



Mr. Charles Ragland
Community Member (Alumni)
Department of Justice

Dr. Chuck De Leone
Professor, Physics

Dr. Cynthia Chavez Metoyer
Faculty Director, Community
Engagement-Office of
Internships

Ms. DawnMarie Myers
Student Member

Dr. Graham Oberem
Designated Member
Provost

Mr. Jason Schreiber
Dean of Students

Ms. Jennifer Williams
Designated Member
President's Designee
AVP of Campus Climate and
Chief of Staff, Office of
President Karen S. Haynes

Mr. Neal Hoss
Designated Member
Vice President for
Finance & Administrative
Services

Mr. Rextini Andrade
Student Member

Mr. Xavier Martinez
Community Member
Martinez & Associates, Inc.,
San Marcos

REVISED Regular Meeting of the Board of Directors
Thursday, November 16, 2017 - 4:00 p.m. – 5:30 p.m.
Center for Children and Families Classroom

- I. **Convening of Regular Board Meeting (*Oberem*)**
 - A. Consideration of Minutes September 14, 2017 Annual Meeting (**Attachment A**)
 - B. Consideration of Minutes September 14, 2017 Regular Meeting (**Attachment B**)
- II. **University Update and Reports**
 - A. Administration Update (*Newberg*)
 - B. Extended Learning Building/P3 Project Update (*Newberg*)
 - C. Investment Report (*Fenimore*) (**Attachment C**)
 - D. Joint Audit Committee Update (*Myers*)
 - E. Sponsored Projects Update (*Oberem/Beckwith*) (**Attachment D**)
 - F. Student Housing Advisory Committee Update (*Schreiber/Newberg*)
 - G. University Update (*Hoss*)
- III. **Consent Agenda**
 - A. UARSC Financial Audit Report & Uniform Guidance (A-133) Compliance Report 6/30/17 (**Attachment E**)
 - B. UCorp Financial Audit Report 6/30/17 (**Attachment F**)
- IV. **Action Items**
 - A. Quarterly Financial Report 9/30/17 (*Davis*) (**Attachment G**)
 - B. Revised Travel Policy (*Newberg*) (**Attachment H**)
 - C. QUAD Renegotiation Agreement (*Newberg*)
 - D. Campus Dining Lease (*Newberg*)
 - E. Amendment to Manatt Agreement (*Newberg*)
 - F. Amendment to North City Partners Interim Agreement (*Newberg*)
- IV. **Adjournment of Regular Meeting**

Next Meeting: February 22, 2018, 4:00 p.m., Center for Children & Families Classroom

ATTACHMENT A

Minutes of the September 14, 2017 Annual Meeting



**Minutes of the Annual Meeting of the Board of Directors
September 14, 2017**

Center for Children and Families Classroom

Attendees:

Members: Neal Hoss, Chuck De Leone, Xavier Martinez, Cynthia Chavez Metoyer, DawnMarie Myers, Charles Ragland, Jennifer Williams, Jason Schreiber

Members Absent: Graham Oberem (Chair), Rex Andrade, Trina Beckwith

Staff: Deborah Davis, Bella Newberg, Michelle Hinojosa, Karla Frazee, Janelle Temnick

Guests: Malik Ismail

Convening of the Annual Meeting

A quorum being present, Treasurer Hoss called the meeting to order at 4:05 p.m.

Appointment of Student Member to the Board

Hoss reported that ASI was consulted to fill the vacant Student Member position on the CSUSM Corporation Board of Directors. ASI has recommended Rextini (Rex) Andrade. *A motion was made and seconded (Myers/De Leone) to accept the recommendation from ASI to appoint Rex Andrade as a Student Member to the CSUSM Corporation Board of Directors. Motion carried.*

Consent Agenda

Hoss explained the purpose of the Consent Agenda and asked if anyone had any questions about the Consent Agenda process. There being none Hoss then asked if anyone wanted to move any items from the Consent Agenda to the Regular Agenda. There being none, *a motion comes moved and seconded from the Executive Committee to approve the appointment of the Joint Audit Committee ratification, Board Officer Nominations 17/18 (Attachment A) and Committee Membership 17/18 (Attachment B). Motion carried.*

Adjournment

The Annual Meeting adjourned by acclamation at 4:10 p.m.

Cynthia Chavez Metoyer
Secretary

Date

ATTACHMENT B

Minutes of the September 14, 2017 Regular Meeting



**Minutes of the Regular Meeting of the Board of Directors
September 14, 2017**

Center for Children and Families Classroom

Attendees:

Members: Neal Hoss, Chuck De Leone, Xavier Martinez, Cynthia Chavez Metoyer, DawnMarie Myers, Charles Ragland, Jennifer Williams, Jason Schreiber

Members Absent: Graham Oberem (Chair), Rex Andrade

Staff: Deborah Davis, Bella Newberg, Michelle Hinojosa, Karla Frazee, Janelle Temnick

Guests: Malik Ismail

Convening of the Regular Meeting

A quorum being present, Treasurer Hoss called the meeting to order at 4:11 p.m.

Minutes of the May 25, 2017 Regular Meeting

A motion was made and seconded (Myers/Williams) to approve the May 25, 2017 minutes. Motion carried.

Minutes of the June 6, 2017 Special Meeting

A motion was made and seconded (De Leone/Myers) to approve the June 6, 2017 minutes. Motion carried.

Committee Reports

Student Housing Advisory Committee Update

Schreiber reported that the Student Housing Advisory Committee has been meeting bi-monthly. One topic that is on the forefront is dining services at CSUSM. The Committee is working with a consultant from Cal Poly Pomona as well as CSUSM's Financial Aid, Enrollment Management, Housing, Sodexo and IITS departments. The concept is an all-you-care-to-eat dining facility with grab-and-go options as well as six different food preparation stations for variety. The facility will have approximately 250 indoor and outdoor seats. Target date for the soft opening is June 2018 for the Summer Conference groups. Construction of the dining hall will be voted on later in the meeting. Along with the dining facility the Committee is proposing a mandatory Meal Plan for all resident students which will be voted on later in the meeting. There will also be meal plans available to non-resident students, faculty and staff.

Investment Portfolio Report

Davis reviewed the Investment Portfolio Report that was provided in the agenda packet sent prior to the meeting.

Sponsored Projects Committee

Newberg reported that the growth for grants and sponsored projects has been substantial for FY 16/17. The number of proposals submitted are up from the previous year, 93 submissions vs 87 and \$43M in funding has been requested.

Joint Audit Committee

Martinez reported that the Joint Audit Committee met on July 10, 2017 for a pre-audit discussion with the auditors.

Administration Update

Due to having a new CSUSM Corporation Board of Directors, Newberg gave a high level overview of the CSUSM Corporation and the projects that the Corporation is currently working on. The overview included the Corporation org chart, staffing changes, campus partners, student housing and Summer Conferences. Newberg gave an overview of the EL P3 Project. Target date for construction to start is February 2018 with completion July, 2019. Target date for building to be occupied is August, 2019. The CSUSM Corporation is the vehicle for this Project.

University Update

Williams reported the academic year is in full swing with nearly 17,000 students, our largest enrollment ever. The President delivered her 14th CSUSM Convocation speech to faculty and staff. In June the budget was approved by the state legislature. The Forward Together fundraising campaign has 18 months remaining and we are more than 77% of the way toward our goal of \$50M. The University received a \$1M gift to expand the Veterans Center, a \$225,000 gift to establish the Burnham Leadership Experience and a three-year, \$450,000 matching grant in support of our Alliance to Accelerate Excellence in Education. CSUSM is officially an NCAA Division II Member. An Executive Director of the Institute for Palliative Care has been appointed after a successful search. The new Center for Research and Engagement in STEM Education opened in July. Chancellor White issued an Executive Order implementing a smoke and tobacco free environment for all campuses effective August 28, 2017.

Executive Committee

Hoss reported that the Executive Committee met on August 31, 2017 to discuss and approve to move forward to the CSUSM Corporation Board all the items that are in the Consent Agenda below.

Consent Agenda

Hoss explained that a Consent Agenda was included as Item III in the meeting Agenda. He explained the purpose of the Consent Agenda is to save time. Hoss asked if anyone had any questions about the Consent Agenda process. There being none Hoss then asked if anyone wanted to move any items from the Consent Agenda to the Regular

Agenda. There being none, *a motion comes moved and seconded from the Executive Committee to approve the updated Finance and Operations Committee Charge (Attachment F), updated Joint Audit Committee Charge (Attachment G), updated Sponsored Projects Committee Charge (Attachment H), updated Student Housing Advisory Committee Charge (Attachment I), new Executive Committee Charge (Attachment J), the Amendment to Legal Agreement for the EL/P3 Project ratification, Amendment to Capstone Agreement ratification and Amendment to extend UVSM Interim Agreement ratification. Motion carried.*

Action Items

Quarterly Financial Report & Summary 6/30/17 (Attachment K)

Davis reviewed the Quarterly Financial Report & Summary 6/30/17 that was provided in the agenda packet prior to the meeting. *A motion was made and seconded (De Leone/Schreiber) to approve the Quarterly Financial Report & Summary as presented. Motion carried.*

Delegation of Authority (Attachment L)

Newberg reviewed the Delegation of Authority document that was provided in the agenda packet prior to the meeting. The two notable revisions were regarding the dollar limits that require a second signature. One pertained to the commercial checks, sight drafts and other negotiable instruments, increased from \$15,000 to \$50,000, this amount aligns with the campus's process and the other pertained to manual payroll checks, increased from \$3,000 to \$5,000. *A motion was made and seconded (Myers/Schreiber) to approve the updated Delegation of Authority document as presented. Motion carried.*

Student Housing

Schreiber reported that the mandatory meal plan would apply to any first year student living in student housing with an option for commuter students, faculty and staff to participate as well as upper classmen. The Student Housing Advisory Committee is exploring an exemption policy and a payment plan. Financial aid would be available. Hoss added that CSUSM is currently one of two campuses that does not currently have a mandatory meal plan. *A motion was made and seconded (De Leone/Chavez Metoyer) to move forward with the mandatory meal plan and construction of the dining hall, pending negotiation with the developer. Motion carried.*

Adjournment of Regular Meeting

The Regular Meeting adjourned by acclamation at 5:24 p.m.

Closed Session

The Board entered into a closed session at 5:25 p.m. and adjourned at 5:33.

Cynthia Chavez Metoyer
Secretary

Date

ATTACHMENT C

Investment Report

California State University San Marcos Corporation

Investment Activity for the Quarter Ended September 30, 2017

	Beginning Investment Value	Income	Purchases	Maturities and Sales	Cash Withdrawal and Deposits	Change in Market Value	Ending Investment Value
CD's	\$ 1,713,111	\$ 6,413	\$ 935,000	\$ (245,000)		\$ (823)	\$ 2,402,288
Mutual Funds	1,640,839	6,952	620,000			12,100	2,279,891
Cash	155,256	16			(153,587)		1,685
TOTAL	\$ 3,509,206	\$ 13,381	\$ 1,555,000	\$ (245,000)	\$ (153,587)	\$ 11,277	\$ 4,683,863

Name	Type	July 2017 Income	August 2017 Income	September 2017 Income	TOTAL Income
CAPITAL 1.05% 080318	CD		\$ 3,098.08		\$ 3,098
FIRSTBANK PR 0.9%020117	CD				-
MB Financial Bank NA	CD		343	332	676
Ally Bank	CD			1,173	1,173
BARCLAYS 1.2% 073117	CD	1,466			1,466
Pimco Unconstrained-PUBAX	MF	1,065	830	926	2,821
Pimco FDS PAC Inv MGM - PTLAX	MF	676	528	700	1,903
Pimco FDS PAC Inv Mgmt-PSHAX	MF	771	651	806	2,228
Cash		7	0	8	16
		<u>\$ 3,986</u>	<u>\$ 5,450</u>	<u>\$ 3,946</u>	<u>\$ 13,381</u>

Investment Earnings	Quarter 1
Income	\$ 13,381
Change in Market Value	11,277
CD's Accrued Interest	508
Investment Earnings	<u>\$ 25,166</u>

Fiscal Year to Date Investment Earnings **\$ 25,166**

ATTACHMENT D

Revised Awards Report

Awards Report

FY17-18 Q1

July 1 - Sept 30

PI ID	College/Center	Department	Funding Agency	Project Title	% IDC	Project Amount
Beecher	CEHHS	Social Work	UC Berkeley	CSUSM Masters, Social Program	10%	610,443
Boren	CEHHS	Nursing	DHHS	YR2 GAIN Program	49%	337,225
Bufferd	CHABSS	Psychology	NIH/MIMH	Preschool Internalizing Supplement	49%	17,514
Clark-Ibanez	GSR	Natnl Latino Research Cntr	SANDAG	Community Based Outreach for 2019 Regional	28%	45,000
D'Anna	CHABSS	Psychology	NSF	RUI: Fetal Programming of Earl	49%	437,161
D'Anna	CHABSS	Psychology	NIH/NIMH	Role of Prenatal Environment o	49%	447,000
Garcia	CSM	Biology	NIH/NIGMS	North San Diego County Bridges to the Future	8%	211,817
Gonzalez	CEHHS	Education	DED	CSUSM CAMP YR 1	8%	425,000
Hernandez	CEHHS	Education	DED	ACCEPT: Aligning Common Core YR2	8%	507,367
Jayasinghe	CSM	Chemistry & Biochemistry	NIH	Inhibition of Protein Aggregation by the Curli Accessory Proteins CsgE and CsgF	49%	335,250
Mothe	CSM	Biology	CIRM	CIRM Bridges to Stem Cell YR2	10%	609,000
Mauga	ENRMGT Outreach & Recruitment		DED	Talent Search YR2	8%	246,000
Mauga	ENRMGT Outreach & Recruitment		DED	TRIO UPWARD BOUND - YR 1	8%	318,394
Northway	SSS Student Affairs		DED	Student Support Srv YR3	8%	308,638
Nunez	GSR	Natnl Latino Research Cntr	ASD	One CA 2017	28%	16,200
Nunez	GSR	Natnl Latino Research Cntr	DHHS	Homie Up: Youth Empowerment Pr	28%	425,000

Perron	CSM	Physics	1DOD	Cryogen-Free Dilution Refridge	0	580,586
Peters	SAFE SHCS		APA	APA Internship Program Accredi	0%	15,650
Pulvers	CHABSS	Psychology	NIH/NIGMS	Toxicant Exposure to E-Cigaret	49%	111,750
Rahn	EXTENDED LEARNING		FEMA	Fire Prevention and Safety	28%	958,249
Schultz	CHABSS	Psychology	NSF	Developing a Measure of STEM	28%	300,000
Trujillo	CHABSS	Psychology	UEI	LSAMP V YR 5	0%	10,000
Zhang	CSM	Computer Science	NIH/NIGMS	Biomineralization in Coccolithophores	0	104,400
Total FY16-17 Q1 Awards						7,377,644
Total FY16-17 Q1 Awards						22
Total FY15-16 Q1 Awards						10,574,268
Total FY15-16 Q1 Awards						27

ATTACHMENT E

UARSC Financial Audit Report & Uniform Guidance
(A-133) Compliance Report 6/30/17

University Auxiliary and Research Services Corporation

Financial Statements and Supplemental Information

Years Ended June 30, 2017 and 2016



UNIVERSITY AUXILIARY AND RESEARCH SERVICES CORPORATION

Financial Statements and Supplemental Information

Years Ended June 30, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
University Auxiliary and Research Services Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of University Auxiliary and Research Services Corporation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University Auxiliary and Research Services Corporation as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information included on pages 16 - 26 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated **DATE PENDING** on our consideration of the University Auxiliary and Research Services 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 University Auxiliary and Research Services Corporation's internal control over financial reporting and compliance.

Emphasis of Matter

As discussed in Note 10, University Auxiliary and Research Services Corporation received the student housing funds from San Marcos University Corporation and changed its name to the California State University San Marcos Corporation. These events were effective as of July 1, 2017.

San Diego, California

DATE PENDING

UNIVERSITY AUXILIARY AND RESEARCH SERVICES CORPORATION

Statements of Financial Position

June 30, 2017 and 2016

	2017	2016
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 846,492	\$ 310,348
Accounts receivable	2,500,454	1,603,372
Other receivables	186,853	242,273
Due from related parties	928,230	561,748
Prepaid expenses	16,167	20,012
Current portion of certificates of deposits	491,923	737,107
Investments	1,640,839	1,823,471
Total Current Assets	6,610,958	5,298,331
Property and equipment, net of accumulated depreciation	8,222,198	6,931,611
Certificates of deposits, less current portion	1,227,009	739,684
Other assets	61,081	61,081
Total Assets	\$ 16,121,246	\$ 13,030,707
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 804,579	\$ 323,480
Due to related parties	427,321	431,018
Current portion of deferred revenue	512,912	310,865
Accrued payroll and benefits	745,569	775,269
Current portion of accrued postretirement benefit costs	18,805	13,917
Total Current Liabilities	2,509,186	1,854,549
Deferred revenue, net of current portion	3,480,117	1,833,740
Accrued postretirement benefit costs, net of current portion	1,445,544	1,303,119
Note payable, net of current portion	198,291	198,291
Total Liabilities	7,633,138	5,189,699
Net Assets		
Unrestricted		
Board-designated:		
Operating reserves	1,888,719	1,560,806
Other program reserves	2,195,146	1,515,168
Equipment	4,404,243	4,765,034
Total Net Assets	8,488,108	7,841,008
Total Liabilities and Net Assets	\$ 16,121,246	\$ 13,030,707

See accompanying notes to financial statements.

UNIVERSITY AUXILIARY AND RESEARCH SERVICES CORPORATION**Statements of Activities**

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Unrestricted Revenue, Gains, and Other Support:		
Federal grants and contracts	\$ 11,114,724	\$ 8,642,218
Campus programs	3,920,297	4,015,100
Other sponsored programs	764,526	1,196,407
Child care center in-kind rental income	510,124	502,090
Commissions	527,150	490,845
Ground lease income	270,660	266,398
Rental income	139,092	139,092
Interest and dividend income	14,339	15,475
Net realized and unrealized gain (loss) on investments	84,368	(4,575)
	<u>17,345,280</u>	<u>15,263,050</u>
Total Unrestricted Revenue, Gains and Other Support		
Expenses:		
Program Services:		
Sponsored programs	10,371,334	8,800,563
Campus programs	2,029,400	2,254,552
Student scholarships	903,977	543,519
	<u>13,304,711</u>	<u>11,598,634</u>
Total Program Services		
General administrative	3,393,469	3,312,561
	<u>16,698,180</u>	<u>14,911,195</u>
Total Expenses		
Increase in Net Assets	647,100	351,855
Net Assets, ending	<u>\$ 8,488,108</u>	<u>\$ 7,841,008</u>

See accompanying notes to financial statements.

