MATSON & ISOM

UNIVERSITY ENTERPRISES, INC.

Independent Auditors' Report, Management's Discussion and Analysis, Basic Financial Statements and Supplementary Information

For the Fiscal Years Ended June 30, 2014 and 2013

University Enterprises, Inc.
For the Fiscal Years Ended June 30, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

MATSON & ISOM

To the Board of Directors
University Enterprises, Inc.
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of University Enterprises, Inc. (UEI), a component unit of California State University, Sacramento, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise UEI's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

UEI's 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 UEI'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 UEI'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 UEI, as of June 30, 2014, and the changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT
Continued

Other Matters

Another Auditor

The financial statements of UEI, for the year ended June 30, 2013, were audited by another auditor who expressed an unmodified opinion on those statements on September 25, 2013.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 and schedules of funding progress on page 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise UEI's basic financial statements. The supplementary schedules listed as supplementary information in the table of contents is presented for purposes of additional analysis as required by California State University Chancellor's Office and is not a required part of the financial statements.

The supplementary schedules are the responsibility of management and were derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITORS' REPORT
Continued

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated September 16, 2014, on our consideration of UEI'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 UEI's internal control over financial reporting and compliance.

Matson and Isom

September 16, 2014
Chico, California

University Enterprises, Inc.
Management's Discussion and Analysis (Required Supplementary Information)
For the Fiscal Years Ended June 30, 2014 and 2013

This section of the University Enterprises, Inc. (UEI) annual financial report presents our discussion and analysis of the financial performance of UEI during the fiscal years ended June 30, 2014 and 2013. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with, and is qualified in its entirety by, the financial statements and footnotes. The financial statements, footnotes and this discussion are the responsibility of management.

Reporting Entity

UEI is a non-profit corporation and an auxiliary organization of California State University, Sacramento (University). UEI's corporate purposes include, among other things, providing and maintaining facilities for the students, faculty and staff of the University and establishing and operating food service, the bookstore and other facilities on the University campus. UEI also provides contract services including administrative, personnel and payroll functions for University research and sponsored programs, projects and accounts.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of UEI as prescribed by statements of the Government Accounting Standards Board (GASB). UEI is a component unit of the University.

The *Statements of Net Position* include all assets and liabilities of UEI. They are prepared under the accrual basis of accounting, whereby revenues and receivables are recognized when the service is provided and expenses and liabilities are recognized when incurred, regardless of when cash is exchanged.

The *Statements of Revenues, Expenses and Changes in Net Position* present information showing how net position changed during the most recent two fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected service charges and earned but unused vacation leave).

The *Statements of Cash Flows* present information about the cash receipts and cash payments of UEI during the two most recent fiscal years. When used with related disclosures and information in the other financial statements, the information provided in these statements should help financial report users assess UEI's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing. It also provides insight into the reasons for differences between operating income and associated cash receipts and payment; and the effects on UEI's financial position of its cash and its noncash investing, capital, and related financing transactions during the year.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in UEI's basic financial statements. The notes are included immediately following the basic financial statements within this report.

Financial Highlights

Fiscal Year 2014

UEI enjoyed an overall increase in net position of $3.43 million during 2013-14. This includes surpluses in the amounts of $3.25 million and $176 thousand in central "Enterprise" operations and University Support Program activities, respectively. Consequently, UEI's net position has increased to $45.52 million by the end of fiscal year 2013-14.

The single biggest contributing factor to the surplus was the success of UEI's investment portfolio. A total of $2.57 million in unrealized and realized investment gains were recorded, part of a grand total of $3.10 million in investment earnings, including dividends and interest. UEI's overall rate of return was 8.17% in 2013-14. It is worth noting that, net of the investment gains, for which UEI assumes a zero dollar annual return, the overall operating surplus still reflected a positive variance against budget. $27.09 million in total grants and contracts revenue was recorded in 2013-14, from federal and state governments and various private organizations. A corresponding $27.09 million in grants and contracts expense was charged to operations during the year.

UEI enjoyed positive results in its on-campus Dining Service operations, reflected in $953 thousand in positive variance against budget in meal plan and catering revenue, combined. During 2012-13, UEI settled, in full, a $2.90 million loan obligation of the University. The satisfaction of this debt accounted for a large expense variance against the prior year, as no such debt was paid off during 2013-14.

During 2013-14, UEI assumed the self-operation of five Java City restaurant locations on campus, previously under control of the franchiser. This yielded a total of $1.75 million in sales revenue. With that comes a commensurate increase in food sales, operating costs, and staffing expenses. In addition, UEI opened an on-campus Starbucks during the year and also has plans for the opening of at least two additional venues during 2014-15. In addition to having greater control over these locations, their self-operation is expected to produce future net positive financial gain.

As is required, UEI underwent an actuarial evaluation of its Other Postretirement Employment Benefits (OPEB) plan. Out of a total plan liability of $7.80 million at June 30, 2014, UEI is required to disclose a net OPEB obligation of $4.99 million on its statement of net position. GASB rules allow for a 30-year "catch-up" period before 100% of the liability must be recorded. See Notes 11 and 12 to the financial statements for further information.

UEI's statement of net position profile has remained largely unchanged. There is very little variance in its assets, with the exception of the effect of investment gain and loss fluctuations, as was the case in 2013-14. 61.8% of UEI's assets are property-related, a combination of direct financing leases and capital and fixed assets. Amounts invested with the California Local Agency Investment Fund (LAIF) function as operating cash to cover the ongoing activities of UEI. It is also worth noting that while UEI's asset to liability ratio is 1.47 to 1, its current ratio is 3.07 to 1, which further speaks to UEI's liquidity. Meanwhile, 84.3% of UEI's liabilities are a combination of its bonds payable on debt-financed property and capital lease obligation on the Hornet Bookstore. Other areas on the statement of net position show little variation from year to year.

Fiscal Year 2013

UEI experienced a deficit during fiscal year 2013 reflected by a decrease in net position of $1.65 million. This amount includes deficits of $1.25 million and $398 thousand in UEI's central "Enterprise" operations and University Support Programs, respectively.

There were two primary contributing factors to the deficit:

- The pre-payment, in full, of UEI's obligation with the University in the amount of $2.9 million. This amount is classified as a contribution expense to the University. See Note 7 - Related Party Transactions.

- The effect of the reduction in UEI's Student Employment Services (since renamed "California Intern Network") program which resulted in actual program net revenue of $2.11 million less than the prior year. This was the result of an agreement reached between the SEIU Local 1000 employee union and California Governor Jerry Brown, in which approximately 1,320 student assistant positions, representing approximately 80% of the student assistants employed by the program, were eliminated.

The aforementioned deficit areas were partially offset by $2.23 million in total investment earnings, including $1.75 million in realized and unrealized gains, combined.

Significant changes in the Enterprise statement of net position between years include the following:

- A prior-period adjustment related to a loss on bond refunding in an amount of $4.16 million, previously not recognized over the shorter life of the debt, was restated at beginning of the year.

- UEI elected to early implement GASB 65 in 2013, resulting in deferred bond issuance costs being fully expensed rather than amortized, requiring a prior-period adjustment of $1.13 million, which was included in the beginning of the year balance.

- Accounts receivable decreased by $5.23 million, due mostly to the reduction in Student Employment Services activity.

- Bonds payable increased by $2.57 million primarily due to the aforementioned prior-period adjustment of loss on bond refunding offset by the normal pay down of principal payments.

- Long-term investments increased by $1.08 million as a result of the aforementioned investment gains.

- Accrued liabilities decreased by $1.23 million due to the elimination of student employment payroll related expenses.

- The current portion of unearned revenue decreased by $2.07 million as unearned revenue from grants is now shown separately on the balance sheet according to GASB 63.

Overall, UEI's total assets decreased by $5.76 million, which was mainly due to the SEIU Agreement's impact on student employment services, resulting in a decrease of $5.23 million in accounts receivable, along with the timing of payments from customers. Total liabilities remained almost completely unchanged ($31 thousand decrease). There was a $3.6 million shift in liabilities from current to long-term. The combination of the prior-period adjustments of $4.16 million and $1.13 million, along with the operating loss of $1.65 million, served to reduce UEI's total net position by $6.94 million.

UEI's Condensed Statements of Net Position
(Amounts Expressed in Thousands)

	2014	2013	2012
Assets			
Current assets	$ 33,676	$ 34,978	$ 40,244
Noncurrent assets:			
Long-term investments	23,094	19,133	18,057
Capital assets, net	46,572	44,746	44,520
Net investment in direct financing leases	43,779	44,569	45,254
Other	346	532	1,643
Total noncurrent assets	113,791	108,980	109,474
Total assets	$ 147,467	$ 143,958	$ 149,718
Liabilities			
Current liabilities, including current portion of long-term debt	$ 10,981	$ 9,723	$ 11,589
Long-term liabilities, net of current portion	90,965	92,145	89,095
Total liabilities	101,946	101,868	100,684
Net Position			
Net investment in capital assets	6,792	3,505	6,301
Restricted expendable	7,077	7,088	7,659
Unrestricted	31,652	31,497	35,074
Total net position	45,521	42,090	49,034
Total liabilities and net position	$ 147,467	$ 143,958	$ 149,718

Total current assets decreased by $1.30 million in 2014 from 2013 mainly due to a decrease of $499 thousand in accounts receivable and a decrease of $856 thousand in short-term investments. The decrease in accounts receivable was due to the decreased grants and contracts activities and timing of billings and payments of receivables. The decrease in short-term investments in 2014 was because of a high balance in money market in 2013 pending allocation in the investment portfolio by UEI's new investment advisor.

Total noncurrent assets increased by $4.81 million in 2014 against 2013. The increase was due to a combination of the following factors: a) an increase in long-term investments of $3.96 million due to improved performance in the financial market, b) a decrease of $789 thousand in direct financing leases due to normal capitalization, and c) an increase of $1.83 million in net capital assets primarily due to the renovation projects in Dining Services and Property Services.

Total current liabilities increased by $1.26 million in 2014 compared to 2013. The increase was mainly due to the following factors: a) an increase of $1.04 million in accounts payable primarily due to the renovation projects in Dining Services, and b) an increase of $188 thousand in accrued liabilities primarily due to increased payroll taxes.

Long-term liabilities decreased by $1.18 million in 2014. The two main contributing factors are: a) an increase of $429 thousand in other postemployment benefit obligations offset by b) a decrease of $1.86 million in normal pay down of Bonds payable principal.

Net investment in capital assets increased by $3.29 million in 2014 against 2013. The increase was due to capital asset purchases and construction-in-progress in Dining Services projects and the Julia Morgan House. Restricted expendable decreased by $11 thousand primarily due to a reduced reserve requirement on Series 2005 Bonds. Unrestricted net position increased by $155 thousand.

UEI's Condensed Statements of Changes in Net Position
(Amounts Expressed in Thousands)

	2014	2013	2012
Operating Revenues:			
Sales and commissions	$ 12,868	$ 10,290	$ 10,516
Sales and services of educational activities	10,837	10,597	10,178
Grants and contracts	27,079	32,202	50,545
Administration fees	4,180	4,552	7,099
Rental income	13,369	13,218	13,010
Total operating revenues	68,333	70,859	91,348
Operating Expenses:			
Cost of sales	2,939	1,994	2,085
Grants and contracts	27,079	32,202	50,545
Other expenses	33,712	33,261	33,214
Total operating expenses	63,730	67,457	85,844
Operating income	4,603	3,402	5,504
Net other nonoperating expenses	(1,172)	(5,050)	(4,920)
Increase (decrease) in net position	3,431	(1,648)	584
Net position, beginning of year	42,090	49,034	48,450
Restatements to prior year	-	(5,296)	-
Net position restated, beginning of year	42,090	43,738	48,450
Net position, end of year	$ 45,521	$ 42,090	$ 49,034

Total operating revenues decreased by $2.53 million in 2014 over 2013. The decrease in revenues was primarily due to the following factors: a) a decrease of $5.12 million in grants and contracts activities, primarily Student Employment Services (SES) related, and b) a decrease in administrative fees of $372 thousand as a result of the aforementioned decline in grants and contracts activities, and c) an increase of $2.58 million in sales and commissions due to new self-operated food venues and increased sales in student meal plans.

