Cal Poly Corporation

Audited Financial Statements and

Supplementary Information

Years Ended June 30, 2018 and 2017

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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, 2018 and 2017, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, 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 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 auditors' 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, 2018 and 2017, 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 17, Schedule of Changes in the Net OPEB Liability and Related Ratios on page 61, Schedule of Contributions – OPEB on page 62, Schedule of Changes in the Net Pension Liability and Related Ratios on pages 63 through 64, and the Schedule of Contributions – Pension on page 65, 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 67 through 75 as required by the California State University and other supplementary information on pages 77 through 78 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, 2018, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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, 2018

Cal Poly Corporation
Management's Discussion and Analysis
June 30, 2018 and 2017

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, 2018 ("2017-18"), June 30, 2017 ("2016-17") and June 30, 2016 ("2015-16"). 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.

Cal Poly Corporation
Management's Discussion and Analysis
June 30, 2018 and 2017

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 2017-18, 2016-17 and 2015-16. The accompanying audited financial statements as of and for the years ended June 30, 2018 and 2017 are reported in accordance with standards and requirements of the GASB as are the following schedules.

Condensed Statements of Net Position

	June 30, 2018	June 30, 2017	June 30, 2016
Assets:			
Current assets	$ 131,089,712	$ 113,710,705	$ 101,229,273
Noncurrent assets:			
Capital assets, net	48,560,299	35,880,929	35,695,343
Other noncurrent assets	12,949,255	13,447,752	15,323,391
Total assets	192,599,266	163,039,386	152,248,007
Deferred Outflows of Resources	5,851,928	6,934,306	4,273,067
Liabilities:			
Current liabilities	19,646,838	20,157,714	18,907,538
Noncurrent liabilities	56,428,202	28,521,944	24,182,697
Total liabilities	76,075,040	48,679,658	43,090,235
Deferred Inflows of Resources	12,131,311	2,407,595	4,118,148
Net Position:			
Net investment in capital assets	19,288,645	33,471,712	33,205,194
Restricted, expendable	15,185,802	16,271,567	13,291,685
Unrestricted	75,770,396	69,143,160	62,815,812
Total net position	$ 110,244,843	$ 118,886,439	$ 109,312,691

Net Position

Net position may serve over time as an indicator of the Corporation's financial position. As of June 30, 2018, assets and deferred outflows exceeded liabilities and deferred inflows by $110.2 million, resulting in a decrease of $8.6 million in net position over the prior year. Adjustments consisting of a $10.8 million decrease and a $348,000 increase were made in the current year to adjust beginning net position to reflect the cumulative impact of implementing recently issued GASB standards regarding the accounting for both split-interest agreements and other postemployment benefits, respectively. In addition, during the current year, net position increased by $1.9 million, which represents the net result of a $9 million operating loss combined with nonoperating revenues of $9.5 million and capital grants and gifts of $1.3 million. For the year ended June 30, 2017, overall net position increased $9.6 million. The increase in net position primarily represents the net result of a $4.5 million operating loss combined with nonoperating revenues of $9.9 million and capital grants and gifts of $4.2 million. Operating losses reflected on the Statements of Revenues, Expenses and Changes in Net Position are primarily the result of the classification of gifts as nonoperating revenues. A majority of these gifts are meant to support *University programs support* expenses, which are classified as operating expenses. Without these gifts, the related *University programs support* expenses would not occur.

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 decreased $14.2 million or 42.4% from the prior year. As previously mentioned, an adjustment of $10.8 million was made in the current year, which reduced beginning net investment in capital assets, to reflect the cumulative impact of implementing recently issued GASB standards regarding the accounting of split-interest agreements. In 2014-15, the Corporation was gifted the Bartleson Ranch and Conservatory, valued at $11.3 million, subject to the terms of a life-interest agreement. The recently issued GASB standards require that income previously recognized for the receipt of this gift be deferred until the expiration of the life-interest term.

In addition, during 2017-18, capital assets with a net book value of $330,000 were disposed and depreciation and amortization expense on existing capital assets totaled $1.9 million. Significant capital asset additions during 2017-18 primarily relate to construction-in-progress for the new Vista Grande dining facility, which were financed through commercial paper notes. For the year ended June 30, 2017, net investment in capital assets increased $267,000. The increase was primarily the result of capital asset purchases exceeding the combination of capital asset disposals and depreciation and amortization expense on existing capital assets. During 2016-17, 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 began as design was completed and a construction contract awarded.

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,		
	2018	**2017**	**2016**
Restricted, expendable:			
Research	$ 186,315	$ 220,209	$ 272,206
Capital projects	5,544,601	7,522,519	4,822,146
Instruction	1,003,323	949,572	950,772
Academic support	331,726	264,749	207,655
Other	8,119,837	7,314,518	7,038,906
Total restricted, expendable	$ 15,185,802	$ 16,271,567	$ 13,291,685

This balance can fluctuate from year to year based on the level of gift activity and expenditures. For the year ended June 30, 2018, overall restricted, expendable net position decreased $1.1 million or 6.7% from the prior year. The decrease is primarily the result of a $2 million decrease in net position restricted for capital projects. During the current year, the Corporation expended pledges and gifts previously received on behalf of athletics for capital projects, including the Doerr Family Field and the baseball clubhouse. For the year ended June 30, 2017, overall restricted, expendable net position increased $3 million or 22.4% from the prior year. The increase was primarily the result of a $2.7 million increase in net position restricted for capital projects. During the prior year, the Corporation received pledges and gifts on behalf of athletics for capital projects. 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 gifts 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. For the year ended June 30, 2018, unrestricted net position increased by $6.6 million to $75.8 million from the prior year. The increase was driven by favorable operating results from commercial activities of $7.4 million combined with $3.4 million in net investment income, offset by $4.3 million in net pension expense. For the year ended June 30, 2017, 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.

Assets

Current assets represent assets that can normally be converted to cash in less than one year, including cash and cash equivalents, short-term investments, accounts receivable, contracts and grants receivable, inventories, prepaid expenses and the current portion of 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 $3.9 million or 12.9% for the year ended June 30, 2018, compared to an increase of $8 million or 36.3% for the year ended June 30, 2017. 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 $3.6 million or 5.1% from the prior year. During 2017-18, the Corporation recorded investment income of $3.3 million related to short-term investments. In addition, the Corporation acquired $962,000 in mutual funds, classified as short-term investments. For the year ended June 30, 2017, 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.

Accounts receivable, net increased $10.9 million or 733.3% from the prior year. During 2017-18, approximately $26.8 million of California State University Institute Commercial Paper Notes were issued to the university on behalf of the Corporation as an interim source of financing for construction of the new Vista Grande dining facility. Approximately $10.8 million in unspent proceeds are held at the university and are reflected as accounts receivable, net, on the Corporation's Statements of Financial Position as of June 30, 2018. For the year ended June 30, 2017, 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 was primarily the result of the Corporation's decision to outsource bookstore operations, effective July 1, 2017.

Contracts and grants receivable, net represents revenue earned but not received from work performed under contracts and grants. For the year ended June 30, 2018, contracts and grants receivable, net, increased $526,000 or 10.6% from the prior year. Changes in contracts and grants receivable, net, are dependent on the timing of revenues earned and payments received. The aggregate value of contracts and grants awarded or augmented during the fourth quarter of 2017-18 was 15% higher than those awarded or augmented during the fourth quarter of 2016-17. For the year ended June 30, 2017, contracts and grants receivable, net, remained relatively consistent with the prior year, decreasing 2.3%.

Inventories decreased $1.5 million or 58.9% from the prior year. The decrease in inventory is primarily related to the reduction of inventory related to University Store operations. Total University Store inventory decreased $1.2 million as a result of the decision to outsource bookstore operations, effective July 1, 2017. A majority of this inventory was purchased at cost from the outsourced operator. In addition, campus dining inventories decreased $270,000 primarily a result of implementing a new food procurement and inventory management system that emphasizes maintaining lower inventory levels. For the year ended June 30, 2017, inventories decreased $1.2 million or 31.5% from the prior year. The decrease in inventory was primarily related to the liquidation of inventory for University Store operations prior to the start of the outsourced contract. In addition, commercial agriculture inventories decreased $150,000 primarily from the sale of livestock.

Noncurrent assets consist primarily of restricted cash and cash equivalents related to endowments and charitable gift annuities, 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 charitable gift annuities, are classified as other long-term investments.

Capital assets, net include land, buildings, leasehold improvements, construction-in-progress, equipment and intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. At June 30, 2018, the Corporation held $13.2 million in depreciable capital assets, net of accumulated depreciation, as compared to $14.3 million in the prior year. During 2017-18, depreciable capital asset additions of $479,000 were offset by depreciable capital asset disposals with a net book value of $321,000. In addition, construction-in-progress of $670,000 was completed and placed in service. During 2017-18, depreciation and amortization expense on existing capital assets totaled $1.9 million.

The Corporation held $35.4 million of non-depreciable assets at June 30, 2018, compared to $21.6 million at June 30, 2017. Non-depreciable capital assets primarily consist of land and improvements and construction-in-progress. The change in non-depreciable assets during 2017-18 primarily relates to significant additions to construction-in-progress of the new Vista Grande dining facility.

Deferred Outflows of Resources

Deferred Outflows of Resources at June 30, 2018 includes contributions made by the Corporation to its pension plan and OPEB plan during 2017-18. In addition, changes in the net pension liability as a result of changes in actuarial assumptions, differences between projected and actual earnings on plan investments, and differences between actual and expected actuarial experiences are initially recorded as deferred outflows of resources and then recognized in pension expense in future periods. Finally, deferred outflows of resources at June 30, 2018 includes a deferred loss on the refunding of a portion of the California State University ("CSU") System-Wide Revenue Bonds Series 2009A.

Liabilities

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

Accrued salaries and benefits payable increased by $274,000 or 16.2% from the prior year. The increase is primarily the result of a timing difference. As of June 30, 2018, 15 days were included in accrued salaries and benefits payable as compared to 14 days included as of June 30, 2017. In addition, overall salaries and wages were higher as of June 30, 2018 due to an increase in full-time employee headcount as well as general and merit increases. For the year ended June 30, 2017, accrued salaries and benefits payable increased by $923,000 or 119.8% from the prior year. 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 did not include a full pay period of salaries and wages earned.

