

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

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

June 30, 2020

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.

Report on the Financial Statements

We have audited the accompanying financial statements of Cal State L.A. University Auxiliary Services, Inc., an auxiliary organization of California State University, Los Angeles, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Cal State L.A. University Auxiliary Services, Inc.'s basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cal State L.A. University Auxiliary Services, Inc., as of June 30, 2020, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 7, Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios on page 30, and the Schedule of Other Postemployment Benefits Contributions on page 31, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Cal State L.A. University Auxiliary Services, Inc.'s basic financial statements. The accompanying supplementary information on pages 36 to 43 are 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 are not a required part of the basic financial statements.

The supplementary information 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2020, 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 17, 2020

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

**Management's Discussion and Analysis
June 30, 2020
(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 ("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, 2020. 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 an auxiliary organization of California State University, Los Angeles University.

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

The statement of revenues, expenses and changes in net position presents information showing how UAS'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 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, 2020
(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 2019-20 with FY 2018-19:

	<u>FY2019-20</u>	<u>FY2018-19</u>	<u>% Change</u>
Assets:			
Current assets	\$ 22,294,387	\$ 20,746,298	7%
Capital assets, net	31,561,978	32,330,621	-2%
Total assets	<u>53,856,365</u>	<u>53,076,919</u>	1%
Deferred outflows of resources:	353,974	341,419	4%
Liabilities			
Current liabilities	14,393,426	12,042,856	16%
Long-term liabilities	24,951,453	26,090,767	-5%
Total liabilities	<u>39,344,879</u>	<u>38,133,623</u>	3%
Deferred inflows of resources:	1,412,794	1,512,594	-7%
Net position:			
Net investment in capital assets	5,701,342	5,987,272	-5%
Unrestricted	7,751,324	7,784,849	0%
Total net position	<u>\$ 13,452,666</u>	<u>\$ 13,772,121</u>	-2%

Assets

UAS's assets totaled \$53.9 million on June 30, 2020, an increase of \$0.8 million, or 1%, compared to the previous year. Current assets increased \$1.5 million, or 7%, primarily due to an increase in net cash provided by operating activities. Capital assets, net, decreased by \$0.7 million, a 2% decrease primarily due \$1.5 million in depreciation expense incurred during the fiscal year offset by \$0.8 million in capital additions in construction and equipment.

Liabilities

UAS's liabilities totaled \$39.3 million on June 30, 2020, an increase of \$1.2 million, or 3%, compared to the previous year. The increase was the result of a \$0.4 million increase in accounts payable, and a \$1 million increase in unearned revenue, offset by \$1.3 million decrease in outstanding debt due to payments of principal, and a \$0.5 million decrease in accrued expenses.

Net Position

UAS's net position decreased by \$0.3 million from the previous year, primarily due to the facts described in the following page.

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

Management's Discussion and Analysis (Continued)
June 30, 2020
(Unaudited)

Statement of Revenues, Expenses and Changes in Net Position

The table below is a summary of UAS's revenues, expenses and changes in net position comparing FY 2019-20 with FY 2018-19:

	<u>FY 2019-20</u>	<u>FY 2018-19</u>	<u>% Change</u>
Operating revenues:			
Grants and contracts	\$ 27,452,373	\$ 31,995,500	-14%
Auxiliary activities	3,289,991	4,962,961	-34%
Campus program activities	2,714,758	3,564,601	-24%
Lease income	1,851,498	1,716,217	8%
Other income	101,377	3,946,194	-97%
Total operating revenues	<u>35,409,997</u>	<u>46,185,473</u>	-23%
Operating expenses:			
Sponsored programs	27,164,436	28,770,594	-6%
Auxiliary activities	5,017,883	5,610,306	-11%
Campus program activities	2,589,110	3,377,494	-23%
General and administrative	334,957	151,363	121%
Total operating expenses	<u>35,106,386</u>	<u>37,909,757</u>	-7%
Operating income	<u>303,611</u>	<u>8,275,716</u>	-96%
Nonoperating revenues (expenses):			
Interest income	140,807	112,559	25%
Interest expense	(763,873)	(847,603)	-10%
Loss on retirement of capital assets	<u>-</u>	<u>(9,510)</u>	-100%
Net nonoperating expenses	<u>(623,066)</u>	<u>(744,554)</u>	-16%
Change in net position:	<u>(319,455)</u>	<u>7,531,162</u>	-104%
Net position – beginning	<u>13,772,121</u>	<u>6,240,959</u>	-121%
Net position – ending	<u>\$ 13,452,666</u>	<u>\$ 13,772,121</u>	-2%

Operating revenues decreased by \$10.8 million, or 23%, compared to the previous year. The decrease was primarily due to a \$4.5 million decrease in grants and contracts revenue, \$0.9 million decrease in campus program revenue, \$1.6 million decrease in auxiliary activity related to the COVID-19 pandemic, and \$3.2 million decrease in other income as a result of the one-time receipt of capital contribution of the RongXiang Xu BioSpace building in the prior year.

Cal State L.A. University Auxiliary Services, Inc.
Management's Discussion and Analysis (Continued)
June 30, 2020
(Unaudited)

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

Operating expenses decreased by \$2.8 million, or 7%, compared to the previous year. The decrease was primarily due to a \$1.6 million decrease in sponsored programs, a \$0.6 million decrease in auxiliary services, and a \$0.8 million decrease in campus programs as a result from reduced on-campus activity in response to the COVID-19 pandemic.

Nonoperating expenses decreased by \$0.1 million, or 16%, compared to the previous year. The net decrease was due to a decrease in interest expense for the capital lease obligation and an increase in interest income from the Cal State University investment pool.

UAS's net position at the end of 2020 reflected a surplus of \$13.5 million, a decrease of \$0.3 million from the previous year due to the decreased operating activity during the current fiscal year.

Capital Assets

Capital assets include land, construction in progress, buildings and improvements, furniture, fixtures and equipment, and software at June 30, 2020. Total capital assets net of accumulated depreciation decreased by \$0.7 million from the previous year primarily due \$1.5 depreciation expense partially offset by \$0.8 million in acquisitions in construction in progress and equipment.

Accumulated depreciation increased by \$1.5 million from \$25.3 million to \$26.8 million. See Note 4 for additional information.

