

UNIVERSITY ENTERPRISES CORPORATION AT CSUSB

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2018

UNIVERSITY ENTERPRISES CORPORATION AT CSUSB

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UNIVERSITY ENTERPRISES CORPORATION AT CSUSB

BOARD OF DIRECTORS AS OF JUNE 30, 2018

OFFICERS

Tomas Morales, Chief Executive Officer
Ed Teyber, Chair
Vallerie Zellmer, Vice Chair
Douglas Freer, Secretary/Treasurer

BOARD MEMBERS

Teyber	Ed	Board Chair; Director (Community)
Zellmer	Valerie	Board Vice-Chair; Director (Community)
Freer	Douglas	Director; Board Secretary/Treasurer
Chen-Maynard	Dorothy	Director (Community)
Davalos	Andrea	Director (Student); ASI President
Fremont	Ron	Director; CSUSB VP of Advancement
Haynes	Brian	Director; CSUSB VP of Student Affairs
McMahon	Shari	Director (Faculty)
Mendoza	Josephine	Director (Faculty)
Morales	Tomas	Director; Board Chief Executive Officer
Reyes	Chad	Director (Student); ASI
Serhan	Yusra	Director (Student); ASI
Sirotnik	Barbara	Director (Faculty)
Sorenson	Jennifer	Director (Faculty)
Sudhakar	Sam	Director; CSUSB VP of Information Technology Services
Tooke	William	Director (Community)



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To the Board of Directors of
University Enterprises Corporation at CSUSB
San Bernardino, California

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of University Enterprises Corporation at CSUSB (UEC) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statement of activities, statement of expenses by natural classification, and statement of cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

PARTNERS

Brenda L. Odle, CPA, MST
Terry P. Shea, CPA
Kirk A. Franks, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Bradferd A. Welebir, CPA, MBA, CGMA
Jay H. Zercher, CPA (Partner Emeritus)
Phillip H. Waller, CPA (Partner Emeritus)

MANAGERS / STAFF

Jenny Liu, CPA, MST
Seong-Hyea Lee, CPA, MBA
Charles De Simoni, CPA
Gardenya Duran, CPA
Brianna Schultz, CPA
Lisa Dongxue Guo, CPA, MSA
Samuel Singery, CPA
Jing Wu, CPA



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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 UEC as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the UEC's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 18, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and supplementary information are presented for additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 14, 2018, on our consideration of UEC'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UEC's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
September 14, 2018

UNIVERSITY ENTERPRISES CORPORATION AT CSUSB
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 2,305,875	\$ 3,273,399
Short-term investments	8,357,184	9,365,125
Grants receivable	8,642,571	6,637,053
Other receivables	335,148	279,070
Prepaid expenses	80,324	4,474
Property, plant and equipment, net	2,920,540	2,285,647
Total assets	\$ 22,641,642	\$ 21,844,768
LIABILITIES		
Accounts payable	\$ 1,204,540	\$ 1,975,853
Accrued wages and benefits	648,519	676,485
Accrued vacation	390,481	274,353
Other accrued liabilities	2,376,374	1,286,988
Deferred revenue	4,369,961	5,569,439
Post-employment medical benefits	3,611,418	4,885,151
Liabilities for pension benefits	2,358,921	2,706,456
Total liabilities	14,960,214	17,374,725
NET ASSETS		
Unrestricted	7,404,795	4,193,410
Temporarily restricted	276,633	276,633
Total net assets	7,681,428	4,470,043
Total liabilities and net assets	\$ 22,641,642	\$ 21,844,768

The accompanying notes are an integral part of these financial statements.

UNIVERSITY ENTERPRISES CORPORATION AT CSUSB
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	Unrestricted	Temporarily restricted	2018 Total	2017 Total
REVENUES				
Commissions	\$ 1,120,867	\$ -	\$ 1,120,867	\$ 776,280
Grants and contracts	32,585,331	-	32,585,331	27,260,902
Special programs	742,616	-	742,616	651,655
Parent fees	289,021	-	289,021	217,122
Investment income	110,466	-	110,466	226,748
Gain/Loss on disposal of asset	-	-	-	(4,336)
Unrealized gain (loss) on investments	6,824	-	6,824	92,684
Realized gain (loss) on investments	2,466	-	2,466	(11,159)
Miscellaneous income	1,061,337	-	1,061,337	310,325
Contract settlements	468,036	-	468,036	108,007
Restrictions released	-	-	-	-
Total revenues from operations	<u>36,386,964</u>	<u>-</u>	<u>36,386,964</u>	<u>29,628,228</u>
Transfers from University/Other Auxiliary Organizations	<u>766,882</u>	<u>-</u>	<u>766,882</u>	<u>746,771</u>
Total revenues	<u>37,153,846</u>	<u>-</u>	<u>37,153,846</u>	<u>30,374,999</u>
 EXPENSES				
Program expenses:				
Grants and contracts	32,985,447	-	32,985,447	27,264,012
Miscellaneous support services	1,005,179	-	1,005,179	887,950
Management and general	<u>853,283</u>	<u>-</u>	<u>853,283</u>	<u>769,531</u>
Total program and general expenses	<u>34,843,909</u>	<u>-</u>	<u>34,843,909</u>	<u>28,921,493</u>
 CHANGES IN NET ASSETS FROM PROGRAM ACTIVITIES				
	<u>2,309,937</u>	<u>-</u>	<u>2,309,937</u>	<u>1,453,506</u>
 OTHER ADJUSTMENTS				
Transfers to				
University/Other Auxiliary Organizations	371,019	-	371,019	3,846,121
Net change in pension liability valuation	(347,533)	-	(347,533)	86,210
Net change in OPEB liability valuation	<u>(924,934)</u>	<u>-</u>	<u>(924,934)</u>	<u>(1,461,958)</u>
Total other adjustments	<u>(901,448)</u>	<u>-</u>	<u>(901,448)</u>	<u>2,470,373</u>
 CHANGES IN NET ASSETS INCLUDING OTHER ADJUSTMENTS				
	3,211,385	-	3,211,385	(1,016,867)
 NET ASSETS, beginning of year				
	<u>4,193,410</u>	<u>276,633</u>	<u>4,470,043</u>	<u>5,486,910</u>
 NET ASSETS, end of year				
	<u>\$ 7,404,795</u>	<u>\$ 276,633</u>	<u>\$ 7,681,428</u>	<u>\$ 4,470,043</u>

The accompanying notes are an integral part of these financial statements.

UNIVERSITY ENTERPRISES CORPORATION AT CSUSB
STATEMENT OF EXPENSES BY NATURAL CLASSIFICATION
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018	2017
Salaries	\$ 14,667,958	\$ 14,087,765
Employee benefits	4,019,167	2,282,301
Administrative costs	22,010	38,212
Bad debts	275	-
Bank and credit fees	6,204	5,009
Small equipment purchases	1,196,032	261,052
Conferences and meetings	44,537	87,773
Contract services	3,510,940	2,984,727
Cost of goods sold	48,151	43,778
Depreciation	368,097	344,597
Direct student services	279	658
Dues, memberships and subscriptions	24,861	24,118
Food	44,869	25,815
Honoraria	8,651	23,977
Insurance	87,770	84,417
Licenses and permits	12,777	16,954
Other expenses	525,217	385,010
Postage	6,786	9,847
Printing	57,816	68,513
Professional development and training	101,557	89,697
Professional fees	92,866	44,411
Public relations	18,805	30,523
Rental, equipment and space	1,014,709	680,654
Repairs	393,452	342,001
Stipends, room and board	6,252,713	4,908,511
Supplies	1,419,227	1,206,349
Travel	724,361	672,077
Utilities and telephone	173,822	168,373
Vehicle expenses	-	4,374
	\$ 34,843,909	\$ 28,921,493
Total program and general expenses		

The accompanying notes are an integral part of these financial statements.

UNIVERSITY ENTERPRISES CORPORATION AT CSUSB
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 3,211,385	\$ (1,016,867)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	368,097	344,597
Unrealized (gain) loss on investments	(6,824)	(92,685)
(Increase) decrease in:		
Grants receivable	(2,005,518)	(312,400)
Other receivables	(56,078)	209,698
Prepaid expenses	(75,850)	14,474
Increase (decrease) in:		
Accounts payable	(771,313)	863,192
Accrued wages and benefits	(27,966)	173,456
Accrued vacation	116,128	(40,897)
Other accrued liabilities	1,089,386	(308,488)
Deferred revenue	(1,199,478)	391,894
Post-employment medical benefits	(1,273,733)	(1,461,958)
Actuarial pension related items	(347,535)	(671,186)
Liabilities to beneficiaries	-	(1,628,969)
	(4,190,684)	(2,519,272)
Net cash used by operating activities	(979,299)	(3,536,139)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments related to the construction of capital assets	(347,838)	(18,278)
Payments related to the acquisition of capital assets	(628,766)	(140,003)
Purchase/sale of investments	988,379	6,029,700
Net cash provided by investing activities	11,775	5,871,419
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(967,524)	2,335,280
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,273,399	938,119
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,305,875	\$ 3,273,399

The accompanying notes are an integral part of these financial statements.

UNIVERSITY ENTERPRISES CORPORATION AT CSUSB
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

The Foundation was created on July 31, 1962 as the San Bernardino-Riverside State College Foundation pursuant to the general Non-Profit Corporation Laws of the State of California. On October 30, 1984, the name of the Corporation was changed to The Foundation for California State University, San Bernardino (The Foundation). On July 1, 2011, the name of the Corporation was changed to University Enterprises Corporation at CSUSB (UEC). At that time all endowment and gift assets, with the exception of charitable remainder trusts set up with the UEC acting as trustee, were transferred to the newly created Philanthropic Foundation. The UEC was organized to promote and assist education, administration and related services of the California State University, San Bernardino. The UEC operates as an auxiliary organization of the California State University, San Bernardino (University) under an operating agreement with the Trustees of the California State University (Trustees) which expires December 31, 2020.