Sponsored programs receipts over expenditures primarily includes revenue billed or collected in advance of when it is earned on grants and contracts. For the year ended June 30, 2018, sponsored programs receipts over expenditures decreased $3 million or 42% from the prior year. Changes in sponsored programs receipts over expenditures are dependent on the timing of grants and contracts awarded and work performed. In general, contract and grant expenditures have decreased in 2017-18 as compared to 2016-17, with the largest decreases coming in the federal and not-for-profit sectors. For the year ended June 30, 2017, sponsored programs receipts over expenditures remained relatively consistent with the prior year, decreasing 6.8%.

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

The Corporation's *Long-term debt obligation* of $25.9 million at June 30, 2018 represents a note payable, which originated as part of the CSU System-wide Revenue Bonds (SRB) Series 2009A bond issuance to partially fund the construction of the Technology Park. During 2016-17, the note payable was amended in connection with a partial defeasance with proceeds from the issuance of the SRB Series 2016A. On July 1, 2017, the Corporation amended the note payable a second time to partially fund the construction of the new Vista Grande dining facility. During 2017-18, approximately $26.8 million of California State University Institute Commercial Paper Notes were issued as an interim source of financing. On August 1, 2018, the Corporation entered into a third amendment to the note payable, which replaced the commercial paper notes with proceeds from the issuance of the SRB Series 2018A.

The long-term portion of the note payable outstanding as of June 30, 2018 includes a bond premium of $389,000 related to the issuance of the Series 2016A bonds. The Corporation made principal payments in the amounts of $80,000 and $75,000 on this debt during 2017-18 and 2016-17.

The *Net OPEB liability* is related to the Corporation's defined benefit postretirement plan, which provides medical benefits to retirees of the Corporation. As mentioned previously, during 2017-18, the Corporation adopted recently issued GASB standards regarding the accounting for other postemployment benefits. The net OPEB liability is measured as the total OPEB liability, less the value of assets in the VEBA trust on that date. The net OPEB liability is measured as of June 30, 2017, using an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. Based on the most recent actuarial report, the total OPEB liability measured as of June 30, 2017 was $30.8 million and the value of assets in the VEBA trust on that date was $25.1 million. Calculation of the Corporation's obligation for other postemployment benefits under previous accounting standards prior to June 30, 2018 is included on the Statements of Financial Position as *Other postemployment benefit obligation*.

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, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. Based on the most recent actuarial report, the total pension liability measured as of June 30, 2017 was $79.2 million and the pension plan's fiduciary net position on that date was $59.6 million.

<u>Deferred Inflows of Resources</u>

Deferred Inflows of Resources at June 30, 2018 includes changes in the net pension liability resulting from changes in actuarial assumptions as well as differences between projected and actual earnings on plan investments. In addition, deferred outflows of resources includes changes in the net OPEB liability as a result of differences between projected and actual earnings on plan investments, and differences between actual and expected actuarial experiences. Deferred inflows of resources are recognized as expense in future periods.

As previously mentioned, the Corporation implemented recently issued GASB standards regarding the accounting of split-interest agreements. In 2014-15, the Corporation was gifted the Bartleson Ranch and Conservatory, valued at $11.3 million, subject to the terms of a life-interest agreement. The recently issued GASB standards require that income previously recognized for the receipt of this gift be deferred until the expiration of the life-interest term. As a result, deferred inflows of resources of $11.2 million are included on the Statements of Net Position at June 30, 2018 to reflect the net impact of this deferral.

<u>Results of Operations</u>

Increase in net position for 2017-18 was $1.9 million as compared to $9.6 million for 2016-17. The increase for 2017-18 primarily represents the net result of a $9 million operating loss combined with investment income of $3.4 million from the Corporation investment portfolio. In addition, noncapital gifts of $7.5 million, capital grants and gifts of $1.3 million, and other nonoperating expenses of $1.1 million contributed to the overall increase in net position.

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

	Year Ended June 30,		
	2018	**2017**	**2016**
Operating revenues:			
Grants and contracts	$ 24,675,767	$ 25,186,157	$ 24,865,017
Sales and services of auxiliary enterprises	41,424,875	47,780,483	47,915,827
Fees for services	6,638,160	6,945,066	6,105,981
University programs support	3,485,157	2,988,963	2,619,639
Conference and workshop revenues	2,614,633	3,438,400	2,640,349
Other operating revenue	864,371	1,824,628	703,929
Total operating revenues	79,702,963	88,163,697	84,850,742
Operating expenses:			
Corporation administration	5,230,866	5,156,919	4,990,212
Contract and grant expense	24,227,634	25,626,262	25,321,198
Auxiliary activities cost of sales	14,099,069	20,603,364	19,928,144
Auxiliary activities expense	19,886,790	22,669,581	20,632,448
University programs support	18,885,356	14,703,704	13,689,572
Sponsored program administration	1,323,159	1,206,749	996,367
Depreciation and amortization	1,881,489	1,899,561	1,870,754
Other operating expenses	3,168,667	783,668	1,062,818
Total operating expense	88,703,030	92,649,808	88,491,513
Operating loss	(9,000,067)	(4,486,111)	(3,640,771)
Nonoperating revenues (expenses):			
Gifts, noncapital	7,531,007	5,313,837	4,648,095
Investment income (loss), net	3,418,262	4,871,103	(69,158)
Interest expense	(319,178)	(106,899)	(129,677)
Other nonoperating revenues (expenses), net	(1,120,256)	(171,213)	358,808
Total nonoperating revenues (expenses)	9,509,835	9,906,828	4,808,068
Other changes in net position:			
Capital grants and gifts	1,342,268	4,153,031	3,523,686
Increase in net position	1,852,036	9,573,748	4,690,983
Beginning net position	118,886,439	109,312,691	104,621,708
Prior year restatement	(10,493,632)		
Beginning net position, as restated	108,392,807	109,312,691	104,621,708
Ending net position	$ 110,244,843	$ 118,886,439	$ 109,312,691

Operating revenues decreased $8.5 million or 9.6% in 2017-18 as compared to 2016-17. The change is driven by a $6.4 million decrease in *Sales and services of auxiliary enterprises*. Effective July 1, 2017, operations of the University Store and Cal Poly Downtown were outsourced to a third party operator. Gross revenues previously recorded for these operations are no longer part of the Corporation's financial statements. Instead, the Corporation records commission income from the third party operator based on the terms of the contract. Offsetting the decrease in revenues related to University Store and Cal Poly Downtown operations was an increase in revenues from Campus Dining operations, driven by a 22% increase in freshman headcount. *Conference and workshop revenues* decreased $824,000 or 24% from the prior year, primarily due to a decrease in revenues from key repeat events (such as EPIC, SLO Days, and CATA) as well as fees collected by Conference & Event Planning. In addition, during 2016-17 the Corporation hosted CalFire during the summer chimney fires along the central coast, which added $182,000 in revenue in the prior year. *Other operating revenues* also decreased in 2017-18 as compared to 2016-17. The $960,000 decrease was primarily the result of a $1.1 million actuarial gain related to the Corporation's OPEB obligation that was booked in 2016-17. In 2017-18, the actuarial study resulted in a $1.3 million actuarial loss, which was included in the calculation of *Other Operating Expenses*.

Offsetting the decreases in sales and services of auxiliary enterprises, conference and workshop revenues, and other operating revenues was a $496,000 increase in *University programs support* revenues over the prior year. The increase in 2017-18 was primarily the result of a $478,000 increase in special activity sales (i.e. events, auctions, banquets, raffles), which relate mostly to ticket sales for Cal Poly Arts and special events for the College of Engineering.

In 2016-17, total operating revenues increased $3.3 million or 3.9% as compared to 2015-16. *Fees for Services* revenue increased $839,000 over the prior year, which includes a $292,000 increase in indirect cost recovery collected by the Corporation's Sponsored Programs Administration (SPA) department for services provided for sponsored research. In addition, there was $656,000 increase in fee for service income collected by the SPA department for services provided to 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, as previously mentioned, the Corporation hosted CalFire during the summer chimney fires, adding $182,000 in revenue. *Other operating revenues* also increased $1.1 million in 2016-17, primarily the result of the actuarial gain previously mentioned related to the Corporation's OPEB obligation.

Operating expenses decreased $3.9 million or 4.3% in 2017-18 as compared to 2016-17. The change is driven by a $6.5 million decrease in *Auxiliary activities cost of sales* and a $2.8 million decrease in *Auxiliary activities expense*. As previously mentioned, effective July 1, 2017, operations of the University Store and Cal Poly Downtown were outsourced to a third party operator. Expenses previously recorded for these operations are no longer part of the

Corporation's financial statements. Offsetting the decrease in expenses related to University Store and Cal Poly Downtown operations was an increase in food costs from Campus Dining operations, driven by a 22% increase in freshman headcount.

Offsetting the decreases in auxiliary activities cost of sales and auxiliary activities expense was a $4.2 million increase in *University programs support* expenses over the prior year. The change in 2017-18 includes an increase in expenditures for athletic facilities, including $1.4 million towards the construction of the Doerr Family Field and $1.2 million towards the baseball clubhouse. In addition, public service support increased $807,000 and Institutional support increased $760,000. *Other operating expenses* also increased in 2017-18 as compared to 2016-17. The $2.4 increase was primarily due to a $2.9 million increase in net pension expense, resulting in part from a 0.5% reduction in the discount used to measure the total pension liability.

In 2016-17, total operating expenses increased $4.2 million over the prior year. *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 2016-17, 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 was 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.

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

Gifts, noncapital increased $2.2 million or 41.7% in 2017-18 as compared to 2016-17. The increase is the result of an increase in noncapital gifts and pledges received primarily on behalf of athletics. Noncapital gifts increased $666,000 or 14.3% in 2016-17 as compared to 2015-16. The increase was the result of an increase in noncapital 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 decreased $1.5 million in 2017-18 to $3.4 million as compared to $4.9 million in 2016-17. Net investment income is primarily the result of $1.8 million in interest and dividends combined with $1.8 million in market value gains offset by $346,000 in investment management fees. In 2016-17, net investment income was primarily the result of $1.6 million in interest and dividends combined with $3.6 million in market value gains offset by $326,000 in investment management fees.