Debt Administration

Debt including capital lease obligations and notes payable totaled \$24.4 million at June 30, 2020, a decrease of \$1.3 million, or 5%, compared to the previous year. The decrease is due to principal payments for notes payable and capital lease obligations. See Note 6 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's financial operations and condition. If you have questions about this report or need additional information, you can contact the UAS's 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, 2020**

Assets	
Current assets	
Cash and cash equivalents	\$ 10,892,751
Restricted cash and cash equivalents	3,119,511
Accounts receivable, net	8,268,184
Inventory	10,999
Prepaid expenses and other current assets	<u>2,942</u>
Total current assets	<u>22,294,387</u>
Capital assets, net	
Non-depreciable	15,087,428
Depreciable	<u>16,474,550</u>
Total capital assets, net	<u>31,561,978</u>
Total assets	<u>53,856,365</u>
Deferred outflows of resources - other postemployment benefits	<u>353,974</u>
Liabilities	
Current liabilities	
Accounts payable	3,581,005
Accrued expenses	2,156,469
Unearned revenue	5,737,730
Compensated absences	434,178
Notes payable, current portion	211,200
Capital lease obligation, current portion	985,000
Other current liabilities	<u>1,287,844</u>
Total current liabilities	<u>14,393,426</u>
Long-term liabilities	
Other postemployment healthcare benefits	1,699,811
Notes payable, net of current portion	5,774,961
Capital lease obligation, net of current portion	<u>17,476,681</u>
Total long-term liabilities	<u>24,951,453</u>
Total liabilities	<u>39,344,879</u>
Deferred inflows of resources	
Unamortized gain on sale of property	141,584
Unamortized gain on refunding	549,112
Other postemployment benefits	<u>722,098</u>
Total deferred inflows of resources	<u>1,412,794</u>
Net position	
Net investment in capital assets	5,701,342
Unrestricted	<u>7,751,324</u>
Total net position	<u><u>\$ 13,452,666</u></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, 2020**

Operating revenues	
Grants and contracts	\$ 27,452,373
Auxiliary activities	3,289,991
Campus program activities	2,714,758
Lease income	1,851,498
Other income	<u>101,377</u>
 Total operating revenues	 <u>35,409,997</u>
Operating expenses	
Sponsored programs	27,164,436
Auxiliary activities	5,017,883
Campus program activities	2,589,110
General and administrative	<u>334,957</u>
 Total operating expenses	 <u>35,106,386</u>
 Operating income	 <u>303,611</u>
Nonoperating revenues (expenses)	
Interest income	140,807
Interest expense	<u>(763,873)</u>
 Net nonoperating expenses	 <u>(623,066)</u>
 Change in net position	 <u>(319,455)</u>
Net position, beginning of year	<u>13,772,121</u>
Net position, end of year	<u><u>\$ 13,452,666</u></u>

See Notes to Financial Statements.

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

**Statement of Cash Flows
For the Year Ended June 30, 2020**

Cash flows from operating activities	
Federal grants and contracts	\$ 24,022,159
State and local grants and contracts	934,859
Nongovernmental grants and contracts	3,237,853
Sales and services of educational activities	2,714,758
Sales and services of auxiliary enterprises	6,207,925
Other receipts	101,375
Payments to suppliers	(12,100,977)
Payments to employees	(17,009,015)
Payments to students	<u>(2,994,848)</u>
Net cash provided by operating activities	<u>5,114,089</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	(772,751)
Principal paid on capital debt and leases	(1,151,200)
Interest paid on capital debt and leases	<u>(977,770)</u>
Net cash used in capital and related financing activities	<u>(2,901,721)</u>
Cash flows from investing activities	
Investment income	<u>140,807</u>
Net cash provided by investing activities	<u>140,807</u>
Net increase in cash and cash equivalents	2,353,175
Cash and cash equivalents - beginning of year	<u>11,659,087</u>
Cash and cash equivalents - end of year	<u><u>\$ 14,012,262</u></u>

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

**Statement of Cash Flows
For the Year Ended June 30, 2020**

Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 303,611
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	1,541,394
Change in assets and liabilities	
Accounts receivable	780,972
Inventory	21,429
Prepaid expenses and other current assets	(2,942)
Accounts payable	431,081
Accrued expenses	(534,878)
Unearned revenue	1,022,335
Compensated absences	99,185
Other current liabilities	1,287,844
Other postemployment healthcare benefits	164,058
Net cash provided by operating activities	<u>\$ 5,114,089</u>
Noncash capital and related financing activities	
Amortization of capital lease and note premium	\$ (150,673)
Amortization of gain on refunding	(44,523)
Amortization of gain on sale of property	(10,891)

See Notes to Financial Statements.

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

**Notes to Financial Statements
June 30, 2020**

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, 2020**

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, 2020.

Cash and cash equivalents - unrestricted	\$ 10,892,751
Cash and cash equivalents - restricted for grant purposes	<u>3,119,511</u>
	<u>\$ 14,012,262</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, 2020, the allowance for doubtful account is \$246,901.

Capital assets

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

Components of net position

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

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

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

Policy regarding use of restricted 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, 2020**

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

Use of estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Note 2 - Cash and cash equivalents

Cash and cash equivalents as of June 30, 2020, are composed of the following:

Cash on hand	\$ 5,215
Cash in banks	8,064,019
Pooled cash and investments	<u>5,943,028</u>
Total	<u><u>\$ 14,012,262</u></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, 2020, cash held by financial institutions for UAS of \$11,304,889 was entirely insured and collateralized as described above. The book balance at June 30, 2020 for UAS was \$8,064,019, of which \$3,119,511 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, 2020, UAS's bank deposits exceeded the balance insured by the FDIC by \$10,804,889. 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, 2020**

Pooled cash and investments in the California State University System

UAS participates in the CSU investment pool (the "Pool") managed by U.S. Bank, an asset management and investment advisory firm that serves the CSU. Securities within the investment pool that are not insured are held in the name of CSU. Such short-term investments are reported at fair value, which was \$5,943,028, and represents approximately 0.1% of the Pool as of June 30, 2020. 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, 2020.

The Pool is not rated as of June 30, 2020. The weighted average to maturity of the Pool as of June 30, 2020 was 0.9 years. Additional information regarding the interest rate, credit, concentration of credit risks and fair value hierarchy in the Pool can be found in the notes to the California State University system's basic financial statements.

