Cal Poly Corporation

Audited Financial Statements and

Supplementary Information

Years Ended June 30, 2019 and 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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 60, Schedule of Contributions – OPEB on page 61, Schedule of Changes in the Net Pension Liability and Related Ratios on pages 62 through 63, and the Schedule of Contributions – Pension on page 64, be presented to supplement the basic financial statements. Such information, although not a basic part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 66 through 72 as required by the California State University and other supplementary information on pages 74 through 75 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 12, 2019, 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 12, 2019

Cal Poly Corporation
Management's Discussion and Analysis
June 30, 2019 and 2018

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, 2019 ("2018-19"), June 30, 2018 ("2017-18"), and June 30, 2017 ("2016-17"). 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.

Statements of Net Position: 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.

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

Statements of Cash Flows: 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, 2019 and 2018

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 2018-19, 2017-18, and 2016-17. The accompanying audited financial statements as of and for the years ended June 30, 2019 and 2018 are reported in accordance with standards and requirements of the GASB as are the following schedules.

Condensed Statements of Net Position

	June 30,		
	2019	2018	2017
Assets:			
Current assets	$ 104,237,377	$ 103,432,062	$ 113,710,705
Noncurrent assets:			
Capital assets, net	61,517,875	48,560,299	35,880,929
Other noncurrent assets	44,172,965	40,606,905	13,447,752
Total assets	209,928,217	192,599,266	163,039,386
Deferred Outflows of Resources	4,465,904	5,851,928	6,934,306
Liabilities:			
Current liabilities	15,675,567	19,646,838	20,157,714
Noncurrent liabilities	57,880,396	56,428,202	28,521,944
Total liabilities	73,555,963	76,075,040	48,679,658
Deferred Inflows of Resources	15,500,908	12,131,311	2,407,595
Net Position:			
Net investment in capital assets	20,810,618	19,288,645	33,471,712
Restricted, expendable	23,936,253	15,185,802	16,271,567
Unrestricted	80,590,379	75,770,396	69,143,160
Total net position	$ 125,337,250	$ 110,244,843	$ 118,886,439

Net Position

Net position may serve over time as an indicator of the Corporation's financial position. As of June 30, 2019, assets and deferred outflows exceeded liabilities and deferred inflows by $125.3 million, resulting in an increase of $15.1 million in net position over the prior year. The increase primarily represents the net result of a $9.7 million operating loss combined with nonoperating revenues of $21 million and capital grants and gifts of $3.8 million. For the year ended June 30, 2018, overall net position decreased $8.6 million. Adjustments consisting of a $10.8 million decrease and a $348,000 increase were made in the prior 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 prior 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. 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. For the year ended June 30, 2019, net investment in capital assets increased $1.5 million or 7.9% from the prior year. During 2018-19, capital asset purchases exceeded the combination of capital asset disposals and depreciation and amortization expense on existing capital assets. Significant capital asset additions primarily relate to construction-in-progress for the new Vista Grande dining facility.

For the year ended June 30, 2018, 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 prior 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. 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 asset purchases exceeded the combination of capital asset disposals and depreciation and amortization expense on existing capital assets.

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,		
	2019	**2018**	**2017**
Restricted, expendable:			
Research	$ 157,727	$ 186,315	$ 220,209
Capital projects	5,985,101	5,544,601	7,522,519
Instruction	6,776,672	1,003,323	949,572
Academic support	477,408	331,726	264,749
Student services	4,313,584	4,673,164	4,605,540
Other	6,225,761	3,446,673	2,708,978
Total restricted, expendable	$ 23,936,253	$ 15,185,802	$ 16,271,567

This balance can fluctuate from year to year based on the level of gift activity and expenditures. For the year ended June 30, 2019, overall restricted, expendable net position increased $8.8 million or 57.6% from the prior year. The increase is primarily the result of a $5.8 million increase in net position restricted for instruction. During 2018-19, the

Corporation completed the sale of the Valencia Creek property (617 acres of property located in Santa Cruz County), resulting in a gain of $7.3 million. This property was considered part of Swanton Pacific Ranch, an estate gifted to the Corporation in 1993, which provides an opportunity for students to study the methods of resource conservation applied through sustainable management techniques. In addition, net position restricted for other purposes increased $2.8 million. During 2018-19, a pledge for $3 million was awarded to the Corporation's Strawberry Center from the California Strawberry Commission.

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. 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, 2019, unrestricted net position increased by $4.8 million to $80.6 million from the prior year. The increase was driven by favorable operating results from campus dining operations of $3.4 million combined with $4.6 million in net investment income, offset by $2.7 million in capital asset cash acquisitions and $190,000 in debt service payments. 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.

<u>Assets</u>

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 $8.2 million or 24.3% for the year ended June 30, 2019, compared to an increase of $3.9 million or 12.9% for the year ended June 30, 2018. As mentioned previously, during 2018-19, the Corporation completed the sale of the Valencia Creek property for $8.2 million. Please refer to the Statement of Cash Flows for more information regarding changes in cash and cash equivalents.

Investments used for current operations are classified as *Short-term investments,* which primarily includes the Corporation's Corporate Pool. Short-term investments increased $1.8 million or 3.8% from the prior year primarily driven by $2.2 million in investment income recorded in the Corporate Pool.

Accounts receivable, net decreased $10.3 million or 82.8% from the prior year. During 2017-18, approximately $26.8 million of California State University ("CSU") 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. At June 30, 2018, approximately $10.8 million in unspent proceeds were held at the university and were reflected as accounts receivable, net, on the Corporation's Statements of Financial Position. During 2018-19, approximately $12.2 million was recorded as additions to construction-in-progress for the new Vista Grande dining facility, reducing the receivable balance to approximately $208,000 as of June 30, 2019. Also, during 2018-19, the commercial paper notes were replaced with proceeds from the issuance of the CSU System-Wide Revenue Bonds (SRB) Series 2018A.

Pledges receivable, net represents the portion of pledges receivable expected to be collected within one year and increased $927,000 or 46.7% from the prior year. The Corporation received $4.9 million in pledges during the current year, including a pledge for $3 million awarded to the Corporation's Strawberry Center from the California Strawberry Commission. The increase in the current portion of pledges receivable relates to the portion of new pledges expected to be collected within one year offset by payments received on new and existing pledges.

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.

Pledges receivable, net increased $2 million or 28.5% from the prior year. As mentioned previously, the Corporation received $4.9 million in pledges during the current year, including a pledge for $3 million awarded to the Corporation's Strawberry Center from the California Strawberry Commission. Pledge amounts expected to be collected within one year are classified as current assets. The increase as a result of new pledges was offset by amounts reclassified to current assets.

Investments restricted from withdrawal or designated for the acquisition or construction of capital assets are classified as *Other long-term investments,* which primarily includes securities in the Corporation's Internal Fund, OPEB Investment Pool, and charitable gift annuities held for others. Other long-term investments increased $1.9 million or 6.1% from the prior year primarily driven by $1.9 million in investment income recorded to these funds.

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, 2019, the Corporation held $47.5 million of non-depreciable assets at June 30, 2019, compared to

$35.4 million at June 30, 2018. Non-depreciable capital assets primarily consist of land and improvements and construction-in-progress. The change in non-depreciable assets during 2018-19 primarily relates to $12.2 million in additions to construction-in-progress of the new Vista Grande dining facility.

The Corporation held $14 million in depreciable capital assets, net of accumulated depreciation, as compared to $13.2 million in the prior year. During 2018-19, depreciable capital asset additions of $1.2 million were offset by depreciable capital asset disposals with a net book value of $22,000. In addition, construction-in-progress of $1.6 million was completed and placed in service. During 2018-19, depreciation and amortization expense on existing capital assets totaled $1.8 million.

<u>Deferred Outflows of Resources</u>

Deferred Outflows of Resources at June 30, 2019 includes contributions made by the Corporation to its pension plan and OPEB plan during 2018-19. 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, 2019 includes a deferred loss on the refunding of a portion of the CSU System-Wide Revenue Bonds Series 2009A.

<u>Liabilities</u>

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

Accounts payable decreased $529,000 or 17.8% from the prior year. Changes in accounts payable are dependent on the timing of expenses incurred and payment made. Of the current year decrease, $135,000 represents a decrease in payables related to campus program accounts.

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, 2019, sponsored programs receipts over expenditures decreased $731,000 or 17.6% from the prior year. Changes in sponsored programs receipts over expenditures are dependent on the timing of reimbursements for grants and contracts awarded and work performed. In general, contract and grant expenditures increased in Q4 of 2018-19 as compared to Q4 of 2017-18, resulting less revenue to defer as of June 30, 2019. For the year ended June 30, 2018, sponsored programs receipts over expenditures decreased $3 million or 42% from the prior year. 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.