Other changes in net position includes *capital grants and gifts*, which decreased $2.8 million or 67.7% in 2017-18 as compared to 2016-17. The decrease is the result of fewer capital gifts and pledges received primarily on behalf of athletics. In 2016-17, capital grants and gifts increased $629,000 or 17.9% as compared to 2015-16. The increase was the result of an increase in capital grants and gifts received primarily on behalf of athletics. Variances in capital grants and gifts are due to the varying nature of contribution revenue from year to year, which depends on a number of factors, both internal and external.

Currently Known Facts Impacting Future Periods

The Corporation has begun construction of the new Vista Grande dining facility for its campus dining operations. A significant portion of this project was financed in 2017-18 through the issuance of California State University Institute Commercial Paper Notes. On August 1, 2018, the Corporation entered into a third amendment to the note payable, which replaced the commercial paper notes with proceeds from the issuance of the SRB Series 2018A. Completion of the project will be accompanied by significant capital outlay expenditures. These expenditures are expected to have a material impact on the Corporation's unrestricted net position.

The Corporation is in the design phase of renovating facilities for its campus dining commercial operations. Renovation of these facilities is expected to commence in fiscal year 2019-20 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.

Financial Statements

Cal Poly Corporation

Statements of Net Position

June 30, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	$ 33,858,366	$ 29,992,193
Short-term investments	75,756,951	72,109,327
Accounts receivable, net	12,399,425	1,487,955
Contracts and grants receivable, net	5,485,743	4,959,867
Pledges receivable, net	1,986,241	2,013,717
Inventories	1,033,746	2,517,974
Prepaid expenses and other current assets	569,240	629,672
Total current assets	131,089,712	113,710,705
Noncurrent assets:		
Restricted cash and cash equivalents	56,413	29,853
Accounts receivable, net	25,068	24,647
Pledges receivable, net	7,007,229	7,777,344
Endowment investments	2,160,085	2,124,802
Other long-term investments	3,062,460	2,853,106
Capital assets, net	48,560,299	35,880,929
Other assets	638,000	638,000
Total noncurrent assets	61,509,554	49,328,681
Total assets	192,599,266	163,039,386
Deferred Outflows of Resources		
Unamortized loss on refunding	257,397	272,470
Related to net other postemployment benefit liability	234,262	
Related to net pension liability	5,360,269	6,661,836
Total deferred outflows of resources	5,851,928	6,934,306

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

Cal Poly Corporation

Statements of Net Position

June 30, 2018 and 2017

Page 2

	2018	2017
Liabilities		
Current liabilities:		
Accounts payable	$ 2,976,583	$ 2,765,366
Accrued salaries and benefits payable	1,968,145	1,694,192
Accrued compensated absences	719,688	772,363
Unearned revenue	6,550,343	6,499,092
Sponsored programs receipts over expenditures	4,145,413	7,106,387
Long-term debt obligation	3,266,000	80,000
Self-insurance claims liability	20,666	20,000
Other postemployment benefit obligation, current		1,220,314
Total current liabilities	19,646,838	20,157,714
Noncurrent liabilities:		
Long-term debt obligation	25,894,025	2,601,687
Deposits held in custody for others	4,145,862	3,936,851
Other postemployment benefit obligation, net of current		4,463,139
Net other postemployment benefit liability	5,683,453	
Net pension liability	19,677,490	16,233,426
Other liabilities:		
Charitable gift annuities held for others liability	1,027,372	917,329
Use interest of beneficiary		369,512
Total noncurrent liabilities	56,428,202	28,521,944
Total liabilities	76,075,040	48,679,658
Deferred Inflows of Resources		
Related to life-interest in real estate	11,155,400	
Related to net other postemployment benefit liability	934,358	
Related to net pension liability	41,553	2,407,595
Total deferred inflows of resources	12,131,311	2,407,595
Net Position		
Net investment in capital assets	19,288,645	33,471,712
Restricted for:		
Expendable:		
Research	186,315	220,209
Capital projects	5,544,601	7,522,519
Instruction	1,003,323	949,572
Academic support	331,726	264,749
Other	8,119,837	7,314,518
Unrestricted	75,770,396	69,143,160
Total net position	$ 110,244,843	$ 118,886,439

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, 2018 and 2017

	2018	2017
Operating revenues:		
Grants and contracts, noncapital:		
Federal	$ 14,612,996	$ 15,042,304
State	3,378,569	3,337,931
Local	708,922	757,906
Nongovernmental	5,975,280	6,048,016
Sales and services of auxiliary enterprises	41,424,875	47,780,483
Fees for services	6,638,160	6,945,066
University programs support	3,485,157	2,988,963
Conference and workshop revenues	2,614,633	3,438,400
Other operating revenues	864,371	1,824,628
Total operating revenues	79,702,963	88,163,697
Operating expenses:		
Corporation administration	5,230,866	5,156,919
Contract and grant expenses	24,227,634	25,626,262
Auxiliary activities cost of sales	14,099,069	20,603,364
Auxiliary activities expenses	19,886,790	22,669,581
University programs support:		
Conference and workshops expense	2,180,428	2,770,372
Public service support	6,481,772	5,675,050
Institutional support	2,477,679	1,718,047
Academic support	1,915,241	1,555,722
Student services	466,508	284,602
Other University programs	5,363,728	2,699,911
Sponsored programs administration	1,323,159	1,206,749
Depreciation and amortization	1,881,489	1,899,561
Other operating expenses	3,168,667	783,668
Total operating expenses	88,703,030	92,649,808
Operating loss	(9,000,067)	(4,486,111)

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, 2018 and 2017

Page 2

	2018	2017
Nonoperating revenues (expenses):		
Gifts, noncapital	$ 7,531,007	$ 5,313,837
Investment gain, net	3,418,262	4,871,103
Interest expense	(319,178)	(106,899)
Other nonoperating expenses, net	(1,120,256)	(171,213)
Total nonoperating revenues (expenses)	9,509,835	9,906,828
Other changes in net position:		
Capital grants and gifts	1,342,268	4,153,031
Total other changes in net position	1,342,268	4,153,031
Increase in net position	1,852,036	9,573,748
Net position - beginning of year, before restatement	118,886,439	109,312,691
Prior year restatement	(10,493,632)	
Net position - beginning of year	108,392,807	109,312,691
Net position - end of year	$ 110,244,843	$ 118,886,439

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

Cal Poly Corporation

Statements of Cash Flows

Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Receipts from grants and contracts	$ 20,801,543	$ 24,291,459
Receipts from sales and services of auxiliary enterprises	44,311,621	52,237,551
Receipts from fees for services	6,638,160	6,945,066
Receipts from University programs	3,485,157	2,988,963
Payments to vendors	(31,435,022)	(39,251,441)
Payments to employees	(33,972,240)	(34,013,004)
Payments to University, net	(12,444,004)	(10,892,705)
Payments to Foundation, net	(709,721)	(551,351)
Payments to VEBA Trust	(234,262)	(278,643)
Other receipts	863,950	612,301
Other payments	(39,568)	(1,344,968)
Net cash provided by (used in) operating activities	(2,734,386)	743,228
Cash flows from noncapital financing activities:		
Cash contributions received	6,360,692	3,923,197
Cash received for charitable gift annuities held for others	227,000	75,000
Distributions to annuity beneficiaries	(112,400)	(89,007)
Fees and expenses of charitable gift annuities held for others	(9,757)	(9,055)
Foundation support		442,311
Change in depository accounts	209,011	430,584
Net cash provided by noncapital financing activities	6,674,546	4,773,030
Cash flows from capital and related financing activities:		
Capital grants and gifts	2,290,387	4,445,268
Acquisition of capital assets	(2,030,983)	(2,888,806)
Proceeds from sale of capital assets	18,577	13,674
Interest paid on long-term debt obligation	(107,093)	(112,831)
Defeasance of long-term obligation	(80,000)	(75,000)
Net cash provided by capital and related financing activities	90,888	1,382,305
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	5,745,510	4,935,896
Purchase of investments	(7,322,816)	(4,985,550)
Investment income proceeds	1,438,991	1,119,320
Net cash provided by (used in) investing activities	(138,315)	1,069,666
Net increase in cash	3,892,733	7,968,229
Cash and cash equivalents - beginning of year	30,022,046	22,053,817
Cash and cash equivalents - end of year	$ 33,914,779	$ 30,022,046

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

Cal Poly Corporation

Statements of Cash Flows

Years Ended June 30, 2018 and 2017

Page 2

	2018	2017
Reconciliation of cash and cash equivalents to Statements of Net Position:		
Cash and cash equivalents	$ 33,858,366	$ 29,992,193
Restricted cash and cash equivalents	56,413	29,853
Cash and cash equivalents - end of year	$ 33,914,779	$ 30,022,046
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (9,000,067)	$ (4,486,111)
Adjustments to reconcile operating loss to		
net cash provided by (used in) operating activities:		
Depreciation and amortization	1,881,489	1,899,561
Bad debt	52,934	4,030
Loss on disposal of assets	9,081	46,397
Other noncash expenses	259,212	41,573
Changes in operating assets and liabilities:		
Accounts receivable, net	1,678,587	674,445
Inventories	1,484,228	1,156,806
Prepaid expenses and other current assets	(39,568)	534,399
Accounts payable	139,903	5,029
Accounts payable - University	(42,481)	121,365
Accounts payable - Foundation	102,464	(3,300)
Accrued salaries and benefits payable	273,953	923,456
Accrued compensated absences	(52,675)	(8,001)
Self-insurance claims liability	666	5,000
Unearned revenue	51,251	646,916
Grants refundable	(2,960,974)	(514,447)
Other postemployment benefit obligation		51,612
Net pension liability	3,791,990	4,034,390
Deferred outflow and inflows	(364,379)	(4,389,892)
Net cash provided by (used in) operating activities	$ (2,734,386)	$ 743,228
Supplemental disclosures of cash flow information:		
Contributions of investments	$ 386,153	$ 428,657
Other noncash contributions	660,152	595,789
Increase in fair value of investments	1,928,804	3,819,004
Acquisition of capital assets from proceeds of debt	12,890,696	
Amortization of net bond premium	22,662	24,032
Amortization of loss on debt refunding	15,073	18,100
Interest costs paid from proceeds of debt	219,674	
Debt issuance costs paid from proceeds of debt	469,864	

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

Cal Poly Corporation
Notes to Financial Statements
June 30, 2018 and 2017

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 at June 30, 2018 and 2017, 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 $1,103,771 and $1,099,362 at June 30, 2018 and 2017, 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 Charitable Gift Annuities Held for Others

Actuarial trust liabilities include charitable gift annuities held for others 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 charitable gift annuities is recorded for any changes in actuarial assumptions.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position of the Cal Poly Corporation Retiree Welfare Benefits Plan (the Benefits Plan) and additions to/deductions from the Benefits Plan's fiduciary net position have been determined on the same basis as they are reported by the Benefits Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, 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.

