Cal Poly Corporation

Audited Financial Statements and

Supplementary Information

Year Ended June 30, 2014

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Supplementary Information
Year Ended June 30, 2014

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GLENN BURDETTE
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Board of Directors
Cal Poly Corporation
San Luis Obispo, California

Report on the Financial Statements
We have audited the accompanying statements of net position of Cal Poly Corporation (the Corporation) as of June 30, 2014 and 2013, 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, 2014 and 2013, 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, the Schedule of Funding Progress for OPEB Obligation on page 47 and the Schedule of Funding Progress for Defined Benefit Pension Plan on page 48 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 50 through 57 (Schedules 1 through 3) as required by the California State University and other supplementary information on pages 59 through 60 (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 12, 2014, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Glenn Burdette Attest Corporation

Glenn Burdette Attest Corporation
San Luis Obispo, California

September 12, 2014

Cal Poly Corporation
Management's Discussion and Analysis
June 30, 2014 and 2013

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, 2014 ("2013-14"), June 30, 2013 ("2012-13") and June 30, 2012 ("2011-12"). 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 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 revenue 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.

<u>Statements of Net Position</u>: The Statements of Net Position include all assets, deferred outflows, liabilities, and deferred inflows of the Corporation reported at their 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.

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

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

Cal Poly Corporation
Management's Discussion and Analysis
June 30, 2014 and 2013

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 2013-14, 2012-13 and 2011-12. The accompanying audited financial statements as of and for the years ended June 30, 2014 and 2013 are reported in accordance with standards and requirements of the GASB as are the following schedules.

Condensed Statements of Net Position

	June 30, 2014	June 30, 2013	June 30, 2012
Assets:			
Current assets	$ 88,887,718	$ 100,546,652	$ 88,124,862
Noncurrent assets:			
Capital assets, net	22,181,485	23,473,478	24,831,086
Other noncurrent assets	28,619,257	12,785,148	13,070,392
Total assets	139,688,460	136,805,278	126,026,340
Deferred Outflows of Resources	—	—	—
Liabilities:			
Current liabilities	8,971,381	10,012,499	9,290,713
Noncurrent liabilities	15,419,786	25,949,387	21,945,676
Total liabilities	24,391,167	35,961,886	31,236,389
Deferred Inflows of Resources	—	—	—
Net Position:			
Net investment in capital assets	19,556,485	20,783,478	22,081,086
Restricted, expendable	11,353,433	9,092,763	8,913,113
Unrestricted	84,387,375	70,967,151	63,795,752
Total net position	$ 115,297,293	$ 100,843,392	$ 94,789,951

Net Position

Net position may serve over time as an indicator of the Corporation's financial position. As of June 30, 2014, assets and deferred outflows exceeded liabilities and deferred inflows by $115.3 million, resulting in an increase of $14.5 million in net position over the prior year. The increase is driven by favorable investment returns of $7.0 million in the Corporation investment pools. In addition, noncapital gifts provided $2.7 million to the bottom line while capital grants and gifts provided $3.5 million. Operating income provided an additional $892,000. In 2012-13, overall net position increased $6.1 million or 6.4%, also driven by favorable investment returns and gift income.

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* decreased $1.2 million or 5.9% from the prior year, compared to a decrease of $1.3 million or 5.9% the prior year. The decrease is the result of depreciation and amortization expense on existing capital assets which exceeded capital asset purchases during the year. In addition, $727,000 in capital assets related to three Bella Montaña faculty/staff housing units were transferred to inventories during 2013-14, while $855,000 in capital assets were transferred to inventories the prior year. These units had previously been rented to faculty/staff, but 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,		
	2014	2013	2012
Restricted, expendable:			
Research	$ 222,484	$ 285,800	$ 268,680
Capital projects	2,871,445	891,728	884,825
Instruction	1,032,022	971,318	1,084,578
Academic support	1,848,630	1,665,213	1,212,684
Other	5,378,852	5,278,704	5,462,346
Total restricted, expendable	$ 11,353,433	$ 9,092,763	$ 8,913,113

This balance can fluctuate from year to year based on the level of activity and expenditures. Overall restricted, expendable net position increased $2.3 million or 24.8% over the prior year, compared to an increase of $180,000 or 2.0% the prior year. The portion of net position restricted for capital projects increased $2.0 million in 2013-14 primarily due to $1.7 million of pledge and gift income restricted for funding 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 increased by $13.4 million to $84.4 million at June 30, 2014. As mentioned previously, the increase is driven by favorable market value gains and also reflects favorable results from Campus Dining and other commercial activities. Unrestricted net position increased $7.2 million in 2012-13 over the prior year, also driven by favorable market value gains and 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. Investments available for current operations are classified as short-term investments.

Total *cash and cash equivalents* increased $1.8 million or 11.9% in 2013-14 compared to an increase of $5.9 million or 63.4% the prior year. *Short-term investments* decreased $12.6 million or 17.1% in 2013-14 compared to an increase of $8.7 million or 13.4% the prior year. In 2012-13, $6.8 million of PIMCO fixed income mutual funds were purchased, resulting in an increase in short-term investments and decrease in cash and cash equivalents. The decrease was offset by net cash provided by operating activities and cash contributions received. During 2013-14, $17.2 million of short-term investments was transferred from the Corporation Designated Fund to the newly established VEBA Trust, which is not included in this report. Favorable market value gains of $5.3 million within the short-term investment pools offset this decrease. Please refer to the Statement of Cash Flows for more information regarding cash and cash equivalents. The Corporation is in the early stages of planning for a complete renovation of its main Campus Dining facility and, therefore, is working to accumulate net earnings from operations to fund this project. A portion of current assets is expected to be used for this project in the future.

Accounts receivable, net decreased $606,000 or 21.6% compared to an increase of $465,000 or 19.9% the prior year. The decrease in the current year is primarily due to the timing of payments received from the Cal Poly Foundation (Foundation). At the end of 2013-14, the accounts receivable balance from the Foundation was $281,000 compared to $667,000 in 2012-13. In addition, the Corporation had an outstanding receivable in the amount of $295,000 from the university at the end of 2013-14, compared to $463,000 the prior year. The accounts receivable balance was higher the prior year largely due to computers purchased from the University Store in June 2013.

The current portion of *notes receivable* decreased by $66,000 to a zero balance at the end of 2013-14 as the Corporation received payment in full from the Foundation on a note receivable related to the Engineering Plaza. The College of Engineering refinanced this loan with the Foundation which holds the assets that are the source of repayment for the project. This also resulted in a decrease in notes receivable, net under noncurrent assets, below.

Pledges receivable, net, which represents the portion of pledges receivable expected to be collected within one year, increased $545,000, or over 200% from the prior year. This was the result of a number of new pledges received by the Corporation, primarily in relation to the Athletics Facilities/Sports Complex and Mott Gym Facility Improvements. New pledges received exceeded payments on existing pledges during the year. In 2012-13 this balance increased $42,000 or 20.6%.

Inventories decreased $820,000 or 19.8% from the prior year, compared to a decrease of $230,000 or 5.3% the prior year. Prior year inventory figures included three Bella Montaña faculty/staff housing units which were sold during the current year. In addition, the Agricultural operations decreased inventory by $303,000 from the prior year as they downsized herds in response to the high cost of feed and drought conditions. In 2012-13, the decrease in inventory was driven by efforts by the University Store and other commercial operations to reduce inventories and improve efficiencies.

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, net OPEB benefit obligations 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.

Overall, noncurrent assets increased $14.5 million to $50.8 million during 2013-14, compared to a decrease of $1.6 million the prior year. *Note receivable* decreased to zero in 2013-14 as the Corporation received payment in full from the Foundation on a loan related to the construction of the Engineering Plaza. *Pledges receivable, net* increased $1.1 million in 2013-14, compared to an increase of only $99,000 the prior year. Athletics received $1.9 million in new capital related pledges during 2013-14, offset by payments on existing pledges. The portion of new pledges that are expected to be collected within one year is included in current assets, and is discussed above.

