

Cal State L.A. University Auxiliary Services, Inc.

**Basic Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

June 30, 2023

Cal State L.A. University Auxiliary Services, Inc.

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Independent Auditor's Report

To the Board of Directors
Cal State L.A. University Auxiliary Services, Inc.
(A California State University Auxiliary Organization)

Report of the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cal State L.A. University Auxiliary Services, Inc., a component unit of California State University Los Angeles, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Cal State L.A. University Auxiliary Services, Inc.'s basic financial statements as listed in the index.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Cal State L.A. University Auxiliary Services, Inc. as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cal State L.A. University Auxiliary Services, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cal State L.A. University Auxiliary Services, Inc.'s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a

material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Cal State L.A. University Auxiliary Services, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cal State L.A. University Auxiliary Services, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 to 8, Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios on page 32, and the Schedule of Other Postemployment Benefits Contributions on page 33 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Cal State L.A. University Auxiliary Services, Inc.'s basic financial statements. The accompanying supplementary information on pages 39 to 47 is presented for purposes of additional

analysis as required by an Administrative Directive dated June 24, 2003, *Financial Reporting Requirements for Auxiliary Organizations*, from the California State University Office of the Chancellor, and is not a required part of the basic financial statements.

The accompanying supplementary information on pages 39 to 47 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 accompanying supplementary information on pages 39 to 47 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 29, 2023 on our consideration of the Cal State L.A. University Auxiliary Services, Inc.'s 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 solely 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 the effectiveness of the Cal State L.A. University Auxiliary Services, Inc.'s 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 the Cal State L.A. University Auxiliary Services, Inc.'s internal control over financial reporting and compliance.



Los Angeles, California
September 29, 2023

Cal State L.A. University Auxiliary Services, Inc.

Management's Discussion and Analysis

June 30, 2023

(Unaudited)

Introduction

The Cal State L.A. University Auxiliary Services, Inc. ("UAS") is a nonprofit organization formed to support the mission of California State University Los Angeles (the "University"). To fulfill this mission, UAS pursues a wide range of opportunities in the areas of developing and administering research and educational grants and contracts; conducting enterprise activities such as dining services, bookstore, conference center services and building operations; and administering numerous other educationally related functions including special programs, child care center, LA BioLab Incubator and other activities.

This section of UAS's annual financial report presents management's discussion and analysis of the financial performance of UAS during the fiscal year ended June 30, 2023. 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 the 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 change in net position presents information showing how UAS's 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 that will result in cash flows for future fiscal periods (e.g., uncollected interest receivable).

Cal State L.A. University Auxiliary Services, Inc.

**Management's Discussion and Analysis (Continued)
June 30, 2023
(Unaudited)**

Statement of Net Position

The following table is a summary of the UAS's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position comparing FY 2022-23 with FY 2021-22:

| | <u>FY2022-23</u> | <u>FY2021-22</u> | <u>% Change</u> |
|----------------------------------------|----------------------|----------------------|-----------------|
| Assets: | | | |
| Current assets | \$ 29,352,792 | \$ 27,922,210 | 5% |
| Capital assets, net | 34,368,122 | 36,655,412 | -6% |
| Noncurrent assets | <u>3,802,688</u> | <u>4,030,326</u> | -6% |
| Total assets | <u>67,523,602</u> | <u>68,607,948</u> | -2% |
| Deferred outflows of resources: | 1,763,789 | 502,687 | 251% |
| Liabilities: | | | |
| Current liabilities | 16,000,799 | 14,242,283 | 12% |
| Long-term liabilities | <u>19,399,739</u> | <u>20,554,982</u> | -6% |
| Total liabilities | <u>35,400,538</u> | <u>34,797,265</u> | 2% |
| Deferred inflows of resources: | 5,772,986 | 6,744,135 | -14% |
| Net position: | | | |
| Net investment in capital assets | 10,501,200 | 8,584,036 | 22% |
| Unrestricted | <u>17,612,667</u> | <u>18,985,199</u> | -7% |
| Total net position | <u>\$ 28,113,867</u> | <u>\$ 27,569,235</u> | 2% |

Assets

UAS's assets totaled \$67.5 million on June 30, 2023, a decrease of \$1 million, or 2%, compared to the previous year. Current assets increased \$1.4 million, or 5%, primarily due to an increase in Accounts Receivable of \$1.03 million, or 119.3% due to overall increase in Auxiliary Operations due to post - COVID-19 campus presence in addition to net cash provided by operating activities. Capital assets, net, decreased by \$2.2 million, a 6% decrease primarily due to annual amortization against the Right of Use Intangible Asset under GASB 87, in addition to annual depreciation of fixed assets. Noncurrent assets decreased by \$220 thousand due reduction of lease receivable – long term under GASB 87.

Liabilities

UAS's liabilities totaled \$35.4 million on June 30, 2023, an increase of \$600 thousand, or 2%, compared to the previous year. The increase was the result of a \$1.7 million increase in unearned revenue primarily due to the Chartwells contract, in addition to \$468 thousand in prepaid grants, offset by \$1.2 million decrease in liabilities related to bond and financing lease obligations related to the Golden Eagle Building under GASB 87.

Net Position

UAS's net position increased by about \$544 thousand 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, 2023
(Unaudited)

Statement of Revenues, Expenses and Change in Net Position

The following table is a summary of UAS's revenues, expenses and change in net position comparing FY 2022-23 with FY 2021-22:

| | <u>FY 2022-23</u> | <u>FY 2021-22</u> | <u>% Change</u> |
|------------------------------------------|----------------------|----------------------|-----------------|
| Operating revenues: | | | |
| Grants and contracts | \$ 23,214,804 | \$ 20,114,337 | 15% |
| Auxiliary activities | 4,986,061 | 2,459,871 | 103% |
| Campus program activities | 2,743,333 | 1,935,952 | 42% |
| Lease income | 1,890,290 | 2,035,227 | -7% |
| Other income | 810,858 | 362,947 | 123% |
| Total operating revenues | <u>33,645,346</u> | <u>26,908,334</u> | 25% |
| Operating expenses: | | | |
| Sponsored programs | 23,706,792 | 22,527,180 | 5% |
| Auxiliary activities | 5,327,249 | 2,073,560 | 157% |
| Campus program activities | 2,665,079 | 1,362,830 | 96% |
| General and administrative | 527,743 | 140,844 | 275% |
| Total operating expenses | <u>32,226,863</u> | <u>26,104,414</u> | 23% |
| Operating income | <u>1,418,483</u> | <u>803,920</u> | 76% |
| Nonoperating revenues (expenses): | | | |
| Interest income | 432,112 | 101,323 | 326% |
| Gain on PPP loan forgiveness | - | 1,548,177 | -100% |
| Interest expense | (657,902) | (703,508) | 6% |
| Other | (648,061) | - | 0% |
| Net nonoperating revenues (expenses) | <u>(873,851)</u> | <u>945,992</u> | 192% |
| Change in net position: | 544,632 | 1,749,912 | -69% |
| Net position - beginning | <u>27,569,235</u> | <u>25,819,323</u> | 7% |
| Net position - ending | <u>\$ 28,113,867</u> | <u>\$ 27,569,235</u> | 2% |

Operating revenues increased by \$6.7 million, or 25%, compared to the previous year. The increase is primarily due to a \$3.1 million increase in grants and contracts revenue, a \$2.5 million increase in auxiliary activity, and an increase of \$807 thousand in campus program activities related to the increase in overall campus activities after COVID-19.

Operating expenses increased by \$6.1 million, or 23%, compared to the previous year. The increase was primarily due to a \$1.1 million increase in sponsored programs, \$3.2 million increase in auxiliary activities, and \$1.3 million increase in campus activities.

Cal State L.A. University Auxiliary Services, Inc.
Management's Discussion and Analysis (Continued)
June 30, 2023
(Unaudited)

Statement of Revenues, Expenses and Change in Net Position (Continued)

Nonoperating activities decreased by \$1.8 million, or 192%, compared to the previous year. The net decrease was due to prior year having a recognition of revenue related to the PPP loan forgiveness of approximately \$1.5 million, whereby no equivalent nonoperating revenue was recognized.

UAS' net position at the end of 2023 reflected a surplus of \$28.1 million, an increase of \$544 thousand from the previous year primarily due to an overall increase in operating revenue.

Capital Assets

Capital assets include land, construction in progress, buildings and improvements, furniture, fixtures and equipment, software, and right of use assets at June 30, 2023. Total capital assets, net decreased by \$2.2 million from the previous year primarily due to \$1.5 million of annual accumulated amortization, a contra account for GE building for Right of Use, under GASB 87 lease standard, in addition to the annual accumulated depreciation of fixed assets for \$894 thousand. See Note 5 for additional information.

Debt Administration

Debt including lease obligations and notes payable totaled \$20.9 million at June 30, 2023, a decrease of \$1 million, or 5%, compared to the previous year. The decrease is due mainly to paydown of principal. 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

Cal State L.A. University Auxiliary Services, Inc.

**Statement of Net Position
June 30, 2023**

| | |
|----------------------------------------------------------------|----------------------|
| Assets | |
| Current assets | |
| Cash and cash equivalents | \$ 15,227,077 |
| Restricted cash and cash equivalents | 7,679,793 |
| Accounts receivable, net | 5,873,076 |
| Lease receivable, current portion | 357,430 |
| Inventory | 26,473 |
| Prepaid expenses and other current assets | <u>188,943</u> |
| Total current assets | <u>29,352,792</u> |
| Capital assets, net | |
| Non-depreciable | 639,000 |
| Depreciable | 19,671,237 |
| Right of use asset | <u>14,057,885</u> |
| Total capital assets, net | <u>34,368,122</u> |
| Noncurrent assets | |
| Lease receivable, net of current portion | <u>3,802,688</u> |
| Total noncurrent assets | <u>3,802,688</u> |
| Total assets | <u>67,523,602</u> |
| Deferred outflows of resources - other postemployment benefits | <u>1,763,789</u> |
| Liabilities | |
| Current liabilities | |
| Accounts payable | 1,682,974 |
| Accrued expenses | 1,213,584 |
| Unearned revenue | 11,206,335 |
| Compensated absences | 401,976 |
| Notes payable, current portion | 226,200 |
| Lease liabilities, current portion | <u>1,269,730</u> |
| Total current liabilities | <u>16,000,799</u> |
| Long-term liabilities | |
| Other postemployment healthcare benefits | 1,033,991 |
| Notes payable, net of current portion | 5,061,102 |
| Lease liabilities, net of current portion | <u>13,304,646</u> |
| Total long-term liabilities | <u>19,399,739</u> |
| Total liabilities | <u>35,400,538</u> |
| Deferred inflows of resources | |
| Leases | 4,005,244 |
| Other postemployment benefits | <u>1,767,742</u> |
| Total deferred inflows of resources | <u>5,772,986</u> |
| Net position | |
| Net investment in capital assets | 10,501,200 |
| Unrestricted | <u>17,612,667</u> |
| Total net position | <u>\$ 28,113,867</u> |

See Notes to 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, 2023

| | |
|----------------------------------|---------------|
| Operating revenues | |
| Grants and contracts | \$ 23,214,804 |
| Auxiliary activities | 4,986,061 |
| Campus program activities | 2,743,333 |
| Lease income | 1,890,290 |
| Other income | 810,858 |
| | <hr/> |
| Total operating revenues | 33,645,346 |
| | <hr/> |
| Operating expenses | |
| Sponsored programs | 23,706,792 |
| Auxiliary activities | 5,327,249 |
| Campus program activities | 2,665,079 |
| General and administrative | 527,743 |
| | <hr/> |
| Total operating expenses | 32,226,863 |
| | <hr/> |
| Operating income | 1,418,483 |
| | <hr/> |
| Nonoperating revenues (expenses) | |
| Interest income | 432,112 |
| Other | (648,061) |
| Interest expense | (657,902) |
| | <hr/> |
| Net nonoperating expenses | (873,851) |
| | <hr/> |
| Change in net position | 544,632 |
| | <hr/> |
| Net position, beginning of year | 27,569,235 |
| | <hr/> |
| Net position, end of year | \$ 28,113,867 |
| | <hr/> |

See Notes to Financial Statements.

