# University Enterprises, Inc.
## TABLE OF CONTENTS
### June 30, 2020 and 2019

<table>
<thead>
<tr>
<th>Section</th>
<th>Page Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Auditors’ Report</td>
<td>1</td>
</tr>
<tr>
<td><strong>FINANCIAL SECTION</strong></td>
<td></td>
</tr>
<tr>
<td>Required Supplementary Information</td>
<td></td>
</tr>
<tr>
<td>Management’s Discussion and Analysis</td>
<td>5</td>
</tr>
<tr>
<td>Basic Financial Statements</td>
<td></td>
</tr>
<tr>
<td>Statements of Net Position</td>
<td>13</td>
</tr>
<tr>
<td>Statements of Revenues, Expenses, and Changes in Net Position</td>
<td>17</td>
</tr>
<tr>
<td>Statements of Cash Flows</td>
<td>19</td>
</tr>
<tr>
<td>Notes to the Basic Financial Statements</td>
<td>23</td>
</tr>
<tr>
<td><strong>REQUIRED SUPPLEMENTARY INFORMATION SECTION</strong></td>
<td></td>
</tr>
<tr>
<td>Schedule of Changes in Net OPEB Liability and Related Ratios</td>
<td>63</td>
</tr>
<tr>
<td>Schedule of OPEB Contributions</td>
<td>64</td>
</tr>
<tr>
<td>Schedule of Investment Returns</td>
<td>65</td>
</tr>
<tr>
<td>Schedule of Changes in Net Pension Liability and Related Ratios</td>
<td>66</td>
</tr>
<tr>
<td>Schedule of Pension Contributions</td>
<td>67</td>
</tr>
<tr>
<td>Notes to the Required Supplementary Information</td>
<td>68</td>
</tr>
<tr>
<td><strong>SUPPLEMENTARY INFORMATION SECTION</strong></td>
<td></td>
</tr>
<tr>
<td>Schedule of Net Position</td>
<td>70</td>
</tr>
<tr>
<td>Schedule of Revenues, Expenses, and Changes in Net Position</td>
<td>71</td>
</tr>
<tr>
<td>Other Information</td>
<td>72</td>
</tr>
<tr>
<td>Note to the Supplementary Information</td>
<td>79</td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITORS’ REPORT

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 years ended June 30, 2020 and 2019, which include the statements of net position; the statements of revenues, expenses, changes in net position, and cash flows; and the related notes to the basic 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 audits. We conducted our audits 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 of America. Those standards require that we plan and perform the audits 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.
INDEPENDENT AUDITORS’ REPORT  
(Continued)

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, 2020 and 2019; and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information  Accounting principles generally accepted in the United States of America require that management’s discussion and analysis and the required supplementary information listed on the table of contents 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, which 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 audits 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 enough evidence to express an opinion or provide any assurance.

Other Information  Our audits were 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 are presented for purposes of additional analysis as required by California State University Office of the Chancellor, and are not a required part of the basic financial statements.

The supplementary schedules are the responsibility of management and were derived from, and relate 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 18, 2020, 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 the effectiveness of UEI’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering UEI’s internal control over financial reporting and compliance.

KCo Isom, LLP
September 18, 2020
Chico, California
FINANCIAL SECTION
University Enterprises, Inc.
MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of the University Enterprises, Inc.’s (UEI) annual financial report presents our discussion and analysis of the financial performance of UEI during the fiscal years ended June 30, 2020 and 2019. 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 (the 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 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 two most recent 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 these statements 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 payments, and the effects on UEI’s financial position of its cash and its noncash investing, capital, and related financing transactions during the year.

The 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.
University Enterprises, Inc.
MANAGEMENT’S DISCUSSION AND ANALYSIS
(Continued)

FINANCIAL HIGHLIGHTS

Fiscal Year 2020

UEI recorded a $3.12 million decrease in net position during 2019-20. Both UEI’s central Enterprise operations ($1.37 million) and University Support Programs ($1.75 million) sustained deficits. The former came against a budgeted deficit of $436 thousand, reflecting a negative $934 thousand budget-to-actual variance. Total revenue and expense were $103.22 and $106.34 million, respectively. Excluding non-operating revenues and expenses, UEI reported a $48 thousand operating surplus. UEI central overall net position stands at $32.95 million at June 30, 2020, down from $34.32 million at the beginning of the fiscal year. On the balance sheet, total Enterprise assets and liabilities are $136.64 and $103.69 million, respectively, at June 30, 2020.

The negative performance against budget is explained in several ways. The coronavirus pandemic materially impacted UEI toward the end of the fiscal year as, net of investment gains, UEI recorded a $1.23 million loss during the fourth quarter. The damage was most acute around Dining Services, which lost $980 thousand during the final quarter and $1.3 million for the year. Revenue from food sales was $6.06 million under budget, both from students canceling their meal plans in the wake of the crisis, and the subsequent curtailment of dining operations campus-wide. Commission revenue from contracted venues was not exempt, as they reported sales $270 thousand under budget for 2019-20. Losses in Dining Services are not uncommon, however. For this and other reasons, UEI is currently evaluating proposals from outside suppliers with the intent to contract out the dining operations, beginning as early as January 2021.

UEI’s three other revenue-producing areas of significance are Property Services, Sponsored Programs Administration (SPA), and the California Intern Network (CAIN). Property Services accounts for 44.6% and 33.6% of total UEI revenue and expenses, respectively, and includes 14 properties in the portfolio. The division realized a $2.65 million surplus during the year. This includes $1.55 million in losses at the Upper Eastside Lofts student housing and commercial properties, whose 15-year master leases expire in July 2022. Those losses are expected to further expand in 2020-21 due to reduced student occupancy, as the University continues to operate almost entirely virtually. SPA’s activities included $50.11 million in revenue on direct grant and contract activity from federal and state governments and various private organizations, and on which UEI also records $50.11 million in expense. Operating income on these funds, as well as from CAIN is earned in the form of indirect cost recovery and is shown as administration fees in the statements of revenues, expenses, and changes in net position. Both SPA and CAIN managed to exceed budget expectations during the year. Going forward, however, CAIN will endure far more significant repercussions from the pandemic as the student employee population continues to be reduced. During 2019-20 alone, that figure decreased by 25%, down to 1,188 total students at June 30, 2020.

Total investment earnings for the year were $632 thousand, and are in the form of market appreciation, gains/losses on sales, and interest and dividends. In addition to investment income, other revenue is derived from contracted operations, including payroll, accounting, tax, and administrative services provided to other University auxiliary organizations, as well as licensing revenue.

Payroll expenses are included as part of operating expenses. $13.58 million in total salaries and benefits/tax costs represents 38.4% of total expenses. Other expenses included $8.29 million in operating costs, $3.34 in depreciation and amortization, $3.26 million in rent expense, and $2.52 million in post-retirement medical and pension costs. Due to a refinancing of 2011 University System-Wide Revenue Bonds, UEI reduced its interest expense from $3.33 million in 2018-19, to $2.58 million in 2019-20.
University Enterprises, Inc.
MANAGEMENT’S DISCUSSION AND ANALYSIS
(Continued)

Fiscal Year 2019

UEI recorded a $2.39 million decrease in net position during 2018-19. Both UEI’s central Enterprise operations ($916 thousand) and University Support Programs ($1.47 million) incurred deficits. The former came against a budgeted surplus of $708 thousand, reflecting a negative $1.62 million actual-to-budget variance. Total revenue and expense were $90.30 and $91.22 million, respectively. Excluding non-operating revenues and expenses, UEI reported a $1.91 million operating surplus from central operations. UEI central overall net position stands at $34.32 million at June 30, 2019, down from $35.24 million at the end of the previous fiscal year.

Several elements contributed to UEI’s negative performance against budget. For seven days during November 2018, the campus was closed as a result of the unsafe air quality resulting from the Camp Fire. It is estimated that UEI incurred $1.07 million in total losses as a direct result of the closure, mostly in the areas of lost food sales and labor. UEI also recorded a combined $2.54 million in accrued pension and post-employment medical costs during 2018-19, against only $1.09 million budgeted. Finally, UEI recorded $750 thousand in unrealized investment losses. This was a consequence of the sale of $5.5 million in assets, which significantly reduced the carrying value of the overall portfolio. The net effect of just those three mostly uncontrollable factors was a $3.28 million negative variance against budget.

The aforementioned sale of assets was necessitated by the acquisition of properties located at 910 University Avenue and 6011 Folsom Blvd., totaling $6.43 million, which served to reduce UEI’s long-term investment balance from $20.56 million at June 30, 2018, to $15.44 million. The portfolio consists of 81% equity and 19% fixed income. A total of $3.7 million is held in Local Agency Investment Fund (LAIF) monies through the State of California. UEI utilizes this pool of funds to cover operating cash requirements as necessary. The entire balance is shown under the University Support Programs, from which the Enterprise fund is essentially “borrowing” money to pay for large capital purchases and other operating outlays. This has resulted in “Due to/from other funds” balance in the amount of $7.28 million that UEI essentially “owes itself”. Please refer to note 2 for more detailed information about UEI’s investments.

UEI realized $50.59 million in total grants and contracts revenue from federal and state governments and various private organizations. UEI records the same $50.59 million in expense on its direct contract activity, due to the contractual obligation to expend all grant funds for the purposes intended. Operating income on these funds is earned in the form of indirect cost recovery, shown as administration fees in the enclosed statement of revenues, expenses, and changes in net position. Of these fees, 91.4% are generated from SPA and CAIN activities, amounting to $3.3 and $3.02 million, respectively. UEI’s indirect recovery percentage for 2018-19 was 12.4%, down from 12.6%.

In addition to SPA and CAIN, UEI operates two other revenue centers, Dining Services and Property Services, producing $12.34 and $15.41 million, respectively, in gross revenue. These four areas generate $7.68 million in combined surplus, excluding overhead charges. In addition to investment income, other revenue is in the form of contracted operations, including payroll, accounting, tax, and administrative services provided to other University auxiliary organizations, as well as licensing revenue.

A total of $16.78 million in total salaries and benefits/taxes costs represents 46.0% of total expenses. Other expenses included $8.09 million in operating costs, $3.33 million in interest expense, $3.25 million in rent expense, $3.03 million in depreciation and amortization, $1.18 million in cost allocation expenses remitted to the University’s Office of Research, Innovation, and Economic Development, and $646 thousand in recorded contributions to the University.
## UEI’s Condensed Statements of Net Position
(Amounts Expressed in Thousands)

<table>
<thead>
<tr>
<th>June 30</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>$36,345</td>
<td>$36,121</td>
<td>$33,295</td>
</tr>
<tr>
<td><strong>Noncurrent Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term investments</td>
<td>12,272</td>
<td>15,436</td>
<td>20,562</td>
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<td>Capital assets - net</td>
<td>55,081</td>
<td>56,390</td>
<td>51,769</td>
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<tr>
<td>Net investment in direct financing leases</td>
<td>39,049</td>
<td>39,949</td>
<td>40,731</td>
</tr>
<tr>
<td>Other</td>
<td>1,640</td>
<td>1,961</td>
<td>2,393</td>
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<td><strong>Total Noncurrent Assets</strong></td>
<td>108,042</td>
<td>113,736</td>
<td>115,455</td>
</tr>
<tr>
<td><strong>Deferred Outflows of Resources</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred outflows from pension</td>
<td>3,735</td>
<td>4,354</td>
<td>5,123</td>
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<tr>
<td>Deferred outflows from OPEB</td>
<td>1,488</td>
<td>1,357</td>
<td>1,784</td>
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<tr>
<td>Deferred outflows from unamortized loss on debt refunding</td>
<td>689</td>
<td>531</td>
<td>559</td>
</tr>
<tr>
<td><strong>Total Deferred Outflows of Resources</strong></td>
<td>5,912</td>
<td>6,242</td>
<td>7,466</td>
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<tr>
<td><strong>Total Assets and Deferred Outflows</strong></td>
<td>$150,299</td>
<td>$156,099</td>
<td>$156,216</td>
</tr>
<tr>
<td><strong>Liabilities, Deferred Inflows, and Net Position</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities - including current portion of long-term debt</td>
<td>$13,878</td>
<td>$16,436</td>
<td>$12,524</td>
</tr>
<tr>
<td>Long-term liabilities - net of current portion</td>
<td>101,149</td>
<td>101,174</td>
<td>104,555</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>115,027</td>
<td>117,610</td>
<td>117,079</td>
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<tr>
<td><strong>Deferred Inflows of Resources</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred inflows from pension</td>
<td>343</td>
<td>343</td>
<td>-</td>
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<tr>
<td>Deferred inflows from OPEB</td>
<td>1,469</td>
<td>1,561</td>
<td>158</td>
</tr>
<tr>
<td>Deferred inflows from unamortized gain on debt refunding</td>
<td>37</td>
<td>39</td>
<td>41</td>
</tr>
<tr>
<td><strong>Total Deferred Inflows of Resources</strong></td>
<td>1,849</td>
<td>1,943</td>
<td>199</td>
</tr>
<tr>
<td><strong>Net Position</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment in capital assets</td>
<td>26,023</td>
<td>25,632</td>
<td>17,475</td>
</tr>
<tr>
<td>Restricted expendable</td>
<td>3,710</td>
<td>3,734</td>
<td>3,842</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>3,690</td>
<td>7,180</td>
<td>17,621</td>
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<tr>
<td><strong>Total Net Position</strong></td>
<td>33,423</td>
<td>36,546</td>
<td>38,938</td>
</tr>
<tr>
<td><strong>Total Liabilities, Deferred Inflows, and Net Position</strong></td>
<td>$150,299</td>
<td>$156,099</td>
<td>$156,216</td>
</tr>
</tbody>
</table>
University Enterprises, Inc.
MANAGEMENT’S DISCUSSION AND ANALYSIS
(Continued)

Total current assets showed an increase of $224 thousand between 2020 and 2019. This change is primarily due to a combination of the following: a) an increase of $1.26 million in cash due to the of timing of payments; b) an increase of $3.51 million in short-term investment due to increasing investment in LAIF; c) a decrease of $4.86 million in accounts receivable due to the timing of billings and collections of receivables; d) an increase of $116 thousand in restricted cash and investments; and e) an increase of $237 thousand in prepaid expenses.

Total noncurrent assets decreased by $5.69 million in 2020 against 2019. The decrease is due to a combination of the following: a) a decrease in long-term investments of $3.16 million primarily due to the decreasing market value of the investment portfolio; b) a decrease of $899 thousand in direct financing leases due to regular amortization; c) a decrease of $1.31 million in capital assets mainly due to the sale of the 3701 T Street and 3707 T Street properties; and d) a decrease of $321 thousand in notes receivable primarily due to the payoff of the loan issued to the Alumni Center in October 2018.

The balance of deferred outflows of resources related to pensions was $3.73 million at June 30, 2020, with a measurement date of June 30, 2019, consisting of the following components: a) a reclassification of current year’s pension contributions in the amount of $2.29 million to deferred outflows, all of which will be amortized during fiscal year 2020-21, per accounting pronouncement GASB Statement No. 71; and b) the difference between projected and actual earnings on pension plan investments, changes in assumptions, and the difference between expected and actual experience, in the amount of $1.44 million.

Deferred outflows of resources related to other postretirement benefits (OPEB) reflected a $1.49 million balance at June 30, 2020, with a measurement date of June 30, 2019, consisting of the following components: a) a reclassification of current year’s OPEB contributions in the amount of $585 thousand to deferred outflows, all of which will be amortized during fiscal year 2020-21, per accounting pronouncement GASB Statement No. 75; and b) changes in assumptions, the difference between expected and actual experience, and the difference between projected and actual earnings on investments, in the amount of $903 thousand.

Total current liabilities decreased by $2.56 million in 2020 compared to 2019. The decrease was mainly due to the following: a) a decrease of $2.57 million in accounts payable due to decreased activities and timing of payments; b) a decrease of $91 thousand in accrued liabilities due to decreased payroll and related taxes as a result of decreased student employment; c) an increase of $415 thousand in current portion of long-term debt due to the refinancing of Folsom Hall 2011 Bonds; d) a decrease of $365 thousand in unearned revenue; and e) an increase of $50 thousand in disallowance and overruns.

Long-term liabilities decreased by $25 thousand in 2020. The main contributing factors were: a) an increase of $724 thousand in OPEB obligation; b) an increase of $2.20 million in net pension liability; c) an increase of $204 thousand in advances from grantors due to timing of advance payments and timing of expenditures; d) a decrease of $2.33 million in bonds payable due to normal amortization and refinancing of Folsom Hall 2011 Bonds; e) a decrease of $252 thousand in other noncurrent liabilities; and f) a decrease of $567 thousand in capital lease obligations due to normal amortization.

Deferred inflows of resources related to pension approximated $343 thousand in 2020, per CalPERS valuation report with a measurement date of June 30, 2019.
Deferred inflows of resources related to OPEB were $1.47 million at June 30, 2020, with a measurement date of June 30, 2019, consisting of the following components: a) the difference between expected and actual experience in the amount of $578 thousand; and b) the difference between projected and actual earnings on investment in the amount of $30 thousand, and changes in assumption of $861 thousand.

Net investment in capital assets increased by $391 thousand in 2020 over 2019.

<table>
<thead>
<tr>
<th>Year Ended June 30</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and commissions</td>
<td>$15,980</td>
<td>$17,958</td>
<td>$17,904</td>
</tr>
<tr>
<td>Sales and services of educational activities</td>
<td>15,049</td>
<td>14,997</td>
<td>14,345</td>
</tr>
<tr>
<td>Grants and contracts</td>
<td>50,108</td>
<td>50,588</td>
<td>46,792</td>
</tr>
<tr>
<td>Administration fees</td>
<td>7,195</td>
<td>7,028</td>
<td>6,877</td>
</tr>
<tr>
<td>Rental income</td>
<td>13,348</td>
<td>13,707</td>
<td>14,028</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td>101,680</td>
<td>104,278</td>
<td>99,946</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of sales</td>
<td>4,196</td>
<td>4,660</td>
<td>4,719</td>
</tr>
<tr>
<td>Grants and contracts</td>
<td>50,108</td>
<td>50,588</td>
<td>46,792</td>
</tr>
<tr>
<td>Other expenses</td>
<td>49,304</td>
<td>48,791</td>
<td>46,309</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>103,608</td>
<td>104,039</td>
<td>97,820</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>(1,928)</td>
<td>239</td>
<td>2,126</td>
</tr>
<tr>
<td>Gain (Loss) on sale of capital assets - net</td>
<td>385</td>
<td>(2)</td>
<td>(15)</td>
</tr>
<tr>
<td>Net other nonoperating expenses</td>
<td>(1,580)</td>
<td>(2,628)</td>
<td>(1,116)</td>
</tr>
<tr>
<td><strong>Change in Net Position</strong></td>
<td>(3,123)</td>
<td>(2,391)</td>
<td>995</td>
</tr>
<tr>
<td><strong>Net Position - Beginning of Year</strong></td>
<td>36,546</td>
<td>38,937</td>
<td>40,101</td>
</tr>
<tr>
<td>Restatements</td>
<td>-</td>
<td>-</td>
<td>(2,159)</td>
</tr>
<tr>
<td><strong>Net Position as Restated - Beginning of Year</strong></td>
<td>36,546</td>
<td>38,937</td>
<td>37,942</td>
</tr>
<tr>
<td><strong>Net Position - End of Year</strong></td>
<td>$33,423</td>
<td>$36,546</td>
<td>$38,937</td>
</tr>
</tbody>
</table>

Total operating revenues decreased by $2.60 million in 2020 over 2019. The decrease in revenues was due to the following factors: a) a decrease of $480 thousand in grants and contract activities, of which $51 thousand was generated from student employment services funded by state, city, and private organizations; b) an increase in administrative fees of $168 thousand as a result of the aforementioned grants and contracts; c) a decrease of $1.98 million in sales and commissions primarily due to decreased sales and meal plan refunds due to COVID-19; d) an increase of $52 thousand in sales and services of educational activities related to University Support Programs; and e) a decrease of $359 thousand in rental income.
University Enterprises, Inc.
MANAGEMENT’S DISCUSSION AND ANALYSIS
(Continued)

Total operating expenses decreased by $432 thousand in 2020. The primary contributing factors were: a) a decrease of $480 thousand related to student employment services; b) a decrease of $429 thousand in grants and contracts; c) a decrease of $464 thousand in cost of sales tied to decreased Dining Services sales; and d) an increase of $513 thousand in other expenses primarily due to increased depreciation expenses and general and administrative expenses.