Note 3 - Accounts receivable

The following is a summary of accounts receivable at June 30, 2020:

Grants and contracts (net of allowance of \$246,901)	\$	7,769,631
Due from the Chancellor's Office		86,666
Due from California State University, Los Angeles		27,560
Other		<u>384,327</u>
Total	\$	<u><u>8,268,184</u></u>

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

**Notes to Financial Statements
June 30, 2020**

Note 4 - Capital assets

The capital assets balance at June 30, 2020, consists of the following activity:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Capital assets, non-depreciable				
Land	\$ 639,000	\$ -	\$ -	\$ 639,000
Construction in progress	13,986,099	664,396	(202,067)	14,448,428
Total nondepreciable capital assets	14,625,099	664,396	(202,067)	15,087,428
Capital assets, depreciable				
Buildings and building improvements under capital lease	32,523,741	-	-	32,523,741
Furniture, fixtures and equipment	10,418,472	310,422	(6,882)	10,722,012
Software	95,724	-	-	95,724
Total depreciable capital assets	43,037,937	310,422	(6,882)	43,341,477
Less accumulated depreciation				
Buildings and building improvements under capital lease	(16,521,914)	(1,117,524)	-	(17,639,438)
Furniture, fixtures and equipment	(8,716,457)	(422,750)	6,882	(9,132,325)
Software	(94,044)	(1,120)	-	(95,164)
Total accumulated depreciation	(25,332,415)	(1,541,394)	6,882	(26,866,927)
Capital assets, depreciable (net)	17,705,522	(1,230,972)	-	16,474,550
Capital assets - net	\$ 32,330,621	\$ (566,576)	\$ (202,067)	\$ 31,561,978

Depreciation expense for the year ended June 30, 2020 was \$1,541,394.

Note 5 - Accounts payable

The following is a summary of accounts payable at June 30, 2020:

Accounts payable to third-party vendors	\$ 2,785,808
Payable to California State University, Los Angeles	795,197
Total	<u>\$ 3,581,005</u>

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

**Notes to Financial Statements
June 30, 2020**

Note 6 - Long-term obligations

Long-term obligations activity for the year ended June 30, 2020, is as follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Due in one year
Compensated absences	\$ 348,433	\$ 482,076	\$ (396,331)	\$ 434,178	\$ 434,178
Notes payable	6,031,000	-	(201,200)	5,829,800	211,200
Unamortized note premium	173,114	-	(16,753)	156,361	-
Capital lease obligation	17,760,000	-	(950,000)	16,810,000	985,000
Unamortized capital lease premium	1,785,600	-	(133,919)	1,651,681	-
Other postemployment healthcare benefits (Note 9)	1,478,813	220,998	-	1,699,811	-
	<u>\$ 27,576,960</u>	<u>\$ 703,074</u>	<u>\$ (1,698,203)</u>	26,581,831	<u>\$ 1,630,378</u>
Less current portion				<u>1,630,378</u>	
Total long-term obligation				<u>\$ 24,951,453</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 31, 2023, the date that the agreement expires. As of June 30, 2020, the outstanding balance was \$84,800, and total principal paid for the year ended June 30, 2020 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 Note totaled \$1,225,000 at June 30, 2020, and total principal paid for the year ended June 30, 2020 was \$95,000. 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, 2020 was \$58,238. 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, 2020, the unamortized premium was \$156,361.

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 \$4,605,000, was issued to UAS to replace the BAN and finance the construction of the Rong Xiang Xu Bio Space building. Amounts outstanding under the 2018 Note totaled \$4,520,000 at June 30, 2020. 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, 2020 was \$179,669.

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

**Notes to Financial Statements
June 30, 2020**

The principal maturities of notes payable outstanding as of June 30, 2020, 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								
2021	\$ 21,200	\$ -	\$ 100,000	\$ 55,438	\$ 90,000	\$ 177,714	\$ 211,200	\$ 233,152
2022	21,200	-	105,000	51,613	90,000	175,112	216,200	226,725
2023	21,200	-	105,000	46,838	95,000	172,320	221,200	219,158
2024	21,200	-	110,000	41,893	95,000	169,347	226,200	211,240
2025	-	-	120,000	36,550	100,000	166,189	220,000	202,739
2026-2030	-	-	685,000	88,624	560,000	774,650	1,245,000	863,274
2031-2035	-	-	-	-	675,000	658,621	675,000	658,621
2036-2040	-	-	-	-	825,000	509,958	825,000	509,958
2041-2045	-	-	-	-	1,010,000	319,025	1,010,000	319,025
2046-2050	-	-	-	-	980,000	85,387	980,000	85,387
	<u>\$ 84,800</u>	<u>\$ -</u>	<u>\$ 1,225,000</u>	<u>\$ 320,956</u>	<u>\$ 4,520,000</u>	<u>\$ 3,208,323</u>	<u>\$ 5,829,800</u>	<u>\$ 3,529,279</u>

Capital Lease Obligation

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 capital lease and, at June 30, 2020, the unamortized gain on the sale was \$141,584 and is classified as deferred inflows of resources. The Lease contains certain restrictive covenants including restrictions on the issuance of debt, budget goals, and minimum net income available for debt service and tax code compliance requirements.

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 total \$23,270,000. The refinancing resulted in an economic gain (difference between net present values of the debt service payments on the old lease and new lease) of approximately \$3,892,000. In connection with the SRB, UAS renewed the Lease simultaneously with the Trustees through November 1, 2032. Amounts outstanding under the new lease totaled \$16,810,000 at June 30, 2020. 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 \$731,846. In addition, UAS has deferred capital lease premium, totaling of \$2,310,122 and deferred gain on refunding of the old lease, totaling of \$764,304. These balances will be amortized over the term of the Lease and, at June 30, 2020, the unamortized premium and gain on refunding were \$1,651,681 and \$549,112, respectively. The gain on refunding is classified as a deferred inflow of resources.

The amount of the leased asset is \$29,351,562 and accumulated depreciation was \$15,963,130 at June 30, 2020. Amortization expense is included in depreciation expense.