Total operating expenses decreased by $3.73 million in 2014. The two main contributing factors are: a) a decrease of $5.12 million in activities in grants and contracts resulting from the reduction in Student Employment Services, and b) an increase of $945 thousand in cost of sales due to increased retail units in Dining Services.

Net other nonoperating expenses consisted primarily of interest expense, contributions to the University offset by investment earnings, contributions and other income. The decrease of $3.88 million in net other non-operating expenses in 2014 was due to a combination of the following factors: a) $878 thousand increase in investment earnings in 2014 compared to 2013, b) payoff of $2.90 million of an Athletics Field House loan in 2013 vs. none in 2014, and c) a decrease of $282 thousand in interest expense.

Capital Asset and Debt Administration

Capital assets, net of accumulated depreciation, totaled $46.6 million and $44.7 million as of June 30, 2014 and 2013, respectively. The following table summarizes the changes in capital assets for the fiscal years ended 2014, 2013, and 2012:

Changes in Capital Assets
(Amounts Expressed in Thousands)

	2014	% Change	2013	% Change	2012
Capital assets:					
Land	$ 965	547.7%	$ 149	13.7%	$ 131
Construction in progress	1,031	891.3%	104	-84.1%	654
Buildings and improvements	25,362	8.6%	23,351	1.0%	23,120
Assets under capital lease	24,358	0.0%	24,358	0.0%	24,358
Leasehold improvements	10,797	2.7%	10,510	19.9%	8,763
Equipment	6,230	3.3%	6,029	-2.0%	6,155
Total capital assets	68,743	6.6%	64,501	2.1%	63,181
Accumulated depreciation:					
Buildings and improvements	(8,221)	8.6%	(7,573)	7.7%	(7,034)
Assets under capital lease	(5,683)	16.6%	(4,872)	20.0%	(4,059)
Leasehold improvements	(3,814)	20.2%	(3,174)	1.7%	(3,121)
Equipment	(4,453)	7.7%	(4,136)	-7.0%	(4,447)
Total accumulated depreciation	(22,171)	12.2%	(19,755)	5.9%	(18,661)
Total capital assets, net	$ 46,572	4.1%	$ 44,746	0.5%	$ 44,520

The increase in buildings and improvements was mainly due to the acquisition of residential property in November 2013, for the purpose of facilitating university functions. It is anticipated that the property will be placed in service in fiscal year 2014-15. Additional information on capital assets can be found in note 3 to the basic financial statements included in this report.

Long-term debt totaled $84.3, $86.5 and $84.1 million at June 30, 2014, 2013, and 2012, respectively. These amounts were comprised of revenue bonds and a capital lease.

Changes in Long-term Debt
(Amounts Expressed in Thousands)

	2014	% Change	2013	% Change	2012
Current portion of long-term debt	$ 2,150		$ 2,060		$ 1,940
Long-term debt	82,199		84,435		82,218
	$ 84,349	-2.5%	$ 86,495	2.8%	$ 84,158

Long-term debt as of June 30, 2014, decreased from 2013 in normal pay down of principle payments in 2014 in the amount of $2.06 million. Additional information on long-term debt obligations can be found in note 5 to the basic financial statements included in this report.

Request for Information

The financial report is designed to provide a general overview of UEI's finances. For questions concerning any information in this report or for additional financial information, contact Craig Barth, Chief Financial Officer, University Enterprises, Inc., 6000 J Street, Sacramento, California 95819 or call (916) 278-7326.

University Enterprises, Inc.
Statement of Net Position
June 30, 2014

Assets	**Enterprise**	**University Support Programs**	**Total**
Current assets:			
Cash	$ 1,435,901	$ -	$ 1,435,901
Restricted cash and investments	4,909,568	2,167,880	7,077,448
Short-term investments	3,609,209	9,463,955	13,073,164
Accounts receivable	10,023,697	545,500	10,569,197
Inventories	103,545	-	103,545
Prepaid expenses and other assets	591,371	-	591,371
Notes receivable, current	36,075	-	36,075
Net investment in direct financing leases	789,155	-	789,155
Total current assets	21,498,521	12,177,335	33,675,856
Notes receivable	323,246	-	323,246
Long-term investments	23,094,249	-	23,094,249
Net investment in direct financing leases	43,779,467	-	43,779,467
Other assets	6,361	16,200	22,561
Capital assets, net	46,572,166	-	46,572,166
Total assets	$ 135,274,010	$ 12,193,535	$ 147,467,545
Liabilities and Net Position			
Liabilities:			
Current liabilities:			
Accounts payable	$ 3,907,456	$ -	$ 3,907,456
Accrued liabilities	3,101,683	537,978	3,639,661
Unearned revenue	579,322	478,164	1,057,486
Liability for disallowances and overruns	226,769	-	226,769
Current portion long-term debt	2,150,000	-	2,150,000
Total current liabilities	9,965,230	1,016,142	10,981,372
Long-term liabilities			
Other postemployment benefits obligation	1,995,080	2,993,591	4,988,671
Bonds payable	65,713,008	-	65,713,008
Other noncurrent	1,657,669	-	1,657,669
Unearned revenue	232,397	-	232,397
Advances from grantors	1,886,925	-	1,886,925
Capital lease obligation	16,486,259	-	16,486,259
Total long-term liabilities	87,971,338	2,993,591	90,964,929
Total liabilities	97,936,568	4,009,733	101,946,301
Net position:			
Net investment in capital assets	6,791,521	-	6,791,521
Restricted expendable	4,909,568	2,167,880	7,077,448
Unrestricted	25,636,353	6,015,922	31,652,275
Total net position	37,337,442	8,183,802	45,521,244
Total liabilities and net position	$ 135,274,010	$ 12,193,535	$ 147,467,545

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

University Enterprises, Inc.
Statement of Net Position
June 30, 2013

Assets	**Enterprise**	**University Support Programs**	**Total**
Current assets:			
Cash	$ 1,661,686	$ -	$ 1,661,686
Restricted cash and investments	4,879,109	2,209,349	7,088,458
Short-term investments	4,883,323	9,045,429	13,928,752
Accounts receivable	10,587,811	480,846	11,068,657
Inventories	48,812	-	48,812
Prepaid expenses and other assets	461,268	-	461,268
Notes receivable, current	34,667	-	34,667
Net investment in direct financing leases	685,830	-	685,830
Total current assets	23,242,506	11,735,624	34,978,130
Notes receivable	359,321	-	359,321
Long-term investments	19,133,182	-	19,133,182
Net investment in direct financing leases	44,568,622	-	44,568,622
Other assets	157,084	16,200	173,284
Capital assets, net	44,745,852	-	44,745,852
Total assets	$ 132,206,567	$ 11,751,824	$ 143,958,391
Liabilities and Net Position			
Liabilities:			
Current liabilities:			
Accounts payable	$ 2,866,888	$ -	$ 2,866,888
Accrued liabilities	2,918,838	533,302	3,452,140
Unearned revenue	555,963	551,099	1,107,062
Liability for disallowances and overruns	237,039	-	237,039
Current portion long-term debt	2,060,000	-	2,060,000
Total current liabilities	8,638,728	1,084,401	9,723,129
Long-term liabilities:			
Other postemployment benefits obligation	1,900,129	2,659,842	4,559,971
Bonds payable	67,574,182	-	67,574,182
Other noncurrent	1,627,495	-	1,627,495
Unearned revenue	307,397	-	307,397
Advances from grantors	1,214,870	-	1,214,870
Capital lease obligation	16,860,868	-	16,860,868
Total long-term liabilities	89,484,941	2,659,842	92,144,783
Total liabilities	98,123,669	3,744,243	101,867,912
Net position:			
Net investment in capital assets	3,505,252	-	3,505,252
Restricted expendable	4,879,109	2,209,349	7,088,458
Unrestricted	25,698,537	5,798,232	31,496,769
Total net position	34,082,898	8,007,581	42,090,479
Total liabilities and net position	$ 132,206,567	$ 11,751,824	$ 143,958,391

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

University Enterprises, Inc.
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2014

	Enterprise	University Support Programs	Total
Operating revenues:			
Sales and commissions	$ 12,867,716	$ -	$ 12,867,716
Sales and services of educational activities	-	10,836,710	10,836,710
Grants and contracts, noncapital	27,079,317	-	27,079,317
Administration fees	3,674,947	505,675	4,180,622
Rental income	13,368,746	-	13,368,746
Total operating revenues	56,990,726	11,342,385	68,333,111
Operating expenses:			
Cost of sales	2,939,256	-	2,939,256
Grants and contracts	27,079,317	-	27,079,317
Operating expenses	15,123,374	11,318,711	26,442,085
General and administrative	4,561,171	-	4,561,171
Sponsored research	-	12,361	12,361
Other programs	-	39,742	39,742
Depreciation and amortization	2,656,621	-	2,656,621
Total operating expenses	52,359,739	11,370,814	63,730,553
Operating income (loss)	4,630,987	(28,429)	4,602,558
Nonoperating revenues (expenses):			
Investment earnings	3,103,754	-	3,103,754
Contributions and other income	234,567	39,650	274,217
Contributions to the University	(488,766)	-	(488,766)
Loss on sale of capital assets, net	(9,768)	-	(9,768)
University support	(165,000)	165,000	-
Interest expense	(4,051,230)	-	(4,051,230)
Net nonoperating revenues (expenses)	(1,376,443)	204,650	(1,171,793)
Increase in net position	3,254,544	176,221	3,430,765
Net position, beginning of year	34,082,898	8,007,581	42,090,479
Net position, end of year	$ 37,337,442	$ 8,183,802	$ 45,521,244

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

University Enterprises, Inc.
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2013

	Enterprise	University Support Programs	Total
Operating revenues:			
Sales and commissions	$ 10,290,346	$ -	$ 10,290,346
Sales and services of educational activities	-	10,596,880	10,596,880
Grants and contracts, noncapital	32,202,172	-	32,202,172
Administration fees	4,038,650	512,549	4,551,199
Rental income	13,218,471	-	13,218,471
Total operating revenues	59,749,639	11,109,429	70,859,068
Operating expenses:			
Cost of sales	1,994,186	-	1,994,186
Grants and contracts	32,202,172	-	32,202,172
Operating expenses	14,722,050	11,743,087	26,465,137
General and administrative	4,403,892	-	4,403,892
Bad debt expense	1,175	-	1,175
Sponsored research	-	14,765	14,765
Other programs	-	32,055	32,055
Depreciation and amortization	2,343,603	-	2,343,603
Total operating expenses	55,667,078	11,789,907	67,456,985
Operating income (loss)	4,082,561	(680,478)	3,402,083
Nonoperating revenues (expenses):			
Investment earnings	2,225,866	-	2,225,866
Contributions and other income	332,440	107,064	439,504
Contributions to the University	(3,386,720)	-	(3,386,720)
Gain on sale of capital assets, net	4,012	-	4,012
University support	(175,000)	175,000	-
Interest expense	(4,332,772)	-	(4,332,772)
Net nonoperating revenues (expenses)	(5,332,174)	282,064	(5,050,110)
(Decrease) in net position	(1,249,613)	(398,414)	(1,648,027)
Net position, beginning of year	35,332,511	8,405,995	43,738,506
Net position, end of year	$ 34,082,898	$ 8,007,581	$ 42,090,479

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

University Enterprises, Inc.
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014

