

**BRONCO STUDENT CENTER AND
BRONCO RECREATION INTRAMURAL COMPLEX
(A COMPONENT UNIT OF
ASSOCIATED STUDENTS, INC.),
CALIFORNIA STATE POLYTECHNIC
UNIVERSITY, POMONA**

**Financial Statements and Supplemental
Schedules for the Year Ended June 30, 2016
and Independent Auditor's Report**

**BRONCO STUDENT CENTER AND
BRONCO RECREATION INTRAMURAL COMPLEX
(A COMPONENT UNIT OF ASSOCIATED STUDENTS, INC.)
CALIFORNIA STATE POLYTECHNIC UNIVERSITY, POMONA**

TABLE OF CONTENTS

June 30, 2016

INDEPENDENT AUDITOR’S REPORT	1
BASIC FINANCIAL STATEMENTS.....	3
Statement of Financial Position	3
Statement of Activities.....	4
Statement of Cash Flows	5
NOTES TO THE FINANCIAL STATEMENTS	6
SUPPLEMENTARY INFORMATION	14
Expenses by Natural Classification	15



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Bronco Student Center and Bronco Recreational Intramural Complex,
(A Component Unit of Associate Students, Inc.)
California State Polytechnic University, Pomona
Pomona, California

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Bronco Student Center and the Bronco Recreation Intramural Complex, a component unit of Associated Students, Inc., California State Polytechnic University, Pomona (Student Center) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain 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 Student Center'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 Student Center'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.

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Bronco Student Center and Bronco Recreational Intramural Complex,
(A Component Unit of Associate Students, Inc.)
California State Polytechnic University, Pomona
Pomona, California

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Report on Summarized Comparative Information

We have previously audited the Student Center's 2015 financial statements, and our report dated September 9, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it was derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Student Center's financial statements as a whole. The supplementary schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
September 12, 2016

**BRONCO STUDENT CENTER AND
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(A COMPONENT UNIT OF ASSOCIATED STUDENTS, INC.)
CALIFORNIA STATE POLYTECHNIC UNIVERSITY, POMONA**

**STATEMENT OF FINANCIAL POSITION
June 30, 2016
(With Comparative Totals for 2015)**

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents (note 2)		
On hand and in bank	\$ 158,021	\$ 338,899
Savings accounts	1,126	1,125
Investments in money funds	<u>9,228,220</u>	<u>5,170,894</u>
Total cash and cash equivalents	<u>9,387,367</u>	<u>5,510,918</u>
Receivables		
Accounts receivable, net of allowance for doubtful accounts of \$11,596 in 2016 and \$10,564 in 2015 (note 2)	42,598	41,458
Due from California State Polytechnic University, Pomona (note 8)	<u>1,332</u>	<u>21,609</u>
Total accounts receivable	<u>43,930</u>	<u>63,067</u>
Prepaid expenses and other assets	104,579	107,781
Property, plant and equipment, net of accumulated depreciation and amortization (note 5)	<u>275,945</u>	<u>196,691</u>
Total assets	<u>\$ 9,811,821</u>	<u>\$ 5,878,457</u>
LIABILITIES		
Accounts payable	\$ 624,323	\$ 371,395
Due to California State Polytechnic University, Pomona (note 8)	140,730	354,686
Accrued liabilities	247,614	249,165
Due from interfund activities	1,362,139	(286,274)
Postretirement benefit payable (note 10)	<u>2,624,678</u>	<u>2,507,120</u>
Total liabilities	<u>4,999,484</u>	<u>3,196,092</u>
NET ASSETS		
Unrestricted net assets		
Designated (note 7)	172,500	
Undesignated	<u>4,639,837</u>	<u>2,682,365</u>
Total net assets	<u>4,812,337</u>	<u>2,682,365</u>
Total liabilities and net assets	<u>\$ 9,811,821</u>	<u>\$ 5,878,457</u>

See the accompanying notes to the financial statements.

