

**UNIVERSITY ENTERPRISES CORPORATION AT CSUSB**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2020**



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**UNIVERSITY ENTERPRISES CORPORATION AT CSUSB  
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**UNIVERSITY ENTERPRISES CORPORATION AT CSUSB  
BOARD OF DIRECTORS  
JUNE 30, 2020**

**OFFICERS**

Tomás D. Morales, Chief Executive Officer  
Sam Sudhakar, Chair  
Valerie Zellmer, Vice Chair  
Douglas Freer, Secretary/Treasurer

**BOARD MEMBERS**

Tomás D. Morales	Director (University President); Board Chief Executive Officer
Sam Sudhakar	Director (Vice President); Board Chair
Valerie Zellmer	Director (Community); Vice Chair
Douglas Freer	Director (Vice President); Board Secretary/Treasurer
Jeremy Dodsworth	Director (Faculty)
Dorothy Chen-Maynard	Director (Community)
Paz Olivérez	Director (Vice President)
Jennifer Sorenson	Director (Staff)
LaNya Lyons	Director (Community)
Adonis Galarza-Toledo	Director (Student)
Robert Nava	Director (Vice President)
Shari McMahon	Director (Vice President)
Taewon Yang	Director (Faculty)
William Stevenson	Director (Community)
William Tooke	Director (Community)
Yusra Serhan	Director (Student)
Helen Amaris Martinez	Director (Student)



## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of University Enterprises Corporation at CSUSB (UEC), which comprise the statement of financial position as of June 30, 2020, the related statements of activities, functional expenses, and 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.

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UEC as of June 30, 2020, 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.

**Emphasis-of-Matter Regarding a Change in Accounting Principle**

As discussed in Note 1 to the financial statements, UEC has adopted Accounting Standards Update (ASU) No. 2018-08 Not-For-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The adoption of this standard did not have a significant impact on UEC’s reported historical revenue. Our opinion is not modified with respect to that matter.

**Report on Summarized Comparative Information**


The financial statements of University Enterprises Corporation at CSUSB as of June 30, 2019 were audited by other auditors whose report, dated September 12, 2019, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Matters**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of net position, the schedule of revenues, expenses, and changes in net position, and other information as listed in the table of contents are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and 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 audits 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 10, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of UEC’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UEC’s internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

**Glendora, California**  
September 10, 2020

**UNIVERSITY ENTERPRISES CORPORATION AT CSUSB**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2020**  
**(WITH COMPARATIVE TOTALS FOR 2019)**

	2020	2019
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 3,014,885	\$ 2,348,961
Short-term Investments	6,098,668	7,058,057
Grants Receivable	8,392,799	10,525,592
Due From Related Party	95,172	133,781
Other Receivables	93,243	325,075
Prepaid Expenses	68,205	26,652
Property, Plant and Equipment, Net	5,003,527	5,808,182
Total Assets	\$ 22,766,499	\$ 26,226,300
<b>LIABILITIES</b>		
Accounts Payable	\$ 3,837,821	\$ 3,635,687
Due To Related Party	1,369,161	1,748,199
Accrued Wages and Benefits	658,603	674,733
Accrued Vacation	549,988	487,395
Other Accrued Liabilities	1,313,139	1,376,070
Deferred Revenue	3,666,736	3,728,416
Post-employment Medical Benefits	3,309,384	3,419,200
Liabilities for Pension Benefits	2,771,633	1,881,211
Total Liabilities	17,476,465	16,950,911
<b>NET ASSETS</b>		
Without Donor Restrictions		
Undesignated	3,818,871	7,972,655
Board-Designated	1,471,164	1,302,734
Total Without Donor Restrictions	5,290,035	9,275,389
Total Net Assets	5,290,035	9,275,389
Total Liabilities and Net Assets	\$ 22,766,500	\$ 26,226,300

See accompanying Notes to Financial Statements.

**UNIVERSITY ENTERPRISES CORPORATION AT CSUSB**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2020**  
**(WITH COMPARATIVE TOTALS FOR 2019)**

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
<b>REVENUES</b>				
Commissions	\$ 724,951	\$ -	\$ 724,951	\$ 669,134
Grants and Contracts	29,945,563	-	29,945,563	34,764,479
Special Programs	737,213	-	737,213	651,103
Parent Fees	214,199	-	214,199	293,399
Investment Income, Net	181,089	-	181,089	125,065
Loss on Disposal of Asset	(55,220)	-	(55,220)	(161,183)
Unrealized Gain/(Loss) on Investments	357	-	357	(5,688)
Realized Gain on Investments	7,766	-	7,766	15,751
Miscellaneous Income	353,399	-	353,399	1,976,448
Total Revenues from Operations	<u>32,109,317</u>	<u>-</u>	<u>32,109,317</u>	<u>38,328,508</u>
Transfers from University/Other Auxiliary Organizations	<u>865,240</u>	<u>-</u>	<u>865,240</u>	<u>614,979</u>
Total Revenues	<u>32,974,557</u>	<u>-</u>	<u>32,974,557</u>	<u>38,943,487</u>
<b>EXPENSES</b>				
Program Expenses:				
Commercial Operations	2,965,516	-	2,965,516	539,719
Sponsored Programs	30,343,315	-	30,343,315	35,487,103
Campus Programs	1,687,722	-	1,687,722	1,360,979
Management and General	1,101,403	-	1,101,403	196,051
Total Program and General Expenses	<u>36,097,956</u>	<u>-</u>	<u>36,097,956</u>	<u>37,583,852</u>
<b>CHANGES IN NET ASSETS FROM PROGRAM ACTIVITIES</b>	<u>(3,123,399)</u>	<u>-</u>	<u>(3,123,399)</u>	<u>1,359,635</u>
<b>OTHER ADJUSTMENTS</b>				
Transfers to University/Other Auxiliary Organizations	74,465	-	74,465	435,604
Net Change in Pension Liability Valuation	897,306	-	897,306	(477,712)
Net Change in OPEB Liability Valuation	(109,816)	-	(109,816)	(192,218)
Total Other Adjustments	<u>861,955</u>	<u>-</u>	<u>861,955</u>	<u>(234,326)</u>
<b>CHANGES IN NET ASSETS INCLUDING OTHER ADJUSTMENTS</b>	<u>(3,985,354)</u>	<u>-</u>	<u>(3,985,354)</u>	<u>1,593,961</u>
<b>NET ASSETS, Beginning of Year</b>	<u>9,275,389</u>	<u>-</u>	<u>9,275,389</u>	<u>7,681,428</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 5,290,035</u>	<u>\$ -</u>	<u>\$ 5,290,035</u>	<u>\$ 9,275,389</u>

