Cal Poly Corporation

Audited Financial Statements and

Supplementary Information

Years Ended June 30, 2015 and 2014

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Supplementary Information
Years Ended June 30, 2015 and 2014

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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) as of June 30, 2015 and 2014, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. 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 opinions.

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Opinions

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, 2015 and 2014, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 15, Schedule of Funding Progress for OPEB Obligation on page 55, Schedule of Changes in the Net Pension Liability and Related Ratios on page 56, and the Schedule of Contributions on page 57, be presented to supplement the basic financial statements. Such information, although not a basic part of the financial statements, is required by the *Government Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. The accompanying supplementary information for inclusion in the financial statements of the California State University on pages 59 through 66 (Schedules 1 through 3) as required by the California State University and other supplementary information on pages 68 through 69 (Schedules 4 and 5) 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2015, 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 4, 2015

Cal Poly Corporation
Management's Discussion and Analysis
June 30, 2015 and 2014

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, 2015 ("2014-15"), June 30, 2014 ("2013-14") and June 30, 2013 ("2012-13"). 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 represents 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 result of this year's activities on that position. 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 the 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 book 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 is 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, 2015 and 2014

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 2014-15, 2013-14 and 2012-13. The accompanying audited financial statements as of and for the years ended June 30, 2015 and 2014 are reported in accordance with standards and requirements of the GASB as are the following schedules.

Condensed Statements of Net Position

	June 30,		
	2015	**2014**	**2013**
Assets:			
Current assets	$ 90,905,754	$ 88,887,718	$ 100,546,652
Noncurrent assets:			
Capital assets, net	36,177,216	22,181,485	23,473,478
Other noncurrent assets	26,039,978	28,619,257	12,785,148
Total assets	153,122,948	139,688,460	136,805,278
Deferred Outflows of Resources	1,432,671	—	—
Liabilities:			
Current liabilities	11,176,384	8,971,381	10,012,499
Noncurrent liabilities	34,885,408	15,419,786	25,949,387
Total liabilities	46,061,792	24,391,167	35,961,886
Deferred Inflows of Resources	3,872,119	—	—
Net Position:			
Net investment in capital assets	33,617,216	19,556,485	20,783,478
Restricted, expendable	13,047,111	11,353,433	9,092,763
Unrestricted	57,957,381	84,387,375	70,967,151
Total net position	$ 104,621,708	$ 115,297,293	$ 100,843,392

Net Position

Net position may serve over time as an indicator of the Corporation's financial position. As of June 30, 2015, assets and deferred outflows exceeded liabilities and deferred inflows by $104.6 million, resulting in a decrease of $10.7 million in net position over the prior year. An adjustment of $13.9 million was made in the current year to reduce beginning net position to reflect the cumulative impact of implementing recently issued GASB standards regarding the accounting for pensions. The decrease in net position as a result of recording this adjustment was offset by an overall increase in net position of $3.2 million, which primarily represents the net result of a $15.3 million operating loss combined with noncapital gifts of $5.4 million and capital grants and gifts of $12.9 million. For the year ended June 30, 2014, overall net position increased $14.5 million. This increase was driven by favorable operating results of $892,000 combined with investment returns of $7.0 million in the Corporation investment pools. In addition, noncapital gifts of $2.7 million and capital grants and gifts of $3.5 million contributed to the overall increase in net position.

Net investment in capital assets represents the Corporation's capital assets, net of accumulated depreciation and amortization, and also net of outstanding principal balances of related debt. The Corporation uses these capital assets in its day-to-day operations. Net investment in capital assets increased $14.1 million from the prior year. During 2014-15, the Corporation was gifted a 448-acre working ranch situated in the city of Arroyo Grande, referred to as the Bartleson Ranch and Conservatory (the "Ranch"). The Ranch is valued at $11.3 million and is expected to contribute to the Corporation's commercial agriculture operations. The increase in net investment in capital assets is primarily the result of the acquisition of this Ranch. In addition, current year capital asset purchases exceeded the combined total of disposals and depreciation and amortization expense on existing capital assets. For the year ended June 30, 2014, net investment in capital assets decreased $1.2 million or 5.9% , which was the result of depreciation and amortization expense on existing capital assets exceeding capital asset purchases during the year. In addition, $727,000 in capital assets related to three Bella Montaña faculty/staff housing units were permanently removed from the rental pool and subsequently sold.

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,		
	2015	**2014**	**2013**
Restricted, expendable:			
Research	$ 293,578	$ 222,484	$ 285,800
Capital projects	3,731,603	2,871,445	891,728
Instruction	1,272,192	1,032,022	971,318
Academic support	311,288	1,848,630	1,665,213
Other	7,438,450	5,378,852	5,278,704
Total restricted, expendable	$ 13,047,111	$ 11,353,433	$ 9,092,763

This balance can fluctuate from year to year based on the level of activity and expenditures. Overall restricted, expendable net position increased $1.7 million from the prior year. The increase is primarily the result of $2.1 million and $1.2 million in both pledges and gifts received, respectively, offset by current year expenditures. These funds are restricted by their donors, the majority of which are on behalf of athletics. For the year ended June 30, 2014, restricted, expendable net position increased $2.3 million. Restricted, expendable for capital projects increased $2.0 million primarily due to $1.7 million of pledge and gift income received for the Athletics Facilities/Sports Complex and related capital projects, and an additional $510,000 of pledge and gift income restricted for Mott Gym Facility improvements. These fluctuations are based on the timing of project expenditures in relation to the receipt of gift and other funds.

Unrestricted represents the portion of net position that can be used to finance day-to-day operations of the Corporation without constraints established by donor restrictions, debt covenants or other legal requirements. Although unrestricted net position is not subject to externally imposed restrictions per accounting definitions, significant portions of the unrestricted net position are designated for specific programs or projects. Unrestricted net position decreased $26.4 million from the prior year. As mentioned previously, an adjustment of $13.9 million was made in the current year to reduce beginning net position (unrestricted) to reflect the cumulative impact of implementing recently issued GASB standards regarding the accounting for pensions. In addition, during 2014-15, the Corporation chose to amortize the remaining unamortized unfunded actuarial accrued liability, which resulted in a $9.4 million decrease in unrestricted net position. This liability represents the Corporation's *net other postemployment benefit obligation*. Unrestricted net position increased by $13.4 million to $84.4 million for the year ended June 30, 2014. The increase was driven by favorable market value gains and also reflects favorable operating results from commercial activities.

<u>Assets</u>

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

Cash and cash equivalents are generally held in checking and money market accounts. All certificates of deposit and 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 $7.4 million or 43.4% from the prior year compared to an increase of $1.8 million or 11.9% for the year ended June 30, 2014. Please refer to the Statement of Cash Flows for more information regarding changes in cash and cash equivalents.

Investments available for current operations are classified as *short-term investments,* which decreased $6.3 million or 10.4% from the prior year. During 2014-15, the Corporation transferred $6.0 million of short-term investments from Corporation investment pools to the recently established Voluntary Employees' Beneficiary Association (VEBA) Trust, which is not included in this report. During 2013-14, the Trust was established and an initial $17.2 million of short-term investments were transferred to the Trust. For the year ended June 30, 2014, favorable market value gains of $5.3 million within the short-term investment pools offset the transfer to the VEBA Trust, resulting in an overall net decrease of $12.6 million or 17.1%.

Accounts receivable, net increased $564,000 or 25.6% from the prior year. Receivables related to the Corporation's commercial activities increased $434,000. In addition, receivables from the University increased $384,000. These increases were offset by a $248,000 decrease in receivables from Cal Poly Foundation (Foundation). For the year ended June 30, 2014, accounts receivable, net decreased $606,000. The accounts receivable balance from the Foundation was $281,000 at June 30, 2014 compared to $667,000 at June 30, 2013. In addition, the Corporation had an outstanding receivable in the amount of $295,000 from the University at June 30, 2014, compared to $463,000 in the prior year.

Pledges receivable, net represents the portion of pledges receivable expected to be collected within one year and increased $491,000 or 62% from the prior year. The Corporation received $2.1 million in pledges during the current year, primarily on behalf of athletics. The increase in the current portion of pledges receivable relates to the portion of new pledges expected to be collected within one year offset by payments received on new and existing pledges. For the year ended June 30, 2014, pledges receivable, net increased $545,000, or over 200% from the prior year. A number of pledges were received by the Corporation, primarily in relation to the Athletics Facilities/Sports Complex and Mott Gym Facility improvements. Pledges received exceeded payments on existing pledges during the year.

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

Pledges receivable, net increased $809,000 or 14.5% from the prior year. As mentioned previously, the Corporation received $2.1 million in pledges during the current year, primarily on behalf of athletics. Pledge amounts expected to be collected within one year are classified as current assets. The increase as a result of new pledges was offset by amounts reclassified to current assets. For the year ended June 30, 2014, pledges receivable, net increased $1.1 million. Athletics received $1.9 million in new capital related pledges during 2013-14, which was offset by amounts reclassified to current assets.

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, 2015, the Corporation held $34.5 million in depreciable capital assets, compared to $34.0 million in the prior year. Depreciable capital assets, net of accumulated depreciation, totaled $15.2 million at June 30, 2015. Additions to depreciable capital assets in 2014-15 totaled $2.4 million, offset by current year depreciation expense of $1.8 million. These increases were offset by a $204,000 reduction in net capital assets, which primarily represents the sale of one of the Bella Montaña faculty/staff housing units.

The Corporation held $21 million of non-depreciable assets at June 30, 2015, compared to $8.5 million at June 30, 2014. Non-depreciable capital assets consist of land and improvements and construction in progress, and includes $6.8 million of land donated to the Corporation on behalf of Swanton Pacific Ranch. As mentioned previously, during 2014-15, the Corporation was gifted a 448-acre working ranch situated in the city of Arroyo Grande (the Bartleson

Ranch and Conservatory). The Ranch is valued at $11.3 million and a life interest has been retained by the donors. The Ranch was received on behalf of the College of Agriculture, Food and Environmental Sciences and is expected to contribute to the Corporation's commercial agriculture operations.