Net other non-operating revenue (expenses) consisted primarily of interest expense, contributions to the University, investment earnings, contributions, and other income. The decrease of $1.44 million in nonoperating revenue (expenses) in 2020 was primarily due to a combination of factors: a) an increase of $160 thousand in investment earnings; b) a decrease of $299 thousand in contributions to the University; c) a decrease of $748 thousand in interest expense; d) a decrease of $158 thousand in contributions and other income, and e) gain on sale of capital assets of $385 thousand.

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital Assets net of accumulated depreciation, reflected balances of $55.08 million and $56.39 million as of June 30, 2020 and 2019, respectively. The following table summarizes the changes in capital assets for the fiscal years ended 2020, 2019, and 2018:

<table>
<thead>
<tr>
<th>Changes in Capital Assets</th>
<th>(Amounts Expressed in Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year Ended June 30</td>
<td>2020</td>
</tr>
<tr>
<td>Capital Assets</td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$7,449</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>1,828</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>32,088</td>
</tr>
<tr>
<td>Assets under capital lease</td>
<td>24,358</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>17,869</td>
</tr>
<tr>
<td>Equipment</td>
<td>9,622</td>
</tr>
<tr>
<td>Total Capital Assets</td>
<td>93,214</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td></td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>12,794</td>
</tr>
<tr>
<td>Assets under capital lease</td>
<td>10,555</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>8,004</td>
</tr>
<tr>
<td>Equipment</td>
<td>6,780</td>
</tr>
<tr>
<td>Total Accumulated Depreciation</td>
<td>38,133</td>
</tr>
<tr>
<td>Total Capital Assets - Net</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$55,081</td>
</tr>
</tbody>
</table>

The increase of $1.43 million in 2020 in construction in progress was mainly due to the projects located at 3001 State University Drive and a building located at 6011 Folsom Blvd.
Long-Term Debt reflected balances of $69.01, $71.49, and $75.80 million at June 30, 2020, 2019, and 2018, respectively. These amounts were comprised of revenue bonds, notes payable, and a capital lease.

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

<table>
<thead>
<tr>
<th>Years Ended June 30</th>
<th>2020</th>
<th>Change</th>
<th>2019</th>
<th>Change</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current portion of long-term debt</td>
<td>$2,995</td>
<td>0.0%</td>
<td>$2,580</td>
<td>0.0%</td>
<td>$2,640</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>66,011</td>
<td>0.0%</td>
<td>68,909</td>
<td>0.0%</td>
<td>73,158</td>
</tr>
<tr>
<td>Totals</td>
<td>$69,006</td>
<td>-3.47%</td>
<td>$71,489</td>
<td>-5.68%</td>
<td>$75,798</td>
</tr>
</tbody>
</table>

Long-term debt as of June 30, 2020, decreased by $2.48 million from 2019 due to the normal pay down of $2.09 million in principal payments in 2020. 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.
<table>
<thead>
<tr>
<th>June 30, 2020</th>
<th>Enterprise</th>
<th>University Support Programs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS AND DEFERRED OUTFLOWS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$4,046,310</td>
<td>$ -</td>
<td>$4,046,310</td>
</tr>
<tr>
<td>Restricted cash and investments</td>
<td>3,294,179</td>
<td>415,867</td>
<td>3,710,046</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>-</td>
<td>7,203,714</td>
<td>7,203,714</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>18,341,099</td>
<td>586,970</td>
<td>18,928,069</td>
</tr>
<tr>
<td>Due to (from) other funds</td>
<td>(3,885,010)</td>
<td>3,885,010</td>
<td>-</td>
</tr>
<tr>
<td>Inventories</td>
<td>111,147</td>
<td>-</td>
<td>111,147</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>1,125,348</td>
<td>-</td>
<td>1,125,348</td>
</tr>
<tr>
<td>Notes receivable - current</td>
<td>321,000</td>
<td>-</td>
<td>321,000</td>
</tr>
<tr>
<td>Net investment in direct financing leases</td>
<td>899,052</td>
<td>-</td>
<td>899,052</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>24,253,125</td>
<td>12,091,561</td>
<td>36,344,686</td>
</tr>
<tr>
<td>Notes receivable - net of current portion</td>
<td>1,639,750</td>
<td>-</td>
<td>1,639,750</td>
</tr>
<tr>
<td>Long-term investments</td>
<td>12,271,763</td>
<td>-</td>
<td>12,271,763</td>
</tr>
<tr>
<td>Net investment in direct financing leases</td>
<td>39,049,547</td>
<td>-</td>
<td>39,049,547</td>
</tr>
<tr>
<td>Capital assets - net</td>
<td>55,081,012</td>
<td>-</td>
<td>55,081,012</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>132,295,197</td>
<td>12,091,561</td>
<td>144,386,758</td>
</tr>
<tr>
<td><strong>Deferred Outflows of Resources</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred outflows from pension</td>
<td>2,643,461</td>
<td>1,091,075</td>
<td>3,734,536</td>
</tr>
<tr>
<td>Deferred outflows from OPEB</td>
<td>1,015,973</td>
<td>472,198</td>
<td>1,488,171</td>
</tr>
<tr>
<td>Deferred outflows from unamortized loss on debt refunding</td>
<td>688,903</td>
<td>-</td>
<td>688,903</td>
</tr>
<tr>
<td><strong>Total Deferred Outflows of Resources</strong></td>
<td>4,348,337</td>
<td>1,563,273</td>
<td>5,911,610</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS AND DEFERRED OUTFLOWS</strong></td>
<td>$136,643,534</td>
<td>$13,654,834</td>
<td>$150,298,368</td>
</tr>
</tbody>
</table>

*The accompanying notes are an integral part of these financial statements.*
<table>
<thead>
<tr>
<th>June 30, 2020</th>
<th>Enterprise</th>
<th>University Support Programs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$4,748,533</td>
<td>$ -</td>
<td>$4,748,533</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>4,898,540</td>
<td>767,456</td>
<td>5,665,996</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>12,461</td>
<td>81,543</td>
<td>94,004</td>
</tr>
<tr>
<td>Liability for disallowances and overruns</td>
<td>374,360</td>
<td>-</td>
<td>374,360</td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>2,995,000</td>
<td>-</td>
<td>2,995,000</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>13,028,894</td>
<td>848,999</td>
<td>13,877,893</td>
</tr>
<tr>
<td><strong>Long-Term Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other postemployment benefits obligation</td>
<td>5,557,163</td>
<td>5,507,753</td>
<td>11,064,916</td>
</tr>
<tr>
<td>Net pension liability</td>
<td>12,582,870</td>
<td>6,254,138</td>
<td>18,837,008</td>
</tr>
<tr>
<td>Bonds payable - net of current portion</td>
<td>51,955,596</td>
<td>-</td>
<td>51,955,596</td>
</tr>
<tr>
<td>Other noncurrent</td>
<td>993,627</td>
<td>-</td>
<td>993,627</td>
</tr>
<tr>
<td>Advances from grantors</td>
<td>4,242,292</td>
<td>-</td>
<td>4,242,292</td>
</tr>
<tr>
<td>Capital lease obligation - net of current portion</td>
<td>14,055,588</td>
<td>-</td>
<td>14,055,588</td>
</tr>
<tr>
<td><strong>Total Long-Term Liabilities</strong></td>
<td>89,387,136</td>
<td>11,761,891</td>
<td>101,149,027</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>102,416,030</td>
<td>12,610,890</td>
<td>115,026,920</td>
</tr>
<tr>
<td><strong>Deferred Inflows of Resources</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred inflows from pension</td>
<td>281,721</td>
<td>60,785</td>
<td>342,506</td>
</tr>
<tr>
<td>Deferred inflows from OPEB</td>
<td>960,096</td>
<td>508,772</td>
<td>1,468,868</td>
</tr>
<tr>
<td>Deferred inflows from unamortized gain on debt refunding</td>
<td>37,000</td>
<td>-</td>
<td>37,000</td>
</tr>
<tr>
<td><strong>Total Deferred Inflows of Resources</strong></td>
<td>1,278,817</td>
<td>569,557</td>
<td>1,848,374</td>
</tr>
<tr>
<td><strong>Net Position</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment in capital assets</td>
<td>26,023,423</td>
<td>-</td>
<td>26,023,423</td>
</tr>
<tr>
<td>Restricted expendable</td>
<td>3,294,179</td>
<td>415,867</td>
<td>3,710,046</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>3,631,085</td>
<td>58,520</td>
<td>3,689,605</td>
</tr>
<tr>
<td><strong>Total Net Position</strong></td>
<td>32,948,687</td>
<td>474,387</td>
<td>33,423,074</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</strong></td>
<td>$136,643,534</td>
<td>$13,654,834</td>
<td>$150,298,368</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
# University Enterprises, Inc.

## STATEMENTS OF NET POSITION
(Continued)

<table>
<thead>
<tr>
<th>June 30, 2019</th>
<th>Enterprise</th>
<th>University Support Programs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS AND DEFERRED OUTFLOWS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$2,785,650</td>
<td>$ -</td>
<td>$2,785,650</td>
</tr>
<tr>
<td>Restricted cash and investments</td>
<td>3,295,240</td>
<td>438,492</td>
<td>3,733,732</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>-</td>
<td>3,696,713</td>
<td>3,696,713</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>22,256,516</td>
<td>1,528,265</td>
<td>23,784,781</td>
</tr>
<tr>
<td>Due to (from) other funds</td>
<td>(7,284,328)</td>
<td>7,284,328</td>
<td>-</td>
</tr>
<tr>
<td>Inventories</td>
<td>128,159</td>
<td>-</td>
<td>128,159</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>887,950</td>
<td>-</td>
<td>887,950</td>
</tr>
<tr>
<td>Notes receivable - current</td>
<td>321,000</td>
<td>-</td>
<td>321,000</td>
</tr>
<tr>
<td>Net investment in direct financing leases</td>
<td>782,650</td>
<td>-</td>
<td>782,650</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>23,172,837</td>
<td>12,947,798</td>
<td>36,120,635</td>
</tr>
<tr>
<td>Notes receivable - net of current portion</td>
<td>1,960,750</td>
<td>-</td>
<td>1,960,750</td>
</tr>
<tr>
<td>Net investment in direct financing leases</td>
<td>39,948,598</td>
<td>-</td>
<td>39,948,598</td>
</tr>
<tr>
<td>Capital assets - net</td>
<td>56,390,398</td>
<td>-</td>
<td>56,390,398</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>136,908,324</td>
<td>12,947,798</td>
<td>149,856,122</td>
</tr>
<tr>
<td><strong>Deferred Outflows of Resources</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred outflows from pension</td>
<td>3,033,953</td>
<td>1,320,709</td>
<td>4,354,662</td>
</tr>
<tr>
<td>Deferred outflows from OPEB</td>
<td>953,960</td>
<td>403,031</td>
<td>1,356,991</td>
</tr>
<tr>
<td>Deferred outflows from unamortized loss on debt refunding</td>
<td>530,839</td>
<td>-</td>
<td>530,839</td>
</tr>
<tr>
<td><strong>Total Deferred Outflows of Resources</strong></td>
<td>4,518,752</td>
<td>1,723,740</td>
<td>6,242,492</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS AND DEFERRED OUTFLOWS</strong></td>
<td>$141,427,076</td>
<td>$14,671,538</td>
<td>$156,098,614</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION

<table>
<thead>
<tr>
<th></th>
<th>Enterprise</th>
<th>University Support Programs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$7,316,414</td>
<td>$7,316,414</td>
<td>$7,316,414</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>4,984,544</td>
<td>771,968</td>
<td>5,756,512</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>77,890</td>
<td>380,874</td>
<td>458,764</td>
</tr>
<tr>
<td>Liability for disallowances and overruns</td>
<td>324,360</td>
<td></td>
<td>324,360</td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>2,580,000</td>
<td></td>
<td>2,580,000</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>15,283,208</td>
<td>1,152,842</td>
<td>16,436,050</td>
</tr>
<tr>
<td><strong>Long-Term Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other postemployment benefits obligation</td>
<td>5,089,535</td>
<td>5,251,049</td>
<td>10,340,584</td>
</tr>
<tr>
<td>Net pension liability</td>
<td>11,199,289</td>
<td>5,440,504</td>
<td>16,639,793</td>
</tr>
<tr>
<td>Bonds payable - net of current portion</td>
<td>54,287,243</td>
<td></td>
<td>54,287,243</td>
</tr>
<tr>
<td>Other noncurrent</td>
<td>1,245,881</td>
<td></td>
<td>1,245,881</td>
</tr>
<tr>
<td>Advances from grantors</td>
<td>4,038,266</td>
<td></td>
<td>4,038,266</td>
</tr>
<tr>
<td>Capital lease obligation - net of current portion</td>
<td>14,622,246</td>
<td></td>
<td>14,622,246</td>
</tr>
<tr>
<td><strong>Total Long-Term Liabilities</strong></td>
<td>90,482,460</td>
<td>10,691,553</td>
<td>101,174,013</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>105,765,668</td>
<td>11,844,395</td>
<td>117,610,063</td>
</tr>
<tr>
<td><strong>Deferred Inflows of Resources</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred inflows from pension</td>
<td>282,031</td>
<td>60,966</td>
<td>342,997</td>
</tr>
<tr>
<td>Deferred inflows from OPEB</td>
<td>1,019,451</td>
<td>541,354</td>
<td>1,560,805</td>
</tr>
<tr>
<td>Deferred inflows from unamortized gain on debt refunding</td>
<td>39,145</td>
<td></td>
<td>39,145</td>
</tr>
<tr>
<td><strong>Total Deferred Inflows of Resources</strong></td>
<td>1,340,627</td>
<td>602,320</td>
<td>1,942,947</td>
</tr>
<tr>
<td><strong>Net Position</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment in capital assets</td>
<td>25,632,150</td>
<td></td>
<td>25,632,150</td>
</tr>
<tr>
<td>Restricted expendable</td>
<td>3,295,240</td>
<td>438,492</td>
<td>3,733,732</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>5,393,391</td>
<td>1,786,331</td>
<td>7,179,722</td>
</tr>
<tr>
<td><strong>Total Net Position</strong></td>
<td>34,320,781</td>
<td>2,224,823</td>
<td>36,545,604</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</strong></td>
<td>$141,427,076</td>
<td>$14,671,538</td>
<td>$156,098,614</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
## University Enterprises, Inc.

### STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

**Year Ended June 30, 2020**

<table>
<thead>
<tr>
<th></th>
<th>Enterprise Programs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and commissions</td>
<td>$15,980,336</td>
<td>$15,980,336</td>
</tr>
<tr>
<td>Sales and services of educational activities</td>
<td>-</td>
<td>$15,048,653</td>
</tr>
<tr>
<td>Grants and contracts - noncapital</td>
<td>50,107,949</td>
<td>-</td>
</tr>
<tr>
<td>Administration fees</td>
<td>7,123,575</td>
<td>7,195,253</td>
</tr>
<tr>
<td>Rental income</td>
<td>13,348,157</td>
<td>13,348,157</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td>$86,560,017</td>
<td>$101,680,348</td>
</tr>
</tbody>
</table>

| **Operating Expenses** |                     |             |
| Cost of sales          | 4,195,908           | 4,195,908   |
| Grants and contracts   | 50,107,949          | 50,107,949  |
| Operating expenses     | 22,497,375          | 39,567,402  |
| General and administrative | 6,372,668 | 6,372,668 |
| Sponsored research     | - 25,740            | 25,740      |
| Depreciation and amortization | 3,338,000 | - |
| **Total Operating Expenses** | $86,511,900 | $103,607,667 |

| **Operating Income (Loss)** |                     |             |
|                            | 48,117              | (1,927,319) |

| **Nonoperating Revenues (Expenses)** |                 |             |
| Investment earnings          | 631,936            | 631,936     |
| Contributions and other income | 518,419        | 518,419     |
| Contributions to the University | (146,944)  | (146,944)   |
| Gain on sale of capital assets - net | 385,348  | 385,348     |
| University support           | (225,000)         | (225,000)   |
| Interest expense             | (2,583,970)       | (2,583,970) |
| **Net Nonoperating Revenues (Expenses)** | (1,420,211) | (1,195,211) |

| **Change in Net Position** |                 |             |
| (1,372,094)                | (1,750,436)      | (3,122,530) |

| **Net Position - Beginning of Year** |            |             |
| 34,320,781                  | 2,224,823     | 36,545,604  |

| **Net Position - End of Year** |            |             |
| $32,948,687                  | $474,387     | $33,423,074 |