Cal State L.A. University Auxiliary Services, Inc.

**Statement of Cash Flows
For the Year Ended June 30, 2023**

| | |
|-----------------------------------------------------------|----------------------|
| Cash flows from operating activities | |
| Federal grants and contracts | \$ 18,256,249 |
| State and local grants and contracts | 1,768,770 |
| Nongovernmental grants and contracts | 5,623,721 |
| Sales and services of educational activities | 2,915,248 |
| Sales and services of auxiliary enterprises | 5,111,955 |
| Other receipts | 2,479,132 |
| Payments to suppliers | (12,979,071) |
| Payments to employees | (15,583,034) |
| Payments to students | <u>(4,262,604)</u> |
| Net cash provided by operating activities | <u>3,330,366</u> |
| Cash flows from capital and related financing activities | |
| Acquisition of capital assets | (100,066) |
| Principal paid on capital debt and leases | (1,448,810) |
| Interest paid on capital debt and leases | <u>(1,322,715)</u> |
| Net cash used in capital and related financing activities | <u>(2,871,591)</u> |
| Cash flows from investing activities | |
| Investment income | <u>432,112</u> |
| Net cash provided by investing activities | <u>432,112</u> |
| Net increase in cash and cash equivalents | 890,887 |
| Cash and cash equivalents - beginning of year | <u>22,015,983</u> |
| Cash and cash equivalents - end of year | <u>\$ 22,906,870</u> |

Cal State L.A. University Auxiliary Services, Inc.

Statement of Cash Flows
For the Year Ended June 30, 2023

| | |
|----------------------------------------------------------------------------------------|---------------------|
| Reconciliation of operating income to net cash provided by operating activities | |
| Operating income | \$ 1,418,483 |
| Adjustments to reconcile operating income to net cash provided by operating activities | |
| Depreciation | 2,387,356 |
| Change in assets and liabilities | |
| Accounts receivable | (994,797) |
| Lease receivable | 804,390 |
| Inventory | (17,150) |
| Prepaid expenses and other current assets | (104,501) |
| Accounts payable | 695,919 |
| Accrued expenses | (1,180,008) |
| Unearned revenue | 2,114,520 |
| Compensated absences | 44,512 |
| Other postemployment healthcare benefits | 393,893 |
| Deferred outflows | (261,102) |
| Deferred inflows | <u>(1,971,149)</u> |
| Net cash provided by operating activities | <u>\$ 3,330,366</u> |

See Notes to Financial Statements.

Cal State L.A. University Auxiliary Services, Inc.

Notes to Financial Statements June 30, 2023

Note 1 - Business and summary of significant accounting policies

Reporting entity

Cal State L.A. University Auxiliary Services, Inc. ("UAS") is a nonprofit California corporation that is an auxiliary organization of California State University, Los Angeles ("University"). UAS assists the University in various activities, including developing and administering research and educational grants and contracts, managing building operations, campus day care center, bookstore, conference events, dining services, University Support Programs, special programs, and other activities.

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 nonoperating 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's 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 nonoperating 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's share in the California State University ("CSU") system's cash and investments pool, which are reported at fair value.

Cal State L.A. University Auxiliary Services, Inc.

Notes to Financial Statements
June 30, 2023

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. Both restricted and unrestricted balances are included in the ending balance of the statement of cash flows. Cash and cash equivalents is composed of the following as of June 30, 2023:

| | |
|-----------------------------------------------------------|----------------------|
| Cash and cash equivalents - unrestricted | \$ 15,227,077 |
| Cash and cash equivalents - restricted for grant purposes | <u>7,679,793</u> |
| | <u>\$ 22,906,870</u> |

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. As of June 30, 2023, the allowance for doubtful accounts and grant claims is \$1,153,566.

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, lease liabilities, 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 versus 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.

Cal State L.A. University Auxiliary Services, Inc.

Notes to Financial Statements
June 30, 2023

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.

Management has analyzed the tax positions taken by UAS and has concluded that, as of June 30, 2023, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Use of estimates

In preparing financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Note 2 - Cash and cash equivalents

Cash and cash equivalents as of June 30, 2023, are composed of the following:

| | |
|---------------------------------------------------|----------------------|
| Cash on hand | \$ 5,425 |
| Cash in banks | 4,533,851 |
| Pooled cash and investments | 6,180,042 |
| State of California, local agency investment fund | <u>12,187,552</u> |
| Total | <u>\$ 22,906,870</u> |

Cash in banks

The *California Government Code* requires California banks and savings and loan associations to secure UAS's 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% 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% 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, 2023, cash held by financial institutions for UAS of \$5,039,824 was insured and collateralized as described above. At June 30, 2023, the book balance for UAS was \$4,533,851, pooled cash and liquid investments was \$6,180,042 and local agency liquid investment funds was \$12,187,552, of which \$7,679,793 was restricted for grants and contracts.

Financial instruments that potentially subject UAS to concentrations of credit risk consist principally of receivables and cash accounts in financial institutions. The total cash balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per institution. As of June 30, 2023, UAS's bank deposits exceeded the balance insured by the FDIC by \$4,789,824. UAS monitors its financial institutions and the concentration of credit risk on a regular basis and does not anticipate nonperformance by the financial institutions.

Cal State L.A. University Auxiliary Services, Inc.

**Notes to Financial Statements
June 30, 2023**

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 \$6,180,042, and represents approximately 0.01% of the Pool as of June 30, 2023. 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's share in the Pool approximates the fair value of the position in the Pool at June 30, 2023.

The Pool is not rated as of June 30, 2023. The weighted average to maturity of the Pool as of June 30, 2023, was 0.5 years. Additional information regarding the interest rate, credit, concentration of credit risks and fair value hierarchy in the Pool can be found in the State of California's system's basic financial statements.

State of California, local agency investment fund

UAS participates in the local agency investment fund pool with the State of California ("LAIF"). Investments are short term and reported at fair value, which was \$12,187,552, and represents less than 0.01% of the LAIF as of June 30, 2023. 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 LAIF, but participates as a shareholder of LAIF, these investments are not individually identifiable and are not included in the leveling hierarchy. The fair value of UAS's share in LAIF approximates the fair value of the position in LAIF at June 30, 2023.

LAIF is not rated as of June 30, 2023. The weighted average to maturity of LAIF as of June 30, 2023, was under one year. Additional information regarding the interest rate, credit, concentration of credit risks and fair value hierarchy in LAIF can be found in the State of California's financial statements.

Note 3 - Accounts receivable

The following is a summary of accounts receivable at June 30, 2023:

| | |
|--------------------------------------------------------|---------------------|
| Grants and contracts (net of allowance of \$1,153,566) | \$ 3,830,535 |
| Due from the Chancellor's Office | 46,641 |
| Due from California State University, Los Angeles | 1,126,262 |
| Other | <u>869,638</u> |
| Total | <u>\$ 5,873,076</u> |

Cal State L.A. University Auxiliary Services, Inc.

**Notes to Financial Statements
June 30, 2023**

Note 4 - Lease receivables

Lease agreements where UAS is the lessor are summarized as follows:

| Description | Lease start date | Lease end date | Payment terms | Interest rate | Payment amount | Lease Receivable June 30, 2023 |
|----------------------------|------------------|-------------------|---------------|---------------|----------------|--------------------------------|
| BioSpace building | June 28, 2022 | April 30, 2024 | Monthly | 0.79% | \$ 14,600 | \$ 142,618 |
| Federal Credit Union Kiosk | August 11, 2015 | May 30, 2025 | Monthly | 0.98% | 1,331 | 32,419 |
| Bank of America ATM | July 10, 2006 | June 30, 2027 | Monthly | 0.28% | 1,087 | 51,884 |
| T-mobile cell tower | June 28, 2022 | November 30, 2040 | Monthly | 1.09% | 5,275 | 1,322,163 |
| AT&T cell tower | October 21, 2012 | August 31, 2037 | Monthly | 0.35% | 5,703 | 1,189,313 |
| Wells Fargo ATM | June 25, 2007 | June 30, 2027 | Monthly | 0.28% | 1,267 | 60,483 |
| Verizon | July 1, 2021 | May 31, 2040 | Monthly | 0.98% | 5,534 | 1,361,238 |
| | | | | | | <u>\$ 4,160,118</u> |

Future payments due to UAS under non-cancelable agreements are as follows for the years ended June 30:

| Year ending June 30, | Principal | Interest | Principal and Interest |
|----------------------|---------------------|-------------------|------------------------|
| 2024 | \$ 357,430 | \$ 32,297 | \$ 389,727 |
| 2025 | 222,857 | 30,200 | 253,057 |
| 2026 | 214,092 | 28,632 | 242,724 |
| 2027 | 222,070 | 27,089 | 249,159 |
| 2028 | 202,017 | 25,517 | 227,534 |
| 2029-2033 | 1,142,058 | 102,187 | 1,244,245 |
| 2034-2038 | 1,309,587 | 52,869 | 1,362,456 |
| 2039-2043 | 490,007 | 6,522 | 496,529 |
| | <u>\$ 4,160,118</u> | <u>\$ 305,313</u> | <u>\$ 4,465,431</u> |

During the year ended June 30, 2023, UAS had lease revenue related to the non-cancelable agreements totaling \$934,183 and interest revenue of \$36,385.

Cal State L.A. University Auxiliary Services, Inc.