In addition to the Ranch, non-depreciable capital assets increased as a result of new construction projects in progress at the end of 2014-15, offset by completed capital projects which have been capitalized and are recorded as depreciable capital assets at June 30, 2015. Included in these completed projects was the Red Radish dinning venue for $293,000, the OneSolution system upgrade for $170,000, and $249,000 related to infrastructure renovations on Building 19.

The *Net other postemployment benefit (OPEB) asset* decreased $4.1 million or 100% to $0 at June 30, 2015. See *Net OPEB obligation* below for further discussion.

<u>Deferred Outflows of Resources</u>

Deferred Outflows of Resources represents contributions made by the Corporation to the pension plan during 2014-15 in accordance with recently issued GASB standards regarding the accounting for pensions.

<u>Liabilities</u>

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

Unearned Revenue increased $638,000 or 12.5% from the prior year. There are approximately 315 more freshmen enrolled and on meal plans for fall 2015-16 than in the prior year. In addition, unearned revenue related to conferences and workshops increased $405,000 from the prior year. For the year ended June 30, 2014, unearned revenue remained relatively consistent with the prior year, increasing 2.4%.

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

Grants refundable increased $3.0 million or 60.8% from the prior year in relation to an overall increase in project activity from prior year.

The Corporation's *long-term debt obligation* of $2.5 million represents a note payable as part of the California State University ("CSU") System-wide Revenue Bonds Series 2009A bond issuance. This note was issued to fund the construction of the Cal Poly Technology Park ("Tech Park"). The net capital asset value of this building, including tenant improvements, and related equipment at June 30, 2015 is $5.3 million. The Corporation made payments in the amount of $65,000 on this debt during 2014-15 and 2013-14.

The *net OPEB obligation* is related to the Corporation's defined benefit postretirement plan providing medical benefits to retirees of the Corporation. Based on the most recent actuarial study as of July 1, 2015, the actuarial accrued liability (AAL) was $27.8 million. The net OPEB obligation at June 30, 2015 is equal to the AAL less the value of assets in the VEBA trust on that date, which was $22.4 million, and is also referred to as the unfunded actuarial accrued liability (UAAL). At June 30, 2014, the Corporation reflected a net OPEB benefit asset. GASB standards allow reporting entities to amortize the UAAL over a period not to exceed 30 years. The net OPEB benefit asset reflected at June 30, 2014 was a timing difference, the result of amortizing the UAAL and the establishment of the VEBA Trust. During 2014-15, the Corporation chose to amortize the remaining unamortized UAAL. See Note 8 to Financial Statements for further discussion.

The *net pension liability* is related to the Corporation's defined benefit pension plan. As mentioned previously, during 2014-15, the Corporation adopted recently issued GASB standards regarding the accounting for pensions. 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, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. See Note 11 to Financial Statements for further discussion.

The *use interest of beneficiary* obligation represents the fair value of the life interest retained by the donors of the Bartleson Ranch and Conservatory, which was gifted to the Corporation during 2014-15. The *use interest of beneficiary obligation* was measured considering the fair value rent for similar properties and the actuarial life expectancy of the donors. The *use interest of beneficiary* obligation will be amortized over the actuarial life expectancy of the donors.

Deferred Inflows of Resources

Deferred Inflows of Resources represents cumulative differences between projected and actual earnings on pension plan investments and are recognized in pension expense over a closed five-year period in accordance with recently issued GASB standards regarding the accounting for pensions.

Results of Operations

Increase in net position for 2014-15 was $3.2 million as compared to $14.5 million for 2013-14. The increase for 2014-15 primarily represents the net result of a $15.3 million operating loss combined with noncapital gifts of $5.4 million and capital grants and gifts of $12.9 million.

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

	Year Ended June 30, 2015	2014	2013
Operating revenues:			
Grants and contracts	$ 20,605,349	$ 18,485,730	$ 20,247,278
Sales and services of auxiliary enterprises	48,348,577	48,438,529	42,390,599
Fees for services	5,518,341	5,767,257	5,677,931
University programs support	3,637,520	3,846,516	3,733,731
Conference and workshop revenues	2,876,258	2,278,294	1,929,655
Other operating revenue	1,218,618	2,745,409	1,109,386
Total operating revenues	82,204,663	81,561,735	75,088,580
Operating expenses:			
Corporation administration	4,203,895	3,403,634	3,406,170
Contract and grant expense	21,246,378	19,100,210	21,172,142
Auxiliary activities cost of sales	19,929,427	19,554,772	17,885,458
Auxiliary activities expense	20,793,845	18,865,515	18,513,528
University programs support	13,397,242	12,431,282	11,289,211
Sponsored program administration	1,035,765	941,701	1,079,540
Depreciation and amortization	1,787,640	1,935,411	1,898,004
Other operating expenses	15,072,506	4,437,296	3,017,843
Total operating expense	97,466,698	80,669,821	78,261,896
Operating income (loss)	(15,262,035)	891,914	(3,173,316)
Nonoperating revenues (expenses):			
Gifts, noncapital	5,362,975	2,741,014	2,960,684
Investment income (loss), net	(418,884)	6,895,195	4,305,169
Other nonoperating revenues, net	582,726	435,249	455,114
Total nonoperating revenues (expenses)	5,526,817	10,071,458	7,720,967
Other changes in net position:			
Capital grants and gifts	12,949,396	3,490,529	1,505,790
Increase in net position	3,214,178	14,453,901	6,053,441
Beginning net position	115,297,293	100,843,392	94,789,951
Prior year restatement	(13,889,763)	-	-
Beginning net position, as restated	101,407,530	100,843,392	94,789,951
Ending net position	$ 104,621,708	$ 115,297,293	$ 100,843,392

Operating revenues increased $643,000 or 0.8% in 2014-15 as compared to 2013-14. *Grants and contracts* revenue increased $2.1 million or 11.5%, primarily from an increase in project activity in the federal and nongovernmental sectors. Offsetting this increase was a $1.5 million decrease in *other operating revenues*. The Corporation sold six Bella Montana condo units in 2013-14 compared to one unit in 2014-15.

In 2013-14, *operating revenues* increased $6.5 million or 8.6% from the prior year. The increase was the result of a 26% increase in freshman enrollment from the prior year, which increased *sales and services of auxiliary enterprises.* Offsetting this increase was decreases in revenues from grants and contracts, primarily from the federal sector. *Other operating revenues* increased $1.6 million in 2013-14 as only one Bella Montana unit was sold in 2012-13.

Conference and workshop revenues increased $598,000 or 26.2% in 2014-15 as operations continue to expand and services are promoted. The current year increase reflects an increase in attendance numbers for repeat events and revenues from new events. In 2013-14, conference and workshop revenues increased $349,000 or 18.1%, which was driven by an increase in the number of conferences held as compared to prior year.

Operating expenses increased $16.8 million or 20.8% in 2014-15 as compared to 2013-14. The increase is primarily driven by a $10.6 million increase in *other operating expenses*. During 2014-15, the Corporation chose to amortize the remaining unamortized unfunded actuarial accrued liability, which resulted in a $9.4 million increase in other operating expenses. This liability represents the Corporation's *net other postemployment benefit obligation*. See Note 8 to Financial Statements for further discussion. In addition, *contract and grant expense*s increased $2.1 million or 11.2%, which is consistent with the increase in grants and contracts revenue and reflects an overall increase in project activity, primarily in the federal and nongovernmental sectors. *Corporation administration* expense also increased in 2014-15 by $800,000 or 24%, which was driven by an increase in employee-related expenses resulting from multiple transitions in key areas of responsibility.

In 2013-14, total operating expenses increased $2.4 million or 3.1% over the prior year. Contract and grant expense decreased $2.1 million or 9.8% as various large federal projects wrapped up their operations during the year. This decrease was offset by an increase in *auxiliary activities cost of sales* of $1.7 million or 9.3%, in line with the change in sales and services of auxiliary enterprises. Other operating expenses increased $1.4 million in 2013-14 over the prior year, primarily due to the sale of six Bella Montana units in 2013-14, compared to one unit sold the prior year. The cost of sales related to these units and related selling expenses are included in other operating expenses.

Overall, *University programs support* expense remained relatively consistent with the prior year, increasing 7.8% in 2014-15 as compared to 2013-14. *Conference and workshops expense* increased $675,000, which is consistent with the increase in conference and workshop revenues. *Public service support* expense increased $528,000 or 11.9% due to increases in Center and Institute activity, the most significant being the creation of the Strawberry Sustainability Research and Education Center. In 2013-14, university programs support expense increased $1.1 million or 10.1% over the prior year. *Conference and workshops expense* increased $248,000 or 16.5% over the prior year, in line with the increase in conference and workshops revenue and the number of conferences held. *Public service support* expense increased $625,000 or 16.5% due to increases in Center and Institute activity.

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

Gifts, noncapital increased $2.6 million or 95.7% in 2014-15 as compared to 2013-14. The increase is the result of gifts and pledges received primarily on behalf of athletics. In 2013-14, noncapital gifts decreased $220,000 or 7.4% from the prior year. Variances in gift income are due to the varying nature of contribution revenue from year to year, which depends on a number of both internal and external factors.

Investment income, net decreased $7.3 million or 106.1% in 2014-15 as compared to 2013-14. The decrease is the result of $2.1 million in market value losses, which exceeded interest and dividend revenues for the year. In 2013-14, net investment income increased $2.6 million or 58.2% over the prior year. Market value gains of $5.6 million were an improvement over the gains of $2.7 million in 2012-13.

