,000 self-insured limits.

Note 13: Subsequent Events

Events subsequent to June 30, 2017 have been evaluated through September 7, 2017, which is the date the financial statements were available to be issued. Except as follows, the Corporation did not identify any subsequent events that require disclosure.

Effective July 1, 2017, the Corporation entered into an amendment to the note payable related to the CSU System-Wide Revenue Bonds Series 2009A bond issuance, which was amended through a partial defeasance with proceeds from the issuance of the Systemwide Revenue Bonds Series 2016A. The amendment increases the Corporation's borrowings by $28,880,000 and was executed to partially fund the construction of the Vista Grande Replacement Building Project. The borrowing occurred in connection with the issuance of California State University Institute Commercial Paper Notes.

Required Supplementary Information

Cal Poly Corporation

Schedule of Funding Progress for OPEB Obligation

June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
7/1/2017	$ 25,141,745	$ 30,825,198	$ 5,683,453	81.56%	$ 12,085,567	47.03%
7/1/2016	$ 23,572,470	$ 29,204,311	$ 5,631,841	80.72%	$ 11,961,254	47.08%
7/1/2015	$ 22,446,396	$ 27,758,246	$ 5,311,850	80.86%	$ 11,444,107	46.42%

See accompanying independent auditor's report.

Cal Poly Corporation

Schedule of Changes in the Net Pension Liability and Related Ratios

Last 10 Fiscal Years*

	2017	2016	2015
Total pension liability			
Service cost	$ 1,565,548	$ 1,403,277	$ 1,402,348
Interest on total pension liability	5,128,834	4,920,633	4,760,420
Differences between expected and actual experience	(207,770)	(888,401)	
Changes in assumptions		(1,192,843)	
Changes in benefits			
Benefit payments, including refunds of employee contributions	(3,634,440)	(3,316,952)	(3,147,576)
Net change in total pension liability	2,852,172	925,714	3,015,192
Total pension liability - beginning	68,285,789	67,360,075	64,344,883
Total pension liability - ending (a)	$ 71,137,961	$ 68,285,789	$ 67,360,075
Plan fiduciary net position			
Contributions - employer	$ 1,570,071	$ 1,438,515	$ 1,281,507
Contributions - employee	636,058	561,411	461,197
Net investment income	280,275	1,227,805	8,470,353
Benefit payments	(3,634,440)	(3,316,952)	(3,147,576)
Administrative expense	(34,182)	(63,120)	
Net change in plan fiduciary net position	(1,182,218)	(152,341)	7,065,481
Plan fiduciary net position - beginning	56,086,753	56,239,094	49,173,613
Plan fiduciary net position - ending (b)	$ 54,904,535	$ 56,086,753	$ 56,239,094
Net pension liability - ending (a)-(b)	$ 16,233,426	$ 12,199,036	$ 11,120,981
Plan fiduciary net position as a percentage of the total pension liability	77.18%	82.14%	83.49%
Covered employee payroll	11,885,419	10,733,343	10,427,158
Net pension liability as a percentage of covered employee payroll	136.58%	113.66%	106.65%

* Fiscal year 2015 was the first year of implementation, therefore only three years are shown.

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent.

See accompanying independent auditor's report.

Cal Poly Corporation
Schedule of Contributions
Last 10 Fiscal Years*

	2017	2016	2015
Actuarially determined contribution	$ 1,570,071	$ 1,438,515	$ 1,281,507
Contributions in relation to the actuarially determined contributions	1,570,071	1,438,515	1,281,507
Contribution deficiency (excess)	$ -	$ -	$ -
Covered employee payroll	11,885,419	10,733,343	10,427,158
Contributions as a percentage of covered-employee payroll	13.21%	13.40%	12.29%

* Fiscal year 2015 was the first year of implementation, therefore only three years are shown.

Notes to Schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2012 Funding Valuation Report
Asset Valuation Method	Market Value of Assets. For details, see June 30, 2012 Funding Valuation Report
Inflation	2.75%
Salary Increases	Varies by entry age and service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administration Expenses; includes inflation
Retirement Age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 year of projected mortality improvement using Scale AA published by the Society of Actuaries.

See accompanying independent auditor's report.