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

**Notes to Financial Statements
June 30, 2020**

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

Year ending June 30	
2021	\$ 1,688,762
2022	1,695,713
2023	1,687,463
2024	1,691,769
2025	1,688,300
2026 - 2030	8,442,526
2031 - 2035	<u>5,068,450</u>
Total minimum lease payments	21,962,983
Less amount representing interest	<u>(5,152,983)</u>
Present value of future minimum lease payments	<u><u>\$ 16,810,000</u></u>

MUFG Union Bank loan

In conjunction with the Coronavirus Aid, Relief, and Economic Security ("CARES") Act being passed by Congress in March 2020, UAS applied for a Small Business Administration ("SBA") loan as outlined in the Small Business Debt Relief Program. This program provides immediate relief to small business with non-disaster SBA loans. On May 1, 2020, the Small Business Administration approved a loan amount of \$1,287,844, for the UAS, which is included in other current liabilities. The loan has a two-year maturity and includes a fixed interest rate of 1% per year until the maturity date.

Note 7 - Franchise of bookstore and food service

UAS has entered into a qualified management agreement with an unrelated corporation (the Franchisee) under which UAS transferred management responsibilities to the bookstore. On March 22, 2012, the agreement was amended, extending the agreement for a five-year period through March 2017, with an automatic renew option through 2022. Under the agreement, the Franchisee receives a predetermined fixed fee, and a lump-sum incentive award when a specific gross revenue is reached for each contract year. The predetermined fixed fee is designed to cover management costs incurred for the bookstore, Café 47, Starbucks, Golden Eagle express, and Metro Express Convenience Store, including facilities rental and rental of UAS's leasehold improvements and equipment. During the year ended June 30, 2020, UAS recognized gross income of \$681,587 relating to this agreement. 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 are repayable should the agreement be terminated by UAS prior to March 22, 2022. UAS has various agreements with Franchisees to operate food service units and vending machines on the University campus. Under the terms of the agreements, UAS is to receive a predetermined percentage of total net sales. The agreements expire on various dates through 2022, with most Franchisees renewing under the same terms and conditions, as defined in the agreements. During the year ended June 30, 2020, UAS

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

**Notes to Financial Statements
June 30, 2020**

recognized \$728,466 in commission income from net sales. The commission income is included in revenue from auxiliary activities.

Note 8 - 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, 2020, was \$383,240.

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, 2020, was \$229,001.

Note 9 - 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 2020 rates are as follows:

<u>Coverage level</u>	<u>2020</u>
Employee only	\$ 767
Two party	1,461
Family	1,868

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.

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

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

**Notes to Financial Statements
June 30, 2020**

("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 reserve the right at any time or times to discontinue contributions to any extent in its sole judgment. For the year ended June 30, 2019, UAS contributed \$93,815. The contribution consists of \$93,815 representing premium payments on behalf of its retired employees. As of June 30, 2020, the number of active members and retired members and beneficiaries were 80 and 20, respectively.

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

**Notes to Financial Statements
June 30, 2020**

Schedule of changes in net OPEB liability

	2019	2018
Total OPEB liability		
Service cost	\$ 159,350	\$ 185,403
Interest	235,823	246,773
Differences between expected and actual experience	(8,998)	273,469
Changes of assumptions	-	(807,839)
Benefit payments, including refunds of employee contributions	<u>(63,622)</u>	<u>(45,154)</u>
Net change in total OPEB liability	322,553	(147,348)
Total OPEB liability - beginning <a>	<u>3,802,380</u>	<u>3,949,728</u>
Total OPEB liability - ending 	<u><u>\$ 4,124,933</u></u>	<u><u>\$ 3,802,380</u></u>
Plan fiduciary net position		
Contribution - employer	\$ 63,622	\$ 1,545,154
Net investment income	110,055	66,043
Benefit payments, including refunds of employee contributions	(63,622)	(45,154)
Administrative expense	<u>(8,500)</u>	<u>(9,512)</u>
Net change in Plan fiduciary net position	101,555	1,556,531
Plan Plan fiduciary net position - beginning <c>	<u>2,323,567</u>	<u>767,036</u>
Plan Plan fiduciary net position - ending <d>	<u>2,425,122</u>	<u>2,323,567</u>
Net OPEB liability - beginning <a> - <c>	<u>1,478,813</u>	<u>3,182,692</u>
Net OPEB liability - ending - <d>	<u><u>\$ 1,699,811</u></u>	<u><u>\$ 1,478,813</u></u>

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018 with a measurement date of June 30, 2019 using the following assumptions, applied to all periods included in the measurement, unless otherwise specified.

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

**Notes to Financial Statements
June 30, 2020**

Plan fiduciary net position

Detailed information about the plan fiduciary net position as of June 30, 2020 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	6.00%, based on the VEBA Plan Investment Policy
Net investment return	6.00%, based on the VEBA Plan Investment Policy
Inflation	2.26% annual inflation
Payroll increases	3.25% annual increases
Baseline cost	Pre-Medicare: \$6,781 per year Post-Medicare: \$2,374 per year
Administrative expenses	\$8,500 for the measurement period ending June 30, 2019
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: 2% @ 60 for actives hired before January 1, 2013 2% @ 62 for actives hired on or after January 1, 2013
Actuarial Cost Method	Entry age normal
Measurement Date	June 30, 2019
Valuation Date	June 30, 2018. Results have been rolled forward (an actuarial adjustment) to June 30, 2019

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>
2020	6.80%	5.00%
2021	6.55%	5.00%
2022	6.30%	5.00%
2023	6.05%	5.00%
2024	5.80%	5.00%
2025	5.55%	5.00%
2026	5.30%	5.00%
2027	5.05%	5.00%
2028 and after	5.00%	5.00%

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

**Notes to Financial Statements
June 30, 2020**

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, 2019, the long-term expected rates of return for each major investment class in the VEBA's portfolio are as follows:

Investment class	Target allocation	Strategy expected real rate of return*	Secular expected real rate of return*
Equity	43.00%	3.59%	6.78%
REITs	7.00%	2.80%	5.30%
Fixed income	50.00%	0.80%	2.60%
	<u>100.00%</u>		

* Morgan Stanley Wealth Management Global Investment Committee/
Special Report capital market assumptions (expected inflation of 2.26%).