**Notes to Financial Statements
June 30, 2023**

Note 5 - Capital assets

The capital assets balance at June 30, 2023, consists of the following activity:

| | <u>Balance July 1, 2022</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance June 30, 2023</u> |
|-------------------------------------------------------------|---------------------------------|-----------------------|------------------|----------------------------------|
| Capital assets, non-depreciable | | | | |
| Land | \$ 639,000 | \$ - | \$ - | \$ 639,000 |
| Total nondepreciable capital assets | <u>639,000</u> | <u>-</u> | <u>-</u> | <u>639,000</u> |
| Capital assets, depreciable | | | | |
| Buildings and building improvements under financed purchase | 22,748,907 | 9,175 | - | 22,758,082 |
| Furniture, fixtures and equipment | 1,281,240 | 90,891 | - | 1,372,131 |
| Software | 16,438 | - | - | 16,438 |
| Total depreciable capital assets | <u>24,046,585</u> | <u>100,066</u> | <u>-</u> | <u>24,146,651</u> |
| Less accumulated depreciation | | | | |
| Buildings and building improvements under financed purchase | (2,745,981) | (756,246) | - | (3,502,227) |
| Furniture, fixtures and equipment | (818,511) | (138,238) | - | (956,749) |
| Software | (16,438) | - | - | (16,438) |
| Total accumulated depreciation | <u>(3,580,930)</u> | <u>(894,484)</u> | <u>-</u> | <u>(4,475,414)</u> |
| Lease assets | | | | |
| Buildings and building improvements under lease | 17,043,630 | - | - | 17,043,630 |
| Total lease assets, being amortized | <u>17,043,630</u> | <u>-</u> | <u>-</u> | <u>17,043,630</u> |
| Less accumulated amortization | | | | |
| Buildings and building improvements under lease | (1,492,873) | (1,492,872) | - | (2,985,745) |
| Total accumulated amortization | <u>(1,492,873)</u> | <u>(1,492,872)</u> | <u>-</u> | <u>(2,985,745)</u> |
| Total lease assets being amortized (net) | <u>15,550,757</u> | <u>(1,492,872)</u> | <u>-</u> | <u>14,057,885</u> |
| Capital assets - net | <u>\$ 36,655,412</u> | <u>\$ (2,287,290)</u> | <u>\$ -</u> | <u>\$ 34,368,122</u> |

For the year ended June 30, 2023, depreciation expense was \$894,484 and amortization expense was \$1,492,872.

Cal State L.A. University Auxiliary Services, Inc.

**Notes to Financial Statements
June 30, 2023**

Note 6 - Accounts payable

The following is a summary of accounts payable at June 30, 2023:

| | |
|-----------------------------------------------------|-----------------------------------|
| Accounts payable to third-party vendors | \$ 1,272,563 |
| Payable to California State University, Los Angeles | <u>410,411</u> |
| Total | <u><u>\$ 1,682,974</u></u> |

Note 7 - Long-term obligations

Long-term obligations activity for the year ended June 30, 2023, is as follows:

| | Balance July 1, 2022 | Increases | Decreases | Balance June 30, 2023 | Due in one year |
|----------------------------------------------------------|-------------------------|-------------------|-----------------------|-----------------------------|---------------------|
| Notes payable | \$ 5,402,400 | \$ - | \$ (221,200) | \$ 5,181,200 | \$ 226,200 |
| Unamortized note premium | 122,855 | - | (16,753) | 106,102 | - |
| Lease liabilities | 15,801,986 | - | (1,227,610) | 14,574,376 | 1,269,730 |
| Other postemployment healthcare benefits (Note 10) | <u>640,098</u> | <u>393,893</u> | <u>-</u> | <u>1,033,991</u> | <u>-</u> |
| | <u>\$ 21,967,339</u> | <u>\$ 393,893</u> | <u>\$ (1,465,563)</u> | 20,895,669 | <u>\$ 1,495,930</u> |
| Less current portion | | | | <u>1,495,930</u> | |
| Total long-term obligation | | | | <u><u>\$ 19,399,739</u></u> | |

Notes payable

University Student Union Note

On April 1, 2008, UAS entered 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 10 years, \$21,200 annually for the remaining four years, and the final payment of \$21,200 on March 30, 2023, the date that the agreement expires. As of June 30, 2023, the outstanding balance was \$21,200, and total principal paid for the year ended June 30, 2023 was \$21,200.

2015 Note with Trustees

On August 1, 2015, the Board of Trustees of the California State University System ("Trustees") issued System wide Revenue Bonds ("SRB"), Series 2015A. UAS simultaneously entered into a note agreement ("2015 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 2015 Note totaled \$915,000 at June 30, 2023, and total principal paid for the year ended June 30, 2023 was \$105,000. The interest rate of the SRB ranges from 2.0% to 5.0% in the next 14 years and total interest expense for the year ended June 30, 2023 was \$46,038. In addition, UAS has deferred note premiums totaling of \$238,730. This balance is amortized over the term of the 2015 Note and, at June 30, 2023, the unamortized premium was \$106,102.

2018 Note with Trustees

On August 2, 2018, the Trustees issued SRB Series 2018AB. UAS simultaneously entered into a note agreement ("2018 Note") with the Trustees and a portion of the SRB, in the amount of

Cal State L.A. University Auxiliary Services, Inc.

**Notes to Financial Statements
June 30, 2023**

\$4,605,000, was issued to UAS to replace the BAN and finance the construction of the Rongxiang Xu Bio Space building. Amounts outstanding under the 2018 Note totaled \$4,245,000 at June 30, 2023. The interest rate of the SRB ranges from 2.00% to 5.00% in the next 30 years and total interest expense for the year ended June 30, 2023 was \$171,836.

The principal maturities of notes payable outstanding as of June 30, 2023, are as follows:

| | University Student Union | | 2015 Note with Trustees | | 2018 Note with Trustees | | Total | |
|------------|--------------------------|-------------|-------------------------|-------------------|-------------------------|---------------------|---------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| At June 30 | | | | | | | | |
| 2024 | \$ 21,200 | \$ - | \$ 110,000 | \$ 41,894 | \$ 95,000 | \$ 169,347 | \$ 226,200 | \$ 211,241 |
| 2025 | - | - | 120,000 | 36,550 | 100,000 | 166,189 | 220,000 | 202,739 |
| 2026 | - | - | 125,000 | 30,875 | 105,000 | 162,757 | 230,000 | 193,632 |
| 2027 | - | - | 130,000 | 24,750 | 110,000 | 159,034 | 240,000 | 183,784 |
| 2028 | - | - | 135,000 | 18,125 | 110,000 | 155,125 | 245,000 | 173,250 |
| 2029-2033 | - | - | 295,000 | 14,875 | 625,000 | 708,941 | 920,000 | 723,816 |
| 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 | - | - | - | - | 260,000 | 5,523 | 260,000 | 5,523 |
| | <u>\$ 21,200</u> | <u>\$ -</u> | <u>\$ 915,000</u> | <u>\$ 167,069</u> | <u>\$ 4,245,000</u> | <u>\$ 2,683,176</u> | <u>\$ 5,181,200</u> | <u>\$ 2,850,245</u> |

Lease liabilities

Lease agreements are summarized as follows:

| Description | Date | Payment terms | Payment amount | Total lease liability | Balance June 30, 2023 |
|-----------------------|--------------|--------------------------|---------------------|-----------------------|-----------------------|
| Golden Eagle building | July 1, 2021 | Semi-Annual through 2032 | \$ 1,269,730 | \$ 17,043,130 | \$ 14,574,376 |
| | | | <u>\$ 1,269,730</u> | <u>\$ 17,043,130</u> | <u>\$ 14,574,376</u> |

In connection with the issuance of the SRB, Series 2005A&B, which was subsequently refinanced by Series 2015 A & B (see below) by the Trustees, UAS agreed to sell, and the Trustees agreed to purchase, all UAS's 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 lease and, at June 30, 2021, the unamortized gain on the sale was \$130,693 and was 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.

On August 1, 2015, the Trustees issued a \$21,435,000 SRB, Series 2015A to UAS to refinance the SRB Series 2005 A & B. The amount of defeased bond outstanding as of date of refunding totaled \$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 \$15,825,000 at June 30,

Cal State L.A. University Auxiliary Services, Inc.

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2021. The interest rate of the SRB ranges from 2.0% to 5.0% in the next 15 years and total interest expense for the year was \$698,929. In addition, UAS has deferred lease premium, totaling \$2,310,122 and deferred gain on refunding of the old lease, totaling \$764,304. These balances were being amortized over the term of the Lease.

UAS implemented GASB Statement No. 87 in fiscal year 2022, which resulted in the lease liabilities and assets at the time of implementation being written off to instead recognize a right of use asset of \$15,550,757 and a lease liability of \$15,801,986 as of June 30, 2022. The interest rate is based on the incremental borrowing rate of 3.00%.

As of June 30, 2023, the net right of use asset is \$14,057,885 and lease liability is \$14,574,376. The amount of the leased asset is \$17,043,630 and accumulated depreciation was \$2,985,745 at June 30, 2023. Amortization expense is included in depreciation expense.

Annual requirements to amortize long-term obligations and related interest are as follows:

| Year ending June 30, | <u>Principal</u> | <u>Interest</u> | <u>Principal and Interest</u> |
|----------------------|----------------------|---------------------|-------------------------------|
| 2024 | \$ 1,269,730 | \$ 422,039 | \$ 1,691,769 |
| 2025 | 1,305,262 | 383,038 | 1,688,300 |
| 2026 | 1,344,672 | 342,903 | 1,687,575 |
| 2027 | 1,385,571 | 301,504 | 1,687,075 |
| 2028 | 1,426,003 | 258,997 | 1,685,000 |
| 2029-2033 | 1,472,283 | 215,223 | 1,687,506 |
| 2034-2038 | 1,525,437 | 169,933 | 1,695,370 |
| 2039-2043 | 1,567,697 | 123,128 | 1,690,825 |
| 2044-2048 | 1,616,680 | 74,820 | 1,691,500 |
| 2049-2053 | 1,661,041 | 25,084 | 1,686,125 |
| | <u>\$ 14,574,376</u> | <u>\$ 2,316,669</u> | <u>\$ 16,891,045</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 May 1, 2021 the agreement was amended for its second term, extending the agreement for a five-year period through March 2027. Before the end of the third term, UAS will be able to submit a proposal to provide future bookstore services. The agreement shall be month to month until the proposal process is complete. 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, Starbucks, Golden Eagle express, and Metro Express Convenience Store, including facilities rental and rental of UAS's leasehold improvements and equipment. Under the terms of the amended agreement, UAS receives predetermined payment to cover utility overhead expenses, a fixed unrestricted contribution to support UAS operations, and a one-time signing bonus to be used at the discretion of UAS, amortized over the term of the 10-year contract. In addition, the Franchisee agreed to design, construct, equip, and install fixtures in the bookstore, Café 47, Café LA/Starbucks and Metro Express Convenience Store. Both the signing bonus and renovation costs were repayable if the agreement had been terminated by UAS prior to March 22, 2022. UAS has various agreements with Franchisees to operate food service units and vending machines on the

Cal State L.A. University Auxiliary Services, Inc.