Note 2: Summary of Significant Accounting Policies (Continued)

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.

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, 2018 and 2017, grants and contracts revenue included $387,374 and $497,761, 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, 2018 and 2017.

Note 2: Summary of Significant Accounting Policies (Continued)

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 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, 2018, 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, 2018, management has considered its tax positions and believes that the Corporation did not maintain any tax positions that did not meet the "more likely than not" threshold. The Corporation does not expect any material changes through June 30, 2019. However, tax returns remain subject to examination by the Internal Revenue Service for fiscal years ending on or after June 30, 2015, and by the California Franchise Tax Board for fiscal years ending on or after June 30, 2014. As noted above, the Corporation does not currently pay income taxes. However, the Corporation 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 Corporation 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 June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension*s. 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. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The provisions of Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Management implemented GASB Statement No. 75 for the Corporation's June 30, 2018 financial statements. Implementation of this statement resulted in a restatement of beginning net position as of July 1, 2017. See Note 8 and Note 13 to Financial Statements for further discussion.

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. 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, 2015. Implementation of this statement did not have a material impact on the Corporation's financial statements.

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

Note 2: Summary of Significant Accounting Policies (Continued)

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 resulted in a restatement of beginning net position as of July 1, 2017. See Note 13 to Financial Statements for further discussion.

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). The provisions of Statement No. 85 are effective for fiscal years beginning after June 15, 2017. Implementation of this statement did not have a material impact on the Corporation's financial statements.

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

Note 2: Summary of Significant Accounting Policies (Continued)

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. Implementation of this statement did not have a material impact on the Corporation's financial statements.

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.

In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Statement No. 88 is meant to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements. The provisions of Statement No. 88 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 June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Statement No. 89 enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The provisions of Statement No. 89 are effective for fiscal years beginning after December 15, 2019 with earlier application encouraged. Management has applied the provisions of Statement No. 89 for the Corporation's June 30, 2018 financial statements. Interest cost incurred for capital assets currently under construction is not capitalized as part of the historical cost of the asset.

Additionally, in August 2018, GASB issued Statement No. 90, *Majority Equity Interests*. Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The provisions of Statement No. 90 are effective for fiscal years beginning after December 15, 2018 with earlier application encouraged. Management has not yet determined the impact of this Statement on its financial statements.

Note 2: Summary of Significant Accounting Policies (Continued)

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 Insured Cash Sweep (ICS) money market program and the collateralized money market program. At June 30, 2018, the Corporation had uninsured cash deposits totaling $5,034,723, held principally at Wells Fargo Bank.

At June 30, 2018 and 2017, a portion of cash and cash equivalents was restricted according to donor stipulations as follows:

	2018	2017
Endowments	$ 10,930	$ 9,096
Split interest trusts	45,483	20,757
Total restricted cash and cash equivalents	$ 56,413	$ 29,853

Note 4: Investments

At June 30, 2018 and 2017, investments were classified in the accompanying financial statements as follows:

	2018	2017
Short-term investments	$ 75,756,951	$ 72,109,327
Endowment investments	2,160,085	2,124,802
Other long-term investments	3,062,460	2,853,106
Total investments	$ 80,979,496	$ 77,087,235

At June 30, 2018 and 2017, other long-term investments included $2,078,237 and $1,868,882, respectively, representing assets held for charitable gift annuities held for others.

Note 4: Investments (Continued)

At June 30, 2018, investments comprised the following:

	2018		
	Current	**Noncurrent**	**Total**
Equity securities	$ 2,541	$	$ 2,541
Fixed income securities		493,931	493,931
Real estate		980,000	980,000
Mutual funds:			
Equity funds	26,955,597	3,033,031	29,988,628
Bond funds	47,910,085	709,919	48,620,004
Other investments:			
Cash and interest receivable pending long-term investment	888,728	1,441	890,169
Agriculture related retains		4,223	4,223
Total investments	$ 75,756,951	$ 5,222,545	$ 80,979,496

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

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

Note 4: Investments (Continued)

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 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 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.

Note 4: Investments (Continued)

Equity Securities Risk:
Equity securities held by the Corporation through mutual funds or the Student Investment Management Portfolio comprised $29,991,169, or 37%, of the total investments of the Corporation at June 30, 2018. 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, exchange 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.

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, 2018 were as follows:

	Fair Value	Rating
Bond mutual funds:		
DFA Intermediate Government Bond	$ 4,128,283	AAA
Loomis Sayles Bond Fund - Institutional	2,021,706	A
PIMCO Total Return Fund - Institutional	3,506,331	A
PIMCO Foreign Bond Fund - Institutional	2,458,395	AA
PIMCO High Yield Fund - Institutional	923,677	BB
PIMCO Short Term - Institutional	15,785,113	A
PIMCO Low Duration Fund	19,796,499	AA
U.S. government:		
U.S. Treasury bills	191,800	AAA
U.S. government backed - asset backed securities	302,131	AAA
Money market funds:		
Wells Fargo Cash Investment Money Market - Institutional	17,088,655	Unrated
Schwab One Fund	933,550	Unrated
Schwab Government Money Fund	11,591	Unrated
Total fixed income and debt securities subject to credit risk	$ 67,147,731	

Note 4: Investments (Continued)

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.

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, 2018 and 2017, 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, 2018 was as follows:

	Fair Value	Weighted Average Duration (in years)
Bond mutual funds:		
DFA Intermediate Government Bond	$ 4,128,283	6.1
Loomis Sayles Bond Fund - Institutional	2,021,706	3.2
PIMCO Total Return Fund - Institutional	3,506,331	4.1
PIMCO Foreign Bond Fund - Institutional	2,458,395	6.9
PIMCO High Yield Fund - Institutional	923,677	3.7
PIMCO Short Term - Institutional	15,785,113	0.1
PIMCO Low Duration Fund	19,796,499	1.0
U.S. government:		
U.S. Treasury bills	191,800	7.4
U.S. government backed - asset backed securities	302,131	3.6
Money market funds	18,033,796	0.0
Total fixed income and debt securities subject to interest rate risk	$ 67,147,731	1.3

Note 4: Investments (Continued)

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.

The Corporation's exposure to foreign currency risk at June 30, 2018 was as follows:

	Fair Value
Euro	$ 2,830,073
British Pounds	1,848,358
Japanese Yen	1,033,793
Hong Kong Dollars	589,680
Swedish Krona	551,044
Australian Dollar	477,488
Chinese Yen	433,085
South Korean Won	417,613
Canadian Dollar	396,452
Mexican Peso	374,134
New Taiwan Dollar	328,204
Swiss Francs	321,191
Indian Rupee	272,725
Brazilian Reals	198,956
Norwegian Krona	171,206
South African Rand	166,317
Argentine Peso	139,116
Russian Ruble	112,789
Other	642,029
Total investments subject to foreign currency risk	$ 11,304,253

Other currencies are individually less than 1% of the Corporation's investments. The foreign currency risk by investment type at June 30, 2018 was as follows:

Equity mutual funds	$ 10,505,443
Bond mutual funds	798,810
Total investments subject to foreign currency risk	$ 11,304,253

Note 4: Investments (Continued)

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*.

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 $302,131 and $312,149 at June 30, 2018 and 2017, 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, 2018 and 2017. 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, 2018 and 2017. There was no activity in Level 3 investments for the year ended June 30, 2018.

Note 5: Pledges Receivable

At June 30, 2018 and 2017, pledges receivable comprised the following:

	2018	2017
Athletic programs	$ 4,391,663	$ 4,826,248
College-specific facilities	6,293,932	6,519,618
Stadium suites	297,158	445,938
Subtotal	10,982,753	11,791,804
Less allowance for uncollectible accounts	(1,103,771)	(1,099,362)
Less unamortized discount	(885,512)	(901,381)
Pledges receivable, net	$ 8,993,470	$ 9,791,061
Amounts due in:		
One year or less	$ 2,252,049	$ 2,270,502
One to five years	2,751,537	3,275,468
More than five years	5,979,167	6,245,834
Total amounts due	$ 10,982,753	$ 11,791,804

Note 6: Capital Assets

At June 30, 2018, capital assets comprised the following:

	2018				
	Balance June 30, 2017	Additions	Reductions	Transfers of Completed CIP	Balance June 30, 2018
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	2,464,685	14,454,623	(9,082)	(669,961)	16,240,265
Total nondepreciable capital assets	21,602,909	14,454,623	(9,082)	(669,961)	35,378,489
Depreciable and amortizable capital assets:					
Buildings and building improvements	15,140,686	9,965	(942,105)	137,727	14,346,273
Leasehold improvements	8,577,306	92,650	(138,992)	519,207	9,050,171
Equipment	9,654,686	376,468	(1,295,403)	13,027	8,748,778
Intangible assets:					
Software and websites	1,237,157		(255,682)		981,475
Licenses and permits	560,221		(33,134)		527,087
Total depreciable and amortizable capital assets	35,170,056	479,083	(2,665,316)	669,961	33,653,784
Less accumulated depreciation and amortization:					
Buildings and building improvements	(5,773,958)	(669,841)	737,302		(5,706,497)
Leasehold improvements	(6,207,302)	(519,023)	120,359		(6,605,966)
Equipment	(7,401,481)	(589,513)	1,210,388		(6,780,606)
Intangible assets:					
Software and websites	(1,056,917)	(82,939)	249,682		(890,174)
Licenses and permits	(452,378)	(62,973)	26,620		(488,731)
Total accumulated depreciation and amortization	(20,892,036)	(1,924,289)	2,344,351	-	(20,471,974)
Total capital assets, net	$ 35,880,929	$ 13,009,417	$ (330,047)	$ -	$ 48,560,299

Note 6: Capital Assets (Continued)

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 7: Long-Term Debt Obligation

At June 30, 2018 and 2017, the long-term debt obligation represents a note payable related to the CSU System-Wide Revenue Bonds (SRB) Series 2009A bond issuance to partially fund the construction of the Technology Park (Tech Park). The note payable was amended on March 1, 2016 in connection with a partial defeasance with proceeds from the issuance of the SRB Series 2016A. On July 1, 2017, the Corporation entered into a second amendment to the note payable to partially fund the construction of the Vista Grande Replacement Building Project. The amendment increased the Corporation net borrowings by $26,581,000 through the issuance of California State University Institute Commercial Paper Notes, which are included in long-term debt obligation on the Statements of Net Position as of June 30, 2018. On August 1, 2018, the Corporation entered into a third amendment to the note payable, which replaced the commercial paper notes with proceeds from the issuance of the SRB Series 2018A. See Note 14 for additional information.