Major Program Services

The UEC's major program services include:

Grants and Contracts, which includes the operation and administration of externally funded projects in support of the instructional, research and public functions of the University.

Child Care, consisting of the operation of the on-campus Child Care Center.

Commercial Operations, consisting of vending and contract oversight of campus bookstore and dining service operations.

Estimates

The preparation of these financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Accordingly, actual results could differ from those estimates. Management also determines the accounting principles to be used in the preparation of the financial statements. A description of the significant accounting policies employed in the preparation of these financial statements follows.

Basis of Accounting and Presentation

The financial statements of the UEC have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205. Accordingly, information regarding financial position and activities are reported according to two classes of net assets: unrestricted net assets that are not subject to donor-imposed restrictions and may be designated for specific purposes by action of the Board of Trustees, and temporarily restricted net assets whose use by the UEC is subject to donor-imposed restrictions that can be fulfilled by actions of the UEC or that expire by the passage of time.

UNIVERSITY ENTERPRISES CORPORATION AT CSUSB
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES,
(continued)

Cash and Cash Equivalents and Concentrations

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid investments with a maturity of three months or less from date of purchase. UEC maintains its cash balances in three financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures up to \$250,000 per depositor, per insured bank, for each account ownership category. These balances may at times exceed the FDIC limit. As of June 30, 2018, UEC had \$3,062,211 above federally insured limits. However, the financial institutions have secured the deposits by pledging securities in an individual collateral pool, held by a depository, regulated under state law. Accordingly, UEC believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. The fair value of investments in securities is based on the quoted market price of the underlying securities. Investments in real estate are stated at acquisition cost. Unrealized gains and losses are included in the change in net assets. Short-term investments consist of debt securities with original maturities of twelve months or less. Long-term investments consist of debt securities with original maturities greater than twelve months.

Prepaid Expenses

Prepaid expenses are advance payments for products or services that will be used in UEC's programs or activities in subsequent periods.

Receivables and Allowances

Other receivables are presented net of an allowance for doubtful accounts. The allowance is based on prior years' experience and management's estimate of collectability. Management estimates that all receivables at June 30, 2018 are fully collectible, and therefore no allowance has been presented.

Property, Plant and Equipment

Property, plant and equipment are carried at cost or, if contributed, at fair market value at the date of contribution. Intangible assets include patents and software. UEC's policy is to capitalize additions and improvements that significantly add to productive capacity or extend the useful life of an asset and are above \$5,000. Repairs and maintenance are charged to operations as incurred. Costs and related allowances for depreciation of property, plant and equipment sold or otherwise retired are eliminated from the accounts and gains or losses on disposition are included in the changes in net assets. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets.

UNIVERSITY ENTERPRISES CORPORATION AT CSUSB
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES,
(continued)

Property, Plant and Equipment, (continued)

Property acquired with federal and/or state funds is considered to be owned by UEC while used in the program(s) for which it was purchased or in other future authorized programs. Disposition of such equipment and the ownership of any proceeds there from is subject to federal and state regulations.

Donated Materials, Services and Other Assets

Donated materials and other assets such as stocks, bonds and other long-lived assets are recorded at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. UEC reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. UEC reclassifies temporarily restricted net assets to unrestricted net assets at that time.

As permitted by FASB ASC 958-605-50-1, no amounts have been reflected in the financial statement for donated services. UEC generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist UEC with specific assistance programs. UEC does not track the extent or quantity of donated services by its volunteers, and accordingly, no monetary or nonmonetary information has been disclosed.

Grants and Contracts

UEC records revenue from grants and similar contracts as the conditions of the grant or contract are satisfied.

Concentrations

Receivables include amounts due from students, governmental funding sources, the CSUSB Philanthropic Foundation and the California State University, San Bernardino.

Income Taxes

UEC is a Not-for-Profit tax-exempt Corporation organized under Internal Revenue Code Section 501(c)(3) and is classified as other than a private foundation. It is also exempt from state income taxes. However, any unrelated business income may be subject to taxation. The UEC had no obligation for any unrelated business income tax during the year.

UNIVERSITY ENTERPRISES CORPORATION AT CSUSB
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES,
(continued)

Income Taxes, (continued)

UEC files informational tax returns in the U.S. federal jurisdictions and the state of California. UEC is no longer subject to U.S. federal and state examinations for years before 2013.

Comparative Totals

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with UEC's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Reclassifications

Certain amounts in the 2017 comparative totals have been reclassified to conform to the 2018 reporting format.

Subsequent Events

Management has evaluated subsequent events through September 14, 2018, the date the financial statements were available to be issued.

NOTE 2: INVESTMENTS AND FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

UNIVERSITY ENTERPRISES CORPORATION AT CSUSB
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2: INVESTMENTS AND FAIR VALUE MEASUREMENTS, (continued)

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
Level 2	<p>Inputs to the valuation methodology include:</p> <ul style="list-style-type: none"> • quoted prices for similar assets or liabilities in active markets; • quoted prices for identical or similar assets or liabilities in inactive markets; • inputs other than quoted prices that are observable for the asset or liability; • inputs that are derived principally from or corroborated by observable market data by correlation or other means. <p>If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.</p>
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

Money Market Funds – Money Market Funds are valued at net asset value (NAV) of \$1 per share, and are comprised of short-term (less than one year) securities representing high-quality, liquid debt and monetary instruments.

Mutual Funds – Shares of mutual funds are valued at quoted market prices, which represent the net assets value of shares held by UEC at year-end.

Equity Securities – Equity securities are valued at last quoted sales price as of the close of trading at year-end; such securities, not traded on the year-end date, are valued at the last quoted bid price.

Fixed Income Securities – Fixed income securities are valued using the last quoted bid price.

Investment Pool (SWIFT) – The pool investment is reported at fair value as provided by the University System.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although UEC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

UNIVERSITY ENTERPRISES CORPORATION AT CSUSB
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2: INVESTMENTS AND FAIR VALUE MEASUREMENTS, (continued)

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at June 30, 2018 are as follows:

	Total	Fair Value Measurements at June 30, 2018		Not Subject to GASB 72
		Level 1	Level 2	
<u>Short-term investments:</u>				
Money market funds	\$ 1,115,663	\$ -	\$ 1,115,663	\$ -
SWIFT investment fund	7,078,013	-	7,060,821	17,192
Mutual funds	74,918	74,918	-	-
Equity securities	88,590	88,590	-	-
Total short-term investments	<u>\$ 8,357,184</u>	<u>\$ 163,508</u>	<u>\$ 8,176,484</u>	<u>\$ 17,192</u>

UEC has pooled investments with the CSU Systemwide Investment Fund Trust (SWIFT). As a result of a 2007 change in Education Code 89721(I) that allowed CSU to self-manage student tuition and fees, CSU created a central banking system and created the SWIFT investment portfolio for the purpose of enhancing centralized cash and investment management. Because the central banking system and SWIFT are inextricably linked, each member in the central banking system is also a member in SWIFT, also referred to collectively as The Bank of CSU. These funds are reported as a short-term investment. The SWIFT consists of investments of cash on an overnight and/or short-term basis, the funds representing the float on funds collected from all eligible sources prior to their use for payment of accounts payable and payroll. Excess cash over and above what is needed to fund short-term payables and payroll are transferred to medium or longer term investments.

UEC relies upon information provided by the SWIFT in estimating the fair value position of its holdings in it. UEC's holdings in SWIFT had a value of \$7,078,013 as of June 30, 2018. SWIFT is not subject to a credit quality rating. At June 30, 2018, SWIFT had invested \$289 million in asset and mortgage backed securities. SWIFT also had \$10 million invested in repurchase agreements. The allocated totals for each investment type is derived from the percentage of the UEC's investment balance in relation to the pool's investment balance applied to the pools total balance for each investment category. Details of the SWIFT investment portfolio are shown below.

UNIVERSITY ENTERPRISES CORPORATION AT CSUSB
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2: INVESTMENTS AND FAIR VALUE MEASUREMENTS, (continued)

	Total	Fair Value Measurements at June 30, 2018		Not Subject to GASB 72
		Level 1	Level 2	
SWIFT Investments				
Asset Backed Securities	\$ 515,395	\$ -	\$ 515,395	\$ -
Certificates of Deposit	355,891	-	355,891	-
Corporate Bonds	2,014,799	-	2,014,799	-
Money Market Funds	17,192	-	-	17,192
Mortgage Backed Securities	474	-	474	-
Municipal Bonds	91,272	-	91,272	-
Repurchase Agreement	18,002	-	18,002	-
US Agency Securities	2,080,266	-	2,080,266	-
US Treasury Securities	1,759,581	-	1,759,581	-
Mutual Fund	225,141	-	225,141	-
Total SWIFT Investments	<u>\$ 7,078,013</u>	<u>\$ -</u>	<u>\$ 7,060,821</u>	<u>\$ 17,192</u>

A summary of investments held at June 30, 2018 follows:

	Cost	Fair Value	Cumulative Realized/ Unrealized Gains (Losses)
<u>Short-term investments:</u>			
Citizen Trust Investments	\$ 155,791	\$ 163,508	\$ 7,717
Citizens Business Bank Money Mkt.	1,115,663	1,115,663	-
SWIFT Investments	7,005,347	7,078,013	72,666
Total short-term investments	<u>\$ 8,276,801</u>	<u>\$ 8,357,184</u>	<u>\$ 80,383</u>

A summary of investment income for the year ended June 30, 2018 follows:

	Unrestricted	Temporarily Restricted
Interest and dividends	\$ 110,466	\$ -
Unrealized gain (loss) on investments	6,824	-
Realized gain (loss) on investments	2,466	-
Total investment income	<u>\$ 119,756</u>	<u>\$ -</u>

Investment fees for the year ended June 30, 2018 amounted to \$1,148 and are included in administrative costs on the Statement of Expenses by Natural Classification.