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, 2020**

The arithmetic long-term expected real rates of return by asset class shown above is for the next 10 years. For the years thereafter, returns were based on historical average index real returns over the last 30 years assuming a similar equity/fixed investment mix and a 2.26% inflation rate. Investment expenses were assumed to be 10 basis points per year. These returns were matched with cash flows for benefits covered by plan assets and the Bond Buyer 20-Bond General Obligation ("GO") index was matched with cash flows not covered by plan assets to measure the reasonableness of the choice in discount rate. Below are the discount rates used and the Bond Buyer 20-Bond GO Index as of measurement dates of June 30, 2019 and 2018.

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Discount rate	6.00%	6.00%
Bond Buyer 20-Bond GO Index	3.50%	3.87%

Sensitivity analysis

The following presents UAS's net OPEB liability if it were calculated using a discount rate that is 1% point lower (5.00%) or 1% higher (7.00%) than the current rate.

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%	\$ 1,075,681	\$ (624,130)	-37%
Base	1,699,811	-	-
-1%	2,485,073	785,262	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%	\$ 2,671,523	\$ 971,712	57%
Base	1,699,811	-	-
-1%	968,188	(731,623)	-43%

Annual OPEB expense and Net OPEB liability

At June 30, 2020, UAS reported \$1,699,811 for the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2019. UAS's net OPEB liability was based on a projection of UAS's covered employee payroll of \$3,748,457.

Plan Fiduciary Net Position (plan assets) was valued as of the measurement date of June 30, 2019 and the total OPEB liability was determined based upon the actuarial valuation as of June 30, 2019. As of June 30, 2019, the Plan Fiduciary Net Position was \$2,425,122.

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

**Notes to Financial Statements
June 30, 2020**

For the year ended June 30, 2020, UAS recognized OPEB expense of \$240,275. OPEB expense represents the change in the net OPEB liability during the measurement period, adjusted for service cost, interest on the total OPEB liability, expected investment return, net of investment expense, and the deferred recognition of changes in investment gains and losses, actuarial assumptions or methods, and plan benefits.

Deferred outflows/inflows of resources

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience in the measurement of the total OPEB liability	\$ 238,237	\$ 18,335
Changes in assumptions	-	703,763
Net difference between projected and actual earnings of OPEB plan investments	39,519	-
Contribution to OPEB plan after measurement date	76,218	-
Total	<u>\$ 353,974</u>	<u>\$ 722,098</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 June 30, 2020	Deferred outflows/(inflows) of resources
2021	\$ (24,235)
2022	(24,234)
2023	(25,136)
2024	(29,948)
2025	(35,768)
Thereafter	<u>(305,021)</u>
Total	<u>\$ (444,342)</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 10 - 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, 2020.

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

**Notes to Financial Statements
June 30, 2020**

Coronavirus

In December 2019, a novel strain of the coronavirus (COVID-19) was reported. On March 11, 2020, the World Health Organization declared the COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closures. As a result of mandates issued by government officials, the campus of California State University, Los Angeles and the University Auxiliary Services, Inc. transitioned to virtual learning and programming in late March 2020. While the disruption is expected to be temporary, there is considerable uncertainty around the duration of this disruption. Therefore, while UAS expects this matter to continue to temporarily impact the UAS's financial condition, the extent of the financial impact and duration cannot be reasonably estimated at this time.

Note 11 - 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 \$9,748,960 for the year ended June 30, 2020. This amount also included \$1,688,638 of the current year capital lease and interest expense payments, and \$265,016 for the Rongxiang Xu Bioscience Innovation Center for principal and interest of current year's balance due to the University.

UAS received \$4,604,596 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, 2020, UAS had outstanding receivables due from the Chancellor's office and the University in the amounts of \$86,666 and \$27,560, respectively (see Note 3).

At June 30, 2020, UAS had outstanding payables due to the University in the amount \$795,197 (see Note 5).

In August 2015, UAS participated in the SRB program to refinance the UAS Golden Eagle Building Facility and the Television Film Media Studio building. A capitalized ground lease agreement and a note agreement exist between the CSU Trustees, the University and UAS ending November, 2032 and November 2029, respectively (see Note 6).

In April 2008, UAS entered an interest-free note payable with the USU, an affiliate, for borrowing up to \$490,000 (see Note 6).

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, 2020¹
(Unaudited)**

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability			
Service cost	\$ 159,350	\$ 185,403	\$ 185,403
Interest	235,823	246,773	226,162
Differences between expected and actual experience	(8,998)	273,469	(12,215)
Changes of assumptions	-	(807,839)	-
Benefit payments, including refunds of employee contributions	<u>(63,622)</u>	<u>(45,154)</u>	<u>(66,204)</u>
Net change in total OPEB liability	322,553	(147,348)	333,146
Total OPEB liability - beginning <a>	<u>3,802,380</u>	<u>3,949,728</u>	<u>3,616,582</u>
Total OPEB liability - ending 	<u><u>\$ 4,124,933</u></u>	<u><u>\$ 3,802,380</u></u>	<u><u>\$ 3,949,728</u></u>
Plan fiduciary net position			
Contribution - employer	\$ 63,622	\$ 1,545,154	\$ 816,204
Net investment income	110,055	66,043	17,638
Benefit payments, including refunds of employee contributions	(63,622)	(45,154)	(66,204)
Administrative expense	<u>(8,500)</u>	<u>(9,512)</u>	<u>(602)</u>
Net change in Plan fiduciary net position	101,555	1,556,531	767,036
Plan Plan fiduciary net position - beginning <c>	<u>2,323,567</u>	<u>767,036</u>	<u>-</u>
Plan Plan fiduciary net position - ending <d>	<u>2,425,122</u>	<u>2,323,567</u>	<u>767,036</u>
Net OPEB liability - beginning <a> - <c>	<u>1,478,813</u>	<u>3,182,692</u>	<u>3,182,692</u>
Net OPEB liability - ending - <d>	<u><u>\$ 1,699,811</u></u>	<u><u>\$ 1,478,813</u></u>	<u><u>\$ 3,182,692</u></u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	59%	61%	19%
Covered-employee payroll	\$ 3,748,457	\$ 3,914,924	\$ 5,046,670
Plan Net OPEB Liability as a percentage of covered-employee payroll	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.