See accompanying Notes to Financial Statements.

**UNIVERSITY ENTERPRISES CORPORATION AT CSUSB**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2020**  
**(WITH COMPARATIVE TOTALS FOR 2019)**

	2020				2019		
	Program Activities			Supporting Activities			
	Commercial Operations	Sponsored Programs	Campus Programs	Total Program Activities	Management and General	Total Expenses	Total Expenses
Salaries	\$ -	\$ 12,760,225	\$ 1,075,182	\$ 13,835,407	\$ 909,580	\$ 14,744,987	\$ 14,284,221
Employee benefits	81,437	3,769,868	294,388	4,145,693	445,060	4,590,753	4,613,382
Administrative costs	-	7,360	912	8,272	5,951	14,223	45,261
Bad debts	-	-	-	-	60,024	60,024	8,497
Bank and credit fees	-	610	-	610	9,572	10,182	9,465
Small equipment purchases	15,830	382,062	-	397,892	16,418	414,310	488,593
Conferences and meetings	-	53,792	27,942	81,734	-	81,734	85,051
Contract services	1,923,808	3,165,581	23,460	5,112,849	96,989	5,209,838	3,830,550
Cost of goods sold	18,041	-	-	18,041	-	18,041	41,090
Depreciation	647,394	174,845	51,692	873,931	66,340	940,271	544,643
Campus Services Expense	-	-	-	-	1,808,514	1,808,514	1,820,650
Dues, memberships and subscriptions	299	2,641	(305)	2,635	9,699	12,334	12,738
Food	-	14,110	17,423	31,533	-	31,533	50,390
Grant Indirect Costs	-	3,027,431	-	3,027,431	(3,027,297)	134	-
Honoraria	-	4,871	-	4,871	-	4,871	9,114
Information technology costs	36,964	192,119	57,235	286,318	4,591	290,909	235,231
Insurance	-	16,833	7,391	24,224	83,322	107,546	90,239
Licenses and permits	7,042	16,936	1,068	25,046	11,694	36,740	32,387
Grant Subrecipient Costs	-	479,025	-	479,025	-	479,025	2,130,268
Other expenses	(41,069)	266,229	27,146	252,306	162,297	414,603	886,533
Postage	-	2,280	11	2,291	6,930	9,221	5,607
Printing	1,711	24,825	2,097	28,633	2,671	31,304	32,806
Professional development and training	-	85,008	125	85,133	14,657	99,790	95,567
Professional fees	-	-	-	-	91,778	91,778	52,125
Public relations	37	23,692	659	24,388	3,500	27,888	21,799
Rental, equipment and space	30,000	830,619	-	860,619	3,077	863,696	1,015,885
Repairs	206,953	9,242	20,827	237,022	17,386	254,408	104,075
Stipends, room and board	-	3,478,843	300	3,479,143	-	3,479,143	4,295,105
Supplies	11,990	635,825	73,713	721,528	259,289	980,817	1,125,755
Travel	-	775,857	92	775,949	33,204	809,153	1,409,310
Utilities and telephone	25,079	142,586	6,364	174,029	6,157	180,186	207,513
<b>Total program and general expenses</b>	<b>\$ 2,965,516</b>	<b>\$ 30,343,315</b>	<b>\$ 1,687,722</b>	<b>\$ 34,996,553</b>	<b>\$ 1,101,403</b>	<b>\$ 36,097,956</b>	<b>\$ 37,583,850</b>

See accompanying Notes to Financial Statements.



**UNIVERSITY ENTERPRISES CORPORATION AT CSUSB**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2020**  
**(WITH COMPARATIVE TOTALS FOR 2019)**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (3,985,354)	\$ 1,593,961
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	940,271	544,643
Unrealized (gain) loss on investments	(357)	5,688
Loss on disposal of fixed assets	55,220	169,183
(Increase) decrease in:		
Grants receivable	2,132,793	(1,883,021)
Due from related party	38,609	52,083
Other receivables	231,832	(183,791)
Prepaid expenses	(41,553)	53,672
Increase (decrease) in:		
Accounts payable	202,134	1,938,120
Due to related party	(379,038)	800,213
Accrued wages and benefits	(16,130)	26,215
Accrued vacation	62,593	96,914
Other accrued liabilities	(62,931)	440,708
Deferred revenue	(61,680)	(641,545)
Post-employment medical benefits	(109,816)	(192,218)
Actuarial pension related items	890,422	(477,710)
Net cash provided by (used for) operating activities	(102,985)	2,343,115
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments related to the construction of capital assets	(35,833)	290,584
Payments related to the acquisition of capital assets	(330,665)	(3,892,052)
Proceeds from disposal of fixed assets	175,661	8,000
Purchase of investments	(1,005,487)	(154,451)
Sale of investments	1,965,233	1,447,890
Net cash provided by (used for) investing activities	768,909	(2,300,029)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	665,924	43,086
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	\$ 2,348,961	2,305,875
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 3,014,885	\$ 2,348,961

See accompanying Notes to Financial Statements.