*The accompanying notes are an integral part of these financial statements.*
<table>
<thead>
<tr>
<th>Year Ended June 30, 2019</th>
<th>Enterprise Programs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and commissions</td>
<td>$17,958,280</td>
<td>-</td>
</tr>
<tr>
<td>Sales and services of educational activities</td>
<td>-</td>
<td>14,997,091</td>
</tr>
<tr>
<td>Grants and contracts - noncapital</td>
<td>50,588,438</td>
<td>-</td>
</tr>
<tr>
<td>Administration fees</td>
<td>6,900,688</td>
<td>126,829</td>
</tr>
<tr>
<td>Rental income</td>
<td>13,707,062</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td>89,154,468</td>
<td>15,123,920</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of sales</td>
<td>4,660,341</td>
<td>-</td>
</tr>
<tr>
<td>Grants and contracts</td>
<td>50,588,438</td>
<td>-</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>22,815,933</td>
<td>16,652,016</td>
</tr>
<tr>
<td>General and administrative</td>
<td>6,145,320</td>
<td>-</td>
</tr>
<tr>
<td>Sponsored research</td>
<td>-</td>
<td>123,784</td>
</tr>
<tr>
<td>Other programs</td>
<td>-</td>
<td>24,180</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>3,029,541</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>87,239,573</td>
<td>16,799,980</td>
</tr>
<tr>
<td><strong>Operating Income (Loss)</strong></td>
<td>1,914,895</td>
<td>(1,676,060)</td>
</tr>
<tr>
<td><strong>Nonoperating Revenues (Expenses)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment earnings</td>
<td>472,140</td>
<td>-</td>
</tr>
<tr>
<td>Contributions and other income</td>
<td>676,240</td>
<td>-</td>
</tr>
<tr>
<td>Contributions to the University</td>
<td>(445,507)</td>
<td>-</td>
</tr>
<tr>
<td>Loss on sale of capital assets - net</td>
<td>(1,936)</td>
<td>-</td>
</tr>
<tr>
<td>University support</td>
<td>(200,000)</td>
<td>200,000</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(3,331,644)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net Nonoperating Revenues (Expenses)</strong></td>
<td>(2,830,707)</td>
<td>200,000</td>
</tr>
<tr>
<td><strong>Change in Net Position</strong></td>
<td>(915,812)</td>
<td>(1,476,060)</td>
</tr>
<tr>
<td><strong>Net Position - Beginning of Year</strong></td>
<td>35,236,593</td>
<td>3,700,883</td>
</tr>
<tr>
<td><strong>Net Position - End of Year</strong></td>
<td>$34,320,781</td>
<td>$2,224,823</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
### University Enterprises, Inc.  
STATEMENTS OF CASH FLOWS

<table>
<thead>
<tr>
<th>Year Ended June 30, 2020</th>
<th>Enterprise</th>
<th>University Support Programs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash received from customers/students</td>
<td>$86,999,780</td>
<td>$19,289,317</td>
<td>$106,289,097</td>
</tr>
<tr>
<td>Cash paid suppliers and employees</td>
<td>$(84,305,109)</td>
<td>$(16,029,940)</td>
<td>$(100,335,049)</td>
</tr>
<tr>
<td><strong>NET CASH PROVIDED BY OPERATING ACTIVITIES</strong></td>
<td>$2,694,671</td>
<td>$3,259,377</td>
<td>$5,954,048</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments received on notes receivable</td>
<td>$321,000</td>
<td>-</td>
<td>$321,000</td>
</tr>
<tr>
<td>University support</td>
<td>$(225,000)</td>
<td>$225,000</td>
<td>-</td>
</tr>
<tr>
<td>Contributions to the University</td>
<td>$(146,944)</td>
<td>-</td>
<td>$(146,944)</td>
</tr>
<tr>
<td>Contributions and other income</td>
<td>$518,419</td>
<td>-</td>
<td>$518,419</td>
</tr>
<tr>
<td><strong>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</strong></td>
<td>$467,475</td>
<td>$225,000</td>
<td>$692,475</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal paid on long-term debt</td>
<td>$(2,580,000)</td>
<td>-</td>
<td>$(2,580,000)</td>
</tr>
<tr>
<td>Interest paid</td>
<td>$(2,643,193)</td>
<td>-</td>
<td>$(2,643,193)</td>
</tr>
<tr>
<td>Acquisition of capital assets</td>
<td>$(2,644,596)</td>
<td>-</td>
<td>$(2,644,596)</td>
</tr>
<tr>
<td>Proceeds from sales of capital assets</td>
<td>$1,001,330</td>
<td>-</td>
<td>$1,001,330</td>
</tr>
<tr>
<td><strong>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</strong></td>
<td>$(6,866,459)</td>
<td>-</td>
<td>$(6,866,459)</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>$849,473</td>
<td>-</td>
<td>$849,473</td>
</tr>
<tr>
<td>Decrease in net investment in direct financing lease</td>
<td>$782,649</td>
<td>-</td>
<td>$782,649</td>
</tr>
<tr>
<td>Proceeds from sales and maturities of investments</td>
<td>$7,167,155</td>
<td>-</td>
<td>$7,167,155</td>
</tr>
<tr>
<td>Purchase of investments</td>
<td>$(3,835,365)</td>
<td>-</td>
<td>$(3,835,365)</td>
</tr>
<tr>
<td><strong>NET CASH PROVIDED BY INVESTING ACTIVITIES</strong></td>
<td>$4,963,912</td>
<td>-</td>
<td>$4,963,912</td>
</tr>
</tbody>
</table>

Net Change in Cash and Cash Equivalents  
1,259,599  
3,484,377  
4,743,976

Cash and Cash Equivalents - Beginning of Year  
6,080,890  
4,135,204  
10,216,094

Cash and Cash Equivalents - End of Year  
$7,340,489  
$7,619,581  
$14,960,070

**SUPPLEMENTAL DISCLOSURES OF NONCASH FINANCING ACTIVITIES**

<table>
<thead>
<tr>
<th></th>
<th>Enterprise</th>
<th>University Support Programs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuance of series 2020B bonds</td>
<td>$22,700,000</td>
<td>$-</td>
<td>$22,700,000</td>
</tr>
<tr>
<td>Less: Series 2020B bond issuance costs</td>
<td>$77,115</td>
<td>-</td>
<td>$77,115</td>
</tr>
<tr>
<td>Less: Deferred outflow from unamortized loss</td>
<td>$190,043</td>
<td>-</td>
<td>$190,043</td>
</tr>
<tr>
<td>Less: Refunded series 2011A bond premium</td>
<td>$1,397,842</td>
<td>-</td>
<td>$1,397,842</td>
</tr>
<tr>
<td>Less: Refunded series 2011A bond principal</td>
<td>$21,035,000</td>
<td>-</td>
<td>$21,035,000</td>
</tr>
<tr>
<td><strong>Cash Used to Refund Bonded Debt</strong></td>
<td>$-</td>
<td>-</td>
<td>$-</td>
</tr>
</tbody>
</table>

*The accompanying notes are an integral part of these financial statements.*
University Enterprises, Inc.
STATEMENTS OF CASH FLOWS
(Continued)

<table>
<thead>
<tr>
<th>Year Ended June 30, 2020</th>
<th>Enterprise</th>
<th>University Support Programs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>RECONCILIATION TO THE STATEMENTS OF NET POSITION</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$4,046,310</td>
<td>$-</td>
<td>$4,046,310</td>
</tr>
<tr>
<td>Restricted cash and investments</td>
<td>3,294,179</td>
<td>415,867</td>
<td>3,710,046</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>-</td>
<td>7,203,714</td>
<td>7,203,714</td>
</tr>
<tr>
<td><strong>TOTAL CASH AND CASH EQUIVALENTS</strong></td>
<td>$7,340,489</td>
<td>$7,619,581</td>
<td>$14,960,070</td>
</tr>
<tr>
<td>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>$48,116</td>
<td>$(1,975,435)</td>
<td>$(1,927,319)</td>
</tr>
<tr>
<td>Adjustments to reconcile:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization expense</td>
<td>3,338,000</td>
<td>-</td>
<td>3,338,000</td>
</tr>
<tr>
<td>Amortization of deferred inflows from pension</td>
<td>(310)</td>
<td>(181)</td>
<td>(491)</td>
</tr>
<tr>
<td>Amortization of deferred inflows from OPEB</td>
<td>(59,355)</td>
<td>(32,582)</td>
<td>(91,937)</td>
</tr>
<tr>
<td>Amortization of deferred outflows from unamortized loss on debt refunding</td>
<td>31,979</td>
<td>-</td>
<td>31,979</td>
</tr>
<tr>
<td>Amortization of deferred inflows from unamortized gain on debt refunding</td>
<td>(2,145)</td>
<td>-</td>
<td>(2,145)</td>
</tr>
<tr>
<td>Amortization of bond issuance costs</td>
<td>77,115</td>
<td>-</td>
<td>77,115</td>
</tr>
<tr>
<td>Gain on disposal of capital assets</td>
<td>(385,348)</td>
<td>-</td>
<td>(385,348)</td>
</tr>
<tr>
<td>Net effect of changes in operating assets and liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Increase) Decrease in assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>3,915,417</td>
<td>941,295</td>
<td>4,856,712</td>
</tr>
<tr>
<td>Due to (from) other funds</td>
<td>(3,399,318)</td>
<td>3,399,318</td>
<td>-</td>
</tr>
<tr>
<td>Inventories</td>
<td>17,012</td>
<td>-</td>
<td>17,012</td>
</tr>
<tr>
<td>Deferred outflows from pension</td>
<td>390,492</td>
<td>229,634</td>
<td>620,126</td>
</tr>
<tr>
<td>Deferred outflows from OPEB</td>
<td>(62,013)</td>
<td>(69,167)</td>
<td>(131,180)</td>
</tr>
<tr>
<td>Deferred outflows of unamortized loss on debt refunding</td>
<td>(190,043)</td>
<td>-</td>
<td>(190,043)</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>(237,398)</td>
<td>-</td>
<td>(237,398)</td>
</tr>
<tr>
<td>Increase (Decrease) in liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(2,567,881)</td>
<td>-</td>
<td>(2,567,881)</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>(259,455)</td>
<td>(4,512)</td>
<td>(263,967)</td>
</tr>
<tr>
<td>Net pension liability</td>
<td>1,383,581</td>
<td>813,634</td>
<td>2,197,215</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>138,597</td>
<td>(299,331)</td>
<td>(160,734)</td>
</tr>
<tr>
<td>Liability for disallowances and overruns</td>
<td>50,000</td>
<td>-</td>
<td>50,000</td>
</tr>
<tr>
<td>Net OPEB liability</td>
<td>467,628</td>
<td>256,704</td>
<td>724,332</td>
</tr>
<tr>
<td><strong>NET CASH PROVIDED BY OPERATING ACTIVITIES</strong></td>
<td>$2,694,671</td>
<td>$3,259,377</td>
<td>$5,954,048</td>
</tr>
</tbody>
</table>

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<thead>
<tr>
<th>Year Ended June 30, 2019</th>
<th>Enterprise</th>
<th>University Support Programs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td>$87,448,586</td>
<td>$12,640,797</td>
<td>$100,089,383</td>
</tr>
<tr>
<td>Cash received from customers/students</td>
<td>(78,551,682)</td>
<td>(16,557,108)</td>
<td>(95,108,790)</td>
</tr>
<tr>
<td>Cash paid suppliers and employees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</strong></td>
<td>8,896,904</td>
<td>(3,916,311)</td>
<td>4,980,593</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments received on notes receivable</td>
<td>474,242</td>
<td>-</td>
<td>474,242</td>
</tr>
<tr>
<td>University support</td>
<td>(200,000)</td>
<td>200,000</td>
<td>-</td>
</tr>
<tr>
<td>Contributions to the University</td>
<td>(445,507)</td>
<td>-</td>
<td>(445,507)</td>
</tr>
<tr>
<td>Contributions and other income</td>
<td>676,240</td>
<td>-</td>
<td>676,240</td>
</tr>
<tr>
<td><strong>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</strong></td>
<td>504,975</td>
<td>200,000</td>
<td>704,975</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal paid on long-term debt</td>
<td>(2,445,000)</td>
<td>-</td>
<td>(2,445,000)</td>
</tr>
<tr>
<td>Repayment of bonded debt</td>
<td>(1,676,037)</td>
<td>-</td>
<td>(1,676,037)</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(3,577,367)</td>
<td>-</td>
<td>(3,577,367)</td>
</tr>
<tr>
<td>Acquisition of capital assets</td>
<td>(7,652,692)</td>
<td>-</td>
<td>(7,652,692)</td>
</tr>
<tr>
<td><strong>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</strong></td>
<td>(15,351,096)</td>
<td>-</td>
<td>(15,351,096)</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>655,589</td>
<td>-</td>
<td>655,589</td>
</tr>
<tr>
<td>Decrease in net investment in direct financing lease</td>
<td>771,887</td>
<td>-</td>
<td>771,887</td>
</tr>
<tr>
<td>Proceeds from sales and maturities of investments</td>
<td>10,041,198</td>
<td>-</td>
<td>10,041,198</td>
</tr>
<tr>
<td>Purchase of investments</td>
<td>(5,096,002)</td>
<td>-</td>
<td>(5,096,002)</td>
</tr>
<tr>
<td><strong>NET CASH PROVIDED BY INVESTING ACTIVITIES</strong></td>
<td>6,372,672</td>
<td>-</td>
<td>6,372,672</td>
</tr>
<tr>
<td>Net Change in Cash and Cash Equivalents</td>
<td>423,455</td>
<td>(3,716,311)</td>
<td>(3,292,856)</td>
</tr>
<tr>
<td>Cash and Cash Equivalents - Beginning of Year</td>
<td>5,657,435</td>
<td>7,851,516</td>
<td>13,508,951</td>
</tr>
<tr>
<td>Cash and Cash Equivalents - End of Year</td>
<td>$6,080,890</td>
<td>$4,135,205</td>
<td>$10,216,095</td>
</tr>
</tbody>
</table>

*The accompanying notes are an integral part of these financial statements.*
### RECONCILIATION TO THE STATEMENTS OF NET POSITION

<table>
<thead>
<tr>
<th>Description</th>
<th>Enterprise</th>
<th>University Support Programs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$2,785,650</td>
<td>$2,785,650</td>
<td>$2,785,650</td>
</tr>
<tr>
<td>Restricted cash and investments</td>
<td>3,295,240</td>
<td>438,492</td>
<td>3,733,732</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>-</td>
<td>3,696,713</td>
<td>3,696,713</td>
</tr>
<tr>
<td><strong>TOTAL CASH AND CASH EQUIVALENTS</strong></td>
<td><strong>$6,080,890</strong></td>
<td><strong>$4,135,205</strong></td>
<td><strong>$10,216,095</strong></td>
</tr>
</tbody>
</table>

### RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>Enterprise</th>
<th>University Support Programs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income (loss)</td>
<td>$1,914,895</td>
<td>$(1,676,060)</td>
<td>$238,835</td>
</tr>
<tr>
<td>Adjustments to reconcile:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization expense</td>
<td>3,029,541</td>
<td>-</td>
<td>3,029,541</td>
</tr>
<tr>
<td>Amortization of deferred inflows from pension</td>
<td>(121,955)</td>
<td>(68,599)</td>
<td>(190,554)</td>
</tr>
<tr>
<td>Amortization of deferred inflows from OPEB</td>
<td>(108,213)</td>
<td>(58,268)</td>
<td>(166,481)</td>
</tr>
<tr>
<td>Amortization of deferred outflows from pension</td>
<td>2,528,460</td>
<td>1,422,258</td>
<td>3,950,718</td>
</tr>
<tr>
<td>Amortization of deferred outflows from OPEB</td>
<td>665,514</td>
<td>207,632</td>
<td>873,146</td>
</tr>
<tr>
<td>Amortization of deferred outflows from unamortized loss on debt refunding</td>
<td>28,924</td>
<td>-</td>
<td>28,924</td>
</tr>
<tr>
<td>Amortization of deferred inflows from unamortized gain on debt refunding</td>
<td>(2,145)</td>
<td>-</td>
<td>(2,145)</td>
</tr>
<tr>
<td>Loss on disposal of capital assets</td>
<td>1,936</td>
<td>-</td>
<td>1,936</td>
</tr>
<tr>
<td>Net effect of changes in operating assets and liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Increase) Decrease in assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>(5,226,608)</td>
<td>(891,284)</td>
<td>(6,117,892)</td>
</tr>
<tr>
<td>Due to (from) other funds</td>
<td>2,445,591</td>
<td>2,445,591</td>
<td>-</td>
</tr>
<tr>
<td>Inventories</td>
<td>(24,643)</td>
<td>-</td>
<td>(24,643)</td>
</tr>
<tr>
<td>Deferred outflows from pension</td>
<td>(2,036,917)</td>
<td>(1,145,764)</td>
<td>(3,182,681)</td>
</tr>
<tr>
<td>Deferred outflows from OPEB</td>
<td>(330,252)</td>
<td>(116,277)</td>
<td>(446,529)</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>(9,855)</td>
<td>-</td>
<td>(9,855)</td>
</tr>
<tr>
<td>Increase (Decrease) in liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>3,509,330</td>
<td>-</td>
<td>3,509,330</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>269,750</td>
<td>76,277</td>
<td>346,027</td>
</tr>
<tr>
<td>Net pension liability</td>
<td>937,432</td>
<td>527,304</td>
<td>1,464,736</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>684,494</td>
<td>(128,580)</td>
<td>555,914</td>
</tr>
<tr>
<td>Deferred inflows from pension</td>
<td>341,473</td>
<td>192,077</td>
<td>533,550</td>
</tr>
<tr>
<td>Deferred inflows from OPEB</td>
<td>1,020,079</td>
<td>549,273</td>
<td>1,569,352</td>
</tr>
<tr>
<td>Liability for disallowances and overruns</td>
<td>49,960</td>
<td>-</td>
<td>49,960</td>
</tr>
<tr>
<td>Net OPEB liability</td>
<td>(669,887)</td>
<td>(360,709)</td>
<td>(1,030,596)</td>
</tr>
<tr>
<td><strong>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</strong></td>
<td><strong>$8,896,904</strong></td>
<td><strong>$(3,916,311)</strong></td>
<td><strong>$4,980,593</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
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 (the University). UEI is a component unit of the University.

UEI operates as an auxiliary organization on the University campus pursuant to the Operating Agreement dated July 1, 2014.

The Operating 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 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 Agreement term ends on September 1, 2027, unless sooner terminated or extended. The Operating Agreement may be terminated sooner if: (i) the University 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 Agreement occurs. Upon the termination of the Operating Agreement, the University 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, UEI entered into an operating agreement with Follett Higher Education Group, Inc. (Follett), in which Follett assumed the operation of the Hornet Bookstore through June 30, 2020. The agreement was amended effective January 1, 2020, to extend the expiration date for ten years to July 1, 2030, and will automatically renew for successive one-year periods 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 California State University, UEI has adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 35, *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 was 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.
University Enterprises, Inc.
NOTES TO THE BASIC FINANCIAL STATEMENTS
(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 statements of cash flows, include 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 (PMIA) 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.

**Fair Value Measurements** GASB Statement No. 72, *Fair Value Measurements and Applications*, establishes a framework for measuring fair value under accounting standards generally accepted in the United States of America, and expands disclosures about fair value measurements.

That framework provides a fair value hierarchy that classifies assets and liabilities into three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. Valuations within these levels are based upon the following:

**Level 1:** Quoted market prices for identical instruments traded in active exchange markets.

**Level 2:** Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

**Level 3:** Model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the UEI’s estimates of assumptions that market participants would use on pricing the asset or liability. Valuation techniques include management’s judgment and estimation which may be significant. UEI does not hold any level 3 investments.
Following is a description of the valuation methodologies used for assets measured at fair value for the year ended June 30, 2020 and 2019.

