

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

**Financial Statements and Supplemental
Schedules for the Year Ended June 30, 2015
and Independent Auditor's Report**

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

June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Bronco Student Center (Student Center),
(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, 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, 2015, 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 of 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.

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

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

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, 2015, 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 2014 financial statements, and our report dated September 10, 2014, 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, 2014, is consistent, in all material respects, with the audited financial statements from which it was derived.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA

September 9, 2015

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

STATEMENT OF FINANCIAL POSITION

June 30, 2015

(With Comparative Totals for 2014)

	2015	2014
ASSETS		
Cash and cash equivalents (note 2)		
On hand and in bank	\$ 338,899	\$ 196,025
Savings accounts	1,125	1,125
Investments in money funds	5,170,894	3,157,581
Total cash and cash equivalents	5,510,918	3,354,731
Receivables		
Accounts receivable, net of allowance for doubtful accounts of \$10,564 in 2015 and \$10,753 in 2014 (note 2)	41,458	63,002
Due from California State Polytechnic University, Pomona (note 7)	21,609	11,267
Total accounts receivable	63,067	74,269
Prepaid expenses and other assets	107,781	93,990
Property, plant and equipment, net of accumulated depreciation and amortization (note 5)	196,691	98,014
Total assets	\$ 5,878,457	\$ 3,621,004
LIABILITIES		
Accounts payable	371,395	122,997
Due to California State Polytechnic University, Pomona (note 7)	354,686	99,920
Accrued liabilities	249,165	292,211
Due from interfund activities	(286,274)	(495,228)
Postretirement benefit payable (note 9)	2,507,120	1,754,497
Total liabilities	3,196,092	1,774,397
NET ASSETS		
Unrestricted net assets		
Undesignated (note 2)	2,682,365	1,846,607
Total net assets	2,682,365	1,846,607
Total liabilities and net assets	\$ 5,878,457	\$ 3,621,004

See accompanying independent auditor's report and notes to financial statements.

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STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)

	2015	2014
REVENUES		
Student center fees (note 4):		
Bronco Student Center	\$ 3,081,390	\$ 3,587,000
Bronco Recreation and Intramural Complex (BRIC)	4,819,610	
Cultural affairs	54,437	121
Student services	217,552	505,824
Bronco Recreation and Intramural Complex (BRIC)	216,686	
Rental income	314,988	272,064
Interest income	17,084	8,879
Other income, net	30,428	29,457
Total revenues	8,752,175	4,403,345
EXPENSES		
Programs:		
Cultural affairs	265,980	327,826
Student services	1,102,166	994,095
Student government	36,078	12,144
Bronco Recreation and Intramural Complex (BRIC)	1,666,877	
Rental expenses	331,902	308,424
General and administrative:		
Bronco Student Center	1,530,410	3,002,874
Bronco Recreation and Intramural Complex (BRIC)	2,393,717	
Total expenses	7,327,130	4,645,363
Change in net assets before other changes	1,425,045	(242,018)
Other changes - Postretirement-related changes other than net periodic benefit cost	(589,287)	28,187
CHANGE IN UNRESTRICTED NET ASSETS	835,758	(213,831)
NET ASSETS - beginning of year	1,846,607	2,060,438
NET ASSETS - end of year	\$ 2,682,365	\$ 1,846,607

See accompanying independent auditor's report and notes to financial statements.

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STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 835,758	\$ (213,831)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	67,652	56,926
Loss on asset disposal		5,031
(Increase) decrease in operating assets:		
Accounts receivable, net	21,544	(44,142)
Due from California State Polytechnic University, Pomona	(10,342)	(5,417)
Prepaid and other assets	(13,791)	(28,323)
(Decrease) increase in operating liabilities:		
Accounts payable	248,398	74,305
Due to California State Polytechnic University, Pomona	254,766	55,491
Accrued liabilities	(43,046)	39,015
Other liabilities	208,954	(357,159)
Postretirement benefit payable	752,623	39,205
Net cash provided (used) by operating activities	<u>2,322,516</u>	<u>(378,899)</u>
CASH FLOWS from INVESTING ACTIVITIES:		
Purchase of property, plant, and equipment	<u>(166,329)</u>	<u>(24,913)</u>
Net cash used by investing activities	<u>(166,329)</u>	<u>(24,913)</u>
Net increase (decrease) in cash and cash equivalents	2,156,187	(403,812)
Cash and cash equivalents at the beginning of the year	<u>3,354,731</u>	<u>3,758,543</u>
Cash and cash equivalents at the end of the year	<u>\$ 5,510,918</u>	<u>\$ 3,354,731</u>

See accompanying independent auditor's report and notes to financial statements.

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CALIFORNIA STATE POLYTECHNIC UNIVERSITY, POMONA**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 - ORGANIZATION:

The Bronco Student Center (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, 2015, 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.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

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 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.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

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.

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 9, 2015, which is the date the financial statements were available to be issued. There were no subsequent events requiring recognition as of September 9, 2015.

Comparative Totals and Reclassifications

The financial statements include certain prior year summarized comparative information in total but not by net asset class, and certain 2014 amounts have been reclassified to conform with the 2015 financial statement presentation. 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, 2014, from which the summarized information was derived.