**Notes to Financial Statements
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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 2027, with most Franchisees renewing under the same terms and conditions, as defined in the agreements. During the year ended June 30, 2023, UAS recognized \$1,502,506 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 21 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% 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, 2023, was \$338,037.

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, 2023, was \$195,475.

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 set to the State 100/90 Annuitant Contribution Rate. The 2023 rates are as follows:

| <u>Coverage level</u> | <u>2023</u> |
|-----------------------|-------------|
| Employee only | \$ 883 |
| Two party | 1,699 |
| Family | 2,124 |

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.

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 through 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.

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UAS's Other Postemployment Healthcare Benefit ("OPEB") Plan is an agent multiple-employer defined benefit healthcare plan administered by CSU Auxiliaries Multiple Employer VEBA Trust ("VEBA"). The purpose of the VEBA is to assist participating CSU System Auxiliaries with the establishment and maintenance of the VEBA for investment of funds to be used for the provision of retiree health and welfare benefits to participating employees. The VEBA 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's plan. Management of the VEBA is vested in the VEBA 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 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's Board of Directors. Currently, UAS's policy is to contribute to the plan on a pay-as-you-go basis. UAS reserves the right at any time or times to discontinue contributions to any extent in its sole judgment. For the year ended June 30, 2023, UAS contributed \$138,359. The contribution consists of \$138,359 representing premium payments on behalf of its retired employees. As of June 30, 2023, the number of active members and retired members and beneficiaries were 39 and 21, respectively.

Cal State L.A. University Auxiliary Services, Inc.

**Notes to Financial Statements
June 30, 2023**

Schedule of changes in net OPEB liability

| | <u>2022</u> |
|---------------------------------------------------------------|----------------------------|
| Total OPEB liability | |
| Service cost | \$ 177,607 |
| Interest on TOL | 220,891 |
| Differences between expected and actual experience | (488,011) |
| Changes of assumptions | - |
| Benefit payments, including refunds of employee contributions | <u>(138,359)</u> |
| Net change in total OPEB liability | (227,872) |
| Total OPEB liability - beginning <a> | <u>3,818,166</u> |
| Total OPEB liability - ending | <u><u>\$ 3,590,294</u></u> |
| Plan fiduciary net position | |
| Contribution - employer | \$ 138,359 |
| Net investment income (loss) | (608,082) |
| Benefit payments, including refunds of employee contributions | (138,359) |
| Administrative expense | <u>(13,683)</u> |
| Net change in Plan fiduciary net position | (621,765) |
| Plan fiduciary net position - beginning <c> | <u>3,178,068</u> |
| Plan fiduciary net position - ending <d> | <u>2,556,303</u> |
| Net OPEB liability - beginning <a> - <c> | <u>640,098</u> |
| Net OPEB liability - ending - <d> | <u><u>\$ 1,033,991</u></u> |

The total OPEB liability was determined by an actuarial valuation as of June 30, 2022 with a measurement date of June 30, 2022 using the following assumptions, applied to all periods included in the measurement, unless otherwise specified.

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Plan fiduciary net position

Detailed information about the plan fiduciary net position as of June 30, 2023 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.

Actuarial methods and assumptions

| | |
|------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Discount rate | 5.75%, based on historic 30 year real rates |
| Net investment return | 5.75% |
| Inflation | 2.50% annual inflation |
| Payroll increases | 2.75% annual increases |
| Baseline cost | Pre-65 Benefit: \$11,179 per year Post-65 Benefit: \$4,811 per year |
| Administrative expenses | \$13,683 for the measurement period ending June 30, 2022 |
| Health plan participation | 100% of eligible participants will participate |
| Percent choosing Medicare Part B reimbursement | 50.00% |
| Retirement | Same rates used in the most recent CalPERS public agency miscellaneous: 2017 CalPERS 2% @ 60 for actives hired before January 1, 2013 2017 CalPERS 2% @ 62 for actives hired on or after January 1, 2013 |
| Actuarial Cost Method | Entry age normal |
| Measurement Date | June 30, 2022 |
| Valuation Date | June 30, 2022 |

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

| <u>Year beginning</u> | <u>Increase in premium rates</u> | |
|-----------------------|----------------------------------|----------------|
| | <u>Pre-65</u> | <u>Post-65</u> |
| 2023 | 4.00% | 4.00% |
| 2024 | 4.00% | 4.00% |
| 2025 | 4.00% | 4.00% |
| 2026 | 4.00% | 4.00% |
| 2027 | 4.00% | 4.00% |
| 2028 | 4.00% | 4.00% |
| 2029 | 4.00% | 4.00% |
| 2030 | 4.00% | 4.00% |
| 2031 and after | 4.00% | 4.00% |

Cal State L.A. University Auxiliary Services, Inc.

**Notes to Financial Statements
June 30, 2023**

Mortality rates used in this valuation are those described in the 2017 CalPERS experience study.

Pre-retirement: CalPERS 2017 mortality

Post-retirement: CalPERS 2017 mortality

| Age | Sample mortality rates | | | |
|-----|------------------------|--------|-------------------|--------|
| | Active employees | | Retired employees | |
| | Male | Female | Male | Female |
| 55 | 0.17% | 0.12% | 0.44% | 0.41% |
| 60 | 0.26% | 0.17% | 0.67% | 0.48% |
| 65 | 0.36% | 0.23% | 0.93% | 0.64% |
| 70 | 0.62% | 0.39% | 1.34% | 0.93% |
| 75 | 1.06% | 0.62% | 2.32% | 1.63% |
| 80 | 1.66% | 0.94% | 3.98% | 3.01% |
| 85 | 0.00% | 0.00% | 7.12% | 5.42% |
| 90 | 0.00% | 0.00% | 13.04% | 10.09% |

Long-term expected rate of return

As of June 30, 2022, the long-term expected rates of return for each major investment class in the VEBA's portfolio are as follows:

| <u>Investment class</u> | <u>Target allocation</u> | <u>Assumed gross return</u> |
|-------------------------|--------------------------|-----------------------------|
| Equity | 10.00% | 7.55% |
| Fixed income | 90.00% | 3.00% |
| | <u>100.00%</u> | |

The above table shows the target asset allocation in 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.

Cal State L.A. University Auxiliary Services, Inc.

**Notes to Financial Statements
June 30, 2023**

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 2.50% inflation rate. Investment expenses were assumed to be 25 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 dates of June 30, 2022 and 2021.

| | <u>June 30, 2022</u> | <u>June 30, 2021</u> |
|-----------------------------|----------------------|----------------------|
| Discount rate | 5.75% | 5.75% |
| Bond Buyer 20-Bond GO Index | 3.54% | 2.16% |

Sensitivity analysis

The following presents UAS's net OPEB liability if it were calculated using a discount rate that is 1% point lower (4.75%) or 1% higher (6.75%) than the current rate.

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

| <u>Discount Rate</u> | | <u>Net OPEB Liability</u> | <u>\$ Change</u> | <u>% Change</u> |
|----------------------|----|-------------------------------|------------------|-----------------|
| +1% | \$ | 641,984 | \$(392,007) | -38% |
| Base | | 1,033,991 | - | - |
| -1% | | 1,510,094 | 476,103 | 46% |

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

| <u>Trend Rate</u> | | <u>Net OPEB Liability</u> | <u>\$ Change</u> | <u>% Change</u> |
|-------------------|----|-------------------------------|------------------|-----------------|
| +1% | \$ | 1,620,954 | \$ 586,963 | 57% |
| Base | | 1,033,991 | - | - |
| -1% | | 568,028 | (465,963) | -45% |

Annual OPEB expense and Net OPEB liability

At June 30, 2023, UAS reported \$1,033,991 for the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2022. UAS's net OPEB liability was based on a projection of UAS's covered employee payroll of \$5,163,796.

Plan Fiduciary Net Position (plan assets) was valued as of the measurement date of June 30, 2022 and the total OPEB liability was determined based upon the actuarial valuation as of June 30, 2022. As of June 30, 2022, the Plan Fiduciary Net Position was \$2,556,303.

For the year ended June 30, 2023, UAS recognized OPEB expense of \$317,925. 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.

Cal State L.A. University Auxiliary Services, Inc.

**Notes to Financial Statements
June 30, 2023**

Deferred outflows/inflows of resources

| | Deferred outflows of resources | Deferred inflows of resources |
|---------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| | <u> </u> | <u> </u> |
| Differences between expected and actual experience in the measurement of the total OPEB liability | \$ 185,389 | \$ (671,584) |
| Changes in assumptions | 107,695 | (1,096,158) |
| Net difference between projected and actual earnings of OPEB plan investments | 339,921 | - |
| Employer contributions made after June 30, 2022 | <u>1,130,784</u> | <u>-</u> |
| Total | <u>\$ 1,763,789</u> | <u>\$ (1,767,742)</u> |

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

| Fiscal year ended <u>June 30, 2023</u> | Deferred outflows/(inflows) of resources |
|-------------------------------------------|------------------------------------------------|
| 2024 | \$ (93,531) |
| 2025 | (99,354) |
| 2026 | (108,536) |
| 2027 | (3,002) |
| 2028 | (161,086) |
| Thereafter | <u>(669,228)</u> |
| Total | <u>\$ (1,134,737)</u> |

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.

Note 11 - Commitments and contingencies

Grants and contracts

Amounts received or claimed 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, 2023.

Litigation

UAS is subject to certain claims that arise out of the normal operations of UAS. In the opinion of management, UAS has sufficient liability insurance to cover any such claims, and these matters will not have a material effect on the financial position of UAS if disposed of unfavorably.

Cal State L.A. University Auxiliary Services, Inc.

**Notes to Financial Statements
June 30, 2023**

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 \$6,922,804 for the year ended June 30, 2023. This amount also included \$1,695,713 of the current year lease and interest expense payments, and \$265,112 for the Rongxiang Xu Bioscience Innovation Center for principal and interest of the current year's balance due to the University.

UAS received \$10,687,543 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.

At June 30, 2023, UAS had outstanding receivables due from the Chancellor's office and the University in the amounts of \$46,641 and \$1,126,262, respectively (see Note 3).

At June 30, 2023, UAS had outstanding payables due to the University in the amount \$410,411 (see Note 6).

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

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 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).

Required Supplementary Information

Cal State L.A. University Auxiliary Services, Inc.

**Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios
June 30, 2023¹
(Unaudited)**

The following reflects changes in net OPEB liability for the measurement periods ending June 30:

| <u>Total OPEB Liability</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|-------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Service cost | \$ 177,607 | \$ 163,134 | \$ 164,529 | \$ 159,350 | \$ 185,403 | \$ 185,403 |
| Interest | 220,891 | 208,237 | 249,976 | 235,823 | 246,773 | 226,162 |
| Differences between expected and actual experience | (488,011) | - | (295,156) | (8,998) | 273,469 | (12,215) |
| Changes of assumptions | - | 126,927 | (709,837) | - | (807,839) | - |
| Benefit payments, including refunds of employee contributions | (138,359) | (138,359) | (76,218) | (63,622) | (45,154) | (66,204) |
| Net change in Total OPEB Liability | (227,872) | 359,939 | (666,706) | 322,553 | (147,348) | 333,146 |
| Total OPEB Liability - beginning <a> | <u>3,818,166</u> | <u>3,458,227</u> | <u>4,124,933</u> | <u>3,802,380</u> | <u>3,949,728</u> | <u>3,616,582</u> |
| Total OPEB Liability - ending | <u>\$ 3,590,294</u> | <u>\$ 3,818,166</u> | <u>\$ 3,458,227</u> | <u>\$ 4,124,933</u> | <u>\$ 3,802,380</u> | <u>\$ 3,949,728</u> |
| <u>Plan Fiduciary Net Position</u> | | | | | | |
| Contribution - employer | \$ 138,359 | \$ 138,359 | \$ 76,218 | \$ 63,622 | \$ 1,545,154 | \$ 816,204 |
| Net investment income (loss) | (608,082) | 678,081 | 99,220 | 110,055 | 66,043 | 17,638 |
| Benefit payments, including refunds of employee contributions | (138,359) | (138,359) | (76,218) | (63,622) | (45,154) | (66,204) |
| Administrative expense | (13,683) | (12,858) | (11,497) | (8,500) | (9,512) | (602) |
| Net change in Plan Fiduciary Net Position | (621,765) | 665,223 | 87,723 | 101,555 | 1,556,531 | 767,036 |
| Plan Fiduciary Net Position - beginning <c> | <u>3,178,068</u> | <u>2,512,845</u> | <u>2,425,122</u> | <u>2,323,567</u> | <u>767,036</u> | <u>-</u> |
| Plan Fiduciary Net Position - ending <d> | <u>2,556,303</u> | <u>3,178,068</u> | <u>2,512,845</u> | <u>2,425,122</u> | <u>2,323,567</u> | <u>767,036</u> |
| Net OPEB Liability - beginning <a> - <c> | 640,098 | 945,382 | 1,699,811 | 1,478,813 | 3,182,692 | 3,616,582 |
| Net OPEB Liability - ending - <d> | <u>\$ 1,033,991</u> | <u>\$ 640,098</u> | <u>\$ 945,382</u> | <u>\$ 1,699,811</u> | <u>\$ 1,478,813</u> | <u>\$ 3,182,692</u> |
| Plan Fiduciary Net Position as a percentage of the Total OPEB Liability | 71% | 83% | 73% | 59% | 61% | 19% |
| Covered-employee payroll | \$ 5,163,796 | \$ 4,509,992 | \$ 3,851,540 | \$ 3,748,457 | \$ 3,914,924 | \$ 5,046,670 |
| Plan Net OPEB Liability as a percentage of covered-employee payroll | 20% | 14% | 25% | 45% | 38% | 63% |

(1) Historical information is required only for measurement periods for which GASB Statement No. 75, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions ("GASB 75") is applicable. Eventually, 10 years of data will be shown.

See Notes to Required Supplementary Information.

Cal State L.A. University Auxiliary Services, Inc.

**Schedule of Other Postemployment Benefits Contributions
June 30, 2023¹
(Unaudited)**

The following reflects the contribution toward the plan during the measurement periods ending June 30:

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|-----------------------------------------------------------|---------------------|---------------------|--------------------|-------------------|-----------------------|---------------------|
| Actuarial determined contributions | \$ - | \$ - | \$ - | \$ 264,778 | \$ 390,272 | \$ 396,944 |
| Contributions to the trust | - | - | - | - | (1,500,000) | (750,000) |
| Pay-go payments by employer unreimbursed by the trust | <u>(138,359)</u> | <u>(138,359)</u> | <u>(76,218)</u> | <u>(63,622)</u> | <u>(45,154)</u> | <u>(66,204)</u> |
| Contribution deficiency (excess) | <u>\$ (138,359)</u> | <u>\$ (138,359)</u> | <u>\$ (76,218)</u> | <u>\$ 201,156</u> | <u>\$ (1,154,882)</u> | <u>\$ (419,260)</u> |
| Covered-employee payroll | \$ 5,163,796 | \$ 4,509,992 | \$ 3,748,457 | \$ 3,914,924 | \$ 5,046,670 | \$ 5,046,670 |
| Contributions as a percentage of covered-employee payroll | 3% | 3% | 2% | 2% | 31% | 16% |

(1) Historical information is required only for measurement periods for which GASB 75 is applicable. Eventually, 10 years of data will be shown.

See Notes to Required Supplementary Information.

Cal State L.A. University Auxiliary Services, Inc.

**Notes to Required Supplementary Information
June 30, 2023
(Unaudited)**

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year ended June 30, 2023, are as follows:

| <u>Valuation date</u> | <u>June 30, 2022</u> |
|------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Discount rate | 5.75%, based on the VEBA Plan Investment Policy |
| Net investment return | 5.75%, based on the VEBA Plan Investment Policy |
| Inflation | 2.50% annual inflation |
| Payroll increases | 2.75% annual increases |
| Baseline cost | Pre-65 Benefit: \$11,179 per year Post-65 Benefit: \$4,811 per year |
| Administrative expenses | \$13,683 for the measurement period ending June 30, 2022 |
| Health plan participation | 100% of eligible participants will participate |
| Percent choosing Medicare Part B reimbursement | 50% |
| Disability | Excluded from valuation due to anticipated low incidence of disability retirements |
| Retirement | Same rates used in the most recent CalPERS Public Agency Miscellaneous: 2017 CalPERS 2% @ 60 for actives hired before January 1, 2013 2017 CalPERS 2% @ 62 for actives hired on or after January 1, 2013 |
| Actuarial cost method | Entry age normal |
| Measurement date | June 30, 2022 |

Cal State L.A. University Auxiliary Services, Inc.

**Notes to Required Supplementary Information
June 30, 2023
(Unaudited)**

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

| <u>Year beginning</u> | <u>Increase in premium rates</u> | |
|-----------------------|----------------------------------|----------------|
| | <u>Pre-65</u> | <u>Post-65</u> |
| 2023 | 4.00% | 4.00% |
| 2024 | 4.00% | 4.00% |
| 2025 | 4.00% | 4.00% |
| 2026 | 4.00% | 4.00% |
| 2027 | 4.00% | 4.00% |
| 2028 | 4.00% | 4.00% |
| 2029 | 4.00% | 4.00% |
| 2030 | 4.00% | 4.00% |
| 2031 and after | 4.00% | 4.00% |

Mortality rates used in this valuation are those described in the 2017 CalPERS experience study.

| <u>Age</u> | <u>Sample mortality rates</u> | | | |
|------------|-------------------------------|---------------|--------------------------|---------------|
| | <u>Active employees</u> | | <u>Retired employees</u> | |
| | <u>Male</u> | <u>Female</u> | <u>Male</u> | <u>Female</u> |
| 55 | 0.17% | 0.12% | 0.44% | 0.41% |
| 60 | 0.26% | 0.17% | 0.67% | 0.48% |
| 65 | 0.36% | 0.23% | 0.93% | 0.64% |
| 70 | 0.62% | 0.39% | 1.34% | 0.93% |
| 75 | 1.06% | 0.62% | 2.32% | 1.63% |
| 80 | 1.66% | 0.94% | 3.98% | 3.01% |
| 85 | 0.00% | 0.00% | 7.12% | 5.42% |
| 90 | 0.00% | 0.00% | 13.04% | 10.09% |

Cal State L.A. University Auxiliary Services, Inc.

**Notes to Required Supplementary Information
June 30, 2023
(Unaudited)**

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year ended June 30, 2022, are as follows:

| <u>Valuation date</u> | <u>June 30, 2021</u> |
|------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Discount rate | 5.75%, based on the VEBA Plan Investment Policy |
| Net investment return | 5.75%, based on the VEBA Plan Investment Policy |
| Inflation | 2.50% annual inflation |
| Payroll increases | 2.75% annual increases |
| Baseline cost | Pre-65 Benefit: \$10,837 per year Post-65 Benefit: \$3,850 per year |
| Administrative expenses | \$12,858 for the measurement period ending June 30, 2021 |
| Health plan participation | 100% of eligible participants will participate |
| Percent choosing Medicare Part B reimbursement | 50% |
| Disability | Excluded from valuation due to anticipated low incidence of disability retirements |
| Retirement | Same rates used in the most recent CalPERS Public Agency Miscellaneous: 2017 CalPERS 2% @ 60 for actives hired before January 1, 2013 2017 CalPERS 2% @ 62 for actives hired on or after January 1, 2013 |
| Actuarial cost method | Entry age normal |
| Measurement date | June 30, 2021 |

Cal State L.A. University Auxiliary Services, Inc.

**Notes to Required Supplementary Information
June 30, 2023
(Unaudited)**

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

| <u>Year beginning</u> | <u>Increase in premium rates</u> | |
|-----------------------|----------------------------------|----------------|
| | <u>Pre-65</u> | <u>Post-65</u> |
| 2022 | 4.00% | 4.00% |
| 2023 | 4.00% | 4.00% |
| 2024 | 4.00% | 4.00% |
| 2025 | 4.00% | 4.00% |
| 2026 | 4.00% | 4.00% |
| 2027 | 4.00% | 4.00% |
| 2028 | 4.00% | 4.00% |
| 2029 | 4.00% | 4.00% |
| 2030 and after | 4.00% | 4.00% |

Mortality rates used in this valuation are those described in the 2017 CalPERS experience study.

| <u>Age</u> | <u>Sample mortality rates</u> | | | |
|------------|-------------------------------|---------------|--------------------------|---------------|
| | <u>Active employees</u> | | <u>Retired employees</u> | |
| | <u>Male</u> | <u>Female</u> | <u>Male</u> | <u>Female</u> |
| 55 | 0.17% | 0.12% | 0.44% | 0.41% |
| 60 | 0.26% | 0.17% | 0.67% | 0.48% |
| 65 | 0.36% | 0.23% | 0.93% | 0.64% |
| 70 | 0.62% | 0.39% | 1.34% | 0.93% |
| 75 | 1.06% | 0.62% | 2.32% | 1.63% |
| 80 | 1.66% | 0.94% | 3.98% | 3.01% |
| 85 | 0.00% | 0.00% | 7.12% | 5.42% |
| 90 | 0.00% | 0.00% | 13.04% | 10.09% |

Supplementary Information

Cal State L.A. University Auxiliary Services, Inc.