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CALIFORNIA STATE POLYTECHNIC UNIVERSITY, POMONA**

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016
(With Comparative Totals for 2015)**

	<u>2016</u>	<u>2015</u>
REVENUES		
Student center and Bronco Recreation and Intramural Complex (BRIC) fees	\$ 9,881,000	\$ 7,901,000
Cultural affairs	28,810	54,437
Student services	129,780	217,552
BRIC program fees	269,669	216,686
Rental income	312,586	314,988
Interest income	40,878	17,084
Other income, net	<u>18,574</u>	<u>30,428</u>
Total revenues	<u>10,681,297</u>	<u>8,752,175</u>
EXPENSES		
Programs:		
Cultural affairs	240,392	265,980
Student services	1,078,741	1,102,166
Student government	42,333	36,078
BRIC	2,201,017	1,666,877
Rental expenses	321,592	331,902
General and administrative	<u>4,738,034</u>	<u>3,924,127</u>
Total expenses	<u>8,622,109</u>	<u>7,327,130</u>
Change in net assets before other changes	2,059,188	1,425,045
Other changes - Postretirement-related changes other than net periodic benefit cost	<u>70,784</u>	<u>(589,287)</u>
CHANGE IN UNRESTRICTED NET ASSETS	2,129,972	835,758
NET ASSETS - beginning of year	<u>2,682,365</u>	<u>1,846,607</u>
NET ASSETS - end of year	<u>\$ 4,812,337</u>	<u>\$ 2,682,365</u>

See the accompanying notes to the financial statements.

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**STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016
(With Comparative Totals for 2015)**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,129,972	\$ 835,758
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	72,998	67,652
(Increase) decrease in operating assets:		
Accounts receivable, net	(1,140)	21,544
Due from California State Polytechnic University, Pomona	20,277	(10,342)
Prepaid and other assets	3,202	(13,791)
(Decrease) increase in operating liabilities:		
Accounts payable	252,928	248,398
Due to California State Polytechnic University, Pomona	(213,956)	254,766
Accrued liabilities	(1,551)	(43,046)
Other liabilities	1,648,413	208,954
Postretirement benefit payable	<u>117,558</u>	<u>752,623</u>
Net cash provided by operating activities	<u>4,028,701</u>	<u>2,322,516</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant, and equipment	<u>(152,252)</u>	<u>(166,329)</u>
Net cash used by investing activities	<u>(152,252)</u>	<u>(166,329)</u>
Net increase in cash and cash equivalents	3,876,449	2,156,187
Cash and cash equivalents at the beginning of the year	<u>5,510,918</u>	<u>3,354,731</u>
Cash and cash equivalents at the end of the year	<u>\$ 9,387,367</u>	<u>\$ 5,510,918</u>

See the accompanying notes to the financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 1: ORGANIZATION

The Bronco Student Center and Bronco Recreation Intramural Complex, collectively known as the Student Center is a component of Associated Students, Inc. (ASI), a California public benefit corporation which is an auxiliary organization to California State Polytechnic University, Pomona (University). The purpose of the Student Center is to provide a facility that offers programs, services and activities that benefit students and the University community.

The Student Center accounts for activities of the student union building, rental of its spaces and other Student Center related activities within the University community. This includes the activities and operations of the Bronco Recreation Intramural Complex (BRIC) which began operations the fall quarter of 2014.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Student Center's significant accounting policies applied in the preparation of the accompanying financial statements follows:

Basic Presentation

The financial statements of the Student Center have been presented in accordance with the Auditing and Accounting Guide for Not-For-Profit Organizations issued by the American Institute of Certified Public Accountants. The guide states that net assets and revenues, expenses, gains and losses be classified based on the existence or absence of donor-imposed restrictions. As of June 30, 2016, the Student Center did not have any restricted net assets. Accordingly, net assets of the Student Center and changes therein are classified as unrestricted net assets.

Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents and Related Investments

Cash equivalents consist of investments in the State of California's Local Agency Investment Fund (LAIF) and state investment pools with purchase maturities of 201 days or less. The

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**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Student Center is exposed to credit loss for the amount of cash in the event of nonperformance by LAIF and the state investment pools. However, management of the Student Center does not anticipate nonperformance by LAIF or the state investment pools. In accordance with the Student Center's cash management policy, all excess cash is invested in LAIF or state investment pools.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Student Center provides for losses on accounts receivable using the allowance method. The allowance is based on the length of time the receivable has been outstanding. It is the Student Center's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Property, Plant and Equipment

Legal title to the Student Center building and the BRIC is retained by the California State University Board of Trustees. Initial furnishings and equipment for the BRIC were purchased by the University. Accordingly, the related assets and liabilities are excluded from the Student Center's financial statements. Any purchases following the grand opening of the BRIC are the responsibility of the Student Center and are included in the Student Center financial statements.

The Student Center capitalizes all furniture, equipment or improvements with a normal useful life of at least one year and costing \$5,000 or more at cost if purchased, or at fair value as of the date of receipt, if donated. Equipment is stated at cost, if purchased, or at fair value, as of the date of receipt if donated. Depreciation is provided for using the straight-line method over the estimated useful lives of the assets, which range from five to fifteen years. Leasehold improvements are amortized using the straight-line method over their estimated useful lives or the term of the lease, whichever is shorter.

Functional Expenses

The costs of providing various programs and other activities of the Student Center have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among program and supporting services benefited. It is the Student Center's policy to classify expenses that benefit more than one activity as general and administrative.

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CALIFORNIA STATE POLYTECHNIC UNIVERSITY, POMONA**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income Taxes

The Student Center, a component of ASI, is exempt from federal income and state franchise taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding California statutes. Accordingly, no income tax provision has been recorded.

Subsequent Events

The Student Center has evaluated subsequent events through September 12, 2016, which is the date the financial statements were available to be issued. There were no subsequent events requiring recognition as of September 12, 2016.

Comparative Totals

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 in the United States of America. Accordingly, such information should be read in conjunction with the Student Center's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

NOTE 3: CONCENTRATION OF CREDIT RISK

The Student Center's cash balances are exposed to credit risk for amounts exceeding federally insured limits of \$250,000 in the event of nonperformance by the financial institution. The Student Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk for cash and cash equivalents. The total amount uninsured at June 30, 2016 was \$287,332.

NOTE 4: STUDENT CENTER FEES

Full-time and part-time students of the University are required to pay a fee to service debt related to the construction and operation of the Student Center building and the BRIC. The fees, collected by the University Accounting Office, are deposited in the California State Treasury.

The California State University Board of Trustees have the right to first call on these funds for revenue bond debt service requirements and for repairs and replacements of plant assets. The remaining funds are available for use in operating the Student Center and BRIC for the benefit of

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(A COMPONENT UNIT OF ASSOCIATED STUDENTS, INC.)
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**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 4: STUDENT CENTER FEES

the students. The transfer of student fees is recorded as revenue in the year in which the fees are remitted. For the year ended June 30, 2016, the fees remitted for the Student Center and the BRIC were \$9,881,000.

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant and equipment as of June 30, 2016:

Leasehold improvements	\$ 572,064
EMS equipment	169,000
Other equipment	<u>551,336</u>
	1,292,400
Less: accumulated depreciation	<u>(1,016,455)</u>
 Total property, plant and equipment, net	 <u><u>\$ 1,568,345</u></u>

Depreciation expense for the fiscal year ending June 30, 2016 was \$72,998.

NOTE 6: OPERATING LEASE

The Student Center entered into a five-year lease agreement for two copiers in fiscal year 2012-13. Future minimum rental payments due under the lease agreement are as follows:

Year Ending June 30,	Expected Future Lease Payments
2017	\$ 5,325
2018	1,327

For fiscal year ending 2016, rental expense under this lease amounted to \$13,021.

NOTE 7: DESIGNATED NET ASSETS

The Board of Directors has designated \$172,500 of unrestricted net assets for Medicare reserves.

