



**CALIFORNIA STATE UNIVERSITY INSTITUTE**  
A Discretely Presented Component Unit of the California State University  
Financial Statements and Supplementary Schedules  
June 30, 2015 and 2014  
(With Independent Auditors' Report Thereon)

**CALIFORNIA STATE UNIVERSITY INSTITUTE**  
A Discretely Presented Component Unit of the California State University

**Table of Contents**

	<b>Page</b>
Independent Auditors' Report	1
Financial Statements:	
Statements of Net Position – June 30, 2015 and 2014	3
Statements of Revenues, Expenses, and Changes in Net Position – Years ended June 30, 2015 and 2014	4
Statements of Cash Flows – Years ended June 30, 2015 and 2014	5
Notes to Financial Statements	6
<b>Supplementary Schedules for Inclusion in the California State University</b>	
Schedule 1 – Schedule of Net Position – June 30, 2015	17
Schedule 2 – Schedule of Revenues, Expenses, and Changes in Net Position – Year ended June 30, 2015	18
Schedule 3 – Other Information – June 30, 2015	19



**KPMG LLP**  
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## **Independent Auditors' Report**

The Board of Directors  
California State University Institute:

We have audited the accompanying financial statements of the California State University Institute (the Institute), a component unit of the California State University, which comprise the statements of net position as of June 30, 2015 and 2014, and the related statements of revenues, expenses, and changes in net position, and statements of cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the California State University Institute as of June 30, 2015 and 2014, and the changes in its net position and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.



***Other Matter***

*Required Supplementary Information*

Management has omitted managements discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information included in schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Schedules 1 through 3 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedules 1 through 3 are fairly stated in all material respects in relation to the basic financial statements as a whole.

**KPMG LLP**

Irvine, California  
September 22, 2015

**CALIFORNIA STATE UNIVERSITY INSTITUTE**  
A Discretely Presented Component Unit of the California State University

Statements of Net Position

June 30, 2015 and 2014

	<b>2015</b>	<b>2014</b>
<b>Assets:</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 34,671	42,281
Accounts receivable	—	155,881
Investments	3,521,797	3,485,134
Revenue Bond Anticipation Notes receivable, current portion	148,185,000	153,541,000
Interest receivable	19,552	32,363
Capital financing receivables, current portion	3,830,000	7,354,000
Prepaid expenses	19,083	18,208
<b>Total current assets</b>	<b>155,610,103</b>	<b>164,628,867</b>
<b>Noncurrent assets:</b>		
Revenue Bond Anticipation Notes receivable, less current portion	1,100,000	14,970,000
Capital financing receivables, less current portion	1,857,000	5,818,000
<b>Total noncurrent assets</b>	<b>2,957,000</b>	<b>20,788,000</b>
<b>Total assets</b>	<b>158,567,103</b>	<b>185,416,867</b>
<b>Liabilities:</b>		
<b>Current liabilities:</b>		
Accounts payable	99,664	256,572
Interest payable	12,896	10,802
Unearned revenues	—	10,837
Commercial paper payable – current portion	152,015,000	160,895,000
<b>Total current liabilities</b>	<b>152,127,560</b>	<b>161,173,211</b>
<b>Noncurrent liabilities:</b>		
Commercial paper payable, net of current portion	2,424,000	20,255,000
<b>Total liabilities</b>	<b>154,551,560</b>	<b>181,428,211</b>
<b>Net position:</b>		
Unrestricted	4,015,543	3,988,656
<b>Total net position</b>	<b>\$ 4,015,543</b>	<b>3,988,656</b>

See accompanying notes to financial statements.

**CALIFORNIA STATE UNIVERSITY INSTITUTE**  
A Discretely Presented Component Unit of the California State University  
Statements of Revenues, Expenses, and Changes in Net Position  
Years ended June 30, 2015 and 2014

	<b>2015</b>	<b>2014</b>
Operating revenues:		
Program support	\$ 1,292,715	1,557,257
Interest income	277,364	562,850
Total operating revenues	1,570,079	2,120,107
Operating expenses:		
Program costs	1,476,311	2,216,838
Interest on debt	94,705	166,639
Total operating expenses	1,571,016	2,383,477
Operating loss	(937)	(263,370)
Nonoperating revenues – investment income, net	27,824	33,759
Increase (decrease) in net position	26,887	(229,611)
Net position, beginning of year	3,988,656	4,218,267
Net position, end of year	\$ 4,015,543	3,988,656

See accompanying notes to financial statements.