UNIVERSITY AUXILIARY AND RESEARCH SERVICES CORPORATION**Statements of Cash Flows**

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Increase in net assets	\$ 647,100	\$ 351,855
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	549,122	570,029
Net realized and unrealized loss (gain) on investments	(84,368)	4,575
Loss on disposals of property and equipment	41,038	-
Change in accumulated postretirement benefit obligation	147,313	103,324
Changes in operating assets and liabilities:		
Accounts receivable	(897,082)	(875,504)
Other receivables	55,420	(117,365)
Due from related parties	(366,482)	(217,962)
Prepaid expenses	3,845	14,871
Accounts payable	481,099	244,429
Due to related parties	(3,697)	22,514
Deferred revenue	1,848,424	(308,675)
Accrued payroll and benefits	(29,700)	(57,380)
Net Cash Provided (Used) by Operating Activities	<u>2,392,032</u>	<u>(265,289)</u>
Cash Flows from Investing Activities:		
Purchases of property and equipment	(1,880,747)	(72,374)
Purchases of investments	(283,000)	(1,303,001)
Proceeds from the sale of investments	550,000	1,050,000
Maturities of certificates of deposits	735,000	245,000
Purchases of certificates of deposits	(977,141)	(739,592)
Net Cash Used by Investing Activities	<u>(1,855,888)</u>	<u>(819,967)</u>
Cash Flows Used by Financing Activities:		
Payments on note payable	-	(51,709)
Net Increase (Decrease) in Cash and Cash Equivalents	<u>536,144</u>	<u>(1,136,965)</u>
Cash and Cash Equivalents, beginning	<u>310,348</u>	<u>1,447,313</u>
Cash and Cash Equivalents, ending	<u>\$ 846,492</u>	<u>\$ 310,348</u>

See accompanying notes to financial statements.

UNIVERSITY AUXILIARY AND RESEARCH SERVICES CORPORATION

Notes to Financial Statements

Years Ended June 30, 2017 and 2016

Note 1 – Organization and Summary of Significant Accounting Policies

Nature of Activities

University Auxiliary and Research Services Corporation (Organization) is a nonprofit California corporation and an auxiliary organization of California State University San Marcos (University), organized and operated in accordance with the California Code of Regulations and the Education Code of the State of California. The Organization was organized in December 1989 to provide service and opportunity to the University. The Organization accomplishes this through its focus on administering research and educational grants and contracts; human resource and payroll services, business services to other Auxiliary programs, and management of various entrepreneurial commercial enterprises. Commercial enterprises include childcare services, campus dining services, bookstore and retail services, and managing other commercial partnerships.

The Organization's financial statements are included as a component unit of the University's annual general-purpose financial statements. This is required by accounting principles generally accepted in the United States applicable to governmental entities.

Related Parties

The Organization is related to other auxiliaries of the University, including San Marcos University Corporation (UCorp), Associated Students, Inc. of California State University San Marcos (ASI) and California State University San Marcos Foundation (Foundation). These auxiliaries, although independent, and the University periodically provide various services to one another.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds.
- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

As of June 30, 2017 and 2016, all of the Organization's net assets were classified as unrestricted.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with original maturity dates of three months or less to be cash equivalents.

Income Taxes

The Organization is a qualified nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. However, the Organization remains subject to taxes on any net income which is derived from a trade or business regularly carried on and unrelated to its exempt purpose.

UNIVERSITY AUXILIARY AND RESEARCH SERVICES CORPORATION

Notes to Financial Statements

Years Ended June 30, 2017 and 2016

Note 1 – Organization and Summary of Significant Accounting Policies, continued

Income Taxes, continued

The Organization follows accounting standards generally accepted in the United States of America related to the recognition of uncertain tax positions. The Organization recognizes accrued interest and penalties associated with uncertain tax positions as part of the statements of activities, when applicable. Management has determined that the Organization has no uncertain tax positions as of June 30, 2017 and 2016; therefore, no amounts have been accrued.

Receivables

The accounts receivable arise in the normal course of operations. It is the policy of management to review the outstanding accounts receivable at year end, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts. A provision for doubtful accounts has not been established as management considers all accounts to be collectible based upon a favorable history over a substantial period of time. If amounts become uncollectible, they will be charged to operations when that determination is made.

Investments

Investments in equity securities and mutual funds with readily determinable fair values, based on daily share prices, are reported at fair value with gains and losses included in the statements of activities.

The investments of the Organization are exposed to interest rate and market risk. Economic conditions can impact these risks and resulting fair values can be either positively or adversely affected. If the level of risk increases in the near term, it is possible that the investment balances and the amounts reported in the financial statements could be materially affected by market fluctuations. Although the fair value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Organization and its beneficiaries.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$5,000. Equipment and improvements are recorded at cost or at estimated fair value at date of gift if donated. Expenditures for maintenance and repairs are charged against operations. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets of 3 to 30 years.

Deferred Revenue

Deferred revenue represents grant revenue received in advance and the unamortized portion of property and equipment received from unrelated third parties as part of agreements for the operation of the bookstore and campus food services.

Note 2 – Concentration of Credit Risk

The Organization maintains cash and cash equivalents in bank deposit and investment accounts. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 and investment accounts are insured by the Securities Investor Protection Corporation (SIPC) up to a limit of \$500,000. The Organization's account balances may, at times, exceed the limits. The Organization has not experienced any such losses in these accounts.

UNIVERSITY AUXILIARY AND RESEARCH SERVICES CORPORATION

Notes to Financial Statements

Years Ended June 30, 2017 and 2016

Note 3 – Investments and Fair Value Measurement

Fair Value Measurements

The Organization defines fair value as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market. The Organization applies fair value measurements to assets and liabilities that are required to be recorded at fair value under generally accepted accounting principles. Fair value measurement techniques maximize the use of observable inputs and minimize the use of unobservable inputs, and are categorized in a fair value hierarchy based on the transparency of inputs. In addition, the Organization reports certain investments using the net asset value per share as determined by investment managers, allowing the net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. The three levels are defined as follows:

- Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2017 and 2016.

Mutual funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Certificates of deposit: Reported at cost plus earned interest, which approximates market prices.

Investments at fair value according to the fair value hierarchy are as follows as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Core fixed-income institutional mutual funds	\$ 1,640,839	\$ -	\$ -	1,640,839
Certificates of deposit	-	1,718,932	-	1,718,932
	<u>\$ 1,640,839</u>	<u>\$ 1,718,932</u>	<u>\$ -</u>	<u>\$ 3,359,771</u>

Investments at fair value according to the fair value hierarchy are as follows as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Core fixed-income institutional mutual funds	\$ 1,823,471	\$ -	\$ -	1,823,471
Certificates of deposit	-	1,476,791	-	1,476,791
	<u>\$ 1,823,471</u>	<u>\$ 1,476,791</u>	<u>\$ -</u>	<u>\$ 3,300,262</u>

UNIVERSITY AUXILIARY AND RESEARCH SERVICES CORPORATION

Notes to Financial Statements

Years Ended June 30, 2017 and 2016

Note 4 – Property and Equipment

Property and equipment consist of the following as of June 30:

	2017	2016
Land improvements	\$ 1,535,469	\$ 1,535,469
Building and improvements	4,385,743	4,385,743
Furniture and equipment	2,223,700	2,249,052
Leasehold improvements	2,924,302	2,924,302
	11,069,214	11,094,566
Less accumulated depreciation	(4,655,439)	(4,162,955)
	6,413,775	6,931,611
Construction in progress	1,808,423	-
	\$ 8,222,198	\$ 6,931,611

Note 5 – Commitments and Contingencies

Leases

The Organization has entered into various operating lease agreements with the University for facilities, with monthly rents totaling \$3,666 through June 30, 2017. The Organization leases office space at 435 E. Carmel Street under a lease agreement which may be terminated by either party upon a four-month written notice and had monthly rent of approximately \$10,500. The lease expires on December 31, 2017. Total rent expense was approximately \$170,000 for each of the years ended June 30, 2017 and 2016.

Minimum future lease payments as of June 30, 2017 are due as follows:

<u>Year Ending June 30,</u>	
2018	\$ 62,760
Thereafter	-
	\$ 62,760

Bookstore Operating Agreement

In July 2011, the Organization entered into an agreement with an unrelated third party to operate the campus bookstore. In July 2014, the Organization amended the bookstore operating agreement with the third-party operator. As part of the agreement, the unrelated third party relocated the bookstore to the former campus dining area and paid for the relocation and improvement costs related to the move. The cost will be depreciated and amortized over the contract term. All capital equipment or improvements not attached as fixtures to real estate are the property of the unrelated third-party. If the Organization terminates the agreement prior to the termination date or if the unrelated third party terminates the agreement for cause, the Organization is required to purchase any existing inventory at the time of termination at fair value according to the agreement, reimburse the unrelated third party for the book value of its capital improvements, and refund the unamortized portion of the bookstore build-out. The contract term was extended to June 30, 2025.

UNIVERSITY AUXILIARY AND RESEARCH SERVICES CORPORATION

Notes to Financial Statements

Years Ended June 30, 2017 and 2016

Note 5 – Commitments and Contingencies, continued

Bookstore Operating Agreement, continued

The contract commissions are 11.5 percent on gross revenues up to \$4,000,000 and 12.5 percent on gross revenues exceeding \$4,000,000. Under this agreement, commission revenue for the years ended June 30, 2017 and 2016 was \$354,723 and \$352,557, respectively.

In June 2015, as part of the agreement, the unrelated third party placed into service \$836,241 of equipment, design and construction services for the build-out of the bookstore for the Organization. The Organization has ownership of the assets and has recorded a corresponding liability to deferred revenue which is amortized to revenue over the 10 remaining years of the contract. The Organization recognized revenues of \$83,123 and \$83,351 for the years ended June 30, 2017 and 2016, respectively. In addition, the Organization has deferred revenue of \$665,440 and \$748,563 as of June 30, 2017 and 2016, respectively, related to the noncash transaction.

Child Care Center Lease Agreement

The Organization owns and operates the Center for Children and Families and has a Child Care Center Development Agreement (Agreement) with Children's Creative Learning Center (CCLC), a California Corporation, which expires on February 28, 2023. In exchange for operating, maintaining, and managing the center, CCLC is not charged rent. Management estimated that the value of the Agreement was \$510,124 and \$502,090 for the years ended June 30, 2017 and 2016, respectively. These amounts are included in the statements of activities for the years ended June 30, 2017 and 2016 as child care center in-kind rental income and campus programs expense.

For operating the child care center, the Organization does not pay rent under the ground lease. Management estimated that the value of the lease agreement was \$270,660 and \$266,398 for the years ended June 30, 2017 and 2016, respectively. These amounts are reflected in the statements of activities for the years ended June 30, 2017 and 2016 as property ground lease income and land leasing costs, which is included in campus programs expense. As consideration for the Agreement the third party pays the Organization an annual revenue share based on gross margin and net revenue of the center.

Beverage Distribution Rights Contract

The Organization has granted an unrelated third party exclusive rights to campus beverage sales and distribution. The term of the agreement is a 10-year period expiring on December 31, 2021, unless terminated by either party with advance notice, as defined in the agreement. As part of the agreement, the unrelated third party will have exclusive rights for beverage sale and distribution, including the right to provide all beverages at athletic events, club activities, special events, concessions and vending locations.

As consideration for the agreement, the unrelated third party paid the Organization an initial support fund in the amount of \$50,000 earned over the term of the agreement and payable upon signing the agreement. Additional consideration includes an annual sponsorship fee of \$20,000 and \$1,500 in marketing funds payable annually at the end of each calendar year, 35 percent commission paid quarterly on actual cash collected by vending machines plus proceeds from credit card transactions. Commission revenue included \$61,677 and \$61,055 for the years ended June 30, 2017 and 2016, respectively, under this agreement, which includes the \$20,000 sponsorship fee for the year ended June 30, 2017.

UNIVERSITY AUXILIARY AND RESEARCH SERVICES CORPORATION

Notes to Financial Statements

Years Ended June 30, 2017 and 2016

Note 5 – Commitments and Contingencies, continued

Campus Food Service Agreement

The Organization has an agreement with an unrelated third party to operate the campus food services, including retail sales, catering and concessions. The term of the agreement is 20 years through August 5, 2032, unless terminated by either party with advance notice, as defined in the agreement. As part of the agreement, the Organization will continue to own the premises and equipment used to operate the food services and the unrelated third party shall purchase and own the inventories of food, beverage and supplies used in operations. In the event of a termination by the Organization, all amounts due to the unrelated third party shall be payable immediately as defined in the agreement. The Organization does not expect early termination. As consideration for the agreement, the unrelated third party pays the Organization a 5 percent commission on catering sales and will pay the Organization a commission of 5 percent on retail and catering sales commencing in July 2019.

In January 2014, as part of the agreement, the unrelated third party purchased approximately \$1.4 million of equipment, design and construction services for the build-out of retail concepts for the Organization. The Organization has ownership of the assets and has recorded a corresponding liability to deferred revenue which is amortized to revenue over the 18 remaining years of the contract. The Organization recognized revenues of \$73,923 and \$73,923 for the years ended June 30, 2017 and 2016, respectively. In addition, the Organization has deferred revenue of \$1,145,801 and \$1,219,724 at June 30, 2017 and 2016, related to the noncash transaction.

Sponsored Programs

The Organization receives significant financial assistance from numerous federal, state, and local governmental agencies in the form of grants and operating subsidies. Disbursements of funds received under these programs generally require compliance with terms and conditions specified in the agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability to the Organization. However in the opinion of management, any such disallowed claims would not have a material adverse impact on the overall financial position of the Organization as of June 30, 2017 and 2016.

Workers' Compensation Insurance

During the years ended June 30, 2017 and 2016, the Organization purchased workers' compensation insurance for \$46,865 and \$62,025, respectively, through an approved self-insurance program in which the Organization is a member, and which is administered by the California State University Risk Management Authority (CSURMA).

Involvement in alternative insurance programs such as the CSURMA's self-funded workers' compensation program is an attempt to control the increases in insurance costs, but also carry financial commitments to the liabilities of the program.

Unemployment Insurance

For the years ended June 30, 2017 and 2016, CSURMA estimated an overage in reserves for unemployment insurance from the Organization of \$84,695 and \$88,275, respectively. The Organization recorded a receivable of \$84,697 and \$88,275 at June 30, 2017 and 2016, respectively.

Legal Proceedings

The Organization may periodically be a party in litigation cases incidental to its business activities. While any litigation or investigation has an element of uncertainty, management believes that the outcome of any of these matters will not have a materially adverse effect on its financial position, results of operations or liquidity.

UNIVERSITY AUXILIARY AND RESEARCH SERVICES CORPORATION

Notes to Financial Statements

Years Ended June 30, 2017 and 2016

Note 6 – Accrued Postretirement Benefits Costs

The Organization has a postretirement program that provides lifetime medical, dental, and vision coverage to retiring employees age 65 or older with at least 10 years of service and having been enrolled in health benefits as of December 31, 2014 as a regular employee. Medical coverage will be provided through the AOA pooled medical program. Dependent spouses of eligible retirees will also receive lifetime medical, dental, and vision coverage.

The following tables include the postretirement healthcare benefits that are unfunded and the amounts recognized in the financial statements as of and for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Change in Benefit Obligation		
Benefit obligation at beginning of year	\$ 1,354,679	\$ 1,075,350
Service cost	102,693	79,082
Interest cost	50,795	43,925
Amendments	-	-
Actuarial (gain)/loss	(200,524)	170,239
Acquisition	N/A	N/A
Benefits paid	<u>(13,930)</u>	<u>(13,917)</u>
Benefit obligation at end of year	<u>\$ 1,293,713</u>	<u>\$ 1,354,679</u>
Curtailment and settlement gain	\$ -	\$ -
	<u>2017</u>	<u>2016</u>
Funded Status		
Unamortized prior service cost	\$ 118,438	\$ 128,501
Unrecognized net actuarial gain	(289,074)	(90,858)
Accrued benefit cost	<u>1,464,349</u>	<u>1,317,036</u>
Benefit obligation at June 30	<u>\$ 1,293,713</u>	<u>\$ 1,354,679</u>
Measurement date	6/30/2017	6/30/2016
Funded status at end of year	\$ (1,293,713)	\$ (1,354,679)
	<u>2017</u>	<u>2016</u>
Net Periodic Benefit Cost		
Service cost	\$ 102,693	\$ 79,082
Interest cost	50,795	43,925
Amortization of prior service cost	10,063	10,063
Amortization of net gain/loss	<u>(2,308)</u>	<u>(15,829)</u>
Net periodic benefit cost	<u>\$ 161,243</u>	<u>\$ 117,241</u>

UNIVERSITY AUXILIARY AND RESEARCH SERVICES CORPORATION

Notes to Financial Statements

Years Ended June 30, 2017 and 2016

Note 6 – Accrued Postretirement Benefits Costs, continued

The weighted-average assumptions used to determine benefit obligations are as follows for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Discount Rate	4.00%	4.00%
Expected long-term return on plan assets	N/A	N/A
Rate of compensation increase	N/A	N/A
Health care cost trend rate assumed for next year	5.50%	5.80%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	4 yrs	5 yrs

Expected retiree payments as of June 30, 2017 are as follows:

<u>Expected Retiree Payments Over the Next 10 Years</u>	<u>Dental</u>	<u>Medical</u>	<u>Total</u>
2017/18	\$ 1,795	\$ 17,010	\$ 18,805
2018/19	2,112	19,622	21,734
2019/20	2,352	21,932	24,284
2020/21	2,686	25,379	28,065
2021/22	3,059	29,596	32,655
2022/23	3,427	33,999	37,426
2023/24	3,885	38,398	42,283
2024/25	4,076	41,280	45,356
2025/26	4,240	43,942	48,182
2026/27	4,445	46,714	51,159
	<u>\$ 32,077</u>	<u>\$ 317,872</u>	<u>\$ 349,949</u>

Note 7 – Note Payable

In July 2014, the Organization entered into a ten-year note payable with the University for \$250,000 to be used for the refurbishment and modernization of the on campus Starbucks retail store. The note was amended, during the year ended June 30, 2016, to change the payment terms and interest rate from 3.00 percent to 2.75 percent per annum and is payable in annual principal and interest installments. From this revision, the Organization paid principal and interest totaling \$64,325 for the year ended June 30, 2016. No payments were due in 2017.