NOTE 8: RELATED PARTY TRANSACTIONS

The Student Center, ASI and the University provide various services for each other and such services are appropriately billed. At June 30, 2016, accounts receivable of \$1,332 was due from the University and accounts payable of \$140,730 was due to the University.

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CALIFORNIA STATE POLYTECHNIC UNIVERSITY, POMONA**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 8: RELATED PARTY TRANSACTIONS

Payments received by the Student Center from the University for the year ended June 30, 2016 totaled \$10,009,871. Payments made by the Student Center to the University included in expenses for fiscal year ended June 30, 2016 totaled \$976,539.

ASI currently leases a total of 249,216 square feet of space for Student Center and Bronco Recreation and Intramural Complex activity as provided in a master operating agreement between the California State University Board of Trustees and ASI. In May 1999, ASI entered into an agreement to transfer its right to use certain leased spaced in the Student Center to the University for \$400,000. ASI also agreed to maintain the cost of HVAC and roof maintenance.

NOTE 9: PENSION PLAN

Qualified employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Plan under the California Public Employees' Retirement System plan (CalPERS), a cost-sharing multiple-employer defined benefit pension plan administered by CalPERS. The Public Agency Cost-Sharing Multiple-Employer Plan is comprised of a Miscellaneous Pool and a Safety Pool. ASI sponsors two Miscellaneous Risk Pool plans, however, the information presented below represents the sum of the allocated pension amounts for each of ASI's plans (the Plan). The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and their beneficiaries. Benefit provisions are established be State statutes, as legislatively amended, within the Public Employees' Retirement Law. Copies of CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Participants hired prior to January 1, 2013 are required to contribute 6% with a \$317 offset to their monthly covered salary. Participants hired on or after January 1, 2013 are required to contribute 6.25% of their salary. The Student Center, through ASI, is required to contribute annually at an actuarially determined rate; the current rate is 7.709% of annual covered payroll for employees hired prior to January 1, 2013. The Student Center, through ASI, is required to contribute annually at a rate of 6.237% for employees hired on or after January 1, 2013. The contribution requirements of plan members and the Student Center, through ASI, are established and may be amended by CalPERS. For fiscal year ended June 30, 2016, ASI's annual pension cost was \$202,470 (employee portion which includes the Student's Center's portion) for CalPERS was equal to the required and actual contributions. The required employer contribution rate for 2016-17 is 8.159% for employees hired prior to January 1, 2103 and 6.555% for employees hired after January 1, 2013. The required contribution is estimated at \$19,856.

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**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 9: PENSION PLAN

Summarized funded status, reported in millions, of the Miscellaneous risk pool as of the June 30, 2015 measurement date, the most recent actuarial valuation date available, is reported herein.

Total pension liability	\$ 31,771
Plan fiduciary net position	24,907
Plan net pension liability	6,864
Funded ratio	78.40%

NOTE 10: POST RETIREMENT HEALTH BENEFIT PLAN

In addition to providing pension benefits, the Student Center, through the ASI sponsors a defined benefit postretirement medical plan. Employees are eligible for certain medical benefits under the plan if they meet certain age and service requirements at the time of retirement. The Student Center accrues its share of actuarially determined costs ratably from the date an employee becomes eligible for such benefits.

Management has allocated \$334,188 of the current year net periodic benefit cost and \$70,784 of the other actuarial adjustments to the Student Center and the portion of the postretirement benefit payable allocated to the Student Center was determined to be \$2,624,678.