UNIVERSITY ENTERPRISES CORPORATION AT CSUSB
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at June 30, 2018:

Land	\$ 4,640
Construction in process	448,944
Buildings	3,936,573
Equipment, furniture and fixtures	3,739,577
Leasehold improvements	494,775
Intangible assets	189,057
	<u>8,813,566</u>
Less: accumulated depreciation and amortization	<u>(5,893,026)</u>
Property, plant and equipment, net	<u>\$ 2,920,540</u>

The buildings are located on land leased from the State of California. Because of the relationship between UEC and the University, the building is being depreciated over its estimated useful life rather than the term of the lease which expired December 31, 2017.

Depreciation expense for the year ended June 30, 2018 was \$368,097.

NOTE 4: RESTRICTIONS AND LIMITATIONS ON NET ASSETS

Temporarily restricted net assets at June 30, 2018 totaled \$276,633 and were available for the following purposes:

Restricted by donors for the following purposes:	
Palm Desert Campus	<u>\$ 276,633</u>

There were no permanently restricted net assets at June 30, 2018.

NOTE 5: COMMISSIONS

UEC receives a percentage of proceeds derived from Bookstore and Food Services operations as well as vending machines. The contractor of the Bookstore operation provides a guaranteed commission for the life of the contract. The Food Services commission is based on a percentage of gross sales.

UNIVERSITY ENTERPRISES CORPORATION AT CSUSB
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6: DEFINED BENEFIT PENSION PLAN

Plan Description

UEC contributes to the California Public Employees' Retirement System (PERS), a cost-sharing multiple employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. All employees who are current members of PERS or employed for more than six months or accumulate 1,000 hours of paid employment are eligible to participate in PERS. Benefits vest after five years of PERS credited service, usually five years of full-time service. UEC employees who retire at or after age 50 with five years of credited service are entitled to an annual retirement benefit, payable for life, in an amount equal to a percent of pay, on a scale based on age and years of service, of the average monthly pay rate for the highest consecutive 12 months of compensation. PERS also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute and UEC policies.

Effective January 1, 2013, Public Employees' Pension Reform Act (PEPRA) implemented new benefit formulas and final compensation period, as well as new contribution requirements for new employees hired on or after January 1, 2013, who meet the definition of new member as per PEPRA.

Funding Policy

UEC employees are required to contribute five percent of their annual covered earnings over \$513. UEC is required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by the PERS actuaries and actuarial consultants and adopted by the Board of Administration. The required employer contribution rate for the year ended June 30, 2018 was 11.684% for miscellaneous plan and 6.908% for miscellaneous tier 1 plan (PEPRA). The payroll for employees covered by PERS for the year ended June 30, 2018 was \$6,692,565. Total payroll for the year ended June 30, 2018 amounted to \$11,264,078. Employer contributions for the year ended June 30, 2018 were \$591,855 based on amounts required to be contributed. Total employee contributions for the year ended June 30, 2018 was \$379,828.

The following table presents a reconciliation of net pension liability:

	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability (c) = (a) - (b)
Miscellaneous Plan	<u>\$ 26,834,123</u>	<u>\$ 23,276,013</u>	<u>\$ 3,558,110</u>

UNIVERSITY ENTERPRISES CORPORATION AT CSUSB
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6: DEFINED BENEFIT PENSION PLAN, (continued)

Funding Policy, (continued)

Plan Assets and Funded Status of the plan:

<u>Valuation Date</u>	<u>Accrued Liability</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Funding Actuarial Excess</u>	<u>Funded Ratio AVA</u>
6/30/2017	\$ 26,834,123	\$ 23,276,013	\$ 3,558,110	86.7%

Items not yet recognized as a component of net periodic pension cost during the year are as follows:

	<u>Future Pension Cost Outflows</u>	<u>Future Pension Cost Inflows</u>
Adjustment due to differences in proportions	\$ -	\$ (196,914)
Net difference between projected and actual earnings on pension plan Investments	253,237	-
Employer contributions made subsequent to measurement date	591,855	-
Difference between contributions and proportionate share of contributions	-	(363,071)
Changes in actuarial assumptions	1,119,730	(85,380)
Difference between expected and actual experience	9,025	(129,293)
Total	<u>\$ 1,973,847</u>	<u>\$ (774,658)</u>

Net actuarial pension expenses recognized as expenses in the statements of activities for the year was \$256,619.

Total liabilities for pension benefits recognized in the statement of financial position:

Net pension liability	\$ 3,558,110
Future pension cost outflows	(1,973,847)
Future pension cost inflows	774,658
Total liabilities for pension benefits	<u>\$ 2,358,921</u>

UNIVERSITY ENTERPRISES CORPORATION AT CSUSB
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6: DEFINED BENEFIT PENSION PLAN, (continued)

Actuarial Assumptions

Assumptions:

	<u>Miscellaneous Plans</u>
Valuation Date	6/30/2016
Measurement Date	6/30/2017
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Amortization Method	Level of Percent of Payroll
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation Rate	2.75%
Salary Increases (1)	3.3% - 14.2%
Investment Rate of Return (2)	7.15%
	Derived using CalPERS' membership data for all Funds
Mortality Rate Table (3)	
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter.

(1) Annual increases vary by category, entry age, and duration of service

(2) Net of pension plan investment and administrative expenses; includes inflation

(3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

Change of Assumption

In fiscal year 2018 (measurement date June 30, 2017), the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

UNIVERSITY ENTERPRISES CORPORATION AT CSUSB
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7: OTHER POST-EMPLOYMENT BENEFITS

UEC has one retiree health plan that offers active and retired employees the option of enrolling in certain HMO or indemnity plans available through the program. UEC currently pays up to \$494 per month for retiree coverage, \$941 per month for coverage with one dependent and \$1,190 for coverage with two or more dependents of retirees. Retiree contributions are to fund the cost of coverage that exceeds these amounts. The accounting for the health care plan anticipates future cost-sharing changes to the written plan that are consistent with UEC's past practice and management's intent to manage plan costs. In particular, UEC's maximum increase in the capped contribution is assumed to be limited to 2.5 percent.

UEC no longer offers retiree medical benefits to employees hired after September 11, 2009.

UNIVERSITY ENTERPRISES CORPORATION AT CSUSB
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7: OTHER POST-EMPLOYMENT BENEFITS, (continued)

The following is a summary of change in accumulated post-employment benefit obligation, change in plan assets, and funded status of the plan.

	June 30, 2018
1. Change in accumulated post-employment benefit obligation (APBO)	
APBO at beginning of year	\$ 6,320,749
Service cost (excluding expenses)	82,479
Interest cost	235,266
Actuarial (gain) loss	(922,262)
Benefits paid	(214,476)
APBO at end of year	5,501,756
2. Change in plan assets	
Fair value of assets at beginning of year	1,435,598
Net return on plan assets less plan expenses	105,941
Employer contribution	563,275
Benefits paid	(214,476)
Fair value of plan assets at end of year	1,890,338
3. Funded status - unfunded net OPEB liability	\$ 3,611,418
4. Amounts recognized in the statement of financial position position consist of:	
Noncurrent liabilities	\$ 3,611,418
5. Components of net periodic post-employment benefit cost (NPPBC)	
Service cost (including expenses)	\$ 82,479
Interest cost	235,266
Expected return on plan assets	(96,576)
Amortization of net (gain) loss	(181,573)
Net periodic post-employment benefit cost	39,596
6. Other changes in plan assets and benefit obligations	
Net actuarial (gain) loss	(931,627)
Amortization of net gain/(loss)	181,573
Total recognized	(750,054)
Total recognized in change in net assets	\$ (710,458)

UNIVERSITY ENTERPRISES CORPORATION AT CSUSB
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7: OTHER POST-EMPLOYMENT BENEFITS, (continued)

The assumptions used in the measurement of UEC's benefit obligation and net periodic post-employment benefit cost included a 4.10 percent weighted-average discount rate as of and for the year ended June 30, 2018.

Medical plan premiums and CalPERS minimum employer contributions are assumed to increase at rates shown in the following table:

<u>Year</u>	<u>Rate</u>
2018	5.50%
2019	5.00%
2020+	4.50%

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plan. A one percent increase in the assumed healthcare trend rates would have the following effects:

	<u>Dollar Increase</u>	<u>Percent Increase</u>
Accumulated post-employment benefit obligation	\$ 872,377	15.85%

A one percent decrease in the assumed healthcare trend rates would have the following effects:

	<u>Dollar Decrease</u>	<u>Percent Decrease</u>
Accumulated post-employment benefit obligation	\$ 696,899	12.67%

The Plan is funded on a pay-as-you-go basis; the expected contribution for the following year is the same as the expected future benefit payments for such year. UEC paid \$214,476 during the year ended June 30, 2018, for current benefit costs.

The expected benefits to be paid are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2019	\$ 232,652
2020	243,768
2021	262,413
2022	265,550
2023	262,829
2024-2028	1,382,293

UNIVERSITY ENTERPRISES CORPORATION AT CSUSB
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8: RELATED PARTIES AND ECONOMIC DEPENDENCY

As discussed in Note 1, UEC operates under an agreement with the Trustees as an auxiliary organization of the University. Accordingly, essentially all revenues and realization of certain assets, are dependent upon the continuation of this agreement. UEC leases space for its bookstore operations, the Center for Developmental Activities, and the land for UEC's offices for nominal rent from the State of California. U.S. generally accepted accounting principles require that contribution revenue and rent expense be recorded for the difference between a fair market rent and the amount actually charged under these leases. However, UEC has not determined a fair market rent and, accordingly, these amounts are not recorded in the financial statements.