Principal payments on the note payable began in 2012 and continue until the final payment in November 2048. 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.

The SRB Series 2016A refunding resulted in a loss of $293,195, which was included in deferred outflows of resources in the Statements of Net Position. The loss on debt refunding is being amortized over 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 $257,397 and $272,470 as of June 30, 2018 and 2017, respectively.

The SRB Series 2016A refunding also resulted in a bond premium of $442,847 that is being amortized over the life of the latest refunding debt. Amortization of the bond premium for the years ended June 30, 2018 and 2017 was $22,662 and $24,032, respectively.

The all-in true interest rate is 5.28% for the SRB Series 2009A, 2.78% for the SRB Series 2016A, and 3.63% for the SRB Series 2018A. Payments on the note are made each May and November. The long-term debt obligation activity for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Note payable, State-Wide:					
Revenue Bond Series 2009A	$ 155,000	$	$ (75,000)	$ 80,000	$ 80,000
Revenue Bond Series 2016A	2,115,000		(5,000)	2,110,000	5,000
Commercial Paper		26,795,674	(214,674)	26,581,000	3,181,000
	2,270,000	26,795,674	(294,674)	28,771,000	3,266,000
Unamortized bond premium	411,687		(22,662)	389,025	
	$ 2,681,687	$ 26,795,674	$ (317,336)	$ 29,160,025	$ 3,266,000

Note 7: Long-Term Debt Obligation (Continued)

At June 30, 2018, future maturities of the long-term debt obligation balance were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2019	$ 3,266,000	$ 103,950	$ 3,369,950
2020	425,000	99,850	524,850
2021	445,000	95,725	540,725
2022	470,000	91,350	561,350
2023	495,000	86,725	581,725
2024-2028	2,885,000	355,375	3,240,375
2029-2033	3,695,000	198,750	3,893,750
2034-2038	4,340,000	31,200	4,371,200
2039-2043	4,935,000		4,935,000
2044-2048	6,345,000		6,345,000
2049-2052	1,470,000		1,470,000
Total future maturities	$ 28,771,000	$ 1,062,925	$ 29,833,925

Future debt service payments related to the SRB Series 2018A have not been included in the table above. A total of $22,652,447 in future interest payments related to the SRB Series 2018A will be paid through November 2048.

Note 8: Other Postemployment Benefit Plan

General Information about the OPEB Plan

Plan Description and Benefits Provided

The Corporation sponsors a defined benefit postretirement plan, the Cal Poly Corporation Retiree Welfare Benefits Plan (the Benefit Plan) that covers both salaried and non-salaried employees. The Benefit Plan is a single employer defined OPEB plan administered through the Cal Poly Corporation Voluntary Employees' Beneficiary Association (VEBA) Trust. The Cal Poly Corporation VEBA Trust (Trust) is administered by the Cal Poly Corporation Benefits Committee (Trust Administrator). Members of the Cal Poly Corporation Benefits Committee are approved by the Corporation Executive Director and the Chair of the Corporation's Board of Directors. The 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 holds assets to cover future healthcare benefits associated with active, non-vested employees in its board designated OPEB investment pool.

The Benefit Plan provides an extension of medical benefits provided while under employment to the plan participants. 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 Plan (Continued)

Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	125
Inactive employees entitled to but not yet receiving benefits	25
Active employees	228
Total	378

Contributions

Contributions to the Trust are intended to maintain Trust assets sufficient to cover, at a minimum, the calculated future healthcare benefits associated with current retirees and active, vested employees. Annual contribution rates are based on the results of the actuarial report. Employees are not required to contribute to the Trust. Medical premium payments for retirees are 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, and are therefore not recorded in the accompanying financial statements.

Net OPEB Liability

The Corporation's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures.

Actuarial Assumptions

The total OPEB liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.0 percent
Salary increases	N/A
Investment rate of return	6.5 percent
Healthcare cost trend rates (pre-65)	8.0 percent for 2017, decreasing 0.25 percent per year to an ultimate rate of 4.5 percent for 2031 and later years
Healthcare cost trend rates (post-65)	5.5 percent for 2017, decreasing 0.25 percent per year to an ultimate rate of 4.5 percent for 2031 and later years

Note 8: Other Postemployment Benefit Plan (Continued)

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. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Mortality rates used in the valuation are those used in the most recent CalPERS valuations (CalPERS 2014 Mortality pre-retirement and post-retirement with Scale MP-2014).

The long-term expected rate of return on Trust investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for hypothetical investment portfolio allocation of 50% equity, and 50% fixed income. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. As of June 30, 2018, the best estimates of long-term expected rates of return for each major investment class in the Trust's portfolio are as follows:

Asset Class	Long-Term Expected Real Rate of Return
Domestic Large Cap	9.8%
Domestic Small Cap	10.8%
Intl Large Cap	9.8%
Intl Small Cap	10.8%
Emerging Markets	11.3%
Domestic REITs	9.8%
Intl REITs	9.8%
Domestic Fixed Income - High Quality	1.8%
Domestic Fixed Income - Investment Grade	2.4%
Intl Fixed Income	1.0%
High Yield Bonds	4.8%
Cash	0.0%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.5 percent. This single discount rate was based on the long-term expected real rate of return of assets.

Note 8: Other Postemployment Benefit Plan (Continued)

Changes in the Net OPEB Liability

The changes in the Net OPEB Liability for the Benefit Plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2017	$ 29,204,311	$ 23,572,470	$ 5,631,841
Changes in the year:			
Service cost	1,086,684		1,086,684
Interest on total OPEB liability	1,923,754		1,923,754
Differences between actual and expected experience	(269,900)		(269,900)
Contribution - employer		296,314	(296,314)
Net investment income		2,405,355	(2,405,355)
Benefit payments	(1,119,651)	(1,119,651)	
Administrative expense		(12,743)	12,743
Net changes	1,620,887	1,569,275	51,612
Balance at June 30, 2018	$ 30,825,198	$ 25,141,745	$ 5,683,453

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

The following presents the net OPEB liability of the Benefit Plan, as well as what the net OPEB 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 discount rate:

	Discount Rate - 1% (5.5%)	Current Discount Rate (6.5%)	Discount Rate + 1% (7.5%)
Net OPEB liability	$10,377,001	$5,683,453	$1,920,285

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Benefit Plan, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB liability	$1,399,772	$5,683,453	$10,934,756

Note 8: Other Postemployment Benefit Plan (Continued)

OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Trust financial statements. 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.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Corporation recognized OPEB expense of $1,282,284. At June 30, 2018, the Corporation reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 234,262	$
Differences between expected and actual experiences in the measurement of the total OPEB liability		(243,100)
Net difference between projected and actual earnings on plan investments		(691,258)
Total	$ 234,262	$ (934,358)

Deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. All other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ending June 30,	
2019	$ 199,615
2020	199,615
2021	199,615
2022	199,615
2023	26,800
Thereafter	109,098
Total	$ 934,358

Payable to the OPEB Plan

At June 30, 2018 and 2017, the Corporation reported a payable of $0, respectively, to the Trust for the year then ended.

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, 2018 and 2017:

	2018	2017
Accounts receivable	$ 913,413	$ 367,271
Accounts payable	617,276	659,757
Reimbursements to University for salaries and benefits of University personnel	3,604,034	3,354,415
Reimbursements to University for other than salaries of University personnel	5,460,047	5,811,665
Payments received from University for services, space and programs	4,107,303	5,853,628
Cash gifts to the University	5,240,521	2,007,592
Noncash gifts to the University	538,074	557,110

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. The following were transactions with the Foundation as of and for the years ended June 30, 2018 and 2017:

	2018	2017
Current accounts receivable	$ 36,062	$ 22,290
Deposit with Corporation	638,000	638,000
Accounts payable	102,464	
Payments from Foundation under BSSA/ASA	10,000	40,000
Reimbursements from Foundation for salaries and benefits		202
Cash contributions to Foundation	798,413	546,082
Cash contributions from Foundation	3,334,639	3,427,247

Note 10: Operating Leases

Lessee

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, 2018 and 2017 was $297,185 and $293,211, respectively.

Note 10: Operating Leases (Continued)

At June 30, 2018, future minimum rental payments for these leases were as follows:

For the Year Ending June 30,		
2019	$	215,369
2020		213,025
2021		218,855
2022		224,845
2023		230,657
Total	$	1,102,751

The Corporation also has a lease with an unrelated third party for Cal Poly Downtown. In fiscal year 2016, the Corporation executed a new lease with a different unrelated third party for a new Cal Poly Downtown location. Rental payments under the old lease were due through March 31, 2017 and were subject to annual rent adjustments of up to 5%. Monthly rental payments for the new lease began November 1, 2016 at a monthly base amount of $13,650 and are subject to biennial rent adjustments based on CPI indices for a term of 10 years. The total rent expense paid on both leases for the years ended June 30, 2018 and 2017 was $163,800 and $220,852, respectively. At June 30, 2018, future minimum rental payments for this lease were as follows:

For the Year Ending June 30,		
2019	$	167,076
2020		168,714
2021		172,088
2022		173,775
2023		177,251
Thereafter		607,368
Total	$	1,466,272

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 and operating expenses for the years ended June 30, 2018 and 2017 were $11,641 and $14,754, respectively. No amounts were paid to the University.