	Enterprise	University Support Programs	Total
Cash flows from operating activities:			
Cash received from customers/students	$ 58,352,603	$ 11,204,796	$ 69,557,399
Cash paid to suppliers and employees	(48,561,949)	(11,032,389)	(59,594,338)
Net cash provided by operating activities	9,790,654	172,407	9,963,061
Cash flows from noncapital financing activities:			
Payments received on notes receivable	34,667	-	34,667
University support	(165,000)	165,000	-
Contributions to University	(488,766)	-	(488,766)
Contributions and other income	234,567	39,650	274,217
Net cash provided by (used in) noncapital financing activities	(384,532)	204,650	(179,882)
Cash flows from capital and related financing activities:			
Principal paid on long-term debt	(2,060,000)	-	(2,060,000)
Interest paid	(4,154,924)	-	(4,154,924)
Acquisitions of capital assets	(4,492,703)	-	(4,492,703)
Net cash used in capital and related financing activities	(10,707,627)	-	(10,707,627)
Cash flows from investing activities:			
Investment income	538,833	-	538,833
Decrease in net investment in direct financing lease	685,830	-	685,830
Proceeds from sales and maturities of investments	9,411,618	-	9,411,618
Purchase of investments	(10,804,216)	-	(10,804,216)
Net cash used in investing activities	(167,935)	-	(167,935)
Net (decrease) increase in cash and cash equivalents	(1,469,440)	377,057	(1,092,383)
Cash and cash equivalents, beginning of year	11,424,118	11,254,778	22,678,896
Cash and cash equivalents, end of year	$ 9,954,678	$ 11,631,835	$ 21,586,513
Reconciliation to the statements of net position:			
Cash	$ 1,435,901	$ -	$ 1,435,901
Restricted cash and investments	4,909,568	2,167,880	7,077,448
Short-term investments	3,609,209	9,463,955	13,073,164
Total cash and cash equivalents	$ 9,954,678	$ 11,631,835	$ 21,586,513

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

University Enterprises, Inc.
Statement of Cash Flows (Continued)
For the Fiscal Year Ended June 30, 2014

	Enterprise	University Support Programs	Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 4,630,987	$ (28,429)	$ 4,602,558
Adjustments to reconcile:			
Depreciation and amortization expense	2,656,621	-	2,656,621
Net effect of changes in operating assets and liabilities:			
(Increases) decreases in assets:			
Accounts receivable	560,566	(64,654)	495,912
Inventories	(54,733)	-	(54,733)
Prepaid expenses and other assets	(130,103)	-	(130,103)
Other assets	150,723	-	150,723
Increases (decreases) in liabilities:			
Accounts payable	1,040,568	-	1,040,568
Accrued liabilities	200,756	4,676	205,432
Unearned revenue	650,588	(72,935)	577,653
Liability for disallowances and overruns	(10,270)	-	(10,270)
Other postemployment benefits obligation	94,951	333,749	428,700
Net cash provided by operating activities	$ 9,790,654	$ 172,407	$ 9,963,061
Noncash transactions:			
Loss on disposal of capital assets	$ (9,768)	$ -	$ (9,768)

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

University Enterprises, Inc.
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2013

	Enterprise	University Support Programs	Total
Cash flows from operating activities:			
Cash received from customers/students	$ 64,452,829	$ 11,083,797	$ 75,536,626
Cash paid to suppliers and employees	(54,522,490)	(11,276,282)	(65,798,772)
Net cash provided by (used in) operating activities	9,930,339	(192,485)	9,737,854
Cash flows from noncapital financing activities:			
Decrease in notes receivable	3,582	-	3,582
Payments received on notes receivable	34,667	-	34,667
University support	(175,000)	175,000	-
Contributions to University	(3,386,720)	-	(3,386,720)
Contributions and other income	332,440	107,064	439,504
Net cash provided by (used in) noncapital financing activities	(3,191,031)	282,064	(2,908,967)
Cash flows from capital and related financing activities:			
Principal paid on long-term debt	(1,940,000)	-	(1,940,000)
Interest paid	(4,235,859)	-	(4,235,859)
Acquisitions of capital assets	(2,565,606)	-	(2,565,606)
Net cash used in capital and related financing activities	(8,741,465)	-	(8,741,465)
Cash flows from investing activities:			
Investment income	479,550	-	479,550
Decrease in net investment in direct financing lease	685,976	-	685,976
Proceeds from sales and maturities of investments	17,979,273	-	17,979,273
Purchase of investments	(17,303,099)	-	(17,303,099)
Net cash provided by investing activities	1,841,700	-	1,841,700
Net (decrease) increase in cash and cash equivalents	(160,457)	89,579	(70,878)
Cash and cash equivalents, beginning of year	11,584,575	11,165,199	22,749,774
Cash and cash equivalents, end of year	$ 11,424,118	$ 11,254,778	$ 22,678,896
Reconciliation to the statements of net position:			
Cash	$ 1,661,686	$ -	$ 1,661,686
Restricted cash and investments	4,879,109	2,209,349	7,088,458
Short-term investments	4,883,323	9,045,429	13,928,752
Total cash and cash equivalents	$ 11,424,118	$ 11,254,778	$ 22,678,896

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

University Enterprises, Inc.
Statement of Cash Flows (Continued)
For the Fiscal Year Ended June 30, 2013

	Enterprise	University Support Programs	Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 4,082,561	$ (680,478)	$ 3,402,083
Adjustments to reconcile:			
Depreciation and amortization expense	2,343,603	-	2,343,603
Net effect of changes in operating assets and liabilities:			
(Increases) decreases in assets:			
Accounts receivable	5,234,979	(7,094)	5,227,885
Inventories	10,875	-	10,875
Prepaid expenses and other assets	(59,100)	-	(59,100)
Other assets	(53,217)	-	(53,217)
Increases (decreases) in liabilities:			
Accounts payable	(429,208)	-	(429,208)
Accrued liabilities	(1,164,927)	(45,055)	(1,209,982)
Unearned revenue	(478,572)	(18,538)	(497,110)
Liability for disallowances and overruns	(24,036)	-	(24,036)
Other postemployment benefits obligation	467,381	558,680	1,026,061
Net cash provided by operating activities	$ 9,930,339	$ (192,485)	$ 9,737,854

1. Organization and Significant Accounting Policies

Reporting Entity

University Enterprises, Inc. (UEI), is a governmental not-for-profit, tax-exempt California State University auxiliary organization located on the campus of California State University, Sacramento (University). UEI is a component unit of the University.

UEI operates as an auxiliary organization on the University campus pursuant to the Operating and Lease Agreement dated as of October 1, 1995, amended as of October 1, 2001, as of May 1, 2002, as of July 1, 2005, and as of July 1, 2006.

The Operating and Lease Agreement sets forth the terms and conditions under which UEI operates as an auxiliary organization of the California State University system. Pursuant to the Operating and Lease Agreement, UEI: (i) leases certain real property on the University campus; (ii) operates the Hornet Bookstore and certain food service facilities; (iii) provides contract services to the University for research and sponsored projects; (iv) provides loans, scholarships, stipends and related financial assistance; and (v) administers externally funded projects, gifts, bequests, endowments, trusts and similar funds. The Operating and Lease Agreement term ends on October 1, 2037, unless sooner terminated or extended. The Operating and Lease Agreement may be terminated sooner if: (i) the CSU Board notifies UEI that an administrative necessity or emergency exists requiring termination; (ii) UEI ceases its operations; or (iii) a violation of any substantial provision of the Operating and Lease Agreement occurs. Upon the termination of the Operating and Lease Agreement, the CSU Board, at its sole discretion, may require UEI to transfer all assets in its possession to a successor nonprofit corporation qualifying as an auxiliary organization.

Effective June 8, 2005, and amended on March 25, 2013, UEI executed an operating agreement between UEI and Follett Higher Education Group, Inc. (“Follett”), in which Follett assumed the operation of the Hornet Bookstore. The agreement provides for a commission to be paid on gross revenues as defined. The commission is calculated as 13.5% of the first $15 million in gross revenues plus increasing percentages on gross revenues in excess of $15 million with a minimum commission of $1.6 million and $1.485 million to be paid for fiscal years 2012-13 and 2013-14, respectively. Beginning fiscal year 2014-15 and each subsequent year, the guaranteed minimum commission shall be 92.5% of the commission paid by Follett to UEI in the immediately preceding year. The agreement expires on June 30, 2020, and is automatically renewed for successive one-year renewal terms under the same terms and conditions set forth in the agreement unless either party notifies the other of its intent not to renew.

Basis of Presentation

Pursuant to the requirements established by the Chancellor of the California State University, UEI has adopted the provisions of Statement No. 35 of the Governmental Accounting Standards Board (GASB), *Basic Financial Statements–and Management’s Discussion and Analysis–for Public Colleges and Universities*. With minor exceptions, this statement provides that public colleges and universities are subject to the financial reporting requirements of GASB Statement No. 34, which is applicable to state and local governments. As a component unit of the University, UEI is required to adopt GASB Statements Nos. 34 and 35. UEI also observes GASB Statement No 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These statements establish standards for reporting deferred outflows of resources, deferred inflows of resources, and net position for all state and local governments.

1. Organization and Significant Accounting Policies (continued)

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

UEI reports the following major proprietary funds:

Enterprise – this fund accounts for the general activities of UEI. Operations include retail, property development, dining services, special services, new business development, and contracts and grants.

University Support Programs – this fund accounts for the educational sales and services to students and surrounding communities and other sponsored programs.

When both restricted and unrestricted resources are available for use, it is UEI's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents

Cash and cash equivalents, for purposes of the statement of cash flows, includes cash on hand, cash in commercial bank accounts, restricted cash and investments held in trust, and amounts in short-term investments. Amounts in short-term investments include deposits in the State of California Investment Pooled Money Investment Account-Local Agency Investment Fund (LAIF) and instruments with original maturities of three months or less.

Restricted Cash and Investments

Restricted cash and investments include restricted cash held in trust and investments restricted as to use. Restricted cash held in trust consists of debt service reserve funds held with a major national bank for the Series 2005 bonds.

Investments and Marketable Securities

Excess cash is pooled for investing purposes. UEI's investment policy authorizes the investment of excess funds in a range of investments, specifically including but not limited to corporate and government obligations, common stock and preferred stock.

These investment securities are exposed to risks, such as interest rate, various credit risks, and capital market fluctuations. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities may occur in the near term and that such change could materially affect the financial statements.

1. Organization and Significant Accounting Policies (continued)

UEI investments are carried at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties and is determined from published data provided by the exchanges, computerized pricing sources, the National Association of Securities Dealers' National Market System, securities custodians and other authoritative sources.

LAIF is part of the State of California Pooled Money Investment Account (PMIA), which as of June 30, 2014 and 2013, had balances of $64.9 billion and $58.8 billion, respectively. The weighted average maturity of PMIA investments was 232 days and 278 days as of June 30, 2014 and 2013, respectively. The total amount invested by all public agencies in LAIF as of June 30, 2014 and 2013, was $21.1 billion and $21.2 billion, respectively. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by state statute. The value of the pool shares in LAIF which may be withdrawn is determined on an amortized cost basis, which is different from the fair value of UEI's portion of the pool. PMIA funds are on deposit with the State's Centralized Treasury System and are not SEC registered, but are managed in compliance with the California Government Code, according to a statement of investment policy which sets forth permitted investment vehicles, liquidity parameters and maximum maturity of investments. These investments consist of U.S. government securities, securities of federally sponsored agencies, domestic corporate bonds, interest-bearing time deposits in California banks, prime-rated commercial paper, bankers' acceptances, negotiable certificates of deposit, repurchase and reverse repurchase agreements. The PMIA policy limits the use of reverse repurchase agreements subject to limits of no more than 10% of PMIA. The PMIA does not invest in leveraged products or inverse floating rate securities. Included in PMIA's investment portfolio are structured notes and asset-backed securities totaling $-0- and $1.2 billion respectively as of June 30, 2014, and $400 million and $753 million as of June 30, 2013.