Money Market Funds and Certificates of Deposit: Amounts are in interest-bearing deposit accounts, which at times may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. UEI does not consider these amounts for use in general operations; therefore, they are not classified as cash and cash equivalents.

Mutual Funds, Equity Securities, and Exchange Traded Funds: Each investor in a mutual fund will typically receive units of participation or shares. These shares are valued daily, based on the underlying securities owned, and are usually publicly traded equity securities. Equity securities are instruments that signify an ownership position in a corporation and represent a claim on their proportional share in the corporation’s assets and profits. Ownership is determined by the number of shares an investor owns, divided by the total number of shares outstanding. Mutual funds, equity securities, and exchange traded funds are valued daily based on the closing market price in the active exchange markets.

Bonds and Fixed Income Securities: Corporate and municipal bonds and other debt and fixed income securities are generally valued by a computerized pricing service or, for less actively traded issues, by utilizing a yield-based matrix system to arrive at an estimated market value. Each bond series has a unique set of variables including coupon payment, number of payments, interest rate, and the maturity value. These factors are used to determine the estimated market value and can be determined daily.

LAIF: The investment in LAIF is measured and reported at fair value, based on quoted prices for similar assets in active markets, and is part of the State of California PMIA, which, as of June 30, 2020 and 2019, had a balance of $101.0 billion and $105.7 billion, respectively. The weighted average maturity of PMIA investments was 191 days and 173 days as of June 30, 2020 and 2019, respectively. The total amount invested by all public agencies in LAIF as of June 30, 2020 and 2019, was $31.6 billion and $24.6 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 than the fair value of the 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, and 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 asset-backed securities totaling $1.68 billion and $977.2 million, respectively, as of June 30, 2020 and 2019.
**Investments**  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 changes could materially affect the financial statements.

**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 $127,707,338, as of June 30, 2020, of which $4,242,292 had been received and recorded as a liability and of which the balance of $123,465,046 had not yet been expended nor earned.

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, 2020 and 2019, inventories were $111,147 and $128,159, 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 $5,000, and $7,500 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 revenues 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 considered as direct financing in nature as of June 30, 2020. UEI is the lessor of the following properties which are classified as direct financing leases: Placer Hall, Napa Hall, and Folsom Hall.

**Accounts Receivable** Accounts receivables as of June 30, 2020 and 2019, were $18.93 million and $23.78 million, respectively. Included in the 2020 total was $16.33 million of Grants and Contracts, $2.01 million of retail and property development, and $587 thousand from University Support Programs. Included in the 2019 total was $20.42 million of grants and contracts, $1.83 million of retail and property development, and $1.53 million from University Support Programs. UEI established an allowance for grants and contracts receivable of $374,360 as of June 30, 2020.

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 years ended June 30, 2020 and 2019, consisted of $1,960,750 and $2,281,750, respectively, from the existing loans with Sacramento State Housing and the loan with the University for tenant improvement of the building at S Street (see note 7).

**Deferred Outflows of Resources** In addition to assets, the statements of net position include a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period, which will only be recognized as an outflow of resources (expense) in the future. UEI has three items that qualify for reporting in this category: a) deferred outflows of resources related to pension, which represent a reclassification of the current year’s pension contributions, all of which will be amortized during 2020-21, per accounting pronouncement GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*; changes in assumptions; difference between expected and actual experience; and difference between projected and actual earnings on pension plan investments; b) deferred outflows from unamortized loss on debt refunding; and c) deferred outflows of resources related to postemployment benefits other than pensions (OPEB), which represent a reclassification of the current year’s OPEB contributions, all of which will be amortized during 2020-21, per accounting pronouncement GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; changes in assumptions; difference between expected and actual experience; and difference between the projected and actual earnings on the OPEB plan investments.
Deferred Inflows of Resources  In addition to liabilities, the statements of net position include a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and would only be recognized as an inflow of resources (revenue) at that time. UEI has three items that qualify for reporting in this category: a) deferred inflows of resources related to pension, which consist of changes of assumptions, differences between expected and actual experiences, and differences between the projected and actual earnings on the pension plan investments; b) deferred inflows from unamortized gain on debt refunding; and c) deferred inflows of resources related to OPEB, which consist of changes of assumptions, differences between expected and actual experiences, and differences between the projected and actual earnings on the OPEB plan investments.

Net Pension Liability  For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of UEI’s California Public Employees’ Retirement System (CalPERS) plan (the Plan) and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)  For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the University Enterprises, Inc., OPEB Plan (the OPEB Plan) and additions to/deductions from the OPEB Plan’s fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 absence 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, 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.
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, 2020 and 2019, UEI reported restricted expendables of $3,710,046 and $3,733,732, respectively.

Unrestricted – This category of net position represents amounts that are not restricted for any project or other purposes. All unrestricted expendables 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 (IRC) and similar California statutes, and is not classified as a private foundation under (509)(a) of the IRC. 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.

2. CASH AND INVESTMENTS

Cash

Cash balances as of June 30, 2020 and 2019, were $4,046,310 and $2,785,650, respectively. Cash consists primarily of deposits of money that UEI holds with a 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, absolute return funds, 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.

UEI had the following cash and investments:

<table>
<thead>
<tr>
<th>June 30</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$4,046,310</td>
<td>$2,785,650</td>
</tr>
<tr>
<td>Money market mutual fund</td>
<td>3,710,046</td>
<td>3,733,732</td>
</tr>
<tr>
<td>Local Agency Investment Fund (LAIF)</td>
<td>7,203,714</td>
<td>3,696,713</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>154,074</td>
<td>154,315</td>
</tr>
<tr>
<td>Mutual funds:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity - international</td>
<td>790,572</td>
<td>1,216,197</td>
</tr>
<tr>
<td>Equity - U.S.</td>
<td>659,245</td>
<td>814,683</td>
</tr>
<tr>
<td>Equity - real assets funds</td>
<td>449,736</td>
<td>667,832</td>
</tr>
<tr>
<td>Fixed income</td>
<td>1,332,613</td>
<td>2,594,860</td>
</tr>
<tr>
<td>Exchange traded funds:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity - international</td>
<td>1,338,391</td>
<td>2,158,630</td>
</tr>
<tr>
<td>Equity - U.S.</td>
<td>6,334,446</td>
<td>6,826,285</td>
</tr>
<tr>
<td>Real assets funds</td>
<td>366,588</td>
<td>369,440</td>
</tr>
<tr>
<td>Fixed income</td>
<td>423,028</td>
<td>235,321</td>
</tr>
<tr>
<td>Common stocks</td>
<td>423,070</td>
<td>398,178</td>
</tr>
<tr>
<td><strong>Total Cash and Investments</strong></td>
<td><strong>$27,231,833</strong></td>
<td><strong>$25,651,836</strong></td>
</tr>
</tbody>
</table>
The following is a schedule of the assets at fair value, by level within the fair value hierarchy, as of June 30, 2020 and 2019, respectively.

<table>
<thead>
<tr>
<th>June 30, 2020</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment Type</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pooled investments:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Agency Investment Fund (LAIF)</td>
<td>7,203,714</td>
<td>-</td>
<td>7,203,714</td>
</tr>
<tr>
<td>Debt and fixed income securities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>-</td>
<td>154,074</td>
<td>154,074</td>
</tr>
<tr>
<td>Mutual funds by investment objective:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bond and fixed income funds</td>
<td>1,332,613</td>
<td>-</td>
<td>1,332,613</td>
</tr>
<tr>
<td>Foreign stock funds</td>
<td>790,572</td>
<td>-</td>
<td>790,572</td>
</tr>
<tr>
<td>Growth funds</td>
<td>659,245</td>
<td>-</td>
<td>659,245</td>
</tr>
<tr>
<td>Real assets funds</td>
<td>449,736</td>
<td>-</td>
<td>449,736</td>
</tr>
<tr>
<td>Exchange traded funds by investment objective:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Blend funds</td>
<td>5,623,656</td>
<td>-</td>
<td>5,623,656</td>
</tr>
<tr>
<td>Bond and fixed income funds</td>
<td>423,028</td>
<td>-</td>
<td>423,028</td>
</tr>
<tr>
<td>Commodities</td>
<td>7,002</td>
<td>-</td>
<td>7,002</td>
</tr>
<tr>
<td>Foreign stock funds</td>
<td>1,338,391</td>
<td>-</td>
<td>1,338,391</td>
</tr>
<tr>
<td>Growth funds</td>
<td>636,671</td>
<td>-</td>
<td>636,671</td>
</tr>
<tr>
<td>Real assets funds</td>
<td>366,588</td>
<td>-</td>
<td>366,588</td>
</tr>
<tr>
<td>Value funds</td>
<td>67,117</td>
<td>-</td>
<td>67,117</td>
</tr>
<tr>
<td>Equity securities by industry type:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic materials</td>
<td>1,345</td>
<td>-</td>
<td>1,345</td>
</tr>
<tr>
<td>Communication services</td>
<td>61,005</td>
<td>-</td>
<td>61,005</td>
</tr>
<tr>
<td>Consumer cyclical</td>
<td>42,804</td>
<td>-</td>
<td>42,804</td>
</tr>
<tr>
<td>Consumer defensive</td>
<td>24,056</td>
<td>-</td>
<td>24,056</td>
</tr>
<tr>
<td>Energy</td>
<td>17,195</td>
<td>-</td>
<td>17,195</td>
</tr>
<tr>
<td>Financial services</td>
<td>37,202</td>
<td>-</td>
<td>37,202</td>
</tr>
<tr>
<td>Healthcare</td>
<td>59,194</td>
<td>-</td>
<td>59,194</td>
</tr>
<tr>
<td>Industrials</td>
<td>43,538</td>
<td>-</td>
<td>43,538</td>
</tr>
<tr>
<td>Real estate</td>
<td>9,624</td>
<td>-</td>
<td>9,624</td>
</tr>
<tr>
<td>Technology</td>
<td>120,493</td>
<td>-</td>
<td>120,493</td>
</tr>
<tr>
<td>Utilities</td>
<td>6,614</td>
<td>-</td>
<td>6,614</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>12,117,689</td>
<td>7,357,788</td>
<td>19,475,477</td>
</tr>
</tbody>
</table>
### Investment Type

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pooled investments:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Agency Investment Fund (LAIF)</td>
<td>$</td>
<td>$ 3,696,713</td>
<td>$ 3,696,713</td>
</tr>
<tr>
<td><strong>Debt and fixed income securities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>-</td>
<td>154,315</td>
<td>154,315</td>
</tr>
<tr>
<td><strong>Mutual funds by investment objective:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bond and fixed income funds</td>
<td>2,594,860</td>
<td>-</td>
<td>2,594,860</td>
</tr>
<tr>
<td>Foreign stock funds</td>
<td>1,216,197</td>
<td>-</td>
<td>1,216,197</td>
</tr>
<tr>
<td>Growth funds</td>
<td>814,683</td>
<td>-</td>
<td>814,683</td>
</tr>
<tr>
<td>Real assets funds</td>
<td>667,832</td>
<td>-</td>
<td>667,832</td>
</tr>
<tr>
<td><strong>Exchange traded funds by investment objective:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Blend funds</td>
<td>6,040,359</td>
<td>-</td>
<td>6,040,359</td>
</tr>
<tr>
<td>Bond and fixed income funds</td>
<td>235,321</td>
<td>-</td>
<td>235,321</td>
</tr>
<tr>
<td>Foreign stock funds</td>
<td>2,158,630</td>
<td>-</td>
<td>2,158,630</td>
</tr>
<tr>
<td>Growth funds</td>
<td>741,633</td>
<td>-</td>
<td>741,633</td>
</tr>
<tr>
<td>Real assets funds</td>
<td>369,440</td>
<td>-</td>
<td>369,440</td>
</tr>
<tr>
<td>Value funds</td>
<td>44,293</td>
<td>-</td>
<td>44,293</td>
</tr>
<tr>
<td><strong>Equity securities by industry type:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic materials</td>
<td>10,256</td>
<td>-</td>
<td>10,256</td>
</tr>
<tr>
<td>Communication services</td>
<td>10,793</td>
<td>-</td>
<td>10,793</td>
</tr>
<tr>
<td>Consumer cyclical</td>
<td>22,885</td>
<td>-</td>
<td>22,885</td>
</tr>
<tr>
<td>Consumer defensive</td>
<td>40,376</td>
<td>-</td>
<td>40,376</td>
</tr>
<tr>
<td>Energy</td>
<td>32,835</td>
<td>-</td>
<td>32,835</td>
</tr>
<tr>
<td>Financial services</td>
<td>51,402</td>
<td>-</td>
<td>51,402</td>
</tr>
<tr>
<td>Healthcare</td>
<td>60,285</td>
<td>-</td>
<td>60,285</td>
</tr>
<tr>
<td>Industrials</td>
<td>49,286</td>
<td>-</td>
<td>49,286</td>
</tr>
<tr>
<td>Real estate</td>
<td>10,220</td>
<td>-</td>
<td>10,220</td>
</tr>
<tr>
<td>Technology</td>
<td>104,840</td>
<td>-</td>
<td>104,840</td>
</tr>
<tr>
<td>Utilities</td>
<td>5,000</td>
<td>-</td>
<td>5,000</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$ 15,281,426</td>
<td>$ 3,851,028</td>
<td>$ 19,132,454</td>
</tr>
</tbody>
</table>
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 UEI’s 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 LAIF. Interest rate risk is mitigated by ensuring enough 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 page 34 for the interest rate risk disclosure as of June 30, 2020 and 2019.

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 the credit risk disclosure as of June 30, 2020 and 2019.

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, 2020 and 2019, 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% to 88%), total fixed income (12% to 25%), real estate (0% to 10%), total commodities (0% to 10%), and cash and cash equivalents (0% to 15%).
The following indicates the credit and interest rate risk of investments as of June 30, 2020 and 2019. The credit ratings listed are for Standard and Poor’s and Moody’s Investor Services, whichever rating is lower.

<table>
<thead>
<tr>
<th>June 30, 2020</th>
<th>Fair Value</th>
<th>Less Than One</th>
<th>One to Five</th>
<th>Five to Ten</th>
<th>More Than Ten</th>
<th>Weighted Average Maturity</th>
<th>191 Days</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment Type</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Agency Investment Fund (LAIF)</td>
<td>$7,203,714</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>154,074</td>
<td>50,110</td>
<td>103,964</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mutual funds:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed income</td>
<td>1,332,613</td>
<td>42,422</td>
<td>757,209</td>
<td>352,150</td>
<td>180,832</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Exchange traded funds:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed income</td>
<td>423,028</td>
<td>3,342</td>
<td>179,260</td>
<td>180,179</td>
<td>60,247</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$9,113,429</td>
<td>$95,874</td>
<td>$1,040,433</td>
<td>$532,329</td>
<td>$241,079</td>
<td>$7,203,714</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>June 30, 2020</th>
<th>Fair Value</th>
<th>AA</th>
<th>AA-</th>
<th>A</th>
<th>A-</th>
<th>BBB</th>
<th>BB</th>
<th>Not Rated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment Type</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Agency Investment Fund (LAIF)</td>
<td>$7,203,714</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>$7,203,714</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>154,074</td>
<td>-</td>
<td>-</td>
<td>154,074</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Mutual funds:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed income</td>
<td>1,332,613</td>
<td>816,876</td>
<td>-</td>
<td>287,687</td>
<td>-</td>
<td>-</td>
<td>228,050</td>
<td>-</td>
</tr>
<tr>
<td>Exchange traded funds:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed income</td>
<td>423,028</td>
<td>300,017</td>
<td>-</td>
<td>123,011</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$9,113,429</td>
<td>$1,116,893</td>
<td>$410,698</td>
<td>$154,074</td>
<td>- $</td>
<td>$228,050</td>
<td>$7,203,714</td>
<td></td>
</tr>
</tbody>
</table>
University Enterprises, Inc.

NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>June 30, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Weighted</td>
</tr>
<tr>
<td></td>
<td>Years</td>
</tr>
<tr>
<td></td>
<td>Less Than One</td>
</tr>
<tr>
<td>Local Agency Investment Fund (LAIF)</td>
<td>$ 3,696,713</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>154,315</td>
</tr>
<tr>
<td>Mutual funds:</td>
<td></td>
</tr>
<tr>
<td>Fixed income</td>
<td>2,594,860</td>
</tr>
<tr>
<td>Exchange traded funds:</td>
<td></td>
</tr>
<tr>
<td>Fixed income</td>
<td>235,321</td>
</tr>
<tr>
<td>Total</td>
<td>$ 6,681,209</td>
</tr>
</tbody>
</table>

Investment Earnings

Net investment earnings were $631,936 and $472,140 for the years ended June 30, 2020 and 2019, respectively, and are 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 1.22% and 2.43% for the years ended June 30, 2020 and 2019, respectively. For the years ended June 30, 2020 and 2019, interest earned on deposits with LAIF was $82,286 and $69,783, respectively.
3. **CAPITAL ASSETS**

Capital assets activity was as follows:

<table>
<thead>
<tr>
<th>Nondepreciated Capital Assets</th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Transfers/ (Deductions)</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$ 7,682,211</td>
<td>- $</td>
<td>(233,367) $</td>
<td>$ 7,448,844</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>402,950</td>
<td>1,915,352</td>
<td>(489,838)</td>
<td>1,828,464</td>
</tr>
<tr>
<td><strong>Total Nondepreciated Capital Assets</strong></td>
<td>8,085,161</td>
<td>1,915,352</td>
<td>(723,205)</td>
<td>9,277,308</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Depreciated Capital Assets</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and building improvements</td>
<td>32,270,795</td>
<td>64,224</td>
<td>(247,466)</td>
<td>32,087,553</td>
</tr>
<tr>
<td>Assets under capital lease</td>
<td>24,357,887</td>
<td>-</td>
<td>-</td>
<td>24,357,887</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>17,005,846</td>
<td>401,751</td>
<td>461,339</td>
<td>17,868,936</td>
</tr>
<tr>
<td>Equipment</td>
<td>9,917,794</td>
<td>281,693</td>
<td>(577,298)</td>
<td>9,622,189</td>
</tr>
<tr>
<td><strong>Total Depreciated Capital Assets</strong></td>
<td>83,552,322</td>
<td>747,668</td>
<td>(363,425)</td>
<td>83,936,565</td>
</tr>
</tbody>
</table>

| Less: Accumulated Depreciation |       |           |                    |                |
| Buildings and building improvements | (12,035,667) | (872,940) | 115,008            | (12,793,599)   |
| Assets under capital lease     | (9,743,158) | (811,929) | -                  | (10,555,087)   |
| Leasehold improvements          | (6,994,268) | (1,073,958)| 64,561             | (8,003,665)    |
| Equipment                      | (6,473,992) | (579,173) | 272,655            | (6,780,510)    |
| **Total Accumulated Depreciation** | (35,247,085) | (3,338,000) | 452,224           | (38,132,861)   |
| **Total Depreciated Capital Assets - Net** | 48,305,237 | (2,590,332) | 88,799             | 45,803,704     |

| CAPITAL ASSETS - NET           | $ 56,390,398 | $ (674,980) | $ (634,406)        | $ 55,081,012   |
### Nondepreciated Capital Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Transfers/ (Deductions)</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$4,171,290</td>
<td>$3,510,921</td>
<td>-</td>
<td>$7,682,211</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>1,652,253</td>
<td>379,553</td>
<td>(1,628,856)</td>
<td>402,950</td>
</tr>
<tr>
<td><strong>Total Nondepreciated Capital Assets</strong></td>
<td>5,823,543</td>
<td>3,890,474</td>
<td>(1,628,856)</td>
<td>8,085,161</td>
</tr>
</tbody>
</table>