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 $30 million at June 30, 2019 represents a note payable, which originated as part of the 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 noncurrent portion of the note payable outstanding as of June 30, 2019 includes bond premiums of $366,000 and $4.2 million related to the issuance of the Series 2016A and 2018A bonds, respectively. The Corporation made principal payments in the amounts of $85,000 and $80,000 on this debt during 2018-19 and 2017-18, respectively.

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, 2018, using an actuarial valuation as of June 30, 2018. Based on the most recent actuarial report, the total OPEB liability measured as of June 30, 2018 was $28.7 million and the value of assets in the VEBA trust on that date was $25.7 million.

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, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. Based on the most recent actuarial report, the total pension liability measured as of June 30, 2018 was $83.1 million and the pension plan's fiduciary net position on that date was $62.6 million.

<u>Deferred Inflows of Resources</u>

Deferred Inflows of Resources at June 30, 2019 includes changes in the net pension liability resulting from changes in actuarial assumptions. In addition, deferred inflows of resources includes changes in the net OPEB liability as a result of differences between projected and actual earnings on plan investments, changes in actuarial assumptions, 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 $11.1 million and $11.2 million are included on the Statements of Net Position at June 30, 2019 and June 30, 2018, respectively, to reflect the net impact of this deferral.

Results of Operations

Increase in net position for 2018-19 was $15.1 million as compared to $1.9 million for 2017-18. The increase for 2018-19 primarily represents the net result of a $9.7 million operating loss combined with nonoperating revenues of $21 million and capital grants and gifts of $3.8 million. Nonoperating revenues include investment income of $4.6 million from the Corporation investment portfolio combined with noncapital gifts of $9.8 million and other nonoperating revenues of $7.9 million. As mentioned previously, 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.

Cal Poly Corporation

Management's Discussion and Analysis

June 30, 2019 and 2018

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

	Year Ended June 30,		
	2019	**2018**	**2017**
Operating revenues:			
Grants and contracts	$ 25,269,903	$ 24,675,767	$ 25,186,157
Sales and services of auxiliary enterprises	39,053,188	41,424,875	47,780,483
Fees for services	7,489,550	6,638,160	6,945,066
University programs support	3,486,703	3,485,157	2,988,963
Conference and workshop revenues	3,042,516	2,614,633	3,438,400
Other operating revenue	913,575	864,371	1,824,628
Total operating revenues	79,255,435	79,702,963	88,163,697
Operating expenses:			
Corporation administration	5,459,598	5,230,866	5,156,919
Contract and grant expense	24,571,542	24,227,634	25,626,262
Auxiliary activities cost of sales	11,672,421	14,099,069	20,603,364
Auxiliary activities expense	20,505,267	19,886,790	22,669,581
University programs support	21,320,259	18,885,356	14,703,704
Sponsored program administration	1,245,260	1,323,159	1,206,749
Depreciation and amortization	1,785,478	1,881,489	1,899,561
Other operating expenses	2,347,659	3,168,667	783,668
Total operating expense	88,907,484	88,703,030	92,649,808
Operating loss	(9,652,049)	(9,000,067)	(4,486,111)
Nonoperating revenues (expenses):			
Gifts, noncapital	9,777,570	7,531,007	5,313,837
Investment income, net	4,640,630	3,418,262	4,871,103
Interest expense	(1,359,323)	(319,178)	(106,899)
Other nonoperating revenues (expenses), net	7,906,056	(1,120,256)	(171,213)
Total nonoperating revenues (expenses)	20,964,933	9,509,835	9,906,828
Other changes in net position:			
Capital grants and gifts	3,779,523	1,342,268	4,153,031
Increase in net position	15,092,407	1,852,036	9,573,748
Beginning net position	110,244,843	118,886,439	109,312,691
Prior year restatement	-	(10,493,632)	
Beginning net position, as restated	110,244,843	108,392,807	109,312,691
Ending net position	$ 125,337,250	$ 110,244,843	$ 118,886,439

Operating revenues decreased $448,000 or 0.6% in 2018-19 as compared to 2017-18. The change is driven by a $2.4 million decrease in *Sales and services of auxiliary enterprises*. This decrease primarily relates to Campus Dining operations, which was impacted by a 16% decrease in freshman headcount from the prior year.

Offsetting the decrease in sales and services of auxiliary enterprises was an $851,000 increase in *Fees for services*, primarily driven by increased income generated by the Irrigation Training and Research Center. *Grants and Contracts* increased $594,000, primarily the result of increased funding from state agencies. *Conference and workshop revenues* also increased $428,000 from the prior year, primarily due to an increase in revenues from key repeat events (such as EPIC, CPEW, and CubeSat).

In 2017-18, total operating revenues decreased $8.5 million or 9.6% in 2017-18 as compared to 2016-17. The change was 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 2017-18. 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.

Operating expenses increased $205,000 or 0.2% in 2018-19 as compared to 2017-18. The change is driven by a $2.4 million decrease in *Auxiliary activities cost of sales.* The decrease primarily relates to a $1.4 million decrease in cost of sales from Campus Dining operations, which is consistent with the previously mentioned 16% decrease in freshman headcount. In addition, 2017-18 includes the sale of approximately $1.1 million in inventory to the third party operator of the University Store and Cal Poly Downtown, which assumed operations effective July 1, 2017. *Other operating expenses* also decreased $821,000 in 2018-19 as compared to 2017-18, driven by a decrease in net OPEB expense.

Offsetting the decreases in auxiliary activities cost of sales and other operating expenses was a $2.4 million increase in *University programs support* expenses over the prior year. The change in 2018-19 includes an increase in expenditures for athletic facilities, including $1.4 million towards the baseball clubhouse. In addition, public service support increased $583,000 and institutional support increased $648,000. *Auxiliary activities expense* and *Corporation administration* expense also increased $618,000 and $229,000, respectively, in 2018-19 as compared to 2017-18. The increase was primarily due an increase in employee costs, resulting from minimum wage increases.

In 2017-18, total operating expenses decreased $3.9 million as compared to the prior year. The change was 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.

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

Gifts, noncapital increased $2.2 million or 29.8% in 2018-19 as compared to 2017-18. The increase is primarily the result of a $3 million pledge awarded to the Corporation's Strawberry Center from the California Strawberry Commission. Noncapital gifts increased $2.2 million or 41.7% in 2017-18 as compared to 2016-17. 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 contributions from year to year, which depends on a number of factors, both internal and external.

Investment income, net increased $1.2 million in 2018-19 to $4.6 million as compared to $3.4 million in 2017-18. Net investment income is primarily the result of $3 million in interest and dividends combined with $2.2 million in market value gains offset by $458,000 in investment management fees. In 2017-18, net investment income was 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.

Interest expense represents interest recorded on the long-term debt obligation. As mentioned previously, the Corporation's long-term debt obligation of $30 million at June 30, 2019 represents a note payable, which originated as part of the SRB Series 2009A bond issuance to partially fund the construction of the Technology Park. During 2018-19, the note payable was amended in connection with the issuance of the SRB Series 2018A to partially fund the construction of the new Vista Grande dining facility. The increase in interest expense is the result of amending the note payable to include the SRB Series 2018A bonds.

Other nonoperating revenues increased $9 million in 2018-19 as compared to 2018-19. As previously mentioned, during 2018-19, the Corporation completed the sale of the Valencia Creek property (617 acres of property located in Santa Cruz County), resulting in a gain of $7.3 million, included as part of other nonoperating revenues.

Other changes in net position includes *capital grants and gifts*, which increased $2.4 million or 181.6% in 2018-19 as compared to 2017-18. The increase is the result of more capital gifts and pledges received primarily on behalf of athletics. In particular, $1.9 million in capital gifts and pledges were received for construction of a new beach volleyball facility. In 2017-18, capital grants and gifts decreased $2.8 million or 67.7% as compared to 2016-17. The decrease is the result of fewer capital gifts and pledges 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 is financed 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, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	$ 42,090,704	$ 33,858,366
Short-term investments	49,924,158	48,099,301
Accounts receivable, net	2,130,498	12,399,425
Contracts and grants receivable, net	5,632,571	5,485,743
Pledges receivable, net	2,912,936	1,986,241
Inventories	1,071,155	1,033,746
Prepaid expenses and other current assets	475,355	569,240
Total current assets	104,237,377	103,432,062
Noncurrent assets:		
Restricted cash and cash equivalents	49,312	56,413
Accounts receivable, net	31,107	25,068
Pledges receivable, net	9,005,559	7,007,229
Endowment investments	2,173,902	2,160,085
Other long-term investments	32,590,085	30,720,110
Capital assets, net	61,517,875	48,560,299
Other assets	323,000	638,000
Total noncurrent assets	105,690,840	89,167,204
Total assets	209,928,217	192,599,266
Deferred Outflows of Resources		
Unamortized loss on refunding	242,324	257,397
Related to net other postemployment benefit liability	594,645	234,262
Related to net pension liability	3,628,935	5,360,269
Total deferred outflows of resources	4,465,904	5,851,928