Other changes in net position includes *capital grants and gifts*, which increased $9.5 million or 271.0% in 2014-15 as compared to 2013-14. As mentioned previously, during 2014-15 the Corporation was gifted the Bartleson Ranch and Conservatory valued at $11.3 million. In 2013-14, capital grants and gifts increased $2.0 million or 131.8% over the prior year. The Corporation received $1.6 million in pledge income from various donors during 2013-14 for the Athletics Facility/Sports Complex. In addition, pledge income for Mott Gym Facility improvements and the Football Locker in 2013-14 exceeded income received in the prior year by $447,000. In general, contribution revenue varies from year to year depending on a number of factors.

The ***prior year restatement*** was an adjustment of $13.9 million made in the current year to reduce beginning net position. This adjustment reflects the cumulative impact of implementing recently issued GASB standards regarding the accounting for pensions. See Note 13 to Financial Statements for further discussion.

Currently Known Facts Impacting Future Periods

Total investments of $73.6 million account for 48.1% of the Corporation's total assets. Of this total, $54.7 million or 74.3% is held in short-term investments and the remaining $18.9 million or 25.7% is held in long-term investments. The Corporation continues to manage its investments with the guidance of its investment advisory committee, which works in conjunction with the investment consultant, Kaspick & Co. Future investment earnings will fluctuate and be affected by interest rate fluctuations and uncertain market conditions.

The Corporation is in the design phase of building new facilities for its campus dining commercial operations. Construction of these facilities is expected to commence in the fourth quarter of fiscal year 2015-16 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, 2015 and 2014

	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	$ 24,371,626	$ 17,001,009
Short-term investments	54,687,394	61,013,445
Accounts receivable, net	2,764,354	2,200,450
Contracts and grants receivable, net	4,056,202	4,160,587
Pledges receivable, net	1,282,504	791,232
Inventories	3,225,116	3,319,062
Prepaid expenses and other current assets	518,558	401,933
Total current assets	90,905,754	88,887,718
Noncurrent assets:		
Restricted cash and cash equivalents	61,048	59,211
Accounts receivable, net	19,336	19,731
Pledges receivable, net	6,383,957	5,574,749
Endowment investments	5,808,968	5,327,199
Other long-term investments	13,128,669	12,914,822
Capital assets, net	36,177,216	22,181,485
Net other postemployment benefit asset	-	4,085,545
Other assets	638,000	638,000
Total noncurrent assets	62,217,194	50,800,742
Total assets	153,122,948	139,688,460
Deferred Outflows of Resources	1,432,671	-

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

Cal Poly Corporation

Statements of Net Position

June 30, 2015 and 2014

Page 2

	2015	2014
Liabilities		
Current liabilities:		
Accounts payable	$ 2,317,367	$ 2,202,074
Accrued salaries and benefits payable	803,060	518,793
Accrued compensated absences	752,748	721,238
Unearned revenue	6,132,320	5,449,276
Long-term debt obligations	70,000	65,000
Self-insurance claims liability	15,000	15,000
Other postemployment benefit obligation, current	1,085,889	
Total current liabilities	11,176,384	8,971,381
Noncurrent liabilities:		
Accrued compensated absences, net	22,812	45,054
Grants refundable	8,034,297	4,995,712
Long-term debt obligation	2,490,000	2,560,000
Deposits held in custody for others	7,603,859	6,744,822
Other postemployment benefit obligation, net of current	4,225,961	-
Net pension liability	11,120,981	-
Other liabilities:		
Split-interest trust liabilities	959,498	1,074,198
Use interest of beneficiary	428,000	-
Total noncurrent liabilities	34,885,408	15,419,786
Total liabilities	46,061,792	24,391,167
Deferred Inflows of Resources	3,872,119	-
Net Position		
Net investment in capital assets	33,617,216	19,556,485
Restricted for:		
Expendable:		
Research	293,578	222,484
Capital projects	3,731,603	2,871,445
Instruction	1,272,192	1,032,022
Academic support	311,288	1,848,630
Other	7,438,450	5,378,852
Unrestricted	57,957,381	84,387,375
Total net position	$ 104,621,708	$ 115,297,293

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, 2015 and 2014

	2015	2014
Operating revenues:		
Grants and contracts, noncapital:		
Federal	$ 12,662,860	$ 11,588,220
State	3,187,806	3,038,227
Local	399,923	225,717
Nongovernmental	4,354,760	3,633,566
Sales and services of auxiliary enterprises	48,348,577	48,438,529
Fees for services	5,518,341	5,767,257
University programs support	3,637,520	3,846,516
Conference and workshop revenues	2,876,258	2,278,294
Other operating revenues	1,218,618	2,745,409
Total operating revenues	82,204,663	81,561,735
Operating expenses:		
Corporation administration	4,203,895	3,403,634
Contract and grant expenses	21,246,378	19,100,210
Auxiliary activities cost of sales	19,929,427	19,554,772
Auxiliary activities expenses	20,793,845	18,865,515
University programs support:		
Conference and workshops expense	2,424,787	1,749,463
Public service support	4,951,790	4,423,475
Institutional support	1,904,089	1,846,205
Academic support	1,543,210	1,635,858
Student services	1,070,763	1,172,043
Other University programs	1,502,603	1,604,238
Sponsored programs administration	1,035,765	941,701
Depreciation and amortization	1,787,640	1,935,411
Other operating expenses	15,072,506	4,437,296
Total operating expenses	97,466,698	80,669,821
Operating income (loss)	(15,262,035)	891,914

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, 2015 and 2014

Page 2

	2015	2014
Nonoperating revenues (expenses):		
Gifts, noncapital	$ 5,362,975	$ 2,741,014
Investment income (loss), net	(284,357)	7,032,622
Interest expense	(134,527)	(137,427)
Other nonoperating revenues, net	582,726	435,249
Total nonoperating revenues (expenses)	5,526,817	10,071,458
Other changes in net position:		
Capital grants and gifts	12,949,396	3,490,529
Total other changes in net position	12,949,396	3,490,529
Increase in net position	3,214,178	14,453,901
Net position - beginning of year, before restatement	115,297,293	100,843,392
Prior year restatement	(13,889,763)	-
Net position - beginning of year, as restated	101,407,530	100,843,392
Net position - end of year	$ 104,621,708	$ 115,297,293

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

Cal Poly Corporation

Statements of Cash Flows

Years Ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Receipts from grants and contracts	$ 23,124,903	$ 18,835,451
Receipts from sales and services of auxiliary enterprises	51,162,010	50,895,435
Receipts from fees for services	5,518,341	5,767,257
Receipts from University programs	3,637,520	3,846,516
Payments to vendors	(36,090,446)	(34,970,430)
Payments to employees	(32,469,853)	(31,750,643)
Payments to University, net	(10,654,428)	(8,890,987)
Payments to Foundation, net	(189,791)	(440,773)
Payments to VEBA Trust	(6,020,115)	(526,068)
Other receipts	1,219,013	2,745,316
Other payments	(116,625)	35,250
Net cash provided (used) by operating activities	(879,471)	5,546,324
Cash flows from noncapital financing activities:		
Cash contributions received	3,576,375	2,309,911
Cash contributions received for split-interest trusts	10,000	4,999
Distributions to trust beneficiaries	(199,242)	(113,845)
Fees and expenses of split-interest trusts	(10,162)	(10,085)
Foundation support	442,311	442,311
Change in depository accounts	859,037	651,031
Net cash provided by noncapital financing activities	4,678,319	3,284,322
Cash flows from capital and related financing activities:		
Capital grants and gifts	2,303,086	2,006,988
Acquisition of capital assets	(3,046,383)	(1,392,685)
Proceeds from sale of capital assets	725,218	15,441
Interest paid on long-term debt obligation	(134,527)	(137,427)
Defeasance of long-term obligation	(65,000)	(65,000)
Net cash provided (used) by capital and related financing activities	(217,606)	427,317
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	8,367,122	18,650,450
Purchase of investments	(6,453,868)	(33,387,104)
Investment income proceeds	1,877,958	6,888,911
Proceeds from note receivable	-	415,532
Net cash provided (used) by investing activities	3,791,212	(7,432,211)
Net increase in cash	7,372,454	1,825,752
Cash and cash equivalents - beginning of year	17,060,220	15,234,468
Cash and cash equivalents - end of year	$ 24,432,674	$ 17,060,220

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

Cal Poly Corporation

Statements of Cash Flows

Years Ended June 30, 2015 and 2014

Page 2

	2015	2014
Reconciliation of cash and cash equivalents to Statements of Net Position:		
Cash and cash equivalents	$ 24,371,626	$ 17,001,009
Restricted cash and cash equivalents	61,048	59,211
Cash and cash equivalents - end of year	$ 24,432,674	$ 17,060,220
Reconciliation of operating loss to net cash provided by operating activities:		
Operating income (loss)	$ (15,262,035)	$ 891,914
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	1,787,640	2,186,273
Bad debt	64,878	91,734
Gain on sale of assets	(121,791)	-
Changes in operating assets and liabilities:		
Accounts receivable, net	(524,002)	471,501
Inventories	93,946	1,546,307
Prepaid expenses and other current assets	(116,625)	35,250
Accounts payable	34,660	(480,003)
Accounts payable - University	(116,160)	(390,293)
Accounts payable - Foundation	196,793	(103,849)
Accrued salaries and benefits payable	284,267	(86,818)
Accrued compensated absences	9,268	(52,388)
Unearned revenue	683,044	126,514
Grants refundable	3,038,585	484,023
Other postemployment benefit obligation	9,397,395	826,159
Net pension liability	(2,768,782)	-
Deferred outflow and inflows	2,439,448	-
Net cash provided (used) by operating activities	$ (879,471)	$ 5,546,324
Supplemental disclosures of cash flow information:		
Contributions of investments	$ 256,808	$ 34,581
Other noncash contributions	$ 11,495,416	$ 89,230
Increase in fair value of investments	$ 2,073,989	$ 3,066,911
Reclassification of condo units from capital assets to inventories	$ 195,709	$ 854,772

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

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 (CPHC), 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 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 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 Statements of Net Position date 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 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.