### Depreciated Capital Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Transfers/ (Deductions)</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and building improvements</td>
<td>28,910,441</td>
<td>1,863,896</td>
<td>1,496,458</td>
<td>32,270,795</td>
</tr>
<tr>
<td>Assets under capital lease</td>
<td>24,357,887</td>
<td>-</td>
<td>-</td>
<td>24,357,887</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>15,701,100</td>
<td>1,172,348</td>
<td>132,398</td>
<td>17,005,846</td>
</tr>
<tr>
<td>Equipment</td>
<td>9,317,662</td>
<td>726,579</td>
<td>(126,447)</td>
<td>9,917,794</td>
</tr>
<tr>
<td><strong>Total Depreciated Capital Assets</strong></td>
<td>78,287,090</td>
<td>3,762,823</td>
<td>1,502,409</td>
<td>83,552,322</td>
</tr>
</tbody>
</table>

### Less: Accumulated Depreciation

<table>
<thead>
<tr>
<th>Description</th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Transfers/ (Deductions)</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and building improvements</td>
<td>(11,226,983)</td>
<td>(808,684)</td>
<td>-</td>
<td>(12,035,667)</td>
</tr>
<tr>
<td>Assets under capital lease</td>
<td>(8,931,229)</td>
<td>(811,929)</td>
<td>-</td>
<td>(9,743,158)</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>(6,118,990)</td>
<td>(875,278)</td>
<td>-</td>
<td>(6,994,268)</td>
</tr>
<tr>
<td>Equipment</td>
<td>(6,064,248)</td>
<td>(533,650)</td>
<td>123,906</td>
<td>(6,473,992)</td>
</tr>
<tr>
<td><strong>Total Accumulated Depreciation</strong></td>
<td>(32,341,450)</td>
<td>(3,029,541)</td>
<td>123,906</td>
<td>(35,247,085)</td>
</tr>
</tbody>
</table>

### Total Depreciated Capital Assets - Net

<table>
<thead>
<tr>
<th>Description</th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Transfers/ (Deductions)</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Depreciated Capital Assets - Net</strong></td>
<td>45,945,640</td>
<td>733,282</td>
<td>1,626,315</td>
<td>48,305,237</td>
</tr>
</tbody>
</table>

**CAPITAL ASSETS - NET**

<table>
<thead>
<tr>
<th>Description</th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Transfers/ (Deductions)</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CAPITAL ASSETS - NET</strong></td>
<td>$51,769,183</td>
<td>$4,623,756</td>
<td>$ (2,541)</td>
<td>$56,390,398</td>
</tr>
</tbody>
</table>

Depreciation expense for the fiscal years ended June 30, 2020 and 2019, was $3,338,000 and $3,029,541, respectively.
University Enterprises, Inc.
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

4. NET INVESTMENT IN DIRECT FINANCING LEASES

Placer Hall

UEI leased 81% of Placer Hall to the U.S. Department of the Interior Geological Survey (USGS) for a period of 27 years that began 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. The remaining 19% of Placer Hall was leased to Sacramento State Department of Geology for a period of 20 years that began in January 1997, and the lease was further extended to June 30, 2022.

Napa Hall

UEI leased 100% of Napa Hall to the College of Continuing Education (CCE) for a period of 31 years that began 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 leased Folsom Hall to the University for a period of 32 years that began 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.

The components of the net investment in direct financing leases are as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2020</td>
<td>Total minimum lease payments to be received</td>
<td>$ 135,181,867</td>
</tr>
<tr>
<td></td>
<td>Amounts representing estimated executory costs (such as taxes, maintenance, and insurance), included in total minimum lease payments</td>
<td>(7,174,644)</td>
</tr>
<tr>
<td></td>
<td>Minimum Lease Payments Receivable</td>
<td>128,007,223</td>
</tr>
<tr>
<td></td>
<td>Unearned interest income</td>
<td>(88,058,624)</td>
</tr>
<tr>
<td></td>
<td>Net Investment in Direct Financing Leases</td>
<td>$ 39,948,599</td>
</tr>
</tbody>
</table>
### June 30, 2019

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total minimum lease payments to be received</td>
<td>$142,831,805</td>
</tr>
<tr>
<td>Amounts representing estimated executory costs (such as taxes, maintenance, and insurance), included in total minimum lease payments</td>
<td>$(7,984,143)</td>
</tr>
</tbody>
</table>

**Minimum Lease Payments Receivable**

- 134,847,662
- Unearned interest income
  - (94,116,414)
- **Net Investment in Direct Financing Leases**
  - $40,731,248

Future minimum lease payments as of June 30, 2020, scheduled to be received for each of the next five years and thereafter, are as follows:

<table>
<thead>
<tr>
<th>Years Ending June 30</th>
<th>Minimum Lease Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$7,655,469</td>
</tr>
<tr>
<td>2022</td>
<td>7,661,137</td>
</tr>
<tr>
<td>2023</td>
<td>7,666,947</td>
</tr>
<tr>
<td>2024</td>
<td>7,672,902</td>
</tr>
<tr>
<td>2025</td>
<td>7,679,006</td>
</tr>
<tr>
<td>Thereafter</td>
<td>96,846,406</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$135,181,867</strong></td>
</tr>
</tbody>
</table>
5. **LONG-TERM DEBT AND FINANCING ARRANGEMENTS**

**Bonds Payable**

Bonds payable consisted of the following:

<table>
<thead>
<tr>
<th>June 30</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series 2011A bonds (University System-Wide Revenue Bonds), with interest at various rates per annum ranging from 2.00% to 5.25%, with scheduled principal payments due annually on November 1 that began in 2012, with final payment due November 1, 2021. The bonds are collateralized by certain revenues as defined.</td>
<td>$ 1,160,000</td>
<td>$ 22,735,000</td>
</tr>
<tr>
<td>Series 2020B bonds (University System-Wide Revenue Bonds 2011A bonds refinance), with interest at various rates per annum ranging from 1.47% to 3.07%, with scheduled principal payments due annually on November 1 that begin in 2020, with final payment due November 1, 2041. The bonds are collateralized by certain revenues as defined.</td>
<td>22,700,000</td>
<td>-</td>
</tr>
<tr>
<td>Series 2015A bonds (University System-Wide Revenue Bonds), with interest at various rates per annum ranging from 3.00% to 5.00%, with scheduled principal payments due annually on November 1 that began in 2016, with final payment due November 1, 2037. The bonds are collateralized by certain revenues as defined.</td>
<td>10,310,000</td>
<td>10,885,000</td>
</tr>
<tr>
<td>Series 2005B bonds (federally taxable), with interest at various rates per annum ranging from 4.28% to 5.42%, with scheduled principal payments due annually that began on October 1, 2006, with final payment due October 1, 2037. The bonds are collateralized by certain revenues as defined.</td>
<td>18,820,000</td>
<td>19,790,000</td>
</tr>
<tr>
<td>Totals</td>
<td>52,990,000</td>
<td>53,410,000</td>
</tr>
<tr>
<td>Current portion</td>
<td>(2,470,000)</td>
<td>(2,085,000)</td>
</tr>
<tr>
<td>Unamortized premium</td>
<td>1,435,596</td>
<td>2,962,243</td>
</tr>
<tr>
<td>Totals</td>
<td>$ 51,955,596</td>
<td>$ 54,287,243</td>
</tr>
</tbody>
</table>
University Enterprises, Inc.
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

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, 2020 and 2019, principal and accrued interest amounted to $4,680,054 and $4,730,166, respectively, and revenues, as defined by the bond indenture, were $4,389,527 and $5,593,993, respectively. The total principal and interest remaining to be paid on the bonds as of June 30, 2020 and 2019, were $72,775,979 and $82,961,679, respectively. The bond indentures include limits on UEI’s ability to borrow additional funds.

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 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, 2020 and 2019, $18,820,000 and $19,790,000, 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 2011A bonds issued through the California State System-Wide Revenue Bond Program (SRB), with an issuance date of September 2011. As of June 30, 2020 and 2019, the amount of the bonds outstanding was $1,160,000 and $22,735,000, respectively. As with the Series 2005 bonds, the bond indenture underlying the Series 2011A bonds includes limits on UEI’s ability to borrow additional funds and a debt service coverage requirement of 120%.

In July 2015, Bond Series 2005A with an outstanding balance of $15,870,000 was partially paid off in the amount of $2.11 million with prior reserve funds and prior debt-service account, with the remaining balance refinanced through the SRB program with a principal bond balance of $12,460,000. As of June 30, 2020 and 2019, $10,310,000 and $10,885,000, respectively, of the bonds remained outstanding. As with the 2005A bonds, the bond indenture underlying the Series 2015A bond includes limits on UEI’s ability to borrow additional funds and a debt-service coverage requirement of 120%.

Because of the refinancing, UEI will see its total remaining principal and interest obligations reduced by $2,795,000 and $1,428,219, respectively, resulting in total debt service savings of $4,223,219. Average annual savings over the remaining 20 years on the bonds are $191,965. The all-inclusive interest rate is 3.23%. The original term of the bonds remain unchanged with the final payment due November 1, 2037. The Bond Series 2015A will be repaid with annual interest rates ranging from 3.0% to 5.0%, with annual principal payments ranging from $415,000 to $705,000.

In February 2020, Bond Series 2011A with an outstanding balance of $22,195,000 was refinanced through the California State System-Wide Revenue Bond Program (SRB), with an issuance date of February 27, 2020, and a principal bond balance of $22,700,000 as of June 30, 2020. As with the Series 2005 bonds, the bond indenture underlying the Series 2020B bonds includes limits on UEI’s ability to borrow additional funds and a debt service coverage requirement of 120%.
Because of the refinancing, UEI will see its total remaining principal increased by $1,665,000 and interest obligations reduced by $7,304,000, respectively, resulting in total debt service savings of $5,639,000. Average annual savings over the remaining 22 years on the bonds are $256,318. The all-inclusive interest rate is 2.67%. The original term of the bonds remains unchanged, with the final payment due November 1, 2041. The Bond Series 2020B will be repaid with annual interest rates ranging from 1.47% to 2.83%, with annual principal payments ranging from $260,000 to $1,245,000.

Future debt service requirements on the Series 2005 and 2011 refunding bonds and Series 2015 bonds are as follows:

<table>
<thead>
<tr>
<th>Years Ending June 30</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$2,470,000</td>
<td>$1,692,820</td>
<td>$4,162,820</td>
</tr>
<tr>
<td>2022</td>
<td>2,550,000</td>
<td>1,907,296</td>
<td>4,457,296</td>
</tr>
<tr>
<td>2023</td>
<td>2,575,000</td>
<td>1,800,113</td>
<td>4,375,113</td>
</tr>
<tr>
<td>2024</td>
<td>2,680,000</td>
<td>1,694,489</td>
<td>4,374,489</td>
</tr>
<tr>
<td>2025</td>
<td>2,785,000</td>
<td>1,583,260</td>
<td>4,368,260</td>
</tr>
<tr>
<td>2026-2030</td>
<td>13,710,000</td>
<td>6,165,031</td>
<td>19,875,031</td>
</tr>
<tr>
<td>2031-2035</td>
<td>12,580,000</td>
<td>3,687,752</td>
<td>16,267,752</td>
</tr>
<tr>
<td>2036-2040</td>
<td>10,870,000</td>
<td>1,183,855</td>
<td>12,053,855</td>
</tr>
<tr>
<td>2041-2042</td>
<td>2,770,000</td>
<td>71,363</td>
<td>2,841,363</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$52,990,000</td>
<td>$19,785,979</td>
<td>$72,775,979</td>
</tr>
</tbody>
</table>
Capital Lease

UEI is classified as the lessee on a February 2006 ground and facility lease (GFL) agreement with the University for the bookstore building. The 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. Building construction costs were covered by the University’s issuance of University System-Wide Revenue Bond Series 2007A (nontaxable) and B (taxable). Those bonds became eligible for refunding in 2015, and the University refinanced Series 2007A bonds in July 2015. Because of the refunding, UEI’s (1) total capital lease obligation increased by $45,000; (2) interest payments were reduced by $1,277,409; and (3) interest payments were offset by net premiums on bond issuance in the amount of $789,897 and deferred outflows on debt refunding in the amount of $645,423. The original term of the capital lease remains unchanged with final payment due November 1, 2037. An amended GFL agreement dated August 1, 2015, was executed as a consequence of the refunded bonds.

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

<table>
<thead>
<tr>
<th>Years Ending June 30</th>
<th>Lease Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$1,167,968</td>
</tr>
<tr>
<td>2022</td>
<td>1,163,607</td>
</tr>
<tr>
<td>2023</td>
<td>1,167,538</td>
</tr>
<tr>
<td>2024</td>
<td>1,164,751</td>
</tr>
<tr>
<td>2025</td>
<td>1,165,150</td>
</tr>
<tr>
<td>2026-2030</td>
<td>5,674,965</td>
</tr>
<tr>
<td>2031-2035</td>
<td>5,425,092</td>
</tr>
<tr>
<td>2036-2038</td>
<td>3,249,632</td>
</tr>
<tr>
<td><strong>Total Minimum Lease Payments</strong></td>
<td><strong>20,178,703</strong></td>
</tr>
<tr>
<td>Amount representing interest</td>
<td>(6,318,703)</td>
</tr>
</tbody>
</table>

**Present Value of Minimum Lease Payments**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current portion</td>
<td>$525,000</td>
</tr>
<tr>
<td>Unamortized premium</td>
<td>720,588</td>
</tr>
</tbody>
</table>

**Capital Lease Obligation**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>$14,055,588</strong></td>
</tr>
</tbody>
</table>

Interest expense incurred on UEI’s long-term debt for the fiscal years ended June 30, 2020 and 2019, was $2,583,970 and $3,331,644, respectively.
Long-term debt activity was as follows:

<table>
<thead>
<tr>
<th>June 30, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital lease obligation</strong></td>
</tr>
<tr>
<td><strong>Plus: Issuance premiums</strong></td>
</tr>
<tr>
<td><strong>Series 2011A</strong></td>
</tr>
<tr>
<td><strong>Series 2020B (series 2011A refinance)</strong></td>
</tr>
<tr>
<td><strong>Series 2005B bonds</strong></td>
</tr>
<tr>
<td><strong>Series 2015A (series 2005A refinance)</strong></td>
</tr>
<tr>
<td><strong>Plus: Issuance premiums</strong></td>
</tr>
<tr>
<td><strong>Total Long-Term Debt</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>June 30, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital lease obligation</strong></td>
</tr>
<tr>
<td><strong>Plus: Issuance premiums</strong></td>
</tr>
<tr>
<td><strong>Series 2011A</strong></td>
</tr>
<tr>
<td><strong>Series 2005B bonds</strong></td>
</tr>
<tr>
<td><strong>Series 2015A (series 2005A refinance)</strong></td>
</tr>
<tr>
<td><strong>Plus: Issuance premiums</strong></td>
</tr>
<tr>
<td><strong>Note payable</strong></td>
</tr>
<tr>
<td><strong>Total Long-Term Debt</strong></td>
</tr>
</tbody>
</table>
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, 2020 and 2019, the components of unrestricted designated net position consisted of:

<table>
<thead>
<tr>
<th>June 30</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working capital reserve</td>
<td>$(2,401,373)</td>
<td>$(276,901)</td>
</tr>
<tr>
<td>Reserve for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Postretirement health benefits</td>
<td>5,532,458</td>
<td>5,170,292</td>
</tr>
<tr>
<td>Pension</td>
<td>500,000</td>
<td>500,000</td>
</tr>
<tr>
<td>University Support Programs</td>
<td>58,520</td>
<td>1,786,331</td>
</tr>
<tr>
<td><strong>Total Unrestricted Net Position</strong></td>
<td><strong>$3,689,605</strong></td>
<td><strong>$7,179,722</strong></td>
</tr>
</tbody>
</table>

7. RELATED-PARTY TRANSACTIONS

Leases

UEI entered into leases with the state of California for the Central Food Service building, in which certain equipment is used in UEI’s operations. UEI also leases certain land, including the land under UEI’s bookstore. The leases are for nominal amounts and are 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.

Additionally, the residence hall, Dining Commons, is 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 the University Union building.

As of June 30, 2020 and 2019, operating expenses included rent expense of $5,991,281 and $6,133,134, respectively.
University Enterprises, Inc.
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

UEI entered into a cooperative agreement with 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, 2020 and 2019, was $6,917,291 and $6,872,658, respectively.

Notes Receivable

Notes receivable consisted primarily of: a) a loan made to Sacramento State Housing in 2016 for the residence hall dining area renovation project, and b) a loan made to the University in 2018 for tenant improvements of classrooms and offices located at 304 S Street. Outstanding loans receivable as of June 30, 2020 and 2019, were $1,960,750 and $2,281,750, respectively. Interest earned on the loans as of June 30, 2020 and 2019, was $73,110 and $82,974, respectively.

Other

Reimbursements to the University for salaries of University personnel working on contracts, grants, and other programs (including faculty release time) amounted to $2,335,939 and $2,660,042 for the fiscal years ended June 30, 2020 and 2019, respectively.

Reimbursements to the University for items other than salaries of University personnel amounted to $3,909,480 and $4,291,398 for the years ended June 30, 2020 and 2019, respectively.

Payments received from the University for services, space, and programs amounted to $14,187,657 and $11,840,865 for the years ended June 30, 2020 and 2019, respectively.

Capital purchases made from grant funds that were transferred to the University amounted to $122,926 and $226,293 for the years ended June 30, 2020 and 2019, respectively.

Amounts payable to the University (including faculty release time) were $1,208,188 and $667,988 as of June 30, 2020 and 2019, respectively.

Amounts payable to University Union, another auxiliary of the University, as of June 30, 2020 and 2019, were $0 and $134,158.

Amounts receivable from the University amounted to $472,278 and $521,826 as of June 30, 2020 and 2019, respectively.

Sales included residence halls board revenue that is collected by the University and passed through to UEI monthly. Amounts collected by the University on behalf of UEI amounted to $7,692,264 and $8,262,960 for the years ended June 30, 2020 and 2019, respectively. Amounts that had not yet been remitted to UEI as of June 30, 2020 and 2019, were $6,951 and $15,695, respectively.