Endowment investments increased $883,000 or 19.9% due to favorable market value gains and investment income. The endowment fund ended the year with actual returns of 15.6%. *Other long-term investments* increased $10.1 million over the prior year due to the purchase of $8.0 million of CDs, which are considered long-term as they mature between 18 and 24 months from the date of purchase. These investments are held in the Internal Fund. Also included in other long-term investments are four houses located on Grand Avenue just off campus which the Corporation purchased for $1.9 million during 2013-14.

At June 30, 2014, the Corporation held $34.0 million in depreciable capital assets, compared to $34.2 million the prior year. The Corporation's depreciable capital assets, net of accumulated depreciation, totaled $13.7 million at June 30, 2014. Additions to depreciable capital assets in 2013-14 totaled $773,000, offset by an increase in accumulated depreciation of $1.9 million. These increases were offset by a reduction in capital assets related to four Bella Montaña faculty/staff housing units that were reclassified from capital assets to inventory.

The Corporation held $8.5 million of non-depreciable assets as of June 30, 2014, compared to $8.2 million at June 30, 2013. Non-depreciable capital assets consist of land and improvements and construction in progress, including $6.8 million of land donated to the Corporation on behalf of Swanton Pacific Ranch. The increase in non-depreciable capital assets is related to new construction projects in progress at the end of 2013-14, offset by completed capital projects which have been capitalized and are recorded as depreciable capital assets in 2013-14. Included in these completed projects is $243,000 related to the Tacos To-Go build-out at Poly Canyon Village. In 2012-13, non-depreciable capital assets decreased as a result of the completion of several large capital projects, including the campus Market Starbucks and the University Store renovation at the end of 2011-12.

The *Net other postemployment benefit (OPEB) asset* is related to a defined benefit postretirement plan providing medical benefits to retirees of the Corporation. According to GASB 45, the net OPEB Obligation (Asset) is based on the difference between the ARC (Annual Required Contribution) and the amount actually contributed. This obligation was recorded in the prior year under noncurrent liabilities and totaled $11.6 million. In 2013-14, however, the Corporation funded $17.2 million into a separate VEBA trust established to provide health care benefits to qualified retirees. Although the Corporation had previously designated certain assets to fund this liability, the obligation is not considered funded under GASB 45 until the funds are legally set aside in a separate trust vehicle (such as the VEBA) or used to pay retiree medical premiums.

At the end of the year, the Net OPEB Obligation (Asset) equals the summation of beginning of the year Net OPEB Obligation (Asset) and the annual OPEB cost, less the actual contribution made that year. The 2013-14 annual cost is $2.1 million and accumulated contributions made were $17.9 million, which resulted in an asset, as opposed to a liability, in the amount of $4.1 million on the Corporation's Statement of Net Position.

<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.

Accounts payable decreased $974,000 or 30.7% during 2013-14, compared to a decrease of $588,000 or 15.6% the prior year. Of the current year decrease, $390,000 represents a decrease in payables to the University as a result of the timing of invoices received from the University, especially in relation to utility billings. In addition, accounts payable related to Contract and Grant activity decreased $252,000 due to various large federal projects ending and a decrease in overall activity. The decrease in 2012-13 was related to several significant large payables due to the university at the end of the prior year related to capital projects.

Noncurrent liabilities consist primarily of grants refundable, long-term debt, deposits held in custody for others (including endowments), and split-interest trust liabilities.

Grants refundable increased $484,000 or 10.7% from the prior year in relation to an overall decrease in project activity from prior year.

The Corporation's *long-term debt obligation* of $2.6 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, 2014 is $5.6 million. The Corporation made payments in the amount of $65,000 on this debt during 2013-14 and 2012-13.

Other postemployment benefit obligation ("OPEB") represents liabilities related to a defined benefit postretirement plan providing medical benefits to retirees of the Corporation. As discussed under non-current assets, above, this liability was eliminated in 2013-14 as a result of the Corporation contributing $17.2 million in funds into a separate VEBA trust to fund this obligation, in addition to the payment of $644,000 of medical premiums on behalf of current retirees. The liability recorded under GASB 45 represents the present value of the net OPEB Obligation at the beginning of the year, amortized over a period of 30 years, plus the annual OPEB cost, less contributions made during the year. The actuarial accrued liability related to this obligation, which is not shown on the Statement of Net Position but which is shown in Note 9 to the accompanying financial statements, is $21.4 million at the end of 2013-14.

Results of Operations

Total net position increased $14.5 million or 14.3% in 2014-15 and $6.1 million or 6.4% during 2012-13 as a result of favorable market value gains, strong results from Campus Dining operations and capital and non-capital gift income.

Cal Poly Corporation
Management's Discussion and Analysis
June 30, 2014 and 2013

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

	Year Ended June 30,		
	2014	2013	2012
Operating revenues:			
Grants and contracts	$ 18,485,730	$ 20,247,278	$ 20,310,805
Sales and services of auxiliary enterprises	48,438,529	42,390,599	45,337,083
Fees for services	5,767,257	5,677,931	7,373,265
University programs support	3,846,516	3,733,731	3,851,772
Conference and workshop revenues	2,278,294	1,929,655	1,284,626
Other operating revenue	2,745,409	1,109,386	708,385
Total operating revenues	81,561,735	75,088,580	78,865,936
Operating expenses:			
Corporation administration	3,403,634	3,406,170	3,909,703
Contract and grant expense	19,100,210	21,172,142	22,056,853
Auxiliary activities cost of sales	19,554,772	17,885,458	19,050,850
Auxiliary activities expense	18,865,515	18,513,528	18,306,323
University programs support	12,431,282	11,289,211	11,008,988
Sponsored program administration	941,701	1,079,540	1,327,497
Depreciation and amortization	1,935,411	1,898,004	1,764,770
Other operating expenses	4,437,296	3,017,843	2,256,147
Total operating expense	80,669,821	78,261,896	79,681,131
Operating income (loss)	891,914	(3,173,316)	(815,195)
Nonoperating revenues (expenses):			
Gifts, noncapital	2,741,014	2,960,684	2,476,687
Investment and interest income, net	6,895,195	4,305,169	305,090
Other nonoperating revenues (expenses)	435,249	455,114	408,536
Total nonoperating revenues (expenses)	10,071,458	7,720,967	3,190,313
Other changes in net position:			
Capital grants and gifts	3,490,529	1,505,790	3,421,135
Increase in net position	14,453,901	6,053,441	5,796,253
Beginning net position	100,843,392	94,789,951	69,026,929
Prior year restatement	-	-	19,966,769
Beginning net position, as restated	100,843,392	94,789,951	88,993,698
Ending net position	$ 115,297,293	$ 100,843,392	$ 94,789,951

Cal Poly Corporation
Management's Discussion and Analysis
June 30, 2014 and 2013

Operating revenues of $81.6 million increased $6.5 million or 8.6% in 2013-14 compared to 2012-13. *Contract and grant, noncapital* revenue decreased $1.8 million, primarily focused in the federal sector. Offsetting this decrease is an increase in *Sales and services of auxiliary enterprises* revenue of $6.0 million or 14.3% in 2013-14, driven by a $5.1 million increase in Campus Dining sales. In 2013-14, freshman enrollment was 4,800 compared to 3,800 the prior year, resulting in an increase in the number of freshman on meal plans compared to the prior year. In addition, Agriculture sales are up $920,000 over the prior year, driven by an increase in sale of livestock as the departments downsized some of their herds due to the drought conditions. In 2012-13, operating revenues decreased $3.8 million or 4.8% from the prior year due to a reduction in freshman enrollment from the prior year, which lowered overall Campus Dining sales.

Conference and workshop revenues increased $349,000 or 18.1% in 2013-14 as the operations continue to expand and promote their services, resulting in an increase in the number of conferences held. In 2012-13, conference and workshop revenue increased $645,000 or 50.2% from the prior year as the operations were under new management and the department ramped up services.

Other operating revenues of $2.7 increased $1.6 million, or over 100%, in 2013-14. The Corporation sold six Bella Montana units in 2013-14 compared to one unit in 2012-13, resulting in an increase in revenue of $1.5 million. In February 2012, the Cal Poly Housing Corporation was dissolved and all assets and liabilities transferred to the Corporation. Rental income for 2012-13 reflected twelve months of income, compared to only four months in 2011-12. No units were sold in 2011-12.

