

**CAL STATE L.A. UNIVERSITY  
AUXILIARY SERVICES, INC.**

**(a Component Unit of  
California State University, Los Angeles)**

Independent Auditor's Report, Basic Financial Statements  
and Supplementary Information

June 30, 2018



Certified  
Public  
Accountants



**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**  
**(a Component Unit of California State University, Los Angeles)**

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## Independent Auditor's Report

To the Board of Directors  
Cal State L.A. University Auxiliary Services, Inc.  
Los Angeles, California

### Report on the Financial Statements

We have audited the accompanying financial statements of Cal State L.A. University Auxiliary Services, Inc. (UAS), a component unit of California State University, Los Angeles, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the UAS' basic financial statements, as listed in the table of contents.

### *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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to UAS' 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 UAS' 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 Cal State L.A. University Auxiliary Services, Inc., as of June 30, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6, Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios on page 33, and the Schedule of Contributions on page 34, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise UAS' basic financial statements. The separate Combining Schedules financial statements are presented for purposes of additional analysis as required by Administrative Directive dated June 24, 2003, *Financial Reporting Requirements for Auxiliary Organizations*, and are not a required part of the basic financial statements.

The Combining Schedules financial statements are the responsibility of management and were 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 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, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2018 on our consideration of UAS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UAS' internal control over financial reporting and compliance.



Los Angeles, California  
September 24, 2018

## **CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**

### Management's Discussion and Analysis

June 30, 2018

(Unaudited)

This section of the Cal State L.A. University Auxiliary Services, Inc., (UAS) annual financial report presents management's discussion and analysis of the financial performance of UAS during the fiscal year ended June 30, 2018. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with, and is qualified in its entirety by the financial statements and related notes. The financial statements, related notes and this discussion are the responsibility of management.

### **Overview of the Financial Statements**

The financial statements presented herein include all of the activities of UAS as prescribed by statements of the Governmental Accounting Standards Board. UAS is a component unit of California State University, Los Angeles (University).

The statement of net position includes all assets, deferred outflows of resources, liabilities and deferred inflows of resources of UAS. It is prepared under the accrual basis of accounting, whereby revenues and receivables are recognized when the services are provided and expenses and liabilities are recognized when incurred, regardless of when cash is exchanged.

The statement of revenues, expenses and changes in net position presents information showing how UAS' net position changed during the fiscal year presented. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, certain revenues and expenses are reported in this statement will result in cash flows for future fiscal periods (e.g., uncollected interest receivable).

### **Statement of Net Position**

A restatement of beginning net position was necessary with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB Statement No. 75). The restatement of net position includes an adjustment of \$1.4 million to prior year ending net position.

The table on the following page is a summary of the UAS' assets, liabilities, deferred inflows of resources and net position comparing FY 2017-18 with the restated FY 2016-17.

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**

Management's Discussion and Analysis (Continued)

June 30, 2018

(Unaudited)

	<b>FY 2017-18</b>	<b>FY 2016-17</b>	<b>% Change</b>
<b>Assets:</b>			
Current assets	\$ 18,645,832	\$ 17,796,855	5%
Capital assets, net	24,423,257	20,951,495	17%
Total assets	<u>43,069,089</u>	<u>38,748,350</u>	11%
<b>Deferred outflows of resources:</b>	1,548,767	816,204	90%
<b>Liabilities:</b>			
Current liabilities	8,466,209	11,359,722	-25%
Long-term liabilities	29,097,716	26,077,417	12%
Total liabilities	<u>37,563,925</u>	<u>37,437,139</u>	0%
<b>Deferred inflows of resources:</b>	812,972	856,936	-5%
<b>Net position (restated):</b>			
Net investment in capital assets	(3,248,503)	(3,393,303)	4%
Unrestricted	9,489,462	4,663,781	103%
Total net position	<u>\$ 6,240,959</u>	<u>\$ 1,270,478</u>	391%

**Assets**

UAS' assets totaled \$43.1 million on June 30, 2018, an increase of \$4.3 million, or 11%, compared to the previous year. Current assets increased \$0.8 million, or 5%, due to an increase in accounts receivable due to the financing of the RongXiang Xu BioSpace building to be received from the Chancellor's Office and timing of billings and collections, offset by a decrease in cash as a result of UAS prefunding some of the postemployment healthcare benefits and payments of liabilities. Capital assets, net, increased by \$3.5 million, a 17% increase primarily due to the \$4.4 million RongXiang Xu BioSpace building construction and additions of \$0.6 million equipment, net of \$1.5 million in depreciation expense incurred during the fiscal year.

**Liabilities**

UAS's liabilities totaled \$37.6 million on June 30, 2018, an increase of \$0.1 million compared to the previous year. The increase was the result of a \$4.5 million increase in new capital debt related to the RongXiang Xu BioSpace building construction loan, offset by \$1.8 million decrease in outstanding debt due to payments of principal, a \$0.4 million decrease in postretirement healthcare benefits, a \$2.0 million decrease in unearned revenue, and \$0.2 million decrease in current accounts payable.

**Net Position**

UAS' net position increased by \$5.0 million from the previous year, primarily due to the facts described in the following page.



**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**

Management's Discussion and Analysis (Continued)

June 30, 2018

(Unaudited)

**Statement of Revenues, Expenses and Changes in Net Position (Deficit)**

The table below is a summary of UAS' revenues, expenses and changes in net position (deficit) comparing FY 2017-18 with FY 2016-17.

	<u>FY 2017-18</u>	<u>FY 2016-17</u>	<u>% Change</u>
<b>Operating revenues:</b>			
Grants and contracts	\$ 28,378,453	\$ 22,771,930	25%
Auxiliary activities	5,070,430	5,144,125	-1%
Campus program activities	2,877,127	2,749,050	5%
Lease income	1,583,945	1,549,827	2%
Other income	1,062,965	877,644	21%
Total operating revenues	<u>38,972,920</u>	<u>33,092,576</u>	18%
<b>Operating expenses:</b>			
Sponsored programs	24,496,330	22,637,754	8%
Auxiliary activities	5,427,567	4,145,161	31%
Campus program activities	2,966,548	2,621,531	13%
General and administrative	488,506	351,184	39%
Total operating expenses	<u>33,378,951</u>	<u>29,755,630</u>	12%
Total operating income	<u>5,593,969</u>	<u>3,336,946</u>	68%
<b>Nonoperating revenues (expenses):</b>			
Interest income	82,025	45,501	80%
Interest expense	(705,513)	(709,215)	-1%
Net nonoperating expenses	<u>(623,488)</u>	<u>(663,714)</u>	-6%
<b>Change in net position:</b>	4,970,481	2,673,232	86%
<b>Net position (deficit) – beginning (restated)</b>	<u>1,270,478</u>	<u>(1,402,754)</u>	191%
<b>Net position – ending</b>	<u>\$ 6,240,959</u>	<u>\$ 1,270,478</u>	391%

Operating revenues increased by \$5.9 million, or 18%, compared to the previous year. The increase was primarily due to a \$5.6 million increase in grants and contracts revenue, \$0.1 million increase in campus program revenue as a result of an increase in student population, and \$0.2 million increase in other income as a result of the receipt of capital contribution of the RongXiang Xu BioSpace building.

Operating expenses increased by \$3.6 million, or 12%, compared to the previous year. The increase was primarily due to a \$1.8 million increase in sponsored programs, a \$1.3 million increase in auxiliary services, and a \$0.4 million in campus programs as a result from the increase in sponsored program reimbursements, auxiliary activities and campus services due to an increase in student population.

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**

Management's Discussion and Analysis (Continued)

June 30, 2018

(Unaudited)

Non-operating expenses decreased by \$0.1 million, or 6%, compared to the previous year. The net decrease was due to a decrease in interest expense on capital lease and an increase in interest income from the Cal State University investment pool.

UAS' net position at the end of 2018 reflected a surplus of \$6.2 million, a positive change of \$5.0 million from the previous year due to the operating surplus achieved during the current fiscal year.

**Capital Assets**

Capital assets include land, construction in progress, buildings and improvements, furniture, fixtures and equipment, and software at June 30, 2018. Total capital assets before accumulated depreciation increased by \$5.0 million from the previous year primarily due to new acquisitions and construction of the RongXiang Xu BioSpace building in the current year.

Accumulated depreciation increased by \$1.5 million from \$22.4 million to \$23.9 million. See note 5 for additional information.

**Debt Administration**

Debt including capital lease obligations and notes payable totaled \$26.9 million at June 30, 2018, an increase of \$3.4 million, or 14%, compared to the previous year. The increase is due to additional new debt during the year to finance the RongXiang Xu BioSpace building, offset by the principal payments for notes payable and capital lease. See note 7 for additional information.

**Contacting the Cal State L.A. University Auxiliary Services, Inc. Management**

This financial report is designed to provide the public with an overview of UAS' financial operations and condition. If you have questions about this report or need additional information, you can contact the UAS Executive Director at 5151 State University Drive, Los Angeles, CA 90032.