**CALIFORNIA STATE UNIVERSITY INSTITUTE**  
A Discretely Presented Component Unit of the California State University

Statements of Cash Flows

Years ended June 30, 2015 and 2014

	<b>2015</b>	<b>2014</b>
Cash flows from operating activities:		
Program support	\$ 1,437,484	1,432,638
Expenditures and other deductions	(1,634,094)	(2,098,968)
Interest received on notes	272,446	579,744
Interest paid on commercial paper	(74,882)	(163,999)
Net cash provided by (used in) operating activities	954	(250,585)
Cash flows from capital and related financing activities:		
Proceeds from commercial paper	132,426,177	88,075,000
Payments of commercial paper	(7,885,000)	(20,950,000)
Net cash provided by capital and related financing activities	124,541,177	67,125,000
Cash flows from investing activities:		
Invested in Revenue Bond Anticipation Notes	(132,426,177)	(88,075,000)
Proceeds from Revenue Bond Anticipation Notes	400,000	11,685,000
Proceeds from capital financing arrangements	7,485,000	9,265,000
Investment income, net	27,824	33,759
Unrealized gains	(5,039)	(5,366)
Purchases of investments	(12,855,610)	(24,318,273)
Sales of investments	12,824,261	24,522,486
Net cash used in investing activities	(124,549,741)	(66,892,394)
Net change in cash and cash equivalents	(7,610)	(17,979)
Cash and cash equivalents at beginning of year	42,281	60,260
Cash and cash equivalents at end of year	\$ 34,671	42,281
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$ (937)	(263,370)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	155,606	(135,456)
Decrease in interest receivable	12,811	16,894
Increase in prepaid expenses	(875)	(875)
(Decrease) increase in accounts payable	(156,908)	118,745
Increase in interest payable	2,094	2,640
(Decrease) increase in unearned revenues	(10,837)	10,837
Net cash provided by (used in) operating activities	\$ 954	(250,585)
Supplemental disclosures of noncash capital and related financing activities:		
Commercial paper proceeds directly wired to escrow agent and auxiliary by bank	\$ 1,897,823	54,750,000
Bond proceeds directly wired to Commercial Paper Trustee by bank	(153,167,729)	—
Rollover of commercial paper – principal issued	518,073,000	679,316,000
Rollover of commercial paper – principal paid	(518,073,000)	(679,316,000)

See accompanying notes to financial statements.

**CALIFORNIA STATE UNIVERSITY INSTITUTE**  
A Discretely Presented Component Unit of the California State University

Notes to Financial Statements

June 30, 2015 and 2014

**(1) Organization**

California State University Institute (the Institute) is a nonprofit California corporation that is an auxiliary organization of the California State University (the CSU). The Institute is a discretely presented component unit of the CSU. The Institute's primary purpose is to provide financing, in the form of commercial paper, to fund projects (nonstate-funded) to be undertaken at the various CSU campuses. The Institute also provides investment services to the CSU.

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

The accompanying financial statements for the Institute have been prepared under the standards promulgated by the Governmental Accounting Standards Board (GASB) using the accrual basis of accounting and economic resources measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**(b) Net Position**

The Institute's net position is classified as unrestricted. Unrestricted net position may be designated for use by the Institute. The Institute has adopted a policy of utilizing restricted funds, when available, prior to unrestricted funds.

**(c) Cash and Cash Equivalents and Statements of Cash Flows**

The Institute considers all highly liquid investments with an original maturity date of three months or less to be cash and cash equivalents. The Institute considers amounts included in the CSU Consolidated Investment Pool (the Investment Pool) to be investments. Certain transactions recorded as revenue or expenses in the accompanying Statements of Revenues, Expenses, and Changes in Net Position include transactions between entities that are also participants in the Investment Pool. The Institute considers changes in the respective participants' equity in the Investment Pool resulting from these transactions to represent cash flows of the Institute in the accompanying Statements of Cash Flows.