The following tables set forth further information about the ASI's postretirement benefit plan obligations and funded status, which include the portions allocated to the Student Center previously mentioned:

Projected benefit obligation at June 30	\$ (5,030,597)
Plan assets at fair value at June 30	<u>516,763</u>
Funded status at end of year	<u>\$ (4,513,834)</u>
Employer contributions	\$ 200,000
Plan participants' contributions	-
Benefits paid	-

Amounts recognized in the statement of financial position at June 30, 2016 consist of:

Postretirement benefit payable	<u>\$ 4,513,834</u>
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**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 10: POST RETIREMENT HEALTH BENEFIT PLAN

Amounts recognized in the statement of activities at June 30, 2016 consist of:

Rate of return adjustment	\$ 21,199
Amortization of actuarial gain	(109,336)
Amortization of transition obligation	<u>(8,699)</u>
Total postretirement-related changes other than net periodic benefit cost	(96,836)
Net periodic benefit cost	<u>530,791</u>
Total amount recognized in the statement of activities	<u>\$ 433,955</u>

Other changes in plan assets and benefit obligations previously recognized in changes in unrestricted net assets

Actuarial loss	\$ 1,865,508
Transition obligation	<u>95,771</u>
Amounts previously recognized in unrestricted net assets, not yet recognized as periodic benefit cost	<u>\$ 1,961,279</u>

The following table includes the amounts in unrestricted net assets expected to be recognized as components of net periodic benefit costs over the 2016-17 fiscal year:

Net actuarial loss	\$ 107,987
Transition obligation	8,699

Weighted-average assumptions used to determine benefit obligations as of June 30, 2016:

Discount rate	4.45%
Expected long-term return on plan assets	7.00%
Rate of compensation	N/A
Health care cost trend rate assumed for next year	5.26%
Rate to which the cost trend rate is assumed to decline (ultimate trend rate)	4.15%
Year that the rate reaches the ultimate trend rate	3 years

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**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 10: POST RETIREMENT HEALTH BENEFIT PLAN

The ASI expects to contribute \$100,000 to the plan during the next fiscal year. The following is a projection of expected future benefit payments under the plan:

<u>Year Ending June 30,</u>	<u>Expected Future Benefit Payments</u>
2017	\$ 174,000
2018	184,000
2019	201,000
2020	208,000
2021	210,000
2022	212,000
2023	213,000
2024	231,000
2025	237,000

NOTE 11: RESERVE FOR CONSIDERATION OF POTENTIAL FUTURE CONTINGENCY

A reserve was created for potential future liability in regards to a portion of the Federal Insurance Contributions Act (FICA). This reserve has been set aside and is held by the University. ASI has claimed exemption from FICA based on a Public Letter Ruling issued by the IRS, and the fact that its CalPERS retirement plan provided retirement benefits that are comparable to social security. While the intent is to continue to uphold FICA exemption, ASI may be liable for all, or a portion of, FICA liability.

SUPPLEMENTARY INFORMATION

**BRONCO STUDENT CENTER AND
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**EXPENSES BY NATURAL CLASSIFICATION
For the Year Ended June 30, 2016
(With Comparative Totals for 2015)**

	2016	2015
EXPENSES		
Salaries and wages	\$ 4,115,820	\$ 3,459,056
Staff benefits	1,186,028	919,062
Depreciation	72,998	67,652
Other operating expenses:		
Administration staff support	56,390	52,807
BSC programs	91,620	102,548
BSC student services	370,894	391,895
Communications	257,038	316,461
Computer	118,134	24,347
Conference center	6,335	14,231
Director's, chairperson's and board's expenses	55,517	20,072
Dues and subscriptions	8,122	5,768
Energy management system	24,580	19,029
Equipment rental	21,635	19,829
Insurance	80,401	87,615
Legal, audit and professional services	301,646	218,275
Miscellaneous	72,172	44,733
Moving and relocation	3,232	1,371
Non-capital equipment less than \$5,000	89,015	116,420
Office operations	53,997	56,588
Printing and advertising	52,954	72,250
Public relations	175,921	99,552
Repairs and maintenance	30,361	4,524
Special capital expenditures	142,125	22,115
Scholarships	14,556	10,525
Structure repairs and maintenance	253,125	246,463
Supplies and services	317,069	224,136
Utilities	650,424	709,806
Total expenses	\$ 8,622,109	\$ 7,327,130

See the accompanying independent auditor's report.