UNIVERSITY AUXILIARY AND RESEARCH SERVICES CORPORATION

Notes to Financial Statements

Years Ended June 30, 2017 and 2016

Note 7 – Note Payable, continued

Minimum future principal payments on long-term debt as of June 30, 2017 are due as follows:

<u>Year Ending June 30,</u>	
2018	\$ -
2019	20,306
2020	27,692
2021	28,442
2022	29,235
Thereafter	<u>92,616</u>
	<u>\$ 198,291</u>

Note 8 – Related Party Transactions

The Organization reimburses the University for salaries and other program-related costs for personnel working on contracts, other programs and campus programs.

The Organization, as a lessor, has entered into an operating lease agreement to rent storage space to the University. The monthly rental income is approximately \$11,591 per month through June 30, 2017. The future minimum rental receipts for the year ending June 30, 2017 are approximately \$139,092

The Organization entered into payroll processing agreements with UCorp and ASI.

Related party transactions are as follows:

<u>Related Parties</u>	<u>Description</u>	<u>Reported in</u>	<u>2017</u>	<u>2016</u>
Expenses to:				
University	Salaries and reimbursed costs	Various expenses	\$ 3,305,999	\$ 3,062,422
UCorp	Services, programs and other	Various expenses	32,233	48,098
ASI	Services, programs and other	Various expenses	8,016	8,931
Foundation	Services, programs and other	Various expenses	-	1,110
			<u>\$ 3,346,248</u>	<u>\$ 3,120,561</u>
Revenue from:				
UCorp	Payroll processing, administrative expenses and other expenses	Various revenue	\$ 1,610,597	\$ 1,650,614
University	Services and programs	Various revenue	3,471,015	1,819,493
ASI	Payroll processing, administrative expenses and other expenses	Various revenue	760,596	779,725
Foundation	Payroll processing, administrative expenses and other expenses	Various revenue	30,243	78,925
			<u>\$ 5,872,451</u>	<u>\$ 4,328,757</u>

UNIVERSITY AUXILIARY AND RESEARCH SERVICES CORPORATION**Notes to Financial Statements**

Years Ended June 30, 2017 and 2016

Note 8 – Related Party Transactions, continued

<u>Related Parties</u>	<u>Description</u>	<u>Reported in</u>	<u>2017</u>	<u>2016</u>
Due from:				
UCorp	Salaries, benefits, and other expenses	Due from related parties	\$ 293,529	\$ 232,544
University	Salaries, benefits, and other expenses	Due from related parties	363,804	112,167
ASI	Salaries, benefits, and other expenses	Due from related parties	139,404	115,787
Foundation	Other expenses	Due from related parties	131,493	101,250
			<u>\$ 928,230</u>	<u>\$ 561,748</u>
Due to:				
University	Cost reimbursement	Due to related parties	\$ 426,501	\$ 427,136
UCorp	Cost reimbursement	Due to related parties	820	3,882
			<u>\$ 427,321</u>	<u>\$ 431,018</u>

Note 9 – Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 10 – Subsequent Event

As of July 1, 2017, UCorp's student housing funds have merged with the Organization. Those funds are the University Village Apartments (UVA) and Residential Life Operations (RLO). Additionally, various contracts will be assumed by the Organization. After merging the student housing funds, the Organization changed its name to the California State University San Marcos Corporation (CSUSM Corporation). The remaining UCorp funds have been transferred to the University.

UNIVERSITY AUXILIARY AND RESEARCH SERVICES CORPORATION

Notes to Financial Statements

Years Ended June 30, 2017 and 2016

Note 10 – Subsequent Event, continued

The assets related to the student housing funds have been allocated to the University and the CSUSM Corporation as follows as of June 30, 2017:

ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 5,066,671
Receivables, net of allowance	264,755
Prepaid expenses	<u>14,090</u>
Total Current Assets	5,345,516
Property and Equipment, net of accumulated depreciation	<u>18,592,150</u>
Total Assets	<u>\$ 23,937,666</u>
LIABILITIES AND NET ASSETS	
Current liabilities	\$ 2,269,252
Long-Term Debt	<u>18,974,815</u>
Total Liabilities	21,244,067
Net Assets	<u>2,693,599</u>
Total Liabilities and Net Assets	<u>\$ 23,937,666</u>

The Corporation has evaluated subsequent events through **DATE PENDING**, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

DRAFT

University Auxiliary and Research Services Corporation
Schedule of Net Position
June 30, 2017
(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 846,492
Short-term investments	2,132,762
Accounts receivable, net	3,615,537
Leases receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	-
Prepaid expenses and other current assets	16,167
Total current assets	<u>6,610,958</u>
Noncurrent assets:	
Restricted cash and cash equivalents	-
Accounts receivable, net	-
Leases receivable, net of current portion	-
Notes receivable, net of current portion	-
Student loans receivable, net	-
Pledges receivable, net	-
Endowment investments	-
Other long-term investments	1,227,009
Capital assets, net	8,222,198
Other assets	61,081
Total noncurrent assets	<u>9,510,288</u>
Total assets	<u>16,121,246</u>
Deferred outflows of resources:	
Unamortized loss on debt refunding	-
Net pension liability	-
Others	-
Total deferred outflows of resources	<u>-</u>
Liabilities:	
Current liabilities:	
Accounts payable	1,231,900
Accrued salaries and benefits	368,993
Accrued compensated absences, current portion	376,576
Unearned revenue	512,912
Capitalized lease obligations, current portion	-
Long-term debt obligations, current portion	-
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	-
Total current liabilities	<u>2,490,381</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	-
Unearned revenue	3,480,117
Grants refundable	-
Capitalized lease obligations, net of current portion	-
Long-term debt obligations, net of current portion	198,291
Claims liability for losses and loss adjustment expenses, net of current portion	-
Depository accounts	-
Other postemployment benefits obligations	1,464,349
Net pension liability	-
Other liabilities	-
Total noncurrent liabilities	<u>5,142,757</u>
Total liabilities	<u>7,633,138</u>
Deferred inflows of resources:	
Service concession arrangements	-
Net pension liability	-
Unamortized gain on debt refunding	-
Nonexchange transactions	-
Others	-
Total deferred inflows of resources	<u>-</u>
Net Position:	
Net investment in capital assets	4,404,243
Restricted for:	
Nonexpendable – endowments	
Expendable:	-
Scholarships and fellowships	-
Research	-
Loans	-
Capital projects	-
Debt service	-
Others	-
Unrestricted	4,083,865
Total net position	<u>\$ 8,488,108</u>

See independent auditors' report.

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

Revenues:	
Operating revenues:	
Student tuition and fees (net of scholarship allowances of \$_____)	\$ -
Grants and contracts, noncapital:	
Federal	11,114,724
State	645,144
Local	15,000
Nongovernmental	104,382
Sales and services of educational activities	3,920,297
Sales and services of auxiliary enterprises (net of scholarship allowances of \$ 0)	1,447,026
Other operating revenues	-
Total operating revenues	<u>17,246,573</u>
Expenses:	
Operating expenses:	
Instruction	2,767,419
Research	6,370,162
Public service	42,100
Academic support	335,055
Student services	4,494,025
Institutional support	997,286
Operation and maintenance of plant	-
Student grants and scholarships	903,977
Auxiliary enterprise expenses	239,034
Depreciation and amortization	549,122
Total operating expenses	<u>16,698,180</u>
Operating income (loss)	<u>548,393</u>
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	-
Investment income (loss), net	98,707
Endowment income (loss), net	-
Interest expense	-
Other nonoperating revenues (expenses)	-
Net nonoperating revenues (expenses)	<u>98,707</u>
Income (loss) before other revenues (expenses)	<u>647,100</u>
State appropriations, capital	-
Grants and gifts, capital	-
Additions (reductions) to permanent endowments	-
Increase (decrease) in net position	<u>647,100</u>
Net position:	
Net position at beginning of year, as previously reported	7,841,008
Restatements	-
Net position at beginning of year, as restated	<u>7,841,008</u>
Net position at end of year	<u>\$ 8,488,108</u>

University Auxiliary and Research Services Corporation
Other Information
June 30, 2017
(for inclusion in the California State University)

1 Restricted cash and cash equivalents at June 30, 2017:

Portion of restricted cash and cash equivalents related to endowments	\$ -
All other restricted cash and cash equivalents	-
Total restricted cash and cash equivalents	<u>\$ -</u>

2.1 Composition of investments at June 30, 2017:

	Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
State of California Surplus Money Investment Fund (SMIF)	\$ -	-	-	-	-	-	-
State of California Local Agency Investment Fund (LAIF)	-	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-	-
Certificates of deposit	491,923	-	491,923	1,227,009	-	1,227,009	1,718,932
Mutual funds	1,640,839	-	1,640,839	-	-	-	1,640,839
Money Market funds	-	-	-	-	-	-	-
Repurchase agreements	-	-	-	-	-	-	-
Commercial paper	-	-	-	-	-	-	-
Asset backed securities	-	-	-	-	-	-	-
Mortgage backed securities	-	-	-	-	-	-	-
Municipal bonds	-	-	-	-	-	-	-
U.S. agency securities	-	-	-	-	-	-	-
U.S. treasury securities	-	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-	-
Exchange traded funds (ETFs)	-	-	-	-	-	-	-
Alternative investments:	-	-	-	-	-	-	-
Private equity (including limited partnerships)	-	-	-	-	-	-	-
Hedge funds	-	-	-	-	-	-	-
Managed futures	-	-	-	-	-	-	-
Real estate investments (including REITs)	-	-	-	-	-	-	-
Commodities	-	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-	-
Other alternative investment types	-	-	-	-	-	-	-
Other external investment pools (excluding SWIFT)	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Other major investments:	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
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Add description	-	-					

University Auxiliary and Research Services Corporation
 Other Information
 June 30, 2017
 (for inclusion in the California State University)

	<u>Amount</u>
2.3 Restricted current investments at June 30, 2017 related to:	
Add description	\$ -
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Total restricted current investments at June 30, 2017	<u>\$ -</u>
2.4 Restricted noncurrent investments at June 30, 2017 related to:	
Endowment investment	\$ -
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Total restricted noncurrent investments at June 30, 2017	<u>\$ -</u>

DRAFT

University Auxiliary and Research Services Corporation
Other Information
June 30, 2017
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2.5 Fair value hierarchy in investments at June 30, 2017:

	Total	Fair Value Measurements Using			Net Asset Value (NAV)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
State of California Surplus Money Investment Fund (SMIF)	-	-	-	-	-
State of California Local Agency Investment Fund (LAIF)	-	-	-	-	-
Corporate bonds	-	-	-	-	-
Certificates of deposit	1,718,932	-	1,718,932	-	-
Mutual funds	1,640,839	1,640,839	-	-	-
Money Market funds	-	-	-	-	-
Repurchase agreements	-	-	-	-	-
Commercial paper	-	-	-	-	-
Asset backed securities	-	-	-	-	-
Mortgage backed securities	-	-	-	-	-
Municipal bonds	-	-	-	-	-
U.S. agency securities	-	-	-	-	-
U.S. treasury securities	-	-	-	-	-
Equity securities	-	-	-	-	-
Exchange traded funds (ETFs)	-	-	-	-	-
Alternative investments:	-	-	-	-	-
Private equity (including limited partnerships)	-	-	-	-	-
Hedge funds	-	-	-	-	-
Managed futures	-	-	-	-	-
Real estate investments (including REITs)	-	-	-	-	-
Commodities	-	-	-	-	-
Derivatives	-	-	-	-	-
Other alternative investment types	-	-	-	-	-
Other external investment pools (excluding SWIFT)	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Other major investments:	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Total investments	3,359,771	1,640,839	1,718,932	-	-

See independent auditors' report.

University Auxiliary and Research Services Corporation
Other Information
June 30, 2017
(for inclusion in the California State University)

4 Long-term liabilities activity schedule:

	Balance June 30, 2016	Prior period adjustments	Reclassifications	Balance June 30, 2016 (restated)	Additions	Reductions	Balance June 30, 2017	Current portion	Long-term portion
Accrued compensated absences	\$ 458,503	-	-	458,503	13,674	(95,601)	376,576	376,576	-
Claims liability for losses and loss adjustment expenses	-	-	-	-	-	-	-	-	-
Capitalized lease obligations:									
Gross balance	-	-	-	-	-	-	-	-	-
Unamortized premium / (discount) on capitalized lease obligations	-	-	-	-	-	-	-	-	-
Total capitalized lease obligations	-	-	-	-	-	-	-	-	-
Long-term debt obligations:									
Auxiliary revenue bonds	-	-	-	-	-	-	-	-	-
Commercial paper	-	-	-	-	-	-	-	-	-
Notes payable related to SRB	-	-	-	-	-	-	-	-	-
Others: (list by type)									
Note Payable	198,291	-	-	198,291	-	-	198,291	-	198,291
Add description	-	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-	-
Total long-term debt obligations	198,291	-	-	198,291	-	-	198,291	-	198,291
Unamortized bond premium / (discount)	-	-	-	-	-	-	-	-	-
Total long-term debt obligations, net	198,291	-	-	198,291	-	-	198,291	-	198,291
Total long-term liabilities	\$ 656,794	-	-	656,794	13,674	-	574,867	376,575	198,291

5 Future minimum lease payments - capitalized lease obligations:

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

University Auxiliary and Research Services Corporation
 Other Information
 June 30, 2017
 (for inclusion in the California State University)

6 Long-term debt obligation schedule

Year ending June 30:	Auxiliary revenue bonds			All other long-term debt obligations			Total long-term debt obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
2018	\$ -	-	-	-	-	-	-	-	-
2019	-	-	-	20,306	12,280	32,586	20,306	12,280	32,586
2020	-	-	-	27,692	4,895	32,587	27,692	4,895	32,587
2021	-	-	-	28,442	4,144	32,586	28,442	4,144	32,586
2022	-	-	-	29,235	3,351	32,586	29,235	3,351	32,586
2023 - 2027	-	-	-	92,616	5,142	97,758	92,616	5,142	97,758
2028 - 2032	-	-	-	-	-	-	-	-	-
2033 - 2037	-	-	-	-	-	-	-	-	-
2038 - 2042	-	-	-	-	-	-	-	-	-
2043 - 2047	-	-	-	-	-	-	-	-	-
2048 - 2052	-	-	-	-	-	-	-	-	-
2053 - 2057	-	-	-	-	-	-	-	-	-
2058 - 2062	-	-	-	-	-	-	-	-	-
2063 - 2067	-	-	-	-	-	-	-	-	-
Total minimum payments	-	-	-	198,291	29,812	228,103	198,291	29,812	228,103
Less amounts representing interest	-	-	-	-	-	-	-	-	(29,812)
Present value of future minimum payments	-	-	-	-	-	-	-	-	198,291
Unamortized net premium (discount)	-	-	-	-	-	-	-	-	-
Total long-term debt obligations	-	-	-	-	-	-	-	-	198,291
Less: current portion	-	-	-	-	-	-	-	-	-
Long-term debt obligations, net of current portion	-	-	-	-	-	-	-	-	\$ 198,291

University Auxiliary and Research Services Corporation
Other Information
June 30, 2017
(for inclusion in the California State University)

7 Calculation of net position

7.1 Calculation of net position - net investment in capital assets

Capital assets, net of accumulated depreciation	\$ 8,222,198
Capitalized lease obligations, current portion	-
Capitalized lease obligations, net of current portion	-
Long-term debt obligations, current portion	-
Long-term debt obligations, net of current portion	(198,291)
Portion of outstanding debt that is unspent at year-end	-
Other adjustments: (please list)	
Deferred revenue	(3,619,664)
Add description	-
Add description	-
Add description	-
Add description	-
Net position - net investment in capital asset	<u>\$ 4,404,243</u>

7.2 Calculation of net position - restricted for nonexpendable - endowments

Portion of restricted cash and cash equivalents related to endowments	\$ -
Endowment investments	-
Other adjustments: (please list)	
Unappropriated temporarily restricted endowment earnings	-
Amounts of endowments underwater below principal	-
Quasi endowment	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Net position - Restricted for nonexpendable - endowments per SNP	<u>\$ -</u>

8 Transactions with related entities

	<u>Amount</u>
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 1,147,502
Payments to University for other than salaries of University personnel	2,159,132
Payments received from University for services, space, and programs	3,219,377
Gifts-in-kind to the University from discretely presented component units	-
Gifts (cash or assets) to the University from discretely presented component units	-
Accounts (payable to) University (enter as negative number)	(426,501)
Other amounts (payable to) University (enter as negative number)	(198,291)
Accounts receivable from University	363,804
Other amounts receivable from University	-

9 Other postemployment benefits obligation (OPEB)

Annual required contribution (ARC)	\$ 147,313
Contributions during the year	-
Increase (decrease) in net OPEB obligation (NOO)	<u>147,313</u>
Other adjustments	-
NOO - beginning of year	1,317,036
NOO - end of year	<u>\$ 1,464,349</u>

University Auxiliary and Research Services Corporation
Other Information
June 30, 2017
(for inclusion in the California State University)

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, 2016, as previously reported		\$ 7,841,008
Prior period adjustments:		
1 Increase in accounts receivable		-
2 (list description of each adjustment)		-
3 (list description of each adjustment)		-
4 (list description of each adjustment)		-
5 (list description of each adjustment)		-
6 (list description of each adjustment)		-
7 (list description of each adjustment)		-
8 (list description of each adjustment)		-
9 (list description of each adjustment)		-
10 (list description of each adjustment)		-
Net position as of June 30, 2016, as restated		\$ 7,841,008

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

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

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
University Auxiliary and Research Services Corporation