**(d) Investments**

Investments are reflected at fair value using quoted market prices. Realized and unrealized gains and losses are included in the accompanying Statements of Revenues, Expenses, and Changes in Net Position as a component of investment income, net.

Investments that are used for current operations are classified as short-term investments. Investments that are restricted for withdrawal or use for other than current operations, designated or restricted for the acquisition or construction of noncurrent assets, designated or restricted for the liquidation of the noncurrent portion of long-term debt, or restricted as to the liquidity of the investments are classified as other long-term investments.

As the participant in the Investment Pool, the Institute changed its interest rate risk measurement from weighted average maturity to duration as of fiscal year 2014 -2015 for its consolidated investment pool as allowed by Statement No. 40 of Governmental Accounting Standards Board (GASB 40), *Deposit*

**CALIFORNIA STATE UNIVERSITY INSTITUTE**  
A Discretely Presented Component Unit of the California State University

Notes to Financial Statements

June 30, 2015 and 2014

*and Investment Risk Disclosures.* Duration is an accepted method of measuring interest rate risk for investment portfolios that contain bonds with embedded options such as calls, puts, or prepayments. This change more closely aligns to the CSU's approach to managing interest rate risk inherent in its investment pool which contains bonds with embedded options. There was no effect on beginning net position.

**(e) Revenues**

The Institute reports collections from the participating members in the Statements of Revenues, Expenses, and Changes in Net Position for revenues recognized during the period earned (notes 4 and 5). The rates charged to campuses for short-term campus construction project financings are equal to the rates charged on the Institute's commercial paper. The rates charged to participating members for capital financings are higher than the rates charged on the Institute's commercial paper due to the administrative costs to run this program. Investment income, net is recognized during the period earned.

**(f) Classification of Revenues and Expenses**

The Institute considers operating revenues and expenses in the Statements of Revenues, Expenses, and Changes in Net Position to be those revenues and expenses that result from exchange transactions or other activities that are connected directly to the Institute's primary purposes. Exchange transactions include charges for services rendered and the acquisition of goods and services. Certain other transactions are reported as nonoperating revenues and expenses in accordance with GASB requirements. These nonoperating activities primarily include the Institute's net investment income.

**(g) Income Taxes**

The Institute is an organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code and is generally not subject to federal or state income taxes. However, the Institute is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purpose for which it is granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

**(h) Use of Estimates**

In preparing financial statements in conformity with U.S. generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual amounts may differ from those estimates.

**CALIFORNIA STATE UNIVERSITY INSTITUTE**  
A Discretely Presented Component Unit of the California State University

Notes to Financial Statements

June 30, 2015 and 2014

*(i) Reclassifications*

Certain reclassifications have been made to the 2014 financial data to conform to the 2015 presentation.

**(3) Cash and Cash Equivalents, Investments, and Investment Income, Net**

The Institute's cash and cash equivalents and investments as of June 30, 2015 and 2014 are classified in the accompanying financial statements as follows:

	<b>2015</b>	<b>2014</b>
Cash and cash equivalents	\$ 34,671	42,281
Investments	3,521,797	3,485,134
Total cash, cash equivalents, and investments	\$ 3,556,468	3,527,415

*(a) Cash and Cash Equivalents*

At June 30, 2015 and 2014, cash and cash equivalents consisted of demand deposits and money market funds held at a financial institution. The Institute's cash and cash equivalents of \$34,671 and \$42,281 have a corresponding bank balance of \$38,812 and \$43,381 at June 30, 2015 and 2014, respectively. At June 30, 2015, the difference between the book and bank balance is due to an outstanding check.

The Institute maintains centralized management for substantially all of its cash and cash equivalents. Cash in demand deposit accounts is minimized by sweeping available cash balances into the CSU Consolidated Investment Pool on a daily basis.

*(b) Investments*

At June 30, 2015 and 2014, the Institute's investment portfolio consisted of investments held in the CSU Consolidated Investment Pool. Separate accounting is maintained as to the amounts allocable to the various funds and programs.

