

**California State University, Fresno  
Association, Inc.**

**2008-09  
Annual Report**

Approved by the Audit Committee  
September 30, 2009

**CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.  
CORPORATE INFORMATION**

For Fiscal Year Ended June 30, 2009

**BOARD OF DIRECTORS**

Dr. Michael Botwin	- Chair, Academic Senate California State University, Fresno
Dr. Carolyn Coon	- President's Designee for Student Affairs California State University, Fresno
Dr. Ellen Junn	- Associate Provost California State University, Fresno
Dr. Paul Oliaro	- Vice President for Student Affairs California State University, Fresno
Mr. R. Gary Renner	- Community Member Fresno, California
Ms. Jessica Sweeten	- Executive Vice President, Associated Students, Inc. California State University, Fresno
Ms. Cynthia Teniente-Matson	- Vice President for Administration and Chief Financial Officer California State University, Fresno
Mr. Graham Wahlberg	- President, Associated Students, Inc. California State University, Fresno
Dr. James E. Walton	- Faculty Representative California State University, Fresno
Mr. O. James Woodward, III	- Community Member Fresno, California
Mr. Soua Xiong	- Chair, University Student Union Board of Directors California State University, Fresno

**AUDIT COMMITTEE**

Dr. Michael Botwin	- Chair, Academic Senate California State University, Fresno
Mr. Marshall Kelley	- Certified Public Accountant Fresno, California
Mr. R. Gary Renner	- Community Member Fresno, California
Ms. Cynthia Teniente-Matson	- Vice President for Administration and Chief Financial Officer California State University, Fresno

**OFFICERS**

Ms. Cynthia Teniente-Matson	- Chair
Dr. Paul Oliaro	- Vice Chair
Dr. James E. Walton	- Secretary/Treasurer

**EXECUTIVE STAFF**

Ms. Deborah S. Adishian-Astone	- Executive Director
Mr. Steven Katz	- Controller

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.  
CORPORATE INFORMATION

For Fiscal Year Ended June 30, 2009

CORPORATE DATA

Executive Offices

- 2771 East Shaw Avenue  
Fresno, California 93710-8205  
Telephone: (559) 278-0800

Auditors

- Moore Grider & Company  
Certified Public Accountants  
325 East Sierra Avenue  
Fresno, California 93710  
Telephone: (559) 440-0700



Moore Grider & Company  
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

A Partnership Including  
Accountancy Corporations

Richard L. Holland, C.PA

Thomas L. Bell, C.PA.,  
Accountancy Corporation

Denise S. Hurst, C.PA

Kenneth J. Labendeira, C.PA.  
Accountancy Corporation

Pamela J. Gallemore, C.PA., A.PA

Cheryl A. Storer, C.PA., A.PA.

Kendall K. Wheeler, C.PA.

Karl L. Noyes, C.PA.  
Accountancy Corporation

Cory J. Bell, C.PA.  
Accountancy Corporation

Necia Wollenman, C.PA.

Rena R. Avedikian, C.PA.

Kelli D. Steele, C.PA

Julle B. Fillmore, C.PA

Carrie M. Wiebe, C.PA.

Nora E. Crow, C.PA.

Nicholas Medeiros, C.PA.

I. Elaine Moore, C.PA.  
Retired

Robert E. Grider, C.PA.  
Retired

The Board of Directors  
California State University, Fresno Association, Inc.  
Fresno, California

We have audited the accompanying statement of financial position of the California State University, Fresno Association, Inc. ("Association") as of June 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information was derived from the organization's 2008 financial statements; and in our report dated October 6, 2008, we expressed an unqualified opinion on those statements.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As more fully described in Note 2 to the financial statements, the Association has past and current practices of charging certain renovation and equipment expenditures to operations. In our opinion, generally accepted accounting principles require that fixed assets be capitalized and depreciated in accordance with Statements of the Financial Accounting Standards.

In our opinion, except for the effects of the practices discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of California State University, Fresno Association, Inc., as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information on pages 22 to 27 is presented, as required by the Chancellor of the California State University, for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Moore Grider & Company*

September 28, 2009

325 E. Sierra / Fresno, CA 93710 / 559 440-0700 fax 559 440-0600  
www.mooregrider.com

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.  
 THE CALIFORNIA STATE UNIVERSITY AUXILIARY ORGANIZATION  
 STATEMENTS OF FINANCIAL POSITION  
 JUNE 30, 2009 WITH COMPARATIVE TOTALS FOR 2008

	RESTRICTED FUND					AUXILIARY ACTIVITIES FUND		
	2008 TOTAL	2009 TOTAL	SAVE MART CENTER	COMMERCIAL OPERATIONS	UNIVERSITY COURTYARD	STUDENT UNION/REG CENTER		
						117,667	2,001,814	
<b>ASSETS</b>								
Current Assets:								
Cash:								
On-Hand and in Commercial Accounts	813,841	1,380,177	273,120	674,431	314,959	117,667		
Savings Accounts	18,757,679	18,860,752	4,107,153	9,508,953	3,242,832	2,001,814		
Total Cash (Note 3)	19,571,520	20,240,929	4,380,273	10,183,384	3,557,791	2,119,481		
Pledges Receivable-Save Mart Center (Note 4)	4,192,703	3,824,985	3,824,985					
Due from Foundation for Save Mart Center	673,475	609,860	609,860					
Accounts Receivable	3,791,919	3,319,660	1,910,861	1,362,558	19,227	27,014		
Allowance for Doubtful Accounts	(101,052)	(101,540)		(47,472)	(54,068)			
Inventories	1,681,067	1,589,105		1,567,003		22,102		
Intangible Assets	341,059	326,811	262,411		64,400			
Prepaid Expenses and Deferred Charges	64,567	67,108		61,054		6,054		
<b>Total Current Assets</b>	<b>30,215,258</b>	<b>29,876,918</b>	<b>10,988,390</b>	<b>13,126,527</b>	<b>3,593,404</b>	<b>2,168,597</b>		
Long Term Assets:								
Pledges Receivable-Save Mart Center (Note 4)	19,506,344	17,510,286	17,510,286					
Funds for Which Use is Restricted (Note 5)	74,712,061	72,844,047	71,615,944		1,228,103			
Investments (Note 7)	1,986,451	1,641,071		1,641,071				
Intangible Assets	2,030,062	1,703,251	1,062,888		640,363			
<b>Total Long Term Assets</b>	<b>98,234,918</b>	<b>93,698,655</b>	<b>90,189,118</b>	<b>1,641,071</b>	<b>1,868,466</b>			
Fixed Assets:								
Buildings and Improvements	113,639,525	114,770,346	102,441,106	1,946,483	10,382,757			
Equipment, Furniture and Fixtures	12,814,711	14,086,621	5,546,966	4,608,434	3,931,221			
Total	126,454,236	128,856,967	107,988,072	6,554,917	14,313,978			
Less Accumulated Depreciation	23,245,137	27,406,900	16,717,377	3,731,996	6,957,527			
<b>Total Fixed Assets</b>	<b>103,209,099</b>	<b>101,450,067</b>	<b>91,270,695</b>	<b>2,822,921</b>	<b>7,356,451</b>			
<b>Total Assets</b>	<b>231,659,275</b>	<b>225,025,640</b>	<b>192,448,203</b>	<b>17,590,519</b>	<b>12,818,321</b>	<b>2,168,597</b>		

The accompanying notes are an integral part of the financial statements

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.  
 THE CALIFORNIA STATE UNIVERSITY AUXILIARY ORGANIZATION  
 STATEMENTS OF FINANCIAL POSITION  
 JUNE 30, 2009 WITH COMPARATIVE TOTALS FOR 2008