Supplementary Information for Inclusion in the Financial Statements of the California State University

Cal Poly Corporation
Schedule of Net Position
June 30, 2017
(for inclusion in the California State University)

Assets:		
Current assets:		
Cash and cash equivalents	$	29,992,193
Short-term investments		72,109,327
Accounts receivable, net		6,447,822
Leases receivable, current portion		-
Notes receivable, current portion		-
Pledges receivable, net		2,013,717
Prepaid expenses and other current assets		3,147,646
Total current assets		113,710,705
Noncurrent assets:		
Restricted cash and cash equivalents		29,853
Accounts receivable, net		24,647
Leases receivable, net of current portion		-
Notes receivable, net of current portion		-
Student loans receivable, net		-
Pledges receivable, net		7,777,344
Endowment investments		2,124,802
Other long-term investments		2,853,106
Capital assets, net		35,880,929
Other assets		638,000
Total noncurrent assets		49,328,681
Total assets		163,039,386
Deferred outflows of resources:		
Unamortized loss on debt refunding		272,470
Net pension liability		6,661,836
Others		-
Total deferred outflows of resources		6,934,306
Liabilities:		
Current liabilities:		
Accounts payable		2,765,366
Accrued salaries and benefits		1,694,192
Accrued compensated absences, current portion		772,363
Unearned revenue		13,605,479
Capitalized lease obligations, current portion		-
Long-term debt obligations, current portion		80,000
Claims liability for losses and loss adjustment expenses, current portion		20,000
Depository accounts		-
Other liabilities		1,220,314
Total current liabilities		20,157,714
Noncurrent liabilities:		
Accrued compensated absences, net of current portion		-
Unearned revenue		-
Grants refundable		-
Capitalized lease obligations, net of current portion		-
Long-term debt obligations, net of current portion		2,601,687
Claims liability for losses and loss adjustment expenses, net of current portion		-
Depository accounts		3,936,851
Other postemployment benefits obligations		4,463,139
Net pension liability		16,233,426
Other liabilities		1,286,841
Total noncurrent liabilities		28,521,944
Total liabilities		48,679,658
Deferred inflows of resources:		
Service concession arrangements		-
Net pension liability		2,407,595
Unamortized gain on debt refunding		-
Nonexchange transactions		-
Others		-
Total deferred inflows of resources		2,407,595
Net Position:		
Net investment in capital assets		33,471,712
Restricted for:		
Nonexpendable – endowments		-
Expendable:		
Scholarships and fellowships		-
Research		220,209
Loans		-
Capital projects		7,522,519
Debt service		-
Others		8,528,839
Unrestricted		69,143,160
Total net position	$	118,886,439

See accompanying independent auditors' report.

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

Revenues:	
Operating revenues:	
Student tuition and fees (net of scholarship allowances of $0)	$ -
Grants and contracts, noncapital:	
Federal	15,042,304
State	3,337,931
Local	757,906
Nongovernmental	6,048,016
Sales and services of educational activities	-
Sales and services of auxiliary enterprises (net of scholarship allowances of $0)	47,854,309
Other operating revenues	13,989,021
Total operating revenues	87,029,487
Expenses:	
Operating expenses:	
Instruction	696,970
Research	17,309,729
Public service	16,582,154
Academic support	1,556,837
Student services	678,812
Institutional support	7,914,346
Operation and maintenance of plant	1,635,775
Student grants and scholarships	889,625
Auxiliary enterprise expenses	42,351,789
Depreciation and amortization	1,899,561
Total operating expenses	91,515,598
Operating income (loss)	(4,486,111)
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	5,313,837
Investment income (loss), net	4,871,103
Endowment income (loss), net	-
Interest expense	(106,899)
Other nonoperating revenues (expenses)	(171,213)
Net nonoperating revenues (expenses)	9,906,828
Income (loss) before other revenues (expenses)	5,420,717
State appropriations, capital	-
Grants and gifts, capital	4,153,031
Additions (reductions) to permanent endowments	-
Increase (decrease) in net position	9,573,748
Net position:	
Net position at beginning of year, as previously reported	109,312,691
Restatements	-
Net position at beginning of year, as restated	109,312,691
Net position at end of year	$ 118,886,439

See accompanying independent auditors' report.