**UNIVERSITY ENTERPRISES CORPORATION AT CSUSB**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES**

University Enterprises Corporation at CSUSB was created on July 31, 1962 as the San Bernardino-Riverside State College Foundation pursuant to the general nonprofit 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:

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

*Sponsored Programs*, which includes the operation and administration of externally funded sponsored projects in support of the instructional, research and public functions of the University.

*Campus Programs*, consisting of the operation of the on-campus Child Care Center, Infant Toddler Center, PC Lab, and Alumni Relations.

**Estimates**

The preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**UNIVERSITY ENTERPRISES CORPORATION AT CSUSB**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Basis of Accounting and Presentation**

The financial statements of the UEC have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205. Accordingly, information regarding financial position, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of UEC and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations, and which may be designated for specific purposes by action of the board of directors.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both

**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, 2020, UEC had \$3,303,745 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.

**UNIVERSITY ENTERPRISES CORPORATION AT CSUSB**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**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 12 months or less. Long-term investments consist of debt securities with original maturities greater than 12 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, 2020 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.

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.

Volunteers contribute time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet the recognition criteria prescribed by generally accepted accounting principles.

**UNIVERSITY ENTERPRISES CORPORATION AT CSUSB**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Revenue and Revenue Recognition**

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expirations of donor-imposed restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, are reported as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same year the gift is made are reported as contributions without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations.

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Conditional promises are recorded as revenue once the conditions are substantially met. Contributions are recognized as donor restricted net assets if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same year the gift is made are reported as contributions with donor restrictions and releases in the current year.

Grants and Contracts comprise of cost-reimbursable contracts and grants, which are conditional contributions recognized in accordance with the policy described in the preceding paragraph, and exchange revenue related to the value of the benefits received by the funding agency, which is recognized as the services are provided. Amounts received under cost-reimbursable contracts are recognized as earned and are reported as revenue when UEC has incurred expenditures in compliance with specific contract or grant provisions. Amounts received but not yet earned are reported as deferred revenue in the statement of financial position. UEC received cost reimbursable grants of \$3,407,922 that have not been recognized at June 30, 2020 because qualifying expenditures have not yet been incurred.

Special Program revenue consists primarily of unconditional contributions.

Commissions revenue is recognized when earned in accordance with the terms and conditions contained in the agreements with the third-parties. 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.

**Concentrations**

Receivables at June 30, 2020 include amounts due from students, governmental funding sources, and the California State University, San Bernardino.

**UNIVERSITY ENTERPRISES CORPORATION AT CSUSB**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Income Taxes**

UEC is a nonprofit 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.

**Subsequent Events**

Management has evaluated subsequent events through September 10, 2020, the date the financial statements were available to be issued.

**Risks and Uncertainties**

During the fiscal year, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. Subsequent to year end, the COVID-19 pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to UEC, COVID-19 may impact various parts of its 2020-21 operations and financial results, including, but not limited to, declines in enrollment, loss of auxiliary revenues, additional bad debts, costs for increased use of technology, or potential shortages of personnel. Management believes UEC is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

**Change in Accounting Principle**

In August 2018, FASB issued ASU 2018-08 Not-For-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This standard distinguishes between contributions and exchange transactions and assists in determining which guidance to apply. The organization's financial statements reflect the full application of ASU 2018-08 to contributions received and made beginning in 2020.

**UNIVERSITY ENTERPRISES CORPORATION AT CSUSB**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 2 INVESTMENTS AND FAIR VALUE MEASUREMENTS**

FASB 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:

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 – Inputs to the valuation methodology include:

- 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.

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.

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.

**UNIVERSITY ENTERPRISES CORPORATION AT CSUSB**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 2 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)**

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.

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, 2020 are as follows:

	Total	Fair Value Measurements at June		Level 3
		Level 1	Level 2	
Short-term investments:				
Money market funds	\$ 26,873	\$ 26,873	\$ -	\$ -
SWIFT investment fund	5,890,579	-	5,890,579	-
Mutual funds	73,290	73,290	-	-
Equity securities	107,926	107,926	-	-
Total short-term investments	<u>\$ 6,098,668</u>	<u>\$ 208,089</u>	<u>\$ 5,890,579</u>	<u>\$ -</u>

UEC has pooled investments with the CSU Systemwide Investment Fund Trust (SWIFT). As a result of a 2007 change in Education Code 89721(l) 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.

Investment fees for the year ended June 30, 2020 amounted to \$1,411 and are netted against investment income on the statement of activities.



**UNIVERSITY ENTERPRISES CORPORATION AT CSUSB**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 3 PROPERTY, PLANT, AND EQUIPMENT**

Property, plant, and equipment consisted of the following at June 30, 2020:

Land	\$	4,640
Construction in process		38,162
Buildings		4,036,683
Equipment, furniture and fixtures		4,497,957
Leasehold improvements		3,045,665
Intangible assets		189,057
		<u>11,812,164</u>
Less: accumulated depreciation and amortization		<u>(6,808,637)</u>
Property, plant and equipment, net	\$	<u><u>5,003,527</u></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, 2020 was \$940,272.