A schedule of related party transactions between UEC, University, and other auxiliary organizations are as follows:

<u>As of June 30, 2018</u>	<u>CSUSB</u>	<u>Associated Students, Inc.</u>	<u>Philanthropic Foundation</u>	<u>Santos Manuel Student Union</u>	<u>Total</u>
<u>Revenues</u>					
Payments received from Univ/Aux for services, space, and programs	\$ 1,972,189	\$ 190,000	\$ 177,297	\$ -	\$ 2,339,486
<u>Expenses</u>					
Payments to Univ/Aux for salaries of personnel working on contracts, grants, and other programs	4,338,606	-	-	-	4,338,606
Payments to Univ/Aux for other than salaries of personnel	3,816,785	-	187,112	186,110	4,190,007
<u>(Due to) Due from</u>					
Accounts Receivable due from Univ/Aux	185,132	-	732	-	185,864
Accounts Payable due to Univ/Aux	(934,713)	-	-	(13,273)	(947,986)
<u>Transfers (net)</u>					
Scholarship and support funds	101,841	-	294,022	-	395,863

SUPPLEMENTARY INFORMATION

University Enterprises Corporation at CSUSB
Schedule of Net Position
June 30, 2018
(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 2,305,875
Short-term investments	8,357,184
Accounts receivable, net	8,977,719
Capital lease receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	—
Prepaid expenses and other current assets	80,324
Total current assets	<u>19,721,102</u>
Noncurrent assets:	
Restricted cash and cash equivalents	—
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	2,920,540
Other assets	—
Total noncurrent assets	<u>2,920,540</u>
Total assets	<u>22,641,642</u>
Deferred outflows of resources:	
Unamortized loss on debt refunding	—
Net pension liability	1,973,847
Net OPEB liability	—
Others	—
Total deferred outflows of resources	<u>1,973,847</u>
Liabilities:	
Current liabilities:	
Accounts payable	1,204,540
Accrued salaries and benefits	648,519
Accrued compensated absences, current portion	209,091
Unearned revenues	4,369,961
Capital lease obligations, current portion	—
Long-term debt obligations, current portion	—
Claims liability for losses and loss adjustment expenses, current portion	—
Depository accounts	—
Other liabilities	2,376,374
Total current liabilities	<u>8,808,485</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	181,390
Unearned revenues	—
Grants refundable	—
Capital lease obligations, net of current portion	—
Long-term debt obligations, net of current portion	—
Claims liability for losses and loss adjustment expenses, net of current portion	—
Depository accounts	—
Net other postemployment benefits liability	3,611,418
Net pension liability	3,558,110
Other liabilities	—
Total noncurrent liabilities	<u>7,350,918</u>
Total liabilities	<u>16,159,403</u>
Deferred inflows of resources:	
Service concession arrangements	—
Net pension liability	774,658
Net OPEB liability	—
Unamortized gain on debt refunding	—
Nonexchange transactions	—
Others	—
Total deferred inflows of resources	<u>774,658</u>
Net Position:	
Net investment in capital assets	2,920,540
Restricted for:	—
Nonexpendable – endowments	—
Expendable:	—
Scholarships and fellowships	—
Research	—
Loans	—
Capital projects	—
Debt service	—
Others	276,633
Unrestricted	4,484,255
Total net position	<u>\$ 7,681,428</u>

University Enterprises Corporation at CSUSB
Schedule of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2018
(for inclusion in the California State University)

Revenues:

Operating revenues:	
Student tuition and fees, gross	\$ —
Scholarship allowances (enter as negative)	—
Grants and contracts, noncapital:	
Federal	19,325,799
State	10,071,713
Local	2,937,041
Nongovernmental	250,778
Sales and services of educational activities	—
Sales and services of auxiliary enterprises, gross	—
Scholarship allowances (enter as negative)	—
Other operating revenues	4,448,759
	<hr/>
Total operating revenues	37,034,090
	<hr/>

Expenses:

Operating expenses:	
Instruction	701,897
Research	17,182,108
Public service	6,334,310
Academic support	297,838
Student services	7,152,971
Institutional support	2,806,688
Operation and maintenance of plant	—
Student grants and scholarships	—
Auxiliary enterprise expenses	—
Depreciation and amortization	368,097
	<hr/>
Total operating expenses	34,843,909
	<hr/>
Operating income (loss)	2,190,181
	<hr/>

Nonoperating revenues (expenses):

State appropriations, noncapital	—
Federal financial aid grants, noncapital	—
State financial aid grants, noncapital	—
Local financial aid grants, noncapital	—
Nongovernmental and other financial aid grants, noncapital	—
Other federal nonoperating grants, noncapital	—
Gifts, noncapital	—
Investment income (loss), net	119,756
Endowment income (loss), net	—
Interest expense	—
Other nonoperating revenues (expenses) - excl. interagency transfers	1,272,467
Other nonoperating revenues (expenses) - interagency transfers	(371,019)
	<hr/>
Net nonoperating revenues (expenses)	1,021,204
	<hr/>
Income (loss) before other revenues (expenses)	3,211,385

State appropriations, capital	—
Grants and gifts, capital	—
Additions (reductions) to permanent endowments	—
	<hr/>
Increase (decrease) in net position	3,211,385

Net position:

Net position at beginning of year, as previously reported	4,470,043
Restatements	—
	<hr/>
Net position at beginning of year, as restated	4,470,043
	<hr/>
Net position at end of year	\$ 7,681,428
	<hr/> <hr/>

University Enterprises Corporation at CSUSB
Other Information
June 30, 2018
(for inclusion in the California State University)

1 Restricted cash and cash equivalents at June 30, 2018:	
Portion of restricted cash and cash equivalents related to endowments	\$ —
All other restricted cash and cash equivalents	—
Total restricted cash and cash equivalents	<u>\$ —</u>

2.1 Composition of investments at June 30, 2018:

	Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
State of California Surplus Money Investment Fund (SMIF)	\$ —	—	—	—	—	—	—
State of California Local Agency Investment Fund (LAIF)	—	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—	—
Certificates of deposit	—	—	—	—	—	—	—
Mutual funds	74,918	—	74,918	—	—	—	74,918
Money Market funds	1,115,663	—	1,115,663	—	—	—	1,115,663
Repurchase agreements	—	—	—	—	—	—	—
Commercial paper	—	—	—	—	—	—	—
Asset backed securities	—	—	—	—	—	—	—
Mortgage backed securities	—	—	—	—	—	—	—
Municipal bonds	—	—	—	—	—	—	—
U.S. agency securities	—	—	—	—	—	—	—
U.S. treasury securities	—	—	—	—	—	—	—
Equity securities	88,590	—	88,590	—	—	—	88,590
Exchange traded funds (ETFs)	—	—	—	—	—	—	—
Alternative investments:							
Private equity (including limited partnerships)	—	—	—	—	—	—	—
Hedge funds	—	—	—	—	—	—	—
Managed futures	—	—	—	—	—	—	—
Real estate investments (including REITs)	—	—	—	—	—	—	—
Commodities	—	—	—	—	—	—	—
Derivatives	—	—	—	—	—	—	—
Other alternative investment types	—	—	—	—	—	—	—
Other external investment pools (excluding SWIFT)							
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Other major investments:							
SWIFT	7,078,013	—	7,078,013	—	—	—	7,078,013
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Total investments	<u>8,357,184</u>	<u>—</u>	<u>8,357,184</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>8,357,184</u>
Less endowment investments (enter as negative number)	—	—	—	—	—	—	—
Total investments	<u><u>8,357,184</u></u>	<u><u>—</u></u>	<u><u>8,357,184</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>8,357,184</u></u>

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

Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 20CY :	7,078,013	—	7,078,013	—	—	—	7,078,013
---	-----------	---	-----------	---	---	---	-----------

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

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

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

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

University Enterprises Corporation at CSUSB
Other Information
June 30, 2018
(for inclusion in the California State University)

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

	Total	Fair Value Measurements Using			Net Asset Value (NAV)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
State of California Surplus Money Investment Fund (SMIF)	\$ —	—	—	—	—
State of California Local Agency Investment Fund (LAIF)	—	—	—	—	—
Corporate bonds	—	—	—	—	—
Certificates of deposit	—	—	—	—	—
Mutual funds	74,918	74,918	—	—	—
Money Market funds	1,115,663	—	1,115,663	—	—
Repurchase agreements	—	—	—	—	—
Commercial paper	—	—	—	—	—
Asset backed securities	—	—	—	—	—
Mortgage backed securities	—	—	—	—	—
Municipal bonds	—	—	—	—	—
U.S. agency securities	—	—	—	—	—
U.S. treasury securities	—	—	—	—	—
Equity securities	88,590	88,590	—	—	—
Exchange traded funds (ETFs)	—	—	—	—	—
Alternative investments:					
Private equity (including limited partnerships)	—	—	—	—	—
Hedge funds	—	—	—	—	—
Managed futures	—	—	—	—	—
Real estate investments (including REITs)	—	—	—	—	—
Commodities	—	—	—	—	—
Derivatives	—	—	—	—	—
Other alternative investment types	—	—	—	—	—
Other external investment pools (excluding SWIFT)					
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Other major investments:					
SWIFT	7,078,013	—	7,060,821	—	17,192
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Total investments	8,357,184	163,508	8,176,484	—	17,192

University Enterprises Corporation at CSUSB
Other Information
June 30, 2018
(for inclusion in the California State University)