Cal Poly Corporation
Other Information
June 30, 2017
(for inclusion in the California State University)

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

Portion of restricted cash and cash equivalents related to endowments	$	9,096
All other restricted cash and cash equivalents		20,757
Total restricted cash and cash equivalents	$	29,853

2.1 Composition of investments at June 30, 2017:

		Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
State of California Surplus Money Investment Fund (SMIF)	$	—	—	—	—	—	—	—
State of California Local Agency Investment Fund (LAIF)		—	—	—	—	—	—	—
Corporate bonds		—	—	—	—	—	—	—
Certificates of deposit		—	—	—	—	—	—	—
Mutual funds		71,380,044	—	71,380,044	—	3,519,747	3,519,747	74,899,791
Money Market funds		—	—	—	—	—	—	—
Repurchase agreements		—	—	—	—	—	—	—
Commercial paper		—	—	—	—	—	—	—
Asset backed securities		—	—	—	—	—	—	—
Mortgage backed securities		—	—	—	—	—	—	—
Municipal bonds		—	—	—	—	—	—	—
U.S. agency securities		—	—	—	—	312,149	312,149	312,149
U.S. treasury securities		—	—	—	—	160,450	160,450	160,450
Equity securities		468,184	—	468,184	—	—	—	468,184
Exchange traded funds (ETFs)		—	—	—	—	—	—	—
Alternative investments:								
Private equity (including limited partnerships)		—	—	—	—	—	—	—
Hedge funds		—	—	—	—	—	—	—
Managed futures		—	—	—	—	—	—	—
Real estate investments (including REITs)		—	—	—	—	980,000	980,000	980,000
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:								
Cash and interest receivable pending long-term investment		261,099	—	261,099	—	1,339	1,339	262,438
Agriculture related retains		—	—	—	4,223	—	4,223	4,223
Add description		—	—	—	—	—	—	—
Add description		—	—	—	—	—	—	—
Add description		—	—	—	—	—	—	—
Add description		—	—	—	—	—	—	—
Total investments		72,109,327	—	72,109,327	4,223	4,973,685	4,977,908	77,087,235
Less endowment investments (enter as negative number)					—	(2,124,802)	(2,124,802)	(2,124,802)
Total investments		72,109,327	—	72,109,327	4,223	2,848,883	2,853,106	74,962,433

2.2 Investments held by the University under contractual agreements at June 30, 2017:

Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2017 :	—	—	—	—	—	—	—

2.3 Restricted current investments at June 30, 2017 related to:

	Amount
Add description	$ —
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Total restricted current investments at June 30, 2017	$ —

2.4 Restricted noncurrent investments at June 30, 2017 related to:

	Amount
Endowment investment	$ 2,124,802
Grant and Annuity Society	1,868,883
Al Smith / Valencia Creek Property	900,000
Ragged Point Property	80,000
Add description	—
Add description	—
Add description	—
Add description	—
Total restricted noncurrent investments at June 30, 2017	$ 4,973,685

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

		Fair Value Measurements Using			
	Total	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Net Asset Value (NAV)**
State of California Surplus Money Investment Fund (SMIF)	$ —	—	—	—	—
State of California Local Agency Investment Fund (LAIF)	—	—	—	—	—
Corporate bonds	—	—	—	—	—
Certificates of deposit	—	—	—	—	—
Mutual funds	74,899,791	74,899,791	—	—	—
Money Market funds	—	—	—	—	—
Repurchase agreements	—	—	—	—	—
Commercial paper	—	—	—	—	—
Asset backed securities	—	—	—	—	—
Mortgage backed securities	—	—	—	—	—
Municipal bonds	—	—	—	—	—
U.S. agency securities	312,149	—	312,149	—	—
U.S. treasury securities	160,450	160,450	—	—	—
Equity securities	468,184	468,184	—	—	—
Exchange traded funds (ETFs)	—	—	—	—	—
Alternative investments:					
Private equity (including limited partnerships)	—	—	—	—	—
Hedge funds	—	—	—	—	—
Managed futures	—	—	—	—	—
Real estate investments (including REITs)	980,000	—	—	980,000	—
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:					
Cash and interest receivable pending long-term investment	262,438	262,438	—	—	—
Agriculture related retains	4,223	—	—	4,223	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Total investments	77,087,235	75,790,863	312,149	984,223	—