Operating and Non-Operating Revenues and Expenses

Proprietary funds distinguish operating from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are sales and commissions, sales and services of educational activities, grants and contracts, administration fees and rental income. Operating expenses include cost of sales, grants and contracts, operating expenses, general and administrative, sponsored research, other programs and depreciation and amortization. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Grants and Contracts

Grants and contracts are obtained from federal and state governments and various private organizations. Revenue is recognized when all eligibility requirements imposed by the provider have been met and at the time the grant and contract funds are expended for the purposes specified by the terms of the grant or contract. Expenses in excess of cash received on specific grants and contracts are included in accounts receivable. Receipts in advance of eligibility requirements being satisfied for specific grants and contracts are recorded as advances from grantors. Of the total grants and contracts awarded and available for future use, the unexpended portion was $57,034,401 as of June 30, 2014, of which $1,886,925 had been received and recorded as a liability and of which the balance of $55,147,476 has not yet been expended nor earned.

1. Organization and Significant Accounting Policies (continued)

The majority of accounts receivable relate to amounts due from grants and contracts under which awards were granted to UEI from a variety of government and private sources throughout the United States. Collection of grant and contract receivables generally follows the expenses. UEI evaluates the grantor's financial condition before accepting each grant.

UEI receives a fee to cover indirect overhead costs incurred in the administration of the grants and contracts and recognizes this as revenue over the term of the grant or contract. Administration fees are calculated as a percentage of grant expenses or salaries and wages, as specified in each grant or contract.

Inventories

Dining service inventories are valued at the lower of cost (first-in, first-out) or market. Inventories are recorded as expenses when consumed rather than when purchased. As of June 30, 2014 and 2013, inventory was $103,545 and $48,812, respectively.

Deferred Costs of Issuance

In addition to the existing Bonds Series 2005, CSU System-wide Revenue Bonds Series 2011 was issued to replace the short-term commercial paper in 2012. Costs incurred that related to the issuance of the Series 2005 and 2011 bonds had been deferred and was being amortized over 28 and 30-year periods respectively in 2012. In fiscal year 2013, UEI elected to adopt GASB 65 to fully expense the remaining balance of bond issuance costs of Series 2005 and 2011, resulting in interest expense for the years ended June 30, 2013 and 2012, in the amount of $1.13 million and $50,207, respectively.

Capital Assets, Depreciation and Amortization

It is the policy of UEI to capitalize all property, buildings, leasehold improvements and equipment for single item purchases with an initial, individual cost in excess of $3,000 and $5,000 for bulk purchases. Property, buildings, leasehold improvements and equipment are stated at cost, if purchased, or at estimated market value as of the date of receipt if acquired by gift or grant. Interest costs on capital assets are capitalized during the period of construction.

Buildings and equipment are depreciated using the straight-line method over their estimated useful lives, ranging from three to forty years. Leasehold improvements are amortized using the straight-line method over their estimated useful lives or the term of the lease, whichever is shorter. Gains and losses on assets sold or retired are reported as a component of non-operating revenue or expenses.

Net Investment in Direct Financing Leases

UEI evaluates leasing transactions to determine if the lease meets the requirements of a direct financing lease. If a direct financing lease treatment is appropriate, UEI records a direct financing lease receivable and removes the cost of the related capital asset from the statement of net position. UEI has determined that there are lease transactions to be direct financing in nature as of June 30, 2014. UEI is the lessor of the following properties which are classified as direct financing leases: Placer Hall, Napa Hall and Folsom Hall.

1. Organization and Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable as of June 30, 2014 and 2013, were $10.57 million and $11.07 million, respectively. Included in the 2014 total was $8.2 million of Grants and Contracts, $1.8 million of Retail and Property Development, and $546 thousand from University Support Programs. UEI has established an allowance for Grants and Contracts receivable of $226,769 as of June 30, 2014.

UEI does not maintain an allowance for doubtful accounts for Retail and Property Development or University Support Programs as all amounts are deemed collectible. UEI's customers in Retail and Property Development consist primarily of the campus community, students and faculty. The customers in the University Support Programs are primarily the students enrolling for extra-curricular classes or the participants enrolling in certificate programs.

Notes Receivable

Notes receivable in fiscal year 2014 and 2013 primarily consisted of $359,321 and $393,988, respectively, from the Alumni Center for an outstanding loan (see note 7).

Compensated Absences

Vested unused vacation pay may be accumulated and, if not taken, is paid upon separation from employment with UEI. All unused leave balances are accrued when incurred in the financial statements. Unused sick leave is not included in the compensated absences liability, as accrued unused sick leave is not paid upon separation.

Unearned Revenue

Student residence hall board charges applicable to periods subsequent to year-end are deferred and recognized as revenue in the year earned. Receipts from Pepsi licensing and tuition and fees received in advance from university related programs are also deferred and recognized as revenue in the year earned.

Advances From Grantors

Receipts in advance of eligibility requirements being satisfied for specific grants and contracts are recorded as advances from grantors.

Donations and Contributions

Unrestricted contributions are recorded as revenue when received. Noncash donations are recorded at estimated fair market value on the date of donation.

Contributions received with donor restrictions are recorded as revenue when all applicable eligibility requirements, generally timing restrictions, have been met. Unexpended contributions with donor purpose restrictions are classified as restricted net position.

1. Organization and Significant Accounting Policies (continued)

Net Position

UEI's financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net investment in capital assets – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. As of June 30, 2014 and 2013, UEI reported restricted expendable of $7,077,448 and $7,088,458, respectively.

Unrestricted – This category of net position represents amounts that are not restricted for any project or other purposes. All unrestricted expendable of UEI have been designated by the Board of Directors with the intention of providing funds to meet current obligations, establishing operating reserve funds and providing for future plant improvements and replacements.

Income Taxes

UEI is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code and similar California statutes and is not classified as a private foundation under (509)(a) of the Internal Revenue Code. Accordingly, there is no federal or state tax provision.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Pronouncements

In June 2012, GASB issued GASB Statement No. 67, *Financial Reporting for Pension Plans - An Amendment of GASB Statement No. 2*, and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27.* These statements will improve accounting and financial reporting by state and local governments for defined benefit pensions and defined contribution pensions. The statements will also improve information provided by state and local governmental employers about financial support for pensions that are provided by other entities. Implementation of GASB 67 began July 1, 2013, and GASB 68 is effective beginning July 1, 2014.

In November 2013, GASB issued GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date - An Amendment of GASB Statements No. 68.* The requirements of the Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of GASB 68 by accounting for contributions made subsequent to the measurement date (beginning of fiscal year, July 1, 2014) and the end of the reporting period (June 30, 2015).

University Enterprises, Inc.
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2014 and 2013

2. Cash and Investments

Cash

Cash balances as of June 30, 2014 and 2013, were $1,435,901 and $1,661,686, respectively. Cash consists primarily of deposit of moneys that UEI holds with the bank. Currently, FDIC insures depositors up to $250,000 per bank. Due to daily operational needs, UEI maintains a balance in excess of this FDIC insured amount. However, the bank is required, at all times, to maintain a market value of at least 10% in excess of the total amount of the depositor's deposits in eligible securities, as described in Government Code Section 53651.

Investment Policy

UEI's investment policy generally prohibits investments in the following vehicles without prior permission from the UEI Board of Directors: short sales, derivatives, margin purchases, acting as an underwriter, physical holdings of real estate (real estate securities and real estate investment trust securities (REITS) are allowed), options trading, restricted or private placement investments, foreign securities (except those traded on an organized exchange), securities of the investment manager's firm or affiliated firms, futures, commodities, currency hedges, and tobacco stocks.

As of June 30, 2014 and 2013, UEI had the following cash and investments:

	2014	2013
Cash	$ 1,435,901	$ 1,661,686
Money market mutual funds	5,342,907	6,214,400
Local Agency Investment Fund	14,807,705	14,802,809
Mutual funds:		
Equity – International	1,150,895	930,061
Equity – US	3,154,796	4,779,636
Equity – Real Return Funds	2,504,461	1,849,270
Fixed income	1,009,915	2,987,624
Exchange traded funds:		
Equity – International	1,912,993	1,466,594
Equity – US	9,038,696	3,765,375
Equity – Alternative ETF	535,515	682,762
Real estate	578,888	428,979
Certificates of deposit	2,014,236	1,982,458
Corporate bonds	916,226	-
Common stock	277,628	260,424
Total cash and investments	$ 44,680,762	$ 41,812,078

2. Cash and Investments (continued)

Interest Rate Risk

This is the risk of loss due to the fair value of an investment falling due to rising interest rates. As a means of limiting its exposure to fair value losses from rising interest rates, short-term investments are limited to relatively liquid instruments such as certificates of deposit, savings accounts, federally guaranteed notes and bills, money market mutual funds or State of California Local Agency Investment Fund (LAIF). Interest rate risk is mitigated by ensuring sufficient liquidity to meet cash flow needs and only then investing in longer-term securities. There is no interest rate risk for money market mutual funds as they are available on demand. Refer to the table on the next page for the interest rate risk disclosure as of June 30, 2014 and 2013.

Credit Risk

This is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations. This is measured by the assignment of ratings by nationally recognized statistical rating organizations. Refer to the tables on the next page for credit risk disclosure as of June 30, 2014 and 2013.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, UEI's deposits may not be returned. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, UEI will not be able to recover the value of its investments that are in the possession of the counterparty. As of June 30, 2014 and 2013, all investments are in the name of UEI, and UEI is not exposed to custodial credit risk associated with its investments.

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. In order to maximize the rate of return in UEI's long-term investment portfolio while preserving capital, UEI's investment policy dictates a diverse asset allocation: total equity (53-88%), total fixed income (9-15%), total alternatives (8-24%), and cash and cash equivalents (1-15%).

2. Cash and Investments (continued)

The following indicates the credit and interest rate risk of investments as of June 30, 2014 and 2013. The credit ratings listed are for Standard and Poor's and Moody's Investor Services, whichever rating is lower.

	2014	Credit Rating	Weighted Average Maturity
Money market mutual funds	$ 5,342,907	AAA	52 days
Local Agency Investment Fund	14,807,705	Not Rated	232 days
Certificate of deposit	2,014,236	Not Rated	21 days–3.83 years
Corporate bonds	916,226	A+	1.65 – 6.33 years
Mutual funds fixed income	1,009,915	A	5.66 years

	2013	Credit Rating	Weighted Average Maturity
Money market mutual funds	$ 6,214,400	AAA	57 days
Local Agency Investment Fund	14,802,809	Not Rated	278 days
Mutual funds fixed income	2,987,624	A	0.74 – 7.4 years

Investment Earnings

Net investment earnings was $3,103,754 and $2,225,866 for the years ended June 30, 2014 and 2013, respectively, and is comprised of interest, dividends, realized gains and losses, and unrealized gains and losses due to changes in the fair value of investments held at year-end, net of investment fees. Interest on deposits in LAIF varies with the rate of return of the underlying portfolio and approximated .23% and .24% for the years ended June 30, 2014 and 2013, respectively. For the years ended June 30, 2014 and 2013, interest earned on the deposit with LAIF was $31,915 and $47,986, respectively.