Note 10: Operating Leases (Continued)

Effective May 1, 2018, the Corporation entered into a lease for its Center for Innovation and Entrepreneurship with an unrelated third party for commercial space in the city of San Luis Obispo, CA. Monthly rental payments for the lease began May 1, 2018 at a monthly base amount of $6,150 and a pro-rata share of CAM expenses. Monthly base rental payments are subject to annual rent adjustments based on CPI indices. The lease term is three years, with a Corporation option to extend for an additional two years. The total rent expense paid on the lease for the years ended June 30, 2018 and 2017 was $9,225 and $0, respectively. At June 30, 2018, future minimum rental payments for this lease were as follows:

For the Year Ending June 30,		
2019	$	74,169
2020		76,394
2021		65,245
Total	$	215,808

Effective July 1, 2018, the Corporation entered into a lease for its Cal Poly Center for Health Research with an unrelated third party for office space at French Hospital in the city of San Luis Obispo, CA. Monthly rental payments for the lease begin July 1, 2018 at a monthly base amount of $1,879 and a pro-rata share of CAM expenses. Monthly base rental payments are subject to annual rent adjustments based on CPI indices; however, adjustment shall not be less than 3% nor more than 7% of the prior year's monthly rent. The lease term is three years. The total rent expense paid on the lease for the years ended June 30, 2018 and 2017 was $0. At June 30, 2018, future minimum rental payments for this lease were as follows:

For the Year Ending June 30,		
2019	$	22,543
2020		23,219
2021		23,916
Total	$	69,678

Note 10: Operating Leases (Continued)

Lessor

The Corporation leases office space to various tenants in the 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, 2018 and 2017 were $468,873 and $408,356, respectively. The cost of the Tech Park included in land, building and improvements was $6,900,775 and $6,703,016 and related accumulated depreciation was $2,328,847 and $1,988,474 at June 30, 2018 and 2017, respectively.

At June 30, 2018, future minimum rental income and CAM charges under these leases were as follows:

For the Year Ending June 30,		
2019	$	355,869
2020		213,057
2021		116,817
2022		63,130
Total	$	748,873

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, 2018, the following employees were covered by the benefit terms for the Plan:

Inactive employees or beneficiaries currently receiving benefits	374
Inactive employees entitled to but not yet receiving benefits	576
Active employees	273
Total	1,223

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, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 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, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
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 2014 CalPERS Experience Study for the period from 1997 to 2011

All other actuarial assumptions used in the June 30, 2016 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 7.15%, which is a 0.5% decrease from the prior year. 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 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15% 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	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	(0.40%)	(0.90%)
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, 2017	$ 71,137,961	$ 54,904,535	$ 16,233,426
Changes in the year:			
Service cost	1,914,269		1,914,269
Interest on total pension liability	5,348,446		5,348,446
Differences between actual and expected experience	159,480		159,480
Changes in assumptions	4,427,253		4,427,253
Changes in benefit terms			
Contribution - employer		1,760,624	(1,760,624)
Contribution - employee		683,416	(683,416)
Net investment income		6,042,407	(6,042,407)
Benefit payments, including refunds of employee contributions	(3,756,787)	(3,756,787)	
Administrative expense		(81,063)	81,063
Net changes	8,092,661	4,648,597	3,444,064
Balance at June 30, 2018	$ 79,230,622	$ 59,553,132	$ 19,677,490

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 7.15%, 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% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability	$ 30,457,716	$ 19,677,490	$ 10,840,430

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, 2018, the Corporation recognized pension expense of $4,260,754. At June 30, 2018, 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	$ 1,812,494	$
Changes of assumptions	2,582,564	
Differences between expected and actual experiences	93,030	(41,553)
Net difference between projected and actual earnings on plan investments	872,181	
Total	$ 5,360,269	$ (41,553)

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, 2019. 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,	
2019	$ 1,860,767
2020	1,723,667
2021	355,881
2022	(434,093)
Total	$ 3,506,222

Payable to the Pension Plan

At June 30, 2018 and 2017, the Corporation reported a payable of $38,816 and $64,937, 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 $25,000 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: Restatement of Beginning Net Position

The Corporation implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions,* for the year ended June 30, 2018. The Corporation has chosen to present prior year data, but not restate the data for the prior year because all of the information available to restate prior year amounts was not readily available. An adjustment of $347,926 to beginning net position has been made to reflect the cumulative impact of implementing this standard.

The Corporation implemented GASB Statement No. 81, *Split-Interest Agreements,* for the year ended June 30, 2018. The Corporation has chosen to present prior year data, but not restate the data for the prior year because all of the information available to restate prior year amounts was not readily available. An adjustment of $10,841,558 to beginning net position has been made to reflect the cumulative impact of implementing this standard.

Note 14: Subsequent Events

Events subsequent to June 30, 2018 have been evaluated through September 7, 2018, 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 August 1, 2018, the Corporation entered into a third amendment to the note payable, which replaced the commercial paper notes with proceeds from the issuance of the SRB Series 2018A. The note payable is for $23,400,000 with a premium of $4,305,049 that will be amortized over the life of the loan. The amendment requires principal and interest payments beginning November 2019 through November 2048 at rates of 4%-5%.

Required Supplementary Information

Cal Poly Corporation
Schedule of Changes in the Net OPEB Liability and Related Ratios
Last 10 Fiscal Years*

	2018
Total OPEB liability	
Service cost	$ 1,086,684
Interest	1,923,754
Changes in benefit terms	
Differences between expected and actual experience	(269,900)
Changes in assumptions	
Benefit payments	(1,119,651)
Net change in total OPEB liability	1,620,887
Total OPEB liability - beginning	29,204,311
Total OPEB liability - ending (a)	$ 30,825,198
Plan fiduciary net position	
Contributions - employer	$ 296,314
Net investment income	2,405,355
Benefit payments	(1,119,651)
Administrative expense	(12,743)
Net change in plan fiduciary net position	1,569,275
Plan fiduciary net position - beginning	23,572,470
Plan fiduciary net position - ending (b)	$ 25,141,745
Net OPEB liability - ending (a)-(b)	$ 5,683,453
Plan fiduciary net position as a percentage of the total pension liability	81.56%
Covered employee payroll	11,941,343
Net OPEB liability as a percentage of covered employee payroll	47.59%

* Fiscal year 2018 was the first year of implementation, therefore only one year is shown.

Notes to Schedule:

Benefit Changes: There have been no changes to benefit terms since June 30, 2016.

Changes of Assumptions: There have been no changes to assumptions since June 30, 2016.

See accompanying independent auditor's report.

Cal Poly Corporation
Schedule of Contributions – OPEB
Last 10 Fiscal Years*

	2018
Actuarially determined contribution	N/A
Contributions in relation to the actuarially determined contributions	296,314
Contribution deficiency (excess)	N/A
Covered employee payroll	11,941,343
Contributions as a percentage of covered-employee payroll	2.48%

* Fiscal year 2018 was the first year of implementation, therefore only one year is shown.

Notes to Schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Straight-line method
Asset Valuation Method	Market value of assets as of the measurement date
Inflation	2.00%
Healthcare cost trend rates (pre-65)	8.0 percent for 2017, decreasing 0.25 percent per year to an ultimate rate of 4.5 percent for 2031 and later years
Healthcare cost trend rates (post-65)	5.5 percent for 2017, decreasing 0.25 percent per year to an ultimate rate of 4.5 percent for 2021 and later years
Salary Increases	N/A
Investment rate of return	6.50%
Retirement Age	Retirement rates used in the valuation are those used in the most recent CalPERS Public Agency Miscellaneous 2% @ 55 for actives hired before January 1, 2013, and 2% @ 62 for actives hired on or after January 1, 2013.
Mortality	Mortality rates used in the valuation are those used in the most recent CalPERS valuations (CalPERS 2014 Mortality pre-retirement and post-retirement with Scale MP-2014)

See accompanying independent auditor's report.

Cal Poly Corporation
Schedule of Changes in the Net Pension Liability and Related Ratios
Last 10 Fiscal Years*

	2018	2017	2016	2015
Total pension liability				
Service cost	$ 1,914,269	$ 1,565,548	$ 1,403,277	$ 1,402,348
Interest on total pension liability	5,348,446	5,128,834	4,920,633	4,760,420
Differences between expected and actual experience	159,480	(207,770)	(888,401)	
Changes in assumptions	4,427,253		(1,192,843)	
Changes in benefits				
Benefit payments, including refunds of employee contributions	(3,756,787)	(3,634,440)	(3,316,952)	(3,147,576)
Net change in total pension liability	8,092,661	2,852,172	925,714	3,015,192
Total pension liability - beginning	71,137,961	68,285,789	67,360,075	64,344,883
Total pension liability - ending (a)	$ 79,230,622	$ 71,137,961	$ 68,285,789	$ 67,360,075
Plan fiduciary net position				
Contributions - employer	$ 1,760,624	$ 1,570,071	$ 1,438,515	$ 1,281,507
Contributions - employee	683,416	636,058	561,411	461,197
Net investment income	6,042,407	280,275	1,227,805	8,470,353
Benefit payments	(3,756,787)	(3,634,440)	(3,316,952)	(3,147,576)
Administrative expense	(81,063)	(34,182)	(63,120)	
Net change in plan fiduciary net position	4,648,597	(1,182,218)	(152,341)	7,065,481
Plan fiduciary net position - beginning	54,904,535	56,086,753	56,239,094	49,173,613
Plan fiduciary net position - ending (b)	$ 59,553,132	$ 54,904,535	$ 56,086,753	$ 56,239,094
Net pension liability - ending (a)-(b)	$ 19,677,490	$ 16,233,426	$ 12,199,036	$ 11,120,981
Plan fiduciary net position as a percentage of the total pension liability	75.16%	77.18%	82.14%	83.49%
Covered employee payroll	12,705,045	11,885,419	10,733,343	10,427,158
Net pension liability as a percentage of covered employee payroll	154.88%	136.58%	113.66%	106.65%

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

See accompanying independent auditor’s report.

Cal Poly Corporation

Schedule of Changes in the Net Pension Liability and Related Ratios

Last 10 Fiscal Years*

Page 2

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: In 2018, the accounting discount rate reduced from 7.65% to 7.15%. In 2017, there were no changes. In 2016, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2015, amounts reported were based upon the 7.5% discount rate.

See accompanying independent auditor's report.