	2008 TOTAL	2009 TOTAL	RESTRICTED FUND		AUXILIARY ACTIVITIES FUND		
			SAVE MART CENTER	COMMERCIAL OPERATIONS	UNIVERSITY COURTYARD	UNION/REC CENTER	STUDENT CENTER
<b>LIABILITIES AND NET ASSETS</b>							
Liabilities:							
Current Liabilities:							
Accounts Payable & Other Accrued Liabilities	3,396,167	2,698,066	367,391	1,332,287	609,755	388,633	
Bonds Payable (Note 5)	1,390,000	1,380,000	1,035,000		345,000		
Deferred Revenue	1,267,333	1,054,666	882,847	55,737	116,082		
Notes and Installment Contracts (Note 9)	82,683	94,834		44,193	50,641		
Interest Payable on Bonds	2,198,829	2,168,522	2,004,437		164,085		
Interest Payable on Capital Lease Obligations	564,028	564,028	564,028				
Agency Funds	155,494	89,319		28,801	60,512		6
<b>Total Current Liabilities</b>	<b>9,054,534</b>	<b>8,049,435</b>	<b>4,853,703</b>	<b>1,461,018</b>	<b>1,346,075</b>	<b>388,639</b>	
Long-Term Liabilities:							
Accounts Payable	2,746,465	2,031,060		2,031,060			
Bonds Payable (Note 5)	75,865,000	74,485,000	66,800,000		7,685,000		
Capitalized Lease Obligations (Note 6)	68,835,000	68,835,000	68,835,000				
Deferred Revenue	1,195,325	776,845	776,845				
Notes and Installment Contracts (Note 9)	133,457	34,416		16,038	18,378		
<b>Total Long-Term Liabilities</b>	<b>148,775,247</b>	<b>146,162,321</b>	<b>136,411,845</b>	<b>2,047,098</b>	<b>7,703,378</b>	<b>0</b>	
<b>TOTAL LIABILITIES</b>	<b>157,829,781</b>	<b>154,211,756</b>	<b>141,265,548</b>	<b>3,508,116</b>	<b>9,049,453</b>	<b>388,639</b>	
<b>NET ASSETS:</b>							
Unrestricted	15,982,303	19,631,229		14,082,403	3,768,868	1,779,958	
Temporarily Restricted (Note 16)	57,847,191	51,182,655	51,182,655				
<b>Total Net Assets</b>	<b>73,829,494</b>	<b>70,813,884</b>	<b>51,182,655</b>	<b>14,082,403</b>	<b>3,768,868</b>	<b>1,779,958</b>	
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>231,659,275</b>	<b>225,025,640</b>	<b>192,448,203</b>	<b>17,590,519</b>	<b>12,818,321</b>	<b>2,168,597</b>	

The accompanying notes are an integral part of the financial statements

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.  
 THE CALIFORNIA STATE UNIVERSITY AUXILIARY ORGANIZATION  
 STATEMENTS OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2009 WITH COMPARATIVE TOTALS FOR 2008

	RESTRICTED FUND				COMMERCIAL OPERATIONS				STUDENT FEE OPERATIONS				
	2008 TOTAL	2009 TOTAL	SAVE MART CENTER	BOOKSTORE	FOOD SERVICES	ADMIN	TOTAL	UNIVERSITY COURTYARD	REC CENTER	STUDENT UNION	TOTAL		
												2008	2009
Revenue:													
Gross Sales	30,799,401	30,964,541	734,667	11,815,058	6,822,274	1,872,176	20,509,508	5,728,759	1,386,607	2,605,000	3,991,607		
Contributions	2,201,958	1,790,822	1,778,244	0	0	0	0	0	0	12,378	12,378		
Other Income	4,784,500	4,397,876	3,738,781	247,950	140,503	129,357	517,810	84,932	13,641	42,712	56,353		
<b>Total Revenues</b>	<b>37,785,859</b>	<b>37,153,039</b>	<b>6,251,692</b>	<b>12,063,008</b>	<b>6,962,777</b>	<b>2,001,533</b>	<b>21,027,318</b>	<b>5,813,691</b>	<b>1,400,248</b>	<b>2,660,090</b>	<b>4,060,338</b>		
Expenses and Losses:													
Cost of Goods Sold	10,973,530	10,715,859		8,308,570	2,407,289		10,715,859						
Salaries/Wages	6,074,174	5,935,845		1,187,179	1,552,818	1,059,617	3,799,614	754,705	514,005	867,521	1,381,526		
Employee Benefits	2,553,803	2,016,196		378,864	501,816	395,167	1,275,847	210,076	189,517	340,756	530,273		
Administration-Food Services	557,719	487,640			467,640		467,640						
Advances to SMG	772,551	1,400,601	1,400,601										
Advertising/Printing	87,171	72,486		3,184	30,680		33,864	26,383	6,469	5,770	12,239		
Athletic Corporation Entitlements	340,263	285,882	285,882			59,526	59,526						
Audit/Legal Expense	101,619	100,304	39,774			2,560	42,855	41,638		1,004	1,004		
Bad Debt Expense	22,879	84,641		9,131	31,164		12,456			148	148		
Bank Charges	2,380	12,456						72,370					
Bond Expenses	363,588	348,464	276,094										
Capital Lease Expense	3,384,169	3,384,168	3,384,168										
Chancellor's Office Fee	29,387	11,841	8,206										
Computer Supplies/Expense	31,262	47,366		12,812		14,165	26,977	1,066	2,084	485	2,569		
Consulting	22,880	6,232				3,037	3,037	10,674	9,735		9,735		
Contract Services	627,966	877,038			69,614	39,486	109,100	701,529	66,409	3,311	66,409		
Credit Card Fees	219,075	255,267	2,434	149,169	50,281		199,450	48,634	1,438		4,749		
Depreciation/Amortization	3,920,967	4,148,336	3,093,905	55,173	239,612	100,214	394,999	659,432					
Dues/Memberships/Subscriptions	18,857	22,004		5,332	1,261	4,944	11,537	1,177	1,576	7,714	9,280		
Employee Meals	16,949	0											
Employee Recruitment	3,829	4,448			650	3,408	4,058	25	195	170	385		
Equipment Purchased	98,338	38,979						18,500	15,589	23,390	38,979		
Housing Incentives	20,100	18,500											
Insurance	477,366	479,184	234,872	49,919		14,700	64,619	144,834	15,461	19,398	34,859		
Interest Expense	4,487,412	4,425,890	4,008,875		7,227		7,227	409,788					
Janitorial/Sanitation	107,644	111,572			66,622		66,622	28,491	16,459	377	16,459		
Laundry	74,394	58,624			42,053		42,053	16,394	377		377		
Licenses/Permits/Fees	233,865	216,427		27,302	15,111	68,454	110,867	105,560	15,890	267,190	283,080		
Management Services Fee	967,556	817,460		267,190			267,190						
Matching Gift Reimbursement	(109,277)	0											
Miscellaneous	148,394	114,401	(8,583)	51,078	13,365	9,517	73,960	44,768	1,792	2,464	4,256		
Non-Student Tax	12,220	11,560			11,560		11,560						
Obsolete Merchandise	22,132	51,387		51,387			51,387						
Office Supplies	106,313	115,171		41,917	8,699	23,454	74,070	28,665	2,774	9,662	12,436		
Paper Supplies	237,387	240,147		179,949			179,949	60,198					
Postage/Freight	37,834	46,137		16,918	1,061	14,324	32,303	13,834					
Rent/Rental	378,876	343,118	10,000	47,356	92,457	38,964	178,777	144,331		10,010	10,010		
Repairs/Maintenance	687,670	513,412		48,087	151,636	7,542	207,265	138,148	18,539	149,460	167,999		
Resident Advisor Meals	117,036	139,026			81,394		81,394	57,632					
Royalties	71,922	86,860			86,860		86,860						

The accompanying notes are an integral part of the financial statements

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.  
 THE CALIFORNIA STATE UNIVERSITY AUXILIARY ORGANIZATION  
 STATEMENTS OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2009 WITH COMPARATIVE TOTALS FOR 2008