3.1 Composition of capital assets at June 30, 2018:

	Balance June 30, 2017	Prior period Adjustments	Reclassifications	Balance June 30, 2017 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2018
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	\$ 4,640	—	—	4,640	—	—	—	4,640
Works of art and historical treasures	—	—	—	—	—	—	—	—
Construction work in progress (CWIP)	81,540	—	—	81,540	378,177	—	(10,773)	448,944
Intangible assets:								
Rights and easements	—	—	—	—	—	—	—	—
Patents, copyrights and trademarks	—	—	—	—	—	—	—	—
Internally generated intangible assets in progress	—	—	—	—	—	—	—	—
Licenses and permits	—	—	—	—	—	—	—	—
Other intangible assets:								
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Total intangible assets	—	—	—	—	—	—	—	—
Total nondepreciable/nonamortizable capital assets	<u>86,180</u>	<u>—</u>	<u>—</u>	<u>86,180</u>	<u>378,177</u>	<u>—</u>	<u>(10,773)</u>	<u>453,584</u>
Depreciable/amortizable capital assets:								
Buildings and building improvements	3,936,573	—	—	3,936,573	—	—	—	3,936,573
Improvements, other than buildings	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	469,659	—	—	469,659	14,343	—	10,773	494,775
Personal property:								
Equipment	3,135,928	—	—	3,135,928	603,650	—	—	3,739,578
Library books and materials	—	—	—	—	—	—	—	—
Intangible assets:								
Software and websites	72,804	—	—	72,804	—	—	—	72,804
Rights and easements	—	—	—	—	—	—	—	—
Patents, copyright and trademarks	116,253	—	—	116,253	—	—	—	116,253
Licenses and permits	—	—	—	—	—	—	—	—
Other intangible assets:								
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Total intangible assets	<u>189,057</u>	<u>—</u>	<u>—</u>	<u>189,057</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>189,057</u>
Total depreciable/amortizable capital assets	<u>7,731,217</u>	<u>—</u>	<u>—</u>	<u>7,731,217</u>	<u>617,993</u>	<u>—</u>	<u>10,773</u>	<u>8,359,983</u>
Total capital assets	<u>7,817,397</u>	<u>—</u>	<u>—</u>	<u>7,817,397</u>	<u>996,170</u>	<u>—</u>	<u>—</u>	<u>8,813,567</u>
Less accumulated depreciation/amortization:								
Buildings and building improvements	(2,566,846)	—	—	(2,566,846)	(96,052)	—	—	(2,662,898)
Improvements, other than buildings	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	(421,984)	—	—	(421,984)	(9,797)	—	—	(431,781)
Personal property:								
Equipment	(2,355,481)	—	—	(2,355,481)	(260,630)	6,820	—	(2,609,291)
Library books and materials	—	—	—	—	—	—	—	—
Intangible assets:								
Software and websites	(71,186)	—	—	(71,186)	(1,618)	—	—	(72,804)
Rights and easements	—	—	—	—	—	—	—	—
Patents, copyright and trademarks	(116,253)	—	—	(116,253)	—	—	—	(116,253)
Licenses and permits	—	—	—	—	—	—	—	—
Other intangible assets:								
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Total intangible assets	<u>(187,439)</u>	<u>—</u>	<u>—</u>	<u>(187,439)</u>	<u>(1,618)</u>	<u>—</u>	<u>—</u>	<u>(189,057)</u>
Total accumulated depreciation/amortization	<u>(5,531,750)</u>	<u>—</u>	<u>—</u>	<u>(5,531,750)</u>	<u>(368,097)</u>	<u>6,820</u>	<u>—</u>	<u>(5,893,027)</u>
Total capital assets, net	<u>\$ 2,285,647</u>	<u>—</u>	<u>—</u>	<u>2,285,647</u>	<u>628,073</u>	<u>6,820</u>	<u>—</u>	<u>2,920,540</u>

University Enterprises Corporation at CSUSB
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3.2 Detail of depreciation and amortization expense for the year ended June 30, 2018:

Depreciation and amortization expense related to capital assets	\$ 368,097
Amortization expense related to other assets	—
Total depreciation and amortization	\$ 368,097

4 Long-term liabilities activity schedule:

	Balance June 30, 2017	Prior period adjustments	Reclassifications	Balance June 30, 2017 (restated)	Additions	Reductions	Balance June 30, 2018	Current portion	Long-term portion
Accrued compensated absences	\$ 274,353	—	—	274,353	417,087	(300,959)	390,481	209,091	181,390
Claims liability for losses and loss adjustment expenses	—	—	—	—	—	—	—	—	—
Capital lease obligations:									
Gross balance	—	—	—	—	—	—	—	—	—
Unamortized premium / (discount) on capital lease obligations	—	—	—	—	—	—	—	—	—
Total capitalized lease obligations	—	—	—	—	—	—	—	—	—
Long-term debt obligations:									
Auxiliary revenue bonds	—	—	—	—	—	—	—	—	—
Commercial paper	—	—	—	—	—	—	—	—	—
Notes payable related to SRB	—	—	—	—	—	—	—	—	—
Others: (list by type)									
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—	—
Total long-term debt obligations	—	—	—	—	—	—	—	—	—
Unamortized bond premium / (discount)	—	—	—	—	—	—	—	—	—
Total long-term debt obligations, net	—	—	—	—	—	—	—	—	—
Total long-term liabilities	\$ 274,353	—	—	274,353	417,087	(300,959)	390,481	209,091	181,390

5 Future minimum lease payments - Capital lease obligations:

	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:									
2019	—	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—	—	—
2023	—	—	—	—	—	—	—	—	—
2024 - 2028	—	—	—	—	—	—	—	—	—
2029 - 2033	—	—	—	—	—	—	—	—	—
2034 - 2038	—	—	—	—	—	—	—	—	—
2039 - 2043	—	—	—	—	—	—	—	—	—
2044 - 2048	—	—	—	—	—	—	—	—	—
2049 - 2053	—	—	—	—	—	—	—	—	—
2054 - 2058	—	—	—	—	—	—	—	—	—
2059 - 2063	—	—	—	—	—	—	—	—	—
2064 - thereafter	—	—	—	—	—	—	—	—	—
Total minimum lease payments	—	—	—	—	—	—	—	—	—
Less amounts representing interest									—
Present value of future minimum lease payments									—
Unamortized net premium (discount)									—
Total capital lease obligations									—
Less: current portion									—
Capital lease obligations, net of current portion									\$ —

University Enterprises Corporation at CSUSB
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6 Long-term debt obligations schedule:

	Auxiliary revenue bonds			All other long-term debt obligations			Total long-term debt obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2019	\$ —	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—	—	—
2023	—	—	—	—	—	—	—	—	—
2024 - 2028	—	—	—	—	—	—	—	—	—
2029 - 2033	—	—	—	—	—	—	—	—	—
2034 - 2038	—	—	—	—	—	—	—	—	—
2039 - 2043	—	—	—	—	—	—	—	—	—
2044 - 2048	—	—	—	—	—	—	—	—	—
2049 - 2053	—	—	—	—	—	—	—	—	—
2054 - 2058	—	—	—	—	—	—	—	—	—
2059 - 2063	—	—	—	—	—	—	—	—	—
2064 - thereafter	—	—	—	—	—	—	—	—	—
Total minimum payments	—	—	—	—	—	—	—	—	—
Less amounts representing interest									—
Present value of future minimum payments									—
Unamortized net premium (discount)									—
Total long-term debt obligations									—
Less: current portion									—
Long-term debt obligations, net of current portion									\$ —

7 Calculation of net position:

7.1 Calculation of net position - Net investment in capital assets

Capital assets, net of accumulated depreciation	\$ 2,920,540
Capital lease obligations, current portion	—
Capital lease obligations, net of current portion	—
Long-term debt obligations, current portion	—
Long-term debt obligations, net of current portion	—
Portion of outstanding debt that is unspent at year-end (enter as positive numl)	—
Other adjustments: (please list)	
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Net position - Net investment in capital assets	\$ 2,920,540

7.2 Calculation of net position - Restricted for nonexpendable - endowments

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

University Enterprises Corporation at CSUSB
 Other Information
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8 Transactions with related entities:

	Amount
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 4,338,606
Payments to University for other than salaries of University personnel	3,816,785
Payments received from University for services, space, and programs	1,972,189
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)	(934,713)
Other amounts (payable to) University (enter as negative number)	—
Accounts receivable from University (enter as positive number)	185,132
Other amounts receivable from University	—

9 Other postemployment benefits (OPEB) liability

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

10 Pollution remediation liabilities under GASB Statement No. 49:

Description	Amount
None	\$ —
Total pollution remediation liabilities	\$ —
Less: current portion	—
Pollution remediation liabilities, net of current portion	—

University Enterprises Corporation at CSUSB
Other Information
June 30, 2018
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11 The nature and amount of the prior period adjustment(s) recorded to beginning net position:

	Net Position	Amount
	Class	Dr. (Cr.)
Net position as of June 30, 2017, as previously reported		\$ 4,470,043
Prior period adjustments:		
1 (list description of each adjustment)		—
2 (list description of each adjustment)		—
3 (list description of each adjustment)		—
4 (list description of each adjustment)		—
5 (list description of each adjustment)		—
6 (list description of each adjustment)		—
7 (list description of each adjustment)		—
8 (list description of each adjustment)		—
9 (list description of each adjustment)		—
10 (list description of each adjustment)		—
Net position as of June 30, 2017, as restated		<u>\$ 4,470,043</u>

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

	Debit	Credit
Net position class:		
1 (breakdown of adjusting journal entry)	\$ —	—
Net position class:		
2 (breakdown of adjusting journal entry)	—	—
Net position class:		
3 (breakdown of adjusting journal entry)	—	—
Net position class:		
4 (breakdown of adjusting journal entry)	—	—
Net position class:		
5 (breakdown of adjusting journal entry)	—	—
Net position class:		
6 (breakdown of adjusting journal entry)	—	—
Net position class:		
7 (breakdown of adjusting journal entry)	—	—
Net position class:		
8 (breakdown of adjusting journal entry)	—	—
Net position class:		
9 (breakdown of adjusting journal entry)	—	—
Net position class:		
10 (breakdown of adjusting journal entry)	—	—