Cal Poly Corporation

Schedule of Contributions – Pension

Last 10 Fiscal Years*

	2018	2017	2016	2015
Actuarially determined contribution	$ 1,760,624	$ 1,570,071	$ 1,438,515	$ 1,281,507
Contributions in relation to the actuarially determined contributions	1,760,624	1,570,071	1,438,515	1,281,507
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered employee payroll	12,705,045	11,885,419	10,733,343	10,427,158
Contributions as a percentage of covered-employee payroll	13.86%	13.21%	13.40%	12.29%

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

Notes to Schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2014 Funding Valuation Report
Asset Valuation Method	Market Value of Assets. For details, see June 30, 2014 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 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. 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
6/30/2018
(for inclusion in the California State University)

Assets:		
Current assets:		
Cash and cash equivalents	$	33,858,366
Short-term investments		75,756,951
Accounts receivable, net		17,885,168
Capital lease receivable, current portion		—
Notes receivable, current portion		—
Pledges receivable, net		1,986,241
Prepaid expenses and other current assets		1,602,986
Total current assets		131,089,712
Noncurrent assets:		
Restricted cash and cash equivalents		56,413
Accounts receivable, net		25,068
Capital lease receivable, net of current portion		—
Notes receivable, net of current portion		—
Student loans receivable, net		—
Pledges receivable, net		7,007,229
Endowment investments		2,160,085
Other long-term investments		3,062,460
Capital assets, net		48,560,299
Other assets		638,000
Total noncurrent assets		61,509,554
Total assets		192,599,266
Deferred outflows of resources:		
Unamortized loss on debt refunding		257,397
Net pension liability		5,360,269
Net OPEB liability		234,262
Others		—
Total deferred outflows of resources		5,851,928
Liabilities:		
Current liabilities:		
Accounts payable		2,976,583
Accrued salaries and benefits		1,968,145
Accrued compensated absences, current portion		719,688
Unearned revenues		10,695,756
Capital lease obligations, current portion		—
Long-term debt obligations, current portion		3,266,000
Claims liability for losses and loss adjustment expenses, current portion		20,666
Depository accounts		—
Other liabilities		—
Total current liabilities		19,646,838
Noncurrent liabilities:		
Accrued compensated absences, net of current portion		—
Unearned revenues		—
Grants refundable		—
Capital lease obligations, net of current portion		—
Long-term debt obligations, net of current portion		25,894,025
Claims liability for losses and loss adjustment expenses, net of current portion		—
Depository accounts		4,145,862
Net other postemployment benefits liability		5,683,453
Net pension liability		19,677,490
Other liabilities		1,027,372
Total noncurrent liabilities		56,428,202
Total liabilities		76,075,040
Deferred inflows of resources:		
Service concession arrangements		—
Net pension liability		41,553
Net OPEB liability		934,358
Unamortized gain on debt refunding		—
Nonexchange transactions		—
Others		11,155,400
Total deferred inflows of resources		12,131,311
Net Position:		
Net investment in capital assets		19,288,645
Restricted for:		—
Nonexpendable – endowments		—
Expendable:		—
Scholarships and fellowships		—
Research		186,315
Loans		—
Capital projects		5,544,601
Debt service		—
Others		9,454,886
Unrestricted		75,770,396
Total net position	$	110,244,843

Cal Poly Corporation
Schedule of Revenues, Expenses, and Changes in Net Position
6/30/2018
(for inclusion in the California State University)

Revenues:	
Operating revenues:	
Student tuition and fees, gross	$ —
Scholarship allowances (enter as negative)	—
Grants and contracts, noncapital:	
Federal	14,612,996
State	3,378,569
Local	708,922
Nongovernmental	47,400,155
Sales and services of educational activities	—
Sales and services of auxiliary enterprises, gross	—
Scholarship allowances (enter as negative)	—
Other operating revenues	13,602,321
Total operating revenues	79,702,963
Expenses:	
Operating expenses:	
Instruction	585,875
Research	16,814,312
Public service	16,653,657
Academic support	1,926,400
Student services	872,574
Institutional support	8,032,939
Operation and maintenance of plant	4,273,542
Student grants and scholarships	935,713
Auxiliary enterprise expenses	36,726,529
Depreciation and amortization	1,881,489
Total operating expenses	88,703,030
Operating income (loss)	(9,000,067)
Nonoperating revenues (expenses):	
State appropriations, noncapital	—
Federal financial aid grants, noncapital	—
State financial aid grants, noncapital	—
Local financial aid grants, noncapital	—
Nongovernmental and other financial aid grants, noncapital	—
Other federal nonoperating grants, noncapital	—
Gifts, noncapital	7,531,007
Investment income (loss), net	3,418,262
Endowment income (loss), net	—
Interest expense	(319,178)
Other nonoperating revenues (expenses) - excl. interagency transfers	(1,120,256)
Other nonoperating revenues (expenses) - interagency transfers	—
Net nonoperating revenues (expenses)	9,509,835
Income (loss) before other revenues (expenses)	509,768
State appropriations, capital	—
Grants and gifts, capital	1,342,268
Additions (reductions) to permanent endowments	—
Increase (decrease) in net position	1,852,036
Net position:	
Net position at beginning of year, as previously reported	118,886,439
Restatements	(10,493,632)
Net position at beginning of year, as restated	108,392,807
Net position at end of year	$ 110,244,843

See accompanying independent auditors' report.

Cal Poly Corporation
Other Information
6/30/2018
(for inclusion in the California State University)

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

Portion of restricted cash and cash equivalents related to endowments	$ 10,930
All other restricted cash and cash equivalents	45,483
Total restricted cash and cash equivalents	$ 56,413

2.1 Composition of investments at June 30, 2018:

	Current	Current	Total Current	Noncurrent	Noncurrent	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	74,865,682	—	74,865,682	—	3,742,950	3,742,950	78,608,632
Money Market funds	—	—	—	—	—	—	—
Repurchase agreements	—	—	—	—	—	—	—
Commercial paper	—	—	—	—	—	—	—
Asset backed securities	—	—	—	—	—	—	—
Mortgage backed securities	—	—	—	—	—	—	—
Municipal bonds	—	—	—	—	—	—	—
U.S. agency securities	—	—	—	—	302,131	302,131	302,131
U.S. treasury securities	—	—	—	—	191,800	191,800	191,800
Equity securities	2,541	—	2,541	—	—	—	2,541
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	888,728	—	888,728	—	1,441	1,441	890,169
Agriculture related retains	—	—	—	4,223	—	4,223	4,223
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Total investments	75,756,951	—	75,756,951	4,223	5,218,322	5,222,545	80,979,496
Less endowment investments (enter as negative number)				—	(2,160,085)	(2,160,085)	(2,160,085)
Total investments	$ 75,756,951	—	75,756,951	4,223	3,058,237	3,062,460	78,819,411

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

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

2.3 Restricted current investments at June 30, 2018 related to:

	Amount
Add description	$ —
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Total restricted current investments at June 30, 2018	$ —

2.4 Restricted noncurrent investments at June 30, 2018 related to:

	Amount
Endowment investment	$ 2,160,085
Grant and Annuity Society	2,078,237
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, 2018	$ 5,218,322

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

		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	78,608,632	78,608,632	—	—	—
Money Market funds	—	—	—	—	—
Repurchase agreements	—	—	—	—	—
Commercial paper	—	—	—	—	—
Asset backed securities	—	—	—	—	—
Mortgage backed securities	—	—	—	—	—
Municipal bonds	—	—	—	—	—
U.S. agency securities	302,131	—	302,131	—	—
U.S. treasury securities	191,800	191,800	—	—	—
Equity securities	2,541	2,541	—	—	—
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	890,169	890,169	—	—	—
Agriculture related retains	4,223	—	—	4,223	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Total investments	$ 80,979,496	79,693,142	302,131	984,223	—

Cal Poly Corporation
Other Information
6/30/2018
(for inclusion in the California State University)

3.1 Composition of capital assets at June 30, 2018:

	Balance June 30, 2017	Prior period Adjustments	Reclassifications	Balance June 30, 2017 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2018
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	$ 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)	2,464,685	—	—	2,464,685	14,454,623	(9,082)	(669,961)	16,240,265
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	21,602,909	—	—	21,602,909	14,454,623	(9,082)	(669,961)	35,378,489
Depreciable/amortizable capital assets:								
Buildings and building improvements	15,140,686	—	—	15,140,686	9,965	(942,105)	137,727	14,346,273
Improvements, other than buildings	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	8,577,306	—	—	8,577,306	92,650	(138,992)	519,207	9,050,171
Personal property:								
Equipment	9,654,686	—	—	9,654,686	376,468	(1,295,403)	13,027	8,748,778
Library books and materials	—	—	—	—	—	—	—	—
Intangible assets:								
Software and websites	1,237,157	—	—	1,237,157	—	(255,682)	—	981,475
Rights and easements	—	—	—	—	—	—	—	—
Patents, copyright and trademarks	—	—	—	—	—	—	—	—
Licenses and permits	560,221	—	—	560,221	—	(33,134)	—	527,087
Other intangible assets:								
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Total intangible assets	1,797,378	—	—	1,797,378	—	(288,816)	—	1,508,562
Total depreciable/amortizable capital assets	35,170,056	—	—	35,170,056	479,083	(2,665,316)	669,961	33,653,784
Total capital assets	56,772,965	—	—	56,772,965	14,933,706	(2,674,398)	—	69,032,273
Less accumulated depreciation/amortization:								
Buildings and building improvements	(5,773,958)	—	—	(5,773,958)	(669,841)	737,302		(5,706,497)
Improvements, other than buildings	—	—	—	—	—	—		—
Infrastructure	—	—	—	—	—	—		—
Leasehold improvements	(6,207,302)	—	—	(6,207,302)	(519,023)	120,359		(6,605,966)
Personal property:								
Equipment	(7,401,481)	—	—	(7,401,481)	(589,513)	1,210,388		(6,780,606)
Library books and materials	—	—	—	—	—	—		—
Intangible assets:								
Software and websites	(1,056,917)	—	—	(1,056,917)	(82,939)	249,682		(890,174)
Rights and easements	—	—	—	—	—	—		—
Patents, copyright and trademarks	—	—	—	—	—	—		—
Licenses and permits	(452,378)	—	—	(452,378)	(62,973)	26,620		(488,731)
Other intangible assets:								
Add description	—	—	—	—	—	—		—
Add description	—	—	—	—	—	—		—
Add description	—	—	—	—	—	—		—
Add description	—	—	—	—	—	—		—
Add description	—	—	—	—	—	—		—
Total intangible assets	(1,509,295)	—	—	(1,509,295)	(145,912)	276,302	—	(1,378,905)
Total accumulated depreciation/amortization	(20,892,036)	—	—	(20,892,036)	(1,924,289)	2,344,351	—	(20,471,974)
Total capital assets, net	$ 35,880,929	—	—	35,880,929	13,009,417	(330,047)	—	48,560,299