3.1 Composition of capital assets at June 30, 2017:

	Balance June 30, 2016	Prior period Adjustments	Reclassifications	Balance June 30, 2016 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2017
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	$ 18,692,425	—	—	18,692,425	—	—	—	18,692,425
Works of art and historical treasures	445,799	—	—	445,799	—	—	—	445,799
Construction work in progress (CWIP)	2,261,943	—	—	2,261,943	2,254,655	(623,547)	(1,428,366)	2,464,685
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	21,400,167	—	—	21,400,167	2,254,655	(623,547)	(1,428,366)	21,602,909
Depreciable/amortizable capital assets:								
Buildings and building improvements	22,616,504	—	(7,504,790)	15,111,714	22,526	—	6,446	15,140,686
Improvements, other than buildings	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	837,372	—	7,447,290	8,284,662	20,884	(526,682)	798,442	8,577,306
Personal property:								
Equipment	9,440,766	—	—	9,440,766	638,483	(1,018,041)	593,478	9,654,686
Library books and materials	—	—	—	—	—	—	—	—
Intangible assets:								
Software and websites	1,253,851	—	15,094	1,268,945	8,712	(40,500)		1,237,157
Rights and easements	—	—	—	—	—	—	—	—
Patents, copyright and trademarks	—	—	—	—	—	—	—	—
Licenses and permits	487,815	—	42,406	530,221	—	—	30,000	560,221
Other intangible assets:								
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Total intangible assets	1,741,666	—	57,500	1,799,166	8,712	(40,500)	30,000	1,797,378
Total depreciable/amortizable capital assets	34,636,308	—	—	34,636,308	690,605	(1,585,223)	1,428,366	35,170,056
Total capital assets	56,036,475	—	—	56,036,475	2,945,260	(2,208,770)	—	56,772,965
Less accumulated depreciation/amortization:								
Buildings and building improvements	(10,904,064)	—	5,803,851	(5,100,213)	(673,745)	—		(5,773,958)
Improvements, other than buildings	—	—	—	—	—	—		—
Infrastructure	—	—	—	—	—	—		—
Leasehold improvements	(354,889)	—	(5,750,018)	(6,104,907)	(471,713)	369,318		(6,207,302)
Personal property:								
Equipment	(7,781,161)	—	—	(7,781,161)	(566,471)	946,151		(7,401,481)
Library books and materials	—	—	—	—	—	—		—
Intangible assets:								
Software and websites	(1,031,008)	—	65,794	(965,214)	(124,891)	33,188		(1,056,917)
Rights and easements	—	—	—	—	—	—		—
Patents, copyright and trademarks	—	—	—	—	—	—		—
Licenses and permits	(270,010)	—	(119,627)	(389,637)	(62,741)			(452,378)
Other intangible assets:								
Add description	—	—	—	—	—	—		—
Add description	—	—	—	—	—	—		—
Add description	—	—	—	—	—	—		—
Add description	—	—	—	—	—	—		—
Add description	—	—	—	—	—	—		—
Total intangible assets	(1,301,018)	—	(53,833)	(1,354,851)	(187,632)	33,188		(1,509,295)
Total accumulated depreciation/amortization	(20,341,132)	—	—	(20,341,132)	(1,899,561)	1,348,657		(20,892,036)
Total capital assets, net	$ 35,695,343	—	—	35,695,343	1,045,699	(860,113)	—	35,880,929

See accompanying independent auditors' report.

3.2 Detail of depreciation and amortization expense for the year ended June 30, 2017:

Depreciation and amortization expense related to capital assets	$ 1,899,561
Amortization expense related to other assets	—
Total depreciation and amortization	$ 1,899,561