**Investment Policy**

State law and regulations require that surplus monies of the Institute must be invested. The primary objective of the Institute's investment policy is to safeguard the principal. The secondary objective is to meet the liquidity needs of the Institute. The third objective is to return an acceptable yield.

The Institute's investment policy authorizes funds held in local trust accounts under Education Code Section 89721 and 89724 to be invested in any of the securities authorized by Government Code Section 16430 and Education Code Section 89724, subject to certain limitations. In general, the Institute's investment policy permits investments in obligations of the federal and California state governments, certificates of deposit, high-quality domestic corporate and fixed income securities, and certain other investment instruments.

**CALIFORNIA STATE UNIVERSITY INSTITUTE**  
A Discretely Presented Component Unit of the California State University

Notes to Financial Statements

June 30, 2015 and 2014

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of the failure of the custodian, the investments or deposits may not be returned to the Institute. Substantially all of the Institute's securities are registered in the California State University's name by the custodial bank as an agent for the Institute. The Institute's deposits are maintained at financial institutions that are FDIC insured. As a result, custodial credit risk for such investments and deposits are remote.

**Interest Rate Risk**

Interest rate risk is the risk that fluctuations in interest rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair market value to fluctuations in market interest rates. The Institute's investment guidelines measure interest rate risk by limiting an eligible investment to a maximum effective maturity and by limiting the average duration of the portfolio. The effective maturity date reflects a bond with embedded options such as a call, put, reset date, and prepayment speed resulting in the maturity of a bond being less than its final maturity date. Duration is a measure of the sensitivity of the price of an investment relative to fluctuations in market interest rates.

Durations of the Institute's investment portfolio for each investment type as of June 30, 2015 are presented in the table below:

<b>Investment type</b>	<b>Fair value</b>	<b>Duration (in years)</b>
Asset-backed securities	\$ 237,240	1.18643
Certificates of deposit	163,387	0.19372
Corporate bonds	1,028,966	1.12087
Money market funds	28,506	—
Mortgage-backed securities	1,756	2.40316
Municipal bonds	24,530	1.00814
Repurchase agreements	9,027	0.00274
U.S. Agency securities	1,235,928	1.60424
U.S. Treasury securities	792,457	1.51918
Total investments	\$ 3,521,797	

**CALIFORNIA STATE UNIVERSITY INSTITUTE**  
A Discretely Presented Component Unit of the California State University

Notes to Financial Statements

June 30, 2015 and 2014

Durations of the Institute's investment portfolio for each investment type as of June 30, 2014 are presented in the table below:

<u>Investment type</u>	<u>Fair value</u>	<u>Duration (in years)</u>
Asset-backed securities	\$ 239,646	1.05244
Certificates of deposit	228,621	0.18786
Commercial paper	4,626	0.02466
Corporate bonds	1,043,585	1.35027
Money market funds	9,577	—
Mortgage-backed securities	2,913	2.35592
Municipal bonds	27,731	1.99440
Repurchase agreement	2,885	0.00274
U.S. Agency securities	942,578	1.38092
U.S. Treasury securities	982,972	1.56960
Total Investments	<u>\$ 3,485,134</u>	

Another way the Institute manages its exposure to interest rate risk is by purchasing a combination of short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or nearing maturity evenly over time as necessary to provide cash flow and liquidity needed for operations.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization.

By law, the Institute invests in low credit risk securities such as U.S. government securities; securities of federally sponsored agencies; highly rated domestic corporate bonds; prime-rated commercial paper; repurchase and reverse repurchase agreements; banker's acceptances; and negotiable certificates of deposit. Therefore, occurrence of credit risk is remote.