We have audited, in accordance with the 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, the financial statements of University Auxiliary and Research Services Corporation (nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated **DATE**.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered University Auxiliary and Research Services Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of University Auxiliary and Research Services Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the University Auxiliary and Research Services Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. 2017-001

Compliance and Other Matters

As part of obtaining reasonable assurance about whether University Auxiliary and Research Services Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

San Diego, California

DATE PENDING

DRAFT

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
University Auxiliary and Research Services Corporation

Report on Compliance for Each Major Federal Program

We have audited University Auxiliary and Research Services Corporation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of University Auxiliary and Research Services Corporation's major federal programs for the year ended June 30, 2017. University Auxiliary and Research Services Corporation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of University Auxiliary and Research Services Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about University Auxiliary and Research Services Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of University Auxiliary and Research Services Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, University Auxiliary and Research Services Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of University Auxiliary and Research Services Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered University Auxiliary and Research Services Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not

express an opinion on the effectiveness of University Auxiliary and Research Services Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

San Diego, California

DATE PENDING

UNIVERSITY AUXILIARY AND RESEARCH SERVICES CORPORATION
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal/Pass-Through Grantor and Program Title	Federal CFDA Number	Agency or Pass-Through Grantor No.	Expenditures
Research and Development Cluster:			
Department of Homeland Security			
<i>Direct Programs</i>			
Assistance to Firefighters Grant	97.044	N/A	\$ 86,869
Total Department of Homeland Security			<u>86,869</u>
United States Environmental Protection Agency			
<i>Pass-through from State Water Resources Control Board</i>			
Water Pollution Control State, Interstate, and Tribal Program Support	66.419	14-078-270	285,665
Total United States Environmental Protection Agency			<u>285,665</u>
Office of Naval Research			
<i>Direct Programs</i>			
Basic and Applied Scientific Research	12.300	N/A	502,457
Total Department of Defense			<u>502,457</u>
Department of Health and Human Services			
<i>Direct Programs</i>			
Allergy, Immunology and Transplantation Research	93.855	N/A	159,717
Biomedical Research and Research Training	93.859	N/A	1,546,487
Mental Health Research Grants	93.242	N/A	247,803
Advanced Nursing Education Grant Program	93.247	N/A	298,626
Health Professions Recruitment Program for Indians	93.970	N/A	202,901
<i>Pass-through from Vista Community Clinic</i>			
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90FK0105-01-00	46,453
<i>Pass-through from University of San Diego</i>			
Family Smoking Prevention and Tobacco Control Act	93.077	77211099	56,212
<i>Pass-through from Vista Community Clinic</i>			
Nurse Education, Practice and Retention Grants	93.359	UD7HP26899	178,492
Total Department of Health and Human Services			<u>2,736,691</u>
Department of Agriculture			
<i>Direct Programs</i>			
Cooperative Forestry Assistance	10.652	N/A	258,004
<i>Direct Programs</i>			
Cooperative Forestry Assistance	10.664	N/A	308,704
Total Department of Agriculture			<u>566,708</u>
National Aeronautical and Space Administration			
<i>Direct Programs</i>			
Science	43.001	N/A	82,644
Total National Aeronautical and Space Administration			<u>82,644</u>
Corporation for National and Community Service			
<i>Direct Programs</i>			
National Service and Civic Engagement Research Competition	94.026	N/A	451,565
Total Corporation for National and Community Service			<u>451,565</u>

See independent auditors' report and notes to schedule of expenditures of federal awards.

UNIVERSITY AUXILIARY AND RESEARCH SERVICES CORPORATION
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal/Pass-Through Grantor and Program Title	Federal CFDA Number	Agency or Pass-Through Grantor No.	Expenditures
Research and Development Cluster, continued:			
National Archives and Records Administration			
<i>Direct Programs</i>			
National Historical Publications and Records Grants	89.003	N/A	32,267
Total National Archives and Records Administration			32,267
National Endowment for the Humanities			
<i>Direct Programs</i>			
Teaching and Learning Resources and Curriculum Development	45.162	N/A	75,305
Total National Archives and Records Administration			75,305
National Science Foundation			
<i>Direct Programs</i>			
Computer and Information Science and Engineering	47.070	N/A	(2,013)
Biological Sciences	47.074	N/A	113,359
Education and Human Resources	47.076	N/A	1,593,792
Office of Cyberinfrastructure	47.080	N/A	108,727
Mathematical and Physical Sciences	47.049	N/A	112,272
<i>Pass-through from The University Corporation, Northridge</i>			
CSU Alliance for undergrads	47.049	F-12-3105CSUSM	5,000
<i>Pass-through from American Society for Biochemistry and Molecular Biology</i>			
Education and Human Resources	47.074	1	19,799
<i>Pass-through from University Enterprises, Inc.</i>			
Education and Human Resources	47.076	N/A	11,016
<i>Pass-through from University of San Diego</i>			
Education and Human Resources	47.076	F12078-U2013-004	5,261
Total National Science Foundation			1,967,213
Total Research and Development Cluster			6,787,384
TRIO Cluster:			
Department of Education			
<i>Direct Programs</i>			
Student Support Services	84.042	N/A	269,775
Talent Search	84.044	N/A	235,780
Upward Bound	84.047	N/A	320,533
Total Department of Education			826,088
Total TRIO Cluster			826,088

UNIVERSITY AUXILIARY AND RESEARCH SERVICES CORPORATION
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal/Pass-Through Grantor and Program Title	Federal CFDA Number	Agency or Pass-Through Grantor No.	Expenditures
Other Programs:			
Department of Education			
<i>Direct Programs</i>			
English Language Acquisition State Grants	84.365	N/A	698,385
Migrant Education College Assistance Migrant Program	84.149	N/A	397,607
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325	N/A	286,895
Higher Education Institutional Aid	84.031	N/A	812,256
<i>Pass-through from National Writing Project</i>			
Improving Teacher Quality State Grants	84.367	02-CA19-SEED2016ILI	14,279
Improving Teacher Quality State Grants	84.367	02-CA19-SEED2016CRWP	14,794
<i>Pass-through from Palomar College</i>			
Higher Education Institutional Aid	84.031	N/A	87,247
<i>Pass-through from University of California Irvine</i>			
Investing in Innovation (i3) Fund	84.411	2014-3027	334,924
<i>Pass-Through from Valley Center Pauma Unified School District</i>			
Mathematics and Science Partnerships	84.366	37-75614	15,009
<i>Pass-through from University of California Office of the President</i>			
Improving Teacher Quality State Grants	84.367	NCLB13-CWP	474
Improving Teacher Quality State Grants	84.367	02CA19-SEED2016	36,004
Total Department of Education			<u>2,697,874</u>
Department of Health and Human Services			
<i>Pass-through from University of California Berkeley:</i>			
Foster Care - Title IV-E	93.658	8904	655,312
Foster Care - Title IV-E	93.658	9215	148,066
Total Department of Health and Human Services			<u>803,378</u>
Total Other Programs			<u>3,501,252</u>
Total Expenditures of Federal Awards			<u>\$ 11,114,724</u>

UNIVERSITY AUXILIARY AND RESEARCH SERVICES CORPORATION
Notes to Schedule of Expenditure of Federal Awards
Year Ended June 30, 2017

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of University Auxiliary and Research Services Corporation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)

Note 2 – Summary of Significant Accounting Policies

University Auxiliary and Research Services Corporation did not elect to use the 10% de minimus cost rate as covered in the Uniform Guidance 2.CFR.200.414 Indirect costs.

Note 3 – Amounts Provided to Subrecipients

The following amounts were paid to subrecipients from the following grants:

Biomedical Research and Research Training	
Palomar College	\$ 18,450
Mira Costa College	17,995
Total Biomedical Research and Research Training	<u>36,445</u>
Education and Human Resources	
Palomar College	32,130
San Diego State University Foundation	3,778
SRI International	66,964
Horizon Research, Inc.	13,430
University of California San Diego	12,446
Total Education and Human Resources	<u>128,748</u>
Advanced Nursing Education Grant Program	
University of California San Diego	81,844
Total Advanced Nursing Education Grant Program	<u>81,844</u>
Assistance to Firefighters Grant	
National Institute of Standards and Technology	22,869
Total Assistance to Firefighters Grant	<u>22,869</u>
Biological Sciences	
Temple University	15,529
Total Biological Sciences	<u>15,529</u>
Total amounts provided to subrecipients	<u><u>\$ 285,435</u></u>

UNIVERSITY AUXILIARY AND RESEARCH SERVICES CORPORATION
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Significant deficiency(ies) identified?	Yes
Material weakness(es) identified?	None
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major program:	
Significant deficiency(ies) identified?	None reported
Material weakness(es) identified?	None
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, 2.CFR.200.516(a)?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
Various	Research and Development Cluster
84.031	Higher Education – Institutional Aid
84.365	English Language Acquisition Grants

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee under the Uniform Grant Guidance, 2.CFR.200.520?	Yes

Section II – Financial Statement Findings

2017-001 Schedule of Expenditures of Federal Awards:

Condition:

Management must have appropriate controls and procedures in place to correctly prepare the Schedule of Federal Expenditures each year. This includes including all required amounts in the Schedule.

UNIVERSITY AUXILIARY AND RESEARCH SERVICES CORPORATION
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Section II – Financial Statement Findings, continued

2017-001 Schedule of Expenditures of Federal Awards, continued:

Criteria:

During the preparation of the annual SEFA report Auxiliary Accounting identified three federal grants which were not on the 2016 schedule. During the course of the year, the Office of Sponsored Programs made the coding correction which resulted in that identification. The three grants totaled \$138,000.

Cause:

The omitted federal grants were incorrectly classified as non-federal within the system.

Effect:

Omitting grants potentially means that the program should have been tested as a major program in prior years and was not. In this case, the omitted grants were part of the R&D cluster which was tested last year, but since these grants were not correctly included in the R&D cluster population, there could have been findings which were not identified.

Recommendation:

We recommend that the Organization develop procedures where all new grants are reviewed to ensure they were properly input into the system.

Views of Responsible Officials and Planned Corrective Actions:

The Organization agrees with the recommendation. Processes have been put in place by the Organization for each new award received which included review of grant files and system entry. In addition, the Organization has started to review the SEFA on a quarterly basis.

Section III – Federal Award Findings and Questioned Costs

None reported.

UNIVERSITY AUXILIARY AND RESEARCH SERVICES CORPORATION
Schedule of Prior Year Audit Findings
Year Ended June 30, 2017

Section IV – Schedule of Prior Year Findings

None reported.

DRAFT

University Auxiliary and Research Services Corporation

Report to the Audit Committee
September 20, 2017



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To assist you in your responsibilities as a member of the Audit Committee, this section summarizes the most significant conclusions reached and issues addressed during our audit of University Auxiliary and Research Services Corporation for the year ended June 30, 2017.

Significant Conclusions and Issues

We have completed our audit and will issue our report, dated September 20, 2017, once accepted by the Board. Based on our work performed:

- Our audit scope was in accordance with our engagement letter dated April 14, 2015.
- We will render an unmodified opinion on the June 30, 2017 financial statements.
- We identified no conditions which we consider to be material weaknesses in internal controls.
- Our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.
- Audit areas designated as greater than normal risk have been addressed and resolved to our satisfaction, in the context of the overall fairness of the presentation of the financial statements.
- We received the full cooperation of management and staff throughout the organization and were kept informed as to developments and plans affecting our audit scope.

The following report includes required communications and additional information for the benefit of the Audit Committee.

September 20, 2017

To the Audit Committee
University Auxiliary and Research Services Corporation

In planning and performing our audit of the financial statements of University Auxiliary and Research Services Corporation (Organization) as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the Organization's internal control to be a significant deficiency:

Prior Year Schedule of Expenditures of Federal Awards (SEFA): During the preparation of the annual SEFA report Auxiliary Accounting identified three federal grants which were not on the 2016 SEFA. During the course the year, the Office of Sponsored Programs made the coding correction which resulted in that identification. The three grants totaled \$138,000. Aldrich recommends that the Organization develop procedures where all new grants are reviewed to ensure they were properly inputted into the system.

Management Response: The Organization agrees with the recommendation. Processes have been put in place by the Organization for each new award received which included review of grant files and system entry. In addition, the Organization has started to review the SEFA on a quarterly basis.

This communication is intended solely for the information and use of management, Audit Committee, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Aldrich CPAs + Advisors LLP

September 20, 2017

To the Audit Committee
University Auxiliary and Research Services Corporation

We have audited the financial statements of University Auxiliary and Research Services Corporation (Organization) for the year ended June 30, 2017, and have issued our report thereon dated September 20, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated April 14, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 1 to the financial statements. No significant new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2017. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the allocation of functional expenses is based on the results of periodic time studies. We evaluated the key factors and assumptions used to develop the assumptions related to the allocation of functional expenses in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the postretirement healthcare benefit liabilities and expenses based on third party actuarial reports prepared using employee data and plan information provided by management. We evaluated the key factors and assumptions used to develop the postretirement healthcare benefit liabilities and expenses in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the depreciable lives for property and equipment is based on management's expected useful lives of those assets using IRS tables as guidelines. We evaluated the key factors and assumptions used to develop the depreciable lives for property and equipment in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the in-kind rent income and expense is based on fair market value of the rental spaces through measurements of square footage, day use fees, and other common measurements. We evaluated the key factors and assumptions used to develop the in-kind rent income and expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allocation of functional expenses is based on the results of periodic time studies. We evaluated the key factors and assumptions used to develop the assumptions related to the allocation of functional expenses in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There are no sensitive disclosures affecting the financial statements.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not identify any misstatements that needed to be corrected during the course of our audit.

Disagreements with Management

For purposes of this letter, a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 20, 2017. A copy of the letter is included for your reference.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the information to the underlying accounting records used to prepare the financial statements or to those statements themselves.

This information is intended solely for the use of the Audit Committee and management of University Auxiliary and Research Services Corporation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Aldrich CPAs +Advisors , LLP

SUMMARY OF CORRECTED MISSTATEMENTS



Account	Account Description	Debit	Credit
Adjusting Journal Entry # 1			
PBC - Changes after Trial Balance was sent.			
103862	AR Sponsored Prog Unbilled	45,179.00	
250908	Curr Liab Other Accrued Liab	10,614.00	
250908	Curr Liab Other Accrued Liab	246,563.00	
580005	Project Revenue	246,563.00	
606001	Travel-In State	358.00	
606002	Travel-Out of State	2,542.00	
606804	Travel-Out of State Student	2,996.00	
613823	Cont Serv IndependentContractr	30.00	
613823	Cont Serv IndependentContractr	13,661.00	
622002	SP Participant Support NO F&A	1,250.00	
660001	Postage & Freight	20.00	
660820	Other Hospitality	125.00	
660943	Other Stipends	100.00	
660943	Other Stipends	6,095.00	
660949	SupServ- Services Aux	18,278.00	
103862	AR Sponsored Prog Unbilled		246,563.00
250908	Curr Liab Other Accrued Liab		275.00
250908	Curr Liab Other Accrued Liab		45,180.00
250914	Due To Campus		10,614.00
580005	Project Revenue		45,179.00
613822	Cont Serv Sub Contr & Agree		31,000.00
613822	Cont Serv Sub Contr & Agree		50,617.00
620002	SP Subrecipient NO F&A		164,946.00
Total		<u>594,374.00</u>	<u>594,374.00</u>

TREND AND RATIO ANALYSIS



A summary of key financial statement information is presented below:

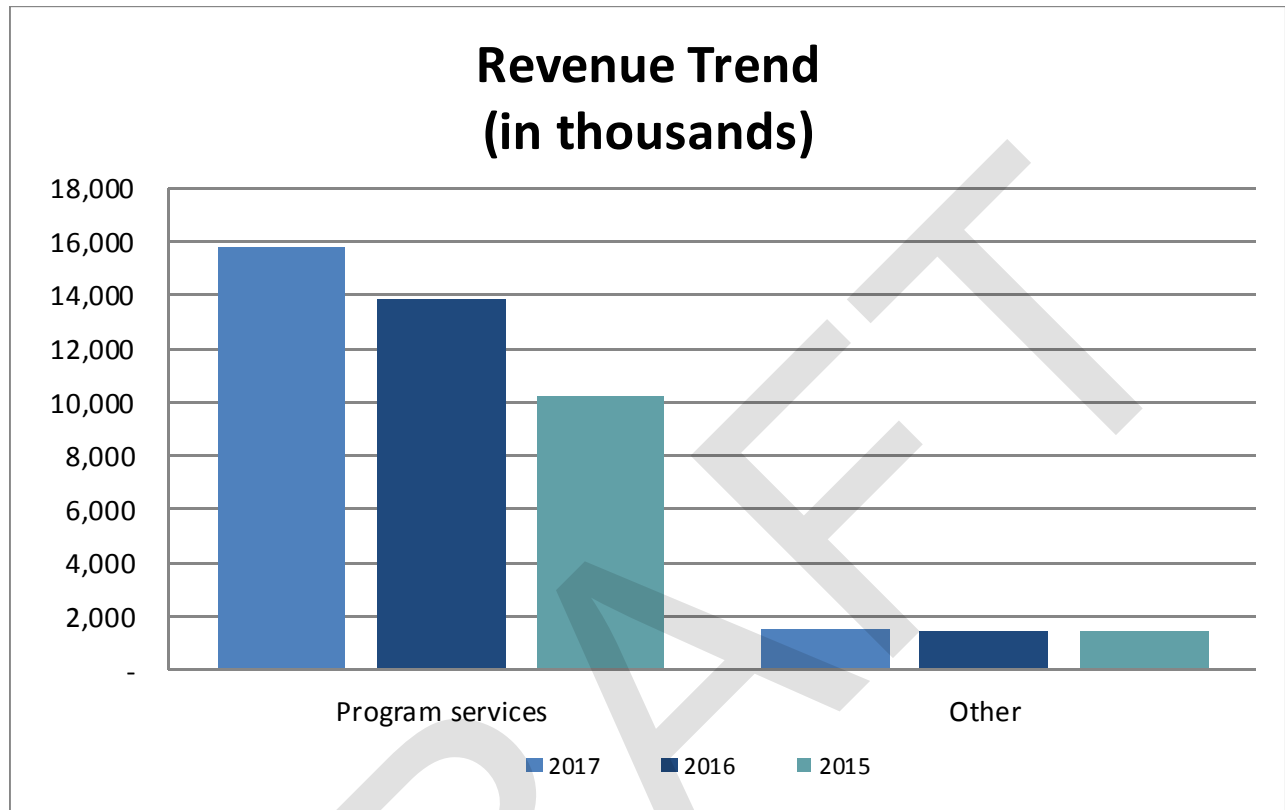
Summary of Statements of Financial Position