12 Natural Classifications of Operating Expenses:

	Salaries	Benefits	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total operating expenses
Instruction	701,897	—	—	—	—	701,897
Research	11,062,421	3,406,080	—	2,713,607	—	17,182,108
Public service	—	—	—	6,334,310	—	6,334,310
Academic support	28,322	502	—	269,014	—	297,838
Student services	450,153	170,098	—	6,532,720	—	7,152,971
Institutional support	1,008,674	442,487	—	1,355,527	—	2,806,688
Operation and maintenance of plant	—	—	—	—	—	—
Student grants and scholarships	—	—	—	—	—	—
Auxiliary enterprise expenses	—	—	—	—	—	—
Depreciation and amortization	—	—	—	—	368,097	368,097
Total	<u>13,251,467</u>	<u>4,019,167</u>	<u>—</u>	<u>17,205,178</u>	<u>368,097</u>	<u>34,843,909</u>

SINGLE AUDIT INFORMATION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018
(FEIN: 95-6067343)**

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Agency or Pass-through Number	Contracting Agency	Federal Expenditures	Pass Through to Subrecipients
MAJOR PROGRAMS - Other					
U.S. Department of Education - Direct					
S0951 FF21211-Talent Search SanBrndn	84.044	P044A160723	U.S. DEPARTMENT OF EDUCATION	\$ 260,136	\$ -
S0952 FF21212-Talent Search Rialto	84.044	P0441A160727	U.S. DEPARTMENT OF EDUCATION	257,853	-
S0953 FF21213-Talent Search Colton	84.044	P044A160733	U.S. DEPARTMENT OF EDUCATION	250,032	-
TRIO_Talent Search				<u>768,021</u>	-
S0527 FF20777-Upward Bound SB 5/13	84.047	P047A121599 16	U.S. DEPARTMENT OF EDUCATION	1,094	-
S0528 FF20778-UpwardBound Rialto5/13	84.047	P047A120164 -16	U.S. DEPARTMENT OF EDUCATION	603	-
S0601 FF20856-Upward Bound MS Prgm	84.047	P047M120029-5	U.S. DEPARTMENT OF EDUCATION	82,995	-
S1007 FF21267-Upward Bound San Bern	84.047	P047A170630 - 18	U.S. DEPARTMENT OF EDUCATION	270,358	-
S1008 FF21268-Upward Bound Rialto	84.047	P047A170631-18	U.S. DEPARTMENT OF EDUCATION	270,385	-
S1054 FF21314-UpwardBound Math/Scnce	84.047	P047M170043 #2	U.S. DEPARTMENT OF EDUCATION	182,027	-
TRIO_Upward Bound				<u>807,462</u>	-
TOTAL U.S. Department of Education				<u>1,575,483</u>	-
U.S. Department of Health and Human Services - Pass Through					
S0851 GG21109 15/16 Pathway 6/16	93.658	8880	REGENTS OF THE UNIVERSITY OF CALIFORNIA	699	-
S0931 GG21191-16/17 MASW 6/17	93.658	00009252	REGENTS OF THE UNIVERSITY OF CALIFORNIA	(1,634)	-
S0932 GG21192-16/17 BASW 6/17	93.658	00009252	REGENTS OF THE UNIVERSITY OF CALIFORNIA	(252)	-
S1027 GG21287-MSW 6/18	93.658	9252-A1	REGENTS OF THE UNIVERSITY OF CALIFORNIA	1,588,235	-
S1028 GG21288-BSW 6/18	93.658	9252-A1	REGENTS OF THE UNIVERSITY OF CALIFORNIA	632,786	-
S1029 GG21289-PTWY 6/18	93.658	9252-A1	REGENTS OF THE UNIVERSITY OF CALIFORNIA	257,825	-
Foster Care_Title IV.E				<u>182,027</u>	-
TOTAL U.S. Department of Health and Human Services				<u>2,477,659</u>	-
TOTAL Major Programs				<u>4,053,142</u>	-
OTHER PROGRAMS - RESEARCH					
U.S. Department of Agriculture - Direct					
S0587 FF20838-Feasibility of Restor NO CFDA	10.000	12-JV-11272167-077	USDA FOREST SERVICE	4,390	-
S0680 FF20936-Ecolgel Rstrtn Chng Wd	10.223	2013-38422-20953	U.S. DEPARTMENT OF AGRICULTURE	7,365	-
S0699 FF20955-Watershed Mgmt/USDA Cr	10.223	2011-38422-31204	U.S. DEPARTMENT OF AGRICULTURE	(22,004)	-
S0868 FF21127-USDA Exp Learning 8/16	10.223	2015-38422-24058	U.S. DEPARTMENT OF AGRICULTURE	413,310	25,265
Hispanic Serving Institutions Education Grants				<u>398,672</u>	<u>25,265</u>
U.S. Department of Agriculture - Pass Through					
S0984 GG21244-Cogent ArgumentsSystem NO CFDA	10.000	E2040774	GEORGE MASON UNIVERSITY	14,658	-
S0396 GG20645 Habilidades Unidos	10.223	SUBCONTRACT W/OUT #	SUBCONTRACT W/OUT #	19	-
Hispanic Serving Institutions Education Grants				<u>19</u>	-
TOTAL U.S. Department of Agriculture				<u>417,738</u>	<u>25,265</u>
U.S. Department of Commerce - Direct					
S0878 FF21137-CAE CommunityMtg/1/16	11.609	60NANB15D306	U.S. DEPARTMENT OF COMMERCE	10,658	-
S0965 FF21225-CA Educ&Aware 8/21	11.609	60NANB16D309	U.S. DEPARTMENT OF COMMERCE	120,666	-
S0982 FF21242-NICE CHLNGS2016-1/2020	11.609	60NANB17D010	U.S. DEPARTMENT OF COMMERCE	71,427	-
Measurement and Engineering Research and Standards				<u>202,750</u>	-
TOTAL U.S. Department of Commerce				<u>202,750</u>	-
U.S. Department of Defense - Direct					
S0957 FF21217-Nat'l Sec Studies Cons	12.598	HHM44021210005P00008	DEFENSE INTELLIGENCE AGENCY	65,681	-
S0950 FF21210-CAE 2Y Pilot 8/2/17	12.902	H98230-161-1-0320	NATIONAL SECURITY AGENCY	50,724	-
S1049 FF21309-2018 CNRC EDUC 9/21/18	12.902	H98230-17-1-0421	NATIONAL SECURITY AGENCY	500,738	-
Information Security Grant Program				<u>551,462</u>	-
S0989 FF21248-2017CNRC 4/10/18	12.905	H98230-17-1-0244	NATIONAL SECURITY AGENCY	413,272	-
S0998 FF21258-CNAP CURRICULUM4/18/18	12.905	H98230-17-1-0286	NATIONAL SECURITY AGENCY	1,063,005	-
CyberSecurity Core Curriculum				<u>1,476,277</u>	-
S1035 GG21295-CASCADE IECE	12.617	0PR17109	STATE OF CALIFORNIA OFFICE OF PLANNING & RESEARCH	114,806	-
S1037 NG21297-PredictiveToxiclg8/17	12.630	D01-W9115R-14-2-001-	INSTITUTIONS SCIENCE TECHNOLOGY ENGINEERING & MATHEMATICS RESEARCH	412,247	-
TOTAL U.S. Department of Defense				<u>2,620,473</u>	-
U.S. Department of Justice - Direct					
S1060 FF21320-Untangling WebViolence	16.540	2017-JF-FX-0043	U.S. DEPARTMENT OF JUSTICE	22,536	-
Juvenile Justice and Delinquency Prevention_Allocation to States				<u>22,536</u>	-
TOTAL U.S. Department of Justice				<u>22,536</u>	-
National Aeronautics and Space Administration - Direct					
S0465 FF20713-2011 NASA STEM 9/14	43.008	NNX11AQ99G	NATIONAL AERONAUTICS AND SPACE ADMINISTRATION	(28)	-
S1009 FF21269-Research Opp in Space	43.001	NNX17AK73G	NATIONAL AERONAUTICS AND SPACE ADMINISTRATION	14,766	-
National Aeronautics and Space Administration - Pass Through					
S0943 FF21203-PostSbctrcfMIRSFIA16/17	43.001	CK#R2553587	WYLE LABS	2,858	-
Aerospace Education Services Program				<u>17,596</u>	-
TOTAL National Aeronautics and Space Administration				<u>17,596</u>	-
National Endowment for the Humanities - Pass Through					
S0862 NG21120-COMM Stories 6/17	45.129	COS15-443	CAL HUMANITIES	907	-
Promotion of the Humanities_Federal/State Partnership				<u>907</u>	-
TOTAL National Endowment for the Humanities				<u>907</u>	-
National Science Foundation - Direct					
S0788 FF21046-AGE ECM MUSCL PRF/GAIT	47.041	CMMI-1436569	NATIONAL SCIENCE FOUNDATION	30,088	-
Engineering Grants				<u>30,088</u>	-