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

Schedule of Other Postemployment Benefits Contributions
June 30, 2020¹
(Unaudited)

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

	<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>(63,622)</u>	<u>(45,154)</u>	<u>(66,204)</u>
Contribution deficiency (excess)	<u>\$ 201,156</u>	<u>\$ (1,154,882)</u>	<u>\$ (419,260)</u>
Covered-employee payroll	\$ 3,748,457	\$ 3,914,924	\$ 5,046,670
Contributions as a percentage of covered-employee payroll	2%	39%	16%

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

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

**Notes to Required Supplementary Information
June 30, 2020
(Unaudited)**

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year ending June 30, 2020, are as follows:

<u>Valuation date</u>	<u>June 30, 2019</u>
Discount rate	6.00%, based on the VEBA Plan Investment Policy
Net investment return	6.00%, based on the VEBA Plan Investment Policy
Inflation	2.26% annual inflation
Payroll increases	3.25% annual increases
Baseline cost	Pre-Medicare: \$6,781 per year Post-Medicare: \$2,374 per year
Administrative expenses	\$8,500 for the measurement period ending June 30, 2019
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: 2% @ 60 for actives hired before January 1, 2013 2% @ 62 for actives hired on or after January 1, 2013
Actuarial cost method	Entry age normal
Measurement date	June 30, 2019

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>
2020	6.80%	5.00%
2021	6.55%	5.00%
2022	6.30%	5.00%
2023	6.05%	5.00%
2024	5.80%	5.00%
2025	5.55%	5.00%
2026	5.30%	5.00%
2027	5.05%	5.00%
2028 and after	5.00%	5.00%

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

**Notes to Required Supplementary Information
June 30, 2020
(Unaudited)**

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%

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year ending June 30, 2019, are as follows:

Valuation date	June 30, 2018
Discount rate	6.00%, based on the VEBA Plan Investment Policy
Net investment Return	6.00%, based on the VEBA Plan Investment Policy
Inflation	2.26% annual inflation
Payroll increases	3.25% annual increases
Baseline cost	Pre-Medicare: \$6,781 per year Post-Medicare: \$2,374 per year
Administrative expenses	\$9,512 for the measurement period ending June 30, 2018
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: 2% @ 60 for actives hired before January 1, 2013 2% @ 62 for actives hired on or after January 1, 2013
Actuarial cost method	Entry age normal
Measurement date	June 30, 2018

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

**Notes to Required Supplementary Information
June 30, 2020
(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>
2020	6.80%	5.00%
2021	6.55%	5.00%
2022	6.30%	5.00%
2023	6.05%	5.00%
2024	5.80%	5.00%
2025	5.55%	5.00%
2026	5.30%	5.00%
2027	5.05%	5.00%
2028 and after	5.00%	5.00%

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

<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, 2020 (for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 4,949,723
Short-term investments	5,943,028
Accounts receivable, net	8,268,184
Capital lease receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	-
Prepaid expenses and other current assets	13,941
Total current assets	19,174,876
Noncurrent assets:	
Restricted cash and cash equivalents	3,119,511
Accounts receivable, net	-
Capital lease receivable, net of current portion	-
Notes receivable, net of current portion	-
Student loans receivable, net	-
Pledges receivable, net	-
Endowment investments	-
Other long-term investments	-
Capital assets, net	31,561,978
Other assets	-
Total noncurrent assets	34,681,489
Total assets	53,856,365
Deferred outflows of resources:	
Unamortized loss on debt refunding	-
Net pension liability	-
Net OPEB liability	353,974
Others	-
Total deferred outflows of resources	353,974
Liabilities:	
Current liabilities:	
Accounts payable	4,649,109
Accrued salaries and benefits	1,088,365
Accrued compensated absences, current portion	434,178
Unearned revenues	5,737,730
Capital lease obligations, current portion	985,000
Long-term debt obligations, current portion	211,200
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	1,287,844
Total current liabilities	14,393,426
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	-
Unearned revenues	-
Grants refundable	-
Capital lease obligations, net of current portion	17,476,681
Long-term debt obligations, net of current portion	5,774,961
Claims liability for losses and loss adjustment expenses, net of current portion	-
Depository accounts	-
Net other postemployment benefits liability	1,699,811
Net pension liability	-
Other liabilities	-
Total noncurrent liabilities	24,951,453
Total liabilities	39,344,879
Deferred inflows of resources:	
Service concession arrangements	-
Net pension liability	-
Net OPEB liability	722,098
Unamortized gain on debt refunding	549,112
Nonexchange transactions	-
Others	141,584
Total deferred inflows of resources	1,412,794
Net position:	
Net investment in capital assets	5,701,342
Restricted for:	
Nonexpendable – endowments	-
Expendable:	
Scholarships and fellowships	-
Research	-
Loans	-
Capital projects	-
Debt service	-
Others	-
Unrestricted	7,751,324
Total net position	\$ 13,452,666

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, 2020 (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	23,279,662
State	934,858
Local	1,351,937
Nongovernmental	1,885,916
Sales and services of educational activities	4,566,256
Sales and services of auxiliary enterprises, gross	3,289,991
Scholarship allowances (enter as negative)	-
Other operating revenues	101,377
Total operating revenues	35,409,997
Expenses:	
Operating expenses:	
Instruction	11,436,428
Research	-
Public service	1,273,456
Academic support	8,295,141
Student services	1,946,241
Institutional support	1,017,200
Operation and maintenance of plant	524,973
Student grants and scholarships	4,479,890
Auxiliary enterprise expenses	4,591,665
Depreciation and amortization	1,541,392
Total operating expenses	35,106,386
Operating income (loss)	303,611
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	140,807
Endowment income (loss), net	-
Interest expense	(763,873)
Other nonoperating revenues (expenses) - excl. interagency transfers	-
Net nonoperating revenues (expenses)	(623,066)
Income (loss) before other revenues (expenses)	(319,455)
Other revenues (expenses):	
State appropriations, capital	-
Grants and gifts, capital	-
Additions (reductions) to permanent endowments	-
Increase (decrease) in net position	(319,455)
Net position:	
Net position at beginning of year, as previously reported	13,772,121
Restatements	-
Net position at beginning of year, as restated	13,772,121
Net position at end of year	\$ 13,452,666

See Independent Auditor's Report.