Grant and contract expenses include faculty release time of $515,088 and $467,495 for the fiscal years ended June 30, 2020 and 2019, respectively.
University Enterprises, Inc.
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

Amounts receivable at June 30, 2020 and 2019, from the University Union, another University auxiliary organization, were $410,452 and $547,053, respectively. The receivable balance is primarily related to reimbursements to UEI for payroll processing.

Amounts receivable at June 30, 2020 and 2019, from Associated Students, Inc., another University auxiliary organization, for catering services were $0- and $13,725, 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.

Contributions to the University

UEI made several contributions to the University in support of various campus functions in the amount of $371,944 for the year ended June 30, 2020. These contributions included $15,802 for events and activities and $356,142 for faculty grants and University marketing.

8. OPERATING LEASES

In 1997, UEI purchased and, as the lessor, entered into an operating lease agreement to lease 81% of a warehouse at 23rd Avenue to the USGS for 20 years, and extended the lease through 2026 at an annual rent of $182,929. The remaining 19% of the warehouse was leased to Sacramento State Department of Geology for a period of 20 years that began in January 1997, and the lease was further extended to June 30, 2022.

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. In 2004, UEI, as the lessor, entered into an operating lease agreement with the Office of Water Programs to lease portions of Modoc Hall for a period of 30 years through February 2034, at an initial annual rent of $445,332. UEI, as the lessor, also leases portions of Modoc Hall to the University’s Development Office. The noncancelable term of the lease was for a period of four years through 2013, at an annual rent of $72,420. The lease was renewed in 2014 and extended through February 2019, at an annual rent of $71,160. In 2008, UEI entered into an operating lease with the University Office of the Chancellor for nine years through 2017, for an annual rent of $91,080. The lease was extended through June 2022, at an annual rent of $87,346. In 2020, the lease with the Office of the Chancellor was revised into two leases: one with the University on behalf of the Office of the Chancellor for operating the Educator Quality Center and the other held directly with the Office of the Chancellor for operating the Fire Safety Division. UEI pays annual lease payments in the amount of $51,618 and $36,756 for the Educator Quality Center and Fire Safety Division, respectively. The leases expire June 30, 2022. In 2013, UEI entered into operating lease with U.S. Fish & Wildlife for the remaining portion of Modoc Hall for 7.5 years through 2021, at an initial annual rent of $165,417. In 2015, UEI entered into two operating agreements with the University, ranging from 5 to 10 years through 2025, with initial total annual rent of $472,754.

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 December 2020, 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 September 2008, UEI, as the lessor, entered into an operating lease agreement with the Office of Research and 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 extended the term of the lease through March 30, 2019, for an annual rent of $74,460. In November 2016, UEI entered an operating lease agreement with the University for office space in the bookstore building through June 30, 2026, for an initial annual rent of $29,701.

Because 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 operations.

In 2017, the University entered into an agreement with UEI to lease UEI’s three-story building and the paved parking areas adjacent thereto located at 304 S Street, with rental payments at 70% of market. The term of the lease is for 12 years, from July 2016 through June 2028.

In 2019, UEI purchased a building located at 6011 Folsom Boulevard and assumed the ownership of three existing tenants. Two of the tenants subsequently vacated and the other tenant has the lease through April 30, 2022.

The total future minimum rentals for the next five years are as follows:

<table>
<thead>
<tr>
<th>Years Ending June 30</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$3,980,424</td>
</tr>
<tr>
<td>2022</td>
<td>4,811,197</td>
</tr>
<tr>
<td>2023</td>
<td>2,614,527</td>
</tr>
<tr>
<td>2024</td>
<td>2,621,896</td>
</tr>
<tr>
<td>2025</td>
<td>2,231,464</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$16,259,508</strong></td>
</tr>
</tbody>
</table>

Rental income from all operating leases was $6,090,126 and $6,490,273 for the fiscal years ended June 30, 2020 and 2019, respectively.
9. NET PENSION LIABILITY

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. The 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 comprehensive annual financial report; however, a separate report for the Plan is not available. Copies of the CalPERS annual financial report may be obtained from their Executive Office at 400 Q Street, PO Box 942701, Sacramento, California 94229.

Benefits Provided

Certain salaried UEI employees are eligible to participate in CalPERS. Benefits vest after five years of service. UEI employees who retire at age 55 and were hired on or before January 1, 2013, 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 a maximum of 2.418% for employees retiring at age 63 and over. UEI employees who retire at age 62 and are hired on or after January 1, 2013, receive 2% of their highest average pay (calculated based on the employee’s highest 12-consecutive-month period) for each year of credited service.

Employees Covered

Employees covered by the benefit terms of the Plan consisted of:

<table>
<thead>
<tr>
<th>June 30, 2020</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Inactive employees or beneficiaries currently receiving benefits</td>
<td>179</td>
</tr>
<tr>
<td>Active employees</td>
<td>173</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>352</strong></td>
</tr>
</tbody>
</table>
Contributions

Section 20814(c) of the California Public Employee’s Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary, and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2019 (the measurement date), the average active employee contribution rate was 4.849% of annual pay, and the employer’s contribution rate was 15.453% of annual payroll. For fiscal year ended June 30, 2020, employees covered by Social Security and hired on or before January 1, 2013, contributed 5.000%, with the first $513 excluded from contributions. For employees hired on and after January 1, 2013, the contribution rate was 6.25%, without exclusion of the first $513. The employer contribution rate was 17.612%. 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.

Net Pension Liability

UEI’s net pension liability for the Plan is measured as the total pension liability, less the Plan’s fiduciary net position. The net pension liability of the Plan was measured as of June 30, 2019, using an annual actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, using standard update procedures. The June 30, 2018, and the June 30, 2019, total pension liabilities were based on the following actuarial methods and assumptions as shown below.

Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions:

<table>
<thead>
<tr>
<th>Valuation date</th>
<th>June 30, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measurement date</td>
<td>June 30, 2019</td>
</tr>
<tr>
<td>Actuarial cost method</td>
<td>Entry-age normal cost method</td>
</tr>
<tr>
<td>Actuarial assumptions:</td>
<td></td>
</tr>
<tr>
<td>Discount rate</td>
<td>7.15%</td>
</tr>
<tr>
<td>Inflation</td>
<td>2.75%</td>
</tr>
<tr>
<td>Salary increases</td>
<td>Varies by entry age and service</td>
</tr>
<tr>
<td>Postretirement benefit increase</td>
<td>2.75%</td>
</tr>
</tbody>
</table>

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. The mortality table used was developed based on CalPERS’ specific data. The table includes 15 years of mortality improvements, using Society of Actuaries Scale 90% of scale MP 2016.
Discount Rate

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress-tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15% discount rate is appropriate, and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15% is applied to all plans in the Public Employees’ Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers would make their required contributions on time and as scheduled in all future years. The stress-test results are presented in a detailed report titled “GASB Crossover Testing Report”, which can be obtained at CalPERS’ website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff considered both short-term and long-term market return expectations as well as the expected PERF cash flows. Taking into account historical returns of all the PERF’s asset classes (which includes the agent plan and two cost-sharing plans, or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11-60 years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above, and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Target Allocation</th>
<th>Rate of Return</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Years 1-10*</td>
<td>Years 11+**</td>
<td></td>
</tr>
<tr>
<td>Global equity</td>
<td>50.0%</td>
<td>4.80%</td>
<td>5.98%</td>
<td></td>
</tr>
<tr>
<td>Global fixed income</td>
<td>28.0%</td>
<td>1.00%</td>
<td>2.62%</td>
<td></td>
</tr>
<tr>
<td>Inflation assets</td>
<td>0.0%</td>
<td>0.77%</td>
<td>1.81%</td>
<td></td>
</tr>
<tr>
<td>Private equity</td>
<td>8.0%</td>
<td>6.30%</td>
<td>7.23%</td>
<td></td>
</tr>
<tr>
<td>Real assets</td>
<td>13.0%</td>
<td>3.75%</td>
<td>4.93%</td>
<td></td>
</tr>
<tr>
<td>Liquidity</td>
<td>1.0%</td>
<td>0.00%</td>
<td>-0.92%</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* An expected inflation of 2.00% used for this period.
** An expected inflation of 2.92% used for this period.
Changes in the Net Pension Liability

The changes in the net pension liability for the Plan are as follows:

<table>
<thead>
<tr>
<th>Year Ended June 30, 2020</th>
<th>Total Pension Liability</th>
<th>Plan Fiduciary Net Position</th>
<th>Net Pension Liability (Asset)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance - June 30, 2018 (Valuation Date)</td>
<td>$68,137,112</td>
<td>$51,497,319</td>
<td>$16,639,793</td>
</tr>
</tbody>
</table>

Changes Recognized for the Measurement Period

- Service cost: $1,638,799
- Interest on the total pension liability: $4,928,101
- Changes of benefit terms: -
- Changes of assumptions: -
- Differences between expected and actual experience: $1,447,328
- Contributions - employer: - $1,853,848
- Contributions - employee: - $643,970
- Net investment income: - $3,355,826
- Benefit payments, including refunds of employee contributions: (2,958,726)
- Administrative expenses: - $36,750
- Other miscellaneous income (expense): 119

Net Changes During 2018-19: $5,055,502

Balance - June 30, 2019 (Measurement Date): $73,192,614

Sensitivity of the Net Pension Liability to the Changes in the Discount Rate

The following presents UEI’s net pension liability of the Plan, calculated using the discount rate of 7.15%, as well UEI’s net pension liability if it were calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate:

<table>
<thead>
<tr>
<th></th>
<th>1% Decrease (6.15%)</th>
<th>Current Discount Rate (7.15%)</th>
<th>1% Increase (8.15%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net pension liability</td>
<td>$28,773,360</td>
<td>$18,837,008</td>
<td>$10,611,211</td>
</tr>
</tbody>
</table>

Plan Fiduciary Net Position

Detailed information about the Plan’s fiduciary net position is available in the separately issued CalPERS financial report.
Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2020, UEI recognized pension expense of $5,106,144. At June 30, 2020, UEI reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<table>
<thead>
<tr>
<th>Description</th>
<th>Deferred Outflows of Resources</th>
<th>Deferred Inflows of Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Differences between expected and actual experience</td>
<td>$1,445,241</td>
<td>$-</td>
</tr>
<tr>
<td>Changes of assumptions</td>
<td>-</td>
<td>(152,443)</td>
</tr>
<tr>
<td>Net difference between projected and actual earnings on pension plan investments</td>
<td>-</td>
<td>(190,063)</td>
</tr>
<tr>
<td>UEI contributions subsequent to the measurement date</td>
<td>2,289,295</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,734,536</strong></td>
<td><strong>(342,506)</strong></td>
</tr>
</tbody>
</table>

An amount of $2,289,295, reported as deferred outflows of resources related to contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

<table>
<thead>
<tr>
<th>Years Ending June 30</th>
<th>Deferred Outflows of Resources</th>
<th>Deferred Inflows of Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$1,097,397</td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>6,276</td>
<td></td>
</tr>
<tr>
<td>2023</td>
<td>(61,438)</td>
<td></td>
</tr>
<tr>
<td>2024</td>
<td>60,500</td>
<td></td>
</tr>
<tr>
<td>2025</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,102,735</strong></td>
<td></td>
</tr>
</tbody>
</table>
10. DEFINED CONTRIBUTION PLANS

UEI sponsors three IRC Section 403(b) and 457 retirement plans. One plan is available to all employees. This plan allows participating employees to contribute up to $19,000, and an additional $6,000 of their gross salary if they qualify for catch up contributions under section 414(v)(2)(B)(i), subject to certain limitations, into a tax-sheltered annuity or a tax-deferred mutual fund custodial account. Under this plan, UEI makes no contributions to the employees’ accounts. Employee contributions for the years ended June 30, 2020 and 2019, were $463,915 and $391,306, respectively.

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 Program Employees. Pursuant to the plans, UEI contributes to employee accounts at a rate of 7.75% of gross wages for Dining Services employees, and 4% or 6% of gross wages, depending on years of service, under the plan for Sponsored Program Employees, subject to certain limitations. Total contributions for the years ended June 30, 2020 and 2019, to the two plans were $118,374 and $143,080, respectively.

11. NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION/LIABILITY

Plan Description

University Enterprises, Inc. OPEB Plan (the 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 and 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 to 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 to 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. The benefits and terms of the OPEB Plan are established and may be amended by UEI’s Board of Directors.

**Employees Covered**

Employees covered by the benefit terms of the OPEB Plan consisted of:

<table>
<thead>
<tr>
<th>June 30, 2020</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Inactive plan members or beneficiaries currently receiving benefit payments</td>
<td>93</td>
</tr>
<tr>
<td>Active plan members</td>
<td>172</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>265</strong></td>
</tr>
</tbody>
</table>

**Contributions**

The contribution requirements of the OPEB 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 OPEB Plan on a pay-as-you-go basis. For the fiscal years ended June 30, 2020 and 2019, UEI contributed $404,811 and $375,033, respectively, representing premium payments on behalf of its retired employees.

**Net OPEB Liability**

The net OPEB liability for the OPEB Plan is measured as the total OPEB liability, less the OPEB Plan’s fiduciary net position. The net OPEB liability is measured as of June 30, 2019, using an annual actuarial valuation as of June 30, 2018.
Actuarial Assumptions

The total OPEB liability for the year ended June 30, 2020, was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, using standard update procedures, with the following actuarial assumptions applied to all periods included in the measurement unless otherwise specified:

<table>
<thead>
<tr>
<th>Valuation date</th>
<th>June 30, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial cost method</td>
<td>Entry age normal</td>
</tr>
<tr>
<td>Actuarial assumptions:</td>
<td></td>
</tr>
<tr>
<td>Investment rate of return</td>
<td>7.00% (1)</td>
</tr>
<tr>
<td>Salary increases</td>
<td>3.25%</td>
</tr>
<tr>
<td>Consumer price inflation</td>
<td>2.26%</td>
</tr>
<tr>
<td>Healthcare cost trend rate - pre-65</td>
<td>6.80% (2)</td>
</tr>
<tr>
<td>Healthcare cost trend rate - post-65</td>
<td>5.00%</td>
</tr>
</tbody>
</table>

(1) Net of investment expenses, but gross of administrative expenses.
(2) For fiscal year 2020, decreasing .25 percent annually to an ultimate rate of 5.00% in fiscal year 2028.

Mortality is based on the 2017 CalPERS study. CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. The mortality table used was developed based on CalPERS’ specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

As of June 30, 2019, the discount rate and net investment rate of return were 7.00%. The mortality, withdrawal, and retirement tables have been updated to the tables described in the 2017 CalPERS experience table. There were no other changes to the assumptions since the last measurement date.

Long-Term Expected Rates of Return

As of June 30, 2019, the long-term expected rates of return for each major investment class in the OPEB Plan’s portfolio are as follows:

<table>
<thead>
<tr>
<th>Investment Class</th>
<th>Target Allocation</th>
<th>Long-Term Expected Real Rate of Return (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>53.00%</td>
<td>6.78%</td>
</tr>
<tr>
<td>REITs</td>
<td>6.00%</td>
<td>5.30%</td>
</tr>
<tr>
<td>Fixed income</td>
<td>40.00%</td>
<td>2.60%</td>
</tr>
</tbody>
</table>

(1) Morgan Stanley Wealth Management Global Investment Committee/Special Report capital market assumptions (expected inflation of 2%).


Discount Rate

The discount rate used to measure the total OPEB liability was 7.00%. The discount rate is based on a blend of the long-term expected rate of return on assets for benefits covered by plan assets, and a yield or index for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or better for benefits not covered by plan assets.

Above are the arithmetic long-term expected real rates of return by asset class for the next ten years, as provided by JP Morgan. For years thereafter, returns were based on historical average index real returns over the last 30 years, assuming a similar equity/fixed investment mix and a 2.26% inflation rate. These returns were matched with cash flows for the benefits covered by plan assets, and the Bond Buyer 20-Bond General Obligation index was matched with cash flows not covered by plan assets, to measure the reasonableness of the choice in discount rate.

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>7.00%</td>
<td>7.00%</td>
</tr>
<tr>
<td>Bond Buyer 20-Bond GO Index</td>
<td>3.87%</td>
<td>3.50%</td>
</tr>
</tbody>
</table>
Changes in the Net OPEB Liability

The changes in the net OPEB liability for the OPEB Plan are as follows:

<table>
<thead>
<tr>
<th>Year Ended June 30, 2020</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total OPEB Liability</strong></td>
<td></td>
</tr>
<tr>
<td>Service cost</td>
<td>$422,795</td>
</tr>
<tr>
<td>Interest</td>
<td>$1,058,470</td>
</tr>
<tr>
<td>Difference between expected and actual experience</td>
<td>(81,903)</td>
</tr>
<tr>
<td>Changes of assumptions</td>
<td>-</td>
</tr>
<tr>
<td>Benefit payments - including refunds of employee contributions</td>
<td>(425,033)</td>
</tr>
<tr>
<td><strong>Net Change in Total OPEB Liability</strong></td>
<td>974,329</td>
</tr>
<tr>
<td><strong>Total OPEB Liability - Beginning</strong></td>
<td>14,907,133</td>
</tr>
<tr>
<td><strong>Total OPEB Liability - Ending (a)</strong></td>
<td>15,881,462</td>
</tr>
<tr>
<td><strong>Plan Fiduciary Net Position</strong></td>
<td></td>
</tr>
<tr>
<td>Contributions - employer</td>
<td>475,033</td>
</tr>
<tr>
<td>Net investment income</td>
<td>216,703</td>
</tr>
<tr>
<td>Benefit payments - including refunds of employee contributions</td>
<td>(425,033)</td>
</tr>
<tr>
<td>Administrative expense</td>
<td>(16,706)</td>
</tr>
<tr>
<td><strong>Net Change in Plan Fiduciary Net Position</strong></td>
<td>249,997</td>
</tr>
<tr>
<td><strong>Plan Fiduciary Net Position - Beginning</strong></td>
<td>4,566,549</td>
</tr>
<tr>
<td><strong>Plan Fiduciary Net Position - Ending (b)</strong></td>
<td>4,816,546</td>
</tr>
<tr>
<td><strong>Plan Net OPEB Liability - Ending ((a) - (b))</strong></td>
<td>$11,064,916</td>
</tr>
</tbody>
</table>

Plan fiduciary net position as a percentage of the total OPEB liability 30.33%
Covered-employee payroll $10,952,688
UEI's net OPEB liability as a percentage of covered-employee payroll 101.02%
Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents UEI’s net OPEB liability calculated using the discount rate of 7.00%, as well as UEI’s net OPEB liability if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

<table>
<thead>
<tr>
<th>June 30, 2020</th>
<th>1% Decrease (6.00%)</th>
<th>Current Discount Rate (7.00%)</th>
<th>1% Increase (8.00%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net OPEB liability</td>
<td>$13,585,011</td>
<td>$11,064,916</td>
<td>$9,029,189</td>
</tr>
</tbody>
</table>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents UEI’s net OPEB liability calculated using the healthcare cost trend rate of 6.80%, as well as UEI’s net OPEB liability if it were calculated using a healthcare trend rate that is one percentage point lower (5.80%) or one percentage point higher (7.80%) than the current rate:

<table>
<thead>
<tr>
<th>June 30, 2020</th>
<th>1% Decrease (5.80%)</th>
<th>Health Cost Trend Rates (6.80%)</th>
<th>1% Increase (7.80%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net OPEB liability</td>
<td>$8,871,637</td>
<td>$11,064,916</td>
<td>$13,820,101</td>
</tr>
</tbody>
</table>

OPEB Plan Fiduciary Net Position

**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 auxiliaries of the University, and became the tenth auxiliary to join the trust. VEBA is a separate 501(c)(9) organization established in August 2010 to assist in funding OPEB. In June 2020 and 2019, UEI funded VEBA with deposits of $180,344 and $50,000, respectively. There was a $5,000 one-time initial fee in addition to an annual administrative fee of $500.