**NOTE 4 BOARD-DESIGNATED AND DONOR RESTRICTED NET ASSETS**

UEC's governing board has designated, from net assets without donor restrictions of \$5,290,035 net assets for the following purposes as of June 30, 2020:

Board-Designated Net Assets		
Current Operations Reserve	\$	302,253
Working Capital Reserve		543,899
Unplanned Capital Replacement Reserve		259,621
Undesignated General Reserve		75,391
Sponsored Programs Reserve for Disallowances		<u>290,000</u>
Total Board-Designated Net Assets	\$	<u><u>1,471,164</u></u>

There were no net assets with donor restrictions at June 30, 2020.

**UNIVERSITY ENTERPRISES CORPORATION AT CSUSB**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 5 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. Copies of CalPERS' annual financial report may be obtained from the CalPERS's website, at [www.calpers.ca.gov](http://www.calpers.ca.gov).

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 5% 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, 2020 was 12.896% for the miscellaneous plan and 7.25% for the miscellaneous tier 1 plan (PEPRA). The payroll for employees covered by PERS for the year ended June 30, 2020 was \$8,254,674. Total payroll for the year ended June 30, 2020 amounted to \$12,839,786. Employer contributions for the year ended June 30, 2020 were \$743,653 based on amounts required to be contributed. Total employee contributions for the year ended June 30, 2020 were \$519,401.

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	\$ 31,488,515	\$ 27,486,861	\$ 4,001,654

**UNIVERSITY ENTERPRISES CORPORATION AT CSUSB**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 5 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Funding Policy (Continued)**

Plan assets and funded status of the plan is as follows:

<u>Valuation Date</u>	<u>Measurement Date</u>	<u>Accrued Liability</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Funding Actuarial Excess</u>	<u>Funded Ratio AVA</u>
6/30/2018	6/30/2019	\$ 31,488,515	\$ 27,486,861	\$ 4,001,654	87.29%

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>
Changes of Assumptions	\$ 190,817	\$ (67,643)
Differences between Expected and Actual Experience	277,932	(21,534)
Differences between Projected and Actual Investment Earnings	-	(69,961)
Differences between Employer's Contributions and Proportionate Share of Contributions	-	(591,697)
Change in Employer's Proportion Pension Contributions Made Subsequent to Measurement Date	768,454	-
	743,653	-
Total	<u>\$ 1,980,856</u>	<u>\$ (750,835)</u>

Net actuarial pension expenses recognized as expenses in the statement of activities for the year was \$1,634,075.

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

	<u>2020</u>
Net pension liability	\$ (4,001,654)
Future pension cost outflows	1,980,856
Future pension cost inflows	(750,835)
Total liabilities for pension benefits	<u>(2,771,633)</u>

**UNIVERSITY ENTERPRISES CORPORATION AT CSUSB**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 5 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Actuarial Assumptions**

	<u>Miscellaneous Plan</u>
Valuation Date	6/30/2018
Measurement Date	6/30/2019
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Actuarial Value of Assets
Amortization Method	Level of Percent of Payroll
Actuarial Assumptions:	
Discount Rate	7.15% (net of admin expenses)
Inflation Rate	2.50%
Projected Salary Growth	3.3% - 14.2%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.15%
	Derived using CalPERS' Membership
Mortality Rate Table (1)	Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

(1) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

**NOTE 6 OTHER POSTEMPLOYMENT 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 \$501 per month for retiree coverage, \$955 per month for coverage with one dependent and \$1,207 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%.

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, 2020**

**NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

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

***Change in accumulated postemployment benefit obligation (APBO)***

APBO at beginning of year	\$ 5,752,689
Service cost (excluding expenses)	61,859
Interest cost	192,642
Actuarial (gain) loss	279,117
Benefits paid	<u>(173,470)</u>
APBO at end of year	<u>6,112,837</u>

***Change in plan assets***

Fair value of assets at beginning of year	2,333,489
Actual return on assets (net of expenses)	119,964
Employer contribution	523,470
Benefits paid	<u>(173,470)</u>
Fair value of plan assets at end of year	<u>2,803,453</u>

***Funded status - unfunded net OPEB liability***

\$ 3,309,384

***Amounts recognized in the statement of financial position consist of:***

Current liabilities	222,439
Noncurrent liabilities	3,086,945
Total recognized on Statement of Financial Position	<u><u>\$ 3,309,384</u></u>

***Components of net periodic postretirement benefit cost (NPPBC)***

Service cost (including expenses)	\$ 61,859
Interest cost	192,642
Expected return on plan assets	(150,509)
Amortization of net (gain) loss	<u>(247,292)</u>
Net periodic postretirement benefit cost	<u>(143,300)</u>

***Other changes in plan assets and benefit obligations recognized in AOCI***

Net actuarial (gain) loss	309,662
Amortization of actuarial (gain) loss	<u>247,292</u>
Total recognized	<u>556,954</u>
Total recognized in change in net assets	<u><u>\$ 413,654</u></u>

**UNIVERSITY ENTERPRISES CORPORATION AT CSUSB**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

The assumptions used in the measurement of UEC's benefit obligation and net periodic postemployment benefit cost included a 3.40% weighted-average discount rate as of and for the year ended June 30, . It is the same weighted-average discount rate used for as of and for the year ended June 30, 2019.

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>
2021	5.50%
2022	5.00%
2023+	4.50%

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plan. A 1% 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 (Increase)	\$ 1,029,837	16.85%

A 1% 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 (Decrease)	818,172	13.38%

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 \$204,744 during the year ended June 30, 2020, for current benefit costs.