## **BASIC FINANCIAL STATEMENTS**

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**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**

Statement of Net Position

June 30, 2018

**Assets**

Current assets:

Cash and cash equivalents	\$	6,355,427
Restricted cash and cash equivalents		3,542,472
Accounts receivable, net		8,718,108
Inventory		29,825
Total current assets		<u>18,645,832</u>

Capital assets, net:

Non-depreciable		5,742,377
Depreciable		18,680,880
Total capital assets, net		<u>24,423,257</u>

**Total assets** 43,069,089

**Deferred outflows of resources - other postemployment benefits** 1,548,767

**Liabilities**

Current liabilities:

Accounts payable		1,159,449
Accrued expenses		1,624,389
Unearned revenue		4,341,983
Compensated absences		301,988
Notes payable		128,400
Capital lease obligation		910,000
Total current liabilities		<u>8,466,209</u>

Long-term liabilities:

Compensated absences		94,636
Other postemployment healthcare benefits		3,182,692
Notes payable		6,140,867
Capital lease obligation		19,679,521
Total long-term liabilities		<u>29,097,716</u>

**Total liabilities** 37,563,925

**Deferred inflows of resources:**

Unamortized gain on sale of property		163,366
Unamortized gain on refunding		638,157
Other postemployment benefits		11,449
Total deferred inflow of resources		<u>812,972</u>

**Net position:**

Net investment in capital assets		(3,248,503)
Unrestricted		9,489,462

**Total net position** \$ 6,240,959

See accompanying notes to basic financial statements.

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**

Statement of Revenues, Expenses and Change in Net Position

For the Year Ended June 30, 2018

<b>Operating revenues:</b>	
Grants and contracts	\$ 28,378,453
Revenue from auxiliary activities	5,070,430
Campus program activities	2,877,127
Lease income	1,583,945
Other income	1,062,965
Total operating revenues	<u>38,972,920</u>
<b>Operating expenses:</b>	
Sponsored programs	24,496,330
Auxiliary activities	5,427,567
Campus program activities	2,966,548
General and administrative	488,506
Total operating expenses	<u>33,378,951</u>
Operating income	<u>5,593,969</u>
<b>Nonoperating revenues (expenses):</b>	
Interest income	82,025
Interest expense	<u>(705,513)</u>
Net nonoperating expenses	<u>(623,488)</u>
Change in net position	4,970,481
<b>Net position - beginning of year (as restated - see Note 2)</b>	1,270,478
<b>Net position - end of year</b>	<u><u>\$ 6,240,959</u></u>

See accompanying notes to basic financial statements.

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**

Statement of Cash Flows  
For the Year Ended June 30, 2018

<b>Cash flows from operating activities:</b>	
Federal grants and contracts	\$ 17,019,282
State and local grants and contracts	1,699,410
Nongovernmental grants and contracts	7,103,821
Payments to suppliers	(12,036,370)
Payments to employees	(17,324,761)
Payments to students	(3,799,917)
Sales and services of educational activities	2,877,127
Sales and services of auxiliary enterprises	6,119,241
Other receipts	974,242
Net cash provided by operating activities	<u>2,632,075</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets	(4,978,990)
Proceeds from long-term debt	1,542,015
Principal paid on capital debt and leases	(1,640,491)
Interest paid on capital debt and leases	(881,016)
Net cash used for capital and related financing activities	<u>(5,958,482)</u>
<b>Cash flows from investing activities:</b>	
Investment income	61,270
Net cash provided by investing activities	<u>61,270</u>
Net decrease in cash and cash equivalents	(3,265,137)
Cash and cash equivalents - beginning of year	13,163,036
Cash and cash equivalents - end of year	<u>\$ 9,897,899</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 5,593,969
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,507,227
Change in assets and liabilities:	
Increase in accounts receivable	(1,108,796)
Increase in inventory	(1,579)
Decrease in accounts payable	(253,710)
Increase in accrued expenses	92,368
Decrease in unearned revenue	(2,071,001)
Increase in compensated absences	18,919
Decrease in other postemployment healthcare benefits	(1,145,322)
Net cash provided by operating activities	<u>\$ 2,632,075</u>
Noncash capital and related financing activities:	
Outstanding receivable to be collected from Chancellor's Office	\$ 3,003,740
Amortization of capital lease and note premium	(150,674)
Amortization of gain on refunding	(44,523)
Amortization of gain on sale of property	(10,890)

See accompanying notes to basic financial statements.

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# CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.

Notes to Basic Financial Statements

June 30, 2018

## NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Reporting Entity

Cal State L.A. University Auxiliary Services, Inc. (UAS) is a recognized nonprofit auxiliary and a component unit of California State University, Los Angeles (University). UAS serves as a multi-purpose auxiliary operating at the University. UAS exists to serve the California State University (CSU) and the University and provides the University with services, which are an integral part of the educational program of the CSU and the University. The principal activities of UAS are grants and contracts administration, management of the bookstore, food services, campus day care center, campus vending services, and real estate acquisition. In order for UAS to execute operations in support of the University's mission, the CSU and University provide essential support and services to UAS. UAS' ability to carry out its mission is dependent upon the University and CSU, and transactions entered into between UAS, the University, and CSU reflects this relationship.

### Basis of Accounting and Measurement Focus

The accompanying basic financial statements of UAS have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP), as promulgated by the Governmental Accounting Standards Board (GASB), the accepted standard-setting body for establishing governmental accounting and financial reporting principles. As a component unit of a public institution, UAS has presented its basic financial statements using the reporting model for special purpose governments engaged only in business-type activities in accordance with GASB Statements No. 34 and 35.

UAS operates as a business enterprise and the accompanying financial statements reflect the flow of economic resources measurement focus and the full accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

An enterprise fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the UAS' enterprise fund are grants and contracts, campus program revenue and revenue from auxiliary activities. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, restricted cash from grants and contracts, and UAS' share in the California State University system's cash and investments pool, which are reported at fair value.

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates and have an original maturity of three months or less at time of purchase. UAS considers the CSU system's cash and investment pool to be a demand deposit account where funds may be withdrawn and deposited at any time without prior notice or penalty.

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**

Notes to Basic Financial Statements (Continued)

June 30, 2018

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**Accounts Receivable**

Accounts receivable consists of amounts due from grants and contracts, the University and others. Annually, a review of outstanding receivables is conducted to determine collectability on past due receivables and an allowance is established based on historical data.

**Capital Assets**

Building and improvements, furniture, fixtures and equipment are stated at cost at the date of acquisition. UAS capitalizes all expenses for building improvements, furniture, fixtures and equipment with costs in excess of \$5,000 and with a useful life of one year or more and for which it is deemed probable that the assets will not revert back to the granting agency. For furniture, fixtures and equipment, depreciation is calculated using the straight-line method over the assets' estimated useful lives, which range from three to seven years. Building improvements are stated at cost and are amortized using the straight-line method over the estimated useful life of the asset or term of the lease, whichever is less. Buildings and housing are depreciated over 30 years.

**Components of Net Position**

Net investment in capital assets – This component of the net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds or deferred inflows of resources at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

Restricted - This component of net position consists of restricted assets reduced by liabilities related to those assets.

Unrestricted – This component of net position consists of the net amount of those assets that are not included in the determination of net investment in capital assets or the restricted component of net position.

**Policy Regarding Use of Restricted vs. Unrestricted Resources**

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, UAS will utilize restricted resources first, and then unrestricted resources as needed.

**Income Taxes**

UAS is exempt from federal income and state franchise taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code, respectively. Accordingly, there is no provision for income taxes in the financial statements.

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**

Notes to Basic Financial Statements (Continued)

June 30, 2018

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

Management has considered its tax positions and believes that all of the positions taken by UAS in their federal and state exempt organization tax returns are more likely than not to be sustained upon examinations.

**Use of 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 certain reported amounts and disclosures. Actual results could differ from those estimates.

**NOTE 2 – IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB Statement No. 75), was established to improve the usefulness of information in employer and governmental non-employer contributing entity financial reports and enhance its value for accessing accountability by requiring recognition of the net other postemployment benefits (OPEB) liability and a more comprehensive measure of OPEB expense. Additionally, GASB Statement No. 85, *Omnibus 2017*, addresses a variety of topics including issues related to OPEB. The requirements of this statement will enhance consistency in the application of accounting and financial reporting requirements. Both statements were implemented during the fiscal year ending June 30, 2018.

UAS recorded a restatement of beginning net position of \$1,418,070 due to the implementation of GASB Statement No. 75. The restatement of net position includes an adjustment to prior year ending net position as a result of an updated actuarial study performed in accordance with GASB Statement No. 75.

The adjustment to the beginning net position is presented below:

Net position (deficit), at beginning of year, as previously reported	\$	(147,592)
OPEB liability adjustment		<u>1,418,070</u>
Net position, at beginning of year, as restated	\$	<u><u>1,270,478</u></u>

**NOTE 3 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as of June 30, 2018 are composed of the following:

Cash on hand	\$	5,325
Cash in banks		4,477,773
Pooled cash and investments		<u>5,414,801</u>
Total	\$	<u><u>9,897,899</u></u>

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**

Notes to Basic Financial Statements (Continued)

June 30, 2018

**NOTE 3 – CASH AND CASH EQUIVALENTS (Continued)**

Cash in Bank

The *California Government Code* requires California banks and savings and loan associations to secure UAS' deposits. Obligations pledged to secure deposits must be delivered to an institution other than the institution in which the deposit is made; however, the trust department of the same institution may hold them. Written custodial agreements are required that provide, among other things, that the collateral securities are held separate from the assets of the custodial institution. The pledge to secure deposits is administered by the California Superintendent of Banks. The market value of pledged securities must equal 110 percent of the total amount deposited by the public agencies.