Schedule of Net Position Year Ended June 30, 2023 (for inclusion in the California State University)

| | |
|----------------------------------------------------------------------------------|----------------------|
| Assets: | |
| Current assets: | |
| Cash and cash equivalents | \$ 4,539,276 |
| Short-term investments | 18,367,594 |
| Accounts receivable, net | 5,873,076 |
| Lease receivable, current portion | 357,430 |
| P3 receivable, current portion | - |
| Notes receivable, current portion | - |
| Pledges receivable, net | - |
| Prepaid expenses and other current assets | 215,416 |
| Total current assets | 29,352,792 |
| Noncurrent assets: | |
| Restricted cash and cash equivalents | - |
| Accounts receivable, net | - |
| Lease receivable, net of current portion | 3,802,688 |
| P3 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 | 34,368,122 |
| Other assets | - |
| Total noncurrent assets | 38,170,810 |
| Total assets | 67,523,602 |
| Deferred outflows of resources: | |
| Unamortized loss on debt refunding | - |
| Net pension liability | - |
| Net OPEB liability | 1,763,789 |
| Leases | - |
| P3 | - |
| Others | - |
| Total deferred outflows of resources | 1,763,789 |
| Liabilities: | |
| Current liabilities: | |
| Accounts payable | 1,682,974 |
| Accrued salaries and benefits | 1,213,584 |
| Accrued compensated absences, current portion | 401,976 |
| Unearned revenues | 11,206,335 |
| Lease liabilities, current portion | 1,269,730 |
| SBITA liabilities - current portion | - |
| P3 liabilities - current portion | - |
| Long-term debt obligations, current portion | 226,200 |
| Claims liability for losses and loss adjustment expenses, current portion | - |
| Depository accounts | - |
| Other liabilities | - |
| Total current liabilities | 16,000,799 |
| Noncurrent liabilities: | |
| Accrued compensated absences, net of current portion | - |
| Unearned revenues | - |
| Grants refundable | - |
| Lease liabilities, net of current portion | 13,304,646 |
| SBITA liabilities, net of current portion | - |
| P3 liabilities, net of current portion | - |
| Long-term debt obligations, net of current portion | 5,061,102 |
| Claims liability for losses and loss adjustment expenses, net of current portion | - |
| Depository accounts | - |
| Net other postemployment benefits liability | 1,033,991 |
| Net pension liability | - |
| Other liabilities | - |
| Total noncurrent liabilities | 19,399,739 |
| Total liabilities | 35,400,538 |
| Deferred inflows of resources: | |
| P3 service concession arrangements | - |
| Net pension liability | - |
| Net OPEB liability | 1,767,742 |
| Unamortized gain on debt refunding | - |
| Nonexchange transactions | - |
| Lease | 4,005,244 |
| P3 | - |
| Others | - |
| Total deferred inflows of resources | 5,772,986 |
| Net position: | |
| Net investment in capital assets | 10,501,200 |
| Restricted for: | |
| Nonexpendable – endowments | - |
| Expendable: | |
| Scholarships and fellowships | - |
| Research | - |
| Loans | - |
| Capital projects | - |
| Debt service | - |
| Others | - |
| Unrestricted | 17,612,667 |
| Total net position | \$ 28,113,867 |

See Independent Auditor's Report.

Cal State L.A. University Auxiliary Services, Inc.

Schedule of Revenues, Expenses and Changes in Net Position Year Ended June 30, 2023 (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 | 16,178,239 |
| State | 1,690,479 |
| Local | 1,624,093 |
| Nongovernmental | 3,721,993 |
| Sales and services of educational activities | 2,743,333 |
| Sales and services of auxiliary enterprises, gross | 4,986,061 |
| Scholarship allowances (enter as negative) | - |
| Other operating revenues | 2,701,148 |
| Total operating revenues | <u>33,645,346</u> |
| Expenses: | |
| Operating expenses: | |
| Instruction | 11,029,119 |
| Research | - |
| Public service | 1,511,067 |
| Academic support | 2,500,584 |
| Student services | 4,065,618 |
| Institutional support | 259,100 |
| Operation and maintenance of plant | 745,847 |
| Student grants and scholarships | 4,377,275 |
| Auxiliary enterprise expenses | 5,350,897 |
| Depreciation and amortization | 2,387,356 |
| Total operating expenses | <u>32,226,863</u> |
| Operating income (loss) | <u>1,418,483</u> |
| 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 | - |
| Investment income (loss), net | 432,112 |
| Endowment income (loss), net | (657,902) |
| Interest expense | - |
| Other nonoperating revenues (expenses) | (648,061) |
| Net nonoperating revenues (expenses) | <u>(873,851)</u> |
| Income (loss) before other revenues (expenses) | <u>544,632</u> |
| State appropriations, capital | - |
| Grants and gifts, capital | - |
| Additions (reductions) to permanent endowments | - |
| Increase (decrease) in net position | <u>544,632</u> |
| Net position: | |
| Net position at beginning of year, as previously reported | 27,569,235 |
| Restatements | - |
| Net position at beginning of year, as restated | <u>27,569,235</u> |
| Net position at end of year | <u>\$ 28,113,867</u> |

See Independent Auditor's Report.

Cal State L.A. University Auxiliary Services, Inc.

**Other Information
June 30, 2023
(for inclusion in the California State University)**

1 Cash and cash equivalents:

| | | |
|-----------------------------------------------------------------------|-----------|------------------|
| Portion of restricted cash and cash equivalents related to endowments | \$ | - |
| All other restricted cash and cash equivalents | | - |
| Noncurrent restricted cash and cash equivalents | | - |
| Current cash and cash equivalents | | 4,539,276 |
| Total | \$ | 4,539,276 |

2.1 Composition of investments:

| <u>Investment Type</u> | <u>Current</u> | <u>Noncurrent</u> | <u>Total</u> |
|----------------------------------------------------------|----------------------|-------------------|----------------------|
| Money market funds | \$ - | \$ - | \$ - |
| Repurchase agreements | - | - | - |
| Certificates of deposit | - | - | - |
| U.S. agency securities | - | - | - |
| U.S. treasury securities | - | - | - |
| Municipal bonds | - | - | - |
| Corporate bonds | - | - | - |
| Asset-backed securities | - | - | - |
| Mortgage-backed securities | - | - | - |
| Commercial paper | - | - | - |
| Supranational | - | - | - |
| Mutual funds | - | - | - |
| Exchange-traded funds | - | - | - |
| Equity securities | - | - | - |
| Alternative investments: | - | - | - |
| Private equity (including limited partnerships) | - | - | - |
| Hedge funds | - | - | - |
| Managed futures | - | - | - |
| Real estate investments (including REITs) | - | - | - |
| Commodities | - | - | - |
| Derivatives | - | - | - |
| Other alternative investments | - | - | - |
| Other external investment pools | - | - | - |
| CSU Consolidated Investment Pool (formerly SWIFT) | 6,180,042 | - | 6,180,042 |
| State of California Local Agency Investment Fund (LAIF) | 12,187,552 | - | 12,187,552 |
| State of California Surplus Money Investment Fund (SMIF) | - | - | - |
| Other investments: | - | - | - |
| Total other investments | - | - | - |
| Total investments | 18,367,594 | - | 18,367,594 |
| Less endowment investments (enter as negative number) | - | - | - |
| Total investments, net of endowments | \$ 18,367,594 | \$ - | \$ 18,367,594 |

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Cal State L.A. University Auxiliary Services, Inc.

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2.2 Fair value hierarchy in investments:

| Investment Type | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Net Asset Value (NAV) |
|----------------------------------------------------------|----------------------|----------------------------------------------------------------|-----------------------------------------------|-------------------------------------------|-----------------------|
| Money market funds | \$ - | \$ - | \$ - | \$ - | \$ - |
| Repurchase agreements | - | - | - | - | - |
| Certificates of deposit | - | - | - | - | - |
| U.S. agency securities | - | - | - | - | - |
| U.S. treasury securities | - | - | - | - | - |
| Municipal bonds | - | - | - | - | - |
| Corporate bonds | - | - | - | - | - |
| Asset-backed securities | - | - | - | - | - |
| Mortgage-backed securities | - | - | - | - | - |
| Commercial paper | - | - | - | - | - |
| Supranational | - | - | - | - | - |
| Mutual funds | - | - | - | - | - |
| Exchange-traded funds | - | - | - | - | - |
| Equity securities | - | - | - | - | - |
| Alternative investments: | | | | | |
| Private equity (including limited partnerships) | - | - | - | - | - |
| Hedge funds | - | - | - | - | - |
| Managed futures | - | - | - | - | - |
| Real estate investments (including REITs) | - | - | - | - | - |
| Commodities | - | - | - | - | - |
| Derivatives | - | - | - | - | - |
| Other alternative investments | - | - | - | - | - |
| Other external investment pools | - | - | - | - | - |
| CSU Consolidated Investment Pool (formerly SWIFT) | 6,180,042 | - | - | - | 6,180,042 |
| State of California Local Agency Investment Fund (LAIF) | 12,187,552 | - | - | - | 12,187,552 |
| State of California Surplus Money Investment Fund (SMIF) | - | - | - | - | - |
| Other investments: | | | | | |
| Total other investments | - | - | - | - | - |
| Total investments | \$ 18,367,594 | \$ - | \$ - | \$ - | \$ 18,367,594 |

2.3 Investments held by the University under contractual agreements:

| | Current | Noncurrent | Total |
|------------------------------------------------------------------------------------------------------------------------------|--------------|------------|--------------|
| Investments held by the University under contractual agreements e.g. - CSU Consolidated Investment Pool (formerly SWIFT): | \$ 6,180,042 | \$ - | \$ 6,180,042 |