3. Capital Assets

Capital asset activity for the years ended June 30, 2014 and 2013, was as follows:

2014	Beginning Balance	Additions and Transfers In	Reductions and Transfers In (Out)	Ending Balance
Capital assets, not being depreciated:				
Land	$ 148,665	$ 816,000	$ -	$ 964,665
Construction in progress	104,550	926,821	-	1,031,371
Total nondepreciable capital assets	253,215	1,742,821	-	1,996,036
Capital assets, being depreciated:				
Buildings and building improvements	23,351,071	2,010,926	-	25,361,997
Assets under capital lease	24,357,887	-	-	24,357,887
Leasehold improvements	10,509,598	304,272	(16,689)	10,797,181
Equipment	6,028,735	435,266	(233,868)	6,230,133
Total depreciable capital assets	64,247,291	2,750,464	(250,557)	66,747,198
Less accumulated depreciation for:				
Buildings and building improvements	(7,573,354)	(647,751)	-	(8,221,105)
Assets under capital lease	(4,871,580)	(811,930)	-	(5,683,510)
Leasehold improvements	(3,173,608)	(656,985)	16,689	(3,813,904)
Equipment	(4,136,112)	(539,955)	223,518	(4,452,549)
Total accumulated depreciation	(19,754,654)	(2,656,621)	240,207	(22,171,068)
Total depreciable capital assets, net	44,492,637	93,843	(10,350)	44,576,130
Total capital assets, net	$ 44,745,852	$ 1,836,664	$ (10,350)	$ 46,572,166

2013	Beginning Balance	Additions and Transfers In	Reductions and Transfers In (Out)	Ending Balance
Capital assets, not being depreciated:				
Land	$ 131,000	$ 17,665	$ -	$ 148,665
Construction in progress	654,042	1,993,611	(2,543,103)	104,550
Total nondepreciable capital assets	785,042	2,011,276	(2,543,103)	253,215
Capital assets, being depreciated:				
Buildings and building improvements	23,120,085	283,594	(52,608)	23,351,071
Assets under capital lease	24,357,887	-	-	24,357,887
Leasehold improvements	8,763,000	60,448	1,686,150	10,509,598
Equipment	6,155,308	217,346	(343,919)	6,028,735
Total depreciable capital assets	62,396,280	561,388	1,289,623	64,247,291
Less accumulated depreciation for:				
Buildings and building improvements	(7,034,630)	(586,736)	48,012	(7,573,354)
Assets under capital lease	(4,059,650)	(811,930)	-	(4,871,580)
Leasehold improvements	(3,120,594)	(449,769)	396,755	(3,173,608)
Equipment	(4,446,611)	(495,168)	805,667	(4,136,112)
Total accumulated depreciation	(18,661,485)	(2,343,603)	1,250,434	(19,754,654)
Total depreciable capital assets, net	43,734,795	(1,782,215)	2,540,057	44,492,637
Total capital assets, net	$ 44,519,837	$ 229,061	$ (3,046)	$ 44,745,852

Depreciation expense for the fiscal years ended June 30, 2014 and 2013, was $2,656,621 and $2,343,603, respectively.

4. Net Investment in Direct Financing Leases

Placer Hall:

UEI has leased 81% of Placer Hall to the U.S. Department of the Interior Geological Survey (USGS) for a period of 27 years beginning in 2000, at an initial lease payment of $1,050,000 per year. The lease payment increased $50,000 per year until fiscal year 2007, when it reached $1,400,000. Thereafter, and through 2026, the amount of the annual increase is determined through negotiation between USGS and UEI. A portion of the lease payment reimburses operations and maintenance costs, initially estimated at $280,000 per year for operating expenses and $50,000 every other year for major repair expenses. Funding for each year is subject to the federal government's availability of funds.

UEI has leased the remaining 19% of Placer Hall to the University Geology Department for a period of 20 years, with a current monthly lease payment of $32,794.

Napa Hall:

UEI has leased 100% of Napa Hall to the College of Continuing Education (CCE) for a period of 31 years beginning in 2003, at a lease payment of $32,150 per month. CCE is also responsible for monthly operations and maintenance payments of $12,728, which is increased annually by the percentage change in the Consumer Price Index, but not less than 2.5%.

Folsom Hall:

UEI has leased Folsom Hall to the University for a period of 32 years beginning in 2009, with a monthly lease payment of $470,245. Included in this amount are monthly operations, utilities and maintenance costs. Rental rates will be reviewed every 60 months of the lease term and may be adjusted as agreed by all parties.

4. Net Investment in Direct Financing Leases (continued)

The components of the net investment in direct financing leases as of June 30, 2014 and 2013, are as follows:

	2014
Total minimum lease payments to be received	$ 181,646,716
Less amounts representing estimated executory costs (such as taxes, maintenance, and insurance), included in total minimum lease payments	(11,542,252)
Minimum lease payments receivable	170,104,464
Less unearned interest income	(125,535,844)
Net investment in direct financing leases	$ 44,568,620

	2013
Total minimum lease payments to be received	$ 189,515,315
Less amounts representing estimated executory costs (such as taxes, maintenance, and insurance), included in total minimum lease payments	(12,220,899)
Minimum lease payments receivable	177,294,416
Less unearned interest income	(132,039,964)
Net investment in direct financing leases	$ 45,254,452

Future minimum lease payments as of June 30, 2014, scheduled to be received for each of the next five years and thereafter are as follows:

Fiscal year ended June 30,	Minimum Lease Payments
2015	$ 7,873,367
2016	7,878,255
2017	7,779,465
2018	7,639,280
2019	7,644,543
Thereafter	142,831,806
	$ 181,646,716

5. Long-Term Debt and Financing Arrangements

Bonds and notes payable consist of the following as of June 30, 2014 and 2013:

	2014	2013
Series 2011A bonds (CSU Systemwide Revenue Bonds), interest at various rates per annum ranging from 2% to 5.25% with scheduled principal payments due annually on November 1, beginning in 2012, with final payment due November 1, 2041. The bonds are collateralized by certain revenues as defined.	$ 25,095,000	$ 25,515,000
Series 2005A bonds (tax-exempt), interest at various rates per annum ranging from 3.50% to 5.0%, with scheduled principal payments due annually on October 1, beginning in 2006, with final payment due October 1, 2037. The bonds are collateralized by certain revenues as defined.	16,470,000	17,045,000
Series 2005B bonds (federally taxable), interest at various rates per annum ranging from 4.28% to 5.42%, with scheduled principal payments due annually on October 1, beginning in 2006, with final payment due October 1, 2037. The bonds are collateralized by certain revenues as defined.	23,980,000	24,705,000
Total	65,545,000	67,265,000
Less: Current portion	(1,790,000)	(1,720,000)
Plus: Unamortized premium	1,958,008	2,029,182
	$ 65,713,008	$ 67,574,182

Bonds Payable

All bonds are general corporate obligations of UEI, issued on a parity basis and payable from revenues. UEI has pledged a portion of the revenues to repay the bonds outstanding. The bonds are payable from revenues, which are defined by the bond indentures to include all proceeds, charges, fund balances, rents, receipts, profits and benefits, exclusive of restricted gifts, grants, bequests and donations, and funds received for university support programs, after payment of its operation and maintenance costs through November 2041. For the fiscal years ended June 30, 2014 and 2013, principal and interest paid were $4,926,725 and $4,960,351, respectively, and revenues, as defined by the bond indenture were $10,176,813 and $5,701,767, respectively. The total principal and interest remaining to be paid on the bonds as of June 30, 2014 and 2013, was $111,220,860 and $116,219,819, respectively. The bond indentures include limits on UEI's ability to borrow additional funds.

5. Long-Term Debt and Financing Arrangements (continued)

In July 2005, UEI issued refunding bonds totaling $48,550,000. The proceeds of the bonds were used to purchase U.S. government securities, which were deposited into an irrevocable trust with an escrow agent to advance refund all of the outstanding Series 1995, 2001 and 2002 bonds totaling $43,225,000. As a result, the Series 1995, 2001, and 2002 bonds are considered defeased and the related liability is not reported in UEI's financial statements. As of June 30, 2014 and 2013, $40,450,000 and $41,750,000, respectively, of the bonds remained outstanding. The bond indenture underlying the Series 2005 bonds includes limits on UEI's ability to borrow additional funds and a debt service coverage requirement of 120%.

In November 2011, the commercial paper debt of $27,775,000 was paid off with Series 2011 A bonds issued through the California State Systemwide Revenue Bond Program (SRB) with an issuance date of September 2011. As of June 30, 2014 and 2013, the amount of the bonds outstanding was $25,095,000 and $25,515,000, respectively. As with the Series 2005 bonds, the bond indenture underlying the Series 2011 A bonds includes limits on UEI's ability to borrow additional funds and a debt service coverage requirement of 120%.

Future debt service requirements on the Series 2005 refunding bonds and Series 2011 bonds are as follows:

Fiscal year(s) ended June 30,	Principal Amount	Interest Amount	Total
2015	$ 1,790,000	$ 3,206,395	$ 4,996,395
2016	1,865,000	3,122,899	4,987,899
2017	1,945,000	3,033,654	4,978,654
2018	2,035,000	2,939,359	4,974,359
2019	2,125,000	2,842,583	4,967,583
2020-2024	11,865,000	12,545,012	24,410,012
2025-2029	13,830,000	9,209,371	23,039,371
2030-2034	12,670,000	5,925,847	18,595,847
2035-2039	12,775,000	2,533,323	15,308,323
2040-2042	4,645,000	317,417	4,962,417
	$ 65,545,000	$ 45,675,860	$ 111,220,860

Capital Lease

UEI entered into a lease agreement with the University as the lessee for financing the construction of the bookstore building. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception of the lease.

5. Long-Term Debt and Financing Arrangements (continued)

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2014, were as follows:

Year ending June 30,		
2015	$	1,201,663
2016		1,197,164
2017		1,196,698
2018		1,200,004
2019		1,196,654
2020-2024		5,989,885
2025-2029		5,973,302
2030-2034		5,818,417
2035-2038		4,652,832
Total minimum lease payments		28,426,619
Less: amount representing interest		(11,921,619)
Present value of minimum lease payments		16,505,000
Less: Current portion		(360,000)
Plus: Unamortized premium		341,259
Capital lease obligation	$	16,486,259

Interest expense incurred on UEI’s long-term debt for the fiscal years ended June 30, 2014 and 2013, was $4,051,230 and $4,332,772, respectively.

5. Long-Term Debt and Financing Arrangements (continued)

Long-term debt activity for the years ended June 30, 2014 and 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
2014					
Capital lease obligation	$ 16,845,000	$ -	$ (340,000)	$ 16,505,000	$ 360,000
Plus issuance premium	355,868	-	(14,610)	341,258	-
Series 2011A bonds	25,515,000	-	(420,000)	25,095,000	430,000
Series 2005A bonds	17,045,000	-	(575,000)	16,470,000	600,000
Series 2005B bonds	24,705,000	-	(725,000)	23,980,000	760,000
Plus issuance premium	2,029,182	-	(71,174)	1,958,008	-
Total long-term debt	$ 86,495,050	$ -	$ (2,145,784)	$ 84,349,266	$ 2,150,000

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
2013					
Capital lease obligation	$ 17,165,000	$ -	$ (320,000)	$ 16,845,000	$ 340,000
Plus issuance premium	370,477	-	(14,609)	355,868	-
Series 2011A bonds	25,930,000	-	(415,000)	25,515,000	420,000
Series 2005A bonds	17,585,000	-	(540,000)	17,045,000	575,000
Series 2005B bonds	25,370,000	-	(665,000)	24,705,000	725,000
Less deferred loss on refunding	(200,354)	-	200,354	-	-
Plus issuance premium	2,100,356	-	(71,174)	2,029,182	-
Total long-term debt	$ 88,320,479	$ -	$ (1,825,429)	$ 86,495,050	$ 2,060,000

6. Unrestricted Net Position Designated by Board of Directors

UEI's Board of Directors has established designations of its unrestricted net position for certain purposes. As of June 30, 2014 and 2013, the components of unrestricted designated net position consisted of:

	2014	2013
Working capital reserve	$ 7,458,659	$ 4,778,927
Reserve for postretirement health benefits	10,433,325	11,851,197
Reserve for contingencies	1,000,000	1,000,000
Reserve for future business development	500,000	500,000
Reserve for future building projects	1,244,367	2,568,413
Reserve for plant improvements and replacements	5,000,000	5,000,000
Reserve for University support programs	6,015,922	5,798,232
Total unrestricted net position	$ 31,652,273	$ 31,496,769

7. Related Party Transactions

Leases

The Central Food Service building, certain equipment used in UEI's operations and certain land (including the land under UEI's bookstore) are leased for a nominal amount from the State of California (State) for periods generally ranging from three to thirty years. UEI expects to renew these leases upon their expiration.

Among other provisions, the leases require that UEI:

(1) Operate under the general supervision of the California State University system.

(2) Use its net assets and residual amounts only for operations of UEI and for the benefit of the University, faculty and students.