California law also allows financial institutions to secure an agency's deposits by pledging first trust deeds or first mortgages having a value of 150 percent of an agency's total deposits. All such collateral is considered to be held by the pledging financial institutions' trust departments or agents in the name of UAS. At June 30, 2018, cash held by financial institutions for UAS of \$5,359,891 was entirely insured and collateralized as described above. The book balance at June 30, 2018 for UAS was \$4,477,773, of which \$3,542,472 was restricted for grants and contracts.

Pooled Cash and Investments in the California State University System

UAS participates in the CSU investment pool (the Pool) managed by U.S. Bank, an asset management and investment advisory firm that serves the CSU. Securities within the investment pool that are not insured are held in the name of CSU. Such short-term investments are reported at fair value, which was \$5,414,801, and represents approximately 0.1% of the Pool as of June 30, 2018. Investments in an external investment pool are not subject to reporting within the level hierarchy. There are no specific investments belonging to UAS. As UAS does not own identifiable investments of the Pool, but participates as a shareholder of the Pool, these investments are not individually identifiable and are not included in the leveling hierarchy. The fair value of UAS' share in the Pool approximates the fair value of the position in the Pool at June 30, 2018. The Pool is not rated as of June 30, 2018. The weighted average to maturity of the Pool as of June 30, 2018 is 1.3 years. Investments in an external investment pool are not subject to reporting within the level hierarchy. Additional information regarding the interest rate, credit, concentration of credit risks and fair value hierarch of UAS' investments in the Pool can be found in the notes to the California State University system's basic financial statements.

**NOTE 4 – ACCOUNTS RECEIVABLE**

The following is a summary of accounts receivable at June 30, 2018:

Grants and contracts (net of allowance of \$243,952)	\$ 4,900,243
Due from the Chancellor's Office	3,003,690
Due from California State University, Los Angeles	449,237
Other (net of allowance of \$2,144)	364,938
Total	<u>\$ 8,718,108</u>

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**

Notes to Basic Financial Statements (Continued)

June 30, 2018

**NOTE 5 – CAPITAL ASSETS**

The capital assets balance at June 30, 2018 consists of the following activity:

	<b>Balance</b>			<b>Balance</b>
	<b>June 30, 2017</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2018</b>
Capital assets, non-depreciable:				
Land	\$ 639,000	\$ -	\$ -	\$ 639,000
Construction in progress	729,326	4,374,051	-	5,103,377
Total non-depreciable capital assets	<u>1,368,326</u>	<u>4,374,051</u>	<u>-</u>	<u>5,742,377</u>
Capital assets, depreciable				
Buildings and building improvements under capital lease	32,495,098	28,643	-	32,523,741
Furniture, fixtures and equipment	9,353,632	576,295	(18,397)	9,911,530
Software	95,724	-	-	95,724
Total depreciable capital assets	<u>41,944,454</u>	<u>604,938</u>	<u>(18,397)</u>	<u>42,530,995</u>
Less accumulated depreciation:				
Buildings and building improvements under capital lease	(14,190,489)	(1,181,703)	-	(15,372,192)
Furniture, fixtures and equipment	(8,085,626)	(317,770)	18,397	(8,384,999)
Software	(85,170)	(7,754)	-	(92,924)
Total accumulated depreciation	<u>(22,361,285)</u>	<u>(1,507,227)</u>	<u>18,397</u>	<u>(23,850,115)</u>
Capital assets, depreciable (net)	<u>19,583,169</u>	<u>(902,289)</u>	<u>-</u>	<u>18,680,880</u>
Capital assets – net	<u>\$ 20,951,495</u>	<u>\$ 3,471,762</u>	<u>\$ -</u>	<u>\$ 24,423,257</u>

Depreciation expense for the year ended June 30, 2018 was \$1,507,227.

**NOTE 6 – ACCOUNTS PAYABLE**

The following is a summary of accounts payable at June 30, 2018:

Accounts payable to third-party vendors	\$ 576,376
Payable to California State University, Los Angeles	583,073
Total	<u>\$ 1,159,449</u>

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**

Notes to Basic Financial Statements (Continued)

June 30, 2018

**NOTE 7 – LONG-TERM OBLIGATIONS**

Long-term obligations activity for the year ended June 30, 2018 is as follows:

	<b>Balance</b>			<b>Balance</b>	<b>Due in</b>
	<b>June 30, 2017</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2018</b>	<b>one year</b>
Due to the University					
(Note 12)	\$ 637,091	\$ -	\$ (637,091)	\$ -	\$ -
Compensated absences	377,705	320,907	(301,988)	396,624	301,988
Notes payable	1,682,800	4,525,000	(128,400)	6,079,400	128,400
Unamortized note premium	206,620	-	(16,753)	189,867	-
Capital lease	19,545,000		(875,000)	18,670,000	910,000
Unamortized capital lease premium	2,053,442	-	(133,921)	1,919,521	-
Other postemployment healthcare benefits (Note 2 and 10)	3,616,582	382,314	(816,204)	3,182,692	-
	<u>\$ 28,119,240</u>	<u>\$ 5,228,221</u>	<u>\$ (2,909,357)</u>	<u>30,438,104</u>	<u>\$ 1,340,388</u>
Less current portion				1,340,388	
Total long-term obligation				<u>\$ 29,097,716</u>	

Notes Payable

On April 1, 2008, UAS entered into an interest-free note payable with the University-Student Union Board, California State University, Los Angeles (USU), an affiliate, for borrowing up to \$490,000. The purpose was to purchase furniture, fixtures or equipment, or for tenant improvement costs for Starbucks and Sbarro stores located in USU. Principal payments are \$38,400 annually for the first ten years, and \$21,200 annually for the remaining five years. The agreement expires in March 2023. As of June 30, 2018, the outstanding balance is \$144,400.

On August 1, 2015, the Board of Trustees of the California State University System (Trustees) issued Systemwide Revenue Bonds (SRB), Series 2015A. UAS simultaneously entered into a note agreement (Note) with the Trustees and a portion of the SRB, in the amount of \$1,685,000, was issued to UAS to replace the Bond Anticipation Notes (BAN) and refinance the Television Film Media Studio building. Amounts outstanding under the Note totaled \$1,410,000 at June 30, 2018. The interest rate of the SRB ranges from 2.0% to 5.0% in the next 13 years and total interest paid for the year ended June 30, 2018 is \$65,913. In addition, UAS has deferred note premiums, totaling of \$238,730. This balance is amortized over the term of the note and, at June 30, 2018, the unamortized premium was \$189,867.

On February 8, 2018, the Board of Trustees of the California State University System (Trustees) issued Bond Anticipation Notes (BAN) in the amount of \$4,525,000 at a weighted-average interest rate of 2.2% to finance the construction of the RongXiang Xu BioSpace building. Amounts outstanding under the Note totaled \$4,525,000 at June 30, 2018.

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**

Notes to Basic Financial Statements (Continued)

June 30, 2018

**NOTE 7 – LONG-TERM OBLIGATIONS (Continued)**

The principal maturities of notes payable outstanding as of June 30, 2018 are as follows:

	University		Note with Trustees				Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
At June 30:								
2019	\$ 38,400	\$ -	\$ 90,000	\$ 62,638	\$ -	\$ 135,290	\$ 128,400	\$ 197,928
2020	21,200	-	95,000	58,913	85,000	180,016	201,200	238,929
2021	21,200	-	100,000	55,438	90,000	177,714	211,200	233,152
2022	21,200	-	105,000	51,613	90,000	175,112	216,200	226,725
2023	21,200	-	105,000	46,838	95,000	172,320	221,200	219,158
2024-2028	21,200	-	620,000	152,194	520,000	812,453	1,161,200	964,647
2029-2033	-	-	295,000	14,872	625,000	708,941	920,000	723,813
2034-2038	-	-	-	-	760,000	573,434	760,000	573,434
2039-2043	-	-	-	-	930,000	401,224	930,000	401,224
2044-2048	-	-	-	-	1,150,000	181,602	1,150,000	181,602
2049-2053	-	-	-	-	180,000	5,522	180,000	5,522
	<u>\$ 144,400</u>	<u>\$ -</u>	<u>\$ 1,410,000</u>	<u>\$ 442,506</u>	<u>\$ 4,525,000</u>	<u>\$ 3,523,628</u>	<u>\$ 6,079,400</u>	<u>\$ 3,966,134</u>

Capital Lease Obligation

In connection with the issuance of the SRB, Series 2005A&B, by the Trustees, UAS agreed to sell, and the Trustees agreed to purchase, all of UAS' rights, title and interest in and to the Golden Eagle Facility originally financed with the proceeds of the UAS 2001 Series Bonds.

UAS also simultaneously entered into a Ground and Facilities Lease (Lease) to lease back from the Trustees the Golden Eagle Facility for a lease commencing on April 15, 2005 through November 1, 2032. Based on the terms of the Ground and Facilities Lease, the transaction met the requirements to be treated as a Sale-Leaseback Transaction.

The carrying value of the Golden Eagle Facility was approximately \$29,001,497 at the time of the Sale-Leaseback Transaction and the purchase price, agreed to as part of the transaction, was \$29,352,161. This resulted in a net \$350,664 gain on the sale for UAS. This balance is being amortized over the term of the capital lease and, at June 30, 2018, the unamortized gain on the sale was \$163,366 and is classified as deferred inflows of resources. The Lease contains certain restrictive covenants including restrictions on the issuance of debt, budget goals, and minimum net income available for debt service and tax code compliance requirements.