4 Long-term liabilities activity schedule:

	Balance June 30, 2016	Prior period adjustments	Reclassifications	Balance June 30, 2016 (restated)	Additions	Reductions	Balance June 30, 2017	Current portion	Long-term portion
Accrued compensated absences	$ 780,364	—	—	780,364	813,438	(821,439)	772,363	772,363	—
Claims liability for losses and loss adjustment expenses	15,000	—	—	15,000	5,000	—	20,000	20,000	—
Capitalized lease obligations:									
Gross balance	—	—	—	—	—	—	—	—	—
Unamortized premium / (discount) on capitalized lease obligations	—	—	—	—	—	—	—		—
Total capitalized lease obligations	—	—	—	—	—	—	—	—	—
Long-term debt obligations:									
Auxiliary revenue bonds	—	—	—	—	—	—	—	—	—
Commercial paper	—	—	—	—	—	—	—	—	—
Notes payable related to SRB	2,345,000	—	—	2,345,000	—	(75,000)	2,270,000	80,000	2,190,000
Others: (list by type)									
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Total long-term debt obligations	2,345,000	—	—	2,345,000	—	(75,000)	2,270,000	80,000	2,190,000
Unamortized bond premium / (discount)	435,719	—	—	435,719	—	(24,032)	411,687		411,687
Total long-term debt obligations, net	2,780,719	—	—	2,780,719	—	(99,032)	2,681,687	80,000	2,601,687
Total long-term liabilities	$ 3,576,083	—	—	3,576,083	818,438	(920,471)	3,474,050	872,363	2,601,687

5 Future minimum lease payments - capitalized lease obligations:

	Capitalized lease obligations related to SRB			All other capitalized lease obligations			Total capitalized lease obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2018	—	—	—	—	—	—	—	—	—
2019	—	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—	—	—
2023 - 2027	—	—	—	—	—	—	—	—	—
2028 - 2032	—	—	—	—	—	—	—	—	—
2033 - 2037	—	—	—	—	—	—	—	—	—
2038 - 2042	—	—	—	—	—	—	—	—	—
2043 - 2047	—	—	—	—	—	—	—	—	—
2048 - 2052	—	—	—	—	—	—	—	—	—
2053 - 2057	—	—	—	—	—	—	—	—	—
2058 - 2062	—	—	—	—	—	—	—	—	—
2063 - 2067	—	—	—	—	—	—	—	—	—
Total minimum lease payments	—	—	—	—	—	—	—	—	—
Less amounts representing interest									—
Present value of future minimum lease payments									—
Unamortized net premium (discount)									—
Total capitalized lease obligations									—
Less: current portion									—
Capitalized lease obligation, net of current portion									$ —

See accompanying independent auditors' report.

6 Long-term debt obligation schedule

	Auxiliary revenue bonds			All other long-term debt obligations			Total long-term debt obligations		
	Principal Only	**Interest Only**	**Principal and Interest**	**Principal Only**	**Interest Only**	**Principal and Interest**	**Principal Only**	**Interest Only**	**Principal and Interest**
Year ending June 30:									
2018	$ —	—	—	80,000	107,825	187,825	80,000	107,825	187,825
2019	—	—	—	85,000	103,950	188,950	85,000	103,950	188,950
2020	—	—	—	80,000	99,850	179,850	80,000	99,850	179,850
2021	—	—	—	85,000	95,725	180,725	85,000	95,725	180,725
2022	—	—	—	90,000	91,350	181,350	90,000	91,350	181,350
2023 - 2027	—	—	—	525,000	382,375	907,375	525,000	382,375	907,375
2028 - 2032	—	—	—	675,000	233,125	908,125	675,000	233,125	908,125
2033 - 2037	—	—	—	650,000	56,550	706,550	650,000	56,550	706,550
2038 - 2042	—	—	—	—	—	—	—	—	—
2043 - 2047	—	—	—	—	—	—	—	—	—
2048 - 2052	—	—	—	—	—	—	—	—	—
2053 - 2057	—	—	—	—	—	—	—	—	—
2058 - 2062	—	—	—	—	—	—	—	—	—
2063 - 2067	—	—	—	—	—	—	—	—	—
Total minimum payments	—	—	—	2,270,000	1,170,750	3,440,750	2,270,000	1,170,750	3,440,750
Less amounts representing interest									(1,170,750)
Present value of future minimum payments									2,270,000
Unamortized net premium (discount)									411,687
Total long-term debt obligations									2,681,687
Less: current portion									(80,000)
Long-term debt obligations, net of current portion									$ 2,601,687