Operating expenses increased $2.4 million or 3.1% in 2013-14. *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 is offset by an increase in *Auxiliary activities cost of sales* of $1.7 million or 9.3%, in line with the increase in sales mentioned above. The increase is primarily related to an increase in student meals served by Campus Dining in 2013-14. In 2012-13, operating expenses decreased $1.4 million or 1.8% due to a decrease in Corporation administration and contract and grant expense. During 2012-13, six Corporation employees were transferred to the University's payroll to work primarily on Foundation matters.

Overall, *University programs support* expense increased $1.1 million or 10.1% in 2013-14. *Conference and workshops expense* increased $248,000 or 16.5% over the prior year, in line with the increase in conference revenue and number of conferences held. *Public service support* expense increased $625,000 or 16.5% due to increases in Center and Institute activity, including an increase of $$437,000 in expenditures related to the new Advanced Tech and Public Policy Center, managed by Sam Blakeslee. In 2012-13, University programs support increased $280,000 or 2.5% from the prior year, driven by an increase in conference and workshop expense.

Sponsored programs administration expense decreased $138,000 or 12.8% primarily due to a decrease in postemployment retiree medical benefit expense charged to the department this year, as the Corporation restructured the way it charges operating units for these benefits.

Other operating expenses increased $1.4 million or 47.0%, 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 as other operating expenses and resulted in a total increase of $1.2 million over 2012-13.

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

Gifts, noncapital decreased $220,000 or 7.4% in 2013-14 and increased $484,000 or 19.5% in 2012-13. The variances 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 of fees, increased $2.6 million or 58.2% in 2013-14. Market value gains of $5.6 million were an improvement over the gains of $2.7 million in 2012-13. In 2011-12, the Corporation experienced market value losses of $1.2 million.

Other changes in net position includes *capital grants and gifts*, which increased $2.0 million or over 100.0% from prior year. In 2013-14, the Corporation received $1.6 million in pledge income related to the Athletics Facility/Sports Complex from various donors compare to $0 the prior year and $290,000 in pledge income for Mott Facility improvements compared to $60,000 in the prior year. The Football Locker room received $216,834 in gifts in the current year compared to $0 the prior year. In general, contribution revenue varies from year to year depending on a number of factors. In 2012-13, capital grants and gifts decreased $1.9 million or 56.0% primarily due to a reduction in capital expenditures on federally funded sponsored projects, a reduction in pledge income and a 2011-12 special endowment payout received from the Foundation, which was not repeated in 2012-13.

Currently Known Facts Impacting Future Periods

Investments account for 56.7% of the Corporation's total assets. Of this $79.3 million, $61.0 million or 77.0% is held in short-term investments and the remaining $18.2 million or 23.0% 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.

Cal Poly Corporation

Statements of Net Position

June 30, 2014 and 2013

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	$ 17,001,009	$ 15,193,488
Short-term investments	61,013,445	73,632,189
Accounts receivable, net	2,200,450	2,806,346
Contracts and grants receivable, net	4,160,587	4,026,285
Note receivable		65,987
Pledges receivable, net	791,232	246,569
Inventories	3,319,062	4,138,605
Prepaid expenses and other current assets	401,933	437,183
Total current assets	88,887,718	100,546,652
Noncurrent assets:		
Restricted cash and cash equivalents	59,211	40,980
Accounts receivable, net	19,731	19,638
Note receivable, net		349,545
Pledges receivable, net	5,574,749	4,459,861
Endowment investments	5,327,199	4,443,797
Other long-term investments	12,914,822	2,833,327
Capital assets, net	22,181,485	23,473,478
Net other postemployment benefit asset	4,085,545	
Other assets	638,000	638,000
Total noncurrent assets	50,800,742	36,258,626
Total assets	139,688,460	136,805,278
Deferred Outflows of Resources	-	-

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

Cal Poly Corporation

Statements of Net Position

June 30, 2014 and 2013

Page 2

	2014	2013
Liabilities		
Current liabilities:		
Accounts payable	$ 2,202,074	$ 3,176,219
Accrued salaries and benefits payable	518,793	605,611
Accrued compensated absences	721,238	677,300
Unearned revenue	5,449,276	5,322,762
Long-term debt obligations	65,000	65,000
Self-insurance claims liability	15,000	15,000
Other postemployment benefit obligation		150,607
Total current liabilities	8,971,381	10,012,499
Noncurrent liabilities:		
Accrued compensated absences, net	45,054	141,380
Grants refundable	4,995,712	4,511,689
Long-term debt obligation	2,560,000	2,625,000
Deposits held in custody for others	6,744,822	6,094,203
Other postemployment benefit obligation, net		11,497,996
Other liabilities:		
Split-interest trust liabilities	1,074,198	1,079,119
Total noncurrent liabilities	15,419,786	25,949,387
Total liabilities	24,391,167	35,961,886
Deferred Inflows of Resources	-	-
Net Position		
Net investment in capital assets	19,556,485	20,783,478
Restricted for:		
Expendable:		
Research	222,484	285,800
Capital projects	2,871,445	891,728
Instruction	1,032,022	971,318
Academic support	1,848,630	1,665,213
Other	5,378,852	5,278,704
Unrestricted	84,387,375	70,967,151
Total net position	$ 115,297,293	$ 100,843,392

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, 2014 and 2013

	2014	2013
Operating revenues:		
Grants and contracts, noncapital:		
Federal	$ 11,588,220	$ 13,309,274
State	3,038,227	2,952,945
Local	225,717	309,352
Nongovernmental	3,633,566	3,675,707
Sales and services of auxiliary enterprises	48,438,529	42,390,599
Fees for services	5,767,257	5,677,931
University programs support	3,846,516	3,733,731
Conference and workshop revenues	2,278,294	1,929,655
Other operating revenues	2,745,409	1,109,386
Total operating revenues	81,561,735	75,088,580
Operating expenses:		
Corporation administration	3,403,634	3,406,170
Contract and grant expenses	19,100,210	21,172,142
Auxiliary activities cost of sales	19,554,772	17,885,458
Auxiliary activities expenses	18,865,515	18,513,528
University programs support:		
Conference and workshops expense	1,749,463	1,501,124
Public service support	4,423,475	3,798,422
Institutional support	1,846,205	1,809,362
Academic support	1,635,858	1,489,822
Student services	1,172,043	1,084,300
Other University programs	1,604,238	1,606,181
Sponsored programs administration	941,701	1,079,540
Depreciation and amortization	1,935,411	1,898,004
Other operating expenses	4,437,296	3,017,843
Total operating expenses	80,669,821	78,261,896
Operating income (loss)	891,914	(3,173,316)

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, 2014 and 2013

Page 2

	2014	2013
Nonoperating revenues (expenses):		
Gifts, noncapital	$ 2,741,014	$ 2,960,684
Investment income, net	7,032,622	4,444,782
Interest expense	(137,427)	(139,613)
Other nonoperating revenues, net	435,249	455,114
Total nonoperating revenues (expenses)	10,071,458	7,720,967
Other changes in net position:		
Capital grants and gifts	3,490,529	1,505,790
Total other changes in net position	3,490,529	1,505,790
Increase in net position	14,453,901	6,053,441
Net position - beginning of year	100,843,392	94,789,951
Net position - end of year	$ 115,297,293	$ 100,843,392