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**

Notes to Basic Financial Statements (Continued)

June 30, 2018

**NOTE 7 – LONG-TERM OBLIGATIONS (Continued)**

On August 1, 2015, the Trustees issued a \$21,435,000 SRB, Series 2015A to UAS to refinance the SRB Series 2005A&B. The amount of defeased bond outstanding as of date of refunding total \$23,270,000. The refinancing resulted in an economic gain (difference between net present values of the debt service payments on the old lease and new lease) of approximately \$3,892,000. In connection with the SRB, UAS renewed the Lease simultaneously with the Trustees through November 1, 2032. Amounts outstanding under the new lease totaled \$18,670,000 at June 30, 2018. The interest rate of the SRB ranges from 2.0% to 5.0% in the next 16 years and total interest paid for the year is \$812,145. In addition, UAS has deferred capital lease premium, totaling of \$2,310,122 and deferred gain on refunding of the old lease, totaling of \$764,304. These balances will be amortized over the term of the Lease and, at June 30, 2018, the unamortized premium and gain on refunding were \$1,919,521 and \$638,157, respectively. The gain on refunding is classified as a deferred inflow of resources.

The amount of the leased asset is \$29,351,562 and accumulated amortization was \$13,903,371 at June 30, 2018.

The minimum lease payments required by the lease are as follows:

Year ending June 30:	
2019	1,690,413
2020	1,688,638
2021	1,688,763
2022	1,695,713
2023	1,687,463
2024-2028	8,439,719
2029-2033	8,451,326
Total minimum lease payments	<u>25,342,035</u>
Less amount representing interest	<u>(6,672,035)</u>
Present value of future minimum lease payments	<u>\$ 18,670,000</u>

**NOTE 8 – FRANCHISE OF BOOKSTORE AND FOOD SERVICE**

UAS has entered into a qualified management agreement with an unrelated corporation (the Franchisee) under which UAS transferred management responsibilities to the bookstore. On March 22, 2012, the agreement was amended, extending the agreement for a five-year period through March 2017, with an automatic renew option through 2022. Under the agreement, the Franchisee receives a predetermined fixed fee, and a lump-sum incentive award when a specific gross revenue is reached for each contract year. The predetermined fixed fee is designed to cover management costs incurred for the bookstore, Café 47, Golden Eagle express, and Metro Express Convenience Store, including facilities rental and rental of UAS' leasehold improvements and equipment. During the year ended June 30, 2018, UAS recognized net income of \$837,272 relating to this agreement. Under the terms of the amended agreement, UAS receives an additional \$49,000 per year to cover utility overhead expenses, a \$100,000 unrestricted contribution to support UAS operations, and a one-time \$600,000 signing bonus to be used at the discretion of UAS, amortized over the term of the 10-year contract. In addition, the Franchisee will spend up to \$250,000 in renovation costs to design, construct, equip, and install fixtures in the bookstore, Café 47, and Metro



**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**

Notes to Basic Financial Statements (Continued)

June 30, 2018

**NOTE 8 – FRANCHISE OF BOOKSTORE AND FOOD SERVICE (Continued)**

Express Convenience Store. Both the signing bonus and renovation costs are repayable should the agreement be terminated by UAS prior to March 22, 2022.

UAS has various agreements with Franchisees to operate food service units and vending machines on the University campus. Under the terms of the agreements, UAS is to receive a predetermined percentage of total net sales. The agreements expire on various dates through 2022, with most Franchisees renewing under the same terms and conditions, as defined in the agreements. During the year ended June 30, 2018, UAS recognized \$740,732 in commission income from net sales. The commission income is included in revenue from auxiliary activities.

**NOTE 9 – RETIREMENT PLANS**

UAS Money Purchase Pension Plan (Plan) is a defined contribution plan covering all employees of the UAS who have one year of service and are age twenty-one or older. The Plan is administered by Prudential Retirement Insurance and Annuity Company (Prudential). Although UAS has not expressed any intent to do so, UAS has the right under the Plan to modify or discontinue its contributions at any time and to terminate the Plan. In the event of Plan termination, participants would become 100 percent vested in their employer contribution. The Plan contributes an amount equal to 6% of eligible employees' annual salaries. Total contribution payments to this plan for the year ended June 30, 2018, were \$295,082.

UAS also has a tax-sheltered annuity plan whereby UAS will match up to 6% of eligible employees' gross salary contributed by the employees. Total contribution payments to this plan for the year ended June 30, 2018, were \$171,620.

**NOTE 10 – OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (OPEB) PLAN**

Plan Description

UAS sponsors Blue Cross and Kaiser HMOs and two Blue Cross PPOs. UAS contributes a significant portion of the cost of this coverage. Employees and retirees are required to contribute 10% of the monthly premium cost. The maximum UAS monthly contribution is "capped". The monthly cap in effect for 2018 and 2017 are:

<u>Coverage Level</u>	<u>2018</u>	<u>2017</u>
Employee only	\$ 725	\$ 707
Two party	1,377	1,349

UAS employees hired prior to November 14, 2006 are eligible to receive UAS subsidized postemployment medical coverage for themselves and their spouse if they retire at age 55 or older with at least 10 years of service with UAS. Eligible retirees receive lifetime benefits from UAS as long as they remain enrolled in a medical plan sponsored by UAS. At age 65 retirees have the option of opting out of UAS sponsored coverage. In return, UAS agrees to pay the Medicare Part B premium for these retirees and their spouses.

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**

Notes to Basic Financial Statements (Continued)

June 30, 2018

**NOTE 10 – OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (OPEB) PLAN (Continued)**

UAS employees hired after November 14, 2006, are eligible to receive UAS subsidized postemployment medical coverage for themselves and their spouse if they retire at age 59.5 or older with at least 10 years of service with UAS. Eligible retirees receive lifetime benefits from UAS as long as they remain enrolled in a medical plan sponsored by UAS. Employees who retire with 10 to 19 years of service are eligible to receive 50% of the maximum UAS subsidy.

Employees who retire with 20 or more years of service are eligible to receive 100% of the maximum UAS subsidy. At age 65 retirees have the option of opting out of UAS sponsored coverage. In return, UAS agrees to pay the Medicare Part B premium for these retirees and their spouses.

UAS' Other Postemployment Healthcare Benefit (OPEB) Plan is an agent multiple-employer defined benefit healthcare plan administered by CSU Auxiliaries Multiple Employer VEBA Trust (the Trust). The purpose of the Trust is to assist participating CSU System Auxiliaries with the establishment and maintenance of the Trust for investment of funds to be used for the provision of retiree health and welfare benefits to participating employees. The Trust is to receive contributions from UAS as participating employer and establish separate employer pre-funding accounts to pay for health care or other postemployment benefits in accordance with the terms of UAS' plan. Management of the Trust is vested in the Trust board of directors.

The OPEB plan provides lifetime postemployment medical coverage to its eligible employees and their spouses. Benefit provisions of the plan are established and may be amended by the UAS Board of Directors. The OPEB stand-alone plan reporting can be obtained through the Auxiliaries Multiple Employer VEBA Trust (VEBA) by submitting a request to: Keenan Financial Services, 2355 Crenshaw Blvd. Suite 200, Torrance, CA 90501.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the VEBA and additions to/deductions from the VEBA's fiduciary net position have been determined on the same basis as they are reported by VEBA. For this purpose, the VEBA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Funding Policy

UAS makes all contributions to the Trust. The contribution requirements of plan members and UAS are established and may be amended by UAS' Board of Directors. Currently, UAS' policy is to contribute to the plan on a pay-as-you-go basis. UAS reserve the right at any time or times to discontinue contributions to any extent in its sole judgment. For the year ended June 30, 2018, UAS contributed \$1,545,154. The contribution consists of \$45,154 representing premium payments on behalf of its retired employees, and \$1,500,000 representing an additional payment to prefund this obligation. As of June 30, 2018, the number of active members and retired members and beneficiaries were 80 and 19, respectively.

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**

Notes to Basic Financial Statements (Continued)

June 30, 2018

**NOTE 10 – OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (OPEB) PLAN (Continued)**

**Schedule of Changes in Net OPEB Liability**

<b><u>Total OPEB Liability</u></b>	<b><u>2018</u></b>
Service cost	\$ 185,403
Interest	226,162
Change of benefit terms	-
Differences between expected and actual experience	(12,215)
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	(66,204)
Net change in Total OPEB Liability	<u>333,146</u>
Total OPEB Liability - beginning ( a )	<u>3,616,582</u>
Total OPEB Liability - ending ( b )	<u><u>\$ 3,949,728</u></u>
<b><u>Plan Fiduciary Net Position</u></b>	
Contribution - employer	\$ 816,204
Contribution - employee	-
Net investment income	17,638
Benefit payments, including refunds of employee contributions	(66,204)
Administrative expense	(602)
Other	-
Net change in Plan Fiduciary Net Position	<u>767,036</u>
Plan Fiduciary Net Position - beginning ( c )	<u>-</u>
Plan Fiduciary Net Position - ending ( d )	<u><u>767,036</u></u>
Net OPEB Liability - beginning ( a ) - ( c )	<u>3,616,582</u>
Net OPEB Liability - ending ( b ) - ( d )	<u><u>\$ 3,182,692</u></u>

The total OPEB liability was determined by an actuarial valuation as of June 30, 2016 using the following assumptions, applied to all period included in the measurement, unless otherwise specified.