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

Cal Poly Corporation

Statements of Net Position

June 30, 2019 and 2018

Page 2

	2019	2018
Liabilities		
Current liabilities:		
Accounts payable	$ 2,447,381	$ 2,976,583
Accrued salaries and benefits payable	1,872,479	1,968,145
Accrued compensated absences	741,044	719,688
Unearned revenue	6,753,551	6,550,343
Sponsored programs receipts over expenditures	3,414,112	4,145,413
Long-term debt obligation	425,000	3,266,000
Self-insurance claims liability	22,000	20,666
Total current liabilities	15,675,567	19,646,838
Noncurrent liabilities:		
Long-term debt obligation	29,620,956	25,894,025
Deposits held in custody for others	3,938,469	4,145,862
Net other postemployment benefit liability	2,990,715	5,683,453
Net pension liability	20,415,956	19,677,490
Charitable gift annuities held for others liability	914,300	1,027,372
Total noncurrent liabilities	57,880,396	56,428,202
Total liabilities	73,555,963	76,075,040
Deferred Inflows of Resources		
Related to life-interest in real estate	11,112,600	11,155,400
Related to net other postemployment benefit liability	4,133,014	934,358
Related to net pension liability	255,294	41,553
Total deferred inflows of resources	15,500,908	12,131,311
Net Position		
Net investment in capital assets	20,810,618	19,288,645
Restricted for:		
Expendable:		
Research	157,727	186,315
Capital projects	5,985,101	5,544,601
Instruction	6,776,672	1,003,323
Academic support	477,408	331,726
Student services	4,313,584	4,673,164
Other	6,225,761	3,446,673
Unrestricted	80,590,379	75,770,396
Total net position	$ 125,337,250	$ 110,244,843

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, 2019 and 2018

	2019	2018
Operating revenues:		
Grants and contracts, noncapital:		
Federal	$ 14,755,200	$ 14,612,996
State	4,767,972	3,378,569
Local	695,524	708,922
Nongovernmental	5,051,207	5,975,280
Sales and services of auxiliary enterprises	39,053,188	41,424,875
Fees for services	7,489,550	6,638,160
University programs support	3,486,703	3,485,157
Conference and workshop revenues	3,042,516	2,614,633
Other operating revenues	913,575	864,371
Total operating revenues	79,255,435	79,702,963
Operating expenses:		
Corporation administration	5,459,598	5,230,866
Contract and grant expenses	24,571,542	24,227,634
Auxiliary activities cost of sales	11,672,421	14,099,069
Auxiliary activities expenses	20,505,267	19,886,790
University programs support:		
Conference and workshops expense	2,524,680	2,180,428
Public service support	7,064,313	6,481,772
Institutional support	3,125,965	2,477,679
Academic support	2,245,180	1,915,241
Student services	643,907	466,508
Other University programs	5,716,214	5,363,728
Sponsored programs administration	1,245,260	1,323,159
Depreciation and amortization	1,785,478	1,881,489
Other operating expenses	2,347,659	3,168,667
Total operating expenses	88,907,484	88,703,030
Operating loss	(9,652,049)	(9,000,067)

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, 2019 and 2018

Page 2

	2019	2018
Nonoperating revenues (expenses):		
Gifts, noncapital	$ 9,777,570	$ 7,531,007
Investment gain, net	4,640,630	3,418,262
Interest expense	(1,359,323)	(319,178)
Other nonoperating revenues (expenses), net	7,906,056	(1,120,256)
Total nonoperating revenues (expenses)	20,964,933	9,509,835
Other changes in net position:		
Capital grants and gifts	3,779,523	1,342,268
Total other changes in net position	3,779,523	1,342,268
Increase in net position	15,092,407	1,852,036
Net position - beginning of year, before restatement	110,244,843	118,886,439
Prior year restatement	-	(10,493,632)
Net position - beginning of year	110,244,843	108,392,807
Net position - end of year	$ 125,337,250	$ 110,244,843

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

Cal Poly Corporation

Statements of Cash Flows

Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Receipts from grants and contracts	$ 23,574,520	$ 20,801,543
Receipts from sales and services of auxiliary enterprises	42,044,490	44,311,621
Receipts from fees for services	7,489,550	6,638,160
Receipts from University programs	3,486,703	3,485,157
Payments to vendors	(29,054,992)	(31,435,022)
Payments to employees	(36,128,242)	(33,972,240)
Payments to University, net	(18,913,199)	(12,444,004)
Payments to Foundation, net	(683,306)	(709,721)
Payments to VEBA Trust	(345,550)	(234,262)
Other receipts	1,093,360	863,950
Other payments	(221,115)	(39,568)
Net cash used in operating activities	(7,657,781)	(2,734,386)
Cash flows from noncapital financing activities:		
Cash contributions received	8,127,290	6,360,692
Cash received for charitable gift annuities held for others		227,000
Distributions to annuity beneficiaries	(302,809)	(112,400)
Fees and expenses of charitable gift annuities held for others	(9,717)	(9,757)
Foundation support	442,311	
Change in depository accounts	107,607	209,011
Net cash provided by noncapital financing activities	8,364,682	6,674,546
Cash flows from capital and related financing activities:		
Capital grants and gifts	1,024,766	2,290,387
Acquisition of capital assets	(2,608,184)	(2,030,983)
Proceeds from sale of capital assets	211	18,577
Interest paid on long-term debt obligation	(104,377)	(107,093)
Defeasance of long-term obligation	(85,000)	(80,000)
Net cash provided by (used in) capital and related financing activities	(1,772,584)	90,888
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	35,391,508	5,745,510
Purchase of investments	(28,479,805)	(7,322,816)
Investment income proceeds	2,379,217	1,438,991
Net cash provided by (used in) investing activities	9,290,920	(138,315)
Net increase in cash	8,225,237	3,892,733
Cash and cash equivalents - beginning of year	33,914,779	30,022,046
Cash and cash equivalents - end of year	$ 42,140,016	$ 33,914,779

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

Cal Poly Corporation

Statements of Cash Flows

Years Ended June 30, 2019 and 2018

Page 2

	2019	2018
Reconciliation of cash and cash equivalents to Statements of Net Position:		
Cash and cash equivalents	$ 42,090,704	$ 33,858,366
Restricted cash and cash equivalents	49,312	56,413
Cash and cash equivalents - end of year	$ 42,140,016	$ 33,914,779
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (9,652,049)	$ (9,000,067)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	1,785,478	1,881,489
Bad debt	4,607	52,934
Loss on disposal of assets	10,973	9,081
Other noncash expenses	452,005	259,212
Changes in operating assets and liabilities:		
Accounts receivable, net	(1,820,351)	1,678,587
Inventories	(37,409)	1,484,228
Prepaid expenses and other current assets	93,885	(39,568)
Accounts payable	(648,475)	139,903
Accounts payable - University	3,991	(42,481)
Accounts payable - Foundation	(78,443)	102,464
Accrued salaries and benefits payable	(95,666)	273,953
Accrued compensated absences	21,356	(52,675)
Self-insurance claims liability	1,334	666
Unearned revenue	203,208	51,251
Sponsored programs receipts over expenditures	(731,301)	(2,960,974)
Net other postemployment benefit liability	(2,692,738)	
Net pension liability	738,466	3,791,990
Deferred outflow and inflows	4,783,348	(364,379)
Net cash used in operating activities	$ (7,657,781)	$ (2,734,386)
Supplemental disclosures of cash flow information:		
Contributions of investments	$ 1,028,007	$ 386,153
Other noncash contributions	1,269,259	660,152
Increase in fair value of investments	2,292,347	1,928,804
Acquisition of capital assets from proceeds of debt	12,210,933	12,890,696
Amortization of net bond premium	153,118	22,662
Amortization of loss on debt refunding	15,073	15,073
Interest costs paid from proceeds of debt	1,199,266	219,674
Debt issuance costs paid from proceeds of debt	101,347	469,864

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

Cal Poly Corporation
Notes to Financial Statements
June 30, 2019 and 2018

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 Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants, 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 $4,442 and $0 at June 30, 2019 and 2018, 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 $1,198,059 and $1,103,771 at June 30, 2019 and 2018, 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 and not related to time constraints.

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. A significant portion of unrestricted net position is currently designated for capital projects.

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, 2019 and 2018, grants and contracts revenue included $817,254 and $387,374, 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, 2019 and 2018.

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, 2019, 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, 2019, 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, 2020. However, tax returns remain subject to examination by the Internal Revenue Service for fiscal years ending on or after June 30, 2016, and by the California Franchise Tax Board for fiscal years ending on or after June 30, 2015. 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 Pensions*. Statement No. 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. 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 March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. The Statement also provides additional recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions of Statement No. 81 are effective for fiscal years beginning after December 15, 2016. Implementation of this statement 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.

Note 2: Summary of Significant Accounting Policies (Continued)

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

Note 2: Summary of Significant Accounting Policies (Continued)

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 began applying 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.

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.

Additionally, in May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The provisions of Statement No. 91 are effective for fiscal years beginning after December 15, 2020 with earlier application encouraged. Management has not yet determined the impact of this Statement on its financial statements.