The VEBA professional management team includes a program coordinator, corporate trustee, investment advisor, and 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 40% fixed income and 60% equity. Morgan Stanley Smith Barney serves as an investment advisor to the corporate trustee. Morgan Stanley Smith Barney makes recommendations regarding the management of VEBA Trust investments, which are either approved and implemented or otherwise rejected by the Trust Investment Committee at Benefit Trust Company. At June 30, 2020, the total market values of the VEBA trust accounts and UEI’s VEBA account were $80,620,813 and $5,171,960, respectively. It is UEI’s intention to continue to fund the trust on an annual basis, to the extent financial operating results allow.

Detailed information about the OPEB Plan’s fiduciary net position is available in the separately issued OPEB financial report.
OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2020, UEI recognized OPEB expense of $1,086,371. At June 30, 2020, UEI reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<table>
<thead>
<tr>
<th></th>
<th>Deferred Outflows of Resources</th>
<th>Deferred Inflows of Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Difference between expected and actual experience</td>
<td>$</td>
<td>$ 577,624</td>
</tr>
<tr>
<td>Net difference between projected and actual earnings on OPEB Plan investments</td>
<td>96,177</td>
<td>30,459</td>
</tr>
<tr>
<td>Change in assumptions</td>
<td>806,838</td>
<td>860,785</td>
</tr>
<tr>
<td>UEI contributions subsequent to the measurement date</td>
<td>585,156</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 1,488,171</td>
<td>$ 1,468,868</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Years Ending June 30</th>
<th>Deferred Outflows of Resources</th>
<th>Deferred Inflows of Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$ 544,359</td>
<td>(378,136)</td>
</tr>
<tr>
<td>2022</td>
<td>(40,798)</td>
<td>(29,867)</td>
</tr>
<tr>
<td>2023</td>
<td>(25,568)</td>
<td>(50,687)</td>
</tr>
<tr>
<td>2024</td>
<td>(29,867)</td>
<td>(50,687)</td>
</tr>
<tr>
<td>2025</td>
<td>(50,687)</td>
<td>(378,136)</td>
</tr>
<tr>
<td>Thereafter</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 19,303</td>
<td></td>
</tr>
</tbody>
</table>
12. CONTINGENCIES

Grants and Contracts

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, and (2) the possibility that expenses on behalf of campus programs administered by UEI may not be funded by the sponsoring program.

COVID-19

The ongoing COVID-19 pandemic has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets.

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on UEI’s business and financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which UEI operates and the related impact on consumer confidence and spending, all of which are highly uncertain.
REQUIRED SUPPLEMENTARY INFORMATION SECTION
## University Enterprises, Inc.

### SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

**Year Ended June 30**

<table>
<thead>
<tr>
<th>Description</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total OPEB Liability</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service cost</td>
<td>$422,795</td>
<td>$431,348</td>
<td>$410,808</td>
</tr>
<tr>
<td>Interest</td>
<td>1,058,470</td>
<td>1,088,011</td>
<td>1,005,208</td>
</tr>
<tr>
<td>Difference between expected and actual experience</td>
<td>(81,903)</td>
<td>(519,985)</td>
<td>(107,255)</td>
</tr>
<tr>
<td>Changes of assumptions</td>
<td>-</td>
<td>(1,049,367)</td>
<td>1,130,610</td>
</tr>
<tr>
<td>Benefit payments - including refunds of employee contributions</td>
<td>(425,033)</td>
<td>(303,941)</td>
<td>(334,500)</td>
</tr>
<tr>
<td><strong>Net Change in Total OPEB Liability</strong></td>
<td>974,329</td>
<td>(353,934)</td>
<td>2,104,871</td>
</tr>
<tr>
<td><strong>Total OPEB Liability - Beginning</strong></td>
<td>14,907,133</td>
<td>15,261,067</td>
<td>13,156,194</td>
</tr>
<tr>
<td><strong>Total OPEB Liability - Ending (a)</strong></td>
<td>15,881,462</td>
<td>14,907,133</td>
<td>15,261,065</td>
</tr>
<tr>
<td><strong>Plan Fiduciary Net Position</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions - employer</td>
<td>475,033</td>
<td>723,725</td>
<td>941,398</td>
</tr>
<tr>
<td>Net investment income</td>
<td>216,703</td>
<td>264,963</td>
<td>321,182</td>
</tr>
<tr>
<td>Benefit payments - including refunds of employee contributions</td>
<td>(425,033)</td>
<td>(303,941)</td>
<td>(334,498)</td>
</tr>
<tr>
<td>Administrative expense</td>
<td>(16,706)</td>
<td>(8,083)</td>
<td>(14,492)</td>
</tr>
<tr>
<td><strong>Net Change in Plan Fiduciary Net Position</strong></td>
<td>249,997</td>
<td>676,664</td>
<td>913,590</td>
</tr>
<tr>
<td><strong>Plan Fiduciary Net Position - Beginning</strong></td>
<td>4,566,549</td>
<td>3,889,885</td>
<td>2,976,295</td>
</tr>
<tr>
<td><strong>Plan Fiduciary Net Position - Ending (b)</strong></td>
<td>4,816,546</td>
<td>4,566,549</td>
<td>3,889,885</td>
</tr>
<tr>
<td><strong>Plan Net OPEB Liability - Ending ((a) - (b))</strong></td>
<td>$11,064,916</td>
<td>$10,340,584</td>
<td>$11,371,180</td>
</tr>
</tbody>
</table>

Plan fiduciary net position as a percentage of the total OPEB liability

<table>
<thead>
<tr>
<th>Description</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Covered-employee payroll</td>
<td>30.33%</td>
<td>30.63%</td>
<td>25.49%</td>
</tr>
<tr>
<td>UEI's net OPEB liability as a percentage of covered-employee payroll</td>
<td>$10,952,688</td>
<td>$10,453,801</td>
<td>$9,747,560</td>
</tr>
</tbody>
</table>

See the accompanying notes to the required supplementary information.
### University Enterprises, Inc.

**SCHEDULE OF OPEB CONTRIBUTIONS**

<table>
<thead>
<tr>
<th>Year Ended June 30</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarially determined contribution</td>
<td>$1,240,088</td>
<td>$1,504,707</td>
<td>$1,240,967</td>
</tr>
<tr>
<td>Contributions in relation to the actuarially determined contribution</td>
<td>(475,033)</td>
<td>(723,725)</td>
<td>(941,398)</td>
</tr>
<tr>
<td><strong>Contribution Deficiency (Excess)</strong></td>
<td>$765,055</td>
<td>$780,982</td>
<td>$299,569</td>
</tr>
<tr>
<td>UEI's covered-employee payroll</td>
<td>$10,952,688</td>
<td>$10,453,801</td>
<td>$9,747,560</td>
</tr>
<tr>
<td>Contributions as a percentage of covered-employee payroll</td>
<td>11.32%</td>
<td>14.39%</td>
<td>12.73%</td>
</tr>
</tbody>
</table>

See the accompanying notes to the required supplementary information.
## University Enterprises, Inc.

**SCHEDULE OF INVESTMENT RETURNS**

<table>
<thead>
<tr>
<th>Year Ended June 30</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual money-weighted rate of return - net of investment expense</td>
<td>5.03%</td>
<td>7.23%</td>
<td>10.06%</td>
</tr>
</tbody>
</table>

*See the accompanying notes to the required supplementary information.*
### University Enterprises, Inc.

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Pension Liability</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service cost</td>
<td>$1,638,799</td>
<td>$1,538,578</td>
<td>$1,447,878</td>
<td>$1,254,714</td>
<td>$1,178,751</td>
<td>$1,234,505</td>
</tr>
<tr>
<td>Interest</td>
<td>4,928,101</td>
<td>4,584,168</td>
<td>4,262,581</td>
<td>4,023,614</td>
<td>3,721,102</td>
<td>3,551,362</td>
</tr>
<tr>
<td>Difference between expected and actual experience</td>
<td>1,447,328</td>
<td>1,801,856</td>
<td>243,200</td>
<td>(676,004)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Changes of assumptions</td>
<td>-</td>
<td>(533,551)</td>
<td>3,667,686</td>
<td>-</td>
<td>(951,423)</td>
<td>-</td>
</tr>
<tr>
<td>Benefit payments, including refunds of employee contributions</td>
<td>(2,958,726)</td>
<td>(2,661,175)</td>
<td>(2,391,583)</td>
<td>(2,139,513)</td>
<td>(1,948,240)</td>
<td>(1,732,144)</td>
</tr>
<tr>
<td><strong>Net Change in Total Pension Liability</strong></td>
<td>5,055,502</td>
<td>4,729,876</td>
<td>7,229,762</td>
<td>4,199,262</td>
<td>1,324,186</td>
<td>3,053,723</td>
</tr>
<tr>
<td><strong>Total Pension Liability - Beginning</strong></td>
<td>68,137,112</td>
<td>63,407,236</td>
<td>56,177,474</td>
<td>51,978,212</td>
<td>50,654,026</td>
<td>47,600,303</td>
</tr>
<tr>
<td><strong>Total Pension Liability - Ending (a)</strong></td>
<td>73,192,614</td>
<td>68,137,112</td>
<td>63,407,236</td>
<td>56,177,474</td>
<td>51,978,212</td>
<td>50,654,026</td>
</tr>
</tbody>
</table>

| **Plan Fiduciary Net Position** |            |            |            |            |            |            |
| Contributions - employer       | 1,853,848  | 1,572,662  | 1,463,055  | 1,306,292  | 1,138,919  | 1,049,130  |
| Contributions - employee       | 644,088    | 547,334    | 567,162    | 458,194    | 507,833    | 389,490    |
| Net investment income          | 3,355,827  | 4,024,325  | 4,843,165  | 219,523    | 969,467    | 6,466,390  |
| Benefit payments, including refunds of employee contributions | (2,958,726) | (2,661,175) | (2,391,583) | (2,139,513) | (1,948,240) | (1,732,144) |
| Other changes in fiduciary net position | (36,750)  | (218,006)  | (64,690)   | (26,814)   | (49,508)   | -          |
| **Net Change in Fiduciary Net Position** | 2,858,287  | 3,265,140  | 4,417,109  | (182,318)  | 618,471    | 6,172,866  |
| **Plan Fiduciary Net Position - Beginning** | 51,497,319 | 48,232,179 | 43,815,070 | 43,997,388 | 43,378,917 | 37,206,051 |
| **Plan Net Pension Liability - Ending ((a) - (b))** | $18,837,008 | $16,639,793 | $15,175,057 | $12,362,404 | $7,980,824 | $7,275,109 |

| Plan fiduciary net position as a percentage of the total pension liability | 74.26% | 75.58% | 76.07% | 77.99% | 84.65% | 85.64% |
| Covered-employee payroll | $10,835,037 | $10,172,417 | $9,470,680 | $9,188,677 | $8,477,878 | $8,515,005 |
| Plan net pension liability as a percentage of covered-employee payroll | 173.85% | 163.58% | 160.23% | 134.54% | 94.14% | 85.44% |

See the accompanying notes to the required supplementary information.
### University Enterprises, Inc.
**SCHEDULE OF PENSION CONTRIBUTIONS**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarially-determined contribution</td>
<td>$1,853,848</td>
<td>$1,572,662</td>
<td>$1,463,055</td>
<td>$1,306,292</td>
<td>$1,138,919</td>
<td>$1,049,130</td>
</tr>
<tr>
<td>Contributions in relation to the actuarially-determined contribution</td>
<td>(1,853,848)</td>
<td>(1,572,662)</td>
<td>(1,463,055)</td>
<td>(1,306,292)</td>
<td>(1,138,919)</td>
<td>(1,049,130)</td>
</tr>
<tr>
<td>Contribution Deficiency (Excess)</td>
<td>$</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Covered employee payroll</td>
<td>$10,835,037</td>
<td>$10,172,417</td>
<td>$9,470,680</td>
<td>$9,188,677</td>
<td>$8,477,787</td>
<td>$8,515,005</td>
</tr>
<tr>
<td>Contributions as a percentage of covered employee payroll</td>
<td>17.11%</td>
<td>15.46%</td>
<td>15.45%</td>
<td>14.22%</td>
<td>13.43%</td>
<td>12.32%</td>
</tr>
</tbody>
</table>

*See the accompanying notes to the required supplementary information.*
1. **CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**

   **Benefit Changes**

   There were no plan amendments since the last measurement date of June 30, 2017.

   **Changes in Assumptions**

   The mortality, withdrawal, and retirement tables have been updated to the tables described in the 2017 CalPERS experience study. There have been no other assumptions/changes since the last measurement date.

2. **CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

   **Benefit Changes**

   The figures reported do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014, valuation date. This applies to voluntary benefit changes as well as any offers of two years’ additional service credit (a.k.a. Golden Handshakes).

   **Changes in Assumptions**

   There were no changes to the assumptions since the last measurement date.

3. **PENSION CONTRIBUTIONS**

   June 30, 2020

<table>
<thead>
<tr>
<th>Valuation date*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Methods and Assumptions Used to Determine Contribution Rates</td>
</tr>
<tr>
<td>Actuarial cost method</td>
</tr>
<tr>
<td>Amortization method</td>
</tr>
<tr>
<td>Remaining amortization period</td>
</tr>
<tr>
<td>Asset valuation method</td>
</tr>
<tr>
<td>Inflation</td>
</tr>
<tr>
<td>Payroll growth</td>
</tr>
<tr>
<td>Investment rate of return</td>
</tr>
<tr>
<td>Retirement age</td>
</tr>
<tr>
<td>Mortality</td>
</tr>
</tbody>
</table>

*The actuarial methods and assumptions used to set the actuarially-determined contributions for Fiscal Year 2018-19 were from the June 30, 2016, funding valuation report.

(1) The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period of 1997 to 2011.

(2) The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period of 1997 to 2011. Pre-retirement and post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.
SUPPLEMENTARY INFORMATION SECTION
University Enterprises, Inc.
SCHEDULE OF NET POSITION
June 30, 2020
(for inclusion in the California State University)

<table>
<thead>
<tr>
<th>Assets: Current assets:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$4,046,310</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>7,203,714</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>18,928,069</td>
</tr>
<tr>
<td>Capital lease receivable, current portion</td>
<td>899,052</td>
</tr>
<tr>
<td>Notes receivable, current portion</td>
<td>321,000</td>
</tr>
<tr>
<td>Pledges receivable, net</td>
<td>-</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>1,236,495</td>
</tr>
<tr>
<td>Total current assets</td>
<td>$32,634,640</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Noncurrent assets:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted cash and cash equivalents</td>
<td>3,710,046</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>-</td>
</tr>
<tr>
<td>Capital lease receivable, net of current portion</td>
<td>39,049,547</td>
</tr>
<tr>
<td>Notes receivable, net of current portion</td>
<td>1,639,750</td>
</tr>
<tr>
<td>Student loans receivable, net</td>
<td>-</td>
</tr>
<tr>
<td>Pledges receivable, net</td>
<td>-</td>
</tr>
<tr>
<td>Endowment investments</td>
<td>-</td>
</tr>
<tr>
<td>Other long-term investments</td>
<td>12,271,763</td>
</tr>
<tr>
<td>Capital assets, net</td>
<td>55,081,012</td>
</tr>
<tr>
<td>Other assets</td>
<td></td>
</tr>
<tr>
<td>Total noncurrent assets</td>
<td>$111,752,118</td>
</tr>
<tr>
<td>Total assets</td>
<td>$144,386,758</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deferred outflows of resources:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unamortized loss on debt refunding</td>
<td>688,903</td>
</tr>
<tr>
<td>Net pension liability</td>
<td>3,734,536</td>
</tr>
<tr>
<td>Net OPEB liability</td>
<td>1,488,171</td>
</tr>
<tr>
<td>Others</td>
<td>-</td>
</tr>
<tr>
<td>Total deferred outflows of resources</td>
<td>$5,911,610</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities: Current liabilities:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>4,748,533</td>
</tr>
<tr>
<td>Accrued salaries and benefits</td>
<td>3,150,426</td>
</tr>
<tr>
<td>Accrued compensated absences, current portion</td>
<td>1,715,400</td>
</tr>
<tr>
<td>Unearned revenues</td>
<td>94,004</td>
</tr>
<tr>
<td>Capital lease obligations, current portion</td>
<td>525,000</td>
</tr>
<tr>
<td>Long-term debt obligations, current portion</td>
<td>2,470,000</td>
</tr>
<tr>
<td>Claims liability for losses and loss adjustment expenses, current portion</td>
<td>-</td>
</tr>
<tr>
<td>Depository accounts</td>
<td>-</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>1,174,530</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>$13,877,893</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Noncurrent liabilities:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued compensated absences, net of current portion</td>
<td>-</td>
</tr>
<tr>
<td>Unearned revenues</td>
<td>-</td>
</tr>
<tr>
<td>Grants refundable</td>
<td>4,242,292</td>
</tr>
<tr>
<td>Capital lease obligations, net of current portion</td>
<td>14,055,588</td>
</tr>
<tr>
<td>Long-term debt obligations, net of current portion</td>
<td>51,955,596</td>
</tr>
<tr>
<td>Claims liability for losses and loss adjustment expenses, net of current portion</td>
<td>-</td>
</tr>
<tr>
<td>Depository accounts</td>
<td>-</td>
</tr>
<tr>
<td>Net other postemployment benefits liability</td>
<td>11,064,916</td>
</tr>
<tr>
<td>Net pension liability</td>
<td>18,837,008</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>993,627</td>
</tr>
<tr>
<td>Total noncurrent liabilities</td>
<td>101,149,027</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>$115,026,920</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deferred inflows of resources:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Service concession arrangements</td>
<td>-</td>
</tr>
<tr>
<td>Net pension liability</td>
<td>342,506</td>
</tr>
<tr>
<td>Net OPEB liability</td>
<td>1,408,868</td>
</tr>
<tr>
<td>Unamortized gain on debt refunding</td>
<td>37,000</td>
</tr>
<tr>
<td>Nonexchange transactions</td>
<td>-</td>
</tr>
<tr>
<td>Others</td>
<td>-</td>
</tr>
<tr>
<td>Total deferred inflows of resources</td>
<td>$1,848,374</td>
</tr>
</tbody>
</table>

| Net Position: Net investment in capital assets | $26,023,423 |
| Restricted: Nonexpendable – endowments        | - |
| Expendable: Scholarships and fellowships       | - |
| Research                                       | - |
| Loans                                         | - |
| Capital projects                              | - |
| Debt service                                  | 3,294,179 |
| Others                                        | 415,867 |
| Unrestricted                                  | 3,689,605 |
| Total net position                            | $35,423,074 |
University Enterprises, Inc.
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended June 30, 2020
(for inclusion in the California State University)