**Plan Fiduciary Net Position**

Detailed information about the plan fiduciary net position as of June 30, 2017 is available in the separately issued VEBA financial report. The VEBA financial report can be obtained by submitting a request to: Keenan Financial Services, 2355 Crenshaw Blvd. Suite 200, Torrance, CA 90501.

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**

Notes to Basic Financial Statements (Continued)

June 30, 2018

**NOTE 10 – OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (OPEB) PLAN (Continued)**

Actuarial Methods and Assumptions

Discount Rate	6.00%, based on a CSU Auxiliaries VEBA Plan Investment Policy
Net Investment Return	6.00%, net of investment expense
Inflation	2.00% per year
Payroll Increases	3.25% per year
Baseline Cost	Pre-Medicare: \$5,718 per year Post-Medicare: \$2,494 per year
Administrative Expenses	No administrative expenses other than those included in the premium rates
Health Plan Participation	50% of eligible participants in an HMO 50% opt out to receive Medicare Part B paid for by UAS
Disability	Excluded from valuation due to anticipated low incidence of disability retirements
Retirement	Same rates used in the most recent CALPERS Public Agency Miscellaneous: 2% @ 60 for actives hired before January 1, 2013 2% @ 62 for actives hired on or after January 1, 2013
Actuarial Cost Method	Entry Age Normal
Measurement Date	June 30, 2017
Valuation Date	June 30, 2016
Funding Policy	\$500,000 fund benefit payments to the Trust per year

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**

Notes to Basic Financial Statements (Continued)

June 30, 2018

**NOTE 10 – OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (OPEB) PLAN (Continued)**

Healthcare trend rates used in the actuarial valuation are as follow:

Year Beginning	Increase in Premium Rates	
	Pre-65	Post-65
2017	8.00%	5.50%
2018	7.75%	5.25%
2019	7.45%	5.00%
2020	7.15%	5.00%
2021	6.85%	5.00%
2022	6.55%	5.00%
2023	6.25%	5.00%
2024	5.95%	5.00%
2025	5.65%	5.00%
2026	5.35%	5.00%
2027	5.05%	5.00%
2028 and later	5.00%	5.00%

Mortality rates used in this valuation are those used in the most recent CALPERS valuations, projected forward with the MP-2014 generational projection scale.

Pre-Retirement: CALPERS 2014 Mortality pre-retirement

Post-Retirement: CALPERS 2014 Mortality post-retirement

Age	Sample Mortality Rates			
	Active Employees		Retired Employees	
	Male	Female	Male	Female
55	0.23%	0.14%	0.60%	0.42%
60	0.31%	0.18%	0.71%	0.44%
65	0.40%	0.26%	0.83%	0.59%
70	0.52%	0.37%	1.31%	0.99%
75	0.71%	0.53%	2.21%	1.72%
80	0.99%	0.81%	3.90%	2.90%
85	0.00%	0.00%	6.97%	5.24%
90	0.00%	0.00%	12.97%	9.89%

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**

Notes to Basic Financial Statements (Continued)

June 30, 2018

**NOTE 10 – OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (OPEB) PLAN (Continued)**

Long-term Expected Rate of Return

As of June 30, 2017, the long-term expected rates of return for each major investment class in the Plan's portfolio are as follows:

<u>Investment Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)*</u>
Equity	55.20%	5.12%
Fixed Income	39.10%	1.20%
Real Estate Investment Trusts	5.70%	5.06%
	<u>100.00%</u>	

\* JPMorgan arithmetic long-term capital market assumptions and expected inflation of 2.26%.

The above table shows the target asset allocation in CSU Auxiliaries Multiple Employer VEBA investment policy.

Discount rate

The discount rate is based on a blend of the long-term expected rate of return on assets for benefits covered by plan assets and a yield or index for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or better for benefits not covered by plan assets.

The arithmetic long-term expected real rates of return by asset class shown above is for the next 10 years. For the years thereafter, returns were based on historical average index real returns over the last 30 years assuming a similar equity/fixed investment mix and a 2.26% inflation rate. Investment expenses were assumed to be 10 basis points per year. These returns were matched with cash flows for benefits covered by plan assets and the Bond Buyer 20-Bond General Obligation (GO) index was matched with cash flows not covered by plan assets to measure the reasonableness of the choice in discount rate. Below are the discount rates used and the Bond Buyer 20-Bond GO Index as of measurement date June 30, 2017 and 2016.

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Discount Rate	6.00%	6.00%
Bond Buyer 20-Bond GO Index	3.58%	2.85%

Sensitivity Analysis

The following presents UAS net OPEB liability if it were calculated using a discount rate that is 1% point lower (5.00%) or 1% higher (7.00%) than the current rate. Net OPEB liability as of June 30, 2017 measurement date was \$3,182,692.

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**

Notes to Basic Financial Statements (Continued)

June 30, 2018

**NOTE 10 – OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (OPEB) PLAN (Continued)**

Sensitivity of the net OPEB liability to changes in the discount rate:

Discount Rate	Net OPEB		
	Liability	\$ Change	% Change
+1%	\$ 2,581,368	\$ (601,324)	-19%
Base	3,182,692	-	-
-1%	3,952,456	769,764	24%

Sensitivity of the net OPEB liability to changes in the trend rate:

Trend Rate	Net OPEB		
	Liability	\$ Change	% Change
+1%	\$ 4,062,156	\$ 879,464	28%
Base	3,182,692	-	-
-1%	2,526,262	(656,430)	-21%

Annual OPEB Expense and Net OPEB Liability

At June 30, 2018, UAS reported \$3,182,692 for the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2016. UAS' net OPEB liability was based on a projection of UAS's covered-employee payroll of \$5,046,670.

Plan Fiduciary Net Position (plan assets) was valued as of the measurement date while the total OPEB liability was determined based upon rolling forward the total OPEB liability from actuarial valuations as of June 30, 2016. As of June 30, 2017, the Plan Fiduciary Net Position was \$767,036.

For the year ended June 30, 2018, UAS recognized OPEB expense of \$390,150. OPEB expense represents the change in the net OPEB liability during the measurement period, adjusted for service cost, interest on the total OPEB liability, expected investment return, net of investment expense, and the deferred recognition of changes in investment gains and losses, actuarial assumptions or methods, and plan benefits.

Deferred Outflows/Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience in the measurement of the total OPEB liability	\$ -	\$ 11,449
Changes in assumptions	-	-
Net difference between projected and actual earnings of OPEB plan investments	3,613	-
Contribution to OPEB plan after measurement date	1,545,154	-
Total	<u>\$ 1,548,767</u>	<u>\$ 11,449</u>

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**

Notes to Basic Financial Statements (Continued)

June 30, 2018

**NOTE 10 – OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (OPEB) PLAN (Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Fiscal Year Ended June 30:</b>	<b>Deferred Outflows/(Inflows) of Resources</b>	
2019	\$	137
2020		137
2021		137
2022		137
2023		(765)
Thereafter		(7,619)
Total	\$	(7,836)

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net OPEB liability to be recognized in future periods in a systematic and rational manner in accordance with GASB 75. Investment gains or losses are recognized in OPEB expense over a five year period and economic/demographic gains or losses and assumption changes or inputs are recognized over the average remaining service life for all active and inactive members, which is sixteen years.

**NOTE 11 – COMMITMENTS AND CONTINGENCIES**

Grants and Contracts

Amounts received or receivable from federal and state agencies are subject to audit and any claims may constitute a liability of the applicable funds. The amount, if any, of expenses which may be potentially disallowed cannot be determined at this time. UAS expects such amounts, if any, to be insignificant as of June 30, 2018.

**NOTE 12 - RELATED PARTY TRANSACTIONS**

UAS is one of the four recognized auxiliary organizations of the University that provide services primarily to the University's students and faculty.

UAS received utilities, mainframe computer services, printing, faculty release time, office supplies, information technology management, accounting and financial services, and human resource services from the University and was charged \$7,920,514 for the year ended June 30, 2018. This amount also included \$1,692,313 of the current year capital lease and note principal and interest expense payments, and \$640,272 payment for principal and interest of current year's balance due to the University.

UAS received \$4,453,085 from the University for providing catering and campus program services, and space to the University for the usage as classrooms, for special events, and as facilities for the Extended Education Division.

In August 2015, UAS participated in the SRB program to refinance the UAS Golden Eagle Building Facility and the Television Film Media Studio building. A capitalized ground lease agreement and a note agreement exist between the CSU Trustees, the University and UAS ending November, 2032 and November 2029 respectively (see note 7).



**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**

Notes to Basic Financial Statements (Continued)

June 30, 2018

**NOTE 12 - RELATED PARTY TRANSACTIONS (Continued)**

In April 2008, UAS entered into an interest-free note payable with the USU, an affiliate, for borrowing up to \$490,000 (see note 7).