Reclassifications

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

Note 3: Cash and Cash Equivalents

The Corporation maintains cash balances at several financial institutions located in California. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per account title. The Corporation also participates in several deposit-placement programs designed to allocate funds amongst member institutions in such a way that no one bank holds more than $250,000 in Corporation assets, meaning that all the assets placed with a particular program are fully FDIC insured. These programs include the Insured Cash Sweep (ICS) money market program and the collateralized money market program. At June 30, 2019, the Corporation had uninsured cash deposits totaling $7,130,547 held principally at Wells Fargo Bank.

At June 30, 2019 and 2018, a portion of cash and cash equivalents was restricted according to donor stipulations as follows:

	2019	2018
Endowments	$ 8,378	$ 10,930
Split interest trusts	40,934	45,483
Total restricted cash and cash equivalents	$ 49,312	$ 56,413

Note 4: Investments

At June 30, 2019 and 2018, investments were classified in the accompanying financial statements as follows:

	2019	2018
Short-term investments	$ 49,924,158	$ 48,099,301
Endowment investments	2,173,902	2,160,085
Other long-term investments	32,590,085	30,720,110
Total investments	$ 84,688,145	$ 80,979,496

At June 30, 2019 and 2018, other long-term investments included $1,861,996 and $2,078,237, respectively, representing assets held for charitable gift annuities held for others.

Note 4: Investments (Continued)

At June 30, 2019, investments comprised the following:

	2019		
	Current	Noncurrent	Total
Equity securities	$ 35,299	$	$ 35,299
Fixed income securities	3,021,691	462,947	3,484,638
Real estate		80,000	80,000
Mutual funds:			
Equity funds	32,724,474	8,126,902	40,851,376
Bond funds	13,321,507	25,898,731	39,220,238
Exchange traded funds	152,028		152,028
Other investments:			
Cash and interest receivable pending long-term investment	669,159	191,184	860,343
Agriculture related retains		4,223	4,223
Total investments	$ 49,924,158	$ 34,763,987	$ 84,688,145

At June 30, 2018, investments comprised the following:

	2018		
	Current	Noncurrent	Total
Equity securities	$ 2,542	$	$ 2,542
Fixed income securities		493,931	493,931
Real estate		980,000	980,000
Mutual funds:			
Equity funds	22,606,241	7,382,387	29,988,628
Bond funds	24,876,598	23,743,405	48,620,003
Other investments:			
Cash and interest receivable pending long-term investment	613,920	276,249	890,169
Agriculture related retains		4,223	4,223
Total investments	$ 48,099,301	$ 32,880,195	$ 80,979,496

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 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.

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.

Investment Risk Factors

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

Equity Securities Risk:
Equity securities held by the Corporation through mutual funds or the Student Investment Management Portfolio comprised $41,038,703, or 48%, of the total investments of the Corporation at June 30, 2019. 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.

Note 4: Investments (Continued)

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

The credit ratings of the Corporation's fixed income securities held in investments and money market funds at June 30, 2019 were as follows:

	Fair Value	Rating
Bond mutual funds:		
DFA Intermediate Government Bond	$ 5,727,170	AAA
Loomis Sayles Bond Fund - Institutional	2,763,930	BBB
PIMCO Total Return Fund - Institutional	4,822,066	AA
PIMCO Foreign Bond Fund - Institutional	3,326,287	AA
PIMCO High Yield Fund - Institutional	1,234,102	BB
PIMCO Short Term - Institutional	8,525,886	A
PIMCO Low Duration Fund	12,820,797	AA
U.S. government:		
U.S. Treasury bills	3,332,606	AAA
U.S. government backed - asset backed securities	152,032	AAA
Money market funds:		
Wells Fargo Cash Investment Money Market - Institutional	22,993,961	Unrated
Schwab One Fund	870,821	Unrated
Schwab Government Money Fund	24,045	Unrated
Total fixed income and debt securities subject to credit risk	$ 66,593,703	

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

Note 4: Investments (Continued)

Concentration of Credit Risk:

Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers; thereby exposing the organization to greater risks resulting from adverse conditions or developments. GASB requires disclosure of investments in any one individual issuer that represent 5% or more of total investments. At June 30, 2019 and 2018, 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, 2019 was as follows:

	Fair Value	Weighted Average Duration (in years)
Bond mutual funds:		
DFA Intermediate Government Bond	$ 5,727,170	6.1
Loomis Sayles Bond Fund - Institutional	2,763,930	3.5
PIMCO Total Return Fund - Institutional	4,822,066	5.0
PIMCO Foreign Bond Fund - Institutional	3,326,287	8.1
PIMCO High Yield Fund - Institutional	1,234,102	2.8
PIMCO Short Term - Institutional	8,525,886	0.5
PIMCO Low Duration Fund	12,820,797	2.0
U.S. government:		
U.S. Treasury bills	3,332,606	0.9
U.S. government backed - asset backed securities	152,032	3.3
Money market funds	23,888,827	0.0
Total fixed income and debt securities subject to interest rate risk	$ 66,593,703	2.0

Foreign Currency Risk:

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

Note 4: Investments (Continued)

The Corporation's exposure to foreign currency risk at June 30, 2019 was as follows:

	Fair Value
Euro	$ 3,233,622
Japanese Yen	3,167,030
British Pounds	2,278,413
Hong Kong Dollars	927,493
Chinese Yen	666,191
Canadian Dollar	602,869
South Korean Won	596,406
New Taiwan Dollar	525,347
Swiss Francs	501,738
Indian Rupee	454,628
Australian Dollar	374,452
Swedish Krona	366,201
Mexican Peso	308,437
Brazilian Reals	289,099
South African Rand	242,351
Singapore Dollar	217,222
Danish Krone	198,421
Norwegian Krona	173,451
Thai Baht	116,886
Other	568,538
Total investments subject to foreign currency risk	$ 15,808,795

Other currencies are individually less than 1% of the Corporation's investments. The foreign currency risk by investment type at June 30, 2019 was as follows:

Equity mutual funds	$ 15,310,291
Bond mutual funds	498,504
Total investments subject to foreign currency risk	$ 15,808,795

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

Note 4: Investments (Continued)

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 $152,032 and $302,131 at June 30, 2019 and 2018, 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, 2019 and 2018. Real estate classified in Level 3 consists of gifted assets based on fair values at the time of donation and were valued at $80,000 and $980,000 at June 30, 2019 and 2018. For the year ended June 30, 2019, land with an original fair value at the time of donation of $900,000 was sold.

Note 5: Pledges Receivable

At June 30, 2019 and 2018, pledges receivable comprised the following:

	2019	2018
Athletic programs	$ 4,707,278	$ 4,391,663
College-specific facilities	9,203,993	6,293,932
Stadium suites	190,193	297,158
Subtotal	14,101,464	10,982,753
Less allowance for uncollectible accounts	(1,198,060)	(1,103,771)
Less unamortized discount	(984,909)	(885,512)
Pledges receivable, net	$ 11,918,495	$ 8,993,470
Amounts due in:		
One year or less	$ 3,278,026	$ 2,252,049
One to five years	10,640,938	2,751,537
More than five years	182,500	5,979,167
Total amounts due	$ 14,101,464	$ 10,982,753

Note 6: Capital Assets

At June 30, 2019, capital assets comprised the following:

	2019				
	Balance June 30, 2018	Additions	Reductions	Transfers of Completed CIP	Balance June 30, 2019
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	16,240,265	13,734,086	(10,973)	(1,556,427)	28,406,951
Total nondepreciable capital assets	35,378,489	13,734,086	(10,973)	(1,556,427)	47,545,175
Depreciable and amortizable capital assets:					
Buildings and building improvements	14,346,273	545,882			14,892,155
Leasehold improvements	9,050,171	17,097	(47,353)	1,305,356	10,325,271
Equipment	8,748,778	612,269	(459,002)	251,071	9,153,116
Intangible assets:					
Software and websites	981,475		(159,349)		822,126
Licenses and permits	527,087	30,000	(30,000)		527,087
Total depreciable and amortizable capital assets	33,653,784	1,205,248	(695,704)	1,556,427	35,719,755
Less accumulated depreciation and amortization:					
Buildings and building improvements	(5,706,497)	(795,015)			(6,501,512)
Leasehold improvements	(6,605,966)	(501,057)	47,353		(7,059,670)
Equipment	(6,780,606)	(592,067)	436,712		(6,935,961)
Intangible assets:					
Software and websites	(890,174)	(44,582)	159,349		(775,407)
Licenses and permits	(488,731)	(15,774)	30,000		(474,505)
Total accumulated depreciation and amortization	(20,471,974)	(1,948,495)	673,414	-	(21,747,055)
Total capital assets, net	$ 48,560,299	$ 12,990,839	$ (33,263)	$ -	$ 61,517,875

Note 6: Capital Assets (Continued)

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 7: Long-Term Debt Obligation

At June 30, 2019 and 2018, the long-term debt obligation represents a note payable originally 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.