	RESTRICTED FUND			COMMERCIAL OPERATIONS				STUDENT FEE OPERATIONS			
	2008 TOTAL	2009 TOTAL	SAVE MART CENTER	BOOKSTORE	FOOD SERVICES	ADMIN	TOTAL	UNIVERSITY COURTYARD	REC CENTER	STUDENT UNION	TOTAL
Save Mart Seal Licenses	300,000	300,000				18,404	18,404			300,000	300,000
Security Services	64,167	57,537			66,353		66,353			39,133	39,133
Smallwares	124,012	78,117						11,764			
Student Programs	84,776	92,248							894	91,354	92,248
Telephone/Communications	168,099	63,694		6,578	12,834	10,063	29,475	20,091	5,416	8,712	14,128
Travel/Training	114,948	89,497		5,125	5,137	17,724	27,986	26,037	10,858	4,616	15,474
University Donations	265,419	172,937		2,272	106,147	62,518	172,937				
USU Co-Sponsorships	22,209	20,762				21,289	235,835	555,119	346,414	20,762	20,762
Utilities	1,270,953	1,243,901		26,654	187,892		6,553			106,533	452,947
Warehouse Expense	54,549	6,553									
Wilkinson Group Fee	180,000	180,000									
<b>Total Expenses and Losses</b>	<b>41,184,334</b>	<b>40,310,415</b>	<b>12,916,228</b>	<b>10,751,197</b>	<b>6,497,755</b>	<b>2,001,533</b>	<b>19,250,485</b>	<b>4,622,248</b>	<b>1,241,891</b>	<b>2,279,563</b>	<b>3,521,454</b>
<b>Excess (Deficit) of Revenues Over Expenses and Losses</b>	<b>(3,378,475)</b>	<b>(3,157,376)</b>	<b>(6,664,536)</b>	<b>1,311,811</b>	<b>465,022</b>	<b>0</b>	<b>1,776,833</b>	<b>1,191,443</b>	<b>158,357</b>	<b>380,527</b>	<b>538,884</b>
Transfers (Out) In	0	0	0	0	0	0	0	0	0	0	0
<b>Increase (Decrease) in Net Assets</b>	<b>(3,378,475)</b>	<b>(3,157,376)</b>	<b>(6,664,536)</b>	<b>1,311,811</b>	<b>465,022</b>	<b>0</b>	<b>1,776,833</b>	<b>1,191,443</b>	<b>158,357</b>	<b>380,527</b>	<b>538,884</b>
Transition Obligation	0	0									
Unamortized Transition Obligation	141,766	141,766		29,881	80,983	16,020	126,884	329	0	14,553	14,553
Amortization Transition Obligation	141,766	141,766		29,881	80,983	16,020	126,884	329	0	14,553	14,553
Remaining Transition Obligation											
<b>Increase (Decrease) in Net Assets After Remaining Transition Obligation</b>	<b>(3,236,709)</b>	<b>(3,015,610)</b>	<b>(6,664,536)</b>	<b>1,341,692</b>	<b>546,005</b>	<b>16,020</b>	<b>1,903,717</b>	<b>1,191,772</b>	<b>158,357</b>	<b>395,080</b>	<b>553,437</b>
Net Assets at Beginning of Year, Unrestricted	14,212,170	15,982,303					12,178,686	2,577,096			1,226,521
Increase in Net Assets	1,770,133	3,648,926					1,903,717	1,191,772	158,357	395,080	553,437
Net Assets at End of Year, Unrestricted	15,982,303	19,631,229					14,082,403	3,768,868			1,779,958
Net Assets at Beginning of Year, Temporarily Restricted	62,854,033	57,847,191	57,847,191								
Decrease in Net Assets	(5,006,842)	(6,664,536)	(6,664,536)								
Net Assets at End of Year, Temporarily Restricted	57,847,191	51,182,655	51,182,655								

The accompanying notes are an integral part of the financial statements

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.  
 THE CALIFORNIA STATE UNIVERSITY AUXILIARY ORGANIZATION  
 STATEMENTS OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2009 WITH COMPARATIVE TOTALS FOR 2008

	TOTAL	
	2008	2009
<b>Cash Flows From Operating Activities</b>		
Decrease in Net Assets	(3,236,709)	(3,015,610)
Adjustment to Reconcile Decrease in Net Assets to Net Cash Provided by Operating Activities		
Realized and Unrealized Loss on Investments	232,120	345,380
Provision for Doubtful Accounts	(32,144)	488
Depreciation and Amortization	3,920,967	4,148,336
Changes in:		
Accounts Receivable	751,164	472,259
Pledges Receivable-Save Mart Center	2,059,992	2,363,775
Due from Foundation for Save Mart Center	59,337	63,614
Inventories	(172,087)	91,962
Intangible Assets	356,158	341,059
Prepaid Expenses and Deferred Charges	35,276	(2,541)
Accounts Payable and Other Accrued Liabilities	(322,745)	(1,413,506)
Deferred Revenue	46,208	(631,148)
Interest Payable on Bonds	(31,582)	(30,305)
Agency Funds	8,036	(66,175)
Net Cash Provided by Operating Activities	3,673,991	2,667,588
 <b>Cash Flows From Investing Activities</b>		
Acquisition of Fixed Assets	(1,817,970)	(2,389,303)
 <b>Cash Flows from Financing Activities</b>		
Decrease in Funds For Which Use is Restricted	1,851,560	1,868,014
Principal Payments on Notes and Installment Contracts	(77,828)	(86,890)
Principal Payment on Bonds Payable	(1,390,000)	(1,390,000)
Net Cash Provided by Financing Activities	383,732	391,124
 <b>Net Increase in Cash</b>	2,239,753	669,409
 <b>Cash, Beginning of Year</b>	17,331,767	19,571,520
 <b>Cash, End of Year</b>	19,571,520	20,240,929
 <b>Supplemental Disclosure of Cash Flow Information</b>		
Cash Paid During the Year for Interest	4,528,994	4,456,195

The accompanying notes are an integral part of the financial statements

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2008 and 2009

Note 1 - General Information

The California State University, Fresno Association, Inc. administers and manages the commercial activities for California State University, Fresno including the Save Mart Center, Kennel Bookstore, University Food Services, Housing, and the University Student Union. The Association also provides accounting and managerial services to other university auxiliary corporations. The Association is supported primarily by sales from commercial activities and contributions.

Note 2 - Summary of Significant Accounting Policies

The California State University, Fresno Association, Inc. (the "Association") was incorporated on June 12, 1961 as a non-profit corporation. The Association was formed and is operated exclusively to receive, hold, invest and administer property and to make expenditures to and for the benefit of California State University, Fresno (the "University").

The Association maintains its accounting records and prepares its financial statements on the accrual basis of accounting. Therefore, revenues are recognized when earned and expenses are recognized when goods or services are received.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fund Accounting

The accounts of the organization are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Fund balances are classified on the Statements of Financial Position as unrestricted or temporarily restricted based on the absence or existence and type of donor-imposed restrictions.

Donor Imposed Restrictions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction expires, temporarily restricted net assets are considered released from restrictions, however the expenses are reflected in the restricted fund column due to fund accounting.

Pledges Receivable-Save Mart Center

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Management is of the opinion there is no need to have an allowance for uncollectible pledges given demand for suites and seats. In most cases, refunds for previously purchased seat licenses are not given unless there is an alternative buyer for those seats. Currently, there is an extensive waiting list for suites and all suiteholders are required to pay their suite lease in advance. If necessary, tickets and other entitlements are withheld if payment is due.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Due from Foundation for Save Mart Center

Amount represents donations collected by the Foundation that have not been remitted to the Association as of June 30, 2008 and 2009.

## Note 2 – Summary of Significant Accounting Policies, continued

### Deferred Revenue

Income from the University and housing summer conferences are deferred and recognized over the periods to which the University and summer conferences relate. The 2005 CSU Systemwide Revenue Bonds (See Note 6) were sold at a net premium which is shown as deferred revenue and amortized over the life of the bonds.

### Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

### Net Assets

**Unrestricted Net Assets:** This category is maintained to account for the revenues and expenses of ongoing revenue-producing activities.

**Temporarily Restricted Net Assets:** This category is maintained to account for the operation of the Save Mart Center.

### Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Allowances for doubtful accounts in the amounts of \$101,052 and \$101,540 have been established as of June 30, 2008 and 2009, respectively.

### Inventories

The Association's inventory consists of goods held for resale in the Kennel Bookstore and by Food Services. All inventories are valued at the lower of cost or market.

### Investments

Investments in securities are carried at market value and realized and unrealized gains or losses are included in "Other Income" in the Statement of Activities.

### Intangible Assets

Intangible assets consist of costs for financing of the Student Housing Project during 1995 and 2001, financing for the Save Mart Center during 2002 and the 2005 Capital Lease Payable for the refinancing of the 2002 bonds. These assets are amortized over the life of the bonds using both the interest and straight-line methods.

### Franchise Fees

In connection with the food services provided on campus, the Association has paid franchise fees to Subway, Carl's Jr., Hungry Bear, Orion Foods, Taco Bell, Round Table Pizza and Starbucks for the privilege of operating the quick service restaurants. The franchise fees are reported, net of amortization expense, in the fixed asset section of the Statements of Financial Position. These fees are amortized over the franchise period using the straight-line method.

### Fixed Assets

Fixed Assets are reflected on the financial statements at cost less accumulated depreciation. Depreciation is computed using straight line rates based upon estimated useful lives.