**NOTE 13 – SUBSEQUENT EVENTS**

On July 10, 2018, the Trustees issued the Systemwide Revenue Bonds (SRB), Series 2018A and 2018B to retire the BAN disclosed in note 7, at interest rates ranging from 2.5% to 5.0% and maturing on November 1, 2050.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**

Schedule of Changes in Net OPEB Liability and Related Ratios

June 30, 2018

(Unaudited)

**Schedule of Changes in Net OPEB Liability and Related Ratios**

<b><u>Total OPEB Liability</u></b>		<b><u>2018</u></b>
Service cost	\$	185,403
Interest		226,162
Change of benefit terms		-
Differences between expected and actual experience		(12,215)
Changes of assumptions		-
Benefit payments, including refunds of employee contributions		(66,204)
Net change in Total OPEB Liability		<u>333,146</u>
Total OPEB Liability - beginning ( a )		<u>3,616,582</u>
Total OPEB Liability - ending ( b )	\$	<u><u>3,949,728</u></u>
<b><u>Plan Fiduciary Net Position</u></b>		
Contribution - employer	\$	816,204
Contribution - employee		-
Net investment income		17,638
Benefit payments, including refunds of employee contributions		(66,204)
Administrative expense		(602)
Other		-
Net change in Plan Fiduciary Net Position		<u>767,036</u>
Plan Fiduciary Net Position - beginning ( c )		<u>-</u>
Plan Fiduciary Net Position - ending ( d )		<u><u>767,036</u></u>
Net OPEB Liability - beginning ( a ) - ( c )		<u>3,616,582</u>
Net OPEB Liability - ending ( b ) - ( d )	\$	<u><u>3,182,692</u></u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability		19.4%
Covered-employee payroll	\$	5,046,670
Plan Net OPEB Liability as a percentage of covered payroll		63.1%

UAS' annual OPEB cost is calculated based on the amount actuarially determined in accordance with the parameters of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

\*Fiscal year 2018 was the first year of implementation of GASB Statement No. 75, therefore only the initial year's actuarial methods and assumptions are shown based on the availability of information. Information on future periods will be presented when available.

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**

Note to Required Supplementary Information

June 30, 2018

(Unaudited)

**Schedule of OPEB Contributions**

The following reflects the contribution towards the plan during the fiscal year ending June 30:

	<u>2018</u>	<u>2017</u>
Actuarial determined contributions	\$ 390,272	\$ 396,944
Contributions in relation to the actuarially determined contribution	<u>1,545,154</u>	<u>816,204</u>
Contribution deficiency (excess)	<u>\$ (1,154,882)</u>	<u>\$ (419,260)</u>
Covered-employee payroll	\$ 5,046,670	\$ 4,208,766
Contributions as a percentage of covered payroll	30.6%	19.4%

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**

Note to Required Supplementary Information

June 30, 2018

(Unaudited)

**Note to Required Supplementary Information**

The actuarial methods and assumptions used to set the actuarially determined contributions are as follows:

<u>Valuation Date</u>	<u>June 30, 2016</u>
Discount Rate	6.00%, based on a CSU Auxiliaries VEBA Plan Investment Policy
Net Investment Return	6.00%, net of investment expenses
Inflation	2.00% per year
Payroll Increases	3.25% per year
Baseline Cost	Pre-Medicare: \$5,718 per year Post-Medicare: \$2,494 per year
Administrative Expenses	No administrative expenses other than those included in the premium rates
Health Plan Participation	50% of eligible participants in an HMO 50% opt out to receive Medicare Part B paid for by UAS
Disability	Excluded from valuation due to anticipated low incidence of disability retirements
Retirement	Same rates used in the most recent CALPERS Public Agency Miscellaneous: 2% @ 60 for actives hired before January 1, 2013 2% @ 62 for actives hired on or after January 1, 2013
Actuarial Cost Method	Entry Age Normal

\*Fiscal year 2018 was the first year of implementation of GASB Statement No. 75, therefore only the initial year's actuarial methods and assumptions are shown based on the availability of information. Information on future periods will be presented when available.

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**SUPPLEMENTARY INFORMATION**

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**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**

Schedule of Net Position

June 30, 2018

(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 940,626
Short-term investments	5,414,801
Accounts receivable, net	8,718,108
Capital lease receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	—
Prepaid expenses and other current assets	29,825
Total current assets	<u>15,103,360</u>
Noncurrent assets:	
Restricted cash and cash equivalents	3,542,472
Accounts receivable, net	—
Capital lease receivable, net of current portion	—
Notes receivable, net of current portion	—
Student loans receivable, net	—
Pledges receivable, net	—
Endowment investments	—
Other long-term investments	—
Capital assets, net	24,423,257
Other assets	—
Total noncurrent assets	<u>27,965,729</u>
Total assets	<u>43,069,089</u>
Deferred outflows of resources:	
Unamortized loss on debt refunding	—
Net pension liability	1,548,767
Net OPEB liability	—
Others	—
Total deferred outflows of resources	<u>1,548,767</u>
Liabilities:	
Current liabilities:	
Accounts payable	1,159,449
Accrued salaries and benefits	1,624,389
Accrued compensated absences, current portion	301,988
Unearned revenues	4,341,983
Capital lease obligations, current portion	910,000
Long-term debt obligations, current portion	128,400
Claims liability for losses and loss adjustment expenses, current portion	—
Depository accounts	—
Other liabilities	—
Total current liabilities	<u>8,466,209</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	94,636
Unearned revenues	—
Grants refundable	—
Capital lease obligations, net of current portion	19,679,521
Long-term debt obligations, net of current portion	6,140,867
Claims liability for losses and loss adjustment expenses, net of current portion	—
Depository accounts	—
Net other postemployment benefits liability	3,182,692
Net pension liability	—
Other liabilities	—
Total noncurrent liabilities	<u>29,097,716</u>
Total liabilities	<u>37,563,925</u>
Deferred inflows of resources:	
Service concession arrangements	—
Net pension liability	11,449
Net OPEB liability	638,157
Unamortized gain on debt refunding	—
Nonexchange transactions	—
Others	163,366
Total deferred inflows of resources	<u>812,972</u>
Net Position:	
Net investment in capital assets	(3,248,503)
Restricted for:	—
Nonexpendable – endowments	—
Expendable:	—
Scholarships and fellowships	—
Research	—
Loans	—
Capital projects	—
Debt service	—
Others	—
Unrestricted	9,489,462
Total net position	<u>\$ 6,240,959</u>

See accompanying note to supplementary schedules.

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**

Schedule of Revenues, Expenses, and Changes in Net Position

June 30, 2018

(for inclusion in the California State University)

Revenues:

Operating revenues:

Student tuition and fees, gross	\$	—
Scholarship allowances (enter as negative)		—
Grants and contracts, noncapital:		
Federal		19,575,222
State		1,699,410
Local		4,126,903
Nongovernmental		2,976,918
Sales and services of educational activities		2,877,127
Sales and services of auxiliary enterprises, gross		6,654,375
Scholarship allowances (enter as negative)		—
Other operating revenues		438,732
		<hr/>
Total operating revenues		38,348,687
		<hr/>

Expenses:

Operating expenses:

Instruction		24,183,446
Research		—
Public service		—
Academic support		—
Student services		—
Institutional support		2,954,860
Operation and maintenance of plant		4,733,418
Student grants and scholarships		—
Auxiliary enterprise expenses		—
Depreciation and amortization		1,507,227
		<hr/>
Total operating expenses		33,378,951
		<hr/>
Operating income (loss)		4,969,736
		<hr/>

Nonoperating revenues (expenses):

State appropriations, noncapital		—
Federal financial aid grants, noncapital		—
State financial aid grants, noncapital		—
Local financial aid grants, noncapital		—
Nongovernmental and other financial aid grants, noncapital		—
Other federal nonoperating grants, noncapital		—
Gifts, noncapital		100,000
Investment income (loss), net		82,025
Endowment income (loss), net		—
Interest expense		—
Other nonoperating revenues (expenses) - excl. interagency transfers		(705,513)
Other nonoperating revenues (expenses) - interagency transfers		—
		<hr/>
Net nonoperating revenues (expenses)		(523,488)
		<hr/>
Income (loss) before other revenues (expenses)		4,446,248

State appropriations, capital

Grants and gifts, capital		524,233
Additions (reductions) to permanent endowments		—
		<hr/>
Increase (decrease) in net position		4,970,481

Net position:

Net position at beginning of year, as previously reported		(147,592)
Restatements		1,418,070
		<hr/>
Net position at beginning of year, as restated		1,270,478
		<hr/>
Net position at end of year	\$	6,240,959
		<hr/> <hr/>

See accompanying note to supplementary schedules.