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

Cal Poly Corporation
Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Receipts from grants and contracts	$ 18,835,451	$ 23,153,530
Receipts from sales and services of auxiliary enterprises	50,895,435	44,986,826
Receipts from fees for services	5,767,257	5,677,931
Receipts from University programs	3,846,516	3,733,731
Payments to vendors	(34,970,430)	(31,322,204)
Payments to employees	(31,750,643)	(31,620,551)
Payments to University, net	(8,890,987)	(8,061,530)
Payments to Foundation, net	(440,773)	(1,239,953)
Payments to VEBA Trust	(526,068)	
Other receipts	2,745,316	1,115,748
Other payments	35,250	(25,000)
Net cash provided by operating activities	5,546,324	6,398,528
Cash flows from noncapital financing activities:		
Cash contributions received	2,309,911	2,802,304
Cash contributions received for split-interest trusts	4,999	124,254
Distributions to trust beneficiaries	(113,845)	(118,339)
Fees and expenses of split-interest trusts	(10,085)	(1,462)
Foundation support	442,311	453,814
Change in depository accounts	651,031	179,524
Net cash provided by noncapital financing activities	3,284,322	3,440,095
Cash flows from capital and related financing activities:		
Capital grants and gifts	2,006,988	1,348,580
Acquisition of capital assets	(1,392,685)	(1,405,574)
Proceeds from sale of capital assets	15,441	23,209
Interest paid on long-term debt obligation	(137,427)	(139,613)
Defeasance of long-term obligation	(65,000)	(60,000)
Net cash provided (used) by capital and related financing activities	427,317	(233,398)
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	18,650,450	9,132,016
Purchase of investments	(33,387,104)	(17,304,462)
Investment income proceeds	6,888,911	4,398,246
Proceeds from note receivable	415,532	59,479
Net cash used by investing activities	(7,432,211)	(3,714,721)
Net increase in cash	1,825,752	5,890,504
Cash and cash equivalents - beginning of year	15,234,468	9,343,964
Cash and cash equivalents - end of year	$ 17,060,220	$ 15,234,468

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

Cal Poly Corporation

Statements of Cash Flows

Years Ended June 30, 2014 and 2013

Page 2

	2014	2013
Reconciliation of cash and cash equivalents to Statements of Net Position:		
Cash and cash equivalents	$ 17,001,009	$ 15,193,488
Restricted cash and cash equivalents	59,211	40,980
Cash and cash equivalents - end of year	$ 17,060,220	$ 15,234,468
Reconciliation of operating loss to net cash provided by operating activities:		
Operating income (loss)	$ 891,914	$ (3,173,316)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	2,186,273	1,898,004
Bad debt	91,734	28,098
Changes in operating assets and liabilities:		
Accounts receivable, net	471,501	726,268
Inventories	1,546,307	1,084,862
Prepaid expenses and other current assets	35,250	1,252,893
Accounts payable	(480,003)	(216,683)
Accounts payable - University	(390,293)	(390,696)
Accounts payable - Foundation	(103,849)	19,581
Accrued salaries and benefits payable	(86,818)	32,186
Accrued compensated absences	(52,388)	(46,272)
Unearned revenue	126,514	1,291,945
Grants refundable	484,023	1,721,118
Other postemployment benefit obligation	976,766	2,198,747
Other liabilities	(150,607)	(28,207)
Net cash provided by operating activities	$ 5,546,324	$ 6,398,528
Supplemental disclosures of cash flow information:		
Contributions of investments	$ 56,183	$ 34,581
Other noncash contributions	$ 247,469	$ 89,230
Increase in fair value of investments	$ 6,137,525	$ 3,066,911
Reclassification of condo units from capital assets to inventories	$ 726,764	$ 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 and Note 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 $60,963 and $107,656 at June 30, 2014 and 2013, 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 $925,034 and $996,870 at June 30, 2014 and 2013, 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 10 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 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.

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)

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.

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.

Note 2: Summary of Significant Accounting Policies (Continued)

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, 2014 and 2013, grants and contracts revenue included $471,435 and $409,797, 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, 2014 and 2013.

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).

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 March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Note 2: Summary of Significant Accounting Policies (Continued)

In March 2012, GASB issued Statement No. 66, *Technical Corrections* – an amendment of Statements No. 10 and No. 62. Statement No. 66 improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. In addition, the Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*.

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.

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. 67, 69 and 70 for the Corporation's June 30, 2014 financial statements and GASB Statements No. 65 and 66 for the Corporation's June 30, 2013 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, *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. The provisions of Statement No. 68 are effective for fiscal years beginning after June 15, 2014. Management has not yet determined the impact of this Statement on its financial statements.

In November 2013, the 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, Accounting and Financial Reporting for Pensions. 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 has not yet determined the impact of this Statement on its financial statements.

Note 2: Summary of Significant Accounting Policies (Continued)

Subsequent Events

Events subsequent to June 30, 2014 have been evaluated through September 12, 2014, which is the date the financial statements were available to be issued. Management did not identify any subsequent events that required disclosure.

Reclassifications

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

Note 3: Cash and Cash Equivalents

The Corporation maintains cash balances at several financial institutions located in California. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per account title. The Corporation also participates in several deposit-placement programs designed to allocate funds amongst member institutions in such a way that no one bank holds more than $250,000 in Corporation assets, meaning that all the assets placed with a particular program are fully FDIC insured. These programs include the Wells Fargo Brokered CD program, the Certificate of Deposit Account Registry (CDARS) program and the Insured Cash Sweep (ICS) money market program. At June 30, 2014, the Corporation had uninsured cash deposits totaling $11,165,503, held principally at Wells Fargo Bank in the Corporation's operating bank account.

At June 30, 2014 and 2013, a portion of cash and cash equivalents was restricted according to donor stipulations as follows:

	2014	2013
Endowments	$ 20,525	$ 19,368
Split interest trusts	38,686	21,612
Total restricted cash and cash equivalents	$ 59,211	$ 40,980

Note 4: Investments

At June 30, 2014 and 2013, investments were classified in the accompanying financial statements as follows:

	2014	2013
Short-term investments	$ 61,013,445	$ 73,632,189
Endowment investments	5,327,199	4,443,797
Other long-term investments	12,914,822	2,833,327
Total investments	$ 79,255,466	$ 80,909,313

At June 30, 2014 and 2013, other long-term investments included $2,024,164 and $1,849,103, respectively, held in split-interest trusts.

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)

At June 30, 2013, investments comprised the following:

	2013		
	Current	**Noncurrent**	**Total**
Equity securities	$ 500,262	$	$ 500,262
Fixed income securities		494,116	494,116
Real estate		980,000	980,000
Certificates of deposit	4,983,276		4,983,276
Mutual funds:			
Equity funds	24,187,137	3,865,914	28,053,051
Bond funds	37,013,033	1,267,541	38,280,574
All Asset All Authority funds	5,552,602	539,359	6,091,961
Other investments:			
Cash and interest receivable pending long-term investment	144,256	1,487	145,743
Alternative investments	1,251,623	124,484	1,376,107
Agriculture related retains		4,223	4,223
Total investments	$ 73,632,189	$ 7,277,124	$ 80,909,313

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.

Note 4: Investments (Continued)

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

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

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

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

Investment Risk Factors

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

Equity Securities Risk:
Equity securities held by the Corporation through mutual funds or the Student Investment Management Portfolio comprised $25,869,120, or 33%, of the total investments of the Corporation at June 30, 2014. Equities are subject to both unsystematic and systematic risk. Unsystematic risk is the risk of a price change due to the unique circumstances of a specific security or group of related securities. The Corporation addresses unsystematic risk by investing in widely diversified equity mutual funds. Equity securities are also subject to systematic risk or market risk. Systematic risk recognizes that equity securities, as an asset class, can change in value as a result of such factors as inflation, exchanges rates, political instability, war, economic conditions and interest rates. This type of risk is not specific to a particular company or industry and cannot be substantially mitigated by diversification.

Note 4: Investments (Continued)

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

The credit ratings of the Corporation's fixed income securities held in investments and money market funds at June 30, 2014 were as follows:

	Fair Value	Rating
Bond mutual funds:		
DFA Intermediate Government Bond	$ 3,577,431	AAA
Loomis Sayles Bond Fund - Institutional	1,825,595	A
PIMCO Total Return Fund - Institutional	3,181,297	A
PIMCO Foreign Bond Fund - Institutional	2,156,728	A
PIMCO High Yield Fund - Institutional	803,273	BB
PIMCO Short Term - Institutional	8,729,293	A
PIMCO Low Duration Fund	11,630,472	A
U.S. government:		
U.S. Treasury bills	262,847	AAA
U.S. government backed - asset backed securities	251,823	AAA
Money market funds:		
Wells Fargo Cash Investment Money Market - Institutional	515,531	Unrated
Schwab One Fund	182,286	Unrated
Schwab Government Money Fund	21,803	Unrated
Total fixed income and debt securities subject to credit risk	$ 33,138,379	

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

Note 4: Investments (Continued)

Concentration of Credit Risk:

Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers; thereby exposing the organization to greater risks resulting from adverse conditions or developments. GASB requires disclosure of investments in any one individual issuer that represent 5% or more of total investments. At June 30, 2014 and 2013, the Corporation had no investments that exceeded this threshold.