Short-term investments consist of equity securities, open-ended mutual funds, certificates of deposit and U.S. government and municipal obligations with an original maturity date of one year or less, and U.S. government and municipal obligations with a maturity date of one year or less. 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. 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 $2,506 and $60,963 at June 30, 2015 and 2014, 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 $985,858 and $925,034 at June 30, 2015 and 2014, 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 - retail inventory method except electronic hardware, specific identification cost
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 11 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 are recorded at cost at date of acquisition. Capital assets with a value of less than $5,000 are not capitalized. 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.

Note 2: Summary of Significant Accounting Policies (Continued)

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.

Grants Refundable

Grants refundable primarily includes revenue billed or collected in advance of when it is earned on grants and contracts.

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

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

Note 2: Summary of Significant Accounting Policies (Continued)

Pensions

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

Net Position

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

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

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

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

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.

Note 2: Summary of Significant Accounting Policies (Continued)

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, 2015 and 2014, grants and contracts revenue included $623,416 and $471,435, 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; is protected, kept unencumbered, cared for, and preserved. The value of the collection was estimated at $1,400,000 at June 30, 2015 and 2014.

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) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

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 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25,* which revises existing standards of financial reporting for most pension plans. Implementation was required for financial statements for fiscal years beginning after June 15, 2013. This Statement is not applicable to the Corporation.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations.* This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*. This Statement specifies the information required to be disclosed by governments that extend non-exchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive non-exchange financial guarantees.

Management implemented GASB Statements No. 69 and 70 for the Corporation's June 30, 2014 financial statements. Implementation of these statements did not have a material impact on the Corporation's financial statements.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of Statement No. 27*, that addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures for pensions. Note disclosure and required supplementary information requirements about pensions also are addressed. The provisions of Statement No. 68 are effective for fiscal years beginning after June 15, 2014.

Note 2: Summary of Significant Accounting Policies (Continued)

Additionally, in November 2013, GASB issued Statement No. 71*, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This Statement addresses an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of Statement No.71 are required to be applied simultaneously with the provisions of Statement No. 68.

Management implemented GASB Statements No. 68 and 71 for the Corporation's June 30, 2015 financial statements. Implementation of these statements resulted in a restatement of beginning net position as of July 1, 2015. See Note 9 and Note 13 to Financial Statements for further discussion.

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of Statement No. 72 are effective for fiscal years beginning after June 15, 2015. Management has not yet determined the impact of this Statement on its financial statements.

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

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes financial reporting standards for state and local governmental OPEB plans—defined benefit OPEB plans and defined contribution OPEB plans—that are administered through trusts or equivalent arrangements. The provisions of Statement No. 74 are effective for fiscal years beginning after June 15, 2016. Management has not yet determined the impact of this Statement on its financial statements.

Note 2: Summary of Significant Accounting Policies (Continued)

Additionally, in June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension*s. Statement No. 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions of Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Management has not yet determined the impact of this Statement on its financial statements.

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

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The provisions of Statement No. 77 are effective for fiscal years beginning after December 15, 2015. 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

Note 3: Cash and Cash Equivalents (Continued)

assets placed with a particular program are fully FDIC insured. These programs include the Wells Fargo Brokered CD program, the Certificate of Deposit Account Registry (CDARS) program and the Insured Cash Sweep (ICS) money market program. At June 30, 2015, the Corporation had uninsured cash deposits totaling $10,052,994, held principally at Wells Fargo Bank in the Corporation's operating bank account.

At June 30, 2015 and 2014, a portion of cash and cash equivalents was restricted according to donor stipulations as follows:

	2015	2014
Endowments	$ 25,450	$ 20,525
Split interest trusts	35,598	38,686
Total restricted cash and cash equivalents	$ 61,048	$ 59,211

Note 4: Investments

At June 30, 2015 and 2014, investments were classified in the accompanying financial statements as follows:

	2015	2014
Short-term investments	$ 54,687,394	$ 61,013,445
Endowment investments	5,808,968	5,327,199
Other long-term investments	13,128,669	12,914,822
Total investments	$ 73,625,031	$ 79,255,466

At June 30, 2015 and 2014, other long-term investments included $1,858,693 and $2,024,164, respectively, held in split-interest trusts.

Note 4: Investments (Continued)

At June 30, 2015, investments comprised the following:

	2015		
	Current	**Noncurrent**	**Total**
Equity securities	$ 402,840	$	$ 402,840
Fixed income securities		498,958	498,958
Real estate		980,000	980,000
Certificates of deposit		10,285,753	10,285,753
Mutual funds:			
Equity funds	18,888,162	4,806,550	23,694,712
Bond funds	29,706,360	1,516,595	31,222,955
Exchange traded funds	94,296		94,296
All Asset All Authority funds	4,596,853	686,401	5,283,254
Other investments:			
Cash and interest receivable pending long-term investment	112,671	1,350	114,021
Alternative investments	886,212	157,807	1,044,019
Agriculture related retains		4,223	4,223
Total investments	$ 54,687,394	$ 18,937,637	$ 73,625,031

At June 30, 2014, investments comprised the following:

	2014		
	Current	**Noncurrent**	**Total**
Equity securities	$ 343,108	$	$ 343,108
Fixed income securities		514,670	514,670
Real estate		2,880,000	2,880,000
Certificates of deposit	2,493,035	8,006,434	10,499,469
Mutual funds:			
Equity funds	20,817,846	4,598,687	25,416,533
Bond funds	30,559,911	1,344,178	31,904,089
Exchange traded funds	109,479		109,479
All Asset All Authority funds	5,602,250	756,803	6,359,053
Other investments:			
Cash and interest receivable pending long-term investment	150,481	1,573	152,054
Alternative investments	937,335	135,453	1,072,788
Agriculture related retains		4,223	4,223
Total investments	$ 61,013,445	$ 18,242,021	$ 79,255,466

Note 4: Investments (Continued)

Investment Policies

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

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

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

The All Asset All Authority fund uses an asset allocation approach, targeting solid real (after-inflation) returns from a global opportunity set of traditional and alternative asset classes. The fund has the flexibility to draw on a wide selection of investments, including inflation-hedging assets, such as Treasury Inflation-Protected Securities (TIPS) and commodities, as well as U.S. and international stocks and bonds.

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

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

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

Note 4: Investments (Continued)

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 $24,191,848, or 33%, of the total investments of the Corporation at June 30, 2015. Equities are subject to both unsystematic and systematic risk. Unsystematic risk is the risk of a price change due to the unique circumstances of a specific security or group of related securities. The Corporation addresses unsystematic risk by investing in widely diversified equity mutual funds. Equity securities are also subject to systematic risk or market risk. Systematic risk recognizes that equity securities, as an asset class, can change in value as a result of such factors as inflation, exchanges rates, political instability, war, economic conditions and interest rates. This type of risk is not specific to a particular company or industry and cannot be substantially mitigated by diversification.

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.

Note 4: Investments (Continued)

The credit ratings of the Corporation's fixed income securities held in investments and money market funds at June 30, 2015 were as follows:

	Fair Value	Rating
Bond mutual funds:		
DFA Intermediate Government Bond	$ 3,462,197	AAA
Loomis Sayles Bond Fund - Institutional	1,670,229	BBB
PIMCO Total Return Fund - Institutional	2,857,814	AA
PIMCO Foreign Bond Fund - Institutional	1,981,363	AA
PIMCO High Yield Fund - Institutional	741,507	BB
PIMCO Short Term - Institutional	8,838,560	A
PIMCO Low Duration Fund	11,671,285	A
U.S. government:		
U.S. Treasury bills	97,102	AAA
U.S. government backed - asset backed securities	401,856	AAA
Money market funds:		
Wells Fargo Cash Investment Money Market - Institutional	3,995,043	Unrated
Schwab One Fund	150,612	Unrated
Schwab Government Money Fund	19,777	Unrated
Total fixed income and debt securities subject to credit risk	$ 35,887,345	

Custodial Risk:

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

Concentration of Credit Risk:

Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers; thereby exposing the organization to greater risks resulting from adverse conditions or developments. GASB requires disclosure of investments in any one individual issuer that represent 5% or more of total investments. At June 30, 2015 and 2014, the Corporation had no investments that exceeded this threshold.

Note 4: Investments (Continued)

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, 2015 was as follows:

	Fair Value	Weighted Average Duration (in years)
Bond mutual funds:		
DFA Intermediate Government Bond	$ 3,462,197	5.4
Loomis Sayles Bond Fund - Institutional	1,670,229	4.8
PIMCO Total Return Fund - Institutional	2,857,814	3.7
PIMCO Foreign Bond Fund - Institutional	1,981,363	7.6
PIMCO High Yield Fund - Institutional	741,507	4.1
PIMCO Short Term - Institutional	8,838,560	0.1
PIMCO Low Duration Fund	11,671,285	1.1
U.S. government:		
U.S. Treasury bills	97,102	5.7
U.S. government backed - asset backed securities	401,856	5.7
Money market funds	4,165,432	0.0
Total fixed income and debt securities subject to interest rate risk	$ 35,887,345	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, 2015 was as follows:

	Fair Value
British Pounds	$ 1,850,042
Euro	1,456,709
Japanese Yen	946,522
Swiss Francs	788,510
Chinese Yuan	520,686
Hong Kong Dollars	497,870
Indian Rupee	495,789
Canadian Dollars	477,807
Taiwanese Dollars	465,333
Korean Won	441,160
Mexican Peso	437,362
Brazilian Reals	344,314
Australian Dollars	302,433
South African Rand	279,735
Malaysian Ringgit	200,804
Swedish Krona	187,367
Polish Zloty	159,053
Russian Ruble	155,571
Thai Baht	151,404
Indonesian Rupiah	146,925
Turkish Lira	119,338
Singapore Dollars	114,436
Other	203,233
Total investments subject to foreign currency risk	$ 10,742,403

Other currencies are individually less than 1% of the Corporation's investments. The foreign currency risk by investment type at June 30, 2015 was as follows:

Equity mutual funds	$ 9,747,663
Bond mutual funds	994,740
Total investments subject to foreign currency risk	$ 10,742,403

Note 4: Investments (Continued)

Alternative Investment Risks:
The Corporation held alternative investments at estimated fair value at June 30, 2015. The Corporation does not have any direct investments in derivative financial instruments which would require accounting and disclosure under GASB Statement No. 53, *Accounting for Derivative Instruments*. Alternative investments at fair market value at June 30, 2015 were as follows:

All Asset All Authority funds	$ 5,283,254
Commodity funds	1,044,019
Total alternative investments	$ 6,327,273

Note 5: Pledges Receivable

At June 30, 2015 and 2014, pledges receivable comprised the following:

	2015	2014
Athletic programs	$ 2,026,154	$ 345,845
College-specific facilities	7,214,307	7,444,888
Stadium suites	197,567	258,158
Subtotal	9,438,028	8,048,891
Less allowance for uncollectible accounts	(985,858)	(925,034)
Less unamortized discount	(785,709)	(757,876)
Pledges receivable, net	$ 7,666,461	$ 6,365,981
Amounts due in:		
One year or less	$ 1,440,362	$ 879,852
One to five years	1,814,814	1,279,044
More than five years	6,182,852	5,889,995
Total amounts due	$ 9,438,028	$ 8,048,891

Note 6: Capital Assets

At June 30, 2015, capital assets comprised the following:

	2015				
	Balance June 30, 2014	**Additions**	**Reductions**	**Transfers of Completed WIP**	**Balance June 30, 2015**
Nondepreciable capital assets:					
Land and improvements	$ 7,459,164	$ 11,291,000	$ (57,739)	$ -	$ 18,692,425
Works of art and historical treasures	508,060	-	(62,261)	-	445,799
Construction in progress	493,178	2,584,241	(138,650)	(1,067,273)	1,871,496
Total nondepreciable capital assets	8,460,402	13,875,241	(258,650)	(1,067,273)	21,009,720
Depreciable and amortizable capital assets:					
Buildings and building improvements	20,491,666	1,925,785	(212,780)	-	22,204,671
Leasehold improvements	949,510	18,443	(553,733)	734,159	1,148,379
Equipment	10,513,992	399,301	(1,680,407)	218,137	9,451,023
Intangible assets:					
Software and websites	1,560,076	27,613	(506,862)	114,977	1,195,804
Licenses and permits	467,114	-	(5,381)	-	461,733
Total depreciable and amortizable capital assets	33,982,358	2,371,142	(2,959,163)	1,067,273	34,461,610
Less accumulated depreciation and amortization:					
Buildings and building improvements	(9,811,948)	(502,294)	82,603	-	(10,231,639)
Leasehold improvements	(426,208)	(31,351)	88,299	-	(369,260)
Equipment	(8,587,304)	(1,071,928)	2,072,744	-	(7,586,488)
Intangible assets:					
Software and websites	(1,273,742)	(128,186)	505,880	-	(896,048)
Licenses and permits	(162,073)	(53,881)	5,275	-	(210,679)
Total accumulated depreciation and amortization	(20,261,275)	(1,787,640)	2,754,801	-	(19,294,114)
Total capital assets, net	$ 22,181,485	$ 14,458,743	$ (463,012)	$ -	$ 36,177,216

Note 6: Capital Assets (Continued)

At June 30, 2014, capital assets comprised the following:

	2014				
	Balance June 30, 2013	Additions	Reductions	Transfers of Completed WIP	Balance June 30, 2014
Nondepreciable capital assets:					
Land and improvements	$ 7,459,164	$ -	$ -	$ -	$ 7,459,164
Works of art and historical treasures	508,060	-	-	-	508,060
Construction in progress	188,481	863,234	(244,013)	(314,524)	493,178
Total nondepreciable capital assets	8,155,705	863,234	(244,013)	(314,524)	8,460,402
Depreciable and amortizable capital assets:					
Buildings	21,211,196	25,378	(744,908)	-	20,491,666
Leasehold improvements	664,277	103,944	(63,804)	245,093	949,510
Equipment	10,446,844	455,049	(457,332)	69,431	10,513,992
Intangible assets:					
Software and websites	1,383,583	176,493	-	-	1,560,076
Licenses and permits	454,514	12,600	-	-	467,114
Total depreciable and amortizable capital assets	34,160,414	773,464	(1,266,044)	314,524	33,982,358
Less accumulated depreciation and amortization:					
Buildings	(8,958,273)	(946,244)	92,569	-	(9,811,948)
Leasehold improvements	(354,721)	(93,686)	22,199	-	(426,208)
Equipment	(8,290,867)	(698,446)	402,009	-	(8,587,304)
Intangible assets:					
Software and websites	(1,076,707)	(197,035)	-	-	(1,273,742)
Licenses and permits	(162,073)	-	-	-	(162,073)
Total accumulated depreciation and amortization	(18,842,641)	(1,935,411)	516,777	-	(20,261,275)
Total capital assets, net	$ 23,473,478	$ (298,713)	$ (993,280)	$ -	$ 22,181,485

Note 7: Long-Term Debt Obligation

At June 30, 2015 and 2014, the long-term debt obligation represented a note payable related to the CSU System-Wide Revenue Bonds Series 2009A bond issuance. Payments on this note are made each March and September with final payment due September 2035. Payments began in 2012 with $60,000 due for each of the first two years, with payments progressively increasing until the final payment in September 2035. The all-in true interest rate of the loan is 5.28%. 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 long-term debt obligation activity for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
Note payable, State-Wide Revenue Bond Series 2009A	$ 2,625,000	$	$ (65,000)	$ 2,560,000	$ 70,000

At June 30, 2015, future maturities of the long-term debt obligation balance were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2016	$ 70,000	$ 131,944	$ 201,944
2017	75,000	128,544	203,544
2018	75,000	125,094	200,094
2019	80,000	121,368	201,368
2020	85,000	117,388	202,388
2021-2025	500,000	515,109	1,015,109
2026-2030	645,000	363,756	1,008,756
2031-2035	835,000	165,556	1,000,556
2036-2040	195,000	5,119	200,119
Total future maturities	$ 2,560,000	$ 1,673,878	$ 4,233,878

Note 8: Other Postemployment Benefit (OPEB) Obligation

Plan Description

The Corporation sponsors a defined benefit postretirement plan (Plan) that covers both salaried and non-salaried employees. The Plan provides an extension of medical benefits provided while under employment to the plan participants. The Plan is contributory, with retiree contributions adjusted annually for the difference between the total medical premium cost and the Corporation contribution rate. Retirees pay their portion of medical premiums

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

directly to CalPERS so retiree contributions are not recorded in the accompanying financial statements. For employees hired prior to December 1, 2011, vesting occurs after five years credited service with CalPERS and attainment of age fifty. Employees hired as of December 1, 2011 and thereafter are subject to an alternative vesting schedule based on years of service and age. Under this revised schedule, an employee is eligible for 50% of the benefits after ten years credited service with CalPERS (five of which must be with the Corporation) and attainment of age fifty, and is eligible for 100% after twenty years of service and attainment of age fifty.

Funding Policy

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

In March 2014, the Corporation established a single employer voluntary beneficiary association (VEBA) trust which is a separate welfare benefit trust established to provide health care benefits to qualified retirees. The Cal Poly Corporation VEBA Trust (Trust) is intended to hold assets sufficient to cover, at a minimum, the calculated future healthcare benefits associated with current retirees and active, vested employees. The Corporation funded $6,020,115 into the Trust during the fiscal year ended June 30, 2015. Copies of the Trust annual financial report may be obtained from the Cal Poly Corporation Business Office at One Grand Avenue, San Luis Obispo, CA 93407.

Annual OPEB Cost and Net OPEB Obligation (Asset)

The Corporation's annual OPEB cost, annual OPEB cost contributed to the Plan (as described in the funding policy above) and the net OPEB obligation (asset) for the years ended June 30, 2015 and 2014 were as follows:

	2015	2014
Annual required contribution (ARC)	$ 11,331,966	$ 2,090,504
Interest on net OPEB obligation (asset)	(285,989)	815,402
Adjustment to annual required contributions	4,371,533	(759,384)
Annual OPEB cost	15,417,510	2,146,522
Contributions made	(6,020,115)	(17,880,670)
Increase (decrease) in net OPEB obligation	9,397,395	(15,734,148)
Net OPEB obligation (asset) - beginning of year	(4,085,545)	11,648,603
Net OPEB obligation (asset) - end of year	$ 5,311,850	$ (4,085,545)

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

The Corporation's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation (asset) for the years ended June 30, 2015, 2014 and 2013 were as follows:

Fiscal Year	Annual OPEB Cost	Actual Contributions	% of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2015	$ 15,417,510	$ 6,020,115	39.05%	$ 5,311,850
6/30/2014	$ 2,146,522	$ 17,880,670	833.01%	$ (4,085,545)
6/30/2013	$ 3,071,329	$ 875,789	28.51%	$ 11,648,603

Funded Status and Funding Progress

The funded status of the Plan as of July 1, 2015, the Plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability	$ 27,758,246
Actuarial value of plan assets	22,446,396
Unfunded actuarial accrued liability (UAAL)	$ 5,311,850
Funded ratio	80.86%
Covered payroll	$ 11,444,107
UAAL as a percentage of covered payroll	46.42%

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

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

As of June 30, 2015, the Trust held cash and investments of $22,446,396 which are restricted for the purpose of providing medical healthcare benefits for qualified employees. In addition, the Corporation's Board has designated $6,420,841 of the Corporation's cash and investments for payments of future post-employment benefit obligation liabilities.