Prior to the 1993-94 fiscal year, the Association's policy was to establish reserve accounts for the refurbishment and equipment acquisitions related to University owned and administrative facilities. This policy was not in accordance with GAAP. The cumulative effect of this policy on net assets and the change in net assets has not been determined. Effective in the 1993-94 fiscal year, the Association adopted the policy of capitalizing and depreciating building refurbishments and equipment acquisitions in excess of \$2,500 in accordance with GAAP, except for those related to the University Student Union and the Student Recreation Center.

Note 2 – Summary of Significant Accounting Policies, continued

Fixed Assets, continued

The Association has the policy of expensing all University Student Union (USU) and the Student Recreation Center refurbishment and equipment acquisitions. This policy is not in accordance with GAAP. Although the amount of refurbishment and equipment acquisitions in 2008 and 2009 are known (\$91,069 and \$32,151, respectively), the cumulative effect on net assets and the change in net assets of this departure from GAAP has not been determined.

Defined Benefit Pension Plan

As described in Note 10, the Association participates in a multiple-employer public employee retirement system. The system provides disclosure information in accordance with Governmental Accounting Standards Board Statement (GASB) No. 27. The latest information available from PERS is for the year ended June 30, 2007.

Tax Status

The Association is organized and operated exclusively for educational purposes and is thus allowed tax exempt status under provisions of section 501(c)(3) of the Internal Revenue Code and section 23701(d) of the California Revenue and Taxation Code. The Association does, however, pay income taxes on any unrelated business income.

Advertising Costs

Advertising costs are expensed as incurred and totaled \$87,171 and \$72,486 in 2008 and 2009, respectively.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in Note 17 – Expenses by Natural Classification. Accordingly, certain costs have been allocated among programs and supporting services.

Note 3 – Cash

Cash at June 30 consisted of the following	<u>2008</u>	<u>2009</u>
Deposits:		
Cash on hand and in banks	\$11,556,383	\$12,017,227
Pooled Funds:		
Cash in State of California Local Agency Investment Fund	<u>8,015,137</u>	<u>8,223,702</u>
Total	<u>\$19,571,520</u>	<u>\$20,240,929</u>

The Association maintains some cash in the State of California Local Agency Investment Fund (LAIF). The state pools these funds with those of other organizations and invests the cash. These pooled funds are carried at cost which approximates market value. Interest earned is remitted quarterly to the Association. Any investment losses are proportionately shared by all participants in the pool. The LAIF is part of the Pooled Money Investment Account (PMIA). The PMIA began in 1955 and oversight is provided by the Pooled Money Investment Board (PMIB) and an in-house Investment Committee. The PMIB members are the State Treasurer, Director of Finance, and State Controller.

Additionally, the PMIA has Policies, Goals and Objectives for the portfolio to make certain that the goals of Safety, Liquidity and Yield are not jeopardized and that prudent management prevails. These policies are formulated by investment staff and reviewed by both the PMIB and the LAIF on an annual basis. All investment and LAIF claims are audited on a daily basis by the State Controller's Office as well as an in-house audit process involving three separate divisions.

Under Federal Law, the State of California cannot declare bankruptcy, thereby allowing the Government Code Section 16429.3 to stand. This Section states that "moneys placed with the Treasurer for deposit in the LAIF by cities, counties, special districts, nonprofit corporations, or qualified quasi-governmental agencies shall not be subject to either of the following: (a) transfer or loan pursuant to Sections 16310, 16312, or 16313, or (b) impoundment or seizure by any state official or state agency."

The Association maintains cash balances at one financial institution located in Fresno, California. The Federal Deposit Insurance Corporation insures balances up to \$100,000 and \$250,000 at June 30, 2008 and 2009, respectively. At June 30, 2008 and 2009, the Association's uninsured cash balance totaled \$10,642,542 and \$10,387,050 respectively.

Note 4 – Pledges Receivable-Save Mart Center

Included in "Pledges Receivable" are the following unconditional promises to give:

	<u>2008</u>	<u>2009</u>
Unconditional Promises to Give Before Unamortized Discount	\$37,264,433	\$33,320,044
Less: Unamortized Discount	<u>(13,565,386)</u>	<u>(11,984,773)</u>
Net Unconditional Promises to Give	<u>\$23,699,047</u>	<u>\$21,335,271</u>
Amounts Due in:		
One Year	\$4,192,703	\$3,824,985
Two to Five Years	10,015,979	8,534,153
More Than Five Years	<u>9,490,365</u>	<u>8,976,133</u>
Total	<u>\$23,699,047</u>	<u>\$21,335,271</u>

The discount rate used to calculate the present value of promises to give is 7% for 2008 and 2009.

Note 5 - Revenue Bonds

Long term bonds payable at June 30, 2009 consists of Auxiliary Organization Refunding Revenue Bonds (Student Residence Project) - Series 2001 collateralized by future revenues of the University Courtyard. The maturity schedule and interest rates of the outstanding revenue bonds are as follows:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Coupon</u>
Serial Bonds-University Courtyard		
February 1, 2010	\$345,000	4.125%
February 1, 2011	360,000	4.250%
February 1, 2012	375,000	4.500%
February 1, 2013	390,000	4.625%
February 1, 2014	410,000	4.750%
February 1, 2015 to February 1, 2025	<u>6,150,000</u>	5.023%
	<u>\$8,030,000</u>	

In February 2002, the Association issued revenue bonds for the construction financing of the Save Mart Center. The issuance included \$69,475,000 Senior Series 2002 bonds and \$5,000,000 Subordinate Series 2002 bonds. The bonds are collateralized by the Leasehold Deed of Trust with the State of California. The maturity schedule and interest rates of the outstanding revenue bonds are as follows:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Coupon</u>
Subordinate Bonds-Save Mart Center		
July 1, 2009	\$90,000	6.75%
July 1, 2010	95,000	6.75%
July 1, 2011	100,000	6.75%
July 1, 2012	<u>4,340,000</u>	6.75%
	<u>\$4,625,000</u>	

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Coupon</u>
Senior Bonds-Save Mart Center		
July 1, 2009	\$945,000	4.75%
July 1, 2010	950,000	5.00%
July 1, 2011	1,185,000	5.00%
July 1, 2012	<u>60,130,000</u>	5.00%
	<u>\$63,210,000</u>	

Note 5 – Revenue Bonds, continued

The bond agreements set forth numerous financial covenants and compliance requirements. The Association met all covenants and compliance requirements at June 30, 2008 and 2009.

California State University, Fresno Association, Inc. is obligated to deposit funds with a trustee for the purpose of retiring the bonds and paying accrued interest as follows:

Refunding Revenue Bonds-University Courtyard

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Projected Debt Service Revenue Fund Earnings</u>	<u>Total</u>
2010	\$345,000	\$387,877	\$41,460	\$691,417
2011	360,000	373,200	41,460	691,740
2012	375,000	357,244	41,460	690,784
2013	390,000	339,884	41,460	688,424
2014	410,000	321,248	41,460	689,788
Thereafter	<u>6,150,000</u>	<u>1,904,561</u>	<u>456,060</u>	<u>7,598,501</u>
	<u>\$8,030,000</u>	<u>\$3,684,014</u>	<u>\$663,360</u>	<u>\$11,050,654</u>

Subordinate Series 2002 Bonds-Save Mart Center

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Projected Debt Service Revenue Fund Earnings</u>	<u>Total</u>
2010	\$90,000	\$312,750	0	\$402,750
2011	95,000	306,337	0	401,337
2012	<u>4,440,000</u>	<u>299,588</u>	<u>0</u>	<u>4,739,588</u>
	<u>\$4,625,000</u>	<u>\$918,675</u>	<u>\$0</u>	<u>\$5,543,675</u>

Senior Series 2002 Bonds-Save Mart Center

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Projected Debt Service Revenue Fund Earnings</u>	<u>Total</u>
2010	\$945,000	\$3,645,162	0	\$4,590,162
2011	950,000	3,597,662	0	4,547,662
2012	<u>61,315,000</u>	<u>3,538,413</u>	<u>0</u>	<u>64,853,413</u>
	<u>\$63,210,000</u>	<u>\$10,781,237</u>	<u>\$0</u>	<u>\$73,991,237</u>

Under the terms of the Revenue Bonds Indentures, California State University, Fresno Association, Inc. is required to maintain certain deposits in a debt service reserve fund. Such deposits are included within "Funds for Which Use Is Restricted" in the financial statements.