Interest Rate Risk:

Interest rate risk is the risk that fixed income securities will decline because of rising interest rates. The Corporation measures interest rate risk using the weighted average duration method. The weighted average duration of the Corporation's fixed income securities and money market funds at June 30, 2014 was as follows:

	Fair Value	Weighted Average Duration (in years)
Bond mutual funds:		
DFA Intermediate Government Bond	$ 3,577,431	5.1
Loomis Sayles Bond Fund - Institutional	1,825,595	4.4
PIMCO Total Return Fund - Institutional	3,181,297	5.7
PIMCO Foreign Bond Fund - Institutional	2,156,728	5.9
PIMCO High Yield Fund - Institutional	803,273	3.6
PIMCO Short Term - Institutional	8,729,293	0.4
PIMCO Low Duration Fund	11,630,472	2.8
U.S. government:		
U.S. Treasury bills	262,847	5.0
U.S. government backed - asset backed securities	251,823	5.0
Money market funds	719,620	0.0
Total fixed income and debt securities subject to interest rate risk	$ 33,138,379	3.0

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, 2014 was as follows:

	Total Fair Value
British Pounds	$ 1,934,081
Japanese Yen	1,042,235
Swiss Francs	771,582
Euro	600,703
Canadian Dollars	548,194
Mexican Peso	546,289
Korean Won	502,798
Brazilian Reais	467,789
Hong Kong Dollars	452,483
Taiwanese Dollars	430,656
Chinese Yuan	424,994
Indian Rupee	391,641
Australian Dollars	338,520
South African Rand	270,343
Russian Ruble	228,687
Singapore Dollars	224,732
Malaysian Ringgit	223,689
Swedish Krona	217,442
Polish Zloty	147,313
Thai Baht	130,988
Indonesian Rupiah	125,779
Danish Krone	102,995
Other	501,709
Total investments subject to foreign currency risk	$ 10,625,642

Other currencies are individually less than 1% of the Corporation's investments. The foreign currency risk by investment type at June 30, 2014 was as follows:

Equity mutual funds	$ 8,144,961
Bond mutual funds	2,480,681
Total investments subject to foreign currency risk	$ 10,625,642

Note 4: Investments (Continued)

Alternative Investment Risks:

The Corporation held alternative investments at estimated fair value at June 30, 2014. 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, 2014 were as follows:

All Asset All Authority funds	$ 6,359,053
Commodity funds	1,072,788
Total alternative investments	$ 7,431,841

Note 5: Pledges Receivable

At June 30, 2014 and 2013, pledges receivable comprised the following:

	2014	2013
Athletic Programs	$ 345,845	$
College-specific facilities	7,444,888	6,034,000
Stadium suites	258,158	360,423
Subtotal	8,048,891	6,394,423
Less allowance for uncollectible accounts	(925,034)	(996,870)
Less unamortized discount	(757,876)	(691,123)
Pledges receivable, net	$ 6,365,981	$ 4,706,430
Amounts due in:		
One year or less	$ 879,852	$ 414,074
One to five years	1,279,044	480,349
More than five years	5,889,995	5,500,000
Total amounts due	$ 8,048,891	$ 6,394,423

Note 6: Note Receivable

At June 30, 2013, the Corporation had a note receivable from the Cal Poly Foundation (Foundation) with a current note receivable balance of $65,987 and the noncurrent note receivable balance of $349,545. Interest income on the outstanding balance was calculated at prime plus 1% (4.25% at June 30, 2013) and totaled $2,000 and $22,000 for the years ended June 30, 2014 and 2013, respectively. The Foundation repaid the loan in August 2013.

Cal Poly Corporation
Notes to Financial Statements
June 30, 2014 and 2013
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Note 7: Capital Assets

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: Capital Assets (Continued)

At June 30, 2013, capital assets comprised the following:

	2013				
	Balance June 30, 2012	**Additions**	**Reductions**	**Transfers of Completed WIP**	**Balance June 30, 2013**
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	770,890	1,091,606	(65,419)	(1,608,596)	188,481
Total nondepreciable capital assets	8,738,114	1,091,606	(65,419)	(1,608,596)	8,155,705
Depreciable and amortizable capital assets:					
Buildings	21,121,463	19,169	(907,472)	978,036	21,211,196
Leasehold improvements	583,534			80,743	664,277
Equipment	9,955,640	230,939	(269,550)	529,815	10,446,844
Intangible assets:					
Software and websites	1,292,268	74,366	(2,625)	19,574	1,383,583
Licenses and permits	399,173	54,913		428	454,514
Total depreciable and amortizable capital assets	33,352,078	379,387	(1,179,647)	1,608,596	34,160,414
Less accumulated depreciation and amortization:					
Buildings	(8,080,228)	(959,638)	81,593		(8,958,273)
Leasehold improvements	(306,181)	(48,540)			(354,721)
Equipment	(7,809,907)	(711,613)	230,653		(8,290,867)
Intangible assets:					
Software and websites	(964,020)	(114,910)	2,223		(1,076,707)
Licenses and permits	(98,770)	(63,303)			(162,073)
Total accumulated depreciation and amortization	(17,259,106)	(1,898,004)	314,469		(18,842,641)
Total capital assets, net	$ 24,831,086	$ (427,011)	$ (930,597)	$ -	$ 23,473,478

Note 8: Long-Term Debt Obligation

At June 30, 2014 and 2013, 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 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, 2014 was as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Note payable, State-Wide Revenue Bond Series 2009A	$ 2,690,000	$	$ (65,000)	$ 2,625,000	$ 65,000

At June 30, 2014, future maturities of the long-term debt obligation balance were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2015	$ 65,000	$ 134,981	$ 199,981
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
2020-2024	475,000	540,009	1,015,009
2025-2029	610,000	398,200	1,008,200
2030-2034	795,000	208,494	1,003,494
2035-2036	380,000	20,225	400,225
Total future maturities	$ 2,625,000	$ 1,808,859	$ 4,433,859

Note 9: 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 9: 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 amortize the unfunded actuarial liability over a period of 30 years.

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 $17,236,982 into the Trust during the fiscal year ended June 30, 2014. 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, 2014 and 2013 were as follows:

	2014	2013
Annual required contribution (ARC)	$ 2,090,504	$ 3,121,563
Interest on net OPEB obligation	815,402	378,207
Adjustment to annual required contributions	(759,384)	(428,441)
Annual OPEB cost	2,146,522	3,071,329
Contributions made	(17,880,670)	(875,789)
Increase (decrease) in net OPEB obligation	(15,734,148)	2,195,540
Net OPEB obligation - beginning of year	11,648,603	9,453,063
Net OPEB obligation (asset) - end of year	$ (4,085,545)	$ 11,648,603

Note 9: 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, 2014, 2013 and 2012 were as follows:

Fiscal Year	Annual OPEB Cost	Actual Contributions	% of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
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
6/30/2012	$ 2,878,275	$ 800,901	27.83%	$ 9,453,063

Funded Status and Funding Progress

The funded status of the Plan as of July 1, 2013, the Plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability	$ 21,362,644
Actuarial value of plan assets *	1,281,802
Unfunded actuarial accrued liability (UAAL)	$ 20,080,842
Funded ratio	6.00%
Covered payroll	$ 10,543,666
UAAL as a percentage of covered payroll	190.45%

*As the Trust was established in March 2014, no actuarial valuation has been performed to determine the actuarial value of the Trust assets transferred after July 1, 2013 (the date of the most recent actuarial valuation.)

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.