	<u>2017</u>		<u>2016</u>		<u>2015</u>	
ASSETS						
Cash	\$ 846,492	5%	\$ 310,348	2%	\$ 1,447,313	11%
Property and equipment, net	8,222,198	51%	6,931,611	54%	7,429,266	58%
Investments	3,359,771	21%	3,300,262	25%	2,557,244	20%
Due from related parties	928,230	6%	561,748	4%	343,786	3%
Other assets	2,764,555	17%	1,926,738	15%	948,740	8%
Total Assets	<u>\$ 16,121,246</u>	<u>100%</u>	<u>\$ 13,030,707</u>	<u>100%</u>	<u>\$ 12,726,349</u>	<u>100%</u>
LIABILITIES AND NET ASSETS						
Current liabilities	\$ 2,081,865	13%	\$ 1,409,614	11%	\$ 1,369,194	11%
Due to related parties	427,321	3%	431,018	3%	408,504	3%
Long-term liabilities	3,678,408	22%	2,045,948	16%	2,245,786	18%
Accrued postretirement benefit costs, net of current portion	1,445,544	9%	1,303,119	10%	1,213,712	10%
Net Assets	<u>8,488,108</u>	<u>53%</u>	<u>7,841,008</u>	<u>60%</u>	<u>7,489,153</u>	<u>58%</u>
Liabilities and Net Assets	<u>\$ 16,121,246</u>	<u>100%</u>	<u>\$ 13,030,707</u>	<u>100%</u>	<u>\$ 12,726,349</u>	<u>100%</u>

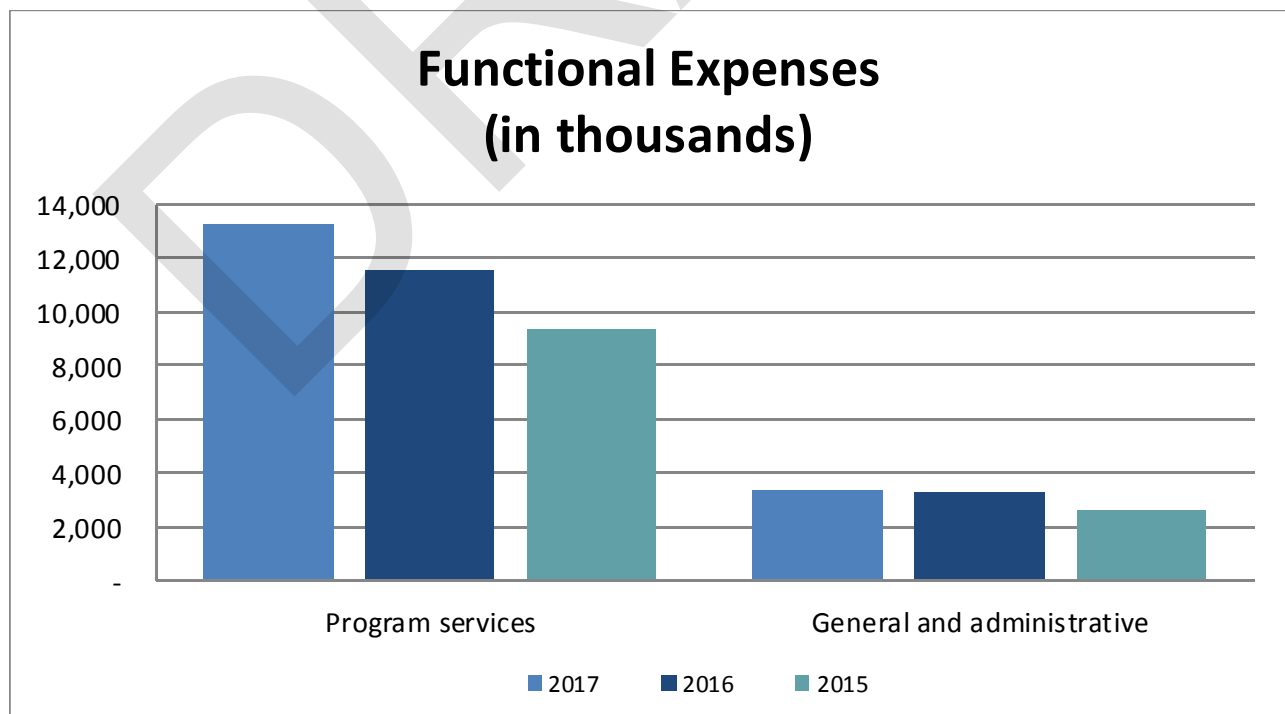
Summary of Statements of Activities

	<u>2017</u>		<u>2016</u>		<u>2015</u>	
REVENUES						
Program services	\$ 15,799,547	91%	\$ 13,853,725	91%	\$ 10,186,412	88%
Other	1,545,733	9%	1,409,325	9%	1,403,907	12%
Total revenues	<u>17,345,280</u>	<u>100%</u>	<u>15,263,050</u>	<u>100%</u>	<u>11,590,319</u>	<u>100%</u>
EXPENSES						
Program services	13,304,711	80%	11,598,634	78%	9,338,660	78%
General and administrative	3,393,469	20%	3,312,561	22%	2,632,064	22%
Total expenses	<u>16,698,180</u>	<u>100%</u>	<u>14,911,195</u>	<u>100%</u>	<u>11,970,724</u>	<u>100%</u>
Change in Net Assets	<u>\$ 647,100</u>		<u>\$ 351,855</u>		<u>\$ (380,405)</u>	

Summary Revenue Trend



Summary of Functional Expenses



UARSC Letterhead

September 20, 2017

Aldrich CPAs+ Advisors LLP
7676 Hazard Center Drive, Suite 1300
San Diego, CA 92108

This representation letter is provided in connection with your audit of the financial statements of University Auxiliary and Research Services Corporation (Organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of September 20, 2017, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 14, 2015, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- 8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 9) Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.
 - a) Cash and cash equivalents - The Organization maintains cash and cash equivalents in bank deposit and investment accounts. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 and investment accounts are insured by the Securities Investor Protection Corporation (SIPC) up to a limit of \$500,000. The Organization's account balances may, at times, exceed the limits.

Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the Organization from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the organization and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the organization's financial statements communicated by employees, former employees, grantors, regulators, or others.
- 16) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- 17) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 18) We have disclosed to you all known actual or possible litigation, claims, and assessment whose effects should be considered when preparing the financial statements.
- 19) We have disclosed to you the identity of the organization's related parties and all the related party relationships and transactions of which we are aware.
- 20) The organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 21) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
- 22) University Auxiliary and Research Services Corporation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
- 23) With respect to federal award programs:
 - a) We are responsible for understanding and complying with, and have complied with, the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards.
 - b) We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) and related notes in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period, and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.

- c) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
- d) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- e) We are responsible for understanding and complying with the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.
- f) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards. We believe the internal control system is adequate and is functioning as intended.
- g) We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- h) We have received no requests from a federal agency to audit one or more specific programs as a major program.
- i) We have complied with the direct and material compliance requirements, including, when applicable, those set forth in the *OMB Compliance Supplement*, relating to federal awards and confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards.
- j) We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- k) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E) [and OMB Circular A-122, Cost Principles for Nonprofit Organizations, and Subpart C, Cost Sharing and Matching, of OMB Circular A-110, Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations, if applicable].
- m) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- o) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- q) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or

material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.

- r) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
- s) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- t) We have monitored subrecipients, as necessary, to determine that they have expended subawards in compliance with federal statutes, regulations, and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.
- u) We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.
- v) We have charged costs to federal awards in accordance with applicable cost principles.
- w) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- x) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- y) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.

24) We are responsible for preparing and implementing a corrective action plan for each audit finding.

25) We acknowledge our responsibility for presenting the supplemental information in accordance with U.S. GAAP, and we believe the supplemental information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplemental information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

26) We have analyzed the accounting and reporting requirements and the organization is required to follow FASB standards.

27) In regard to the nonattest services performed by you, we have:

- a) Assumed all management responsibilities.
- b) Designated an individual (within senior management) with suitable skill, knowledge, or experience to oversee the services.
- c) Evaluated the adequacy and results of the services performed.
- d) Accepted responsibility for the results of the services.

Signed: _____
Bella Newberg

Signed: _____
Clint Roberts

Title: Executive Director, UARSC

Title: University Controller, CSUSM

Signed: _____
Deborah Davis

Title: Manager, Auxiliary Financial Operations

ATTACHMENT F

UCorp Financial Audit Report 6/30/17

San Marcos University Corporation

Financial Statements and Supplemental Information
Years Ended June 30, 2017 and 2016



SAN MARCOS UNIVERSITY CORPORATION
Financial Statements and Supplemental Information
Years Ended June 30, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Marcos University Corporation

We have audited the accompanying financial statements of San Marcos University Corporation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Marcos University Corporation as of June 30, 2017 and 2016 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on pages 15-24 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Emphasis of Matter

As discussed in Note 8, the Corporation's student housing funds have merged with University Auxiliary and Research Services Corporation. The Corporation's remaining funds have been transferred to the University. These events were effective as of July 1, 2017.

San Diego, California

DATE PENDING

DRAFT

SAN MARCOS UNIVERSITY CORPORATION**Statements of Financial Position**

June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 8,981,151	\$ 8,691,743
Accounts receivable, less allowance for doubtful accounts of \$3,650 in 2017 and \$2,628 in 2016	275,203	284,022
Due from related parties	544,637	385,036
Prepaid expenses	41,327	24,252
Inventory	1,666	1,734
Total Current Assets	9,843,984	9,386,787
Property and Equipment, net of accumulated depreciation	18,592,150	18,596,079
Total Assets	<u>\$ 28,436,134</u>	<u>\$ 27,982,866</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 765,953	\$ 154,337
Accrued expenses	53,986	495,363
Accrued interest	127,739	133,514
Current portion of long-term debt	921,919	889,733
Due to related parties	736,660	558,983
Deferred revenue	242,701	812,526
Total Current Liabilities	2,848,958	3,044,456
Long-Term Debt, net of current portion	18,974,815	19,922,710
Total Liabilities	21,823,773	22,967,166
Net Assets, unrestricted	6,612,361	5,015,700
Total Liabilities and Net Assets	<u>\$ 28,436,134</u>	<u>\$ 27,982,866</u>

See accompanying notes to financial statements.

SAN MARCOS UNIVERSITY CORPORATION**Statements of Activities**

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Unrestricted Revenue and Support:		
Housing, rental income	\$ 5,292,459	\$ 5,499,536
University Student Union fees	3,900,000	3,750,000
In-kind rental income	1,429,732	1,395,670
Student recreation, fees	921,404	891,782
Clarke Field House	117,506	334,496
Housing, other fees	314,530	226,814
Other income	99,092	188,189
Student recreation, other income	54,284	75,135
	<u>12,129,007</u>	<u>12,361,622</u>
Total Unrestricted Revenue and Support		
Expenses:		
Program services:		
Student housing	2,667,755	4,290,226
Clarke Field House and University Student Union	3,142,924	2,788,459
In-kind rental expense	1,429,732	1,395,670
Student recreation	954,856	819,828
Interest	753,390	786,503
Residential Life	132,303	328,082
Supporting services:		
General administration	1,451,386	1,276,096
	<u>10,532,346</u>	<u>11,684,864</u>
Total Expenses		
Increase in Net Assets	1,596,661	676,758
Net Assets, beginning	<u>5,015,700</u>	<u>4,338,942</u>
Net Assets, ending	<u>\$ 6,612,361</u>	<u>\$ 5,015,700</u>

See accompanying notes to financial statements.

SAN MARCOS UNIVERSITY CORPORATION**Statements of Cash Flows**

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Increase in net assets	\$ 1,596,661	\$ 676,758
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	1,018,573	978,813
Amortization of debt premium	(25,976)	(27,118)
Provision for doubtful accounts	-	1,615,818
Loss on disposals of property and equipment	5,621	12,980
Changes in operating assets and liabilities:		
Accounts receivable	8,819	(360,417)
Due from related parties	(159,601)	(195,223)
Prepaid expenses	(17,075)	(17,114)
Inventory	68	162
Accounts payable	611,616	126,515
Accrued expenses	(441,377)	378,880
Accrued interest	(5,775)	(5,564)
Due to related parties	177,677	16,963
Deferred revenue	(569,825)	(37,761)
Net Cash Provided by Operating Activities	<u>2,199,406</u>	<u>3,163,692</u>
Cash Flows Used by Investing Activities:		
Purchases of property and equipment	(1,020,265)	(1,370,848)
Cash Flows Used by Financing Activities:		
Payments of long term-debt	<u>(889,733)</u>	<u>(857,065)</u>
Net Increase in Cash and Cash Equivalents	289,408	935,779
Cash and Cash Equivalents, beginning	<u>8,691,743</u>	<u>7,755,964</u>
Cash and Cash Equivalents, ending	<u>\$ 8,981,151</u>	<u>\$ 8,691,743</u>
Supplemental Disclosures of Cash Flow Information:		
Cash payments for interest	<u>\$ 785,142</u>	<u>\$ 819,186</u>

See accompanying notes to financial statements.

SAN MARCOS UNIVERSITY CORPORATION

Notes to Financial Statements

Years Ended June 30, 2017 and 2016

Note 1 – Organization and Summary of Significant Accounting Policies

Nature of Activities

San Marcos University Corporation (Corporation), which is an auxiliary organization of California State University, San Marcos (CSUSM or the University), was established on May 15, 2001 as a nonprofit public California corporation for the purpose of developing, providing and maintaining affordable housing for the use and convenience of students, faculty and staff of CSUSM. The Corporation holds a ground and facility lease on the University Village Apartments (UVA), which provides housing and student-life activities for approximately 600 students, and contracts with Capstone On-Campus Management (Capstone), a third-party administrator for UVA operations and management. Additionally, the Corporation manages the contractual relationship between The Quad developer (a privately owned housing option for CSUSM students), the University and the residential life team.

The Corporation also provides facilities and services that enhance the student experience, build community and support the University's mission by operating the M. Gordon Clarke Field House (Clarke Field House), including the campus recreation programs.

The University Student Union (USU) opened its doors in January 2014. The 90,000 gross square-foot building houses the USU administrative offices, the Corporation administrative offices, one lounge, the Latin@ center, the black student union, a game room, an activity room, two meeting rooms, a ballroom, an amphitheater along with a green roof terrace and an outdoor plaza. Additional spaces are subleased to Associated Students, Inc. of California State University San Marcos (ASI) for offices, the Gender Equity Center, and the Pride Center. CSUSM also subleases space for the Dean of Students office, Student Life and Leadership office, the Cross Cultural Center and the Latin@ Center. University Auxiliary and Research Services Corporation (UARSC) subleases spaces for the commercial food operations currently operated by Sodexo, food and beverage vending and a Follett supplies vending machine.

The Corporation engaged with the University to provide business and financial services for accounting-related support services. The University also entered into an agreement with the Corporation by assigning University personnel positions to the Corporation on a reimbursed basis. Additionally, the Corporation entered into an agreement with UARSC to provide employment services, benefits administration, and payroll processing for new staff.

The Corporation is governed by a Board of Directors composed of representatives from the University and auxiliary administration, faculty, student body and community.

The Corporation's financial statements are included as a component unit of the University's annual general-purpose financial statements. This is required by accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to governmental entities.

Related Parties

The Corporation is related to other auxiliaries of the University, including UARSC, ASI, and California State University San Marcos Foundation (Foundation). These auxiliaries and the University periodically provide various services to one another.

Basis of Presentation

The Corporation reports information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.

SAN MARCOS UNIVERSITY CORPORATION

Notes to Financial Statements

Years Ended June 30, 2017 and 2016

Note 1 – Organization and Summary of Significant Accounting Policies, continued

Basis of Presentation, continued

- Temporarily restricted net assets consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Corporation may spend the funds.
- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

As of June 30, 2017 and 2016, all of the Corporation's net assets were classified as unrestricted. Unrestricted net assets represent funds that are fully available, at the discretion of management and the Board of Directors, for the Corporation to utilize in any of its programs or services.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Corporation is a qualified nonprofit public organization that is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. However, the Corporation remains subject to taxes on any net income which is derived from a trade or business regularly carried on and unrelated to its exempt purpose. The Corporation is not a private foundation.

The Corporation follows accounting standards generally accepted in the United States of America related to the recognition of uncertain tax positions. The Corporation recognizes accrued interest and penalties associated with uncertain tax positions as part of the statements of activities, when applicable. Management has determined that the Corporation has no uncertain tax positions as of June 30, 2017 and 2016 and therefore no amounts have been accrued.

Cash and Cash Equivalents

The Corporation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable primarily represent past due rental income from UVA operations and residential life operations for The Quad. Management of the Corporation, along with the property manager, determines if an allowance of doubtful accounts is necessary by using historical collection experience applied to the aged receivable.

Related Party Note Receivable

Related party note receivable consists of a loan made by the Corporation to the University. An allowance for uncollectible related party notes receivable is provided based upon management's estimate of the collectability. For the years ended June 30, 2017 and 2016, an allowance of \$0 and \$1,094,522 had been recorded, respectively. The amount of \$1,094,522 has been written-off in the current year.

Inventory

Inventory is valued at the lower of cost (first in, first out method) or market.

SAN MARCOS UNIVERSITY CORPORATION

Notes to Financial Statements

Years Ended June 30, 2017 and 2016

Note 1 – Organization and Summary of Significant Accounting Policies, continued

Property and Equipment

Property and equipment acquisitions greater than \$5,000 are recorded at cost. Donated property and equipment are recorded at fair value at the date of the gift. Depreciation is computed using the straight-line method over the estimated useful life of the assets, ranging from 5 to 40 years.

Amounts paid for additions, improvements and replacements of property and equipment are capitalized, while maintenance and repairs that do not improve or extend the service lives of the respective assets are expensed as incurred.