The Indenture Agreement also places limits on the incurrence of additional borrowing and requires that the Association satisfy certain measures of financial performance as long as the notes are outstanding.

Note 5 – Revenue Bonds, continued

Funds held and limited as to their use by California State University, Fresno Association, Inc. at June 30 consist of the following:

U.S. Bank:	<u>2008</u>	<u>2009</u>
Funds held by Trustee (Save Mart Center Bonds)	\$73,519,948	\$71,615,944
U.S. Bank:		
Debt Service Reserve Funds (Refunding Revenue Bonds)	<u>1,192,113</u>	<u>1,228,103</u>
Long Term Funds	<u>\$74,712,061</u>	<u>\$72,844,047</u>

Cost is approximately equal to market value for these funds.

Note 6 – Capital Lease Obligations

In April 2005, the Association participated in the CSU Systemwide Revenue Bonds (SRB) program to refinance the 2002 Senior and Subordinate Save Mart Center bonds. The effect of the refinancing was to incur a new capital lease obligation payable to the University. Interest at 4.91% is payable semi-annually, with principal payments beginning in November 2012. Cash received from the refunding is restricted for pay-off of the Senior and Subordinate bonds in 2012 and is held by the bond trustee (U.S. Bank). See Note 5.

According to ASC 860, the SRB refinancing is considered an "in-substance" defeasance not a "legal" defeasance because the debtor (Association) is not being released from the debt by putting assets in a trust (or escrow account). If there are insufficient funds to cover the full repayment of the 2002 bonds in 2012 from the escrow accounts held at U.S. Bank, the Association will be held financially responsible for any shortfall. Conversely, if there are surplus funds, those assets belong to the Association. In addition, the escrow accounts at U.S. Bank are in the name of the Association.

The Association's 2008-09 Annual Report reflects the asset (funds held in the escrow accounts at U.S. Bank including interest income) as well as the corresponding liability for the 2002 Senior and Subordinate series bonds. The Association has amortized the net premium, underwriter's discount, cost of issuance and bond insurance over the life of the SRB bonds. The unamortized bond issuance costs for the 2002 series bonds will be amortized over the remaining life of the bonds through 2012.

Capital Lease Obligation-Save Mart Center

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$0	\$3,384,169	\$3,384,169
2011	0	3,384,169	3,384,169
2012	0	3,384,169	3,384,169
2013	3,400,000	3,300,835	6,700,835
2014	4,595,000	3,114,390	7,709,390
2015	4,485,000	2,892,500	7,377,500
2016	1,735,000	2,759,917	4,494,917
Thereafter	<u>54,620,000</u>	<u>24,241,584</u>	<u>78,861,584</u>
	<u>\$68,835,000</u>	<u>\$46,461,733</u>	<u>\$115,296,733</u>

Note 7 – Investments

Long-Term investments at June 30, 2008 consist of the following:

	<u>Common Fund</u>	<u>Mutual Funds</u>	<u>Total</u>
Investments in securities at market value at beginning of year	\$1,663,895	\$554,676	\$2,218,571
Return on investments designated by the Board, net of investment expenses of \$6,374:			
Dividends and interest	30,848	23,332	54,180
Net unrealized and realized gains/(losses)	<u>(229,342)</u>	<u>(2,778)</u>	<u>(232,120)</u>
Total return on investments (included in other income in the Statements of Activities)	(198,494)	20,554	(177,940)
Withdrawals from Investments	<u>(30,848)</u>	<u>(23,332)</u>	<u>(54,180)</u>
Investment in securities at market value at end of year	<u>\$1,434,553</u>	<u>\$551,898</u>	<u>\$1,986,451</u>

Long-Term investments at June 30, 2009 consist of the following:

	<u>Common Fund</u>	<u>Mutual Funds</u>	<u>Total</u>
Investments in securities at market value at beginning of year	\$1,434,553	\$551,898	\$1,986,451
Return on investments designated by the Board, net of investment expenses of \$4,452:			
Dividends and interest	19,490	21,736	41,226
Net unrealized and realized gains/(losses)	<u>(339,654)</u>	<u>(5,726)</u>	<u>(345,380)</u>
Total return on investments (included in other income in the Statements of Activities)	(320,164)	16,010	(304,154)
Withdrawals from Investments	<u>(19,490)</u>	<u>(21,736)</u>	<u>(41,226)</u>
Investment in securities at market value at end of year	<u>\$1,094,899</u>	<u>\$546,172</u>	<u>\$1,641,071</u>

Note 8 – Fair Value Measurements

The following are the major categories of assets measured at fair value on a recurring basis during the year ended June 30, 2009, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments	\$1,641,071	\$1,641,071	\$0	\$0
Pledges Receivable- Save Mart Center	<u>21,335,271</u>	<u>0</u>	<u>0</u>	<u>21,335,271</u>
Total	<u>\$22,976,342</u>	<u>\$1,641,071</u>	<u>\$0</u>	<u>\$21,335,271</u>

See Note 1 for valuation technique used to measure fair value for Investments and Pledges Receivable-Save Mart Center.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

Pledges Receivable – Save Mart Center:	
Balance, July 1, 2008	\$23,699,047
Pledge payments received	(783,163)
Change in present value discount	<u>(1,580,613)</u>
Balance, June 30, 2009	<u>\$21,335,271</u>

#### Note 9 – Notes and Installment Contracts

Notes and Installment Contracts as of June 30 consist of the following:

	<u>2008</u>	<u>2009</u>
An unsecured installment contract for HVAC and electrical retro-fit work at University Courtyard (53.4%) and the Residence Dining Hall (46.6%) Payable in monthly installments of \$8,533 including 9.00% interest	\$216,140	\$129,250
Amounts Due Within One Year	<u>82,683</u>	<u>94,834</u>
Long Term Portion of Obligation	<u>\$133,457</u>	<u>\$34,416</u>

Maturities of notes and installment contracts are as follows:

<u>Year Ended June 30,</u>	
2010	\$94,834
2011	<u>34,416</u>
	<u>\$129,250</u>

#### Note 10 – California Public Employees' Retirement System

##### Plan Description:

California State University, Fresno Association, Inc.'s defined benefit pension plan, Miscellaneous Plan of the California State University-Fresno Association, Inc., provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous Plan of the California State University-Fresno Association, Inc. is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The California State University, Fresno Association, Inc. selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance (other local methods). CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, CA 95814.

##### Funding Policy:

Active plan members in the Miscellaneous Plan of the California State University-Fresno Association, Inc. are required to contribute 7.0% of their annual covered salary and the Association currently pays the employee portion of the required contribution (the 7%). California State University, Fresno Association, Inc. is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2008/2009 was 9.674%. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

##### Annual Pension Cost:

For fiscal year 2008/2009, California State University, Fresno Association, Inc.'s annual pension cost was \$671,617 and California State University, Fresno Association, Inc. contributed \$396,741. The required contribution for fiscal year 2008/2009 was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous members and (c) 3.0% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.0%. The actuarial value of California State University, Fresno Association, Inc.'s assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses. Miscellaneous Plan of the California State University, Fresno Association, Inc.'s unfunded actuarial excess assets are being amortized as a level percentage of projected payroll on a closed basis. The amortization period at June 30, 2007 was 30 years.

Note 10 - California Public Employees' Retirement System, continued

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/05	\$227,035	100%	\$0
6/30/06	\$373,524	100%	\$0
6/30/07	\$390,066	100%	\$0

The Association is included in a pooled plan as required by California law. The organization has less than 100 active employees, therefore, the Association's portion of the pooled information is less than 1%.

Valuation Date	Pooled Accrued Liabilities	Pooled Actuarial Assets	Pooled Unfunded Liabilities (UL)	Funded Ratio	Pooled Annual Covered Period	UL as a % of Payroll
6/30/05	2,891,460,651	2,588,713,000	302,747,651	89.5%	755,046,679	40.1%
6/30/06	2,754,396,608	2,492,226,176	262,170,432	90.5%	699,897,835	37.5%
6/30/07	2,611,746,790	2,391,434,447	220,312,343	91.6%	665,522,859	33.1%

Note 11 - Other Post-Retirement Benefits

The Association sponsors a defined benefit post-retirement plan that provides medical benefits to retirees. The plan is contributory, with retiree contributions adjusted annually. The plan covers each employee and spouse. Employees, other than new hires after April 1, 2003, are eligible to receive full benefits at the age of 50 with 5 years of service. Employees hired after April 1, 2003 are eligible to receive benefits after 10 years of service with a vesting schedule that begins with 50% coverage after 10 years of service and increases by 5% per year. After 20 years of service, the employee is eligible for 100% of benefits.