Note 9: Other Postemployment Benefit (OPEB) Obligation (Continued)

As of June 30, 2014, the Trust holds cash and investments of $17,526,643 which are restricted for the purpose of providing medical healthcare benefits for qualified employees. In addition, the Corporation's Board has designated $10,893,927 of Designated Fund cash and investments for payments of future post-employment benefit obligation liabilities.

Actuarial Methods and Assumptions

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

The Plan's most recent actuarial valuation was performed as of July 1, 2013. In that valuation, the entry age of normal actuarial cost method was used and assumed a closed 30-year amortization of the unfunded actuarial accrued liability using the level percentage of payroll amortization method. The remaining amortization as of June 30, 2014 was 23 years. The actuarial assumptions assumed a 7.0% discount rate and assumed that in all future years the maximum annual contribution will increase by 5.0% per year. Similarly, the actuarial assumptions assumed that beginning in 2015 the State Annuitant Contribution (applicable to employees hired November 1, 2011 and later) will increase by 5.0% per year.

Note 10: 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, 2014 and 2013:

	2014	2013
Accounts receivable	$ 295,145	$ 463,055
Accounts payable	576,539	966,832
Reimbursements to University for salaries and benefits of University personnel	2,547,071	2,666,159
Reimbursements to University for other than salaries of University personnel	4,445,222	4,195,055
Payments received from University for services, space and programs	4,292,256	4,870,632
Cash gifts to the University	1,676,311	1,448,243
Noncash gifts to the University	1,255,659	534,290

Note 10: Transactions with Related Parties (Continued)

Through June 30, 2012, the Foundation contracted with the Corporation for accounting, administrative, processing, cash management, reporting, and service functions under an Administrative Services Agreement (ASA). Effective July 1, 2012, the ASA was terminated and a new Business Support Services Agreement (BSSA) was implemented. Under the new BSSA, the Corporation provides information technology and other services to the Foundation through June 30, 2015. The following were transactions with the Foundation as of and for the years ended June 30, 2014 and 2013:

	2014	**2013**
Current accounts receivable	$ 280,742	$ 666,630
Current portion long-term receivable	-	65,987
Long-term receivable	-	349,545
Receivable of endowment payout	15,962	157,689
Deposit with Corporation	638,000	638,000
Accounts payable	47,649	151,498
Payments from Foundation under BSSA/ASA	157,007	154,143
Reimbursements from Foundation for salaries and benefits	1,778,097	1,594,765
Cash contributions to Foundation	722,812	781,056
Cash contributions from Foundation	1,397,182	1,671,405

Note 11: 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. The total rent expense paid on these leases for the years ended June 30, 2014 and 2013 was $97,734 and $168,637, respectively. Rental payments are due through August 1, 2018 and are subject to annual rent adjustments of up to 4%. At June 30, 2014, future minimum rental payments for these leases were as follows:

For the Year Ending June 30,	
2015	$ 85,404
2016	85,404
2017	85,404
2018	85,404
2019	7,117
Total	$ 348,733

Note 11: 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, 2014 and 2013 was $143,153 and $143,776, respectively. Rental payments are due through March 31, 2017 and are subject to annual rent adjustments of up to 5%. At June 30, 2014, future minimum rental payments for this lease were as follows:

For the Year Ending June 30,		
2015	$	144,486
2016		144,486
2017		108,364
Total	$	397,336

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, 2014 and 2013 were $414,821 and $395,523, respectively. The cost of the Tech Park included in land, building and improvements was $6,695,132 and $6,594,607 and related accumulated depreciation was $1,057,853 and $749,472 at June 30, 2014 and 2013, respectively. At June 30, 2014, future minimum rental income and CAM charges under these leases were as follows:

For the Year Ending June 30,		
2015	$	289,927
2016		343,091
2017		264,067
2018		60,588
Total	$	957,673

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, 2014 and 2013 were $0 and no amounts were paid to the University.

Note 12: Defined Benefit Pension Plan

Plan Description

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 after May 14, 2005 who are eligible for retirement at the age of 60 are entitled to a monthly benefit of 2% of final compensation for each year of service credit. Employees hired for the first time prior to May 14, 2005 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 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 acts as a common investment and administrative agent for participating public entities within the State of California. Copies of CalPERS' annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, CA 95814.

Annual Pension Cost and Net Pension Obligation

The Corporation's annual pension cost, actual contributions, the percentage of annual pension cost contributed to the Plan, and the net pension obligation for the years ended June 30, 2014, 2013 and 2012 were as follows:

Fiscal Year	Annual Pension Cost (APC)	Actual Contributions	% of APC Contributed	Net Pension Obligation
6/30/2014	$ 1,217,503	$ 1,217,503	100.0%	$ -
6/30/2013	$ 1,150,455	$ 1,150,455	100.0%	$ -
6/30/2012	$ 1,237,135	$ 1,237,135	100.0%	$ -

Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2012, the Plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	$ 58,444,229
Actuarial value of Plan assets	53,241,978
Unfunded actuarial accrued liability (UAAL)	$ 5,202,251
Funded ratio	91.10%
Covered payroll	$ 9,597,244
UAAL as a percentage of covered payroll	54.21%

Note 12: Defined Benefit Pension Plan (Continued)

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.

For the year ended June 30, 2014, the Corporation's annual pension cost was based on a contribution rate of 12.764%. The contribution rate was established by CalPERS as part of an annual actuarial valuation and includes the employer normal cost contribution rate reduced by a rate to amortize surplus assets in excess of pension benefit obligation. The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation, as previously described. The Corporation's policy is to fund pension costs as accrued. The Corporation's contribution rate will be 12.946% for the year ending June 30, 2015.

Actuarial Methods and Assumptions

The Plan's most recent actuarial valuation was performed as of June 30, 2012. In that valuation, the entry age normal actuarial cost method was used and assumed a closed 30-year amortization of the unfunded actuarial accrued liability using the level percentage of payroll amortization method. The actuarial assumptions used to compute the CalPERS pension benefit obligation included an actuarial investment return rate of 7.5% per annum and projected increases of 3.0% for overall salary growth and 2.75% for inflation.

Note 13: 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.

Cal Poly Corporation
Schedule of Funding Progress for OPEB Obligation
June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
7/1/2013	$ 1,281,802	$ 21,362,644	$ 20,080,842	6.00%	$ 10,543,666	190.45%
7/1/2011	$ -	$ 31,644,906	$ 31,644,906	0.00%	$ 9,453,908	334.73%

Cal Poly Corporation
Schedule of Funding Progress for Defined Benefit Pension Plan
June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/12	$ 53,241,978	$ 58,444,229	$ 5,202,251	91.10%	$ 9,597,244	54.21%
6/30/11	$ 51,079,672	$ 56,974,038	$ 5,894,366	89.70%	$ 10,213,023	57.71%
6/30/10	$ 48,477,672	$ 53,298,850	$ 4,821,178	90.95%	$ 10,141,033	47.54%

Supplementary Information

Cal Poly Corporation
Schedule of Net Position
June 30, 2014
(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	$ 17,001,009
Short-term investments	61,013,445
Accounts receivable, net	6,361,037
Leases receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	791,232
Prepaid expenses and other assets	3,720,995
Total current assets	88,887,718
Noncurrent assets:	
Restricted cash and cash equivalents	59,211
Accounts receivable, net	19,731
Leases receivable, net of current portion	—
Notes receivable, net of current portion	—
Student loans receivable, net	—
Pledges receivable, net	5,574,749
Endowment investments	5,327,199
Other long-term investments	12,914,822
Capital assets, net	22,181,485
Other assets	4,723,545
Total noncurrent assets	50,800,742
Total assets	139,688,460
Deferred outflows of resources:	
Unamortized loss on refunding(s)	—
Total deferred outflows of resources	—
Liabilities:	
Current liabilities:	
Accounts payable	2,202,074
Accrued salaries and benefits payable	518,793
Accrued compensated absences– current portion	721,238
Unearned revenue	5,449,276
Capitalized lease obligations – current portion	—
Long-term debt obligations – current portion	65,000
Claims Liability for losses and LAE - current portion	15,000
Depository accounts	—
Other liabilities	—
Total current liabilities	8,971,381
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	45,054
Unearned revenue	
Grants refundable	4,995,712
Capitalized lease obligations, net of current portion	—
Long-term debt obligations, net of current portion	2,560,000
Claims Liability for losses and LAE, net of current portion	—
Depository accounts	6,744,822
Other postemployment benefits obligation	—
Other liabilities	1,074,198
Total noncurrent liabilities	15,419,786
Total liabilities	24,391,167
Deferred inflows of resources:	
Deferred inflows from SCAs, grants, and others	—
Total deferred inflows of resources	—
Net Position:	
Net investment in capital assets	19,556,485
Restricted for:	
Nonexpendable – endowments	—
Expendable:	
Scholarships and fellowships	
Research	222,484
Loans	
Capital projects	2,871,445
Debt service	
Other	8,259,504
Unrestricted	84,387,375
Total net position	$ 115,297,293