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

Depreciation and amortization expense related to capital assets	$ 1,881,489
Amortization expense related to other assets	—
Total depreciation and amortization	$ 1,881,489

4 Long-term liabilities activity schedule:

	Balance June 30, 2017	Prior period adjustments	Reclassifications	Balance June 30, 2017 (restated)	Additions	Reductions	Balance June 30, 2018	Current portion	Long-term portion
Accrued compensated absences	$ 772,363	—	—	772,363	826,717	(879,392)	719,688	719,688	—
Claims liability for losses and loss adjustment expenses	20,000	—	—	20,000	666	—	20,666	20,666	—
Capital lease obligations:									
Gross balance	—	—	—	—	—	—	—	—	—
Unamortized premium / (discount) on capital lease obligations	—	—	—	—	—	—	—	—	—
Total capitalized lease obligations	—	—	—	—	—	—	—	—	—
Long-term debt obligations:									
Auxiliary revenue bonds	—	—	—	—	—	—	—	—	—
Commercial paper	—	—	—	—	—	—	—	—	—
Notes payable related to SRB	2,270,000	—	—	2,270,000	26,795,674	(294,674)	28,771,000	3,266,000	25,505,000
Others: (list by type)									
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Total long-term debt obligations	2,270,000	—	—	2,270,000	26,795,674	(294,674)	28,771,000	3,266,000	25,505,000
Unamortized bond premium / (discount)	411,687	—	—	411,687	—	(22,662)	389,025	—	389,025
Total long-term debt obligations, net	2,681,687	—	—	2,681,687	26,795,674	(317,336)	29,160,025	3,266,000	25,894,025
Total long-term liabilities	$ 3,474,050	—	—	3,474,050	27,623,057	(1,196,728)	29,900,379	4,006,354	25,894,025

5 Future minimum lease payments - Capital lease obligations:

	Capital lease obligations related to SRB			All other capital lease obligations			Total capital lease obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2019	—	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—	—	—
2023	—	—	—	—	—	—	—	—	—
2024 - 2028	—	—	—	—	—	—	—	—	—
2029 - 2033	—	—	—	—	—	—	—	—	—
2034 - 2038	—	—	—	—	—	—	—	—	—
2039 - 2043	—	—	—	—	—	—	—	—	—
2044 - 2048	—	—	—	—	—	—	—	—	—
2049 - 2053	—	—	—	—	—	—	—	—	—
2054 - 2058	—	—	—	—	—	—	—	—	—
2059 - 2063	—	—	—	—	—	—	—	—	—
2064 - thereafter	—	—	—	—	—	—	—	—	—
Total minimum lease payments	—	—	—	—	—	—	—	—	—
Less amounts representing interest									—
Present value of future minimum lease payments									—
Unamortized net premium (discount)									—
Total capital lease obligations									—
Less: current portion									—
Capital lease obligations, net of current portion									$ —

Cal Poly Corporation
Other Information
6/30/2018
(for inclusion in the California State University)

6 Long-term debt obligations schedule:

	Auxiliary revenue bonds			All other long-term debt obligations			Total long-term debt obligations		
	Principal Only	**Interest Only**	**Principal and Interest**	**Principal Only**	**Interest Only**	**Principal and Interest**	**Principal Only**	**Interest Only**	**Principal and Interest**
Year ending June 30:									
2019	$ —	—	—	3,266,000	103,950	3,369,950	3,266,000	103,950	3,369,950
2020	—	—	—	425,000	99,850	524,850	425,000	99,850	524,850
2021	—	—	—	445,000	95,725	540,725	445,000	95,725	540,725
2022	—	—	—	470,000	91,350	561,350	470,000	91,350	561,350
2023	—	—	—	495,000	86,725	581,725	495,000	86,725	581,725
2024 - 2028	—	—	—	2,885,000	355,375	3,240,375	2,885,000	355,375	3,240,375
2029 - 2033	—	—	—	3,695,000	198,750	3,893,750	3,695,000	198,750	3,893,750
2034 - 2038	—	—	—	4,340,000	31,200	4,371,200	4,340,000	31,200	4,371,200
2039 - 2043	—	—	—	4,935,000		4,935,000	4,935,000	—	4,935,000
2044 - 2048	—	—	—	6,345,000		6,345,000	6,345,000	—	6,345,000
2049 - 2053	—	—	—	1,470,000		1,470,000	1,470,000	—	1,470,000
2054 - 2058	—	—	—	—	—	—	—	—	—
2059 - 2063	—	—	—	—	—	—	—	—	—
2064 - thereafter	—	—	—	—	—	—	—	—	—
Total minimum payments	—	—	—	28,771,000	1,062,925	29,833,925	28,771,000	1,062,925	29,833,925
Less amounts representing interest									(1,062,925)
Present value of future minimum payments									28,771,000
Unamortized net premium (discount)									389,025
Total long-term debt obligations									29,160,025
Less: current portion									(3,266,000)
Long-term debt obligations, net of current portion									$ 25,894,025

7 Calculation of net position:

7.1 Calculation of net position - Net investment in capital assets

Capital assets, net of accumulated depreciation	$ 48,560,299
Capital lease obligations, current portion	—
Capital lease obligations, net of current portion	—
Long-term debt obligations, current portion	(3,266,000)
Long-term debt obligations, net of current portion	(25,894,025)
Portion of outstanding debt that is unspent at year-end (enter as positive number)	10,786,374
Other adjustments: (please list)	
Unamortized loss on refunding	257,397
Related to life-interest in real estate	(11,155,400)
Add description	—
Add description	—
Add description	—
Net position - Net investment in capital assets	$ 19,288,645

7.2 Calculation of net position - Restricted for nonexpendable - endowments

Portion of restricted cash and cash equivalents related to endowments	$ 10,930
Endowment investments	2,160,085
Other adjustments: (please list)	
Endowment accounts receivable	25
Endowment funds held for others	(2,164,728)
Endowment accounts payable	(6,312)
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Net position - Restricted for nonexpendable - endowments	$ —

8 Transactions with related entities:

	Amount
Payments to University for salaries of University personnel working on contracts, grants, and other programs	$ 3,604,034
Payments to University for other than salaries of University personnel	5,460,047
Payments received from University for services, space, and programs	4,107,303
Gifts-in-kind to the University from discretely presented component units	538,074
Gifts (cash or assets) to the University from discretely presented component units	5,240,521
Accounts (payable to) University (enter as negative number)	(617,276)
Other amounts (payable to) University (enter as negative number)	—
Accounts receivable from University (enter as positive number)	913,413
Other amounts receivable from University	—

9 Other postemployment benefits (OPEB) liability

Intentionally left blank - not required/applicable eff FY17/18

10 Pollution remediation liabilities under GASB Statement No. 49:

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

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

	Net Position Class	Amount Dr. (Cr.)
Net position as of June 30, 2017, as previously reported		$ 118,886,439
Prior period adjustments:		
1 Implementation of GASB 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions		347,926
2 Implementation of GASB 81, Irrevocable Split-Interest Agreements		(10,841,558)
3 (list description of each adjustment)		—
4 (list description of each adjustment)		—
5 (list description of each adjustment)		—
6 (list description of each adjustment)		—
7 (list description of each adjustment)		—
8 (list description of each adjustment)		—
9 (list description of each adjustment)		—
10 (list description of each adjustment)		—
Net position as of June 30, 2017, as restated		$ 108,392,807

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)			
Deferred Outflows - Net OPEB Liability	$	296,314	
Net OPEB Liability		51,612	
Beginning net position			347,926
Net position class:______________________			
2 (breakdown of adjusting journal entry)			
Use interest of beneficiary		369,512	
Beginning net position		10,841,558	
Deferred Inflows - Related to life-interest in real estate			11,198,200
Accounts payable			12,870
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)			

12 Natural Classifications of Operating Expenses:

		Salaries	Benefits	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total operating expenses
Instruction		103,253	234,590	—	248,032	—	585,875
Research		6,111,550	1,651,636	—	9,051,126	—	16,814,312
Public service		5,958,240	2,345,883	—	8,349,534	—	16,653,657
Academic support		497,037	259,406	—	1,169,957	—	1,926,400
Student services		196,767	82,826	—	592,981	—	872,574
Institutional support		3,559,909	2,001,025	—	2,472,005	—	8,032,939
Operation and maintenance of plant		136,240	35,208	—	4,102,094	—	4,273,542
Student grants and scholarships		—	—	935,713		—	935,713
Auxiliary enterprise expenses		9,056,795	5,608,030	—	22,061,704	—	36,726,529
Depreciation and amortization		—	—	—	—	1,881,489	1,881,489
Total	$	25,619,791	12,218,604	935,713	48,047,433	1,881,489	88,703,030

Other Supplementary Information

Cal Poly Corporation

Statements of Financial Position of the California State University – San Luis Obispo Alumni Association

June 30, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	$ 191,355	$ 152,586
Certificates of deposit	34,513	37,484
Accounts receivable	77,318	3,275
Inventories	856	856
Prepaid expenses and other assets	408	6,413
Total current assets	304,450	200,614
Other assets:		
Investments	398,848	390,752
Total assets	$ 703,298	$ 591,366
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 1,237	$ 6,488
Total current liabilities	1,237	6,488
Net assets:		
Unrestricted:		
Undesignated	702,061	584,878
Total unrestricted net assets	702,061	584,878
Total liabilities and net assets	$ 703,298	$ 591,366

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, 2018 and 2017

	2018	2017
Unrestricted revenue and support:		
Donations and grants	$ 51,383	$ 28,215
Travel and promotion	33,093	26,112
Homecoming	59,112	33,513
Investment gain (loss)	25,921	42,456
External activities	231,090	44,614
Total unrestricted revenue and support	400,599	174,910
Expenses:		
Program services:		
Salaries and wages		
Cost of goods sold		403
Postage	2,196	1,516
Tax preparation		2,175
Travel	918	1,196
Office expense	20,233	29,135
Accounting services	2,820	9,956
Hosting special events	112,375	77,547
External activities	142,069	15,014
Other	2,805	982
Total expenses	283,416	137,924
Change in unrestricted net assets	117,183	36,986
Unrestricted net assets - beginning of year	584,878	547,892
Unrestricted net assets - end of year	$ 702,061	$ 584,878

See accompanying independent auditor's report.