Note 7: Long-Term Debt Obligation (Continued)

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. The note payable related to the SRB Series 2018A is for $23,400,000 with a premium of $4,305,049 that will be amortized over the life of the loan. Amortization of the bond premium for the year ended June 30, 2019 was $130,456.

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 $242,324 and $257,397 as of June 30, 2019 and 2018, 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, 2019 and 2018 was $22,662, 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, 2019 was as follows:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
Note payable, State-Wide:					
Revenue Bond Series 2009A	$ 80,000	$	$ (80,000)	$ -	$ -
Revenue Bond Series 2016A	2,110,000		(5,000)	2,105,000	80,000
Revenue Bond Series 2018A	-	23,400,000		23,400,000	345,000
Commercial Paper	26,581,000		(26,581,000)	-	-
	28,771,000	23,400,000	(26,666,000)	25,505,000	425,000
Unamortized bond premium					
Revenue Bond Series 2016A	389,025		(22,662)	366,363	
Revenue Bond Series 2018A	-	4,305,049	(130,456)	4,174,593	
	$ 29,160,025	$ 27,705,049	$ (26,819,118)	$ 30,045,956	$ 425,000

Note 7: Long-Term Debt Obligation (Continued)

At June 30, 2019, future maturities of the long-term debt obligation balance were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2020	$ 425,000	$ 1,259,500	$ 1,684,500
2021	445,000	1,239,475	1,684,475
2022	470,000	1,216,600	1,686,600
2023	495,000	1,192,475	1,687,475
2024	520,000	1,167,100	1,687,100
2025-2029	3,030,000	5,407,000	8,437,000
2030-2034	3,885,000	4,546,125	8,431,125
2035-2039	4,375,000	3,502,975	7,877,975
2040-2044	5,190,000	2,342,500	7,532,500
2045-2049	6,670,000	867,000	7,537,000
Total future maturities	$ 25,505,000	$ 22,740,750	$ 48,245,750

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, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	139
Inactive employees entitled to but not yet receiving benefits	29
Active employees	224
Total	392

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, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.26 percent
Salary increases	3.25 percent
Investment rate of return	6.5 percent
Healthcare cost trend rates (pre-65)	7.95 percent for 2020, decreasing 0.25 percent per year to an ultimate rate of 4.50 percent for 2034 and later years
Healthcare cost trend rates (post-65)	4.65 percent for 2020, decreasing to an ultimate rate of 4.50 percent for 2021 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 2017 Mortality pre-retirement and post-retirement with Scale MP-2017).

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, 2019, 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, 2018	$ 30,825,198	$ 25,141,745	$ 5,683,453
Changes in the year:			
Service cost	1,141,018		1,141,018
Interest on total OPEB liability	2,032,225		2,032,225
Differences between actual and expected experience	(1,012,510)		(1,012,510)
Changes in assumptions	(2,904,595)		(2,904,595)
Contribution - employer		492,280	(492,280)
Net investment income		1,469,561	(1,469,561)
Benefit payments	(1,424,857)	(1,424,857)	
Administrative expense		(12,965)	12,965
Net changes	(2,168,719)	524,019	(2,692,738)
Balance at June 30, 2019	$ 28,656,479	$ 25,665,764	$ 2,990,715

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	$7,117,499	$ 2,990,715	($372,806)

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	($239,305)	$ 2,990,715	$7,003,705

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, 2019, the Corporation recognized OPEB expense of $998,197. At June 30, 2019, 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	$ 594,645	$
Differences between expected and actual experiences in the measurement of the total OPEB liability		(1,130,212)
Changes in assumptions		(2,621,744)
Net difference between projected and actual earnings on plan investments		(381,058)
Total	$ 594,645	$ (4,133,014)

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, 2020. 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,	
2020	$ 546,719
2021	546,719
2022	546,718
2023	373,903
2024	408,250
Thereafter	1,710,705
Total	$ 4,133,014

Payable to the OPEB Plan

At June 30, 2019 and 2018, 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, 2019 and 2018:

	2019	2018
Accounts receivable	$ 345,751	$ 913,413
Accounts payable	621,267	617,276
Deposit with University	208,975	10,786,374
Reimbursements to University for salaries and benefits of University personnel	4,125,368	3,604,034
Reimbursements to University for other than salaries of University personnel	7,230,202	5,460,047
Payments received from University for services, space and programs	5,622,874	4,107,303
Cash gifts to the University	5,779,332	5,240,521
Noncash gifts to the University	237,893	538,074

The Corporation provides information technology and other services to the Cal Poly Foundation (Foundation) under a Business Support Services Agreement, effective July 1, 2015. The following were transactions with the Foundation as of and for the years ended June 30, 2019 and 2018:

	2019	2018
Current accounts receivable	$ 493,859	$ 36,062
Deposit with Corporation	323,000	638,000
Accounts payable	24,021	102,464
Payments from Foundation under BSSA/ASA	10,000	10,000
Cash contributions to Foundation	462,066	798,413
Cash contributions from Foundation	3,705,239	3,334,639

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, 2019 and 2018 was $304,996 and $297,185, respectively.

Note 10: Operating Leases (Continued)

At June 30, 2019, future minimum rental payments for these leases were as follows:

For the Year Ending June 30,		
2020	$	218,674
2021		217,825
2022		223,816
2023		229,971
Total	$	890,286

The Corporation also has a lease with an unrelated third party for Cal Poly Downtown. 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, 2019 and 2018 was $167,895 and $163,800, respectively. At June 30, 2019, future minimum rental payments for this lease were as follows:

For the Year Ending June 30,		
2020	$	171,990
2021		174,570
2022		177,150
2023		179,807
2024		182,464
Thereafter		435,785
Total	$	1,321,766

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 received for the years ended June 30, 2019 and 2018 were $46,392 and $42,811, respectively. Administrative costs and operating expenses exceeded ground rents received; therefore, no amounts were paid to the University.

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 an option

Note 10: Operating Leases (Continued)

to extend for an additional two years. The total rent expense paid on the lease for the years ended June 30, 2019 and 2018 was $74,169 and $9,225, respectively. At June 30, 2019, future minimum rental payments for this lease were as follows:

For the Year Ending June 30,		
2020	$	76,394
2021		65,245
Total	$	141,639

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, 2019 and 2018 was $22,543 and $0, respectively. At June 30, 2019, future minimum rental payments for this lease were as follows:

For the Year Ending June 30,		
2020	$	23,219
2021		23,916
Total	$	47,135

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, 2019 and 2018 were $495,488 and $468,873, respectively. The cost of the Tech Park included in land, building and improvements was $6,900,775 at June 30, 2019 and 2018, respectively. Related accumulated depreciation was $2,615,072 and $2,328,847 at June 30, 2019 and 2018, respectively.

At June 30, 2019, future minimum rental income and CAM charges under these leases were as follows:

For the Year Ending June 30,		
2020	$	410,948
2021		183,589
2022		63,132
Total	$	657,669

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.

Employees Covered
At June 30, 2019, 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	621
Active employees	267
Total	1,262

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.

Note 11: Defined Benefit Pension Plan (Continued)

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, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions
The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
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, 2017 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 be found on the CalPERS website.

Discount Rate
The discount rate used to measure the total pension liability was 7.15%, which did not change 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.

Note 11: Defined Benefit Pension Plan (Continued)

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.

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	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

(a) An expected inflation of 2.00% used for this period.
(b) An expected inflation of 2.92% 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, 2018	$ 79,230,622	$ 59,553,132	$ 19,677,490
Changes in the year:			
Service cost	1,921,554		1,921,554
Interest on total pension liability	5,614,238		5,614,238
Differences between actual and expected experience	800,963		800,963
Changes in assumptions	(437,649)		(437,649)
Contribution - employer		1,789,867	(1,789,867)
Contribution - employee		673,081	(673,081)
Net investment income		4,966,867	(4,966,867)
Benefit payments, including refunds of employee contributions	(4,067,814)	(4,067,814)	
Administrative expense		(269,175)	269,175
Net changes	3,831,292	3,092,826	738,466
Balance at June 30, 2019	$ 83,061,914	$ 62,645,958	$ 20,415,956

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	$ 31,525,283	$ 20,415,956	$ 11,278,655

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, 2019, the Corporation recognized pension expense of $4,802,200. At June 30, 2019, 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	$ 2,141,286	$
Changes of assumptions	737,875	(255,294)
Differences between expected and actual experiences	493,808	
Net difference between projected and actual earnings on plan investments	255,966	
Total	$ 3,628,935	$ (255,294)

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, 2020. 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	$ 1,718,791
2020	260,175
2021	(590,351)
2022	(156,260)
Total	$ 1,232,355

Payable to the Pension Plan

At June 30, 2019 and 2018, the Corporation reported a payable of $41,935 and $38,816, 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. At that time, the Corporation chose 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 at July 1, 2017 was 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. At that time, the Corporation chose 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 at July 1, 2017 was made to reflect the cumulative impact of implementing this standard.