The expected benefits to be paid are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2021	\$ 222,439
2022	232,698
2023	233,573
2024	247,999
2025	244,662
Thereafter	1,294,284

**UNIVERSITY ENTERPRISES CORPORATION AT CSUSB**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 7 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. Accounting principles generally accepted in the United States of America 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:

For the year ended June 30, 2020	CSUSB	Associated Students	Philanthropic Foundation	Santos Manuel Student Union	Total
<u>Expenses</u>					
Payments to Univ/Aux for salaries of personnel working on contracts, grants, and other programs	\$ 2,562,499	\$ -	\$ -	\$ 13,958	\$ 2,576,457
Payments to Univ/Aux for other than salaries of personnel	5,615,532	-	131,695	97,936	5,845,163
<u>Revenues</u>					
Payments received from Univ/Aux for services, space and programs	2,355,524	162,053	510,679	-	3,028,256
<u>Due to</u>					
Accounts Payable due to Univ/Aux as of June 30, 2020	(1,369,161)	-	-	-	(1,369,161)
<u>Due from</u>					
Accounts Receivable due from Univ/Aux as of June 30, 2020	92,652	-	2,520	-	95,172

**UNIVERSITY ENTERPRISES CORPORATION AT CSUSB**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 8 AVAILABLE RESOURCES AND LIQUIDITY**

UEC regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. UEC has various sources of liquidity at its disposal, including cash and cash equivalents, short-term debt and equity securities, and receivables due within the next 12 months.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, UEC considers all expenditures related to its ongoing activities of commercial operations, campus programs, and sponsored programs, as well as the general and administrative services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, UEC operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Refer to the statement of cash flows, which identifies the sources and uses of UEC's cash and shows positive cash generated by operations for fiscal year 2020.

As of June 30, 2020, the following tables show the total financial assets held by UEC and the amounts of those financial assets that could readily be made available within one year of the balance sheet date to meet general expenditures. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the balance sheet date.

<b>Financial Assets:</b>	2020
Cash and Cash Equivalents	\$ 3,014,885
Investments Convertible to Cash in the Next 12 Months	6,098,668
Grants Receivable	8,392,799
Due From Related Parties	95,172
Other Receivables	93,243
Other Long-Term Assets	5,071,732
Total	\$ 22,766,499

<b>Financial Assets Available to Meet General Expenditures</b>	
<b>Over the Next 12 Months:</b>	2020
Cash and Cash Equivalents	\$ 3,014,885
Investments Convertible to Cash in the Next 12 Months	6,098,668
Accounts Receivable	8,392,799
Due From Related Parties	95,172
Other Receivables	93,243
Total	\$ 17,694,767



**SUPPLEMENTARY INFORMATION**

**UNIVERSITY ENTERPRISES CORPORATION AT CSUSB**  
**SCHEDULE OF NET POSITION**  
**JUNE 30, 2020**  
**(FOR INCLUSION IN THE CALIFORNIA STATE UNIVERSITY)**  
**(SEE ACCOMPANYNG INDEPENDENT AUDITORS' REPORT)**

<b>Assets:</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 3,014,886
Short-term investments	6,098,668
Accounts receivable, net	8,581,214
Capital lease receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	-
Prepaid expenses and other current assets	68,205
<b>Total current assets</b>	<b>17,762,973</b>
<b>Noncurrent assets:</b>	
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	5,003,527
Other assets	-
<b>Total noncurrent assets</b>	<b>5,003,527</b>
<b>Total assets</b>	<b>22,766,500</b>
<b>Deferred outflows of resources:</b>	
Unamortized loss on debt refunding	-
Net pension liability	1,980,856
Net OPEB liability	-
Others	-
<b>Total deferred outflows of resources</b>	<b>1,980,856</b>
<b>Liabilities:</b>	
<b>Current liabilities:</b>	
Accounts payable	5,206,983
Accrued salaries and benefits	658,603
Accrued compensated absences, current portion	329,993
Unearned revenues	3,666,736
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	1,313,139
<b>Total current liabilities</b>	<b>11,175,453</b>
<b>Noncurrent liabilities:</b>	
Accrued compensated absences, net of current portion	219,995
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	3,309,384
Net pension liability	4,001,654
Other liabilities	-
<b>Total noncurrent liabilities</b>	<b>7,531,033</b>
<b>Total liabilities</b>	<b>18,706,486</b>
<b>Deferred inflows of resources:</b>	
Service concession arrangements	-
Net pension liability	750,835
Net OPEB liability	-
Unamortized gain on debt refunding	-
Nonexchange transactions	-
Others	-
<b>Total deferred inflows of resources</b>	<b>750,835</b>
<b>Net position:</b>	
Net investment in capital assets	5,003,527
Restricted for:	
Nonexpendable – endowments	-
Expendable:	
Scholarships and fellowships	-
Research	-
Loans	-
Capital projects	-
Debt service	-
Others	-
Unrestricted	286,508
<b>Total net position</b>	<b>\$ 5,290,035</b>

**UNIVERSITY ENTERPRISES CORPORATION AT CSUSB**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2020**  
**(FOR INCLUSION IN THE CALIFORNIA STATE UNIVERSITY)**  
**(SEE ACCOMPANYNG INDEPENDENT AUDITORS' REPORT)**

**Revenues:**

**Operating revenues:**

Student tuition and fees, gross	\$	-
Scholarship allowances (enter as negative)		-