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Agency or Pass-through Number	Contracting Agency	Federal Expenditures	Pass Through to Subrecipients
S0347 FF20591 PRISM 07/15	47.049	DMS-1035120	NATIONAL SCIENCE FOUNDATION	7,404	-
S0376 FF20621 Evolution of Comets	47.049	AST-1010012	NATIONAL SCIENCE FOUNDATION	81,347	31,733
S0835 FF21093-REU GEO&KNOT Thry 3/18	47.049	1461286	NATIONAL SCIENCE FOUNDATION	64,302	-
S1040 FF21300-MRI	47.049	1726380	NATIONAL SCIENCE FOUNDATION	66,732	-
				219,784	31,733
S1010 FF21270-Garlock Fault	47.050	1650364	NATIONAL SCIENCE FOUNDATION	32,264	-
S0580 FF20831-Non-Shannon 9/15	47.070	CCF-1216285	NATIONAL SCIENCE FOUNDATION	3	-
S0901 FF21160-Bio/Aigarchaenta 4/19	47.074	1557058	NATIONAL SCIENCE FOUNDATION	55,357	-
S0085 FF20522-MATH ACES 2010-2016	47.076	DRL-0962778	NATIONAL SCIENCE FOUNDATION	144,227	(9)
S0719 FF20976-TUES Trmsfrmng Undrgrd	47.076	DUE 1408106	NATIONAL SCIENCE FOUNDATION	709	-
S0725 FF20982-CREST 1/19	47.076	HRD-1345163	NATIONAL SCIENCE FOUNDATION	1,015,007	-
S0824 FF21082-CREST Supplement 1/19	47.076	1345163	NATIONAL SCIENCE FOUNDATION	80,565	80,563
S0828 FF21086-CYBER JOURNEY	47.076	1241541-005	NATIONAL SCIENCE FOUNDATION	11,183	-
S0949 FF21209-SFS CyberCorps 8/21	47.076	1565574	NATIONAL SCIENCE FOUNDATION	790,882	-
S0966 FF21226-STEM Pre&Post Trfr Scs	47.076	1644261	NATIONAL SCIENCE FOUNDATION	294,016	-
S1069 FF21329-ISSUES - X	47.076	1727086	NATIONAL SCIENCE FOUNDATION	130,340	-
S1083 FF21344-Math&Scns SchlrS fr IE	47.076	1758500	NATIONAL SCIENCE FOUNDATION	3,308	-
				2,470,236	80,554
National Science Foundation - Pass Through					
S1092 FF21353-REU Site 18/21	47.049	1758020	NATIONAL SCIENCE FOUNDATION	8,840	-
S1011 GG21271-GEOSCIENCE PATHWAYS	47.050	28-1773	CARLETON COLLEGE	21	-
S0958 NG21218-NSF LSAMP Phase V Yr4	47.076	SUBS23891 AMNDS523894	UNIVERSITY ENTERPRISES, INC.	2,726	-
TOTAL National Science Foundation				2,819,320	112,287
U.S. Department of Education - Direct					
S0801 FF21059-SLP & ICE for HP International Studies and	84.016	P016A140064-16	U.S. DEPARTMENT OF EDUCATION	43,577	7,247
S0955 FF21215-CSUSB COYOTEFIRST STEP	84.031	P031S160239	U.S. DEPARTMENT OF EDUCATION	472,391	-
S0956 FF21216-Here to Career 9-30-21	84.031	P031S160209	U.S. DEPARTMENT OF EDUCATION	567,316	132,271
S0969 FF21229-Advsng 4 Undrgrdsuccess	84.031	P031C160207-17 Act2	U.S. DEPARTMENT OF EDUCATION	695,714	-
				1,735,421	132,271
S0861 FF21119-SAIL PROGRAM YR.1	84.042	P042A150778-17	U.S. DEPARTMENT OF EDUCATION	380,092	-
S0815 FF21072-TEEM	84.411	U411C140073	U.S. DEPARTMENT OF EDUCATION	431,284	175,793
U.S. Department of Education - Pass Through					
S0978 GG21238-CA Math Readiness Chlg	84.367	NONE	CALIFORNIA DEPARTMENT OF EDUCATION	548,314	278,897
S0884 NG21143-CSUF HEP 6/16	84.141	S-5890-CSUSB	CSU FULLERTON AUX SRVC CORP	7,491	-
TOTAL U.S. Department of Education				3,146,178	594,209
U.S. Department of Health and Human Services - Direct					
S0673 FF20929-Ontgny of C-P Function	93.242	55C1MH102930-04	NATIONAL INSTITUTE OF HEALTH	109,219	-
S0555 FF20806-DIDARP 4/13	93.279	5R24DA033877-05	NATIONAL INSTITUTE OF HEALTH	146,326	-
S0575 FF20826-DIDARP LaChausse 6/17	93.279	5R24DA033877-02	NATIONAL INSTITUTE OF HEALTH	4,690	-
				151,016	-
S0624 FF20879-CSUSB RISE Program	93.859	5R25GM10082905 REVIS	NATIONAL INSTITUTE OF HEALTH	150,409	-
S0840 FF21098-CSUSB MARC	93.859	2T34GM083883-06A1	NATIONAL INSTITUTE OF HEALTH	(1,404)	-
S0857 FF21115-PARADOXUS EPS 7/18	93.859	1R15GM116173-01	NATIONAL INSTITUTE OF HEALTH	60,498	-
S0910 FF21169-MARC YR.7	93.859	5T34GM083883-07	NATIONAL INSTITUTE OF HEALTH	(6,822)	-
S0999 FF21259-CSUSB MARC	93.859	5T34GM083883-08	NATIONAL INSTITUTE OF HEALTH	329,434	-
S1084 FF21345-CSUSB MARC Program	93.859	5T34GM083883-09	NATIONAL INSTITUTE OF HEALTH	24,183	-
				556,298	-
U.S. Department of Health and Human Services - Pass Through					
S0986 NG21245-Untreated Psychosis/17	93.242	55932151	UNIVERSITY OF SOUTHERN CALIFORNIA	12,221	-
TOTAL U.S. Department of Health and Human Services				828,754	-
TOTAL RESEARCH PROGRAMS				10,076,252	731,762
OTHER PROGRAMS - OTHER					
U.S. Department of Agriculture - Direct					
S0880 FF21139-USDA HSINP Partnership	10.000	NONE	U.S. DEPARTMENT OF AGRICULTURE	19	-
S0786 FF21044-USDA/HSINP CSUSB Init.	10.001	59-6201-4-050	U.S. DEPARTMENT OF AGRICULTURE	546	-
S0976 FF21236-Rural Business Dvlpmnt	10.771	NONE	U.S. DEPARTMENT OF AGRICULTURE	3,012	-
U.S. Department of Agriculture - Pass					
S0985 NG21256-VA&Accessibility 8/17	10.000	NONE	JOHN F KENNEDY CENTER FOR THE PERFORMING ARTS	18,861	-
S0165 GG20268 Upward Bnd Summer Food 8/08 F4	10.559	36-77360V	CALIFORNIA DEPARTMENT OF EDUCATION	6,053	-

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Agency or Pass-through Number	Contracting Agency	Federal Expenditures	Pass Through to Subrecipients
50990 GG21249-CalFresh Outreach					
			State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		
	10.561	SUB16-057	CSU CHICO RESEARCH FOUNDATION	21,820	-
			TOTAL U.S. Department of Agriculture	50,312	-
U.S. Department of Defense - Direct					
S0967 FF21227-2016 DOD-IASP 9/26/17	12.902	H98230-16-1-0368	NATIONAL SECURITY AGENCY	19,773	-
S1048 FF21308-DoD IASP Scholars	12.902	H98230-17-1-0362	NATIONAL SECURITY AGENCY	104,820	-
			Information Security Grant Program	124,593	-
S0997 FF21257-GENCYBER 4/17/18	12.903	H98230-17-1-0265	NATIONAL SECURITY AGENCY	52,335	-
S1077 FF21337-GEN CYBER HS 3/27/2019	12.903	H98230-18-1-0073	NATIONAL SECURITY AGENCY	39,687	-
S1079 FF21340-GEN CYBER MS 3/27/19	12.903	H98230-18-1-0270	NATIONAL SECURITY AGENCY	115,842	-
			GenCyber Grants Program	207,864	-
U.S. Department of Defense - Pass Through					
S1034 GG21294-CASCADE 5/19	12.617	OPR17103	STATE OF CALIFORNIA OFFICE OF PLANNING & RESEARCH	59,439	-
			Economic Adjustment Assistance for State Governments	391,896	-
			TOTAL U.S. Department of Defense	391,896	-
U.S. Department of Housing and Development - Pass Through					
S0947 LL21207-City of Corona (CDBG)	14.218	89487-431	CITY OF CORONA	(4,286)	-
S0972 LL21232-CountyofRiverside CDBG	14.218	4.208-16	RIVERSIDE COUNTY	(1,246)	-
S0973 NG21233-IE SBDC Gobiz	14.218	5-6406-CSUSB	CSU FULLERTON AUX SRVC CORP	4,454	-
S0983 LL21243-City Moreno ValleyCDBG	14.218	NONE	CITY OF MORENO VALLEY	12,254	-
S1004 LL21264-City of San Brndno VSA	14.218	NEED	CITY OF SAN BERNARDINO	(3,355)	-
S1038 LL21298-MorenoValley CDBG17/18	14.218	NEED	CITY OF MORENO VALLEY	33,666	-
S1039 NG21299-IE SBDC GOBiz 17/18	14.218	NEED	CSU FULLERTON AUX SRVC CORP	112,128	-
S1046 LL21306-City of San Brndn CDBG	14.218	NONE	SAN BERNARDINO ECONOMIC DEVELOPMENT CORPORATION	10,782	-
S1047 LL21307-City of Corona CDBG	14.218	89488-431	CITY OF CORONA	24,692	-
S1070 LL21330-CountyofRiverside17/18	14.218	4.222-17 amend	RIVERSIDE COUNTY	13,078	-
			Community Development Block Grants/Entitlement Grants	202,166	-
			TOTAL U.S. Department of Housing and Development	202,166	-
U.S. Department of the Interior - Pass Through					
S0971 GG21231 Japanese Ameri Digitiztn	15.933	500020	CSU Dominguez hills	(103)	-
			Preservation of Japanese American Confinement Sites		
			TOTAL U.S. Department of the Interior	(103)	-
U.S. Department of Labor - Pass Through					
S0823 LL21080-IE RegionalTrnCo-IERTC	17.282	15C215	CHAFFEY COLLEGE	112,257	-
			Trade Adjustment Assistance Community College and Career Traini		
			TOTAL Department of Labor	112,257	-
National Endowment for the Arts - Direct					
S0988 FF21247-Multidis Works 12/18	45.024	17-5400-7069	NATIONAL ENDOWMENT FOR THE ARTS	10,315	-
			Promotion of the Arts_Grants to Organizations and Individuals		
			TOTAL National Endowment for the Arts	10,315	-
National Science Foundation - Direct					
S0054 FF20425-CSUSB NOVCE MTH- 7/15	47.076	DUE-0934761	NATIONAL SCIENCE FOUNDATION	103,535	-
S0349 FF20593-CSUSB NOVCE PH11-8/15	47.076	DUE-1035229	NATIONAL SCIENCE FOUNDATION	87,533	-
S0589 FF20840-RENEW IAEP/SFS 7/2017	47.076	1241541	NATIONAL SCIENCE FOUNDATION	113,827	-
S0684 FF20940-SFS Conference 7/17	47.076	1241541	NATIONAL SCIENCE FOUNDATION	28,026	-
S0704 FF20960-MODEL CSI 8/16	47.076	DUE-1303344	NATIONAL SCIENCE FOUNDATION	36,438	-
			Education and Human Resources	369,358	-
National Science Foundation - Pass Through					
S0895 NG21154-VSA and Accessibility	47.000	NONE	JOHN F KENNEDY CENTER FOR THE PERFORMING ARTS	(3,902)	-
S0885 GG21144-15/18 CYBERWATCH	47.076	AGREEMENT 1500375	WHATCOM COMMUNITY COLLEGE	152,684	-
S1044 NG21304-NSF LSAMP Phase V Yr 5	47.076	SUBS23891 AMNDS23895	UNIVERSITY ENTERPRISES, INC.	14,488	-
			Education and Human Resources	167,172	-
			TOTAL National Science Foundation	532,627	-
U.S. Small Business Administration - Direct					
S0960 FF21220-Coachella Valley WBC	59.043	SBAHQ-14-W-0005	U.S. SMALL BUSINESS ADMINISTRATION	61,590	-
S0962 FF21222-Inland Empire WBC	59.043	SBAHQ-14-2-W0006	U.S. SMALL BUSINESS ADMINISTRATION	61,600	-
S1050 FF21310-Coachella Valley WBC	59.043	SBAHQ-17-W-0002	U.S. SMALL BUSINESS ADMINISTRATION	96,547	-
S1052 FF21312-Inland Empire WBC	59.043	SBAHQ-17-W-0003	U.S. SMALL BUSINESS ADMINISTRATION	120,337	-
			Women's Business Ownership Assistance	340,075	-
U.S. Small Business Administration - Pass Through					
S0809 NG21066-Inland Empire SBDC 15	59.037	5-5871 CSUSB	CSU FULLERTON AUX SRVC CORP	1	-
S0979 NG21239-Inland Empire SBDC	59.037	LETTER OF INTENT	CSU FULLERTON AUX SRVC CORP	372,268	-
S1066 NG21326-Inland Empire SBDC	59.037	LETTER OF INTENT	CSU FULLERTON AUX SRVC CORP	60,757	-
			Small Business Development Centers	433,027	-
			TOTAL U.S Small Business Administration	773,102	-
U.S. DEPARTMENT OF VETERANS AFFAIRS - Direct					
S0954 FF21214-IncrsVetPartAdptvSprts	64.034	2017-ASG-13	U.S. DEPARTMENT OF VETERANS AFFAIRS	32,681	-
			VA Grants for Adaptive Sports Programs for Disabled Veterans and Disabled members of the Armed Forces		
			TOTAL U.S. Department of Veterans Affairs	32,681	-
U.S. DEPARTMENT OF EDUCATION - Direct					
S0797 FF21055-LongTermRehbCrnsingPrg	84.129	H129B140025-17	U.S. DEPARTMENT OF EDUCATION	190,273	-
			Rehabilitation Long-Term Training		
S0791 FF21049-GEAR UP	84.334	P334A140110-17 4	U.S. DEPARTMENT OF EDUCATION	2,479,629	-
			Gaining Early Awareness and Readiness for Undergraduate Programs		
S0700 FF20956-CCAMPIS MAIN YR 1	84.335	P335A130025-16	U.S. DEPARTMENT OF EDUCATION	16,258	-