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

Actuarial Methods and Assumptions

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

The Plan's most recent actuarial valuation was performed as of July 1, 2015. In that valuation, the entry age of normal actuarial cost method was used and assumed full recognition of the unfunded actuarial accrued liability. The actuarial assumptions assumed a 6.5% discount rate and assumed that in all future years the maximum annual contribution for employees hired prior to November 1, 2011 will increase by 5.0% per year. Similarly, the actuarial assumptions assumed that beginning in 2016 the State Annuitant Contribution (applicable to employees hired November 1, 2011 and later) will increase by 5.0% per year.

Note 9: Transactions with Related Parties

As discussed in Note 1, the Corporation is an auxiliary organization of the University. Services are provided by the Corporation to the University with billings rendered for services provided. The University also bills the Corporation for services it provides. The following were transactions with the University as of and for the years ended June 30, 2015 and 2014:

	2015	2014
Accounts receivable	$ 678,955	$ 295,145
Accounts payable	447,152	576,539
Reimbursements to University for salaries and benefits of University personnel	2,700,490	2,547,071
Reimbursements to University for other than salaries of University personnel	5,823,422	4,445,222
Payments received from University for services, space and programs	5,462,332	4,292,256
Cash gifts to the University	1,630,546	1,676,311
Noncash gifts to the University	823,404	1,255,659

Note 9: Transactions with Related Parties (Continued)

Effective July 1, 2012, a Business Support Services Agreement (BSSA) was implemented with the Cal Poly Foundation. Under the BSSA, the Corporation provides information technology and other services to the Foundation through June 30, 2015. Effective July 1, 2015, a new BSSA was implemented, which provides information technology and other services to the Foundation through June 30, 2017. The following were transactions with the Foundation as of and for the years ended June 30, 2015 and 2014:

	2015	2014
Current accounts receivable	$ 32,467	$ 280,742
Receivable of endowment payout	-	15,962
Deposit with Corporation	638,000	638,000
Accounts payable	244,442	47,649
Payments from Foundation under BSSA/ASA	100,000	157,007
Reimbursements from Foundation for salaries and benefits	1,373,122	1,778,097
Cash contributions to Foundation	634,859	722,812
Cash contributions from Foundation	3,218,010	1,397,182

Note 10: Operating Leases

In exchange for services provided to the University, the Corporation has entered into certain long-term operating lease agreements with the University which allow the Corporation the use of campus land and facilities at nominal amounts through June 30, 2019. In addition, the Corporation has operating lease agreements with the University for certain facilities. Rental payments are due through August 1, 2018 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, 2015 and 2014 was $94,112 and $97,734, respectively. At June 30, 2015, future minimum rental payments for these leases were as follows:

For the Year Ending June 30,	
2016	$ 94,112
2017	94,112
2018	94,112
2019	7,843
Total	$ 290,179

Note 10: Operating Leases (Continued)

The Corporation also has a lease with an unrelated third party for Cal Poly Downtown. The total rent expense paid on this lease for the years ended June 30, 2015 and 2014 was $121,625 and $143,153, respectively. Rental payments are due through March 31, 2017 and are subject to annual rent adjustments of up to 5%. At June 30, 2015, future minimum rental payments for this lease were as follows:

For the Year Ending June 30,	
2016	$ 173,501
2017	111,654
Total	$ 285,155

The Corporation leases office space to various tenants in the Technology Park (Tech Park) with original lease terms of one to six years. The leases require tenants to pay their pro-rata share of common area maintenance (CAM) expenses. Rental income and CAM charges for the years ended June 30, 2015 and 2014 were $439,885 and $414,821, respectively. The cost of the Tech Park included in land, building and improvements was $6,695,132 and $6,695,132 and related accumulated depreciation was $1,367,863 and $1,057,853 at June 30, 2015 and 2014, respectively.
At June 30, 2015, future minimum rental income and CAM charges under these leases were as follows:

For the Year Ending June 30,	
2016	$ 313,783
2017	114,054
Total	$ 427,837

In conjunction with the Bella Montaña development, the Corporation holds a ground lease with the University which expires April 2104. The lease requires the homes to be sold under a University faculty and staff housing eligibility priority system which requires the homeowner to reside there as principal place of residence and restricts resale to eligible buyers. Each home is subject to a ground sublease. Under the ground lease agreement, the Corporation is to pay the University annually all ground rents received under the subleases less costs of administration, operating expenses and reserves. Total ground rents less costs of administration, operating expenses and reserves for the years ended June 30, 2015 and 2014 were $0 and no amounts were paid to the University.

Note 11: Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

Employees Covered
At June 30, 2015, the following employees were covered by the benefit terms for the Plan:

Inactive employees or beneficiaries currently receiving benefits	321
Inactive employees entitled to but not yet receiving benefits	514
Active employees	242
Total	1,077

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, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 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, 2013 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
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 expenses, including inflation
(3) The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. 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 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50% is applied to all plans in the

Note 11: Defined Benefit Pension Plan (Continued)

Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the agent multiple-employer plan. However, employers may determine the impact at the rate plan level for their own financial reporting purposes. Refer to page 52 of this report, which provides information on the sensitivity of the net pension liability to changes in the discount rate.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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' staff 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 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.

Note 11: Defined Benefit Pension Plan (Continued)

The table below reflects long-term expected real rate of return by asset class.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11 + (b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

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

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 (Asset)
Balance at June 30, 2014	$ 64,344,883	$ 49,173,613	$ 15,171,270
Changes in the year:			
Service cost	1,402,348		1,402,348
Interest on total pension liability	4,760,420		4,760,420
Differences between actual and expected experience	-		-
Changes in assumptions	-		-
Changes in benefit terms	-		-
Contribution - employer	-	1,281,507	(1,281,507)
Contribution - employee	-	461,197	(461,197)
Net investment income	-	8,470,353	(8,470,353)
Benefit payments, including refunds of employee contributions	(3,147,576)	(3,147,576)	-
Net changes	3,015,192	7,065,481	(4,050,289)
Balance at June 30, 2015	$ 67,360,075	$ 56,239,094	$ 11,120,981

Note 11: Defined Benefit Pension Plan (Continued)

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 7.50%, 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% (6.50%)	Current Discount Rate - (7.50%)	Discount Rate + 1% (8.50%)
Plan's Net Pension Liability (Asset)	$ 19,936,793	$ 11,120,981	$ 3,827,482

Pension Plan Fiduciary Net Position

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

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

For the year ended June 30, 2015, the Corporation recognized pension expense of $1,103,337. At June 30, 2015, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,432,671	$ -
Net difference between projected and actual earnings on plan investments	-	(3,872,119)
Total	$ 1,432,671	$ (3,872,119)

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, 2016. Deferred inflows of resources related to pensions will be recognized as pension expense as follows:

For the Year Ending June 30,	
2016	$ (968,030)
2017	(968,030)
2018	(968,030)
2019	(968,029)
Total	$ (3,872,119)

Note 11: Defined Benefit Pension Plan (Continued)

Payable to the Pension Plan

At June 30, 2015, the Corporation reported a payable of $57,273 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

Note 12: Risk Management

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

Note 13: Restatement of Beginning Net Position

The Corporation implemented GASB Statement No. 68, *Financial Reporting for Pensions—an amendment of Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68,* for the year ended June 30, 2015. The Corporation has chosen to present prior year data, but not restate the data for the prior year because all of the information available to restate prior year amounts was not readily available. An adjustment of $13,889,763 to beginning net position has been made to reflect the cumulative impact of implementing these standards.

Note 14: Subsequent Events

Events subsequent to June 30, 2015 have been evaluated through September 4, 2015, which is the date the financial statements were available to be issued.

On July 10, 2015, the Corporation contributed $266,767 to the Cal Poly Corporation VEBA Trust, which is intended to hold assets sufficient to cover, at a minimum, the calculated future healthcare benefits associated with current retirees and active, vested employees.

Required Supplementary Information

Cal Poly Corporation
Schedule of Funding Progress for OPEB Obligation
June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
7/1/2015	$ 22,446,396	$ 27,758,246	$ 5,311,850	80.86%	$ 11,444,107	46.42%
7/1/2013	$ 1,281,802	$ 21,362,644	$ 20,080,842	6.00%	$ 10,543,666	190.45%

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

		2015
Total pension liability		
Service cost	$	1,402,348
Interest on total pension liability		4,760,420
Differences between expected and actual experience		-
Changes in assumptions		-
Changes in benefits		-
Benefit payments, including refunds of employee contributions		(3,147,576)
Net change in total pension liability		3,015,192
Total pension liability - beginning		64,344,883
Total pension liability - ending (a)	$	67,360,075
Plan fiduciary net position		
Contributions - employer	$	1,281,507
Contributions - employee		461,197
Net investment income		8,470,353
Benefit payments		(3,147,576)
Net change in plan fiduciary net position		7,065,481
Plan fiduciary net position - beginning		49,173,613
Plan fiduciary net position - ending (b)	$	56,239,094
Net pension liability - ending (a)-(b)	$	11,120,981
Plan fiduciary net position as a percentage of the total pension liability		83.49%
Covered employee payroll		10,427,158
Net pension liability as a percentage of covered employee payroll		106.65%

* Fiscal year 2015 was the first year of implementation, therefore only one year is shown.

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013. 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: There were no changes in assumptions.

Cal Poly Corporation
Schedule of Contributions
Last 10 Fiscal Years*

	2015
Actuarially determined contribution	$ 1,281,507
Contributions in relation to the actuarially determined contributions	1,281,507
Contribution deficiency (excess)	$ -
Covered employee payroll	10,427,158
Net pension liability as a percentage of covered-employee payroll	12.29%

* Fiscal year 2015 was the first year of implementation, therefore only one year is shown.