**Grants and contracts, noncapital:**

Federal		16,850,453
State		9,017,761
Local		2,807,500
Nongovernmental		355,972
Sales and services of educational activities		-
Sales and services of auxiliary enterprises, gross		757,846
Scholarship allowances (enter as negative)		-
Other operating revenues		1,394,512

<b>Total operating revenues</b>		<b>31,184,043</b>
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**Expenses:**

**Operating expenses:**

Instruction		5,798
Research		17,105,084
Public service		5,473,781
Academic support		43,294
Student services		9,176,543
Institutional support		1,822,553
Operation and maintenance of plant		-
Student grants and scholarships		-
Auxiliary enterprise expenses		2,318,124
Depreciation and amortization		940,272

<b>Total operating expenses</b>		<b>36,885,449</b>
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<b>Operating income (loss)</b>		<b>(5,701,406)</b>
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**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		189,212
Endowment income (loss), net		-
Interest expense		-
Other nonoperating revenues (expenses) - excl. interagency transfers		1,526,838

<b>Net nonoperating revenues (expenses)</b>		<b>1,716,050</b>
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<b>Income (loss) before other revenues (expenses)</b>		<b>(3,985,356)</b>
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State appropriations, capital		-
Grants and gifts, capital		-
Additions (reductions) to permanent endowments		-

<b>Increase (decrease) in net position</b>		<b>(3,985,356)</b>
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**Net position:**

Net position at beginning of year, as previously reported		9,275,389
Restatements		-

<b>Net position at beginning of year, as restated</b>		<b>9,275,389</b>
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<b>Net position at end of year</b>	<b>\$</b>	<b>5,290,033</b>
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**UNIVERSITY ENTERPRISES CORPORATION AT CSUSB  
OTHER INFORMATION (CONTINUED)  
YEAR ENDED JUNE 30, 2020  
(FOR INCLUSION IN THE CALIFORNIA STATE UNIVERSITY)  
(SEE ACCOMPANYNG INDEPENDENT AUDITORS' REPORT)**

**1 Cash and cash equivalents:**

Portion of restricted cash and cash equivalents related to endowments	\$	-
All other restricted cash and cash equivalents		-
<b>Noncurrent restricted cash and cash equivalents</b>		-
Current cash and cash equivalents		3,014,886
<b>Total</b>	<b>\$</b>	<b>3,014,886</b>

**2.1 Composition of investments:**

Investment Type	Current	Noncurrent	Fair Value
Money market funds	\$ 26,873	\$ -	\$ 26,873
Repurchase agreements			-
Certificates of deposit			-
U.S. agency securities			-
U.S. treasury securities			-
Municipal bonds			-
Corporate bonds			-
Asset backed securities			-
Mortgage backed securities			-
Commercial paper			-
Mutual funds	73,290		73,290
Exchange traded funds			-
Equity securities	107,926		107,926
Alternative investments:			
Private equity (including limited partnerships)			-
Hedge funds			-
Managed futures			-
Real estate investments (including REITs)			-
Commodities			-
Derivatives			-
Other alternative investment			-
Other external investment pool			-
CSU Consolidated Investment Pool (formerly SWIFT)	5,890,579		5,890,579
State of California Local Agency Investment Fund (LAIF)			-
State of California Surplus Money Investment Fund (SMIF)			-
Other investments:			
Total Other investments			-
<b>Total investments</b>	<b>6,098,668</b>	<b>-</b>	<b>6,098,668</b>
Less endowment investments (enter as negative number)			-
<b>Total investments, net of endowments</b>	<b>\$ 6,098,668</b>	<b>- \$</b>	<b>6,098,668</b>

**2.2 Fair value hierarchy in investments:**

Investment Type	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Money market funds	\$ 26,873	\$ 26,873	\$ -	\$ -	-
Repurchase agreements	-				-
Certificates of deposit	-				-
U.S. agency securities	-				-
U.S. treasury securities	-				-
Municipal bonds	-				-
Corporate bonds	-				-
Asset backed securities	-				-
Mortgage backed securities	-				-
Commercial paper	-				-
Mutual funds	73,290	73,290			-
Exchange traded funds	107,926	107,926			-
Equity securities	107,926	107,926			-
Alternative investments:					
Private equity (including limited partnerships)	-				-
Hedge funds	-				-
Managed futures	-				-
Real estate investments (including REITs)	-				-
Commodities	-				-
Derivatives	-				-
Other alternative investment	-				-
Other external investment pool	-				-
CSU Consolidated Investment Pool (formerly SWIFT)	5,890,579				5,890,579
State of California Local Agency Investment Fund (LAIF)	-				-
State of California Surplus Money Investment Fund (SMIF)	-				-
Other investments:					
Total Other investments	-				-
<b>Total investments</b>	<b>\$ 6,098,668</b>	<b>\$ 181,216</b>	<b>\$ 26,873</b>	<b>\$ -</b>	<b>\$ 5,890,579</b>

**UNIVERSITY ENTERPRISES CORPORATION AT CSUSB  
OTHER INFORMATION (CONTINUED)  
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2.3 Investments held by the University under contractual agreements:

	Current	Noncurrent	Total
Investments held by the University under contractual agreements e.g. - CSU Consolidated Investment Pool (formerly SWIFT):	\$ 5,890,579	\$ -	\$ 5,890,579