(3) Make annual payments of up to 2% of gross income from the Central Food Service to the State's Cafeteria Equipment Replacement Fund, under certain circumstances. For the years ended June 30, 2014 and 2013, no payments to the State's Cafeteria Equipment Replacement Fund were required to be made. In April 2014, the State's Cafeteria Equipment Replacement Fund was closed as the funding purpose was no longer needed.

Additionally, the residence hall dining commons are operated under a service agreement with the University, and portions of the University Union building are leased from another auxiliary organization of the University. These agreements are generally renewable on an annual basis and are cancelable upon a 60 to 90-day notice. UEI has no obligation to replace or provide a replacement fund for State-owned equipment utilized in the dining commons or University Union.

7. Related Party Transactions (continued)

As of June 30, 2014 and 2013, operating expenses include rent expense of $5,319,446 and $5,247,912, respectively.

UEI entered into a cooperative agreement with the USGS, whereby UEI provides facilities necessary for USGS and the University to operate a joint research program on the University campus. The joint research program focuses on surface-water, ground water and water-quality issues. Currently, USGS occupies a significant portion of UEI's Placer Hall building and a warehouse. The term of the current cooperative agreement expires on June 30, 2026.

Lease income from all related parties for the years ended June 30, 2014 and 2013, were $7,182,771 and $7,177,971, respectively.

Notes Receivable

Notes receivable primarily consisted of the loan made to the Alumni Center for construction costs of the Alumni Center building. The outstanding loan receivable as of June 30, 2014 and 2013, was $359,321 and $393,988, respectively. Interest earned on the loan as of June 30, 2014 and 2013, was $14,897 and $18,376, respectively.

Other

Reimbursements to the University for salaries of University personnel working on contracts, grants and other programs (including faculty release time) amounted to $2,075,410 and $2,215,242 for the fiscal years ended June 30, 2014 and 2013, respectively.

Reimbursements to the University for items other than salaries of University personnel amounted to $2,348,706 and $2,646,304 for the years ended June 30, 2014 and 2013, respectively.

Payments received from the University for services, space and programs amounted to $2,008,926 and $2,034,086 for the years ended June 30, 2014 and 2013, respectively.

Capital purchases made from grant funds that were transferred to the University amounted to $711,190 and $361,988 for the years ended June 30, 2014 and 2013, respectively.

Amounts payable to the University (including faculty release time) were $1,332,211 and $667,207 as of June 30, 2014 and 2013, respectively.

Amounts payable to University Union, another auxiliary of the University, as of June 30, 2014 and 2013, were $1,655 and $1,482.

Amounts payable to Associated Students, Inc., another auxiliary of the University, as of June 30, 2014 and 2013, were $3,742 and $865.

Amounts receivable from the University amounted to $400,509 and $279,927 as of June 30, 2014 and 2013, respectively.

7. Related Party Transactions (continued)

Sales include residence halls board revenue that is collected by the University and passed through to UEI on a monthly basis. Amounts collected by the University on behalf of UEI amounted to $5,283,751 and $4,689,650 for the years ended June 30, 2014 and 2013, respectively. Amounts that had not yet been remitted to UEI as of June 30, 2014 and 2013, were $416,824 and $365,089, respectively.

Grant and contract expenses include faculty release time of $394,286 and $325,368 for the fiscal years ended June 30, 2014 and 2013, respectively.

Amounts receivable at June 30, 2014 and 2013, from the University Union, another University auxiliary organization, were $395,739 and $394,677, respectively. The receivable balance is primarily related to reimbursements to UEI for payroll processing.

Amounts receivable at June 30, 2014 and 2013, from Associated Students, Inc., another University auxiliary organization, for catering services were $3,424 and $4,753, respectively.

Balances and activities may differ from those reported in the related parties' financial statements due to timing differences between when payments and receipts are recorded.

UEI had entered into a Memorandum of Understanding with the University and The University Foundation at Sacramento State (Foundation), a related party, concerning the Broad Athletic Facility. The Foundation obtained a loan in the amount of $6,450,000 through the University to finance construction costs of the facility. The Foundation was to repay the loan from future gift funds, sponsorship pledges and other unrestricted funds of the Foundation. Were those funds to be insufficient to repay the loan, through agreement with the Foundation, UEI had guaranteed the repayment of the loan in full. In May 2013, UEI elected to pay off the balance of the loan in the amount of $2,897,947.

UEI had also entered an agreement with the Foundation to perform accounting services since January 1, 2007, and it has been renewed periodically. The current term is valid through June 30, 2017. The annual fee for accounting services for 2014 and 2013 remained the same at $125,000, respectively. Accounts receivable at June 30, 2014 and 2013, from the Foundation were $31,250 and $-0-, respectively.

Contributions to the University

UEI made several contributions to the University in support of various campus functions in the amount of $488,766 for the year ended June 30, 2014. These contributions included $11,097 for events and activities, $412,669 for renovation of River Front Center Annex and $65,000 for faculty grants and University marketing.

8. Operating Leases

In 2004, UEI, as the lessor, entered into an operating lease agreement with USGS to lease portions of Modoc Hall for a period of 10 years through March 2014, at an initial annual rent of $1,223,230. The operating lease was renewed in April 2014 for another five-year period, at an annual rent of $668,909. Funding for each year is subject to the federal government's availability of funds. UEI, as the lessor, also leases portions of Modoc Hall to the University's Development Office. The non-cancellable term of the lease is for a period of four years through 2013 at an annual rent of $72,420. The lease was renewed in 2014 and extended through November 2018 at an annual rent of $71,160. In 2008, UEI entered into an operating lease with the CSU Chancellor's Office for nine years through 2017 with annual rent of $91,080. In 2010, UEI entered into operating leases with U.S. and State Departments for the remaining portions of Modoc Hall ranging from 2 to 3.5 years through 2014 with total annual rent of $256,886.

In April 2009, UEI, as the lessor, entered into an operating lease agreement with the University to lease portions of Del Norte Hall for a period of 10 years through 2019 at an annual rent of $231,458. The lease may be terminated at any time by either party upon 30 days' written notice.

In 2010, UEI entered into three agreements with the University to lease the remaining portions of Del Norte Hall for university related programs for 10 years through 2020 at an annual rent of $232,521.

In July 2009, UEI, as the lessee of River Front Center, has subleased a portion of River Front Center to the University for a period of five years through 2014 at an annual rent of $229,920.

In September 2008, UEI, as the lessor, entered into an operating lease agreement with the Office of Research & Sponsored Programs to lease office space in the Bookstore Building for a period of five years through 2013 at an annual rent of $86,550. The University has extended the term of the lease through June 30, 2018, with annual rent of $74,460.

As a result of the transfer of net assets of University Enterprises Development Group (UEDG) to UEI, the operating sublease with 65th and Folsom, a California limited partnership, surrounding the operations for the Lofts project, was transferred from UEDG to UEI as of June 30, 2011. The subleasing consists of residential leases for student housing and commercial leases to four tenants for retail operation.

The total future minimum rentals to be received are as follows:

Year Ending June 30,	
2015	$ 5,019,007
2016	4,811,085
2017	4,798,443
2018	4,644,044
2019	4,236,068
2020-2024	11,986,320
Total	$ 35,494,967

Rental income from all operating leases was approximately $5,794,840 and $5,696,036 for the fiscal years ended June 30, 2014 and 2013, respectively.

9. Defined Benefit Pension Plan

Plan Description

UEI's defined benefit pension plan, the Miscellaneous Plan (the Plan), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. UEI's Miscellaneous Plan is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers with the State of California. A menu of benefit provisions, as well as other requirements is established by State statutes with the Public Employees' Retirement Law. UEI selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through resolution of the Board of Directors of UEI. CalPERS issues a separate comprehensive annual financial report; however, a separate report for UEI's Miscellaneous Plan is not available. Copies of the CalPERS annual financial report may be obtained from their Executive Office at 400 Q Street, P.O. Box 942701, Sacramento, California 94229.

Certain salaried UEI employees are eligible to participate in CalPERS. Benefits vest after five years of service. UEI employees who retire at age 55 receive 2% of their highest average pay (calculated based on the employee's highest 12-consecutive-month period) for each year of credited service. The percentage is decreased for employees retiring before age 55 and is increased for employees retiring after age 55 with the maximum being 2.418% for employees retiring at age 63 and over.

Funding Policy

Active members in UEI's plan were required to contribute 5% of their annual covered salary after excluding the first $513 of gross monthly pay for the years ended June 30, 2014 and 2013. For the fiscal years ended June 30, 2014 and 2013, employee contributions amounted to $378,570 and $365,143, respectively. UEI is required to contribute at an actuarially determined rate necessary to fund the benefits for its members. The required employer contribution rate for the fiscal years ended June 30, 2014 and 2013, were 12.977% and 12.556% of annual covered payroll, respectively. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost

CalPERS uses the Entry Age Normal Actuarial Cost Method, which is a projected benefit cost method. This method takes into account those benefits that are expected to be earned in the future as well as those already accrued. Accordingly, the normal cost for an employee is the level amount which would fund the projected benefit if it were paid annually from date of employment until retirement. CalPERS uses a modification of the Entry Age Cost Method in which the employer's total normal cost is expressed as a level percentage of payroll. For the fiscal years ended June 30, 2014 and 2013, UEI's annual pension cost of $1,083,256 and $1,024,795, respectively, was equal to its required and actual contributions.

9. Defined Benefit Pension Plan (continued)

Actuarial Methods and Assumptions

For the fiscal years ended June 30, 2014 and 2013, the required annual contributions were determined as part of the June 30, 2012, and June 30, 2011, actuarial valuation, respectively, using the entry age normal actuarial cost method with the contributions determined as a percentage of pay. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses), (b) projected salary increases that vary by duration of service ranging from 3.3% to 14.2% for miscellaneous members, and (c) 2.75% cost-of-living adjustment. The actuarial value of UEI's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period depending on the size of investment gains and/or losses. UEI's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over a period of 20 years.

Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, UEI's plan was 91.6% funded. The actuarial accrued liability for benefits was $43,295,219, and the actuarial value of assets was $39,672,261, resulting in an unfunded actuarial accrued liability (UAAL) of $3,622,958. The covered payroll (annual payroll of active employees covered by the plan) was $8,047,788, and the ratio of the UAAL to the covered payroll was 45.0%.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Annual pension cost for the last three years is as follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	$1,037,277	100%	$ -
2013	$1,024,795	100%	$ -
2014	$1,083,256	100%	$ -

10. Defined Contribution Plans

UEI sponsors three Internal Revenue Code (IRC) Section 403(b) retirement plans. One plan is available to all employees. This plan allows participating employees to contribute up to $16,500 of their gross salary, subject to certain limitations, into tax sheltered annuity or tax-deferred mutual fund custodial accounts. Under this plan, UEI makes no contribution to the employees' accounts. Employee contributions for the years ended June 30, 2014 and 2013, were $370,138 and $354,693, respectively.

10. Defined Contribution Plans (continued)

UEI also sponsors two defined contribution IRC Section 403(b) retirement plans for certain employees who are not eligible to participate in CalPERS. One plan is for Dining Services employees who are subject to a collective bargaining agreement, and the second plan is for eligible Sponsored Project Employees. Pursuant to the plan, UEI contributes to employee accounts at a rate of 6% of gross wages for Dining Services employees and 4% or 6% of gross wages, depending on years of service, under the plan for Sponsored Project Employees, subject to certain limitations. Total contributions for the years ended June 30, 2014 and 2013, to the two plans were $139,613 and $139,679, respectively.

11. Other Postretirement Employment Benefits Plan (OPEB Plan)

Plan Description

UEI's OPEB Plan is a single-employer defined benefit healthcare plan administered by UEI. The OPEB Plan provides lifetime postretirement medical and dental coverage to its eligible employees who retire at age 55 or older who complete at least the number of years of continuous CalPERS covered service specified below at UEI. Coverage is also extended to spouses/registered domestic partners and surviving spouses/registered domestic partners of retirees.