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3.1 Capital Assets, excluding ROU assets:

| <u>Composition of capital assets, excluding ROU assets:</u> | Balance June 30, 2022 | Reclassifications | Prior Period Additions | Prior Period Retirements | Balance June 30, 2022 (Restated) | Additions | Retirements | Transfer of completed CWIP/PWIP | Balance June 30, 2023 |
|-------------------------------------------------------------|--------------------------|-------------------|------------------------|--------------------------|-------------------------------------|---------------------|-------------|------------------------------------|--------------------------|
| Non-depreciable/Non-amortizable capital assets: | | | | | | | | | |
| Land and land improvements | \$ 639,000 | \$ - | \$ - | \$ - | \$ 639,000 | \$ - | \$ - | \$ - | \$ 639,000 |
| Works of art and historical treasures | - | - | - | - | - | - | - | - | - |
| Construction work in progress (CWIP) | - | - | - | - | - | - | - | - | - |
| Intangible assets: | | | | | | | | | |
| Rights and easements | - | - | - | - | - | - | - | - | - |
| Patents, copyrights and trademarks | - | - | - | - | - | - | - | - | - |
| Intangible assets in progress (PWIP) | - | - | - | - | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - | - | - | - | - |
| Other intangible assets: | | | | | | | | | |
| Total Other intangible assets | - | - | - | - | - | - | - | - | - |
| Total intangible assets | - | - | - | - | - | - | - | - | - |
| Total non-depreciable/non-amortizable capital assets | 639,000 | - | - | - | 639,000 | - | - | - | 639,000 |
| Depreciable/Amortizable capital assets: | | | | | | | | | |
| Buildings and building improvements | 22,071,444 | - | - | - | 22,071,444 | 9,175 | - | - | 22,080,619 |
| Improvements, other than buildings | 99,921 | - | - | - | 99,921 | - | - | - | 99,921 |
| Infrastructure | - | - | - | - | - | - | - | - | - |
| Leasehold improvements | 577,542 | - | - | - | 577,542 | - | - | - | 577,542 |
| Personal property: | | | | | | | | | |
| Equipment | 1,281,240 | - | - | - | 1,281,240 | 90,891 | - | - | 1,372,131 |
| Library books and materials | - | - | - | - | - | - | - | - | - |
| Intangible assets: | | | | | | | | | |
| Software and websites | 16,438 | - | - | - | 16,438 | - | - | - | 16,438 |
| Rights and easements | - | - | - | - | - | - | - | - | - |
| Patents, copyrights and trademarks | - | - | - | - | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - | - | - | - | - |
| Other intangible assets: | | | | | | | | | |
| Total Other intangible assets: | - | - | - | - | - | - | - | - | - |
| Total intangible assets | 16,438 | - | - | - | 16,438 | - | - | - | 16,438 |
| Total depreciable/amortizable capital assets | 24,046,585 | - | - | - | 24,046,585 | 100,066 | - | - | 24,146,651 |
| Total capital assets | 24,685,585 | - | - | - | 24,685,585 | 100,066 | - | - | 24,785,651 |
| Less accumulated depreciation/amortization: | | | | | | | | | |
| Buildings and building improvements | (2,080,744) | - | - | - | (2,080,744) | (756,246) | - | - | (2,836,990) |
| Improvements, other than buildings | (87,695) | - | - | - | (87,695) | - | - | - | (87,695) |
| Infrastructure | - | - | - | - | - | - | - | - | - |
| Leasehold improvements | (577,542) | - | - | - | (577,542) | - | - | - | (577,542) |
| Personal property: | | | | | | | | | |
| Equipment | (818,511) | - | - | - | (818,511) | (138,238) | - | - | (956,749) |
| Library books and materials | - | - | - | - | - | - | - | - | - |
| Intangible assets: | | | | | | | | | |
| Software and websites | (16,438) | - | - | - | (16,438) | - | - | - | (16,438) |
| Rights and easements | - | - | - | - | - | - | - | - | - |
| Patents, copyrights and trademarks | - | - | - | - | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - | - | - | - | - |
| Other intangible assets: | | | | | | | | | |
| Total Other intangible assets: | - | - | - | - | - | - | - | - | - |
| Total intangible assets | (16,438) | - | - | - | (16,438) | - | - | - | (16,438) |
| Total accumulated depreciation/amortization | (3,580,930) | - | - | - | (3,580,930) | (894,484) | - | - | (4,475,414) |
| Total capital assets, net excluding ROU assets | \$ 21,104,655 | \$ - | \$ - | \$ - | \$ 21,104,655 | \$ (794,418) | \$ - | \$ - | \$ 20,310,237 |

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Cal State L.A. University Auxiliary Services, Inc.

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Capital Assets, Right of Use

| Composition of capital assets - Lease ROU, net: | Balance June 30, 2022 | Prior Period Reclassifications | Prior Period Additions | Prior Period Reductions | Balance June 30, 2022 (Restated) | Additions | Remeasurements | Reductions | Balance June 30, 2023 |
|-----------------------------------------------------------|----------------------------------|---------------------------------------|-------------------------------|--------------------------------|---------------------------------------------|--------------------|-----------------------|-------------------|----------------------------------|
| Non-depreciable/Non-amortizable lease assets: | | | | | | | | | |
| Land and land improvements | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total non-depreciable/non-amortizable lease assets | - | - | - | - | - | - | - | - | - |
| Depreciable/Amortizable lease assets: | | | | | | | | | |
| Land and land improvements | - | - | - | - | - | - | - | - | - |
| Buildings and building improvements | 17,043,630 | - | - | - | 17,043,630 | - | - | - | 17,043,630 |
| Improvements, other than buildings | - | - | - | - | - | - | - | - | - |
| Infrastructure | - | - | - | - | - | - | - | - | - |
| Personal property: | | | | | | | | | |
| Equipment | - | - | - | - | - | - | - | - | - |
| Total depreciable/amortizable lease assets | 17,043,630 | - | - | - | 17,043,630 | - | - | - | 17,043,630 |
| Less accumulated depreciation/amortization: | | | | | | | | | |
| Land and land improvements | - | - | - | - | - | - | - | - | - |
| Buildings and building improvements | (1,492,873) | - | - | - | (1,492,873) | (1,492,872) | - | - | (2,985,745) |
| Improvements, other than buildings | - | - | - | - | - | - | - | - | - |
| Infrastructure | - | - | - | - | - | - | - | - | - |
| Personal property: | | | | | | | | | |
| Equipment | - | - | - | - | - | - | - | - | - |
| Total accumulated depreciation/amortization | (1,492,873) | - | - | - | (1,492,873) | (1,492,872) | - | - | (2,985,745) |
| Total capital assets - lease ROU, net | 15,550,757 | - | - | - | 15,550,757 | (1,492,872) | - | - | 14,057,885 |

| Composition of capital assets - SBITA ROU, net | Balance June 30, 2022 | Reclassifications | Prior Period Additions | Prior Period Reductions | Balance June 30, 2022 (Restated) | Additions | Remeasurements | Reductions | Balance June 30, 2023 |
|-------------------------------------------------------|----------------------------------|--------------------------|-------------------------------|--------------------------------|---------------------------------------------|------------------|-----------------------|-------------------|----------------------------------|
| Depreciable/Amortizable SBITA assets: | | | | | | | | | |
| Software | - | - | - | - | - | - | - | - | - |
| Total depreciable/amortizable SBITA assets | - | - | - | - | - | - | - | - | - |
| Less accumulated depreciation/amortization: | | | | | | | | | |
| Software | - | - | - | - | - | - | - | - | - |
| Total accumulated depreciation/amortization | - | - | - | - | - | - | - | - | - |
| Total capital assets - SBITA ROU, net | - | - | - | - | - | - | - | - | - |

| Composition of capital assets - P3 ROU, net: | Balance June 30, 2022 | Reclassifications | Prior Period Additions | Prior Period Reductions | Balance June 30, 2022 (Restated) | Additions | Remeasurements | Reductions | Balance June 30, 2023 |
|--------------------------------------------------------|----------------------------------|--------------------------|-------------------------------|--------------------------------|---------------------------------------------|------------------|-----------------------|-------------------|----------------------------------|
| Non-depreciable/Non-amortizable P3 assets: | | | | | | | | | |
| Land and land improvements | - | - | - | - | - | - | - | - | - |
| Total non-depreciable/non-amortizable P3 assets | - | - | - | - | - | - | - | - | - |
| Depreciable/Amortizable P3 assets: | | | | | | | | | |
| Land and land improvements | - | - | - | - | - | - | - | - | - |
| Buildings and building improvements | - | - | - | - | - | - | - | - | - |
| Improvements, other than buildings | - | - | - | - | - | - | - | - | - |
| Infrastructure | - | - | - | - | - | - | - | - | - |
| Personal property: | | | | | | | | | |
| Equipment | - | - | - | - | - | - | - | - | - |
| Total depreciable/amortizable P3 assets | - | - | - | - | - | - | - | - | - |
| Less accumulated depreciation/amortization: | | | | | | | | | |
| Land and land improvements | - | - | - | - | - | - | - | - | - |
| Buildings and building improvements | - | - | - | - | - | - | - | - | - |
| Improvements, other than buildings | - | - | - | - | - | - | - | - | - |
| Infrastructure | - | - | - | - | - | - | - | - | - |
| Personal property: | | | | | | | | | |
| Equipment | - | - | - | - | - | - | - | - | - |
| Total accumulated depreciation/amortization | - | - | - | - | - | - | - | - | - |
| Total capital assets - P3 ROU, net | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

Total capital assets, net including ROU assets

\$ 34,368,122

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3.2 Detail of depreciation and amortization expense:

| | | |
|------------------------------------------------------------------------------|-----------|------------------|
| Depreciation and amortization expense - capital assets, excluding ROU assets | \$ | 894,484 |
| Amortization expense - Leases ROU | | 1,492,872 |
| Amortization expense - SBITA ROU | | - |
| Amortization expense - P3 ROU | | - |
| Depreciation and Amortization expense - Others | | - |
| Total depreciation and amortization | \$ | 2,387,356 |

4 Long-term liabilities:

| | Balance June 30, 2022 | Prior Period Adjustments/Reclassifications | Balance June 30, 2022 (Restated) | Additions | Reductions | Balance June 30, 2023 | Current Portion | Noncurrent Portion |
|-------------------------------------------------------------|--------------------------|-----------------------------------------------|-------------------------------------|-------------|---------------------|--------------------------|-------------------|---------------------|
| 1. Accrued compensated absences | \$ 357,464 | \$ - | \$ 357,464 | \$ 44,512 | \$ - | \$ 401,976 | \$ 401,976 | \$ - |
| 2. Claims liability for losses and loss adjustment expenses | - | - | - | - | - | - | - | - |
| 3. Capital lease obligations (pre-ASC 842): | | | | | | | | |
| Gross balance | - | - | - | - | - | - | - | - |
| Unamortized net premium/(discount) | - | - | - | - | - | - | - | - |
| Total capital lease obligations (pre ASC 842) | - | - | - | - | - | - | - | - |
| 4. Long-term debt obligations: | | | | | | | | |
| 4.1 Auxiliary revenue bonds (non-SRB related) | - | - | - | - | - | - | - | - |
| 4.2 Commercial paper | - | - | - | - | - | - | - | - |
| 4.3 Notes payable (SRB related) | 5,482,855 | (122,855) | 5,360,000 | - | (200,000) | 5,160,000 | 205,000 | 4,955,000 |
| 4.4 Finance purchase of capital assets | - | - | - | - | - | - | - | - |
| 4.5 Others: | | | | | | | | |
| Notes Payable - Student Union | 42,400 | - | 42,400 | - | (21,200) | 21,200 | 21,200 | - |
| Total others | 42,400 | - | 42,400 | - | (21,200) | 21,200 | 21,200 | - |
| Sub-total long-term debt | 5,525,255 | (122,855) | 5,402,400 | - | (221,200) | 5,181,200 | 226,200 | 4,955,000 |
| 4.6 Unamortized net bond premium/(discount) | - | 122,855 | 122,855 | - | (16,753) | 106,102 | - | 106,102 |
| Total long-term debt obligations | \$ 5,525,255 | \$ - | \$ 5,525,255 | \$ - | \$ (237,953) | \$ 5,287,302 | \$ 226,200 | \$ 5,061,102 |