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**

Other Information

June 30, 2018

(for inclusion in the California State University)

**1 Restricted cash and cash equivalents at June 30, 2018:**

Portion of restricted cash and cash equivalents related to endowments	\$	—
All other restricted cash and cash equivalents		<u>3,542,472</u>
Total restricted cash and cash equivalents	\$	<u><u>3,542,472</u></u>

**2.1 Composition of investments at June 30, 2018:**

	<b>Current Unrestricted</b>	<b>Current Restricted</b>	<b>Total Current</b>	<b>Noncurrent Unrestricted</b>	<b>Noncurrent Restricted</b>	<b>Total Noncurrent</b>	<b>Total</b>
State of California Surplus Money Investment Fund (SMIF)	\$ —	—	—	—	—	—	—
State of California Local Agency Investment Fund (LAIF)							
Corporate bonds	1,541,355	—	1,541,355	—	—	—	1,541,355
Certificates of deposit	272,263	—	272,263	—	—	—	272,263
Mutual funds	172,237	—	172,237	—	—	—	172,237
Money Market funds	13,152	—	13,152	—	—	—	13,152
Repurchase agreements	13,772	—	13,772	—	—	—	13,772
Commercial paper	—	—	—	—	—	—	—
Asset backed securities	394,286	—	394,286	—	—	—	394,286
Mortgage backed securities	363	—	363	—	—	—	363
Municipal bonds	69,824	—	69,824	—	—	—	69,824
U.S. agency securities	1,591,439	—	1,591,439	—	—	—	1,591,439
U.S. treasury securities	1,346,110	—	1,346,110	—	—	—	1,346,110
Equity securities	—	—	—	—	—	—	—
Exchange traded funds (ETFs)	—	—	—	—	—	—	—
Alternative investments:							
Private equity (including limited partnerships)	—	—	—	—	—	—	—
Hedge funds	—	—	—	—	—	—	—
Managed futures	—	—	—	—	—	—	—
Real estate investments (including REITs)	—	—	—	—	—	—	—
Commodities	—	—	—	—	—	—	—
Derivatives	—	—	—	—	—	—	—
Other alternative investment types	—	—	—	—	—	—	—
Other external investment pools (excluding SWIFT)							
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Other major investments:							
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Total investments	<u>5,414,801</u>	<u>—</u>	<u>5,414,801</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,414,801</u>
Less endowment investments (enter as negative number)							
Total investments	<u><u>5,414,801</u></u>	<u><u>—</u></u>	<u><u>5,414,801</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>5,414,801</u></u>

**2.2 Investments held by the University under contractual agreements at June 30, 2018:**

Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2018 :	5,414,801	—	5,414,801	—	—	—	5,414,801
---	-----------	---	-----------	---	---	---	-----------

**2.3 Restricted current investments at June 30, 2018 related to:**

	<b>Amount</b>
Add description	\$ —
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Total restricted current investments at June 30, 2018	\$ <u><u>—</u></u>

See accompanying note to supplementary schedules

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**

Other Information

June 30, 2018

(for inclusion in the California State University)

**2.4 Restricted noncurrent investments at June 30, 2018 related to:**

	<u>Amount</u>
Endowment investment	\$ —
Scholarships	—
Inflation reserves	—
University projects	—
Add description	—
Add description	—
Add description	—
Add description	—
<b>Total restricted noncurrent investments at June 30, 2018</b>	<b>\$ —</b>

**2.5 Fair value hierarchy in investments at June 30, 2018:**

		<u>Fair Value Measurements Using</u>			
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	
	<u>Total</u>				
State of California Surplus Money Investment Fund (SMIF)	\$ —	—	—	—	—
State of California Local Agency Investment Fund (LAIF)	—	—	—	—	—
Corporate bonds	1,541,355	—	1,541,355	—	—
Certificates of deposit	272,263	—	272,263	—	—
Mutual funds	172,237	—	172,237	—	—
Money Market funds	13,152	—	—	—	13,152
Repurchase agreements	13,772	—	13,772	—	—
Commercial paper	—	—	—	—	—
Asset backed securities	394,286	—	394,286	—	—
Mortgage backed securities	363	—	363	—	—
Municipal bonds	69,824	—	69,824	—	—
U.S. agency securities	1,591,439	—	1,591,439	—	—
U.S. treasury securities	1,346,110	—	1,346,110	—	—
Equity securities	—	—	—	—	—
Exchange traded funds (ETFs)	—	—	—	—	—
Alternative investments:					
Private equity (including limited partnerships)	—	—	—	—	—
Hedge funds	—	—	—	—	—
Managed futures	—	—	—	—	—
Real estate investments (including REITs)	—	—	—	—	—
Commodities	—	—	—	—	—
Derivatives	—	—	—	—	—
Other alternative investment types	—	—	—	—	—
Other external investment pools (excluding SWIFT)					
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Other major investments:					
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
<b>Total investments</b>	<b>5,414,801</b>	<b>—</b>	<b>5,401,649</b>	<b>—</b>	<b>13,152</b>

See accompanying note to supplementary schedules

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**

Other Information

June 30, 2018

(for inclusion in the California State University)

**3.1 Composition of capital assets at June 30, 2018:**

	Balance June 30, 2017	Prior period Adjustments	Reclassifications	Balance June 30, 2017 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2018
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	\$ 639,000	—	—	639,000	—	—	—	639,000
Works of art and historical treasures	—	—	—	—	—	—	—	—
Construction work in progress (CWIP)	729,326	—	—	729,326	4,374,051	—	—	5,103,377
Intangible assets:								
Rights and easements	—	—	—	—	—	—	—	—
Patents, copyrights and trademarks	—	—	—	—	—	—	—	—
Internally generated intangible assets in progress	—	—	—	—	—	—	—	—
Licenses and permits	—	—	—	—	—	—	—	—
Other intangible assets:								
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Total intangible assets	—	—	—	—	—	—	—	—
Total nondepreciable/nonamortizable capital assets	1,368,326	—	—	1,368,326	4,374,051	—	—	5,742,377
Depreciable/amortizable capital assets:								
Buildings and building improvements	31,817,635	—	—	31,817,635	28,643	—	—	31,846,278
Improvements, other than buildings	99,921	—	—	99,921	—	—	—	99,921
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	577,542	—	—	577,542	—	—	—	577,542
Personal property:								
Equipment	9,353,632	—	—	9,353,632	576,295	(18,397)	—	9,911,530
Library books and materials	—	—	—	—	—	—	—	—
Intangible assets:								
Software and websites	95,724	—	—	95,724	—	—	—	95,724
Rights and easements	—	—	—	—	—	—	—	—
Patents, copyright and trademarks	—	—	—	—	—	—	—	—
Licenses and permits	—	—	—	—	—	—	—	—
Other intangible assets:								
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Total intangible assets	95,724	—	—	95,724	—	—	—	95,724
Total depreciable/amortizable capital assets	41,944,454	—	—	41,944,454	604,938	(18,397)	—	42,530,995
Total capital assets	43,312,780	—	—	43,312,780	4,978,989	(18,397)	—	48,273,372
Less accumulated depreciation/amortization:								
Buildings and building improvements	(13,634,833)	—	—	(13,634,833)	(1,136,743)	—	—	(14,771,576)
Improvements, other than buildings	(46,013)	—	—	(46,013)	—	—	—	(46,013)
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	(509,643)	—	—	(509,643)	(44,960)	—	—	(554,603)
Personal property:								
Equipment	(8,085,626)	—	—	(8,085,626)	(317,770)	18,397	—	(8,384,999)
Library books and materials	—	—	—	—	—	—	—	—
Intangible assets:								
Software and websites	(85,170)	—	—	(85,170)	(7,754)	—	—	(92,924)
Rights and easements	—	—	—	—	—	—	—	—
Patents, copyright and trademarks	—	—	—	—	—	—	—	—
Licenses and permits	—	—	—	—	—	—	—	—
Other intangible assets:								
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Total intangible assets	(85,170)	—	—	(85,170)	(7,754)	—	—	(92,924)
Total accumulated depreciation/amortization	(22,361,285)	—	—	(22,361,285)	(1,507,227)	18,397	—	(23,850,115)
Total capital assets, net	\$ 20,951,495	—	—	20,951,495	3,471,760	—	—	24,423,257

See accompanying note to supplementary schedules

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**

Other Information

June 30, 2018

(for inclusion in the California State University)

**3.2 Detail of depreciation and amortization expense for the year ended June 30, 2018:**

Depreciation and amortization expense related to capital assets	\$ 1,507,227
Amortization expense related to other assets	<u>—</u>
Total depreciation and amortization	<u>\$ 1,507,227</u>

**4 Long-term liabilities activity schedule:**

	<u>Balance June 30, 2017</u>	<u>Prior period adjustments</u>	<u>Reclassifications</u>	<u>Balance June 30, 2017 (restated)</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Current portion</u>	<u>Long-term portion</u>
Accrued compensated absences	\$ 377,705	—	—	377,705	320,907	(301,988)	396,624	301,988	94,636
Claims liability for losses and loss adjustment expenses	—	—	—	—	—	—	—	—	—
Capital lease obligations:									
Gross balance	19,545,000	—	—	19,545,000	—	(875,000)	18,670,000	910,000	17,760,000
Unamortized premium / (discount) on capital lease obligations	2,053,442	—	—	2,053,442	—	(133,921)	1,919,521	—	1,919,521
Total capitalized lease obligations	<u>21,598,442</u>	<u>—</u>	<u>—</u>	<u>21,598,442</u>	<u>—</u>	<u>(1,008,921)</u>	<u>20,589,521</u>	<u>910,000</u>	<u>19,679,521</u>
Long-term debt obligations:									
Auxiliary revenue bonds	1,500,000	—	—	1,500,000	4,525,000	(90,000)	5,935,000	90,000	5,845,000
Commercial paper	—	—	—	—	—	—	—	—	—
Notes payable related to SRB	—	—	—	—	—	—	—	—	—
Others: (list by type)									
Note Payable - University Student Union	182,800	—	—	182,800	—	(38,400)	144,400	38,400	106,000
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Total long-term debt obligations	<u>1,682,800</u>	<u>—</u>	<u>—</u>	<u>1,682,800</u>	<u>4,525,000</u>	<u>(128,400)</u>	<u>6,079,400</u>	<u>128,400</u>	<u>5,951,000</u>
Unamortized bond premium / (discount)	206,620	—	—	206,620	—	(16,753)	189,867	—	189,867
Total long-term debt obligations, net	<u>1,889,420</u>	<u>—</u>	<u>—</u>	<u>1,889,420</u>	<u>4,525,000</u>	<u>(145,153)</u>	<u>6,269,267</u>	<u>128,400</u>	<u>6,140,867</u>
Total long-term liabilities	<u>\$ 23,865,567</u>	<u>—</u>	<u>—</u>	<u>23,865,567</u>	<u>4,845,907</u>	<u>(1,456,062)</u>	<u>27,255,412</u>	<u>1,340,388</u>	<u>25,915,024</u>