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

Other Information Year Ended June 30, 2020 (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	\$ 3,119,511
Noncurrent restricted cash and cash equivalents	3,119,511
Current cash and cash equivalents	4,949,722
Total	\$ 8,069,233

2.1 Composition of investments:

Investment Type	Current	Noncurrent	Fair Value
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	-	-	-
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 investment	-	-	-
Other external investment pools	5,943,028	-	5,943,028
CSU Consolidated Investment Pool (formerly SWIFT)	-	-	-
State of California Local Agency Investment Fund (LAIF)	-	-	-
State of California Surplus Money Investment Fund (SMIF)	-	-	-
Other investments:	-	-	-
Total Other investments	-	-	-
Total investments	5,943,028	-	5,943,028
Less endowment investments (enter as negative number)		-	-
Total investments, net of endowments	\$ 5,943,028	\$ -	\$ 5,943,028

See Independent Auditor's Report.

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

Other Information Year Ended June 30, 2020 (for inclusion in the California State University)

2.2 Fair value hierarchy in investments:

Investment Type	Fair Value	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	-	-	-	-	-
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 investment	-	-	-	-	-
Other external investment pools	5,943,028	-	-	-	5,943,028
CSU Consolidated Investment Pool (formerly SWIFT)	-	-	-	-	-
State of California Local Agency Investment Fund (LAIF)	-	-	-	-	-
State of California Surplus Money Investment Fund (SMIF)	-	-	-	-	-
Other investments:	-	-	-	-	-
Total Other investments	\$ -	-	-	-	-
Total investments	\$ 5,943,028	\$ -	\$ -	\$ -	\$ 5,943,028

2.3 Investments held by the University under contractual agreements:

Instruction: Amounts should agree with University's investments held on behalf of Discretely Presented Component Units.

	Current	Noncurrent	Total
Investments held by the University under contractual agreements e.g - CSU Consolidated Investment Pool (formerly SWIFT):	\$ 5,943,028	\$ -	\$ 5,943,028

See Independent Auditor's Report.

Other Information
Year Ended June 30, 2020
(for inclusion in the California State University)

	Balance June 30, 2019	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2019 (Restated)	Additions	Retirements	Transfer of completed CWIP/PWIP	Balance June 30, 2020
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)	13,986,099				13,986,099	462,329			14,448,428
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	\$ 14,625,099	-	-	-	\$ 14,625,099	462,329	-	-	\$ 15,087,428
Depreciable/Amortizable capital assets:									
Buildings and building improvements	\$ 31,846,278				\$ 31,846,278			\$ -	31,846,278
Improvements, other than buildings	99,921				99,921				99,921
Infrastructure									
Leasehold improvements	577,542				577,542				577,542
Personal property:									
Equipment	10,418,472				10,418,472	310,422	(6,882)		10,722,012
Library books and materials	-				-				-
Intangible assets:									
Software and websites	95,724				95,724				95,724
Rights and easements					-				-
Patents, copyrights and trademarks					-				-
Licenses and permits					-				-
Other intangible assets:					-				-
					-				-
					-				-
					-				-
					-				-
Total Other intangible assets:	-	-	-	-	-	-	-	-	-
Total intangible assets	95,724	-	-	-	95,724	-	-	-	95,724
Total depreciable/amortizable capital assets	43,037,937	-	-	-	43,037,937	310,422	(6,882)	-	43,341,477
Total capital assets	\$ 57,663,036	-	-	-	\$ 57,663,036	772,751.0	(6,882.0)	-	\$ 58,428,905
Less accumulated depreciation/amortization: (enter as negative number, except for reductions enter as positive number)									
Buildings and building improvements	(15,890,438)				(15,890,438)	(1,117,298)			(17,007,736)
Improvements, other than buildings	(54,165)				(54,165)	(226)			(54,391)
Infrastructure					-				-
Leasehold improvements	(577,311)				(577,311)				(577,311)
Personal property:									
Equipment	(8,716,457)				(8,716,457)	(422,750)	6,882		(9,132,325)
Library books and materials	-				-				-
Intangible assets:									
Software and websites	(94,044)				(94,044)	(1,120)			(95,164)
Rights and easements					-				-
Patents, copyrights and trademarks					-				-
Licenses and permits					-				-
Other intangible assets:					-				-
					-				-
					-				-
					-				-
					-				-
Total Other intangible assets:	-	-	-	-	-	-	-	-	-
Total intangible assets	(94,044)	-	-	-	(94,044)	(1,120)	-	-	(95,164)
Total accumulated depreciation/amortization	(25,332,415)	-	-	-	(25,332,415)	(1,541,394)	6,882		

S	1,541,394
S	1,541,394

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

Other Information Year Ended June 30, 2020 (for inclusion in the California State University)

4 Long-term liabilities:

	Balance June 30, 2019	Prior Period Adjustments/Reclassifications	Balance June 30, 2019 (Restated)	Additions	Reductions	Balance June 30, 2020	Current Portion	Noncurrent Portion
1. Accrued compensated absences	\$ 348,432		\$ 348,432	\$ 482,076	\$ (396,330)	\$ 434,178	\$ 381,537	\$ 52,641
2. Claims liability for losses and loss adjustment expenses	-		-			-		-
3. Capital lease obligations:								
Gross balance	17,760,001		17,760,001		(950,000)	16,810,001	985,000	15,825,001
Unamortized net premium/(discount)	1,785,600		1,785,600		(133,920)	1,651,680	-	1,651,680
Total capital lease obligations	19,545,601	-	19,545,601	-	(1,083,920)	18,461,681	985,000	17,476,681
4. Long-term debt obligations:								
4.1 Auxiliary revenue bonds (non-SRB related)	5,925,000		5,925,000		(180,000)	5,745,000	190,000	5,555,000
4.2 Commercial paper	-		-			-		-
4.3 Notes payable (SRB related)	-		-			-		-
4.4 Others:								
Note Payable - University Student Union	106,000		106,000		(21,200)	84,800	21,200	63,600
	-		-			-		-
	-		-			-		-
	-		-			-		-
Total others	106,000	-	106,000	-	(21,200)	84,800	21,200	63,600
Sub-total long-term debt	6,031,000	-	6,031,000	-	(201,200)	5,829,800	211,200	5,618,600
4.5 Unamortized net bond premium/(discount)	173,114		173,114		(16,753)	156,361	-	156,361
Total long-term debt obligations	6,204,114	-	6,204,114	-	(217,953)	5,986,161	211,200	5,774,961
Total long-term liabilities	\$ 26,098,147	\$ -	\$ 26,098,147	\$ 482,076	\$ (1,698,203)	\$ 24,882,020	\$ 1,577,737	\$ 23,304,283