**CALIFORNIA STATE UNIVERSITY INSTITUTE**  
A Discretely Presented Component Unit of the California State University

Notes to Financial Statements

June 30, 2015 and 2014

Ratings of the Institute's investment portfolio for each investment type as of June 30, 2015 are presented in the table below:

<u>Investment type</u>	<u>Fair value</u>	<u>Rating as of year-end</u>			
		<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Not rated</u>
Asset-backed securities	\$ 237,240	237,240	—	—	—
Certificates of deposit	163,387	—	11,738	151,649	—
Corporate bonds	1,028,966	26,844	224,610	777,512	—
Money market funds	28,506	—	—	—	28,506
Mortgage-backed securities	1,756	—	1,756	—	—
Municipal bonds	24,530	—	24,530	—	—
Repurchase agreement	9,027	—	—	5,740	3,287
U.S. Agency securities	1,235,928	—	1,235,928	—	—
Total	2,729,340	<u>264,084</u>	<u>1,498,562</u>	<u>934,901</u>	<u>31,793</u>
Not subject to ratings:					
U.S. Treasury securities	<u>792,457</u>				
Total investment: \$	<u>3,521,797</u>				

Ratings of the Institute's investment portfolio for each investment type as of June 30, 2014 are presented in the table below:

<u>Investment type</u>	<u>Fair value</u>	<u>Rating as of year-end</u>			
		<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Not rated</u>
Asset-backed securities	\$ 239,646	239,646	—	—	—
Certificates of deposit	228,621	—	22,957	205,664	—
Commercial paper	4,626	—	—	4,626	—
Corporate bonds	1,043,585	26,924	281,589	735,072	—
Money market funds	9,577	—	—	—	9,577
Mortgage-backed securities	2,913	—	2,913	—	—
Municipal bonds	27,731	—	27,731	—	—
Repurchase agreement	2,885	—	—	2,590	295
U.S. Agency securities	942,578	—	942,578	—	—
Total	2,502,162	<u>266,570</u>	<u>1,277,768</u>	<u>947,952</u>	<u>9,872</u>
Not subject to ratings:					
U.S. Treasury securities	<u>982,972</u>				
Total investment: \$	<u>3,485,134</u>				

**CALIFORNIA STATE UNIVERSITY INSTITUTE**  
A Discretely Presented Component Unit of the California State University

Notes to Financial Statements

June 30, 2015 and 2014

**Concentration Risk**

Concentration risk rises as investments become concentrated relative to a portfolio characteristic such as issuance, issuer, market sector, counter-party, or sovereign nation and is best mitigated by diversification. The Institute's investment policy has concentration limits that provide sufficient diversification. As a result, the occurrence of concentration risk is remote.

As of June 30, 2015, the following investments of the CSU Consolidated Investment Pool (excluding U.S. Treasury securities, mutual funds, and external investment pools) represented 5% or more of the Institute's total investment portfolio: Federal Home Loan Banks totaling \$530,805, or 15%; Federal National Mortgage Association (Fannie Mae) totaling \$278,969, or 8%; Federal Home Loan Mortgage Corporation (Freddie Mac) totaling \$225,979, or 6%; and Federal Farm Credit Banks Funding Corporation totaling \$201,187, or 6%. As of June 30, 2014, the following investments of the CSU Consolidated Investment Pool (excluding U.S. Treasury securities, mutual funds, and external investment pools) represented 5% or more of the Institute's total investment portfolio: Federal National Mortgage Association (Fannie Mae) totaling \$323,107, or 9%; Federal Home Loan Mortgage Corporation (Freddie Mac) totaling \$288,379, or 8%; and Federal Home Loan Bank Office of Finance totaling \$174,727, or 5%.

**(c) Investment Income, Net**

Investment income, net, included within the Statements of Revenues, Expenses, and Changes in Net Position comprises of unrealized gains of \$5,039 and \$5,366 and interest and dividend income of \$22,785 and \$28,393 for the years ended June 30, 2015 and 2014, respectively.

**(4) Revenue Bond Anticipation Notes Receivable**

Revenue Bond Anticipation Notes (BANs) are issued by the CSU to provide short-term financing to CSU campuses for construction projects. The BANs are purchased by the Institute with proceeds from the Institute's issuance of commercial paper. The BANs act as collateral for the Institute's commercial paper and contain terms consistent with the commercial paper (note 6).