Note 14: Subsequent Events

Events subsequent to June 30, 2019 have been evaluated through September 12, 2019, which is the date the financial statements were available to be issued.

Effective July 1, 2019, the Corporation entered into a line of credit agreement with the University. Terms of the agreement allow the University to borrow up to $7.6 million over a five-year period from the Corporation. The agreement provides for quarterly principal and interest payments, with all amounts borrowed due back to the Corporation by June 30, 2024.

Required Supplementary Information

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

	2019	2018
Total OPEB liability		
Service cost	$ 1,141,018	$ 1,086,684
Interest	2,032,225	1,923,754
Differences between expected and actual experience	(1,012,510)	(269,900)
Changes in assumptions	(2,904,595)	
Benefit payments	(1,424,857)	(1,119,651)
Net change in total OPEB liability	(2,168,719)	1,620,887
Total OPEB liability - beginning	30,825,198	29,204,311
Total OPEB liability - ending (a)	$ 28,656,479	$ 30,825,198
Plan fiduciary net position		
Contributions - employer	$ 492,280	$ 296,314
Net investment income	1,469,561	2,405,355
Benefit payments	(1,424,857)	(1,119,651)
Administrative expense	(12,965)	(12,743)
Net change in plan fiduciary net position	524,019	1,569,275
Plan fiduciary net position - beginning	25,141,745	23,572,470
Plan fiduciary net position - ending (b)	$ 25,665,764	$ 25,141,745
Net OPEB liability - ending (a)-(b)	$ 2,990,715	$ 5,683,453
Plan fiduciary net position as a percentage of the total OPEB liability	89.6%	81.6%
Covered employee payroll	$ 11,941,343	$ 12,085,567
Net OPEB liability as a percentage of covered employee payroll	25.0%	47.0%

* Fiscal year 2018 was the first year of implementation, therefore only two years are shown.

Notes to Schedule:

Benefit Changes: There have been no changes to benefit terms since June 30, 2017.

Changes of Assumptions: The mortality, retirement, and withdrawal rates were updated to reflect the most recent experience study published by CalPERS.

The per capita claims cost (or baseline cost) is based on current premiums and plan selection. The plan selection was updated to reflected experience in the 2018 census and the premiums were updated to reflect experience through 2019. The trend rates were revised to reflect lower expectations of future healthcare cost inflation.

There have been no other changes in the assumptions since June 30, 2017.

See accompanying independent auditor's report.

Cal Poly Corporation

Schedule of Contributions – OPEB

Last 10 Fiscal Years*

	2019	2018
Actuarially determined contribution	N/A	N/A
Contributions in relation to the actuarially determined contributions	492,280	296,314
Contribution deficiency (excess)	N/A	N/A
Employer contributions to the VEBA Trust	$ 234,262	$ 296,314
Active implicit rate subsidy transferred to VEBA Trust	258,018	
Total employer contributions	$ 492,280	$ 296,314
Covered employee payroll	$ 11,941,343	$ 12,085,567
Contributions as a percentage of covered employee payroll	4.12%	2.45%

* Fiscal year 2018 was the first year of implementation, therefore only two years are 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	2.26%
Healthcare cost trend rates (pre-65)	7.95 percent for 2020, decreasing 0.25 percent per year to an ultimate rate of 4.50 percent for 2034 and later years
Healthcare cost trend rates (post-65)	4.65 percent for 2020, decreasing to an ultimate rate of 4.50 percent for 2021 and later years
Salary Increases	3.25 percent
Investment rate of return	6.50 percent
Retirement Age	Retirement rates used in the valuation are those used in the most recent CalPERS valuation, CalPERS 2017 Public Agency Miscellaneous 2% @ 55 and 2% @ 60 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 2017 Mortality pre-retirement and post-retirement with Scale MP-2017).

See accompanying independent auditor's report.

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

	2019	2018	2017	2016	2015
Total pension liability					
Service cost	$ 1,921,554	$ 1,914,269	$ 1,565,548	$ 1,403,277	$ 1,402,348
Interest on total pension liability	5,614,238	5,348,446	5,128,834	4,920,633	4,760,420
Differences between expected and actual experience	800,963	159,480	(207,770)	(888,401)	
Changes in assumptions	(437,649)	4,427,253		(1,192,843)	
Benefit payments, including refunds of employee contributions	(4,067,814)	(3,756,787)	(3,634,440)	(3,316,952)	(3,147,576)
Net change in total pension liability	3,831,292	8,092,661	2,852,172	925,714	3,015,192
Total pension liability - beginning	79,230,622	71,137,961	68,285,789	67,360,075	64,344,883
Total pension liability - ending (a)	$ 83,061,914	$ 79,230,622	$ 71,137,961	$ 68,285,789	$ 67,360,075
Plan fiduciary net position					
Contributions - employer	$ 1,789,867	$ 1,760,624	$ 1,570,071	$ 1,438,515	$ 1,281,507
Contributions - employee	673,081	683,416	636,058	561,411	461,197
Net investment income	4,966,867	6,042,407	280,275	1,227,805	8,470,353
Benefit payments	(4,067,814)	(3,756,787)	(3,634,440)	(3,316,952)	(3,147,576)
Administrative expense	(269,175)	(81,063)	(34,182)	(63,120)	
Net change in plan fiduciary net position	3,092,826	4,648,597	(1,182,218)	(152,341)	7,065,481
Plan fiduciary net position - beginning	59,553,132	54,904,535	56,086,753	56,239,094	49,173,613
Plan fiduciary net position - ending (b)	$ 62,645,958	$ 59,553,132	$ 54,904,535	$ 56,086,753	$ 56,239,094
Net pension liability - ending (a)-(b)	$ 20,415,956	$ 19,677,490	$ 16,233,426	$ 12,199,036	$ 11,120,981
Plan fiduciary net position as a percentage of the total pension liability	75.4%	75.2%	77.2%	82.1%	83.5%
Covered employee payroll	$ 12,844,611	$ 12,705,045	$ 11,885,419	$ 10,733,343	$ 10,427,158
Net pension liability as a percentage of covered employee payroll	158.9%	154.9%	136.6%	113.7%	106.7%

* Fiscal year 2015 was the first year of implementation, therefore only five 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 the June 30, 2017 valuation date. 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, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017.

See accompanying independent auditor's report.

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

	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 1,789,867	$ 1,760,624	$ 1,570,071	$ 1,438,515	$ 1,281,507
Contributions in relation to the actuarially determined contributions	1,789,867	1,760,624	1,570,071	1,438,515	1,281,507
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 12,844,611	$ 12,705,045	$ 11,885,419	$ 10,733,343	$ 10,427,158
Contributions as a percentage of covered-employee payroll	13.9%	13.9%	13.2%	13.4%	12.3%

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

Notes to Schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2015 Funding Valuation Report
Asset Valuation Method	Market Value of Assets. For details, see June 30, 2015 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 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

See accompanying independent auditor's report.

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

Cal Poly Corporation
Schedule of Net Position
June 30, 2019
(for inclusion in the California State University)

Assets:		
Current assets:		
Cash and cash equivalents	$	42,090,704
Short-term investments		49,924,158
Accounts receivable, net		7,763,069
Capital lease receivable, current portion		-
Notes receivable, current portion		-
Pledges receivable, net		2,912,936
Prepaid expenses and other current assets		1,546,510
Total current assets		104,237,377
Noncurrent assets:		
Restricted cash and cash equivalents		49,312
Accounts receivable, net		31,107
Capital lease receivable, net of current portion		-
Notes receivable, net of current portion		-
Student loans receivable, net		-
Pledges receivable, net		9,005,559
Endowment investments		2,173,902
Other long-term investments		32,590,085
Capital assets, net		61,517,875
Other assets		323,000
Total noncurrent assets		105,690,840
Total assets		209,928,217
Deferred outflows of resources:		
Unamortized loss on debt refunding		242,324
Net pension liability		3,628,935
Net OPEB liability		594,645
Others		-
Total deferred outflows of resources		4,465,904
Liabilities:		
Current liabilities:		
Accounts payable		2,447,381
Accrued salaries and benefits		1,872,479
Accrued compensated absences, current portion		741,044
Unearned revenues		10,167,663
Capital lease obligations, current portion		-
Long-term debt obligations, current portion		425,000
Claims liability for losses and loss adjustment expenses, current portion		22,000
Depository accounts		-
Other liabilities		-
Total current liabilities		15,675,567
Noncurrent liabilities:		
Accrued compensated absences, net of current portion		29,620,956
Unearned revenues		-
Grants refundable		-
Capital lease obligations, net of current portion		-
Long-term debt obligations, net of current portion		-
Claims liability for losses and loss adjustment expenses, net of current portion		-
Depository accounts		3,938,469
Net other postemployment benefits liability		2,990,715
Net pension liability		20,415,956
Other liabilities		914,300
Total noncurrent liabilities		57,880,396
Total liabilities		73,555,963
Deferred inflows of resources:		
Service concession arrangements		-
Net pension liability		4,133,014
Net OPEB liability		255,294
Unamortized gain on debt refunding		-
Nonexchange transactions		-
Others		11,112,600
Total deferred inflows of resources		15,500,908
Net Position:		
Net investment in capital assets		20,810,618
Restricted for:		-
Nonexpendable – endowments		-
Expendable:		-
Scholarships and fellowships		-
Research		157,727
Loans		-
Capital projects		5,985,101
Debt service		-
Others		17,793,425
Unrestricted		80,590,379
Total net position	$	125,337,250

See accompanying independent auditors' report.