3.1 Composition of capital assets:

	Balance June 30, 2019	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2019 (Restated)	Additions	Retirements	Transfer of completed CWIP/PWIP	Balance June 30, 2020
<b>Non-depreciable/Non-amortizable capital assets:</b>									
Land and land improvements	\$ 4,640	\$ -	\$ -	\$ -	\$ 4,640	\$ -	\$ -	\$ -	\$ 4,640
Works of art and historical treasures					-				-
Construction work in progress (CWIP)	158,360				158,360	35,833	(156,031)		38,162
Intangible assets:									
Rights and easements					-				-
Patents, copyrights and trademarks					-				-
Intangible assets in progress (PWIP)					-				-
Licenses and permits					-				-
Other intangible assets:					-				-
Total Other intangible assets					-				-
<b>Total intangible assets</b>					-				-
<b>Total non-depreciable/non-amortizable capital assets</b>	<b>\$ 163,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ 163,000</b>	<b>\$ 35,833</b>	<b>\$ (156,031)</b>	<b>-</b>	<b>\$ 42,802</b>
<b>Depreciable/Amortizable capital assets:</b>									
Buildings and building improvements	6,500,263	(2,563,690)			3,936,573	100,110			4,036,683
Improvements, other than buildings Infrastructure					-				-
Leasehold improvements	481,974	2,563,690			3,045,664				3,045,664
Personal property:									
Equipment	4,348,715				4,348,715	230,555	(81,313)		4,497,957
Library books and materials					-				-
Intangible assets:									
Software and websites	72,804				72,804				72,804
Rights and easements					-				-
Patents, copyrights and trademarks	116,253				116,253				116,253
Licenses and permits					-				-
Other intangible assets:					-				-
Total Other intangible assets:					-				-
<b>Total intangible assets</b>	<b>189,057</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>189,057</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>189,057</b>
<b>Total depreciable/amortizable capital assets</b>	<b>11,520,009</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,520,009</b>	<b>330,665</b>	<b>(81,313)</b>	<b>-</b>	<b>11,769,361</b>
<b>Total capital assets</b>	<b>\$ 11,683,009</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,683,009</b>	<b>\$ 366,497</b>	<b>\$ (237,344)</b>	<b>\$ -</b>	<b>\$ 11,812,163</b>
<b>Less accumulated depreciation/amortization: (enter as negative number, except for reductions enter as positive number)</b>									
Buildings and building improvements	(2,799,006)				(2,799,006)	(50,052)			(2,849,058)
Improvements, other than buildings Infrastructure					-				-
Leasehold improvements	(418,660)				(418,660)	(444,033)			(862,693)
Personal property:									
Equipment	(2,468,104)				(2,468,104)	(446,186)	6,463		(2,907,828)
Library books and materials					-				-
Intangible assets:									
Software and websites	(72,804)				(72,804)				(72,804)
Rights and easements					-				-
Patents, copyrights and trademarks	(116,253)				(116,253)				(116,253)
Licenses and permits					-				-
Other intangible assets:					-				-
Total Other intangible assets:					-				-
<b>Total intangible assets</b>	<b>(189,057)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(189,057)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(189,057)</b>
<b>Total accumulated depreciation/amortization</b>	<b>(5,874,827)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,874,827)</b>	<b>(940,272)</b>	<b>6,463</b>	<b>-</b>	<b>(6,808,636)</b>
<b>Total capital assets, net</b>	<b>\$ 5,808,182</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,808,182</b>	<b>\$ (573,775)</b>	<b>\$ (230,881)</b>	<b>\$ -</b>	<b>\$ 5,003,527</b>

**UNIVERSITY ENTERPRISES CORPORATION AT CSUSB  
OTHER INFORMATION (CONTINUED)  
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3.2 Detail of depreciation and amortization expense:

Depreciation and amortization expense related to capital assets	\$	940,272
Amortization expense related to other assets		-
<b>Total depreciation and amortization</b>	<b>\$</b>	<b>940,272</b>

4 Long-term liabilities:

	Balance June 30, 2019	Prior Period Adjustments/Reclassifications	Balance June 30, 2019 (Restated)	Additions	Reductions	Balance June 30, 2020	Current Portion	Noncurrent Portion
1. Accrued compensated absences	\$ 487,395	\$ -	\$ 487,395	\$ 392,830	\$ (330,236)	\$ 549,989	\$ 329,993	\$ 219,996
2. Claims liability for losses and loss adjustment expenses	-		-			-		-
3. Capital lease obligations:								
Gross balance	-		-			-	-	-
Unamortized net premium/(discount)	-		-			-	-	-
<b>Total capital lease obligations</b>	<b>-</b>		<b>-</b>			<b>-</b>	<b>-</b>	<b>-</b>
4. Long-term debt obligations:								
4.1 Auxiliary revenue bonds (non-SRB related)	-		-			-	-	-
4.2 Commercial paper	-		-			-	-	-
4.3 Notes payable (SRB related)	-		-			-	-	-
4.4 Others:	-		-			-	-	-
	-		-			-	-	-
	-		-			-	-	-
Total others	-		-			-	-	-
<b>Sub-total long-term debt</b>	<b>-</b>		<b>-</b>			<b>-</b>	<b>-</b>	<b>-</b>
4.5 Unamortized net bond premium/(discount)	-		-			-	-	-
<b>Total long-term debt obligations</b>	<b>-</b>		<b>-</b>			<b>-</b>	<b>-</b>	<b>-</b>
<b>Total long-term liabilities</b>	<b>\$ 487,395</b>	<b>\$ -</b>	<b>\$ 487,395</b>	<b>\$ 392,830</b>	<b>\$ (330,236)</b>	<b>\$ 549,989</b>	<b>\$ 329,993</b>	<b>\$ 219,996</b>