Long-lived Assets

The Corporation evaluates the carrying value of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. The estimated future cash flows are based upon, among other things, assumptions about expected future operating performance and may differ from actual cash flows. Long-lived assets evaluated for impairment are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. If the sum of the projected future undiscounted cash flows (excluding interest) is less than the carrying value of the assets, the assets will be written down to the estimated fair value in the period in which the determination is made. As of June 30, 2017 and 2016, management has determined no impairment of long-lived assets.

Deferred Revenue

Deferred revenue represents rental income received prior to when income is earned.

Bond Premium

Bond premium is amortized for 19 years using the straight-line method, which approximates the effective interest method over the term of the bonds. The amortization is recorded as a reduction of interest expense.

Revenue Recognition

Housing

Rental income attributed to leases is recorded when earned over time on a straight-line basis. Rental payments are due at the beginning of each month. If rental payments are received in advance, revenue is recognized when the related rents are earned and are realized or realizable. Other property-related income includes management and service fees, and is recognized as revenue when the related fees are earned and are realized or realizable.

Student Recreation

Each matriculated student of the University is required to pay a \$35 student recreation fee for each of the fall and spring semesters. Funds are used to expand and implement programs and services dedicated to promote wellness and enrich the CSUSM experience by providing inclusive recreational services, facilities and opportunities. These payments are collected by the University Business Office and remitted to the Corporation each semester, at which time they are recorded as revenue. Other student recreation fee income is attributable to various optional events, organizations and intramural sports operated by the student recreation staff. Other student recreation fee income is recognized as revenue when the related fees are earned and are realized or realizable.

SAN MARCOS UNIVERSITY CORPORATION

Notes to Financial Statements

Years Ended June 30, 2017 and 2016

Note 1 – Organization and Summary of Significant Accounting Policies, continued

University Student Union

Each matriculated student of the University is required to pay a \$315 student union fee for each of the fall and spring semesters. This fee represents funding for both the Clarke Field House and the University Student Union (\$290/term) and Athletics has oversight (\$25/term) for the Sports Center. Funds are used for maintenance and repair, improvements to facilities, and interest and principal payments on outstanding bonds. After payment of all authorized charges, the balance of these funds is available for operation of these facilities. Revenue is attributed to consideration received for managing and operating the facilities in accordance with the California State University's bond indenture and CSU system and campus policies. The revenue amount is determined annually based on an agreement between the University and the Corporation.

Clarke Field House

In addition to the fee revenue discussed above, the Clarke Field House income is primarily attributed to leases with University departments, which are recorded when earned over time on a straight-line basis. Rental payments are due annually. Other Clarke Field House income is attributable to events held at the Clarke Field House by on-campus organizations and University departments. Other income is recognized as revenue when the related fees are earned and are realized or realizable.

Note 2 – Concentrations of Credit Risk

The Corporation maintains accounts at various financial institutions with funds insured by the Federal Deposit Insurance Corporation (FDIC). The Corporation accounts at these institutions may, at times, exceed FDIC insured limits of up to \$250,000. The Corporation has not experienced any such losses in these accounts.

Note 3 – Property and Equipment

Property and equipment consist of the following as of June 30:

	2017	2016
Building and improvements	\$ 25,769,908	\$ 24,978,016
Furniture and equipment	1,908,596	1,897,688
Land improvements	941,204	941,204
	28,619,708	27,816,908
Less accumulated depreciation	(10,685,025)	(9,675,976)
	17,934,683	18,140,932
Construction in progress	657,467	455,147
	\$ 18,592,150	\$ 18,596,079

The total cost of one building, UVA, under capital lease as of June 30, 2017 and 2016 was \$23,849,021. Accumulated depreciation associated with that asset as of June 30, 2017 and 2016 was \$8,221,726 and \$7,625,500, respectively.

SAN MARCOS UNIVERSITY CORPORATION

Notes to Financial Statements

Years Ended June 30, 2017 and 2016

Note 4 – Long-Term Debt

In March 2002, the Corporation issued \$27,990,000 of Series 2002 Student Housing Revenue Bonds. The proceeds were used to finance the construction of the UVA. In March 2005, the Board of Trustees of the California State University (the Board) issued \$25,230,000 of Series 2005A Systemwide Revenue Bonds, whose proceeds were used to pay in full the Series 2002 bonds and to purchase the facility from the Corporation. In August 2013, a portion of the outstanding Series 2005A bonds were refunded with proceeds from Series 2013A bond issue. The 2005A bond refund resulted in a modification of the capital lease between the University and the Corporation resulting in a gain on modification of \$697,885 for the year ended June 30, 2014.

In August 2014, the Board of Trustees of the California State University issued \$8,340,000 of Series 2014A Systemwide Revenue Bonds at a net premium of \$1,365,474. The Series 2014A bond proceeds were used to refund \$9,205,000 of the Series 2005A Systemwide Revenue Bonds. The remaining portion of the series 2005A bond of \$705,000 was paid upon maturity in November 2014.

In March 2005, a ground and facility lease was signed between the Board and the Corporation for a term of 28 years beginning on May 1, 2005, with an option to extend an additional 10 years. The Corporation is responsible for paying a base rent equal to the relating bond obligation and additional rental payments to cover all administrative costs and other expenses in connection with the refinancing or leasing of the facility. The bonds comprise Series 2013A and Series 2014A bonds bearing annual interest of 5.0 percent (paid semiannually). Rental payments are secured by a pledge of all Corporation revenues. The lease obligation due to the Board is treated as a financing arrangement. Accounting principles generally accepted in the United States off America preclude recognition of a real estate sale where there is continuing involvement with the property on the part of the seller. If the seller-lessee has any continuing involvement other than the leaseback, sale leaseback accounting is prohibited. Additionally, if the seller is required to support operations or continue to operate the property at its own risk for an extended period of time, the transactions should be accounted for as a financing, leasing or profit-sharing arrangement. The financing method is used when the situations are generally significant enough that, in substance, the arrangement is a loan by the buyer-lessor to the seller-lessee.

Since the present value of the future lease payments on May 1, 2005 exceeded 90 percent of the fair value of the leased building, the building and the related liability under the capital leases were recorded in 2005 at the present value of the future payments due under the leases.

The balance of the liability under capital lease at June 30, 2017, in the amount of \$19,896,734, is net of the remaining \$219,180 of unamortized gain associated with the modification of the capital lease in August 2014, and represents the present value of the balance due in future years for lease rentals, discounted at 3.89 percent. The balance outstanding at June 30, 2016 was \$20,812,443, which was net of \$245,157 in unamortized gain associated with the modification of the capital lease in August 2014.

SAN MARCOS UNIVERSITY CORPORATION

Notes to Financial Statements

Years Ended June 30, 2017 and 2016

Note 4 – Long-Term Debt, continued

Minimum future principal payments on long-term debt are due as follows:

<u>Year Ending June 30,</u>	
2018	\$ 1,671,750
2019	1,671,750
2020	1,674,625
2021	1,670,375
2022	1,673,875
Thereafter	<u>18,018,999</u>
Total minimum lease payments	26,381,374
Less amount representing interest (3.89% average effective interest rate)	<u>(6,703,821)</u>
Present value of minimum lease payments	19,677,553
Less current portion	<u>(921,919)</u>
Noncurrent portion	18,755,634
Remaining gain on modification	<u>219,181</u>
	<u>\$ 18,974,815</u>

Note 5 – Commitments

University Village Apartments

The Corporation entered into a ground and facility lease agreement for student housing with the Board on March 1, 2005. The lease term is for 28 years, with an option to extend an additional five years. In consideration of the execution of the lease agreement, the Corporation would continue to operate the student housing facility on the site as part of refinancing the student housing improvements.

M. Gordon Clarke Field House, Mangrum Track & Field and Lower Field.

On July 1, 2012, the Corporation entered into two additional facility leases for various building offices and fields, including the Clarke Field House, the Mangrum Track & Field and the Lower Field. The leases expired on June 30, 2017 (See Note 8). Each lease had a four-year term, with the option to carry on the leases on a month-to-month basis. In consideration of the execution of the lease agreement, the Corporation agrees to act as the property manager for the facilities and to provide educational, cultural and recreational programs, advice and guidance to student organizations and student leaders, and support to the overall development of student life at CSUSM through the programs and services offered through the Corporation. Concurrent with the Corporation's agreement, the Corporation sublets space in the Clarke Field House back to the campus.

University Student Union

In January 2014, the Corporation entered into an operating agreement for the USU. The agreement expired on June 30, 2017 (See Note 8). Concurrent with the Corporation's agreement, the Corporation sublet office space in the USU back to several CSUSM departments and ASI.

In exchange for managing, operating, and maintaining the USU, the Corporation pays no rent. Management estimated that the value of the lease agreements was \$1,429,732 and \$1,395,670 for the years ended June 30, 2017 and 2016, respectively. These amounts are reflected in the statements of activities for the years ended June 30, 2017 and 2016 as in-kind rental income and expense.

SAN MARCOS UNIVERSITY CORPORATION

Notes to Financial Statements

Years Ended June 30, 2017 and 2016

Note 5 – Commitments, continued

Management Agreement

The Corporation entered into a management agreement with Capstone On-Campus Management (Manager) to manage the operations of the student housing facilities from July 1, 2015 through September 31, 2018. The agreement requires an annual fee, payable monthly to the Manager, consisting of a fixed fee and a fixed percentage of revenue collected at 3%. For the years ended June 30, 2017 and 2016, management fees paid were \$196,648 and \$167,839, respectively. This amount is reflected in the statements of activities within student housing expenses for the years ended June 30, 2017 and 2016.

Leases

The Corporation has entered into various lease agreements. The total rent expense under non-cancellable equipment leases was \$8,016 for the years ended June 30, 2017 and 2016, respectively.

Minimum future lease payments as of June 30, 2017 are due as follows:

<u>Year Ending June 30,</u>	
2018	\$ <u>4,008</u>

Note 6 – Transactions with Related Parties

The Corporation provided reimbursement to the University for services and costs, including police, information technology, utilities, business financial services and other expenses.

In July 2004, the Corporation entered into an agreement with UARSC for employment services, benefits administration and payroll processing services. The Corporation also reimbursed the University for personnel and personnel-related costs. The agreement will automatically renew unless either party gives three months notice of cancellation.

The University remits bond interest payments for the debt related to the Corporation's capital lease of student housing. The Corporation then reimburses the University for the payments.

In June 2013, the Corporation loaned the University \$1,489,000. The loan carries a 3 percent interest rate per annum beginning July 1, 2015. For the year ending June 30, 2016, a principal amount of \$394,478 and interest of \$44,670 totaling \$439,148 was written-off during the year. The Corporation created an allowance for the remaining balance of \$1,094,522. In the current year, the remaining balance was written-off.

During the year ended June 30, 2013, the Corporation assumed the operations of the Clarke Field House from the University. A portion of the Clarke Field House's total revenue from operations is due to the Clarke Field House leasing out space to two University departments: Athletics and Kinesiology. The leases to both departments expired on June 30, 2016.

In January 2014, the Corporation entered into an agreement with the University to operate the USU for the University. The agreement will automatically renew unless either party gives three months notice of cancellation.

SAN MARCOS UNIVERSITY CORPORATION

Notes to Financial Statements

Years Ended June 30, 2017 and 2016

Note 6 – Transactions with Related Parties, continued

In July 2012, the Corporation began operating the student recreation services for the University. The University collects student recreation fees on the Corporation's behalf and remits them to the Corporation quarterly.

Related party transactions are as follows:

<u>Related Parties</u>	<u>Description</u>	<u>Reported in</u>	<u>2017</u>	<u>2016</u>
Expense to:				
University	Accounting, personnel services, and reimbursed costs	Various expenses	\$ 3,151,781	\$ 3,521,889
UARSC	Payroll processing	Various expenses	1,610,597	1,650,614
University	Bond Interest	Interest expense	785,142	813,621
Foundation	Services, programs and other	Various expenses	2,090	3,079
ASI	Student program costs and other services	Various expenses	37,587	2,552
			<u>\$ 5,587,197</u>	<u>\$ 5,991,755</u>
Revenue from:				
University	USU Fees	USU fees	\$ 3,900,000	\$ 3,750,000
University	Student recreation fees	Student recreation fees	921,404	914,069
University	Rental Income	Clarke Field House	-	198,669
University	Services, space, and programs	Other income	495,506	158,138
University	UVA student housing ALCI	Various revenue	23,098	99,581
ASI	Services, programs and other	Various revenue	84,158	57,595
UARSC	Services, programs and other	Various revenue	32,233	48,098
Foundation	Services, programs and other	Various revenue	870	10
			<u>\$ 5,457,269</u>	<u>\$ 5,226,160</u>
Due from:				
University	Student recreation fees and other	Due from related parties	\$ 542,677	\$ 380,189
UARSC	Cost reimbursements	Due from related parties	820	3,882
ASI	Cost reimbursements	Due from related parties	1,020	965
Foundation	Cost reimbursements	Due from related parties	120	-
			<u>\$ 544,637</u>	<u>\$ 385,036</u>
Due to:				
University	Salaries, benefits, and other expenses	Due to related parties	\$ 427,013	\$ 326,439
UARSC	Salaries, benefits, and other expenses	Due to related parties	293,529	232,544
ASI	Salaries, benefits, and other expenses	Due to related parties	16,118	-
University	Bond Interest	Accrued Interest	127,739	133,514
			<u>\$ 864,399</u>	<u>\$ 692,497</u>

SAN MARCOS UNIVERSITY CORPORATION

Notes to Financial Statements

Years Ended June 30, 2017 and 2016

Note 7 – Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 8 – Subsequent Event

As of July 1, 2017, the Corporation's student housing funds (UVA and RLO) have merged with UARSC and UARSC changed its name to the California State University San Marcos Corporation. The Corporation's remaining functions have been transferred to the University. The Corporation's funds as of June 30, 2017 have been allocated to the University and CSUSM Corporation as follows:

	University	CSUSM Corporation	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 3,914,480	\$ 5,066,671	\$ 8,981,151
Receivables, net of allowance	555,085	264,755	819,840
Prepaid expenses	27,237	14,090	41,327
Inventory	1,666	-	1,666
Total Current Assets	4,498,468	5,345,516	9,843,984
Property and Equipment, net of accumulated depreciation	-	18,592,150	18,592,150
Total Assets	<u>\$ 4,498,468</u>	<u>\$ 23,937,666</u>	<u>\$ 28,436,134</u>
LIABILITIES AND NET ASSETS			
Current liabilities	\$ 579,706	\$ 2,269,252	\$ 2,848,958
Long-Term Debt	-	18,974,815	18,974,815
Total Liabilities	579,706	21,244,067	21,823,773
Net Assets	3,918,762	2,693,599	6,612,361
Total Liabilities and Net Assets	<u>\$ 4,498,468</u>	<u>\$ 23,937,666</u>	<u>\$ 28,436,134</u>

The Corporation has evaluated subsequent events through **DATE PENDING**, which is the date the financial statements were available to be issued.

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SUPPLEMENTAL INFORMATION

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

Assets:	
Current assets:	
Cash and cash equivalents	\$ 8,981,151
Short-term investments	-
Accounts receivable, net	819,840
Leases receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	-
Prepaid expenses and other current assets	42,993
Total current assets	<u>9,843,984</u>
Noncurrent assets:	
Restricted cash and cash equivalents	-
Accounts receivable, net	-
Leases receivable, net of current portion	-
Notes receivable, net of current portion	-
Student loans receivable, net	-
Pledges receivable, net	-
Endowment investments	-
Other long-term investments	-
Capital assets, net	18,592,150
Other assets	-
Total noncurrent assets	<u>18,592,150</u>
Total assets	<u>28,436,134</u>
Deferred outflows of resources:	
Unamortized loss on debt refunding	-
Net pension liability	-
Others	-
Total deferred outflows of resources	<u>-</u>
Liabilities:	
Current liabilities:	
Accounts payable	1,430,365
Accrued salaries and benefits	-
Accrued compensated absences, current portion	72,248
Unearned revenue	242,701
Capitalized lease obligations, current portion	921,919
Long-term debt obligations, current portion	-
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	181,725
Total current liabilities	<u>2,848,958</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	-
Unearned revenue	-
Grants refundable	-
Capitalized lease obligations, net of current portion	18,755,634
Long-term debt obligations, net of current portion	-
Claims liability for losses and loss adjustment expenses, net of current portion	-
Depository accounts	-
Other postemployment benefits obligations	-
Net pension liability	-
Other liabilities	-
Total noncurrent liabilities	<u>18,755,634</u>
Total liabilities	<u>21,604,592</u>
Deferred inflows of resources:	
Service concession arrangements	-
Net pension liability	-
Unamortized gain on debt refunding	219,181
Nonexchange transactions	-
Others	-
Total deferred inflows of resources	<u>219,181</u>
Net Position:	
Net investment in capital assets	(1,304,584)
Restricted for:	
Nonexpendable – endowments	-
Expendable:	
Scholarships and fellowships	-
Research	-
Loans	-
Capital projects	-
Debt service	-
Others	-
Unrestricted	7,916,945
Total net position	<u>\$ 6,612,361</u>

See independent auditors' report.