Notes to Schedule:

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

Supplementary Information

Cal Poly Corporation
Schedule of Net Position
June 30, 2015
(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	$ 24,371,626
Short-term investments	54,687,394
Accounts receivable, net	6,820,556
Leases receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	1,282,504
Prepaid expenses and other assets	3,743,674
Total current assets	90,905,754
Noncurrent assets:	
Restricted cash and cash equivalents	61,048
Accounts receivable, net	19,336
Leases receivable, net of current portion	—
Notes receivable, net of current portion	—
Student loans receivable, net	—
Pledges receivable, net	6,383,957
Endowment investments	5,808,968
Other long-term investments	13,128,669
Capital assets, net	36,177,216
Other assets	638,000
Total noncurrent assets	62,217,194
Total assets	153,122,948
Deferred outflows of resources:	
Unamortized loss on debt refunding	—
Net pension obligation	1,432,671
Others	—
Total deferred outflows of resources	1,432,671
Liabilities:	
Current liabilities:	
Accounts payable	2,317,367
Accrued salaries and benefits payable	803,060
Accrued compensated absences– current portion	752,748
Unearned revenue	6,132,320
Capitalized lease obligations – current portion	—
Long-term debt obligations – current portion	70,000
Claims Liability for losses and LAE - current portion	15,000
Depository accounts	—
Other liabilities	1,085,889
Total current liabilities	11,176,384
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	22,812
Unearned revenue	—
Grants refundable	8,034,297
Capitalized lease obligations, net of current portion	—
Long-term debt obligations, net of current portion	2,490,000
Claims Liability for losses and LAE, net of current portion	—
Depository accounts	7,603,859
Other postemployment benefits obligation	4,225,961
Pension obligation	11,120,981
Other liabilities	1,387,498
Total noncurrent liabilities	34,885,408
Total liabilities	46,061,792
Deferred inflows of resources:	
Unamortized gain on debt refunding	—
Non-exchange transactions	—
Service concession arrangements	—
Net pension obligation	3,872,119
Others	—
Total deferred inflows of resources	3,872,119
Net Position:	
Net investment in capital assets	33,617,216
Restricted for:	
Nonexpendable – endowments	—
Expendable:	
Scholarships and fellowships	—
Research	293,578
Loans	—
Capital projects	3,731,603
Debt service	—
Other	9,021,930
Unrestricted	57,957,381
Total net position	$ 104,621,708

Cal Poly Corporation

Schedule of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2015

(for inclusion in the California State University)

Revenues:	
Operating revenues:	
Student tuition and fees (net of scholarship allowances of $0)	$ —
Grants and contracts, noncapital:	
Federal	12,662,860
State	3,187,806
Local	399,923
Nongovernmental	4,354,760
Sales and services of educational activities	—
Sales and services of auxiliary enterprises (net of scholarship allowances of $0)	48,348,577
Other operating revenues	13,250,737
Total operating revenues	82,204,663
Expenses:	
Operating expenses:	
Instruction	783,002
Research	15,790,236
Public service	12,024,186
Academic support	1,544,934
Student services	1,596,817
Institutional support	7,302,529
Operation and maintenance of plant	981,688
Student grants and scholarships	358,262
Auxiliary enterprise expenses	55,297,404
Depreciation and amortization	1,787,640
Total operating expenses	97,466,698
Operating income (loss)	(15,262,035)
Nonoperating revenues (expenses):	
State appropriations, noncapital	—
Federal financial aid grants, noncapital	—
State financial aid grants, noncapital	
Local financial aid grants, noncapital	
Nongovernmental and other financial aid grants, noncapital	
Other federal nonoperating grants, noncapital	
Gifts, noncapital	5,362,975
Investment income (loss), net	(284,357)
Endowment income (loss), net	—
Interest Expenses	(134,527)
Other nonoperating revenues (expenses)	582,726
Net nonoperating revenues (expenses)	5,526,817
Income (loss) before other additions	(9,735,218)
State appropriations, capital	—
Grants and gifts, capital	12,949,396
Additions (reductions) to permanent endowments	—
Increase (decrease) in net position	3,214,178
Net position:	
Net position at beginning of year, as previously reported	115,297,293
Restatements	(13,889,763)
Net position at beginning of year, as restated	101,407,530
Net position at end of year	$ 104,621,708

Cal Poly Corporation
Other Information
June 30, 2015
(for inclusion in the California State University)

1 Restricted cash and cash equivalents at June 30, 2015:

Portion of restricted cash and cash equivalents related to endowments	$ 25,450
All other restricted cash and cash equivalents	35,598
Total restricted cash and cash equivalents	$ 61,048

2.1 Composition of investments at June 30, 2015:

	Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
State of California Surplus Money Investment Fund (SMIF)	$ -	-	-	-	-	-	-
State of California Local Agency Investment Fund (LAIF)	-	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-	-
Certificates of deposit	-	-	-	10,285,753	-	10,285,753	10,285,753
Mutual funds	53,285,671	-	53,285,671	-	7,009,546	7,009,546	60,295,217
Money Market funds	-	-	-	-	-	-	-
Repurchase agreements	-	-	-	-	-	-	-
Commercial paper	-	-	-	-	-	-	-
Asset backed securities	-	-	-	-	-	-	-
Mortgage backed securities	-	-	-	-	-	-	-
Municipal bonds	-	-	-	-	-	-	-
U.S. agency securities	-	-	-	-	-	-	-
U.S. treasury securities	-	-	-	-	498,958	498,958	498,958
Equity securities	402,840	-	402,840	-		-	402,840
Exchange traded funds (ETFs)	-	-	-	-	-	-	-
Alternative investments:							
Private equity (including limited partnerships)	-	-	-	-	-	-	-
Hedge funds	-	-	-	-	-	-	-
Managed futures	-	-	-	-	-	-	-
Real estate investments (including REITs)	-	-	-	-	980,000	980,000	980,000
Commodities	886,212	-	886,212	-	157,807	157,807	1,044,019
Derivatives	-	-	-	-	-	-	-
Other alternative investment types	-	-	-	-	-	-	-
Other external investment pools (excluding SWIFT)							
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Other major investments:						-	-
Cash and interest receivable pending long-term investment	112,671	-	112,671	-	1,350	1,350	114,021
Agriculture related retains	-	-	-	4,223	-	4,223	4,223
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Total investments	54,687,394	-	54,687,394	10,289,976	8,647,661	18,937,637	73,625,031
Less endowment investments (enter as negative number)					(5,808,968)	(5,808,968)	(5,808,968)
Total investments	54,687,394	-	54,687,394	10,289,976	2,838,693	13,128,669	67,816,063

2.2 Investments held by the University under contractual agreements at June 30, 2015:

Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2015 :	-	-	-	-	-	-	-

2.3 Restricted current investments at June 30, 2015 related to:

	Amount
Add description	$ —
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Total restricted current investments at June 30, 2015	$ —

2.4 Restricted noncurrent investments at June 30, 2015 related to:

	Amount
Endowment investment	$ 5,808,968
Grant and Annuity Society	1,858,693
Al Smith / Valencia Creek Property	900,000
Ragged Point Property	80,000
Add description	
Add description	
Add description	—
Add description	—
Total restricted noncurrent investments at June 30, 2015	$ 8,647,661

3.1 Composition of capital assets at June 30, 2015:

	Balance June 30, 2014	Prior period Adjustments	Reclassifications	Balance June 30, 2014 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2015
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	$ 7,459,164	-	-	7,459,164	11,291,000	(57,739)	-	18,692,425
Works of art and historical treasures	508,060	-	-	508,060	-	(62,261)	-	445,799
Construction work in progress (CWIP)	493,178	-	-	493,178	2,584,241	(138,650)	(1,067,273)	1,871,496
Intangible assets:								
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-
Internally generated intangible assets in progress	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:								
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total nondepreciable/nonamortizable capital assets	8,460,402	-	-	8,460,402	13,875,241	(258,650)	(1,067,273)	21,009,720
Depreciable/amortizable capital assets:								
Buildings and building improvements	20,491,666	-	-	20,491,666	1,925,785	(212,780)	-	22,204,671
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	949,510	-	-	949,510	18,443	(553,733)	734,159	1,148,379
Personal property:								
Equipment	10,513,992	-	-	10,513,992	399,301	(1,680,407)	218,137	9,451,023
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	1,560,076	-	-	1,560,076	27,613	(506,862)	114,977	1,195,804
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	467,114	-	-	467,114	-	(5,381)		461,733
Other intangible assets:								
		-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total intangible assets	2,027,190	-	-	2,027,190	27,613	(512,243)	114,977	1,657,537
Total depreciable/amortizable capital assets	33,982,358	-	-	33,982,358	2,371,142	(2,959,163)	1,067,273	34,461,610
Total capital assets	42,442,760	-	-	42,442,760	16,246,383	(3,217,813)	-	55,471,330
Less accumulated depreciation/amortization:								
Buildings and building improvements	(9,811,948)	-	-	(9,811,948)	(502,294)	82,603		(10,231,639)
Improvements, other than buildings	-	-	-	-	-	-		-
Infrastructure	-	-	-	-	-	-		-
Leasehold improvements	(426,208)	-	-	(426,208)	(31,351)	88,299		(369,260)
Personal property:								
Equipment	(8,587,304)	-	-	(8,587,304)	(1,071,928)	2,072,744		(7,586,488)
Library books and materials	-	-	-	-	-	-		-
Intangible assets:								
Software and websites	(1,273,742)	-	-	(1,273,742)	(128,186)	505,880		(896,048)
Rights and easements	-	-	-	-	-	-		-
Patents, copyright and trademarks	-	-	-	-	-	-		-
Licenses and permits	(162,073)	-	-	(162,073)	(53,881)	5,275		(210,679)
Other intangible assets:								
Add description	-	-	-	-	-	-		-
Add description	-	-	-	-	-	-		-
Add description	-	-	-	-	-	-		-
Add description	-	-	-	-	-	-		-
Add description	-	-	-	-	-	-		-
Total intangible assets	(1,435,815)	-	-	(1,435,815)	(182,067)	511,155		(1,106,727)
Total accumulated depreciation/amortization	(20,261,275)	-	-	(20,261,275)	(1,787,640)	2,754,801		(19,294,114)
Total capital assets, net	$ 22,181,485	-	-	22,181,485	14,458,743	(463,012)	-	36,177,216