5. Lease, SBITA, P3 liabilities:

| | Balance June 30, 2022 | Prior Period Adjustments/Reclassifications | Additions | Remeasurements | Reductions | Balance June 30, 2023 | Current Portion | Noncurrent Portion |
|-------------------------------------------|--------------------------|-----------------------------------------------|-----------|----------------|--------------------|--------------------------|------------------|--------------------|
| Lease liabilities | 15,801,986 | - | - | - | (1,227,610) | 14,574,376 | 1,269,730 | 13,304,646 |
| SBITA liabilities | - | - | - | - | - | - | - | - |
| P3 liabilities - SCA | - | - | - | - | - | - | - | - |
| P3 liabilities - non-SCA | - | - | - | - | - | - | - | - |
| Sub-total P3 liabilities | - | - | - | - | - | - | - | - |
| Total Lease, SBITA, P3 liabilities | \$ 15,801,986 | - | - | - | (1,227,610) | 14,574,376 | 1,269,730 | 13,304,646 |
| Total long-term liabilities | | | | | | \$ 20,263,654 | 1,897,906 | 18,365,748 |

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5 Future minimum payments schedule - leases, SBTA, P3:

| | Lease Liabilities | | | SBTA liabilities | | | Public-Private or Public-Public Partnerships (P3) | | | Total Leases, SBTA, P3 liabilities | | |
|-------------------------------------------------------------|-------------------|------------------|------------------------|------------------|----------|------------------------|---------------------------------------------------|----------|------------------------|------------------------------------|------------------|------------------------|
| | Principal | Interest | Principal and Interest | Principal | Interest | Principal and Interest | Principal | Interest | Principal and Interest | Principal Only | Interest Only | Principal and Interest |
| Year ending June 30: | | | | | | | | | | | | |
| 2024 | \$ 1,269,730 | \$ 422,039 | \$ 1,691,769 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,269,730 | \$ 422,039 | \$ 1,691,769 |
| 2025 | 1,305,262 | 385,038 | 1,688,300 | - | - | - | - | - | - | 1,305,262 | 385,038 | 1,688,300 |
| 2026 | 1,344,672 | 342,903 | 1,687,575 | - | - | - | - | - | - | 1,344,672 | 342,903 | 1,687,575 |
| 2027 | 1,385,571 | 301,504 | 1,687,075 | - | - | - | - | - | - | 1,385,571 | 301,504 | 1,687,075 |
| 2028 | 1,426,003 | 258,997 | 1,685,000 | - | - | - | - | - | - | 1,426,003 | 258,997 | 1,685,000 |
| 2029 - 2033 | 1,472,283 | 215,223 | 1,687,506 | - | - | - | - | - | - | 1,472,283 | 215,223 | 1,687,506 |
| 2034 - 2038 | 1,525,437 | 169,933 | 1,695,370 | - | - | - | - | - | - | 1,525,437 | 169,933 | 1,695,370 |
| 2039 - 2043 | 1,567,697 | 123,128 | 1,690,825 | - | - | - | - | - | - | 1,567,697 | 123,128 | 1,690,825 |
| 2044 - 2048 | 1,616,680 | 74,820 | 1,691,500 | - | - | - | - | - | - | 1,616,680 | 74,820 | 1,691,500 |
| 2049 - 2053 | 1,661,041 | 25,084 | 1,686,125 | - | - | - | - | - | - | 1,661,041 | 25,084 | 1,686,125 |
| Thereafter | - | - | - | - | - | - | - | - | - | - | - | - |
| Total minimum payments | 14,574,376 | 2,316,669 | 16,891,045 | - | - | - | - | - | - | 14,574,376 | 2,316,669 | 16,891,045 |
| Less: amounts representing interest | | | | | | | | | | | | (2,316,669) |
| Present value of future minimum payments | | | | | | | | | | | | 14,574,376 |
| Total Leases, SBTA, P3 liabilities | | | | | | | | | | | | 14,574,376 |
| Less: current portion | | | | | | | | | | | | (1,269,730) |
| Leases, SBTA, P3 liabilities, net of current portion | | | | | | | | | | | | \$ 13,304,646 |

6 Future minimum payments schedule - Long-term debt obligations:

| | Auxiliary revenue bonds (non-SRB related) | | | All other long-term debt obligations | | | Total long-term debt obligations | | |
|-----------------------------------------------------------|-------------------------------------------|----------|------------------------|--------------------------------------|------------------|------------------------|----------------------------------|------------------|------------------------|
| | Principal | Interest | Principal and Interest | Principal | Interest | Principal and Interest | Principal | Interest | Principal and Interest |
| Year ending June 30: | | | | | | | | | |
| 2024 | \$ - | \$ - | \$ - | 226,200 | 211,241 | 437,441 | 226,200 | 211,241 | 437,441 |
| 2025 | - | - | - | 220,000 | 202,739 | 422,739 | 220,000 | 202,739 | 422,739 |
| 2026 | - | - | - | 230,000 | 193,632 | 423,632 | 230,000 | 193,632 | 423,632 |
| 2027 | - | - | - | 240,000 | 183,784 | 423,784 | 240,000 | 183,784 | 423,784 |
| 2028 | - | - | - | 245,000 | 173,250 | 418,250 | 245,000 | 173,250 | 418,250 |
| 2029 - 2033 | - | - | - | 920,000 | 723,816 | 1,643,816 | 920,000 | 723,816 | 1,643,816 |
| 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 | - | - | - | 260,000 | 5,522 | 265,522 | 260,000 | 5,522 | 265,522 |
| Thereafter | - | - | - | - | - | - | - | - | - |
| Total minimum payments | - | - | - | 5,181,200 | 2,850,244 | 8,031,444 | 5,181,200 | 2,850,244 | 8,031,444 |
| Less: amounts representing interest | | | | | | | | | (2,850,244) |
| Present value of future minimum payments | | | | | | | | | 5,181,200 |
| Unamortized net premium/(discount) | | | | | | | | | 106,102 |
| Total long-term debt obligations | | | | | | | | | 5,287,302 |
| Less: current portion | | | | | | | | | (226,200) |
| Long-term debt obligations, net of current portion | | | | | | | | | \$ 5,061,102 |

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7 Transactions with related entities:

| | |
|--------------------------------------------------------------------------------------------------------------|--------------|
| Payments to University for salaries of University personnel working on contracts, grants, and other programs | \$ 2,645,176 |
| Payments to University for other than salaries of University personnel | 4,277,628 |
| Payments received from University for services, space, and programs | 10,687,543 |
| 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 | (410,411) |
| Other amounts payable to University | - |
| Accounts receivable from University | 1,126,262 |
| Other amounts receivable from University | - |

8 Restatements

| | | |
|----------------|-------------------------------|--------------|
| | | Debit/Credit |
| Restatement #1 | Enter transaction description | |
| | | - |
| Restatement #2 | Enter transaction description | |
| | | - |
| | | \$ - |

9 Natural classifications of operating expenses:

| | Salaries | Benefits - Other | Benefits - Pension | Benefits - OPEB | Scholarships and fellowships | Supplies and other services | Depreciation and amortization | Total operating expenses |
|------------------------------------|----------------------|---------------------|--------------------|-----------------|------------------------------|-----------------------------|-------------------------------|--------------------------|
| Instruction | \$ 5,902,391 | \$ 1,453,733 | \$ 157,705 | \$ 115,488 | \$ - | \$ 3,399,802 | \$ - | \$ 11,029,119 |
| Research | - | - | - | - | - | - | - | - |
| Public service | 267,041 | 24,899 | 7,807 | 6,711 | - | 1,204,609 | - | 1,511,067 |
| Academic support | 1,332,245 | 178,885 | 11,866 | 9,892 | - | 967,696 | - | 2,500,584 |
| Student services | 1,820,530 | 247,658 | 116,436 | 33,141 | - | 1,847,853 | - | 4,065,618 |
| Institutional support | 546,704 | 114,257 | 40,463 | (272,129) | - | (170,195) | - | 259,100 |
| Operation and maintenance of plant | 107,344 | 13,015 | 5,775 | 2,833 | - | 616,880 | - | 745,847 |
| Student grants and scholarships | - | - | - | - | 4,377,275 | - | - | 4,377,275 |
| Auxiliary enterprise expenses | 2,594,392 | 532,915 | 193,460 | 103,874 | - | 1,926,256 | - | 5,350,897 |
| Depreciation and amortization | - | - | - | - | - | - | 2,387,356 | 2,387,356 |
| Total operating expenses | \$ 12,570,647 | \$ 2,565,362 | \$ 533,512 | \$ (190) | \$ 4,377,275 | \$ 9,792,901 | \$ 2,387,356 | \$ 32,226,863 |

10 Deferred outflows/inflows of resources:

1. Deferred Outflows of Resources

| | |
|-------------------------------------------------------|---------------------|
| Deferred outflows - unamortized loss on refunding(s) | \$ - |
| Deferred outflows - net pension liability | - |
| Deferred outflows - net OPEB liability | 1,763,789 |
| Deferred outflows - leases | - |
| Deferred outflows - P3 | - |
| Deferred outflows - others: | |
| Sales/intra-entity transfers of future revenues | - |
| Gain/loss on sale leaseback | - |
| Loan origination fees and costs | - |
| Change in fair value of hedging derivative instrument | - |
| Irrevocable split-interest agreements | - |
| Total deferred outflows - others | - |
| Total deferred outflows of resources | \$ 1,763,789 |

2. Deferred Inflows of Resources

| | |
|----------------------------------------------------------|---------------------|
| Deferred inflows - P3 service concession arrangements | \$ - |
| Deferred inflows - net pension liability | - |
| Deferred inflows - net OPEB liability | 1,767,742 |
| Deferred inflows - unamortized gain on debt refunding(s) | - |
| Deferred inflows - nonexchange transactions | - |
| Deferred inflows - leases | 4,005,244 |
| Deferred inflows - P3 | - |
| Deferred inflows - others: | |
| Sales/intra-entity transfers of future revenues | - |
| Gain/loss on sale leaseback | - |
| Loan origination fees and costs | - |
| Change in fair value of hedging derivative instrument | - |
| Irrevocable split-interest agreements | - |
| Total deferred inflows - others | - |
| Total deferred inflows of resources | \$ 5,772,986 |

11 Other nonoperating revenues (expenses)

| | |
|-----------------------------------------------------|---------------------|
| Other nonoperating revenues | \$ - |
| Other nonoperating (expenses) | (648,061) |
| Total other nonoperating revenues (expenses) | \$ (648,061) |

See Independent Auditor's Report.

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Cal State L.A. University Auxiliary Services, Inc.
(A California State University Auxiliary Organization)

We have audited, 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, the financial statements of the business-type activities of Cal State L.A. University Auxiliary Services, Inc. ("UAS") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Cal State L.A. University Auxiliary Services, Inc.'s basic financial statements, and have issued our report thereon dated September 29, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered UAS's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of UAS's internal control. Accordingly, we do not express an opinion on the effectiveness of UAS's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether UAS's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

Los Angeles, California
September 29, 2023



Independent Member of Nexia International

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