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Agency or Pass-through Number	Contracting Agency	Federal Expenditures	Pass Through to Subrecipients
50702 FF20958-CCAMPIS CHILD CARE YR1	84.335	P335A130025-16	U.S. DEPARTMENT OF EDUCATION	10,833	-
50703 FF20959-CCAMPIS ITLS YR1	84.335	P335A130025-16	U.S. DEPARTMENT OF EDUCATION	41,101	-
			Child Care Access Means Parents in School	68,192	-
U.S. DEPARTMENT OF EDUCATION - Pass Through					
S0498 GG20748-PASS GO 9/2016	84.031	SBCCD# 7715	SAN BERNARDINO COMMUNITY COLLEGE DISTRICT	(123)	-
50847 GG21105-Workability IV	84.126	PO#42346	CSU SAN BERNARDINO	4,811	-
50941 GG21201-WORKABILITY IV 16/17	84.126	PO#	CSU SAN BERNARDINO	65	-
51025 GG21285-WorkAbility IV 17/18	84.126	AGRMT 30435 PO48942	CSU SAN BERNARDINO	263,205	-
			Rehabilitation Services_Vocational Rehabilitation Grants to States	268,081	-
50643 LL20899-DRIVE	84.351	330526	TWIN RIVERS UNIFIED SCHOOL DISTRICT	18,173	-
50853 GG21111-TCAP NCLB12 6/16	84.367	NCLB12-TCAP-SO	TRUSTEES OF THE CALIFORNIA STATE UNIVERSITY	(1,171)	-
50870 GG21129-NCLB12 VSCAP 6/16	84.367	NCLB12-TCAP-SB VSCAP	REGENTS OF THE UNIVERSITY OF CALIFORNIA	(1,410)	-
50929 GG21189-NCLB13 VSCAP	84.367	NCLB13-TCAP-SB VSCAP	UNIVERSITY OF CALIFORNIA OFFICE OF THE PRESIDENT	(133)	-
51020 GG21280-NCLB 14 6/18	84.367	14CMP-SAN BERNARDINO	UNIVERSITY OF CALIFORNIA OFFICE OF THE PRESIDENT	30,840	-
51021 GG21281-CSMP State TCAP SO	84.367	NCLB14-TCAP-SO	UNIVERSITY OF CALIFORNIA OFFICE OF THE PRESIDENT	143,074	-
51023 GG21283-CSMP RIMS CAP	84.367	NONE	UNIVERSITY OF CALIFORNIA OFFICE OF THE PRESIDENT	57,955	-
			Improving Teacher Quality State Grants	229,155	-
			Rehabilitation Services-Vocational Rehabilitation Grants to States, Recovery Act	26	-
S0437 GG20685 Closure Bonus Funds	84.390	CSUSB PO#31414	CSU SAN BERNARDINO	26	-
50817 GG21074-CaPROMISE	84.418	29523 AMDMT #2	CALIFORNIA DEPT OF REHABILITATION	183	-
50968 GG21228-CaPROMISE 16/18	84.418	30124	CALIFORNIA DEPARTMENT OF REHABILITATION	151,765	-
			Promoting Readiness of Minors in Supplemental Security Income	151,948	-
			TOTAL U.S. Department of Education	3,405,355	-
U.S. Department of Health and Human Services - Pass Through					
S0938 FF21198-NurseFacultyLoanPg6/17	93.264	E01HP27050-02-00	HEALTH RESOURCES AND SERVICES ADMINISTRATION	85,913	-
			Nurse Faculty Loan Program (NFLP)		
			TOTAL U.S. Department of Health and Human Services		
			TOTAL OTHER FEDERAL PROGRAMS	5,596,520	-
			TOTAL ALL PROGRAMS	\$ 19,725,915	\$ 731,762

UNIVERSITY ENTERPRISES CORPORATION AT CSUSB
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the UEC under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the UEC, it is not intended to and does not present the financial position, changes in net assets or cash flows of the UEC.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE 3: INDIRECT COST RATE

A nonfederal entity may have a federally negotiated indirect cost rate that is being used for federal awards. In general, under 2 CFR 200.414(f), if an entity has never received a negotiated indirect cost rate, the entity may elect to use a 10 percent de minimis indirect cost rate. The entity has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

**UNIVERSITY ENTERPRISES CORPORATION AT CSUSB
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u>	Yes	<u> X </u>	No
Significant deficiency(ies) identified?	<u> </u>	Yes	<u> X </u>	None reported
Noncompliance material to financial statements noted?	<u> </u>	Yes	<u> X </u>	No

Federal Awards

Internal Control Over Major Programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency identified?	<u> </u> Yes	<u> X </u> None reported

Type of auditor's report issued on compliance for major federal programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of federal program or cluster</u>
84.044	TRIO Cluster
84.047	TRIO Cluster
93.658	Foster Care – Title IV-E

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as a low-risk auditee? X Yes No

**UNIVERSITY ENTERPRISES CORPORATION AT CSUSB
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

II. FINDINGS – FINANCIAL STATEMENT FINDINGS

None

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

**UNIVERSITY ENTERPRISES CORPORATION AT CSUSB
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

There were no prior year audit findings to report

INTERNAL CONTROL AND COMPLIANCE REPORT SECTION



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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

Independent Auditor's Report

To the Board of Directors of
University Enterprises Corporation at CSUSB
San Bernardino, California

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 University Enterprises Corporation at CSUSB's (the UEC) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, statement of expenses by natural classification and statement of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 14, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered UEC's internal control over financial reporting (internal control) to determine the 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 UEC's internal control. Accordingly, we do not express an opinion on the effectiveness of the UEC'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.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether UEC'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 determination of financial statement amounts. 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 UEC'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
September 14, 2018



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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

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To the Board of Directors of
University Enterprises Corporation at CSUSB
San Bernardino, California

Report on Compliance for Each Major Federal Program

We have audited University Enterprises Corporation at CSUSB's (the UEC) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of UEC's major federal programs for the year ended June 30, 2018. UEC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of UEC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about UEC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of UEC's compliance.



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Opinion on Each Major Federal Program

In our opinion, UEC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of UEC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered UEC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of UEC's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
September 14, 2018