7 Calculation of net position

7.1 Calculation of net position - net investment in capital assets

Capital assets, net of accumulated depreciation	$ 35,880,929
Capitalized lease obligations, current portion	—
Capitalized lease obligations, net of current portion	—
Long-term debt obligations, current portion	(80,000)
Long-term debt obligations, net of current portion	(2,601,687)
Portion of outstanding debt that is unspent at year-end	—
Other adjustments: (please list)	
Unamortized loss on refunding	272,470
Add description	—
Add description	—
Add description	—
Add description	—
Net position - net investment in capital asset	$ 33,471,712

7.2 Calculation of net position - restricted for nonexpendable - endowments

Portion of restricted cash and cash equivalents related to endowments	$ 9,096
Endowment investments	2,124,802
Other adjustments: (please list)	
Endowment accounts receivable	1,000
Endowment funds held for others	(2,124,313)
Endowment accounts payable	(10,585)
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Net position - Restricted for nonexpendable - endowments per SNP	$ —

See accompanying independent auditors' report.

Cal Poly Corporation
Other Information
June 30, 2017
(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	$	3,354,415
Payments to University for other than salaries of University personnel		5,811,665
Payments received from University for services, space, and programs		5,853,628
Gifts-in-kind to the University from discretely presented component units		557,110
Gifts (cash or assets) to the University from discretely presented component units		2,007,592
Accounts (payable to) University (enter as negative number)		(659,757)
Other amounts (payable to) University (enter as negative number)		—
Accounts receivable from University		367,271
Other amounts receivable from University		—

9 Other postemployment benefits obligation (OPEB)

Annual required contribution (ARC)	$	347,926
Contributions during the year		(296,314)
Increase (decrease) in net OPEB obligation (NOO)		51,612
Other adjustments		—
NOO - beginning of year		5,631,841
NOO - end of year	$	5,683,453

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		—
Total pollution remediation liabilities	$	—
Less: current portion		—
Pollution remediation liabilities, net of current portion		—

See accompanying independent auditors' report.

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

	Net Position Class	Amount Dr. (Cr.)
Net position as of June 30, 2016, as previously reported		$ 109,312,691
Prior period adjustments:		
1 (list description of each adjustment)		—
2 (list description of each adjustment)		—
3 (list description of each adjustment)		—
4 (list description of each adjustment)		—
5 (list description of each adjustment)		—
6 (list description of each adjustment)		—
7 (list description of each adjustment)		—
8 (list description of each adjustment)		—
9 (list description of each adjustment)		—
10 (list description of each adjustment)		—
Net position as of June 30, 2016, as restated		$ 109,312,691

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)		
	—	
		—

See accompanying independent auditors' report.

Other Supplementary Information

Cal Poly Corporation
Statements of Financial Position of the California State University – San Luis Obispo Alumni Association
June 30, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	$ 152,586	$ 124,703
Certificates of deposit	37,484	34,483
Accounts receivable	3,275	19,525
Inventories	856	1,258
Prepaid expenses and other assets	6,413	2,177
Total current assets	200,614	182,146
Other assets:		
Investments	390,752	366,098
Total assets	$ 591,366	$ 548,244
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 6,488	$ 352
Total current liabilities	6,488	352
Net assets:		
Unrestricted:		
Undesignated	584,878	547,892
Total unrestricted net assets	584,878	547,892
Total liabilities and net assets	$ 591,366	$ 548,244

See accompanying independent auditor's report.

Cal Poly Corporation
Statements of Activities of the California State University – San Luis Obispo Alumni Association
Years Ended June 30, 2017 and 2016

	2017	2016
Unrestricted revenue and support:		
Donations and grants	$ 28,215	$ 12,556
Travel and promotion	26,112	31,753
Homecoming	33,513	32,120
Investment gain (loss)	42,456	(7,101)
External activities	44,614	27,351
Total unrestricted revenue and support	174,910	96,679
Expenses:		
Program services:		
Salaries and wages		2,974
Cost of goods sold	403	115
Postage	1,516	5,854
Tax preparation	2,175	2,190
Travel	1,196	1,010
Office expense	29,135	31,213
Accounting services	9,956	9,190
Hosting special events	77,547	61,788
External activities	15,014	20,344
Other	982	1,332
Total expenses	137,924	136,010
Change in unrestricted net assets	36,986	(39,331)
Unrestricted net assets - beginning of year	547,892	587,223
Unrestricted net assets - end of year	$ 584,878	$ 547,892

See accompanying independent auditor's report.