For current retirees and CalPERS-eligible employees who have reached age 54 and completed 10 years of service before July 1, 2008, UEI contributes the full annual medical and dental premiums of the medical and dental plans selected by the retiree, depending on the plan.

For CalPERS-eligible employees who were hired before July 1, 2008, a three-tiered plan is available:

- Tier 1: Upon retirement after age 55 with 10-14 years of service, UEI will contribute 50% of the UEI contribution rate for the retired employee, and 50% of the spouse's premium.

- Tier 2: Upon retirement after age 55 with 15-19 years of service, UEI will contribute 75% of the UEI contribution rate for the retired employee, and 50% of the spouse's premium.

- Tier 3: Upon retirement after age 55 with at least 20 years of service, UEI will contribute 100% of the retired employee's UEI contribution rate and 50% of the spouse's premium.

For CalPERS-eligible employees hired after June 30, 2008, who retire after age 55 with at least 20 years of service, UEI will contribute 100% of the retired employee's premium, and 50% of the spouse's/registered domestic partner's premiums for the employee's lifetime, beginning at age 65. The retired employee is required to pay the premiums prior to age 65. The UEI defined benefit postretirement plan does not issue a separate stand alone financial report.

Funding Policy

The contribution requirements of plan members and UEI are established and may be amended by UEI's Board of Directors. Currently, UEI's policy is to contribute to the plan on a pay-as-you-go basis. For the fiscal years ended June 30, 2014 and 2013, UEI contributed $294,886 and $281,948, respectively, representing premium payments on behalf of its retired employees.

11. Other Postretirement Employment Benefits Plan (OPEB Plan) (continued)

Annual OPEB Cost

UEI's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. In 2014, UEI funded an additional $366,215 of its OPEB obligation and also contributed on a pay-as-you-go basis. The following table shows UEI's annual required contribution (OPEB costs), for the fiscal years ended June 30, 2014, 2013, and 2012, the amount actually contributed to the plan, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation:

Year Ended	Annual OPEB Cost	Actual Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	$ 1,493,023	$ 880,776	59%	$ 3,533,910
6/30/2013	$ 1,608,009	$ 581,948	36%	$ 4,559,971
6/30/2014	$ 1,091,499	$ 662,799	61%	$ 4,988,671

The following table shows the components of UEI's annual OPEB cost for the fiscal year ended June 30, 2014 and 2013, the amount actually contributed to the plan, and changes in the UEI net OPEB obligation for the year.

	2014	2013
Annual required contribution	$ 1,164,685	$ 1,659,994
Interest on net OPEB obligation	341,998	265,043
Adjustment to annual required contributions	(415,184)	(317,028)
Annual OPEB cost (expense)	1,091,499	1,608,009
Contributions made	(662,799)	(581,948)
Increase in net OPEB obligation	428,700	1,026,061
Net OPEB obligation - beginning of year	4,559,971	3,533,910
Net OPEB obligation - end of year	$ 4,988,671	$ 4,559,971

Funded Status and Funding Progress

The funded status of the plan as of the most recent actuarial valuation, July 1, 2013, was as follows:

Actuarial value of plan assets	$ 1,441,933
Unfunded actuarial accrued liability (UAAL)	7,799,847
Funded ratio (actuarial value of plan assets/AAL)	15.6%
Covered payroll (active plan members)	$ 8,161,791
UAAL as a percentage of covered payroll	95.60%

11. Other Postretirement Employment Benefits Plan (OPEB Plan) (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the year ended June 30, 2014, the July 1, 2013, actuarial valuation was used to determine UEI's annual required contribution (ARC). For this valuation, the projected unit credit method was used. The actuarial assumptions included a 7.5% investment rate of return, (net of administrative expenses) and an annual blended healthcare cost trend rate of 6.4% initially, reduced by decrements to an ultimate rate of 5.0% after five years. Both rates include a 4.0% inflation assumption. The plan's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis over a 30-year period. Under the Projected Unit Credit method, the projected benefit for each employee is treated as if it is earned ratably over that employee's period of service from the date of hire to the expected date of retirement.

12. Voluntary Employers Beneficiary Association (VEBA)

On May 17, 2011, the UEI Board of Directors approved the inclusion of UEI in a Voluntary Employee Beneficiary Association (VEBA) Trust comprised of CSU auxiliaries. The VEBA is a separate 501(c)(9) organization established in August 2010 to assist in funding post-employment (OPEB) healthcare benefits. In June 2014 and 2013, UEI funded the VEBA with a deposit of $366,215 and $300,000, respectively, and became the ninth auxiliary to join the trust. There was a $5,000 one-time initial fee to join the trust in addition to an annual administrative fee approximating 1% of the total account value.

12. Voluntary Employers Beneficiary Association (VEBA) (continued)

The VEBA professional management team includes a Program Coordinator, Corporate Trustee, Investment Advisor, Legal, Audit and Tax Services. Trust assets are invested and held in custody by Benefit Trust Company serving as the Corporate Trustee, in a mix that includes approximately 50% bonds and 50% equity. Morgan Stanley Smith Barney serves as an investment advisor to the Corporate Trustee. They make recommendations as regards the management of VEBA Trust investments, which are then either approved and implemented or otherwise rejected by the Trust Investment Committee at Benefit Trust Company. At June 30, 2014, the total market values of the VEBA Trust accounts and of UEI's VEBA account were $33,303,236 and $1,988,471, respectively. It is UEI's intention to continue to fund the trust on an annual basis to the extent financial operating results allow.

13. Contingent Liabilities

UEI administers several campus programs and participates in a number of federal and state assisted grant and contract programs. The federal and state assisted programs are subject to program compliance audits by the grantors/contractors or their representatives. UEI has accrued a reserve for disallowances and overruns which management believes is sufficient to provide for the potential losses in connection with: (1) grants and contracts such as those described above, as well as for, (2) the possibility that expenses on behalf of campus programs administered by UEI may not be funded by the sponsoring program.

14. Reclassifications

Certain reclassifications have been made to the prior years' financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported net position or changes in net position.

REQUIRED SUPPLEMENTARY INFORMATION

University Enterprises, Inc.
Schedules of Funding Progress
For the Fiscal Year Ended June 30, 2014

Schedule of Funding Progress – Pension Plan

	A	B	C	D	E	F
Actuarial Valuation Date	**Actuarial Value of Assets**	**Actuarial Accrued Liability (AAL) Entry Age**	**Unfunded AAL (UAAL) (B – A)**	**Funded Ratio (A / B)**	**Covered Payroll**	**UAAL as Percentage of Covered Payroll ((B – A) / E)**
6/30/10	$ 35,298,707	$ 38,602,957	$ 3,304,250	91.4%	$ 8,033,826	41.1%
6/30/11	$ 37,641,132	$ 41,696,075	$ 4,054,943	90.3%	$ 8,062,711	50.3%
6/30/12	$ 39,672,261	$ 43,295,219	$ 3,622,958	91.6%	$ 8,047,788	45.0%

Schedule of Funding Progress - Other Post Employment Benefits

	A	B	C	D	E	F
Actuarial Valuation Date	**Actuarial Value of Assets**	**Actuarial Accrued Liability (AAL) Entry Age**	**Unfunded AAL (UAAL) (B – A)**	**Funded Ratio (A / B)**	**Covered Payroll**	**UAAL as Percentage of Covered Payroll ((B – A) / E)**
1/1/08	$ -	$ 6,822,421	$ 6,822,421	0.0%	$ 7,110,515	95.9%
7/1/10	$ -	$ 10,037,906	$ 10,037,906	0.0%	$ 7,869,313	127.6%
7/1/13	$ 1,441,933	$ 9,241,420	$ 7,799,487	15.6%	$ 8,161,791	95.6%

SUPPLEMENTARY INFORMATION

University Enterprises Inc.

Schedule of Net Position

June 30, 2014

(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	$ 1,435,901
Short-term investments	13,073,164
Accounts receivable, net	10,569,197
Leases receivable, current portion	789,155
Notes receivable, current portion	36,075
Pledges receivable, net	-
Prepaid expenses and other assets	694,916
Total current assets	26,598,408
Noncurrent assets:	
Restricted cash and cash equivalents	7,077,448
Accounts receivable, net	-
Leases receivable, net of current portion	43,779,467
Notes receivable, net of current portion	323,246
Student loans receivable, net	-
Pledges receivable, net	-
Endowment investments	-
Other long-term investments	23,094,249
Capital assets, net	46,572,166
Other assets	22,561
Total noncurrent assets	120,869,137
Total assets	147,467,545
Deferred outflows of resources:	
Unamortized loss on refunding(s)	-
Total deferred outflows of resources	-
Liabilities:	
Current liabilities:	
Accounts payable	3,907,456
Accrued salaries and benefits payable	2,612,864
Accrued compensated absences – current portion	1,026,797
Unearned revenue	1,057,486
Capitalized lease obligations – current portion	360,000
Long-term debt obligations – current portion	1,790,000
Claims liability for losses and LAE – current portion	-
Depository accounts	-
Other liabilities	226,769
Total current liabilities	10,981,372
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	-
Unearned revenue	232,397
Grants refundable	1,886,925
Capitalized lease obligations, net of current portion	16,486,259
Long-term debt obligations, net of current portion	65,713,008
Claims liability for losses and LAE, net of current portion	-
Depository accounts	-
Other postemployment benefits obligation	4,988,671
Other liabilities	1,657,669
Total noncurrent liabilities	90,964,929
Total liabilities	101,946,301
Deferred inflows of resources:	
Deferred inflows from SCAs, grants, and others	-
Total deferred inflows of resources	-
Net position:	
Net investment in capital assets	6,791,521
Restricted for:	
Nonexpendable – endowments	-
Expendable:	
Scholarships and fellowships	-
Research	-
Loans	-
Capital projects	-
Debt service	-
Other	7,077,448
Unrestricted	31,652,275
Total net position	$ 45,521,244

See the accompanying note to the supplemental schedules.

University Enterprises Inc.

Schedule of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2014

(for inclusion in the California State University)

Revenues:	
Operating revenues:	
Student tuition and fees (net of scholarship allowances of $________)	$ -
Grants and contracts, noncapital:	
Federal	11,404,721
State	12,815,277
Local	960,477
Nongovernmental	1,898,842
Sales and services of educational activities	11,342,385
Sales and services of auxiliary enterprises (net of scholarship allowances of $________)	29,911,409
Other operating revenues	-
Total operating revenues	68,333,111
Expenses:	
Operating expenses:	
Instruction	9,673,964
Research	6,444,429
Public service	15,152,173
Academic support	79,020
Student services	551,695
Institutional support	25,736,920
Operation and maintenance of plant	2,944,037
Student grants and scholarships	491,694
Auxiliary enterprise expenses	-
Depreciation and amortization	2,656,621
Total operating expenses	63,730,553
Operating income (loss)	4,602,558
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	3,103,754
Endowment income (loss), net	-
Interest expenses	(4,051,230)
Other nonoperating revenues (expenses)	(224,317)
Net nonoperating revenues (expenses)	(1,171,793)
Income (loss) before other additions	3,430,765
State appropriations, capital	-
Grants and gifts, capital	-
Additions (reductions) to permanent endowments	-
Increase (decrease) in net position	3,430,765
Net position:	
Net position at beginning of year, as previously reported	42,090,479
Restatements	-
Net position at beginning of year, as restated	42,090,479
Net position at end of year	$ 45,521,244

See the accompanying note to the supplemental schedules.