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

Revenues:	
Operating revenues:	
Student tuition and fees (net of scholarship allowances of \$ 0)	\$ 4,821,404
Grants and contracts, noncapital:	
Federal	-
State	-
Local	-
Nongovernmental	-
Sales and services of educational activities	-
Sales and services of auxiliary enterprises (net of scholarship allowances of \$ 0)	7,307,603
Other operating revenues	-
Total operating revenues	<u>12,129,007</u>
Expenses:	
Operating expenses:	
Instruction	-
Research	-
Public service	-
Academic support	-
Student services	3,730,083
Institutional support	1,951,386
Operation and maintenance of plant	-
Student grants and scholarships	-
Auxiliary enterprise expenses	3,079,159
Depreciation and amortization	1,018,573
Total operating expenses	<u>9,779,201</u>
Operating income (loss)	<u>2,349,806</u>
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	-
Investment income (loss), net	245
Endowment income (loss), net	-
Interest expense	(753,390)
Other nonoperating revenues (expenses)	-
Net nonoperating revenues (expenses)	<u>(753,145)</u>
Income (loss) before other revenues (expenses)	1,596,661
State appropriations, capital	-
Grants and gifts, capital	-
Additions (reductions) to permanent endowments	-
Increase (decrease) in net position	<u>1,596,661</u>
Net position:	
Net position at beginning of year, as previously reported	5,015,700
Restatements	-
Net position at beginning of year, as restated	<u>5,015,700</u>
Net position at end of year	<u>\$ 6,612,361</u>

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

1 Restricted cash and cash equivalents at June 30, 2017:

Portion of restricted cash and cash equivalents related to endowments	\$ -
All other restricted cash and cash equivalents	-
Total restricted cash and cash equivalents	<u>\$ -</u>

2.1 Composition of investments at June 30, 2017:

	Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
State of California Surplus Money Investment Fund (SMIF)	\$ -	-	-	-	-	-	-
State of California Local Agency Investment Fund (LAIF)	-	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-	-
Certificates of deposit	-	-	-	-	-	-	-
Mutual funds	-	-	-	-	-	-	-
Money Market funds	-	-	-	-	-	-	-
Repurchase agreements	-	-	-	-	-	-	-
Commercial paper	-	-	-	-	-	-	-
Asset backed securities	-	-	-	-	-	-	-
Mortgage backed securities	-	-	-	-	-	-	-
Municipal bonds	-	-	-	-	-	-	-
U.S. agency securities	-	-	-	-	-	-	-
U.S. treasury securities	-	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-	-
Exchange traded funds (ETFs)	-	-	-	-	-	-	-
Alternative investments:							
Private equity (including limited partnerships)	-	-	-	-	-	-	-
Hedge funds	-	-	-	-	-	-	-
Managed futures	-	-	-	-	-	-	-
Real estate investments (including REITs)	-	-	-	-	-	-	-
Commodities	-	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-	-
Other alternative investment types	-	-	-	-	-	-	-
Other external investment pools (excluding SWIFT)							
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Other major investments:							
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Total investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less endowment investments (enter as negative number)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2017 :	-	-	-	-	-	-	-
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See independent auditors' report.

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

	<u>Amount</u>
2.3 Restricted current investments at June 30, 2017 related to:	
Add description	\$ -
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Total restricted current investments at June 30, 2017	\$ -

	<u>Amount</u>
2.4 Restricted noncurrent investments at June 30, 2017 related to:	
Endowment investment	\$ -
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Total restricted noncurrent investments at June 30, 2017	\$ -

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

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

	Total	Fair Value Measurements Using			Net Asset Value (NAV)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
State of California Surplus Money Investment Fund (SMIF) \$	-	-	-	-	-
State of California Local Agency Investment Fund (LAIF)	-	-	-	-	-
Corporate bonds	-	-	-	-	-
Certificates of deposit	-	-	-	-	-
Mutual funds	-	-	-	-	-
Money Market funds	-	-	-	-	-
Repurchase agreements	-	-	-	-	-
Commercial paper	-	-	-	-	-
Asset backed securities	-	-	-	-	-
Mortgage backed securities	-	-	-	-	-
Municipal bonds	-	-	-	-	-
U.S. agency securities	-	-	-	-	-
U.S. treasury securities	-	-	-	-	-
Equity securities	-	-	-	-	-
Exchange traded funds (ETFs)	-	-	-	-	-
Alternative investments:					
Private equity (including limited partnerships)	-	-	-	-	-
Hedge funds	-	-	-	-	-
Managed futures	-	-	-	-	-
Real estate investments (including REITs)	-	-	-	-	-
Commodities	-	-	-	-	-
Derivatives	-	-	-	-	-
Other alternative investment types	-	-	-	-	-
Other external investment pools (excluding SWIFT)					
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Other major investments:					
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Total investments	-	-	-	-	-

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

3.1 Composition of capital assets at June 30, 2017:

	Balance June 30, 2016	Prior period Adjustments	Reclassifications	Balance June 30, 2016 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2017
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	\$ -	-	-	-	-	-	-	-
Works of art and historical treasures	-	-	-	-	-	-	-	-
Construction work in progress (CWIP)	455,147	-	-	455,147	610,642	-	(408,322)	657,467
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	455,147	-	-	455,147	610,642	-	(408,322)	657,467
Depreciable/amortizable capital assets:								
Buildings and building improvements	24,978,016	-	-	24,978,016	383,570	-	408,322	25,769,908
Improvements, other than buildings	941,204	-	-	941,204	-	-	-	941,204
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-
Personal property:								
Equipment	1,897,688	-	-	1,897,688	26,053	(15,146)	-	1,908,595
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total depreciable/amortizable capital assets	27,816,908	-	-	27,816,908	409,623	(15,146)	408,322	28,619,707
Total capital assets	28,272,055	-	-	28,272,055	1,020,265	(15,146)	-	29,277,174
Less accumulated depreciation/amortization:								
Buildings and building improvements	(7,841,738)	-	-	(7,841,738)	(800,319)	-	-	(8,642,057)
Improvements, other than buildings	(464,614)	-	-	(464,614)	(69,282)	-	-	(533,896)
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-
Personal property:								
Equipment	(1,369,624)	-	-	(1,369,624)	(148,972)	9,525	-	(1,509,071)
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:								
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total accumulated depreciation/amortization	(9,675,976)	-	-	(9,675,976)	(1,018,573)	9,525	-	(10,685,024)
Total capital assets, net	\$ 18,596,079	-	-	18,596,079	1,692	(5,621)	-	18,592,150

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

Depreciation and amortization expense related to capital assets	\$ 1,018,573
Amortization expense related to other assets	-
Total depreciation and amortization	\$ 1,018,573

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

4 Long-term liabilities activity schedule:

	Balance June 30, 2016	Prior period adjustments	Reclassifications	Balance June 30, 2016 (restated)	Additions	Reductions	Balance June 30, 2017	Current portion	Long-term portion
Accrued compensated absences	\$ 55,941	-	-	55,941	18,446	(2,139)	72,248	72,248	-
Claims liability for losses and loss adjustment expenses	-	-	-	-	-	-	-	-	-
Capitalized lease obligations:									
Gross balance	20,567,286	-	-	20,567,286	-	(889,733)	19,677,553	921,919	18,755,634
Unamortized premium / (discount) on capitalized lease obligations	-	-	-	-	-	-	-	-	-
Total capitalized lease obligations	<u>20,567,286</u>	<u>-</u>	<u>-</u>	<u>20,567,286</u>	<u>-</u>	<u>(889,733)</u>	<u>19,677,553</u>	<u>921,919</u>	<u>18,755,634</u>
Long-term debt obligations:									
Auxiliary revenue bonds	-	-	-	-	-	-	-	-	-
Commercial paper	-	-	-	-	-	-	-	-	-
Notes payable related to SRB	-	-	-	-	-	-	-	-	-
Others: (list by type)									
Add description	-	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-	-
Total long-term debt obligations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unamortized bond premium / (discount)	-	-	-	-	-	-	-	-	-
Total long-term debt obligations, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total long-term liabilities	\$ <u>20,623,227</u>	<u>-</u>	<u>-</u>	<u>20,623,227</u>	<u>18,446</u>	<u>(891,872)</u>	<u>19,749,801</u>	<u>994,167</u>	<u>18,755,634</u>

5 Future minimum lease payments - capitalized lease obligations:

	Capitalized lease obligations related to SRB			All other capitalized lease obligations			Total capitalized lease obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2018	921,919	749,831	1,671,750	-	-	-	921,919	749,831	1,671,750
2019	958,576	713,174	1,671,750	-	-	-	958,576	713,174	1,671,750
2020	999,628	674,997	1,674,625	-	-	-	999,628	674,997	1,674,625
2021	1,035,050	635,325	1,670,375	-	-	-	1,035,050	635,325	1,670,375
2022	1,079,790	594,085	1,673,875	-	-	-	1,079,790	594,085	1,673,875
2023 - 2027	6,076,789	2,290,711	8,367,500	-	-	-	6,076,789	2,290,711	8,367,500
2028 - 2032	7,032,321	1,015,054	8,047,375	-	-	-	7,032,321	1,015,054	8,047,375
2033 - 2037	1,573,480	30,644	1,604,124	-	-	-	1,573,480	30,644	1,604,124
2038 - 2042	-	-	-	-	-	-	-	-	-
2043 - 2047	-	-	-	-	-	-	-	-	-
2048 - 2052	-	-	-	-	-	-	-	-	-
2053 - 2057	-	-	-	-	-	-	-	-	-
2058 - 2062	-	-	-	-	-	-	-	-	-
2063 - 2067	-	-	-	-	-	-	-	-	-
Total minimum lease payments	<u>19,677,553</u>	<u>6,703,821</u>	<u>26,381,374</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,677,553</u>	<u>6,703,821</u>	<u>26,381,374</u>
Less amounts representing interest									<u>(6,703,821)</u>
Present value of future minimum lease payments									<u>19,677,553</u>
Unamortized net premium (discount)									<u>-</u>
Total capitalized lease obligations									<u>19,677,553</u>
Less: current portion									<u>(921,919)</u>
Capitalized lease obligation, net of current portion									<u>\$ 18,755,634</u>

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

6 Long-term debt obligation schedule

	Auxiliary revenue bonds			All other long-term debt obligations			Total long-term debt obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
	Year ending June 30:								
2018	\$ -	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-
2023 - 2027	-	-	-	-	-	-	-	-	-
2028 - 2032	-	-	-	-	-	-	-	-	-
2033 - 2037	-	-	-	-	-	-	-	-	-
2038 - 2042	-	-	-	-	-	-	-	-	-
2043 - 2047	-	-	-	-	-	-	-	-	-
2048 - 2052	-	-	-	-	-	-	-	-	-
2053 - 2057	-	-	-	-	-	-	-	-	-
2058 - 2062	-	-	-	-	-	-	-	-	-
2063 - 2067	-	-	-	-	-	-	-	-	-
Total minimum payments	-	-	-	-	-	-	-	-	-
Less amounts representing interest									-
Present value of future minimum payments									-
Unamortized net premium (discount)									-
Total long-term debt obligations									-
Less: current portion									-
Long-term debt obligations, net of current portion									\$ -

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

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, 2016, as previously reported	\$	5,015,700
Prior period adjustments:		
1 (list description of each adjustment)		-
2 (list description of each adjustment)		-
3 (list description of each adjustment)		-
4 (list description of each adjustment)		-
5 (list description of each adjustment)		-
6 (list description of each adjustment)		-
7 (list description of each adjustment)		-
8 (list description of each adjustment)		-
9 (list description of each adjustment)		-
10 (list description of each adjustment)		-
Net position as of June 30, 2016, as restated	\$	5,015,700

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

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

San Marcos University Corporation

Report to the Audit Committee

September 20, 2017



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DRAFT

To assist you in your responsibilities as a member of the Audit Committee, this section summarizes the most significant conclusions reached and issues addressed during our audit of San Marcos University Corporation for the year ended June 30, 2017.

Significant Conclusions and Issues

We have completed our audit and will issue our report, dated September 20, 2017, once accepted by the Audit Committee. Based on our work performed:

- Our audit scope was in accordance with that communicated in our engagement letter dated April 14, 2015.
- We rendered an unmodified opinion on the June 30, 2017 financial statements.
- We identified no conditions which we consider to be material weaknesses in internal controls.
- Audit areas designated as greater than normal risk have been addressed and resolved to our satisfaction, in the context of the overall fairness of the presentation of the financial statements.
- We received the full cooperation of management and staff throughout the audit and were kept informed as to developments and plans affecting our audit scope.

The following report includes required communications and additional information for the benefit of the Audit Committee.

September 20, 2017

To the Audit Committee
San Marcos University Corporation

In planning and performing our audit of the financial statements of San Marcos University Corporation (Corporation) as of June 30, 2017 and for the year ended, in accordance with auditing standards generally accepted in the United States of America, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

This communication is intended solely for the information and use of management, Audit Committee, and others within the Corporation, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Aldrich CPAs + Advisors LLP

September 20, 2017

To the Audit Committee
San Marcos University Corporation

We have audited the financial statements of San Marcos University Corporation (Corporation) for the year ended June 30, 2017, and have issued our report thereon dated September 20, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated April 14, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Corporation are described in Note 1 to the financial statements. No significant new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2017. We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the allocation of functional expenses is based on the results of periodic time studies. We evaluated the key factors and assumptions used to develop the assumptions related to the allocation of functional expenses in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the depreciable lives for property and equipment is based on management's expected useful lives of those assets using IRS tables as guidelines. We evaluated the key factors and assumptions used to develop the depreciable lives for property and equipment in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the in-kind rent income and expense is based on fair market value of the rental spaces through measurements of square footage, day use fees, and other common measurements. We evaluated the key factors and assumptions used to develop the in-kind rent income and expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There are no sensitive disclosures affecting the financial statements.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not identify any misstatements that needed to be corrected during the course of our audit.

Disagreements with Management

For purposes of this letter, a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 20, 2017. A copy of the letter is included for your reference.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Corporation's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Corporation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the information to the underlying accounting records used to prepare the financial statements or to those statements themselves.

This information is intended solely for the use of the Audit Committee and management of San Marcos University Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Aldrich CPAs + Advisors LLP

TREND AND RATIO ANALYSIS



A summary of key financial statement information is presented below:

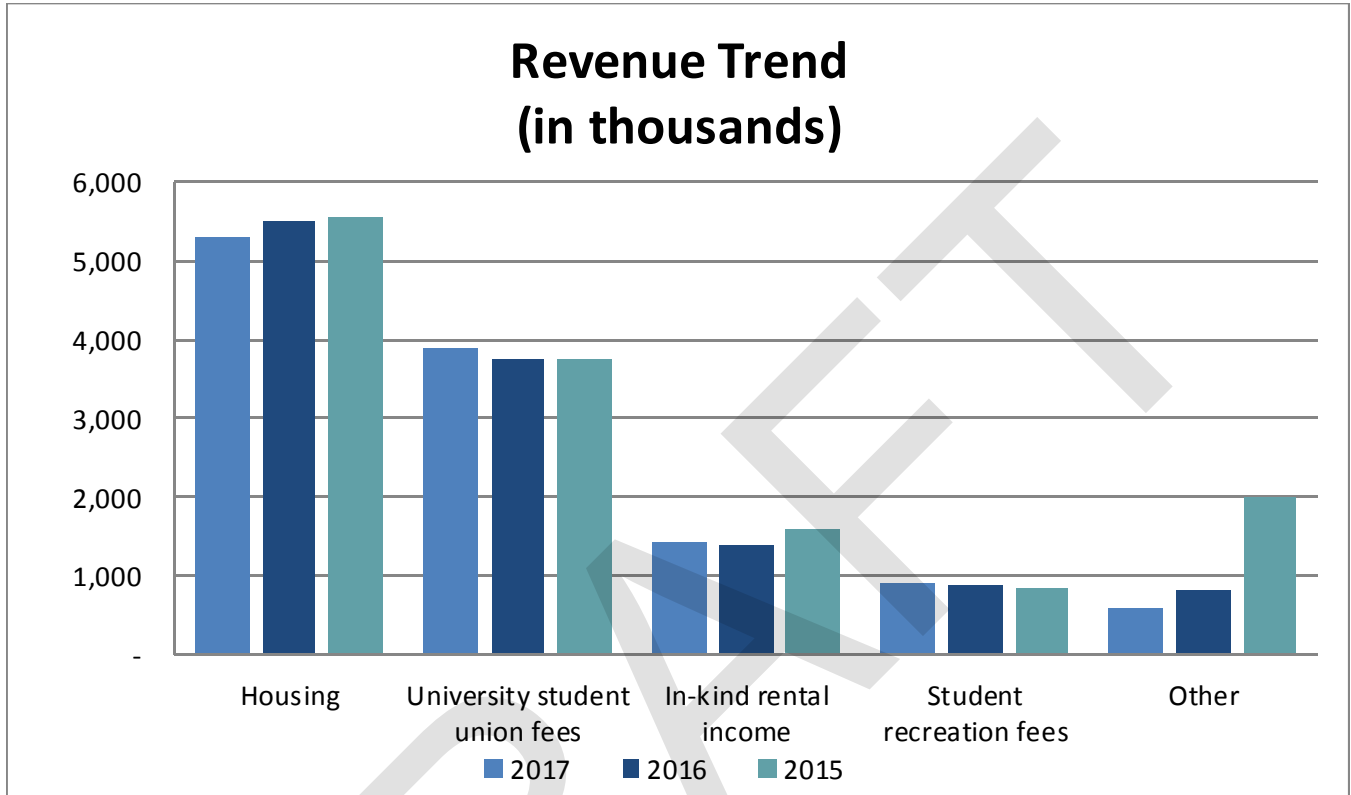
Summary of Statements of Financial Position

	<u>2017</u>		<u>2016</u>		<u>2015</u>	
ASSETS						
Cash	\$ 8,981,151	32%	\$ 8,691,743	31%	\$ 7,755,964	28%
Property and equipment, net	18,592,150	65%	18,596,079	66%	18,217,024	66%
Due from related parties	544,637	2%	341,304	1%	1,294,676	5%
Other current assets	<u>318,196</u>	1%	<u>353,740</u>	1%	<u>443,594</u>	2%
Total Assets	<u>\$ 28,436,134</u>	100%	<u>\$ 27,982,866</u>	100%	<u>\$ 27,711,258</u>	100%
LIABILITIES AND NET ASSETS						
Payables and other current liabilities	\$ 2,111,975	7%	\$ 2,485,473	9%	\$ 1,990,734	7%
Due to related parties	736,983	3%	558,983	2%	542,020	2%
Long-term liabilities	<u>18,974,815</u>	67%	<u>19,922,710</u>	71%	<u>20,839,562</u>	75%
Total Liabilities	<u>21,823,773</u>		<u>22,967,166</u>		<u>23,372,316</u>	
Net Assets	<u>6,612,361</u>	23%	<u>5,015,700</u>	18%	<u>4,338,942</u>	16%
Liabilities and Net Assets	<u>\$ 28,436,134</u>	100%	<u>\$ 27,982,866</u>	100%	<u>\$ 27,711,258</u>	100%