Government Code Section 22825.6 provides that a local agency contracting under the Meyers-Geddes State Employers' Medical and Hospital Care Act shall fix the amount of the employer's contribution at an amount not less than the amount required under Section 22825 of the Act, and the Association is a local agency contracting under the Act. The Board of Directors shall take action to adjust the basis of the employer's contribution for each employee or annuitant.

The Association changed its method of accounting for post-retirement benefits other than pensions, from the pay-as-you-go method to the accrual method, as required by ASC 810, on July 1, 1995.

Following is the information on the plan as of and for the year ended June 30, 2009, in accordance with ASC 715 "Employers' Accounting for Defined Benefit Pension and Other Post-Retirement Plans":

	Net Periodic Post-Retirement Benefit Cost	Increase in Unrestricted Net Assets (Recognition of Transition Obligation)	Post-Retirement Benefit Liability	Transition Obligation Remaining in Unrestricted Net Assets
July 1, 2008			\$3,296,470	\$992,296
Recognition of components of net periodic post-retirement benefit cost:				
Service cost (benefit)	\$(398,762)		(256,996)	
Interest cost	115,202		115,202	
Amortization of transition obligation	141,766	141,766	(141,766)	(141,766)
Total	<u>\$(141,794)</u>			
Benefit payments			(481,850)	
Net Change		<u>\$141,766</u>	<u>(765,410)</u>	<u>(141,766)</u>
June 30, 2009			<u>\$2,531,060</u>	<u>\$850,530</u>

Note 11 – Other Post-Retirement Benefits, continued

The post-retirement obligation is included in accounts payable and other liabilities as follows:

	<u>2008</u>	<u>2009</u>
Current portion	\$ 550,000	\$ 500,000
Long-term portion	<u>2,746,470</u>	<u>2,031,060</u>
	<u>\$3,296,470</u>	<u>\$2,531,060</u>

The funded status of the plan is the following:

Accrued post-retirement benefit obligation	\$3,296,470	\$2,531,060
Plan assets	<u>0</u>	<u>0</u>
Unfunded plan obligation	<u>\$3,296,470</u>	<u>\$2,531,060</u>

The accumulated post-retirement benefit obligation was determined using terms of various health care plans offered, together with relevant actuarial assumptions and health care cost trend rates, projected at annual rates of 10.5 percent, and a discount rate of 6 percent.

Benefits paid under the plan in 2008 and 2009 were \$470,522 and \$481,850, respectively. Benefits expected to be paid for future years is as follows:

Year Ended June 30:	
2010	\$ 500,000
2011	520,000
2012	540,000
2013	560,000
2014	580,000
2015-2019	<u>3,200,000</u>
Total	<u>\$5,900,000</u>

Note 12 - Leases

The Association has entered into several facility leases for which minimal consideration is required by the lessor as follows:

- Use of the Kennel Bookstore, between the Trustees of the CSU, expiring June 30, 2020.
- Use of the University Center, between the Trustees of the CSU, expiring June 30, 2020.
- Use of the University Student Union, between the Trustees of the CSU, expiring June 30, 2013.
- Use of the Residence Dining Facility, between the Trustees of the CSU, expiring June 30, 2012.
- Use of the Warehouse, between the Trustees of the CSU, expiring June 30, 2014.
- Ground lease for University Courtyard, between the Trustees of the CSU, expiring February 1, 2020.
- Ground lease for Save Mart Center with the Trustees of the CSU, expiring December 13, 2033, with an option to extend for up to 10 years.
- Use of West Complex/SRC, between the Trustees of the CSU, expiring June 30, 2011.
- Ground lease for Campus Pointe with the Trustees of the CSU, expiring June 28, 2096.
- Lease with Shaw East Investors for lease of office space for 2763 E. Chestnut Ave, Suite 101 at \$2,321 per month expiring December 31, 2009.
- In December 2007, the Association began leasing a copier for the Kennel Bookstore-Copy Center under an operating lease, which terminates December 2010, at \$3,937.20 per month. Future minimum lease payments on the copier are as follows:

Year Ended June 30,	
2010	\$47,244
2011	23,622

Rent expense for 2007/08 was \$69,148 and 2008/09 was \$75,096, respectively.

## Note 13 – Commitments and Contingencies

### **Save Mart Center**

The Association has contracted with SMG to manage the Save Mart Center under a 10-year agreement expiring August 2013. The agreement provides for an initial annual management fee of \$275,000 and a maximum initial annual incentive fee of \$68,750. The management fee and incentive fee are adjusted every two years for CPI increases.

Advances to SMG for the management fee/operating expenses and incentive fee for the year ended June 30, 2008 were \$698,920 and \$73,631, respectively. Advances to SMG for the management fee/operating expenses and incentive fee for the year ended June 30, 2009 were \$1,323,848 and \$76,753, respectively.

The Association had a ten-year contract with Ovations Fanfare to provide food and beverage services at the Save Mart Center, which would have expired in September 2013. The contract contained an early termination provision after five years with a stipulated buy-out amount. The contract was terminated on October 11, 2008 and the Association paid Ovations \$1,833,333 which was the buy-out amount for the remaining period of the contract. On October 15, 2008, the Association amended the existing SMG agreement to include food and beverages from Savor Catering by SMG (management fee plus incentive) and SMG paid the Association \$900,000 to cover 50 percent of the buy-out amount. The net amount of \$933,333 is being amortized over five years.

### **Litigation**

The Association is a defendant in two legal actions.

1. Land Value 77, LLC, et al. v. Board of Trustees of the CSU, CSU Fresno Association, Inc., et al; Fresno County Superior Court Case #07CECG02874: Plaintiff Land Value 77, LLC, et al. alleges that the Trustees of the CSU and the Association have violated California Government and Public Resources Code sections regarding the approval of the Campus Pointe development project.
2. The Fresno County Tax Assessor alleges that the Save Mart Center is subject to possessory interest tax liability (for tax years 2003-2008) and has issued assessments for said tax years. The Association contests the assessability of the Save Mart Center, as well as the amount of tax claimed by the Assessor and has filed a request for changed assessment. The Association has retained external counsel and is pursuing a contested appeal hearing before the Fresno County Supervisors Appeals Board. The exact amount of tax cannot be determined at this time.

In the above-referenced matters, it is the opinion of management and the Association's outside counsel that these cases are defensible. Accordingly, the Association intends to and has been vigorously contesting them. The final outcome of these matters cannot be determined at this time.

## Note 14 - Related Parties

In addition to the University, the Association is related to the Agricultural Foundation of California State University, Fresno (the "Agricultural Foundation"), and the California State University, Fresno Foundation (the "Foundation") due to common management of the three entities. The Association had the following transactions with these entities during the years ended June 30, 2008 and 2009:

Pursuant to a management services agreement, the Foundation, the Agricultural Foundation, Programs for Children, and the Associated Students pay administrative fees to the Association for management services. The Foundation's administrative fees for the years ended June 30, 2008 and June 30, 2009 were \$543,000 and \$543,000, respectively, allocated on the basis of gross revenue and services rendered. The Agricultural Foundation's administrative fees for the years ended June 30, 2008 and June 30, 2009 were \$113,000 and \$114,400, respectively, based on services rendered. The Programs for Children's administrative fees for the years ended June 30, 2008 and June 30, 2009 were \$74,000 and \$74,000, respectively, based on services rendered. The Associated Students administrative fees for the years ended June 30, 2008 and June 30, 2009 were \$46,000 and \$46,700, respectively, based on services rendered.

The Foundation also reimburses the Association twice a month for salaries and benefits of Foundation Financial Services staff in the amounts of \$870,569 and \$905,872 for the years ended June 30, 2008 and June 30, 2009, respectively.

Note 14 – Related Parties, continued

The amount due the Association from the Foundation for miscellaneous expenses was \$7,040 and \$27,239 for the years ended June 30, 2008 and June 30, 2009, respectively. The amount due to the Foundation from the Association for miscellaneous expenses was \$10,131 and \$77,493 for the years ended June 30, 2008 and June 30, 2009, respectively.

The amount due the Association from the Agricultural Foundation for miscellaneous expenses was \$0 and \$2,950 for the years ended June 30, 2008 and June 30, 2009, respectively. The amount due to the Agricultural Foundation for miscellaneous expenses was \$165 and \$19,288 for the years ended June 30, 2008 and June 30, 2009, respectively.