**5 Future minimum lease payments - Capital lease obligations:**

	<u>Capital lease obligations related to SRB</u>			<u>All other capital lease obligations</u>			<u>Total capital lease obligations</u>		
	<u>Principal Only</u>	<u>Interest Only</u>	<u>Principal and Interest</u>	<u>Principal Only</u>	<u>Interest Only</u>	<u>Principal and Interest</u>	<u>Principal Only</u>	<u>Interest Only</u>	<u>Principal and Interest</u>
Year ending June 30:									
2019	910,000	780,413	1,690,413	—	—	—	910,000	780,413	1,690,413
2020	950,000	738,638	1,688,638	—	—	—	950,000	738,638	1,688,638
2021	985,000	703,763	1,688,763	—	—	—	985,000	703,763	1,688,763
2022	1,030,000	665,713	1,695,713	—	—	—	1,030,000	665,713	1,695,713
2023	1,070,000	617,463	1,687,463	—	—	—	1,070,000	617,463	1,687,463
2024 - 2028	6,165,000	2,274,719	8,439,719	—	—	—	6,165,000	2,274,719	8,439,719
2029 - 2033	7,560,000	891,324	8,451,324	—	—	—	7,560,000	891,324	8,451,324
2034 - 2038	—	—	—	—	—	—	—	—	—
2039 - 2043	—	—	—	—	—	—	—	—	—
2044 - 2048	—	—	—	—	—	—	—	—	—
2049 - 2053	—	—	—	—	—	—	—	—	—
2054 - 2058	—	—	—	—	—	—	—	—	—
2059 - 2063	—	—	—	—	—	—	—	—	—
2064 - thereafter	—	—	—	—	—	—	—	—	—
Total minimum lease payments	<u>18,670,000</u>	<u>6,672,033</u>	<u>25,342,033</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>18,670,000</u>	<u>6,672,033</u>	<u>25,342,033</u>
Less amounts representing interest									<u>(6,672,033)</u>
Present value of future minimum lease payments									18,670,000
Unamortized net premium (discount)									<u>1,919,521</u>
Total capital lease obligations									<u>20,589,521</u>
Less: current portion									<u>(910,000)</u>
Capital lease obligations, net of current portion									<u>\$ 19,679,521</u>

See accompanying note to supplementary schedules



**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**

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**6 Long-term debt obligations schedule:**

	Auxiliary revenue bonds			All other long-term debt obligations			Total long-term debt obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2019	\$ 90,000	197,928	287,928	38,400	—	38,400	128,400	197,928	326,328
2020	180,000	238,929	418,929	21,200	—	21,200	201,200	238,929	440,129
2021	190,000	233,152	423,152	21,200	—	21,200	211,200	233,152	444,352
2022	195,000	226,725	421,725	21,200	—	21,200	216,200	226,725	442,925
2023	200,000	219,158	419,158	21,200	—	21,200	221,200	219,158	440,358
2024 - 2028	1,140,000	964,647	2,104,647	21,200	—	21,200	1,161,200	964,647	2,125,847
2029 - 2033	920,000	723,813	1,643,813	—	—	—	920,000	723,813	1,643,813
2034 - 2038	760,000	573,434	1,333,434	—	—	—	760,000	573,434	1,333,434
2039 - 2043	930,000	401,224	1,331,224	—	—	—	930,000	401,224	1,331,224
2044 - 2048	1,150,000	181,602	1,331,602	—	—	—	1,150,000	181,602	1,331,602
2049 - 2053	180,000	5,522	185,522	—	—	—	180,000	5,522	185,522
2054 - 2058	—	—	—	—	—	—	—	—	—
2059 - 2063	—	—	—	—	—	—	—	—	—
2064 - thereafter	—	—	—	—	—	—	—	—	—
Total minimum payments	5,935,000	3,966,134	9,901,134	144,400	—	144,400	6,079,400	3,966,134	10,045,534
Less amounts representing interest									(3,966,134)
Present value of future minimum payments									6,079,400
Unamortized net premium (discount)									189,867
Total long-term debt obligations									6,269,267
Less: current portion									(128,400)
<b>Long-term debt obligations, net of current portion</b>									<b>\$ 6,140,867</b>

**7 Calculation of net position:**

**7.1 Calculation of net position - Net investment in capital assets**

Capital assets, net of accumulated depreciation	\$ 24,423,257
Capital lease obligations, current portion	(910,000)
Capital lease obligations, net of current portion	(19,679,521)
Long-term debt obligations, current portion	(128,400)
Long-term debt obligations, net of current portion	(6,140,867)
Portion of outstanding debt that is unspent at year-end (enter as positive nur	—
Other adjustments: (please list)	—
Deferred inflows	—
Unamortized gain on sale of property	(163,366)
Unamortized gain on refunding	(638,157)
OPEB	(11,449)
Add description	—
<b>Net position - Net investment in capital assets</b>	<b>\$ (3,248,503)</b>

**7.2 Calculation of net position - Restricted for nonexpendable - endowments**

Portion of restricted cash and cash equivalents related to endowments	\$ —
Endowment investments	—
Other adjustments: (please list)	—
Restricted expendable endowments	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
<b>Net position - Restricted for nonexpendable - endowments</b>	<b>\$ —</b>

See accompanying note to supplementary schedules

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**

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**8 Transactions with related entities:**

	<u>Amount</u>
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 2,730,567
Payments to University for other than salaries of University personnel	5,189,947
Payments received from University for services, space, and programs	4,453,085
Gifts-in-kind to the University from discretely presented component units	—
Gifts (cash or assets) to the University from discretely presented component units	—
Accounts (payable to) University (enter as negative number)	(583,073)
Other amounts (payable to) University (enter as negative number)	(133,636)
Accounts receivable from University (enter as positive number)	449,237
Other amounts receivable from University	—

**9 Other postemployment benefits (OPEB) liability**

Intentionally left blank - not required/applicable eff FY17/18

**10 Pollution remediation liabilities under GASB Statement No. 49:**

<u>Description</u>	<u>Amount</u>
Add description	\$ —
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
<u>Total pollution remediation liabilities</u>	<u>\$ —</u>
Less: current portion	—
<u>Pollution remediation liabilities, net of current portion</u>	<u>—</u>

See accompanying note to supplementary schedules

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**

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

	<u>Net Position</u>	<u>Amount</u>
	<u>Class</u>	<u>Dr. (Cr.)</u>
Net position as of June 30, 2017, as previously reported		\$ (147,592)
Prior period adjustments:		
1 Implementation of GASB 75		1,418,070
2 (list description of each adjustment)		—
3 (list description of each adjustment)		—
4 (list description of each adjustment)		—
5 (list description of each adjustment)		—
6 (list description of each adjustment)		—
7 (list description of each adjustment)		—
8 (list description of each adjustment)		—
9 (list description of each adjustment)		—
10 (list description of each adjustment)		—
Net position as of June 30, 2017, as restated		<u>\$ 1,270,478</u>

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

	<u>Debit</u>	<u>Credit</u>
Net position class: _____		
1 FY 16/17 restatement - Implementation of GASB 75		
OPEB Liabilities	\$ 1,418,070	
Fund Balance		1,418,070
Net position class: _____		
2 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
3 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
4 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
5 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
6 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
7 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
8 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
9 (breakdown of adjusting journal entry)	—	—
Net position class: _____		
10 (breakdown of adjusting journal entry)	—	—

See accompanying note to supplementary schedules

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**

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**12 Natural Classifications of Operating Expenses:**

	<b>Salaries</b>	<b>Benefits</b>	<b>Scholarships and fellowships</b>	<b>Supplies and other services</b>	<b>Depreciation and amortization</b>	<b>Total operating expenses</b>
Instruction	9,615,897	2,575,216	—	11,992,333	—	24,183,446
Research	—	—	—	—	—	—
Public service	—	—	—	—	—	—
Academic support	—	—	—	—	—	—
Student services	—	—	—	—	—	—
Institutional support	738,754	189,931	—	2,026,175	—	2,954,860
Operation and maintenance of plant	2,257,083	821,474	—	1,654,861	—	4,733,418
Student grants and scholarships	—	—	—	—	—	—
Auxiliary enterprise expenses	—	—	—	—	—	—
Depreciation and amortization	—	—	—	—	1,507,227	1,507,227
<b>Total</b>	<b>12,611,734</b>	<b>3,586,621</b>	<b>—</b>	<b>15,673,369</b>	<b>1,507,227</b>	<b>33,378,951</b>

See accompanying note to supplementary schedules

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**

Note to Supplementary Information

June 30, 2018

**1. Basis of Presentation**

These schedules are prepared in accordance with the instructions listed in an Administrative Directive, dated June 24, 2003; *Financial Reporting Requirements for Auxiliary Organizations*, from the California State University Office of the Chancellor. As a result, these schedules do not purport to represent financial statements prepared fully in accordance with accounting principles generally accepted in the United States of America applicable to governmental not-for-profit organizations.