3.2 Detail of depreciation and amortization expense for the year ended June 30, 2015:

Depreciation and amortization expense related to capital assets	$ 1,787,640
Amortization expense related to other assets	—
Total depreciation and amortization	$ 1,787,640

4 Long-term liabilities activity schedule:

	Balance June 30, 2014	Prior period adjustments	Reclassifications	Balance June 30, 2014 (restated)	Additions	Reductions	Balance June 30, 2015	Current portion	Long-term portion
Accrued compensated absences	$ 766,292	—	—	766,292	817,159	(807,891)	775,560	752,748	22,812
Capitalized lease obligations:									
Gross balance	—	—	—	—	-	-	—	—	—
Unamortized premium / (discount) on capitalized lease obligations	—	—	—	—	-	-	—		—
Total capitalized lease obligations	—	—	—	—	-	-	—	—	—
Long-term debt obligations:									
Revenue Bonds	—	—	—	—	-	-	—	—	—
Other bonds (non-Revenue Bonds)	—	—	—	—	-	-	—	—	—
Commercial Paper	—	—	—	—	-	-	—	—	—
Note Payable related to SRB	—	—	—	—	-	-	—	—	—
Other:									
Note payable, State-wide Revenue Bond Series 2009A	2,625,000	—	—	2,625,000	-	(65,000)	2,560,000	70,000	2,490,000
Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-	-	—	—	—
Total long-term debt obligations	2,625,000	—	—	2,625,000	-	(65,000)	2,560,000	70,000	2,490,000
Unamortized bond premium / (discount)	—	—	—	—	-	-	—		—
Total long-term debt obligations, net	2,625,000	—	—	2,625,000	—	(65,000)	2,560,000	70,000	2,490,000
Total long-term liabilities	$ 3,391,292	—	—	3,391,292	817,159	(872,891)	3,335,560	822,748	2,512,812

5 Future minimum lease payments - capital lease obligations:

	Principal	Interest	Principal and Interest
Year ending June 30:			
2016	-	-	—
2017	-	-	—
2018	-	-	—
2019	-	-	—
2020	-	-	—
2021 - 2025	-	-	—
2026 - 2030	-	-	—
2031 - 2035	-	-	—
2036 - 2040	-	-	—
2041 - 2045	-	-	—
2046 - 2050	-	-	—
2051 - 2055	-	-	—
2056 - 2060	-	-	—
2061 - 2065	-	-	—
Total minimum lease payments			—
Less amounts representing interest			—
Present value of future minimum lease payments			—
Less: current portion			—
Capitalized lease obligation, net of current portion			$ —

6 Long-term debt obligation schedule

	Revenue Bonds			All other long-term debt obligations			Total		
	Principal	**Interest**	**Principal and Interest**	**Principal**	**Interest**	**Principal and Interest**	**Principal**	**Interest**	**Principal and Interest**
Year ending June 30:									
2016	$ -	-	-	70,000	131,944	201,944	70,000	131,944	201,944
2017	-	-	-	75,000	128,544	203,544	75,000	128,544	203,544
2018	-	-	-	75,000	125,094	200,094	75,000	125,094	200,094
2019	-	-	-	80,000	121,368	201,368	80,000	121,368	201,368
2020	-	-	-	85,000	117,388	202,388	85,000	117,388	202,388
2021 - 2025	-	-	-	500,000	515,109	1,015,109	500,000	515,109	1,015,109
2026 - 2030	-	-	-	645,000	363,756	1,008,756	645,000	363,756	1,008,756
2031 - 2035	-	-	-	835,000	165,556	1,000,556	835,000	165,556	1,000,556
2036 - 2040	-	-	-	195,000	5,119	200,119	195,000	5,119	200,119
2041 - 2045	-	-	-	-	-	-	-	-	-
2046 - 2050	-	-	-	-	-	-	-	-	-
2051 - 2055	-	-	-	-	-	-	-	-	-
2056 - 2060	-	-	-	-	-	-	-	-	-
2061 - 2065	-	-	-	-	-	-	-	-	-
Total	$ -	-	-	2,560,000	1,673,878	4,233,878	2,560,000	1,673,878	4,233,878

7 Calculation of net position

	Auxiliary Organizations		Total
	GASB	**FASB**	**Auxiliaries**
7.1 Calculation of net position - Net investment in capital assets			
Capital assets, net of accumulated depreciation	$ 36,177,216		36,177,216
Capitalized lease obligations - current portion	—	—	—
Capitalized lease obligations, net of current portion	—	—	—
Long-term debt obligations - current portion	(70,000)	—	(70,000)
Long-term debt obligations, net of current portion	(2,490,000)	—	(2,490,000)
Portion of outstanding debt that is unspent at year-end	—	—	—
Other adjustments: (please list)			
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Net position - net investment in capital asset	$ 33,617,216	—	33,617,216
7.2 Calculation of net position - Restricted for nonexpendable - endowments			
Portion of restricted cash and cash equivalents related to endowments	$ 25,450		25,450
Endowment investments	5,808,968		5,808,968
Other adjustments: (please list)			
Endowment accounts receivable	2,003		2,003
Endowment funds held for others	(5,809,884)		(5,809,884)
Endowment accounts payable	(26,537)	—	(26,537)
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Net position - Restricted for nonexpendable - endowments per SNP	$ —	—	—

8 Transactions with Related Entities

	Amount
Payments to University for salaries of University personnel working on contracts, grants, and other programs	$ 2,700,490
Payments to University for other than salaries of University personnel	5,823,422
Payments received from University for services, space, and programs	5,462,332
Gifts-in-kind to the University from discretely presented component units	823,404
Gifts (cash or assets) to the University from discretely presented component units	1,630,546
Accounts (payable to) University (enter as negative number)	(447,152)
Other amounts (payable to) University (enter as negative number)	—
Accounts receivable from University	678,955
Other amounts receivable from University	—

9 Other Postemployment Benefits Obligation (OPEB)

Annual required contribution (ARC)	$ 15,417,510
Contributions during the year	(6,020,115)
Increase (decrease) in net OPEB obligation (NOO)	9,397,395
NOO - beginning of year	(4,085,545)
NOO - end of year	$ 5,311,850

10 Pollution remediation liabilities under GASB Statement No. 49:

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

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

	Net Position Class	Amount Dr. (Cr.)
Net position as of June 30, 2014, as previously reported		$ 115,297,293
Prior period adjustments:		
1 Implementation of GASB 68, Accounting and Financial Reporting for Pen	Unrestricted	(13,889,763)
2 (list description of each adjustment)		—
3 (list description of each adjustment)		—
4 (list description of each adjustment)		—
5 (list description of each adjustment)		—
6 (list description of each adjustment)		—
7 (list description of each adjustment)		—
8 (list description of each adjustment)		—
9 (list description of each adjustment)		—
10 (list description of each adjustment)		—
Net position as of June 30, 2014, as restated		$ 101,407,530

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

	Debit	Credit
Net position class: Unrestricted		
1 (breakdown of adjusting journal entry)		
Beginning net position	$ 13,889,763	
Deferred outflows of resources: Net pension obligation	1,281,507	
Pension obligation		15,171,270
Net position class:______________________		
2 (breakdown of adjusting journal entry)		
	—	
		—
Net position class:______________________		
3 (breakdown of adjusting journal entry)		
	—	
		—
Net position class:______________________		
4 (breakdown of adjusting journal entry)		
	—	
		—
Net position class:______________________		
5 (breakdown of adjusting journal entry)		
	—	
		—
Net position class:______________________		
6 (breakdown of adjusting journal entry)		
	—	
		—
Net position class:______________________		
7 (breakdown of adjusting journal entry)		
	—	
		—
Net position class:______________________		
8 (breakdown of adjusting journal entry)		
	—	
		—
Net position class:______________________		
9 (breakdown of adjusting journal entry)		
	—	
		—
Net position class:______________________		
10 (breakdown of adjusting journal entry)		
	—	
		—

Other Supplementary Information

Cal Poly Corporation

Schedule 4 – Statements of Financial Position of the California State University – San Luis Obispo Alumni Association

June 30, 2015 and 2014

	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	$ 124,448	$ 120,704
Certificates of deposit	34,468	34,451
Accounts receivable	15,398	19,086
Inventories	1,258	1,613
Prepaid expenses and other assets	4,496	5,498
Total current assets	180,068	181,352
Other assets:		
Investments	408,881	415,826
Total assets	$ 588,949	$ 597,178
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 1,726	$ 731
Total current liabilities	1,726	731
Net assets:		
Unrestricted:		
Undesignated	587,223	596,447
Total unrestricted net assets	587,223	596,447
Total liabilities and net assets	$ 588,949	$ 597,178

See accompanying independent auditor's report.

Cal Poly Corporation

Schedule 5 – Statements of Activities of the California State University – San Luis Obispo Alumni Association

Years Ended June 30, 2015 and 2014

	2015	2014
Unrestricted revenue and support:		
Donations and grants	$ 24,450	$ 18,510
Travel and promotion	61,532	43,344
Homecoming	26,054	17,730
Investment income (loss)	(6,945)	55,353
External activities	24,282	20,564
Credit card income	-	31,443
Total unrestricted revenue and support	129,373	186,944
Expenses:		
Program services:		
Salaries and wages	13,549	13,196
Cost of goods sold	4,142	7,564
Postage	1,889	6,655
Tax preparation	1,750	2,245
Travel	4,821	6,335
Office expense	41,123	33,104
Accounting services	8,080	8,961
Hosting special events	47,610	42,974
External activities	11,813	63,898
Other	3,820	28,147
Total expenses	138,597	213,079
Decrease in unrestricted net assets	(9,224)	(26,135)
Unrestricted net assets - beginning of year	596,447	622,582
Unrestricted net assets - end of year	$ 587,223	$ 596,447

See accompanying independent auditor's report.