Note 15 - Joint Venture

The Association is a member of the Auxiliary Organizations Unemployment Insurance Trust (the "Trust") which is a self-insurance fund for the California State unemployment claims. All members of the Trust are nonprofit, public benefit auxiliary organizations affiliated with the various campuses of the California State University system. Management of the Trust is elected by the members.

Contributions by the members are a percentage of certain payroll expenditures. The percentage is adjusted based on each member's existing balances, claims experience, and number of employees. Unemployment compensation claims paid by the State of California are presented to the Trust for reimbursement. The Trust has contracted with a payroll claims administrator to review the propriety of all claims presented by the State for reimbursement. The Trust also contracts for various other administrative services.

Contributions to the Trust are expensed by the Association in the period made. Following is condensed financial information for the Trust as of June 30 and for the year then ended:

	<u>2008</u>	<u>2009</u>
Total Assets	<u>\$11,778,877</u>	<u>\$10,996,565</u>
Total Liabilities	\$ 292,500	\$ 504,490
Fund Balance	<u>11,486,377</u>	<u>10,492,075</u>
Total Liabilities and Fund Balance	<u>\$11,778,877</u>	<u>\$10,996,565</u>
Total Revenues (Deficit)	\$ (191,362)	\$ 1,078,856
Total Claims and Expenses	(1,069,948)	(1,950,882)
Distribution of Reserves to Members	<u>(1,000,000)</u>	<u>(122,276)</u>
Decrease in Total Fund Balance	<u>\$(2,261,310)</u>	<u>\$ (994,302)</u>

The Association's share of the Trust's Fund Balance at June 30, 2008 and June 30, 2009 was \$604,818 and \$555,017, respectively.

Note 16 – Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2008 and 2009 are available for the following:

	<u>2008</u>	<u>2009</u>
Save Mart Center	<u>\$57,847,191</u>	<u>\$51,182,655</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes during the year ended June 30, 2009 are:

Save Mart Center	<u>\$8,547,780</u>
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Note 17 - Expenses by Natural Classification

For The Years Ended June 30:

Expenses	2008			2009		
	Program	General & Administrative	Total	Program	General & Administrative	Total
Cost of Goods Sold	\$10,973,530		\$10,897,829	\$10,715,859		\$10,715,859
Salaries/Wages	4,923,446	\$1,150,728	6,074,174	4,876,228	\$1,059,617	5,935,845
Employee Benefits	2,083,512	470,291	2,553,803	1,621,029	395,167	2,016,196
Administration-Food Services	557,719		557,719	467,640		467,640
Advances to SMG	772,551		772,551	1,400,601		1,400,601
Advertising/Printing	87,171		87,171	72,486		72,486
Athletic Corporation Entitlements	340,263		340,263	285,882		285,882
Audit/Legal Expense	52,264	49,355	101,619	40,778	59,526	100,304
Bad Debt Expense	22,879		22,879	82,081	2,560	84,641
Bank Charges	0	2,380	2,380	0	12,456	12,456
Bond Expenses	363,588		363,588	348,464		348,464
Capital Lease Expense	3,384,169		3,384,169	3,384,168		3,384,168
Chancellor's Office Fee	29,387		29,387	11,841		11,841
Computer Supplies/Expense	27,366	3,896	31,262	33,221	14,165	47,386
Consulting	6,514	16,366	22,880	3,195	3,037	6,232
Contract Services	827,966		827,966	837,552	39,486	877,038
Credit Card Fees	219,075		219,075	255,267		255,267
Depreciation/Amortization	3,795,743	125,224	3,920,967	4,048,122	100,214	4,148,336
Dues/Memberships/Subscriptions	14,528	4,329	18,857	17,060	4,944	22,004
Employee Meals	16,949		16,949	0		0
Employee Recruitment	2,176	1,653	3,829	1,040	3,408	4,448
Equipment Purchased	98,338		98,338	38,979		38,979
Housing Incentives	20,100		20,100	18,500		18,500
Insurance	463,920	13,446	477,366	464,484	14,700	479,184
Interest Expense	4,497,412		4,497,412	4,425,890		4,425,890
Janitorial/Sanitation	107,644		107,644	111,572		111,572
Laundry	74,394		74,394	58,824		58,824
Licenses/Permits/Fees	168,401	65,464	233,865	147,973	68,454	216,427
Management Services Fee	967,556		967,556	817,460		817,460
Matching Gift Reimbursement	(109,277)		(109,277)	0		0
Miscellaneous	127,823	20,571	148,394	104,884	9,517	114,401
Non-Student Tax	12,220		12,220	11,560		11,560
Obsolete Merchandise	22,132		22,132	51,387		51,387
Office Supplies	79,641	26,672	106,313	91,717	23,454	115,171
Paper Supplies	237,387		237,387	240,147		240,147
Postage/Freight	25,054	12,780	37,834	31,813	14,324	46,137
Rent/Rental	322,990	55,888	378,878	304,154	38,964	343,118
Repairs/Maintenance	639,713	47,957	687,670	505,870	7,542	513,412
Resident Advisors Meals	117,036		117,036	139,026		139,026
Royalties	71,922		71,922	86,880		86,880
Save Mart Seat Licenses	300,000		300,000	300,000		300,000
Security Services	44,485	19,682	64,167	39,133	18,404	57,537
Smallwares	124,012		124,012	78,117		78,117
Student Programs	84,776		84,776	92,248		92,248
Telephone/Communications	150,785	17,314	168,099	53,631	10,063	63,694
Travel/Training	92,154	22,794	114,948	51,773	17,724	69,497
University Donations	78,424	189,995	268,419	110,419	62,518	172,937
USU Co-Sponsorships	22,209		22,209	20,762		20,762
Utilities	1,253,979	16,974	1,270,953	1,222,612	21,289	1,243,901
Warehouse Expense	54,549		54,549	6,553		6,553
Wilkinson Group Fee	180,000		180,000	180,000		180,000
<b>Totals</b>	<b>\$38,830,575</b>	<b>\$2,333,759</b>	<b>\$41,164,334</b>	<b>\$38,308,882</b>	<b>\$2,001,533</b>	<b>\$40,310,415</b>

Note 18 – Subsequent Events

Subsequent events have been evaluated through September 30, 2009 noting no matters requiring disclosure in the financial statements for the year ended June 30, 2009.

ADDITIONAL INFORMATION  
FOR CALIFORNIA STATE UNIVERSITY, FRESNO

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.

Schedule of Net Assets

June 30, 2009

(for inclusion in the California State University)

Assets:

Current assets:

Cash and cash equivalents	\$ 12,017,227
Short-term investments	8,223,702
Accounts receivable, net	3,218,120
Pledges receivable, net	3,824,985
Prepaid expenses and other assets	1,983,024
<b>Total current assets</b>	<b>29,267,058</b>

Noncurrent assets:

Restricted cash and cash equivalents	72,844,047
Accounts receivable, net	609,860
Pledges receivable, net	17,510,286
Other long-term investments	1,641,071
Capital assets, net	101,450,067
Other assets	1,703,251
<b>Total noncurrent assets</b>	<b>195,758,582</b>
<b>Total assets</b>	<b>225,025,640</b>

Liabilities:

Current liabilities:

Accounts payable	2,332,508
Accrued salaries and benefits payable	103,348
Accrued compensated absences- current portion	25,000
Deferred revenue	1,054,666
Long-term debt obligations - current portion	1,474,834
Other liabilities	2,732,550
<b>Total current liabilities</b>	<b>7,722,906</b>

Noncurrent liabilities:

Accrued compensated absences, net of current portion	237,210
Deferred revenue	776,845
Capitalized lease obligations, net of current portion	68,835,000
Long-term debt obligations, net of current portion	74,519,416
Depository accounts	89,319
Other postemployment benefits obligation	2,031,060
<b>Total noncurrent liabilities</b>	<b>146,488,850</b>
<b>Total liabilities</b>	<b>154,211,756</b>

Net assets:

Invested in capital assets, net of related debt	25,455,817
Restricted for:	
Expendable:	
Debt service	35,906,210
Unrestricted	9,451,857
<b>Total net assets</b>	<b>70,813,884</b>
<b>Total liabilities and net assets</b>	<b>\$ 225,025,640</b>

See accompanying independent auditors' report

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.