At June 30, 2015 and 2014, the Institute held \$149.3 million and \$168.5 million, respectively, in BANs in relation to various campuses' commercial paper issuances. Interest on the BAN is equal to the interest on the commercial paper with maximum and minimum weighted average interest rates for the years ended June 30, 2015 and 2014 of 0.18% and 0.04%, and 0.17% and 0.07%, respectively. As of June 30, 2015 and 2014, BANs receivable consisted of the following:

**CALIFORNIA STATE UNIVERSITY INSTITUTE**  
A Discretely Presented Component Unit of the California State University

Notes to Financial Statements

June 30, 2015 and 2014

<u>Project names</u>	<u>2015</u>	<u>2014</u>
San Diego State University South Campus Plaza	\$ 63,597,000	—
CSU Channel Islands Student Housing Phase III	31,543,000	—
California State Polytechnic University, Pomona Parking Structure II	20,152,000	—
CSU Fullerton on Auxiliary Services Corporation – Western State University College of Law Acquisition	13,470,000	13,470,000
CSU Channel Islands Dining Commons Expansion	11,057,000	—
CSU Northridge on The University Corporation – 9324 Reseda Blvd. Building Acquisition	3,415,000	—
Sonoma State University Joan and Sanford I. Weill Commons	2,636,000	—
CSU Los Angeles on Cal State L.A. University Auxiliary Services, Inc. – Commercial Loan Refinancing	1,915,000	—
CSU Fullerton on Auxiliary Services Corporation – Faculty/Staff Housing Refinance	1,500,000	1,900,000
CSU Fullerton on Auxiliary Services Corporation – Irvine Campus Property Acquisition	—	30,015,000
Bakersfield Student Housing	—	29,305,000
San Jose Student Health and Counseling Center	—	25,291,000
San Diego Granada Apartments Acquisition	—	24,765,000
San Diego State University Zura Hall Renovation	—	14,146,000
San Diego State Aztec Shops, LTD. – University Towers Renovation	—	10,449,000
Northridge Student Housing Phase II	—	10,087,000
San Marcos Student Health and Counseling Services Building	—	5,509,000
San Diego Aztec Shops, LTD. – College West Apartment Acquisition	—	3,574,000
	<u>\$ 149,285,000</u>	<u>168,511,000</u>

Future BAN payments due to the Institute as of June 30, 2015 are as follows:

<u>Year(s)</u>	<u>Total</u>
2016	\$ 148,185,000
2017	400,000
2018	400,000
2019	300,000
	<u>\$ 149,285,000</u>

The carrying amount of these notes approximates fair value as of June 30, 2015 and 2014. The fair values were estimated based on quoted market rates for instruments with similar terms and remaining maturities.

**CALIFORNIA STATE UNIVERSITY INSTITUTE**  
A Discretely Presented Component Unit of the California State University

Notes to Financial Statements

June 30, 2015 and 2014

**(5) Capital Financing Receivable**

The CSU and the Institute created a program to finance certain capital needs of CSU campuses and auxiliaries, whereby the CSU enters into capital financing agreements with the Institute. The capital financing receivables are used to fund computer software upgrades for several campuses and to fund a wide range of software, hardware, and other equipment needs. The capital financing acts as collateral for the Institute's issuance of commercial paper, proceeds from which are used to provide resources for the financings. The capital financing receivables require the CSU campuses to make quarterly installment payments to the Institute over periods up to eight years, a portion of which is used to repay principal and interest on the commercial paper (note 6). The interest rate is based on a tax-exempt rate, which is adjusted annually. Prior to the start of the new fiscal year, the Institute resets the interest rate based on Securities Industries and Financial Market Association (SIFMA)/Bond Market Association (BMA) index plus a certain margin for the market rate increase and program costs. The interest rate on the capital financing receivable is 1.50%–2.00% and 2.00%–2.30% as of June 30, 2015 and 2014, respectively.