NOTE 3 - CONCENTRATION OF CREDIT RISK – CASH:

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, 2015 was \$190,986.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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 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, 2015, the fees remitted for the Student Center and the BRIC were \$3,081,390 and \$4,819,610, respectively, for a total of \$7,901,000.

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT:

The following is a summary of property, plant and equipment as of June 30, 2015:

Leasehold improvements	\$ 622,430
EMS equipment	169,000
Other equipment	<u>498,749</u>
	1,290,179
Less: accumulated depreciation	<u>(1,093,488)</u>
	<u>\$ 196,691</u>

Depreciation expense for the fiscal year ending June 30, 2015 was \$67,652.

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, in total, are as follows:

<u>Fiscal Year Ending</u>	<u>Expected Future Lease Payments</u>
2016	\$13,021
2017	5,325
2018	1,327

For fiscal year ending 2015, total rental expense under this lease amounted to \$13,021.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 7 - 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, 2015, amounts due from the University totaled \$21,609 and accounts payable due to the University totaled \$354,686.

Payments received by the Student Center from the University for the year ended June 30, 2015 totaled \$8,046,120. Payments made by the Student Center to the University included in expenses for fiscal year ended June 30, 2015 totaled \$681,215.

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 8 - PENSION PLAN:

The Student Center, through ASI, contracts with the California Public Employees' Retirement System plan (CalPERS) to provide substantially all regular full-time employees of the Student Center retirement and disability benefits, annual cost-of-living adjustments, and death benefits which are paid by the State of California. CalPERS acts as a common investment and administrative agent for participating public entities and the Student Center, through the ASI, is grouped with other entities with similar benefits in the same cost-sharing plan. Benefit provisions and all other requirements are established by state statute and Student Center resolutions. Copies of CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

At the date the Student Center, through the ASI, began participating in the cost-sharing plan, a side fund was created to account for the difference between the funded status of the pool and the funded status of the ASI's plan. This is in addition to the existing unfunded liability. The side fund can be either positive or negative and will result in either a decrease or increase in the required contribution amount. The side-fund liability is calculated by CalPERS annually and includes liability calculations for the subsequent two years using estimated employer payroll and estimated return on plan assets. The total of ASI's positive balance in the side fund as of June 30, 2013, the most recent actuarial valuation date available, is estimated at \$464,000 and resulted in a decrease in the

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 8 - PENSION PLAN: (continued)

required contribution of approximately \$34,400. There is no additional liability required to be recorded for the side fund.

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 7.652% 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 6.25% 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, 2015, ASI's annual pension cost of \$180,886 (which includes the Student Center's portion) for CalPERS was equal to the required and actual contributions. The required contribution rate for 2015-16 is 7.709% and 6.237% for employees hired after January 1, 2013. It is estimated at \$259,178.

The following information summarizes the funded status of the risk pool as of June 30, 2013, the most recent actuarial valuation date available.

Present Value of Projected Benefits	\$ 8,810,336
Entry Age Normal Accrued Liability	6,711,823
Plans Market Value of Assets	6,049,981
Unfunded Liability	661,842
Funded Ratio	90.1%

NOTE 9 - POSTRETIREMENT 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 \$243,090 of the current year net periodic benefit cost and \$589,287 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 \$2,507,120.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 9 - POSTRETIREMENT HEALTH BENEFIT PLAN: (continued)

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:

	2015
Projected benefit obligation at June 30	\$ (4,759,472)
Plan assets at fair value at June 30	315,852
Funded status at end of year	\$ <u>(4,443,620)</u>
Employer contributions	\$ 100,000
Plan participants' contributions	-
Benefits paid	168,418

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

	2015
Postretirement benefit payable	\$ <u>4,443,620</u>

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

	2015
Actuarial changes	\$ 1,049,059
Rate of return adjustment	16,540
Amortization of actuarial gain	(90,855)
Amortization of transition obligation	(8,699)
Total postretirement-related changes other than net periodic benefit cost	966,045
Net periodic benefit cost	472,689
Total amount recognized in the statement of activities	\$ <u>1,438,734</u>

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CALIFORNIA STATE POLYTECHNIC UNIVERSITY, POMONA**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 9 - POSTRETIREMENT HEALTH BENEFIT PLAN: (continued)

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

	2015
Actuarial loss	\$ 2,173,495
Transition obligation	104,470
Amounts previously recognized in unrestricted net assets, not yet recognized as periodic benefit cost at June 30	\$ 2,277,965

The following table includes the amounts in unrestricted net assets expected to be recognized as components of net periodic benefit costs over the 2015-16 fiscal year:

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

Weighted-average assumption used to determine benefit obligations as of June 30, 2015:

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	5.63%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.15%
Year that the rate reaches the ultimate trend rate	4 years

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 9 - POSTRETIREMENT HEALTH BENEFIT PLAN: (continued)

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>Fiscal Year</u> <u>Ending</u>	<u>Expected Future</u> <u>Benefit Payments</u>
2016	\$ 165,000
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 10 - 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.