Cal Poly Corporation
Schedule of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2014
(for inclusion in the California State University)

Revenues:	
Operating revenues:	
Student tuition and fees (net of scholarship allowances of $0)	$ —
Grants and contracts, noncapital:	
Federal	11,588,220
State	3,038,227
Local	225,717
Nongovernmental	3,633,566
Sales and services of educational activities	—
Sales and services of auxiliary enterprises (net of scholarship allowances of $0)	48,438,529
Other operating revenues	14,637,476
Total operating revenues	81,561,735
Expenses:	
Operating expenses:	
Instruction	1,019,569
Research	14,636,124
Public service	9,871,938
Academic support	1,762,795
Student services	1,391,849
Institutional support	6,089,179
Operation and maintenance of plant	2,348,930
Student grants and scholarships	639,668
Auxiliary enterprise expenses	40,974,358
Depreciation and amortization	1,935,411
Total operating expenses	80,669,821
Operating income (loss)	891,914
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	2,741,014
Investment income (loss), net	7,032,622
Endowment income (loss), net	—
Interest Expenses	(137,427)
Other nonoperating revenues (expenses)	435,249
Net nonoperating revenues (expenses)	10,071,458
Income (loss) before other additions	10,963,372
State appropriations, capital	—
Grants and gifts, capital	3,490,529
Additions (reductions) to permanent endowments	—
Increase (decrease) in net position	14,453,901
Net position:	
Net position at beginning of year, as previously reported	100,843,392
Restatements	—
Net position at beginning of year, as restated	100,843,392
Net position at end of year	$ 115,297,293

Cal Poly Corporation
Other Information
June 30, 2014
(for inclusion in the California State University)

1 Restricted cash and cash equivalents at June 30, 2014:

Portion of restricted cash and cash equivalents related to endowments	$ 20,524
All other restricted cash and cash equivalents	38,687
Total restricted cash and cash equivalents	$ 59,211

2.1 Composition of investments at June 30, 2014:

	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)	-	-	-	-	-	-	-
Wachovia Short Term Fund	-	-	-	-	-	-	-
Wachovia Medium Term Fund	-	-	-	-	-	-	-
Wachovia Equity Fund	-	-	-	-	-	-	-
CSU Consolidated Investment Pool (includes SWIFT and 0948 SMIF)	-	-	-	-	-	-	-
Common Fund - Short Term Fund	-	-	-	-	-	-	-
Common Fund - Others	-	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-
Equity securities	343,108	-	343,108	-		-	343,108
Fixed income securities (Treasury notes, GNMA's)		-	-	-	514,670	514,670	514,670
Land and other real estate		-	-	1,900,000	980,000	2,880,000	2,880,000
Certificates of deposit	2,493,035	-	2,493,035	8,006,434	-	8,006,434	10,499,469
Notes receivable	-	-	-	-	-	-	-
Mutual funds	57,089,485	-	57,089,485	-	6,699,669	6,699,669	63,789,154
Money Market funds	-	-	-	-	-	-	-
Collateralized mortgage obligations:	-						
Inverse floaters	-	-	-	-	-	-	-
Interest-only strips	-	-	-	-	-	-	-
Agency pass-through	-	-	-	-	-	-	-
Partnership interests (includes private pass-through)	-	-	-	-	-	-	-
Alternative investments	-	-	-	-	-	-	-
Hedge funds	-	-	-	-	-	-	-
Other major investments:						-	-
Cash and interest receivable pending long-term investment	150,481	-	150,481	-	1,573	1,573	152,054
Alternative investments	937,336	-	937,336	-	135,452	135,452	1,072,788
Agriculture related retains	-	-	-	4,223	-	4,223	4,223
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Total investments	61,013,445	-	61,013,445	9,910,657	8,331,364	18,242,021	79,255,466
Less endowment investments (enter as negative number)					(5,327,199)	(5,327,199)	(5,327,199)
Total investments	61,013,445	-	61,013,445	9,910,657	3,004,165	12,914,822	73,928,267

2.2 Investments held by the University under contractual agreements at June 30, 2014:

Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 20CY :	-	-	-	-	-	-	-

2.3 Restricted current investments at June 30, 2014 related to:	**Amount**
Add description	$ —
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Total restricted current investments at June 30, 2014	$ —

2.4 Restricted noncurrent investments at June 30, 2014 related to:	**Amount**
Endowment investment	$ 5,327,199
Grant and Annuity Society	2,024,165
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, 2014	$ 8,331,364

Cal Poly Corporation
Other Information
June 30, 2014
(for inclusion in the California State University)

3.1 Composition of capital assets at June 30, 2014:

	Balance June 30, 2013	Prior period Adjustments	Reclassifications	Balance June 30, 2013 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2014
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	$ 7,459,164	-	-	7,459,164	-	-	-	7,459,164
Works of art and historical treasures	508,060	-	-	508,060	-	-	-	508,060
Construction work in progress (CWIP)	188,481	-	-	188,481	863,234	(244,013)	(314,524)	493,178
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	8,155,705	-	-	8,155,705	863,234	(244,013)	(314,524)	8,460,402
Depreciable/amortizable capital assets:								
Buildings and building improvements	21,211,196	-	-	21,211,196	25,378	(744,908)	-	20,491,666
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	664,277	-	-	664,277	103,944	(63,804)	245,093	949,510
Personal property:								
Equipment	10,446,844	-	-	10,446,844	455,049	(457,332)	69,431	10,513,992
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	1,383,583	-	-	1,383,583	176,493	-	-	1,560,076
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	454,514	-	-	454,514	12,600	-	-	467,114
Other intangible assets:								
		-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total intangible assets	1,838,097	-	-	1,838,097	189,093	-	-	2,027,190
Total depreciable/amortizable capital assets	34,160,414	-	-	34,160,414	773,464	(1,266,044)	314,524	33,982,358
Total capital assets	42,316,119	-	-	42,316,119	1,636,698	(1,510,057)	-	42,442,760
Less accumulated depreciation/amortization:								
Buildings and building improvements	(8,958,273)	-	-	(8,958,273)	(946,244)	92,569		(9,811,948)
Improvements, other than buildings	-	-	-	-	-	-		-
Infrastructure		-	-	-	-	-		-
Leasehold improvements	(354,721)	-	-	(354,721)	(93,686)	22,199		(426,208)
Personal property:								
Equipment	(8,290,867)	-	-	(8,290,867)	(698,446)	402,009		(8,587,304)
Library books and materials	-	-	-	-	-	-		-
Intangible assets:								
Software and websites	(1,076,707)	-	-	(1,076,707)	(197,035)	-		(1,273,742)
Rights and easements	-	-	-	-	-	-		-
Patents, copyright and trademarks	-	-	-	-	-	-		-
Licenses and permits	(162,073)	-	-	(162,073)	-	-		(162,073)
Other intangible assets:								
Add description	-	-	-	-	-	-		-
Add description	-	-	-	-	-	-		-
Add description	-	-	-	-	-	-		-
Add description	-	-	-	-	-	-		-
Add description	-	-	-	-	-	-		-
Total intangible assets	(1,238,780)	-	-	(1,238,780)	(197,035)	-		(1,435,815)
Total accumulated depreciation/amortization	(18,842,641)	-	-	(18,842,641)	(1,935,411)	516,777		(20,261,275)
Total capital assets, net	$ 23,473,478	-	-	23,473,478	(298,713)	(993,280)	-	22,181,485