At June 30, 2015 and 2014, the Institute held \$5.7 million and \$13.2 million, respectively, in capital financing receivables. The commercial paper issuances corresponding to the capital financing projects had maximum and minimum weighted average interest rates of 0.18% and 0.04%, and 0.17% and 0.07% for the years ended June 30, 2015 and 2014, respectively. As of June 30, 2015 and 2014, capital financing receivables consisted of the following:

<u>Campuses</u>	<u>2015</u>	<u>2014</u>
CSU Bakersfield	\$ 1,137,000	2,262,000
CSU Dominguez Hills	423,000	1,886,000
CSU Fullerton	—	767,000
Humboldt State	2,728,000	4,942,000
CSU San Francisco	415,000	614,000
San Jose State	478,000	644,000
CSU San Marcos	506,000	1,493,000
CSU Stanislaus	—	564,000
	<u>\$ 5,687,000</u>	<u>13,172,000</u>

Future capital financing payments due to the Institute as of June 30, 2015 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 3,830,000	61,245	3,891,245
2017	1,566,000	14,637	1,580,637
2018	251,000	2,713	253,713
2019	40,000	375	40,375
Total	<u>\$ 5,687,000</u>	<u>78,970</u>	<u>5,765,970</u>

**CALIFORNIA STATE UNIVERSITY INSTITUTE**  
A Discretely Presented Component Unit of the California State University

Notes to Financial Statements

June 30, 2015 and 2014

**(6) Commercial Paper**

The Institute manages a commercial paper program, which provides for secured borrowings through issuance of Series A Tax Exempt and Series B Taxable Notes up to an authorized aggregate principal and accrued interest amount of \$500 million. The commercial paper notes are issued in denominations of \$1,000 principal amounts each or any integral multiple thereof, and secured by BANs and other capital financing agreements (notes 4 and 5). The commercial paper program is supported by a \$300 million letter of credit facility, issued on a several but not joint basis by State Street Bank and Trust Company and Wells Fargo Bank, National Association. As of June 30, 2015 and 2014, commercial paper with a face amount of \$154.4 million and \$181.2 million, respectively, was issued and outstanding. The borrowings have variable maturity dates not to exceed 270 days with rollover provisions at maturity and bear interest at tax-exempt or, in the case of taxable commercial paper, taxable commercial paper interest rates as calculated by the commercial paper dealers as of each maturity date. The CSU has the ability to, and intends to, extend certain BANs to periods longer than one year; accordingly, the related outstanding amount of commercial paper related to these BANs at year-end has been classified as a long-term obligation. The maximum and minimum weighted average interest rates at June 30, 2015 and 2014 were 0.18% and 0.04%, and 0.17% and 0.07%, respectively.

The carrying amounts of the Institute's commercial paper payable are as follows:

	<u>2015</u>	<u>2014</u>
Commercial paper payable, current portion	\$ 152,015,000	160,895,000
Commercial paper payable, net of current portion	<u>2,424,000</u>	<u>20,255,000</u>
Total commercial paper payable	<u>\$ 154,439,000</u>	<u>181,150,000</u>

The changes in outstanding debt during fiscal years 2015 and 2014, which include the rollover of commercial paper, are as follows:

	<u>2015</u>	<u>2014</u>
Commercial paper, beginning balance	\$ 181,150,000	59,275,000
Commercial paper issued – principal	652,397,000	822,141,000
Commercial paper notes paid – principal	<u>(679,108,000)</u>	<u>(700,266,000)</u>
Commercial paper, ending balance	<u>\$ 154,439,000</u>	<u>181,150,000</u>

The carrying amounts of commercial paper payable approximate their fair values as of June 30, 2015 and 2014. The fair values of commercial paper payable were estimated based on quoted market rates for instruments with similar terms and remaining maturities.

**CALIFORNIA STATE UNIVERSITY INSTITUTE**  
A Discretely Presented Component Unit of the California State University

Notes to Financial Statements

June 30, 2015 and 2014

**(7) Related Party**

The Institute provides funding to the CSU Chancellor's Office for administrative services. The administrative services totaled \$132,870 and \$130,784 in fiscal years 2015 and 2014, respectively.

The Institute provides financing to CSU campuses to support construction projects and certain capital needs (note 4 and 5). The Institute received revenue for program support from the CSU campuses totaling \$1,292,715 and \$1,557,257 at June 30, 2015 and 2014, respectively. Additionally, interest income received by the Institute from CSU campuses was \$277,364 and \$562,850 for the years ended June 30, 2015 and 2014, respectively.