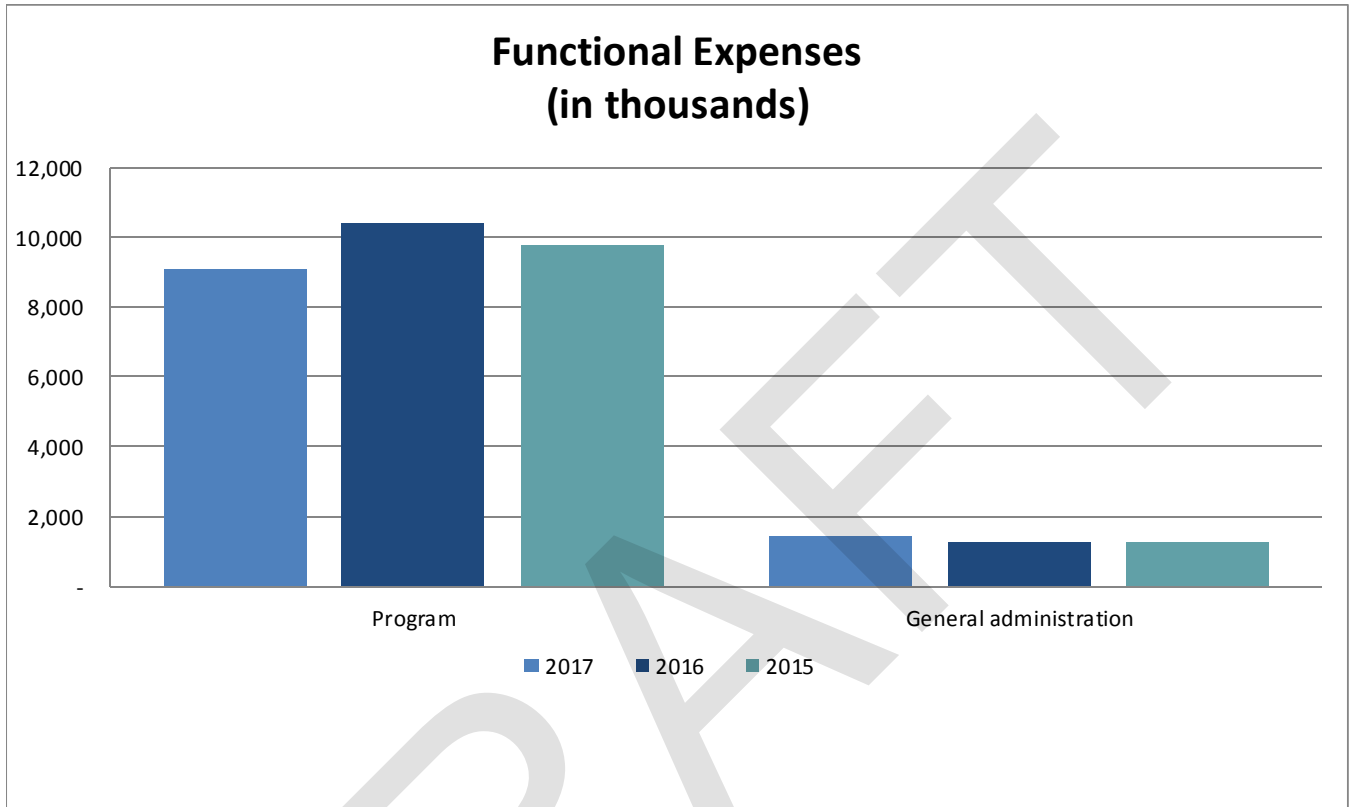
Summary of Statements of Activities

	<u>2017</u>		<u>2016</u>		<u>2015</u>	
REVENUES						
Housing, rent and fees	\$ 5,292,459	43%	\$ 5,499,536	45%	\$ 5,550,113	40%
University student union fees	3,900,000	32%	3,750,000	30%	3,750,000	27%
In-kind rental income	1,429,732	12%	1,395,670	11%	1,583,406	12%
Student recreation fees	921,404	8%	891,782	7%	840,611	6%
Other	585,412	5%	811,653	7%	1,999,799	15%
Total revenues	<u>12,129,007</u>	100%	<u>12,348,641</u>	100%	<u>13,723,929</u>	100%
EXPENSES						
Student housing	2,667,755	25%	4,277,245	37%	2,722,296	25%
Clarke field house & university student union	3,142,924	30%	2,788,459	24%	2,468,171	22%
In-kind rental expense	1,429,732	14%	1,395,670	12%	1,583,406	14%
Student recreation	954,856	9%	819,828	7%	718,082	7%
Interest	753,390	7%	786,503	7%	838,551	8%
Residential life	132,303	1%	328,082	3%	-	0%
Event and conference services	-	0%	-	0%	1,411,279	13%
General administration	<u>1,451,386</u>	14%	<u>1,276,096</u>	11%	<u>1,251,259</u>	11%
Total expenses	<u>10,532,346</u>	100%	<u>11,671,883</u>	100%	<u>10,993,044</u>	100%
Change in Net Assets	<u>\$ 1,596,661</u>		<u>\$ 676,758</u>		<u>\$ 2,730,885</u>	

Summary of Revenue Trends



Summary of Functional Expenses



Ucorp Letterhead

September 20, 2017

Aldrich CPAs + Advisors LLP
7676 Hazard Center Drive, Suite 1300
San Diego, CA 92108

This representation letter is provided in connection with your audit of the financial statements of San Marcos University Corporation (Corporation), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of September 20, 2017, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 14, 2015, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed including the reorganization and transfer of the Corporation's funds.
- 8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 9) Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
 - a) Cash - The Corporation maintains accounts at various financial institutions with funds insured by the Federal Deposit Insurance Corporation (FDIC). The Corporation's accounts at these institutions may, at times, exceed FDIC-insured limits of up to \$250,000.
- 10) Guarantees, whether written or oral, under which the Corporation is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the Corporation from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the Corporation and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the Corporation's financial statements communicated by employees, former employees, grantors, regulators, or others.
- 16) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- 17) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 18) We have disclosed to you the identity of the Corporation's related parties and all the related party relationships and transactions of which we are aware.
- 19) The Corporation has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 20) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
- 21) San Marcos University Corporation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Corporation's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
- 22) We acknowledge our responsibility for presenting the supplemental information in accordance with U.S. GAAP, and we believe the supplemental information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplemental information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- 23) We have analyzed the accounting and reporting requirements and the organization is required to follow FASB (Financial Accounting Standard Board) standards.

24) In regard to the nonattest services performed by you, we have:

- a) Assumed all management responsibilities.
- b) Designated an individual (within senior management) with suitable skill, knowledge, or experience to oversee the services.
- c) Evaluated the adequacy and results of the services performed.
- d) Accepted responsibility for the results of the services.

Signed: _____
Kim Clark

Title: Executive Director
San Marcos University Corporation

Signed: _____
Clint Roberts

Title: University Controller, CSUSM

Signed: _____
Deborah Davis

Title: Manager, Auxiliary Financial Operations

DRAFT

ATTACHMENT G

Quarterly Financial Report 9/30/17

California State University San Marcos Corporation
Statement of Financial Position
September 30, 2017

	Balance 9/30/2017	Balance 6/30/2017	Quarter Increase/ (Decrease)
Assets			
Cash and Short-Term Investments	\$ 12,952,015	\$ 4,206,263	\$ 8,745,752
Accounts Receivable-Sponsored Programs	2,109,875	2,500,454	(390,579)
Other Receivable	1,123,299	1,115,083	8,216
Other Assets	119,265	77,248	42,017
Housing Bldg & Equipment (Net)	18,517,113	-	18,517,113
CCF-Bldg & Fixtures (Net)	4,266,878	4,338,127	(71,249)
Property & Equipment (Net)	4,837,490	3,884,071	953,419
Total Assets	\$ 43,925,935	\$ 16,121,246	\$ 27,804,689
Liabilities & Net Assets			
Liabilities:			
Accounts Payable and Accrued Expenses	1,792,976	\$ 1,977,469	\$ (184,493)
Deferred Revenue	9,096,433	3,993,029	5,103,404
Notes Payable - CSUSM	198,291	198,291	-
Post-Retiree Health Benefit Accrual	1,484,672	1,464,349	20,323
Bond Payable - Housing	19,896,734	-	\$ 19,896,734
Total Liabilities	\$ 32,469,106	\$ 7,633,138	\$ 24,835,968
Net Assets:			
Unrestricted:			
Operating Reserves	\$ 1,888,719	\$ 1,588,866	\$ 299,853
Campus/Designated Programs	2,527,841	1,815,070	712,771
Administrative Current Year Net Activity	136,999	679,929	(542,930)
Housing & Res Life	2,600,409	-	2,600,409
CCF-Bldg & Fixtures	4,266,878	4,338,128	(71,250)
Property & Equipment	35,983	66,115	(30,132)
Total Net Assets	\$ 11,456,829	\$ 8,488,108	\$ 2,968,721
Total Liabilities & Net Assets	\$ 43,925,935	\$ 16,121,246	\$ 27,804,689

Statement of Financial Position - Housing

	CSUSM Corporation Balance 9/30/2017	University Corp Balance 6/30/2017	Quarter Increase/ (Decrease)
Assets			
Cash and Short-term Investments	\$ 5,810,098	\$ 5,066,671	\$ 743,427
Accounts Receivable	192,277	264,755	(72,478)
Other Assets	12,826	14,090	(1,264)
Housing Bldg & Equipment (Net)	18,517,113	18,592,150	(75,037)
Total Assets	\$ 24,532,314	\$ 23,937,666	\$ 594,648
Liabilities & Net Assets			
Liabilities:			
Accounts Payable and Accrued Expenses	810,598	2,115,557	(1,304,959)
Deferred Revenue	1,224,573	153,695	1,070,878
Bond Payable - Housing	19,896,734	18,974,815	921,919
Total Liabilities	\$ 21,931,905	\$ 21,244,067	\$ 687,838
Net Assets:			
Housing & Res Life	2,600,409	2,693,599	(93,190)
Total Liabilities & Net Assets	\$ 24,532,314	\$ 23,937,666	\$ 594,648

California State University San Marcos Corporation
Administrative Operating Summary
7/1/17 to 9/30/17

	Annual Budget FY 17/18	Quarter 1 7/1/17 to 9/30/17			Fiscal Year To Date 7/1/17 to 9/30/17			Comparison of Prior FYTD Actual to Current FYTD Actual		
		Budget	Actual	Variance	Budget	Actual	Variance	Prior FYTD 9/30/16	Current FYTD 9/30/17	% Increase (Decrease)
Revenue										
Net Grant/Contract Admin Fees	\$ 898,449	\$ 224,612	\$ 224,612	\$ -	\$ 224,612	\$ 224,612	\$ -	\$ 301,252	\$ 224,612	-25%
Admin Fees - Campus Programs	135,000	33,750	32,112	(1,638)	33,750	32,112	(1,638)	60,956	32,112	-47%
Follett-Bookstore Commission	333,000	149,850	144,938	(4,912)	149,850	144,938	(4,912)	151,391	144,938	-4%
Sodexo Commission	100,000	25,000	-	(25,000)	25,000	-	(25,000)	-	-	-
Other Commercial Services Revenues	165,360	41,340	15,919	(25,421)	41,340	15,919	(25,421)	11,800	15,919	35%
Housing	498,000	124,500	124,500	-	124,500	124,500	-	-	124,500	-
Summer Conferences	75,000	18,750	-	(18,750)	18,750	-	(18,750)	-	-	-
Investment Income	30,000	7,500	25,166	17,666	7,500	25,166	17,666	32,905	25,166	-24%
Exchange of Value - CSUSM	243,552	60,888	60,688	(200)	60,888	60,688	(200)	111,250	60,688	-45%
Space Rental	62,760	15,690	15,690	-	15,690	15,690	-	34,773	15,690	-55%
Other Revenue	29,000	7,250	19,647	12,397	7,250	19,647	12,397	25,522	19,647	-23%
Total Revenue	\$ 2,570,121	\$ 709,130	\$ 663,272	\$ (45,858)	\$ 709,130	\$ 663,272	\$ (45,858)	\$ 729,849	\$ 663,272	-9%
Post-Retirement	\$ 140,000	\$ 35,000	\$ 20,323	\$ 14,677	\$ 35,000	20,323	\$ 14,677	\$ 40,311	20,323	-50%
Expenses: UARSC Operations	2,321,732	580,433	505,950	74,483	580,433	505,950	74,483	470,457	505,950	8%
Net Operating Revenues	\$ 108,389	\$ 93,697	\$ 136,999	\$ 43,302	\$ 93,697	\$ 136,999	\$ 43,302	\$ 219,081	\$ 136,999	-37%

**California State University San Marcos Corporation
 Program Revenue Activity Summary
 7/1/17 to 9/30/17**

Program Activity	Annual Budget FY17/18	Quarter 1 7/1/17 to 9/30/17			Fiscal Year To Date 7/1/17 - 9/30/17			Comparison of Prior FYTD Actual to Current FYTD Actual		
		Budget	Actual	Variance	Budget	Actual	Variance	Prior FYTD 9/30/16	Current FYTD 9/30/17	% Increase (Decrease)
Grants/Contracts										
Federal	\$ 9,903,935	\$ 2,475,984	\$ 1,866,681	\$ (609,303)	\$ 2,475,984	\$ 1,866,681	\$ (609,303)	\$ 2,030,437	\$ 1,866,681	-8%
Other Grants/Contracts	1,096,065	274,016	411,209	137,193	274,016	411,209	137,193	125,922	411,209	227%
Total Grants/Contracts	\$ 11,000,000	\$ 2,750,000	\$ 2,277,889	\$ (472,111)	\$ 2,750,000	\$ 2,277,889	\$ (472,111)	\$ 2,156,359	\$ 2,277,889	6%
Campus/Designated Programs										
	\$ 2,072,020	\$ 518,005	\$ 672,410	\$ 154,405	\$ 518,005	\$ 672,410	\$ 154,405	\$ 807,708	\$ 672,410	-17%
Total Program Revenues	\$ 13,072,020	\$ 3,268,005	\$ 2,950,299	\$ (317,706)	\$ 3,268,005	\$ 2,950,299	\$ (317,706)	\$ 2,964,067	\$ 2,950,299	0%

ATTACHMENT H

Revised Travel Policy



TRAVEL POLICY

PURPOSE:

This policy identifies appropriate travel and business travel expenses incurred to carry out necessary, authorized, business of California State University San Marcos Corporation (CSUSM Corporation). CSUSM Corporation pays, or reimburses, travel related expenses that are ordinary, reasonable, not extravagant, and necessary to conduct official CSUSM Corporation business within the limitations set forth below. All expense reimbursements and business travel arrangements must comply with the CSUSM Corporation Travel Guidelines as well as prudent accounting practices. Exceptions to this policy must be approved by the Executive Director.

SCOPE:

Applicable to CSUSM Corporation employees, non-employees, and students for official business travel related expenses and reimbursements.

POLICY:

- I. Traveler Responsibilities
 - a. All travel must be pre-approved per CSUSM Corporation Travel Guidelines.
 - b. International Travel must be pre-approved a minimum of three months prior to travel.
 - c. Submit the completed and approved Travel Authorization and Expense claim within 30 days after return from the trip as prescribed in the Travel Guidelines.
 - d. Travelers are responsible for payment of any excess costs, additional expenses incurred for personal preference or convenience, or if travel is not pre-approved.
 - e. Travelers must maintain conduct in accordance with the CSUSM Corporation Employee Handbook and/or the CSUSM Employee Handbook.
 - f. All students must maintain conduct in accordance with the Student Code of Conduct Agreement detailed in the CSUSM Corporation Travel Guidelines.
 - g. It is expected that individuals traveling on CSUSM Corporation business will take all steps to minimize risk to themselves and CSUSM Corporation. This includes utilizing safe transportation and lodging options and acquiring appropriate insurance coverage.
- II. Approving and Funding Authority Responsibilities
 - a. Ensure that travel is pre-approved.
 - b. Ensure all expenses are authorized, necessary, and supported by a CSUSM Corporation business/program purpose.
- III. Travel Purchases and Incidentals
 - a. Transportation
 - i. Air Travel
 1. Coach or any other discounted economy-class fare shall be used whenever ticketing restrictions are reasonable. This applies to all travel (domestic or international, or any combination thereof) regardless of the purpose or fund source in accordance with the CSUSM Corporation Travel Guidelines.

- ii. Vehicle (Personal or Rental)
 - 1. Drivers must possess a valid driver's license.
 - 2. When driving instead of flying, the traveler will be reimbursed for the lesser of the two expenses.
 - iii. Personal Vehicle
 - 1. Drivers are responsible for carrying and maintaining personal auto insurance.
 - 2. Drivers claiming reimbursement for mileage must have a valid defensive driving certificate on file.
 - 3. CSUSM Corporation will follow the CSUSM approved rate for mileage reimbursement. When two or more employees share a private vehicle, only the driver may claim reimbursement for mileage.
 - iv. Rental Vehicle
 - 1. When renting a vehicle, travelers are expected to utilize rental agencies with which the CSU has negotiated contracts.
- b. Lodging
- i. Travelers may secure their own lodging in accordance with the CSUSM Corporation Travel Guidelines. Lodging rate may not exceed the CSUSM approved rate.
- c. Meals
- i. The maximum daily allowance for meals is based on the CSUSM approved rate within the contiguous United States. Daily maximum allowance for meals when traveling to Hawaii, Alaska, U.S. Possessions or internationally is based on the federal per diem rate.
- d. Incidentals
- i. Incidental expenses are allowed after the first 24 hours and is based on the CSUSM approved rate.
- IV. Travel Less than 24 Hours
- When the entire length of a trip is less than 24 hours, Internal Revenue Service (IRS) regulations state that meals and incidental expenses shall not be reimbursed unless the travel includes an "overnight stay" as supported by a lodging receipt. Meal reimbursements associated with trips without an overnight stay must be reported to the IRS as taxable income.
- V. International Travel
- International Travel requires approval by the CSUSM President. Lodging, meal, and incidental expenses will be based on the Federal per diem rate. Travelers are required to obtain travel insurance, per the CSUSM Corporation Travel Guidelines.
- VI. Travel For Students or Non-Employee Travel
- Students and non-employee travelers are subject to the provisions of this policy and the CSUSM Corporation Travel Guidelines.
- VII. Additional Approvals
- Additional travel approvals may be required if travel is to a banned state or country. These approvals must be received prior to incurring travel expenses.

REFERENCE:

CSU Travel Policy
CSUSM Corporation Travel Guidelines
CSUSM Corporation Employee Handbook
EO 1041 Student Travel <http://www.calstate.edu/eo/EO-1041.pdf>