University Enterprises Inc.
Other Information
June 30, 2014
(for inclusion in the California State University)

1 Restricted cash and cash equivalents at June 30, 2014:

Portion of restricted cash and cash equivalents related to endowments	$
All other restricted cash and cash equivalents	7,077,448
Total restricted cash and cash equivalents	$ 7,077,448

2.1 Composition of investments at June 30, 2014:

	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)	12,639,825	-	12,639,825	-	-	-	12,639,825
Wachovia short term fund	-	-	-	-	-	-	-
Wachovia medium term fund	-	-	-	-	-	-	-
Wachovia equity fund	-	-	-	-	-	-	-
CSU Consolidated Investment Pool (includes SWIFT and 0948 SMIF)	-	-	-	-	-	-	-
Common fund - short term fund	-	-	-	-	-	-	-
Common fund - others	-	-	-	-	-	-	-
Debt securities	-	-	-	1,926,141	-	1,926,141	1,926,141
Equity securities	-	-	-	7,087,780	-	7,087,780	7,087,780
Fixed income securities (treasury notes, GNMA's)	-	-	-	-	-	-	-
Land and other real estate	-	-	-	-	-	-	-
Certificates of deposit	-	-	-	2,014,236	-	2,014,236	2,014,236
Notes receivable	-	-	-	-	-	-	-
Mutual funds	-	-	-	-	-	-	-
Money market funds	433,339	-	433,339	-	-	-	433,339
Collateralized mortgage obligations:							
Inverse floaters	-	-	-	-	-	-	-
Interest-only strips	-	-	-	-	-	-	-
Agency pass-through	-	-	-	-	-	-	-
Partnership interests (includes private pass-through)	-	-	-	-	-	-	-
Alternative investments	-	-	-	-	-	-	-
Hedge funds	-	-	-	-	-	-	-
Other major investments:							
Exchange traded funds	-	-	-	12,066,092	-	12,066,092	12,066,092
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Total investments	13,073,164	-	13,073,164	23,094,249	-	23,094,249	36,167,413
Less endowment investments (enter as negative number)	-	-	-	-	-	-	-
Total investments	$ 13,073,164	$ -	$ 13,073,164	$ 23,094,249	$ -	$ 23,094,249	$ 36,167,413

2.2 Investments held by the University under contractual agreements at June 30, 2014:

Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2014 :	$ -	$ -	$ -	$ -	$ -	$ -	$ -

2.3 Restricted current investments at June 30, 2014, related to:

	Amount
Add description	$ -
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Total restricted current investments at June 30, 2014	$ -

2.4 Restricted noncurrent investments at June 30, 2014, related to:

	Amount
Endowment investment	$ -
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Total restricted noncurrent investments at June 30, 2014	$ -

See the accompanying note to the supplemental schedules.

University Enterprises Inc.
Other Information
June 30, 2014
(for inclusion in the California State University)

3.1 Composition of capital assets at June 30, 2014:

	Balance June 30, 2013	Prior Period Adjustments	Reclassifications	Balance June 30, 2013 (Restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2014
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	$ 148,665	$ -	$ -	$ 148,665	$ 816,000	$ -	$ -	$ 964,665
Works of art and historical treasures	-	-	-	-	-	-	-	-
Construction work in progress (CWIP)	104,550	-	-	104,550	926,821	-	-	1,031,371
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	253,215	-	-	253,215	1,742,821	-	-	1,996,036
Depreciable/amortizable capital assets:								
Buildings and building improvements	47,713,554	-	(4,596)	47,708,958	2,010,926	-	-	49,719,884
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	10,505,002	-	4,596	10,509,598	304,272	(16,689)	-	10,797,181
Personal property:								
Equipment	6,028,735	-	-	6,028,735	435,266	(233,868)	-	6,230,133
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:								
Add description		-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total depreciable/amortizable capital assets	64,247,291	-	-	64,247,291	2,750,464	(250,557)	-	66,747,198
Total capital assets	64,500,506	-	-	64,500,506	4,493,285	(250,557)	-	68,743,234
Less accumulated depreciation/amortization:								
Buildings and building improvements	(12,444,934)	-	-	(12,444,934)	(1,459,681)	-	-	(13,904,615)
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	(2,773,820)	-	(399,788)	(3,173,608)	(656,985)	16,689	-	(3,813,904)
Personal property:								
Equipment	(4,535,900)	-	399,788	(4,136,112)	(539,955)	223,518	-	(4,452,549)
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:								
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total accumulated depreciation/amortization	(19,754,654)	-	-	(19,754,654)	(2,656,621)	240,207	-	(22,171,068)
Total capital assets, net	$ 44,745,852	$ -	$ -	$ 44,745,852	$ 1,836,664	$ (10,350)	$ -	$ 46,572,166

3.2 Detail of depreciation and amortization expense for the year ended June 30, 2014:

Depreciation and amortization expense related to capital assets	$ 2,656,621
Amortization expense related to other assets	-
Total depreciation and amortization	$ 2,656,621

See the accompanying note to the supplemental schedules.

University Enterprises Inc.
Other Information
June 30, 2014
(for inclusion in the California State University)

4 Long-term liabilities activity schedule:

	Balance June 30, 2013	Prior Period Adjustments	Reclassifications	Balance June 30, 2013 (Restated)	Additions	Reductions	Balance June 30, 2014	Current Portion	Long-Term Portion
Accrued compensated absences	$ 1,033,175	$ -	$ -	$ 1,033,175	$ 985,693	$ (992,071)	$ 1,026,797	$ 1,026,797	$ -
Capitalized lease obligations:									
Gross balance	16,845,000	-	-	16,845,000	-	(340,000)	16,505,000	360,000	16,145,000
Unamortized premium / (discount) on capitalized lease obligations	355,868	-	-	355,868	-	(14,609)	341,259	-	341,259
Total capitalized lease obligations	17,200,868	-	-	17,200,868	-	(354,609)	16,846,259	360,000	16,486,259
Long-term debt obligations:									
Revenue bonds	67,265,000	-	-	67,265,000	-	(1,720,000)	65,545,000	1,790,000	63,755,000
Other bonds (non-revenue bonds)	-	-	-	-	-	-	-	-	-
Commercial paper	-	-	-	-	-	-	-	-	-
Note payable related to SRB	-	-	-	-	-	-	-	-	-
Other:									
Add description	-	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-	-
Total long-term debt obligations	67,265,000	-	-	67,265,000	-	(1,720,000)	65,545,000	1,790,000	63,755,000
Unamortized bond premium / (discount)	2,029,182	-	-	2,029,182	-	(71,174)	1,958,008	-	1,958,008
Total long-term debt obligations, net	69,294,182	-	-	69,294,182	-	(1,791,174)	67,503,008	1,790,000	65,713,008
Total long-term liabilities	$ 87,528,225	$ -	$ -	$ 87,528,225	$ 985,693	$ (3,137,854)	$ 85,376,064	$ 3,176,797	$ 82,199,267

5 Future minimum lease payments - capital lease obligations:

	Principal	Interest	Principal and Interest
Year ending June 30:			
2015	$ 360,000	$ 841,663	$ 1,201,663
2016	375,000	822,164	1,197,164
2017	395,000	801,698	1,196,698
2018	420,000	780,004	1,200,004
2019	440,000	756,654	1,196,654
2020 - 2024	2,610,000	3,379,885	5,989,885
2025 - 2029	3,415,000	2,558,302	5,973,302
2030 - 2034	4,240,000	1,578,416	5,818,416
2035 - 2039	4,250,000	402,833	4,652,833
2040 - 2044	-	-	-
2045 - 2049	-	-	-
2050 - 2054	-	-	-
2055 - 2059	-	-	-
2060 - 2064	-	-	-
Total minimum lease payments			28,426,619
Less amounts representing interest			(11,921,619)
Present value of future minimum lease payments			16,505,000
Less: current portion			(360,000)
Capitalized lease obligation, net of current portion			$ 16,145,000

See the accompanying note to the supplemental schedules.

University Enterprises Inc.
Other Information
June 30, 2014
(for inclusion in the California State University)

6 Long-term debt obligation schedule:

	Revenue Bonds			All Other Long-Term Debt Obligations			Total		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
Year ending June 30:									
2015	$ 1,790,000	$ 3,206,395	$ 4,996,395	$ -	$ -	$ -	$ 1,790,000	$ 3,206,395	$ 4,996,395
2016	1,865,000	3,122,899	4,987,899	-	-	-	1,865,000	3,122,899	4,987,899
2017	1,945,000	3,033,654	4,978,654	-	-	-	1,945,000	3,033,654	4,978,654
2018	2,035,000	2,939,359	4,974,359	-	-	-	2,035,000	2,939,359	4,974,359
2019	2,125,000	2,842,583	4,967,583	-	-	-	2,125,000	2,842,583	4,967,583
2020 - 2024	11,865,000	12,545,012	24,410,012	-	-	-	11,865,000	12,545,012	24,410,012
2025 - 2029	13,830,000	9,209,371	23,039,371	-	-	-	13,830,000	9,209,371	23,039,371
2030 - 2034	12,670,000	5,925,847	18,595,847	-	-	-	12,670,000	5,925,847	18,595,847
2035 - 2039	12,775,000	2,533,323	15,308,323	-	-	-	12,775,000	2,533,323	15,308,323
2040 - 2044	4,645,000	317,417	4,962,417	-	-	-	4,645,000	317,417	4,962,417
2045 - 2049	-	-	-	-	-	-	-	-	-
2050 - 2054	-	-	-	-	-	-	-	-	-
2055 - 2059	-	-	-	-	-	-	-	-	-
2060 - 2064	-	-	-	-	-	-	-	-	-
Total	$ 65,545,000	$ 45,675,860	$ 111,220,860	$ -	$ -	$ -	$ 65,545,000	$ 45,675,860	$ 111,220,860

7 Calculation of net position:

	Auxiliary Organizations		Total
	GASB	FASB	Auxiliaries
7.1 Calculation of net position - net investment in capital assets:			
Capital assets, net of accumulated depreciation	$ 46,572,166	$ -	$ 46,572,166
Capitalized lease obligations - current portion	(360,000)	-	(360,000)
Capitalized lease obligations, net of current portion	(16,486,259)	-	(16,486,259)
Long-term debt obligations - current portion	(1,790,000)	-	(1,790,000)
Long-term debt obligations, net of current portion	(65,713,008)	-	(65,713,008)
Portion of outstanding debt that is unspent at year-end	-	-	-
Other adjustments: (please list)			
Net invested in direct financing leases-current portion	789,155	-	789,155
Net invested in direct financing leases-net of current portion	43,779,467	-	43,779,467
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Net position - net investment in capital asset	$ 6,791,521	$ -	$ 6,791,521
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)			
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Net position - restricted for nonexpendable - endowments per SNP	$ -	$ -	$ -

See the accompanying note to the supplemental schedules.

University Enterprises Inc.
Other Information
June 30, 2014
(for inclusion in the California State University)

8 Transactions with related entities:

		Amount
Payments to University for salaries of University personnel working on contracts, grants, and other programs	$	2,075,410
Payments to University for other than salaries of University personnel		2,348,706
Payments received from University for services, space, and programs		2,008,926
Gifts-in-kind to the University from discretely presented component units		-
Gifts (cash or assets) to the University from discretely presented component units		711,190
Accounts (payable to) University (enter as negative number)		(1,332,211)
Other amounts (payable to) University (enter as negative number)		-
Accounts receivable from University		400,509
Other amounts receivable from University		416,824

9 Other postemployment eenefits obligation (OPEB):

Annual required contribution (ARC)	$	1,091,499
Contributions during the year		(662,799)
Increase (decrease) in net OPEB obligation (NOO)		428,700
NOO - beginning of year		4,559,971
NOO - end of year	$	4,988,671

10 Pollution remediation liabilities under GASB Statement No. 49:

Description		Amount
Add description	$	-
Add description		-
Add description		-
Add description		-
Add description		-
Add description		-
Add description		-
Add description		-
Add description		-
Add description		-
Total pollution remediation liabilities		-
Less: current portion		-
Pollution remedition liabilities, net of current portion	$	-

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

	Net Position Class		Amount Dr. (Cr.)
Net position as of June 30, 2013, as previously reported		$	42,090,479
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, 2013, as restated		$	42,090,479

University Enterprises Inc.
Other Information
June 30, 2014
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Provide a detailed breakdown of the journal entries (<u>at the financial statement line item level</u>) 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)		
	-	
		-

University Enterprises Inc.
Note to Supplementary Information
June 30, 2014
(for inclusion in the California State University)

1. Basis of Presentation

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