**(8) Subsequent Events**

In August 2015, the CSU issued Systemwide Revenue Bonds Series 2015A Tax Exempt and Series 2015B Taxable Bonds in the amount of \$1.03 billion and \$29.3 million, respectively, to fund capital projects, refinance existing bonds, and redeem outstanding commercial paper. Through this debt issued, the Institute's current BANs receivables and commercial paper payable in the amount of \$148 million are expected to be paid off in October 2015.

**CALIFORNIA STATE UNIVERSITY INSTITUTE**  
A Discretely Presented Component Unit of the California State University

## Schedule of Net Position

June 30, 2015

(For inclusion in the California State University)

(Unaudited)

## Assets:

## Current assets:

Cash and cash equivalents	\$ 34,671
Accounts receivable	19,552
Short-term investments	3,521,797
Notes receivable, current portion	152,015,000
Prepaid expenses	19,083
Total current assets	<u>155,610,103</u>

## Noncurrent assets:

Notes receivable, net of current portion	<u>2,957,000</u>
Total noncurrent assets	<u>2,957,000</u>
Total assets	<u>158,567,103</u>

## Liabilities:

## Current liabilities:

Accounts payable	99,664
Other liabilities	12,896
Long-term debt obligations, current portion	<u>152,015,000</u>
Total current liabilities	152,127,560

## Noncurrent liabilities:

Long-term debt obligations, net of current portion	<u>2,424,000</u>
Total liabilities	<u>154,551,560</u>
Net position – unrestricted	<u>\$ 4,015,543</u>

See accompanying independent auditors' report.

**CALIFORNIA STATE UNIVERSITY INSTITUTE**  
A Discretely Presented Component Unit of the California State University  
Schedule of Revenues, Expenses, and Changes in Net Position  
Year ended June 30, 2015  
(For inclusion in the California State University)  
(Unaudited)

Revenues:		
Operating revenues:		
Other operating revenues	\$	1,569,523
Expenses:		
Operating expenses:		
Auxiliary enterprise expenses		<u>1,571,016</u>
Operating loss		<u>(1,493)</u>
Nonoperating revenues:		
Investment income, net		27,824
Other nonoperating revenues		<u>556</u>
Net nonoperating revenues		<u>28,380</u>
Increase in net position		26,887
Net position:		
Net position, beginning of year		<u>3,988,656</u>
Net position, end of year	\$	<u><u>4,015,543</u></u>

See accompanying independent auditors' report.

**CALIFORNIA STATE UNIVERSITY INSTITUTE**  
A Discretely Presented Component Unit of the California State University

Other Information

June 30, 2015

(For inclusion in the California State University)

(Unaudited)

Composition of investments at June 30, 2015:

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Asset-backed securities	\$ 237,240	—	237,240
Certificates of deposit	163,387	—	163,387
Corporate bonds	1,028,966	—	1,028,966
Money market funds	28,506	—	28,506
Mortgage-backed securities	1,756	—	1,756
Municipal bonds	24,530	—	24,530
Repurchase agreements	9,027	—	9,027
U.S. Agency securities	1,235,928	—	1,235,928
U.S. Treasury securities	792,457	—	792,457
	<u>\$ 3,521,797</u>	<u>—</u>	<u>3,521,797</u>

Long-term liabilities activity schedule:

	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2015</u>	<u>Current portion</u>	<u>Long-term portion</u>
Long-term debt obligations:						
Commercial paper	\$ 181,150,000	652,397,000	(679,108,000)	154,439,000	152,015,000	2,424,000
Total long-term liabilities	<u>\$ 181,150,000</u>	<u>652,397,000</u>	<u>(679,108,000)</u>	<u>154,439,000</u>	<u>152,015,000</u>	<u>2,424,000</u>

Long-term debt obligation schedule:

	<u>Revenue bonds</u>		<u>All other long-term debt obligations</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year(s) ending June 30:						
2016	\$ —	—	152,015,000	—	152,015,000	—
2017–2019	—	—	2,424,000	—	2,424,000	—
Total	<u>\$ —</u>	<u>—</u>	<u>154,439,000</u>	<u>—</u>	<u>154,439,000</u>	<u>—</u>

See accompanying independent auditors' report.