Cal Poly Corporation
Other Information
June 30, 2014
(for inclusion in the California State University)

3.2 Detail of depreciation and amortization expense for the year ended June 30, 2014:

Depreciation and amortization expense related to capital assets	$ 1,935,411
Amortization expense related to other assets	—
Total depreciation and amortization	$ 1,935,411

4 Long-term liabilities activity schedule:

	Balance June 30, 2013	Prior period adjustments	Reclassifications	Balance June 30, 2013 (restated)	Additions	Reductions	Balance June 30, 2014	Current portion	Long-term portion
Accrued compensated absences	$ 818,680	—	—	818,680	712,656	(765,044)	766,292	721,238	45,054
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	2,690,000	—	—	2,690,000	-	(65,000)	2,625,000	65,000	2,560,000
Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-	-	—	—	—
Total long-term debt obligations	2,690,000	—	—	2,690,000	-	(65,000)	2,625,000	65,000	2,560,000
Unamortized bond premium / (discount)	—	—	—	—	-	-	—		—
Total long-term debt obligations, net	2,690,000	—	—	2,690,000	—	(65,000)	2,625,000	65,000	2,560,000
Total long-term liabilities	$ 3,508,680	—	—	3,508,680	712,656	(830,044)	3,391,292	786,238	2,605,054

5 Future minimum lease payments - capital lease obligations:

	Principal	Interest	Principal and Interest
Year ending June 30:			
2015	-	-	—
2016	-	-	—
2017	-	-	—
2018	-	-	—
2019	-	-	—
2020 - 2024	-	-	—
2025 - 2029	-	-	—
2030 - 2034	-	-	—
2035 - 2039	-	-	—
2040 - 2044	-	-	—
2045 - 2049	-	-	—
2050 - 2054	-	-	—
2055 - 2059	-	-	—
2060 - 2064	-	-	—
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			$ —

Cal Poly Corporation
Other Information
June 30, 2014
(for inclusion in the California State University)

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:									
2015	$ -	-	-	65,000	134,981	199,981	65,000	134,981	199,981
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 - 2024	-	-	-	475,000	540,009	1,015,009	475,000	540,009	1,015,009
2025 - 2029	-	-	-	610,000	398,200	1,008,200	610,000	398,200	1,008,200
2030 - 2034	-	-	-	795,000	208,494	1,003,494	795,000	208,494	1,003,494
2035 - 2039	-	-	-	380,000	20,225	400,225	380,000	20,225	400,225
2040 - 2044	-	-	-	-	-	-	-	-	-
2045 - 2049	-	-	-	-	-	-	-	-	-
2050 - 2054	-	-	-	-	-	-	-	-	-
2055 - 2059	-	-	-	-	-	-	-	-	-
2060 - 2064	-	-	-	-	-	-	-	-	-
Total	$ -	-	-	2,625,000	1,808,859	4,433,859	2,625,000	1,808,859	4,433,859

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	$ 22,181,485		22,181,485
Capitalized lease obligations - current portion	—	—	—
Capitalized lease obligations, net of current portion	—	—	—
Long-term debt obligations - current portion	(65,000)	—	(65,000)
Long-term debt obligations, net of current portion	(2,560,000)	—	(2,560,000)
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	$ 19,556,485	—	19,556,485
7.2 Calculation of net position - Restricted for nonexpendable - endowments			
Portion of restricted cash and cash equivalents related to endowments	$ 20,524		20,524
Endowment investments	5,327,199		5,327,199
Other adjustments: (please list)			
Endowment funds held for others	(5,334,016)		(5,334,016)
Endowment accounts payable	(13,707)		(13,707)
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Net position - Restricted for nonexpendable - endowments per SNP	$ —	—	—

Cal Poly Corporation
Other Information
June 30, 2014
(for inclusion in the California State University)

8 Transactions with Related Entities

	Amount
Payments to University for salaries of University personnel working on contracts, grants, and other programs	$ 2,547,071
Payments to University for other than salaries of University personnel	4,445,222
Payments received from University for services, space, and programs	4,292,256
Gifts-in-kind to the University from discretely presented component units	1,255,659
Gifts (cash or assets) to the University from discretely presented component units	1,676,311
Accounts (payable to) University (enter as negative number)	(576,539)
Other amounts (payable to) University (enter as negative number)	—
Accounts receivable from University	295,145
Other amounts receivable from University	—

9 Other Postemployment Benefits Obligation (OPEB)

Annual required contribution (ARC)	$ 2,146,522
Contributions during the year	(17,880,670)
Increase (decrease) in net OPEB obligation (NOO)	(15,734,148)
NOO - beginning of year	11,648,603
NOO - end of year	$ (4,085,545)

Amount must be greater than the noncurrent portion in SNP

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, 20PY, as previously reported		$ 100,843,392
Prior period adjustments:		
1 (list description of each adjustment)		—
2 (list description of each adjustment)		—
3 (list description of each adjustment)		—
4 (list description of each adjustment)		—
5 (list description of each adjustment)		—
6 (list description of each adjustment)		—
7 (list description of each adjustment)		—
8 (list description of each adjustment)		—
9 (list description of each adjustment)		—
10 (list description of each adjustment)		—
Net position as of June 30, 2013, as restated		$ 100,843,392

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

	Debit	Credit
Net position class:______________________		
1 (breakdown of adjusting journal entry)		
	$ —	
		—
Net position class:		
2 (breakdown of adjusting journal entry)		
	—	
		—
Net position class:______________________		
3 (breakdown of adjusting journal entry)		
	—	
		—
Net position class:______________________		
4 (breakdown of adjusting journal entry)		
	—	
		—
Net position class:		
5 (breakdown of adjusting journal entry)		
	—	
		—
Net position class:______________________		
6 (breakdown of adjusting journal entry)		
	—	
		—
Net position class:______________________		
7 (breakdown of adjusting journal entry)		
	—	
		—
Net position class:		
8 (breakdown of adjusting journal entry)		
	—	
		—
Net position class:______________________		
9 (breakdown of adjusting journal entry)		
	—	
		—
Net position class:______________________		
10 (breakdown of adjusting journal entry)		
	—	
		—

Other Supplementary Information

Cal Poly Corporation

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

June 30, 2014 and 2013

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	$ 120,704	$ 166,916
Certificates of deposit	34,451	34,496
Accounts receivable	19,086	41,357
Inventories	1,613	4,152
Prepaid expenses	5,498	3,923
Total current assets	181,352	250,844
Other assets:		
Investments	415,826	375,219
Total assets	597,178	626,063
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	731	3,481
Total current liabilities	731	3,481
Net assets:		
Unrestricted:		
Undesignated	596,447	622,582
Total unrestricted net assets	596,447	622,582
Total liabilities and net assets	$ 597,178	$ 626,063

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, 2014 and 2013

	2014	2013
Unrestricted revenue and support:		
Donations and grants	$ 18,510	$ 8,530
Travel and promotion	43,344	42,662
Homecoming	17,730	28,734
Investment income	55,353	36,379
External activities	20,564	32,589
Sales of Mustang Flight and Unbridled Spirit		2,630
Credit card income	31,443	
Total unrestricted revenue and support	186,944	151,524
Expenses:		
Program services:		
Salaries and wages	13,196	17,099
Cost of goods sold	7,564	2,903
Postage	6,655	3,819
Tax preparation	2,245	2,210
Travel	6,335	6,887
Office expense	33,104	27,724
Professional development		449
Accounting services	8,961	8,580
Hosting special events	42,974	42,754
External activities	63,898	20,118
Other	28,147	1,461
Total expenses	213,079	134,004
Increase (decrease) in unrestricted net assets	(26,135)	17,520
Unrestricted net assets - beginning of year	622,582	605,062
Unrestricted net assets - end of year	$ 596,447	$ 622,582

See accompanying independent auditor's report.