Cal Poly Corporation
Schedule of Revenues, Expenses, and Changes in Net Position
June 30, 2019
(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	14,755,200
State	4,767,972
Local	695,524
Nongovernmental	5,051,207
Sales and services of educational activities	-
Sales and services of auxiliary enterprises, gross	39,053,188
Scholarship allowances (enter as negative)	-
Other operating revenues	14,932,344
Total operating revenues	79,255,435
Expenses:	
Operating expenses:	
Instruction	1,197,486
Research	17,991,724
Public service	16,119,980
Academic support	2,257,571
Student services	1,157,069
Institutional support	9,130,211
Operation and maintenance of plant	4,699,535
Student grants and scholarships	449,193
Auxiliary enterprise expenses	34,119,237
Depreciation and amortization	1,785,478
Total operating expenses	88,907,484
Operating income (loss)	(9,652,049)
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	9,777,570
Investment income (loss), net	4,640,630
Endowment income (loss), net	-
Interest expense	(1,359,323)
Other nonoperating revenues (expenses) - excl. interagency transfers	7,906,056
Other nonoperating revenues (expenses) - interagency transfers	-
Net nonoperating revenues (expenses)	20,964,933
Income (loss) before other revenues (expenses)	11,312,884
State appropriations, capital	-
Grants and gifts, capital	3,779,523
Additions (reductions) to permanent endowments	-
Increase (decrease) in net position	15,092,407
Net position:	
Net position at beginning of year, as previously reported	110,244,843
Restatements	
Net position at beginning of year, as restated	110,244,843
Net position at end of year	$ 125,337,250

See accompanying independent auditors' report.

Cal Poly Corporation
Other Information
June 30, 2019
(for inclusion in the California State University)

1 Cash and cash equivalents:

Portion of restricted cash and cash equivalents related to endowments	8,378
All other restricted cash and cash equivalents	40,934
Noncurrent restricted cash and cash equivalents	**49,312**
Current cash and cash equivalents	42,090,704
Total	**$ 42,140,016**

2.1 Composition of investments:

	Current	Noncurrent	Total
Money market funds			**-**
Repurchase agreements			**-**
Certificates of deposit			**-**
U.S. agency securities		152,032	**152,032**
U.S. treasury securities	3,021,691	310,915	**3,332,606**
Municipal bonds			**-**
Corporate bonds			**-**
Asset backed securities			**-**
Mortgage backed securities			**-**
Commercial paper			**-**
Mutual funds	46,045,981	34,025,633	**80,071,614**
Exchange traded funds	152,028		**152,028**
Equity securities	35,299		**35,299**
Alternative investments:			
Private equity (including limited partnerships)			**-**
Hedge funds			**-**
Managed futures			**-**
Real estate investments (including REITs)		80,000	**80,000**
Commodities			**-**
Derivatives			**-**
Other alternative investment types			**-**
Other external investment pools (excluding SWIFT)			**-**
Other investments	669,159	195,407	**864,566**
State of California Local Agency Investment Fund (LAIF)			**-**
State of California Surplus Money Investment Fund (SMIF)			**-**
Total investments	**49,924,158**	**34,763,987**	**84,688,145**
Less endowment investments (enter as negative number)	**-**	(2,173,902)	**(2,173,902)**
Total investments, net of endowments	**$ 49,924,158**	**32,590,085**	**82,514,243**

2.2 Fair value hierarchy in investments:

	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)
Money market funds	**$ -**				
Repurchase agreements	**-**				
Certificates of deposit	**-**				
U.S. agency securities	**152,032**		152,032		
U.S. treasury securities	**3,332,606**	3,332,606			
Municipal bonds	**-**				
Corporate bonds	**-**				
Asset backed securities	**-**				
Mortgage backed securities	**-**				
Commercial paper	**-**				
Mutual funds	**80,071,614**	80,071,614			
Exchange traded funds	**152,028**	152,028			
Equity securities	**35,299**	35,299			
Alternative investments:					
Private equity (including limited partnerships)	**-**				
Hedge funds	**-**				
Managed futures	**-**				
Real estate investments (including REITs)	**80,000**			80,000	
Commodities	**-**				
Derivatives	**-**				
Other alternative investment types	**-**				
Other external investment pools (excluding SWIFT)	**-**				
Other investments	**864,566**	860,343		4,223	
State of California Local Agency Investment Fund (LAIF)	**-**	-	-	-	
State of California Surplus Money Investment Fund (SMIF)	**-**	-	-	-	
Total investments	**$ 84,688,145**	**84,451,890**	**152,032**	**84,223**	**-**

2.3 Investments held by the University under contractual agreements:

	Current	Noncurrent	Total
Investments held by the University under contractual agreements (e.g. CSU Consolidated SWIFT Inv pool):			$ -

3.1 Composition of capital assets:

	Balance June 30, 2018	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2018 (Restated)	Additions	Retirements	Transfer of completed CWIP	Balance June 30, 2019
Non-depreciable/Non-amortizable 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)	**16,240,265**				**16,240,265**	13,734,086	(10,973)	(1,556,427)	**28,406,951**
Intangible assets:									
Rights and easements	-				-				-
Patents, copyrights and trademarks	-				-				-
Intangible assets in progress (PWIP)	-				-				-
Licenses and permits	-				-				-
Other intangible assets:									
	-				-				-
	-				-				-
	-				-				-
	-				-				-
	-				-				-
Total intangible assets	-	-	-	-	-	-	-	-	-
Total non-depreciable/non-amortizable capital assets	**35,378,489**	**-**	**-**	**-**	**35,378,489**	**13,734,086**	**(10,973)**	**(1,556,427)**	**47,545,175**
Depreciable/Amortizable capital assets:									
Buildings and building improvements	**14,346,273**				**14,346,273**	545,882			**14,892,155**
Improvements, other than buildings	-				-				-
Infrastructure	-				-				-
Leasehold improvements	**9,050,171**				**9,050,171**	17,097	(47,353)	1,305,356	**10,325,271**
Personal property:									
Equipment	**8,748,778**				**8,748,778**	612,269	(459,002)	251,071	**9,153,116**
Library books and materials	-				-				-
Intangible assets:									
Software and websites	**981,475**				**981,475**		(159,349)		**822,126**
Rights and easements	-				-				-
Patents, copyrights and trademarks	-				-				-
Licenses and permits	**527,087**				**527,087**	30,000	(30,000)		**527,087**
Other intangible assets:									
	-				-				-
	-				-				-
	-				-				-
	-				-				-
	-				-				-
Total intangible assets	1,508,562	-	-	-	**1,508,562**	30,000	(189,349)	-	**1,349,213**
Total depreciable/amortizable capital assets	**33,653,784**	**-**	**-**	**-**	**33,653,784**	**1,205,248**	**(695,704)**	**1,556,427**	**35,719,755**
Total capital assets	**69,032,273**	**-**	**-**	**-**	**69,032,273**	**14,939,334**	**(706,677)**	**-**	**83,264,930**

Less accumulated depreciation/amortization: (enter as negative number, except for reductions enter as positive number)									
Buildings and building improvements	**(5,706,497)**				**(5,706,497)**	(795,015)			**(6,501,512)**
Improvements, other than buildings	-				-				-
Infrastructure	-				-				-
Leasehold improvements	**(6,605,966)**				**(6,605,966)**	(501,057)	47,353		**(7,059,670)**
Personal property:									
Equipment	**(6,780,606)**				**(6,780,606)**	(592,067)	436,712		**(6,935,961)**
Library books and materials	-				-				-
Intangible assets:									
Software and websites	**(890,174)**				**(890,174)**	(44,582)	159,349		**(775,407)**
Rights and easements	-				-				-
Patents, copyrights and trademarks	-				-				-
Licenses and permits	**(488,731)**				**(488,731)**	(15,774)	30,000		**(474,505)**
Other intangible assets:									
	-				-				-
	-				-				-
	-				-				-
	-				-				-
	-				-				-
Total intangible assets	(1,378,905)	-	-	-	(1,378,905)	(60,356)	189,349	-	**(1,249,912)**
Total accumulated depreciation/amortization	**(20,471,974)**	-	-	-	**(20,471,974)**	**(1,948,495)**	**673,414**	-	**(21,747,055)**
Total capital assets, net	**$ 48,560,299**	-	-	-	**48,560,299**	**12,990,839**	**(33,263)**	-	**61,517,875**