5 Capital lease obligations schedule:

	Capital lease obligations related to SRB			All other capital lease obligations			Total capital lease obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
<b>Year ending June 30:</b>									
2021			-			-			-
2022			-			-			-
2023			-			-			-
2024			-			-			-
2025			-			-			-
2026 - 2030			-			-			-
2031 - 2035			-			-			-
2036 - 2040			-			-			-
2041 - 2045			-			-			-
2046 - 2050			-			-			-
Thereafter			-			-			-
<b>Total minimum lease payments</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Less: amounts representing interest									-
<b>Present value of future minimum lease payments</b>									<b>-</b>
Unamortized net premium/(discount)									-
<b>Total capital lease obligations</b>									<b>-</b>
Less: current portion									-
<b>Capital lease obligations, net of current portion</b>									<b>\$ -</b>

**UNIVERSITY ENTERPRISES CORPORATION AT CSUSB  
OTHER INFORMATION (CONTINUED)  
YEAR ENDED JUNE 30, 2020  
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6 Long-term debt obligations schedule:

	Auxiliary revenue bonds (non-SRB related)			All other long-term debt obligations			Total long-term debt obligations		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
<b>Year ending June 30:</b>									
2021			-			-			-
2022			-			-			-
2023			-			-			-
2024			-			-			-
2025			-			-			-
2026 - 2030			-			-			-
2031 - 2035			-			-			-
2036 - 2040			-			-			-
2041 - 2045			-			-			-
2046 - 2050			-			-			-
Thereafter			-			-			-
<b>Total minimum payments</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Less: amounts representing interest									-
<b>Present value of future minimum payments</b>									<b>-</b>
Unamortized net premium/(discount)									-
<b>Total long-term debt obligations</b>									<b>-</b>
Less: current portion									-
<b>Long-term debt obligations, net of current portion</b>									<b>\$ -</b>

7 Transactions with related entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$	2,576,457
Payments to University for other than salaries of University personnel	\$	5,845,163
Payments received from University for services, space, and programs	\$	3,028,256
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)	\$	(1,369,161)
Other amounts (payable to) University (enter as negative number)	\$	-
Accounts receivable from University (enter as positive number)	\$	95,172
Other amounts receivable from University (enter as positive number)	\$	-

8 Restatements

Provide a detailed breakdown of the journal entries (at the financial statement line items level) booked to record each restatement:

		Debit/(Credit)
Restatement #1	Enter transaction description	-
Restatement #2	Enter transaction description	-

**UNIVERSITY ENTERPRISES CORPORATION AT CSUSB  
OTHER INFORMATION (CONTINUED)  
YEAR ENDED JUNE 30, 2020  
(FOR INCLUSION IN THE CALIFORNIA STATE UNIVERSITY)  
(SEE ACCOMPANYNG INDEPENDENT AUDITORS' REPORT)**

**9 Natural classifications of operating expenses:**

	Salaries	Benefits - Other	Benefits - Pension	Benefits - OPEB	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total operating expenses
Instruction	\$ 2,452.00	\$ 494.00	\$ 231.00	\$ -	\$ -	\$ 2,621.00	\$ -	\$ 5,798.00
Research	7,234,862	1,456,165	681,296	-	-	7,732,761	-	17,105,084
Public service	2,315,221	465,986	218,021	-	-	2,474,553	-	5,473,781
Academic support	18,312	3,686	1,724	-	-	19,572	-	43,294
Student services	4,264,561	936,316	300,339	-	-	3,675,327	-	9,176,543
Institutional support	909,580	445,060	897,306	(109,816)	-	(319,577)	-	1,822,553
Operation and maintenance of plant	-	-	-	-	-	-	-	-
Student grants and scholarships	-	-	-	-	-	-	-	-
Auxiliary enterprise expenses	-	81,437	-	-	-	2,236,687	-	2,318,124
Depreciation and amortization	-	-	-	-	-	-	940,272	940,272
<b>Total operating expenses</b>	<b>\$ 14,744,988</b>	<b>\$ 3,389,144</b>	<b>\$ 2,098,917</b>	<b>\$ (109,816)</b>	<b>\$ -</b>	<b>\$ 15,821,944</b>	<b>\$ 940,272</b>	<b>\$ 36,885,449</b>

**10 Deferred outflows/inflows of resources:**

**1. Deferred Outflows of Resources**

Deferred outflows - unamortized loss on refunding(s)	\$ -
Deferred outflows - net pension liability	1,980,856
Deferred outflows - net OPEB liability	
Deferred outflows - others:	
Sales/intra-entity transfers of future revenues	
Gain/loss on sale leaseback	
Loan origination fees and costs	
Change in fair value of hedging derivative instrument	
Irrevocable split-interest agreements	

Total deferred outflows - others -  
**Total deferred outflows of resources** **\$ 1,980,856**

**2. Deferred Inflows of Resources**

Deferred inflows - service concession arrangements	\$ -
Deferred inflows - net pension liability	750,835
Deferred inflows - net OPEB liability	
Deferred inflows - unamortized gain on debt refunding(s)	
Deferred inflows - nonexchange transactions	
Deferred inflows - others:	
Sales/intra-entity transfers of future revenues	
Gain/loss on sale leaseback	
Loan origination fees and costs	
Change in fair value of hedging derivative instrument	
Irrevocable split-interest agreements	

Total deferred inflows - others -  
**Total deferred inflows of resources** **\$ 750,835**





**INDEPENDENT AUDITORS' 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***

Board of Directors  
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 (the UEC) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 10, 2020.

**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.

### **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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Glendora, California  
September 10, 2020