5 Capital lease obligations schedule:

	Capital lease obligations related to SRB			All other capital lease obligations			Total capital lease obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2021	\$ 985,000	\$ 703,763	\$ 1,688,763	\$ -	\$ -	\$ -	\$ 985,000	\$ 703,763	\$ 1,688,763
2022	1,030,001	665,713	1,695,714	-	-	-	1,030,001	665,713	1,695,714
2023	1,070,000	617,463	1,687,463	-	-	-	1,070,000	617,463	1,687,463
2024	1,125,000	566,769	1,691,769	-	-	-	1,125,000	566,769	1,691,769
2025	1,175,000	513,300	1,688,300	-	-	-	1,175,000	513,300	1,688,300
2026 - 2030	6,710,000	1,732,526	8,442,526	-	-	-	6,710,000	1,732,526	8,442,526
2031 - 2035	4,715,000	353,450	5,068,450	-	-	-	4,715,000	353,450	5,068,450
2036 - 2040	-	-	-	-	-	-	-	-	-
2041 - 2045	-	-	-	-	-	-	-	-	-
2046 - 2050	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-
Total minimum lease payments	\$ 16,810,001	\$ 5,152,984	\$ 21,962,985	\$ -	\$ -	\$ -	\$ 16,810,001	\$ 5,152,984	\$ 21,962,985
Less: amounts representing interest									(5,152,984)
Present value of future minimum lease payments									16,810,001
Unamortized net premium/(discount)									1,651,680
Total capital lease obligations									18,461,681
Less: current portion									(985,000)
Capital lease obligations, net of current portion									\$ 17,476,681

See Independent Auditor's Report.

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

Other Information Year Ended June 30, 2020 (for inclusion in the California State University)

6 Long-term debt obligations schedule:

	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:									
2021	\$ 190,000	\$ 233,152	\$ 423,152	\$ 21,200	\$ 21,200	\$ 42,400	\$ 211,200	\$ 233,152	\$ 444,352
2022	195,000	226,725	421,725	21,200	21,200	42,400	216,200	226,725	442,925
2023	200,000	219,157	419,157	21,200	21,200	42,400	221,200	219,157	440,357
2024	205,000	211,241	416,241	21,200	21,200	42,400	226,200	211,241	437,441
2025	220,000	202,739	422,739	-	-	-	220,000	202,739	422,739
2026 - 2030	1,245,000	863,275	2,108,275	-	-	-	1,245,000	863,275	2,108,275
2031 - 2035	675,000	658,621	1,333,621	-	-	-	675,000	658,621	1,333,621
2036 - 2040	825,000	509,958	1,334,958	-	-	-	825,000	509,958	1,334,958
2041 - 2045	1,010,000	319,025	1,329,025	-	-	-	1,010,000	319,025	1,329,025
2046 - 2050	980,000	85,385	1,065,385	-	-	-	980,000	85,385	1,065,385
Thereafter	-	-	-	-	-	-	-	-	-
Total minimum payments	\$ 5,745,000	\$ 3,529,278	\$ 9,274,278	\$ 84,800	\$ -	\$ 84,800	\$ 5,829,800	\$ 3,529,278	\$ 9,359,078
Less: amounts representing interest									(3,529,278)
Present value of future minimum payments									5,829,800
Unamortized net premium/(discount)									156,361
Total long-term debt obligations									5,986,161
Less: current portion									(211,200)
Long-term debt obligations, net of current portion									\$ 5,774,961.00

7 Transactions with related entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs

Payments to University for other than salaries of University personnel 11,702,614

Payments received from University for services, space, and programs 4,604,596

Gifts-in-kind to the University from discretely presented component units

Gifts (cash or assets) to the University from discretely presented component units

Accounts (payable to) University (enter as negative number) (795,197)

Other amounts (payable to) University (enter as negative number)

Accounts receivable from University (enter as positive number) 27,560

Other amounts receivable from University (enter as positive number)

See Independent Auditor's Report.

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

Other Information Year Ended June 30, 2020 (for inclusion in the California State University)

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	\$ 6,474,279	\$ 1,468,292	\$ 143,258	\$ 98,997		\$ 3,246,498		\$ 11,431,324
Research	-	-	-	-		-		-
Public service	593,917	102,939	24,029	16,843		535,728		1,273,456
Academic support	2,377,769	438,947	82,452	36,260		5,359,713		8,295,141
Student services	1,016,573	255,270	83,161	22,597		568,640		1,946,241
Institutional support	505,265	138,217	53,231	(17,326)		337,813		1,017,200
Operation and maintenance of plant	87,466	11,489	9,282	2,370		414,366		524,973
Student grants and scholarships					4,479,890			4,479,890
Auxiliary enterprise expenses	2,355,004	651,988	216,828	80,534		1,287,311		4,591,665
Depreciation and amortization							1,541,394	1,541,394
Total operating expenses	\$ 13,410,273	\$ 3,067,142	\$ 612,241	\$ 240,275	\$ 4,479,890	\$ 11,750,069	\$ 1,541,394	\$ 35,101,284

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	353,974
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

-
\$ 353,974

2. Deferred Inflows of Resources

Deferred inflows - service concession arrangements	\$ -
Deferred inflows - net pension liability	
Deferred inflows - net OPEB liability	722,098
Deferred inflows - unamortized gain on debt refunding(s)	549,112
Deferred inflows - nonexchange transactions	
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	
Unamortized gain on sale of property	141,584

Total deferred inflows - others

Total deferred inflows of resources

141,584
\$ 1,412,794

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.

We have audited, in accordance with the 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 Cal State L.A. University Auxiliary Services, Inc. (UAS), which comprise the statement of net position as of June 30, 2020, and the related statements of revenues, expenses and change in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 17, 2020.

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 may exist that have not been identified.

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 17, 2020



Independent Member of Nexia International

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