3.2 Detail of depreciation and amortization expense:

Depreciation and amortization expense related to capital assets	1,785,478
Amortization expense related to other assets	
Total depreciation and amortization	**1,785,478**

4 Long-term liabilities:

	Balance June 30, 2018	Prior Period Adjustments/ Reclassifications	Balance June 30, 2018 (Restated)	Additions	Reductions	Balance June 30, 2019	Current Portion	Noncurrent Portion
1. Accrued compensated absences	**$ 719,688**		**719,688**	853,134	(831,778)	**741,044**	741,044	-
2. Claims liability for losses and loss adjustment expenses	**20,666**		**20,666**	1,334		**22,000**	22,000	-
3. Capital lease obligations:								
Gross balance	-		-			-	-	-
Unamortized net premium/(discount)	-		-			-	-	-
Total capital lease obligations	-	-	-	-	-	-	-	-
4. Long-term debt obligations:								
4.1 Auxiliary revenue bonds (non-SRB related)	-		-			-	-	-
4.2 Commercial paper	-		-			-		-
4.3 Notes payable (SRB related)	**28,771,000**		**28,771,000**	23,400,000	(26,666,000)	**25,505,000**	425,000	25,080,000
4.4 Others:								
	-		-			-		-
	-		-			-		-
	-		-			-		-
	-		-			-		-
Total others	-		-	-	-	-	-	-
Sub-total long-term debt	**28,771,000**	-	**28,771,000**	**23,400,000**	**(26,666,000)**	**25,505,000**	**425,000**	**25,080,000**
4.5 Unamortized net bond premium/(discount)	**389,025**		**389,025**	4,305,049	(153,118)	**4,540,956**	-	4,540,956
Total long-term debt obligations	**29,160,025**	-	**29,160,025**	**27,705,049**	**(26,819,118)**	**30,045,956**	**425,000**	**29,620,956**
Total long-term liabilities	**$ 29,900,379**	-	**29,900,379**	**28,558,183**	**(27,650,896)**	**30,807,666**	**1,188,044**	**29,619,622**

5 Capital lease obligations schedule:

	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:									
2020			-			-	-	-	-
2021			-			-	-	-	-
2022			-			-	-	-	-
2023			-			-	-	-	-
2024			-			-	-	-	-
2025 - 2029			-			-	-	-	-
2030 - 2034			-			-	-	-	-
2035 - 2039			-			-	-	-	-
2040 - 2044			-			-	-	-	-
2045 - 2049			-			-	-	-	-
Thereafter			-			-	-	-	-
Total minimum lease payments	$ -	-	-	-	-	-	-	-	-
Less: amounts representing interest									-
Present value of future minimum lease payments									-
Unamortized net premium/(discount)									-
Total capital lease obligations									-
Less: current portion									-
Capital lease obligations, net of current portion									$ -

6 Long-term debt obligations schedule:

	Auxiliary revenue bonds (non-SRB related)			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:									
2020			-	425,000	1,259,500	1,684,500	425,000	1,259,500	1,684,500
2021			-	445,000	1,239,475	1,684,475	445,000	1,239,475	1,684,475
2022			-	470,000	1,216,600	1,686,600	470,000	1,216,600	1,686,600
2023			-	495,000	1,192,475	1,687,475	495,000	1,192,475	1,687,475
2024			-	520,000	1,167,100	1,687,100	520,000	1,167,100	1,687,100
2025 - 2029			-	3,030,000	5,407,000	8,437,000	3,030,000	5,407,000	8,437,000
2030 - 2034			-	3,885,000	4,546,125	8,431,125	3,885,000	4,546,125	8,431,125
2035 - 2039			-	4,375,000	3,502,975	7,877,975	4,375,000	3,502,975	7,877,975
2040 - 2044			-	5,190,000	2,342,500	7,532,500	5,190,000	2,342,500	7,532,500
2045 - 2049			-	6,670,000	867,000	7,537,000	6,670,000	867,000	7,537,000
Thereafter			-			-	-	-	-
Total minimum payments	**$ -**	**-**	**-**	**25,505,000**	**22,740,750**	**48,245,750**	**25,505,000**	**22,740,750**	**48,245,750**
Less: amounts representing interest									(22,740,750)
Present value of future minimum payments									25,505,000
Unamortized net premium/(discount)									4,540,956
Total long-term debt obligations									30,045,956
Less: current portion									(425,000)
Long-term debt obligations, net of current portion									**$ 29,620,956**

7 Transactions with related entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs	4,125,368
Payments to University for other than salaries of University personnel	7,230,202
Payments received from University for services, space, and programs	5,622,874
Gifts-in-kind to the University from discretely presented component units	237,893
Gifts (cash or assets) to the University from discretely presented component units	5,779,332
Accounts (payable to) University	(621,267)
Other amounts (payable to) University	-
Accounts receivable from University	345,751
Other amounts receivable from University	-

Cal Poly Corporation
Other Information
June 30, 2019
(for inclusion in the California State University)

8 Restatements/Prior period adjustments:

Provide a detailed breakdown of the journal entries (at the financial statement line items level) booked to record each restatement/PPA:

		Debit/(Credit)
Transaction #1	Enter transaction description	
Transaction #2	Enter transaction description	

9 Natural classifications of operating expenses:

	Salaries	Benefits - Other	Benefits - Pension	Benefits - OPEB	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total operating expenses
Instruction	154,939	181,580	27,330	5,681		827,956	-	**1,197,486**
Research	7,005,263	199,853	1,235,691	256,854		9,294,063	-	**17,991,724**
Public service	5,519,236	1,115,763	973,564	202,368		8,309,049	-	**16,119,980**
Academic support	830,937	312,479	146,573	30,467		937,115	-	**2,257,571**
Student services	268,722	78,401	47,401	9,853		752,692	-	**1,157,069**
Institutional support	3,616,280	1,326,646	637,893	132,594		3,416,798	-	**9,130,211**
Operation and maintenance of plant	284,465	52,218	-	-		4,362,852	-	**4,699,535**
Student grants and scholarships	-	-	-	-	449,193	-	-	**449,193**
Auxiliary enterprise expenses	9,544,325	2,998,998	1,683,568	349,951		19,542,395	-	**34,119,237**
Depreciation and amortization	-	-	-	-	-	-	1,785,478	**1,785,478**
Total operating expenses	**$ 27,224,167**	**6,265,938**	**4,752,020**	**987,768**	**449,193**	**47,442,920**	**1,785,478**	**88,907,484**

10 Deferred outflows/inflows of resources:

1. Deferred Outflows of Resources	
Deferred outflows - unamortized loss on refunding(s)	242,324
Deferred outflows - net pension liability	3,628,935
Deferred outflows - net OPEB liability	594,645
Deferred outflows - others:	
Total deferred outflows - others	-
Total deferred outflows of resources	**$ 4,465,904**
2. Deferred Inflows of Resources	
Deferred inflows - service concession arrangements	
Deferred inflows - net pension liability	4,133,014
Deferred inflows - net OPEB liability	255,294
Deferred inflows - unamortized gain on debt refunding(s)	
Deferred inflows - nonexchange transactions	
Deferred inflows - others:	
Related to life-interest in real estate	11,112,600
Total deferred inflows - others	**11,112,600**
Total deferred inflows of resources	**$ 15,500,908**

Other Supplementary Information

Cal Poly Corporation

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

June 30, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	$ 181,215	$ 191,355
Certificates of deposit	38,525	34,513
Accounts receivable	106,875	77,318
Inventories	856	856
Prepaid expenses and other assets	789	408
Total current assets	328,260	304,450
Other assets:		
Investments	398,717	398,848
Total assets	$ 726,977	$ 703,298
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 1,455	$ 1,237
Total current liabilities	1,455	1,237
Net assets:		
Unrestricted:		
Undesignated	725,522	702,061
Total unrestricted net assets	725,522	702,061
Total liabilities and net assets	$ 726,977	$ 703,298

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, 2019 and 2018

	2019	2018
Unrestricted revenue and support:		
Donations and grants	$ 17,721	$ 51,383
Travel and promotion	29,738	33,093
Homecoming	54,021	59,112
Investment gain (loss)	17,558	25,921
External activities	189,562	231,090
Total unrestricted revenue and support	308,600	400,599
Expenses:		
Program services:		
Postage	681	2,196
Tax preparation	2,260	-
Travel	4,371	918
Office expense	38,953	20,233
Accounting services	7,637	2,820
Hosting special events	13,375	112,375
External activities	217,041	142,069
Other	821	2,805
Total expenses	285,139	283,416
Change in unrestricted net assets	23,461	117,183
Unrestricted net assets - beginning of year	702,061	584,878
Unrestricted net assets - end of year	$ 725,522	$ 702,061

See accompanying independent auditor's report.