Schedule of Revenues, Expenses, and Changes in Net Assets

Year Ended June 30, 2009

(for inclusion in the California State University)

Revenues:

Operating revenues:

Student tuition and fees (net of scholarship allowances of \$0)	\$ 2,913,010
Sales and services of auxiliary enterprises (net of scholarship allowances of \$0)	28,051,531
Other operating revenues	<u>1,121,128</u>
Total operating revenues	<u>32,085,669</u>

Expenses:

Operating expenses:

Auxiliary enterprise expenses	31,594,423
Depreciation and amortization	<u>4,148,336</u>
Total operating expenses	<u>35,742,759</u>
Operating income (loss)	<u>(3,657,090)</u>

Nonoperating revenues (expenses):

Gifts, noncapital	12,378
Investment income (loss), net	3,276,748
Interest Expenses	<u>(4,425,890)</u>
Net nonoperating revenues (expenses)	<u>(1,136,764)</u>

Income (loss) before other additions (4,793,854)

Grants and gifts, capital

1,778,244

Increase (decrease) in net assets (3,015,610)

Net assets:

Net assets at beginning of year, as previously reported	<u>73,829,494</u>
Net assets at end of year	<u>\$ 70,813,884</u>

See accompanying independent auditors' report

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.  
 Other Information  
 June 30, 2009  
 (For inclusion in the California State University)

1 Restricted cash and cash equivalents at June 30, 2009:  
 Portion of restricted cash and cash equivalents related to endowments  
 All other restricted cash and cash equivalents  
 Total restricted cash and cash equivalents

\$	72,844,047
\$	72,844,047

2.1 Composition of investments at June 30, 2009:

State of California Local Agency Investment Fund (LAIF)  
 Common Fund - Others  
 Mutual funds

Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent
8,223,702	8,223,702	8,223,702	1,094,899	546,172	1,641,071
8,223,702	8,223,702	8,223,702	1,641,071	1,641,071	1,641,071
8,223,702	8,223,702	8,223,702	1,641,071	1,641,071	1,641,071

Total investments:

Less endowment investments (enter as negative number)

Total investments

2.2 - Investments held by the University under contractual agreements at June 30, 2009 :

2.3 - Restricted current investments at June 30, 2009 related to:

2.4 - Restricted noncurrent investments at June 30, 2009 related to:

3.1 Composition of capital assets at June 30, 2009:

Balance June 30, 2008	Prior period Adjustments	Reclassifications	Balance June 30, 2008 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2009
\$20,906	—	—	\$20,906	1,275,712	—	(1,201,484)	\$95,134
\$20,906	—	—	\$20,906	1,275,712	—	(1,201,484)	\$95,134
113,639,525	—	—	113,639,525	11,650	—	1,119,171	114,770,346
12,210,505	—	—	12,210,805	152,055	—	32,111	12,445,133
83,000	—	—	83,000	963,334	—	—	1,046,334
125,933,330	—	—	125,933,330	1,127,019	—	1,201,484	128,264,833
126,454,236	—	—	126,454,236	2,402,731	—	—	128,856,967
(16,159,319)	—	—	(16,159,319)	(3,147,189)	(1,535)	—	(19,321,043)
(7,005,310)	—	—	(7,005,310)	(857,647)	1,108	—	(7,861,849)
(80,508)	—	—	(80,508)	(143,500)	—	—	(224,008)
(23,245,137)	—	—	(23,245,137)	(4,148,336)	(13,427)	—	(27,406,900)
103,209,099	—	—	103,209,099	(1,745,605)	(13,427)	—	101,450,067

Note - Additions and Reductions includes \$13,428 adjustment for CWIP transferred at June 30, 2008 but capitalized at June 30, 2009

3.2 - Detail of depreciation and amortization expense for the year ended June 30, 2009:

Depreciation and amortization expense related to capital assets  
 Amortization expense related to other assets

\$	4,148,336
\$	4,148,336

Total depreciation and amortization

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.  
 Other Information  
 June 30, 2009  
 (For inclusion in the California State University)

4 Long-term liabilities activity schedule:

	Balance June 30, 2008	Prior period adjustments	Reclassifications	Balance June 30, 2008 (restated)	Additions	Reductions	Balance June 30, 2009	Current portion	Long-term portion
Accrued compensated absences	297,442	—	—	297,442	—	(35,212)	262,230	25,000	237,230
Capitalized lease obligations:									
Gross balance	68,835,000	—	—	68,835,000	—	—	68,835,000	—	68,835,000
Total capitalized lease obligations	68,835,000	—	—	68,835,000	—	—	68,835,000	—	68,835,000
Long-term debt obligations:									
Revenue Bonds:									
Commercial Paper	77,255,000	—	—	77,255,000	—	(1,390,000)	75,865,000	1,380,000	74,485,000
Total long-term debt obligations	216,140	—	—	216,140	—	(36,890)	129,250	94,834	34,416
Total long-term debt obligations	77,471,140	—	—	77,471,140	—	(1,476,890)	75,994,250	1,474,834	74,519,416
Unamortized bond premium / (discount)	—	—	—	—	—	—	—	—	—
Unamortized loss on refunding	—	—	—	—	—	—	—	—	—
Total long-term debt obligations, net	77,471,140	—	—	77,471,140	—	(1,476,890)	75,994,250	1,474,834	74,519,416
Total long-term liabilities	146,603,582	—	—	146,603,582	—	(1,512,122)	145,091,460	1,499,834	143,591,626

5 Future minimum lease payments - capital lease obligations:

Year ending June 30	Principal	Interest	Principal and Interest
2010	—	3,384,169	3,384,169
2011	—	3,384,169	3,384,169
2012	—	3,384,169	3,384,169
2013	3,400,000	3,100,835	6,700,835
2014	4,595,000	3,114,360	7,709,360
2015 - 2019	12,605,000	13,356,083	25,961,083
2020 - 2024	17,515,000	27,876,417	45,391,417
2025 - 2034	18,345,000	3,077,667	21,422,667
2035 - 2039	13,205,000	1,096,833	14,301,833
2040 - 2044	—	—	—
2045 - 2049	—	—	—
2050 - 2054	—	—	—
2055 - 2059	—	—	—
Total minimum lease payments	—	115,296,732	115,296,732
Less amounts representing interest	—	(46,461,722)	(46,461,722)
Present value of future minimum lease payments	—	68,835,000	68,835,000
Less: current portion	—	—	—
Capitalized lease obligation, net of current portion	—	\$ 68,835,000	\$ 68,835,000

6 Long-term debt obligation schedule

Year ending June 30	Revenue Bonds		All other long-term debt obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	1,380,000	4,345,789	94,834	8,251	1,474,834	4,354,040
2011	1,405,000	4,277,199	34,316	950	1,439,316	4,278,149
2012	1,660,000	4,195,245	—	—	1,660,000	4,195,245
2013	64,860,000	319,884	—	—	64,860,000	319,884
2014	410,000	321,248	—	—	410,000	321,248
2015 - 2019	2,380,000	1,280,524	—	—	2,380,000	1,280,524
2020 - 2024	3,060,000	602,811	—	—	3,060,000	602,811
2025 - 2034	710,000	21,229	—	—	710,000	21,229
2035 - 2039	—	—	—	—	—	—
2040 - 2044	—	—	—	—	—	—
2045 - 2049	—	—	—	—	—	—
2050 - 2054	—	—	—	—	—	—
2055 - 2059	—	—	—	—	—	—
Total	75,865,000	15,383,926	129,250	9,201	75,994,250	15,393,127

**CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.**  
 Other Information  
 June 30, 2009  
 (for inclusion in the California State University)

7 Calculation of net assets

	Auxiliary Organizations		Total
	CASB	FASB	
<b>7.1 Calculation of net assets - Invested in capital assets, net of related debt</b>			
Capital assets, net of accumulated depreciation	\$	101,450,067	101,450,067
Capitalized lease obligations - current portion			
Capitalized lease obligations, net of current portion		(1,474,814)	(1,474,814)
Long-term debt obligations - current portion		(74,519,416)	(74,519,416)
Portion of outstanding debt that is unspent at year-end			
Net assets - invested in capital assets, net of related debt	\$	25,455,817	25,455,817

7.2 Calculation of net assets - Restricted for nonspendable - endowments

Not Applicable

8 Transactions with Related Entities

Not Applicable

9 Other Postemployment Benefits Obligation (OPEB)

Not Applicable

10 - Pollution remediation liabilities under CASB Statement No. 49:

Not Applicable

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

Not Applicable