Revenues:
Operating revenues:
- Student tuition and fees, gross $ -
- Scholarship allowances (enter as negative) -
- Grants and contracts, noncapital:
  - Federal 14,202,545
  - State 31,630,353
  - Local 2,519,177
  - Nongovernmental 1,755,874
- Sales and services of educational activities 15,048,653
- Sales and services of auxiliary enterprises, gross 36,523,746
- Scholarship allowances (enter as negative) -
- Total operating revenues 101,680,348

Expenses:
Operating expenses:
- Instruction 8,533,142
- Research 18,081,724
- Public service 28,451,240
- Academic support 2,976,797
- Student services 645,441
- Institutional support 37,651,636
- Operation and maintenance of plant 3,875,663
- Student grants and scholarships 54,024
- Auxiliary enterprise expenses -
- Depreciation and amortization 3,338,000
- Total operating expenses 103,607,667
- Operating income (loss) (1,927,319)

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 631,936
- Endowment income (loss), net -
- Interest expense (2,583,970)
- Other nonoperating revenues (expenses) - excl. interagency transfers 756,823
- Net nonoperating revenues (expenses) (1,195,211)
- Income (loss) before other revenues (expenses) (3,122,530)

State appropriations, capital -
Grants and gifts, capital -
Additions (reductions) to permanent endowments -
- Increase (decrease) in net position (3,122,530)

Net position:
- Net position at beginning of year, as previously reported 36,545,604
- Restatements -
- Net position at beginning of year, as restated 36,545,604
- Net position at end of year $ 33,423,074

See accompanying note to the supplementary schedules.
1 Cash and cash equivalents:

| Portion of restricted cash and cash equivalents related to endowments | $ 3,710,046 |
| All other restricted cash and cash equivalents                      | 3,710,046 |
| **Noncurrent restricted cash and cash equivalents**                 | 3,710,046 |
| Current cash and cash equivalents                                   | 4,046,310 |
| **Total**                                                          | $ 7,756,356 |

2.1 Composition of investments:

<table>
<thead>
<tr>
<th>Money market funds</th>
<th>Current</th>
<th>Noncurrent</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Repurchase agreements</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>U.S. agency securities</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>U.S. treasury securities</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Municipal bonds</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>-</td>
<td>154,074</td>
<td>154,074</td>
</tr>
<tr>
<td>Asset backed securities</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mortgage backed securities</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>-</td>
<td>3,232,166</td>
<td>3,232,166</td>
</tr>
<tr>
<td>Exchange traded funds</td>
<td>-</td>
<td>8,462,453</td>
<td>8,462,453</td>
</tr>
<tr>
<td>Equity securities</td>
<td>-</td>
<td>423,070</td>
<td>423,070</td>
</tr>
<tr>
<td><strong>Alternative investments:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private equity (including limited partnerships)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Hedge funds</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Managed futures</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Real estate investments (including REITs)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Commodities</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Derivatives</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other alternative investment types</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other external investment pools</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>CSU Consolidated Investment Pool (formerly SWIFT)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>State of California Local Agency Investment Fund (LAIF)</td>
<td>7,203,714</td>
<td>-</td>
<td>7,203,714</td>
</tr>
<tr>
<td>State of California Surplus Money Investment Fund (SMIF)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Other investments:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total other investments</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total investments</strong></td>
<td>7,203,714</td>
<td>12,271,763</td>
<td>19,475,477</td>
</tr>
<tr>
<td>Less endowment investments (enter as negative number)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total investments, net of endowments</strong></td>
<td>$ 7,203,714</td>
<td>$ 12,271,763</td>
<td>$ 19,475,477</td>
</tr>
</tbody>
</table>

See accompanying note to the supplementary schedules.
2.2 Fair value hierarchy in investments:

<table>
<thead>
<tr>
<th>Quoted Prices in Active Markets for Identical Assets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
<th>Net Asset Value (NAV)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market funds</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Repurchase agreements</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Certificates of deposit</td>
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<td></td>
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</tr>
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<td>-</td>
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<tr>
<td>Commodities</td>
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<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Derivatives</td>
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<td>-</td>
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</tr>
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<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other investments:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total other investments</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total investments</td>
<td>$ 19,475,477</td>
<td>$ 12,117,689</td>
<td>$ 7,203,714</td>
</tr>
</tbody>
</table>

2.3 Investments held by the University under contractual agreements:

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

<table>
<thead>
<tr>
<th>Current</th>
<th>Noncurrent</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Investments held by the University under contractual agreements
e.g. - CSU Consolidated Investment Pool (formerly SWIFT):

$ - $ - $ -

See accompanying note to the supplementary schedules.
### 3.1 Composition of capital assets:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and land improvements</td>
<td>$ 7,682,211</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 7,682,211</td>
<td>$ (233,367)</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 7,448,844</td>
</tr>
<tr>
<td>Works of art and historical treasures</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Intangible assets:</td>
<td>402,950</td>
<td>-</td>
<td>402,950</td>
<td>1,915,352</td>
<td>-</td>
<td>(489,838)</td>
<td>1,828,464</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Patents, copyrights and trademarks</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Intangible assets in progress (PWIP)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Licenses and permits</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other intangible assets:</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total other intangible assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total intangible assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total non-depreciable/non-amortizable capital assets</strong></td>
<td><strong>$ 8,085,161</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
<td><strong>$ 8,085,161</strong></td>
<td><strong>1,915,352</strong></td>
<td><strong>(233,367)</strong></td>
<td><strong>(489,838)</strong></td>
<td><strong>9,277,308</strong></td>
</tr>
</tbody>
</table>

**Depreciable/Amortizable capital assets:**

| Buildings and building improvements | 56,628,682 | - | 56,628,682 | 64,224 | (469,736) | 222,270 | 56,445,440 |
| Improvements, other than buildings | - | - | - | - | - | - | - |
| Infrastructure | - | - | - | - | - | - | - |
| Leasehold improvements | 17,005,846 | - | - | 17,005,846 | 401,751 | (96,357) | 557,696 | 17,868,936 |
| Personal property:                     | 9,917,794 | - | 9,917,794 | 281,693 | (287,170) | (290,128) | 9,622,189 |
| Library books and materials | - | - | - | - | - | - | - |
| Intangible assets:                      | - | - | - | - | - | - | - |
| Software and websites                  | - | - | - | - | - | - | - |
| Patents, copyrights and trademarks     | - | - | - | - | - | - | - |
| Licenses and permits                   | - | - | - | - | - | - | - |
| Other intangible assets:               | - | - | - | - | - | - | - |
| Total other intangible assets:         | - | - | - | - | - | - | - |
| **Total intangible assets**            | - | - | - | - | - | - | - |
| **Total depreciable/non-amortizable capital assets** | **83,552,322** | **-** | **-** | **-** | **83,552,322** | **747,668** | **(853,263)** | **489,838** | **83,936,565** |
| **Total capital assets**               | **91,637,483** | **-** | **-** | **-** | **91,637,483** | **2,663,020** | **(1,056,050)** | **-** | **93,213,873** |

**Less accumulated depreciation/amortization:** (enter as negative number, except for reductions enter as positive number)

| Buildings and building improvements | (21,778,825) | - | (21,778,825) | (1,684,869) | 115,008 | (23,348,686) |
| Improvements, other than buildings | - | - | - | - | - | - | - |
| Infrastructure                      | - | - | - | - | - | - | - |
| Leasehold improvements              | (6,994,269) | - | (6,994,269) | (1,073,958) | 64,562 | (8,003,665) |
| Personal property:                  | (6,473,991) | - | (6,473,991) | (579,173) | 272,654 | (6,780,510) |
| Library books and materials         | - | - | - | - | - | - | - |
| Intangible assets:                  | - | - | - | - | - | - | - |
| Software and websites               | - | - | - | - | - | - | - |
| Patents, copyrights and trademarks  | - | - | - | - | - | - | - |
| Licenses and permits                | - | - | - | - | - | - | - |
| Other intangible assets:            | - | - | - | - | - | - | - |
| Total other intangible assets:      | - | - | - | - | - | - | - |
| **Total intangible assets**         | - | - | - | - | - | - | - |
| **Total accumulated depreciation/amortization** | **$ 56,390,398** | **-** | **-** | **-** | **56,390,398** | **(674,980)** | **(634,486)** | **-** | **55,681,012** |

See accompanying note to the supplementary schedules.
3.2 Detail of depreciation and amortization expense:
- Depreciation and amortization expense related to capital assets $3,338,000
- Amortization expense related to other assets -
Total depreciation and amortization $3,338,000

4 Long-term liabilities:

| 1. Accrued compensated absences | Balance June 30, 2019 | $1,396,503 | - | $1,396,503 | $1,075,106 | (756,209) | $1,715,400 | $1,715,400 | - |
| 2. Claims liability for losses and loss adjustment expenses | - | - | - | - | - | - | - | - | - |
| 3. Capital lease obligations: | Gross balance | 14,355,000 | - | 14,355,000 | - | (495,000) | 13,860,000 | 525,000 | 13,335,000 |
Unamortized net premium/(discount) | 762,246 | - | 762,246 | - | (41,658) | 720,588 | - | 720,588 |
Total capital lease obligations | 15,117,246 | - | 15,117,246 | - | (536,658) | 14,580,588 | 525,000 | 14,055,588 |
| 4. Long-term debt obligations: | 4.1 Auxiliary revenue bonds (non-SRB related) | 19,790,000 | - | 19,790,000 | - | (970,000) | 18,820,000 | 1,030,000 | 17,790,000 |
4.2 Commercial paper | - | - | - | - | - | - | - | - | - |
4.3 Notes payable (SRB related) | 33,620,000 | - | 33,620,000 | 22,700,000 | (22,150,000) | 34,170,000 | 1,440,000 | 32,730,000 |
4.4 Others: | - | - | - | - | - | - | - | - | - |
Total others | - | - | - | - | - | - | - | - | - |
Sub-total long-term debt | 53,410,000 | - | 53,410,000 | 22,700,000 | (23,120,000) | 52,990,000 | 2,470,000 | 50,520,000 |
4.5 Unamortized net bond premium/(discount) | 2,962,243 | - | 2,962,243 | - | (1,526,647) | 1,435,596 | - | 1,435,596 |
Total long-term debt obligations | 56,372,243 | - | 56,372,243 | 22,700,000 | (24,646,647) | 54,425,596 | 2,470,000 | 51,955,596 |
Total long-term liabilities | $72,885,992 | - | $72,885,992 | $23,775,106 | (25,939,514) | $70,721,584 | $4,710,400 | $66,011,184 |

See accompanying note to the supplementary schedules.
### Capital lease obligations schedule:

<table>
<thead>
<tr>
<th>Year ending June 30:</th>
<th>Capital Lease Obligations Related to SRB</th>
<th>All Other Capital Lease Obligations</th>
<th>Total Capital Lease Obligations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principal Only</td>
<td>Interest Only</td>
<td>Principal and Interest</td>
</tr>
<tr>
<td>2021</td>
<td>$525,000</td>
<td>$642,968</td>
<td>$1,167,968</td>
</tr>
<tr>
<td>2022</td>
<td>$550,000</td>
<td>$613,607</td>
<td>$1,163,607</td>
</tr>
<tr>
<td>2023</td>
<td>$585,000</td>
<td>$582,538</td>
<td>$1,167,538</td>
</tr>
<tr>
<td>2024</td>
<td>$615,000</td>
<td>$549,751</td>
<td>$1,164,751</td>
</tr>
<tr>
<td>2025</td>
<td>$650,000</td>
<td>$515,150</td>
<td>$1,165,150</td>
</tr>
<tr>
<td>2026 - 2030</td>
<td>$3,640,000</td>
<td>$2,034,965</td>
<td>$5,674,965</td>
</tr>
<tr>
<td>2031 - 2035</td>
<td>$4,240,000</td>
<td>$1,185,092</td>
<td>$5,425,092</td>
</tr>
<tr>
<td>2036 - 2040</td>
<td>$3,055,000</td>
<td>$194,633</td>
<td>$3,249,633</td>
</tr>
<tr>
<td>2041 - 2045</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2046 - 2050</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Thereafter</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total minimum lease payments</strong></td>
<td><strong>$13,860,000</strong></td>
<td><strong>$6,318,704</strong></td>
<td><strong>$20,178,704</strong></td>
</tr>
</tbody>
</table>

**Unamortized net premium/(discount)**: $720,588

**Total capital lease obligations, net of current portion**: $14,580,588

---

### Long-term debt obligations schedule:

<table>
<thead>
<tr>
<th>Year ending June 30:</th>
<th>Auxiliary Revenue Bonds (Non-SRB Related)</th>
<th>All Other Long-Term Debt Obligations</th>
<th>Total Long-Term Debt Obligations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principal Only</td>
<td>Interest Only</td>
<td>Principal and Interest</td>
</tr>
<tr>
<td>2021</td>
<td>$1,030,000</td>
<td>$974,735</td>
<td>$2,004,735</td>
</tr>
<tr>
<td>2022</td>
<td>$1,075,000</td>
<td>$917,922</td>
<td>$1,992,922</td>
</tr>
<tr>
<td>2023</td>
<td>$1,140,000</td>
<td>$857,577</td>
<td>$1,997,577</td>
</tr>
<tr>
<td>2024</td>
<td>$1,200,000</td>
<td>$793,943</td>
<td>$1,993,943</td>
</tr>
<tr>
<td>2025</td>
<td>$1,260,000</td>
<td>$727,086</td>
<td>$1,987,086</td>
</tr>
<tr>
<td>2026 - 2030</td>
<td>$5,620,000</td>
<td>$2,613,358</td>
<td>$8,233,358</td>
</tr>
<tr>
<td>2031 - 2035</td>
<td>$4,290,000</td>
<td>$1,417,466</td>
<td>$5,707,466</td>
</tr>
<tr>
<td>2036 - 2040</td>
<td>$3,205,000</td>
<td>$223,372</td>
<td>$3,428,372</td>
</tr>
<tr>
<td>2041 - 2045</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2046 - 2050</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Thereafter</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total minimum payments</strong></td>
<td><strong>$18,820,000</strong></td>
<td><strong>$8,525,459</strong></td>
<td><strong>$27,345,459</strong></td>
</tr>
</tbody>
</table>

**Unamortized net premium/(discount)**: $1,435,596

**Total long-term debt obligations, net of current portion**: $54,425,596

---

See accompanying note to the supplementary schedules.
7 Transactions with related entities:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments to University for salaries of University personnel working on contracts, grants, and other programs</td>
<td>$ 2,335,939</td>
</tr>
<tr>
<td>Payments to University for other than salaries of University personnel</td>
<td>$ 3,909,480</td>
</tr>
<tr>
<td>Payments received from University for services, space, and programs</td>
<td>$ 14,187,657</td>
</tr>
<tr>
<td>Gifts-in-kind to the University from discretely presented component units</td>
<td>$ -</td>
</tr>
<tr>
<td>Gifts (cash or assets) to the University from discretely presented component units</td>
<td>$ 122,926</td>
</tr>
<tr>
<td>Accounts (payable to) University (enter as negative number)</td>
<td>$ (1,208,188)</td>
</tr>
</tbody>
</table>

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

Accounts receivable from University (enter as positive number) $ 472,278

Other amounts receivable from University (enter as positive number) $ 6,951

8 Restatements/Prior period adjustments:

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

<table>
<thead>
<tr>
<th>Restatement #1</th>
<th>Enter transaction description</th>
<th>Debit/(Credit)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>$ -</td>
</tr>
</tbody>
</table>

Restatement #2

<table>
<thead>
<tr>
<th>Restatement #2</th>
<th>Enter transaction description</th>
<th>Debit/(Credit)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>$ -</td>
</tr>
</tbody>
</table>
### Natural classifications of operating expenses:

<table>
<thead>
<tr>
<th>Category</th>
<th>Salaries</th>
<th>Benefits - Other</th>
<th>Benefits - Pension</th>
<th>Benefits - OPEB</th>
<th>Scholarships and Fellowships</th>
<th>Supplies and Other Services</th>
<th>Depreciation and Amortization</th>
<th>Total Operating Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instruction</td>
<td>2,865,734</td>
<td>678,181</td>
<td>534,561</td>
<td>104,020</td>
<td>-</td>
<td>4,350,646</td>
<td>-</td>
<td>8,533,142</td>
</tr>
<tr>
<td>Research</td>
<td>6,578,834</td>
<td>1,149,549</td>
<td>507,804</td>
<td>52,801</td>
<td>-</td>
<td>9,792,736</td>
<td>-</td>
<td>18,081,724</td>
</tr>
<tr>
<td>Public service</td>
<td>20,895,848</td>
<td>1,790,883</td>
<td>72,450</td>
<td>22,091</td>
<td>-</td>
<td>5,669,968</td>
<td>-</td>
<td>28,451,240</td>
</tr>
<tr>
<td>Academic support</td>
<td>827,196</td>
<td>306,507</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,843,094</td>
<td>-</td>
<td>2,976,797</td>
</tr>
<tr>
<td>Student services</td>
<td>271,468</td>
<td>75,861</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>298,112</td>
<td>-</td>
<td>645,441</td>
</tr>
<tr>
<td>Institutional support</td>
<td>14,203,834</td>
<td>4,376,331</td>
<td>3,952,379</td>
<td>907,459</td>
<td>-</td>
<td>14,211,633</td>
<td>-</td>
<td>37,651,636</td>
</tr>
<tr>
<td>Operation and maintenance of plant</td>
<td>200,435</td>
<td>66,260</td>
<td>38,950</td>
<td>-</td>
<td>54,024</td>
<td>-</td>
<td>-</td>
<td>3,338,000</td>
</tr>
<tr>
<td>Student grants and scholarships</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>54,024</td>
<td>-</td>
<td>54,024</td>
</tr>
<tr>
<td>Auxiliary enterprise expenses</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,338,000</td>
<td>-</td>
<td>3,338,000</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>$ 45,843,349</td>
<td>$ 8,443,572</td>
<td>$ 5,106,144</td>
<td>$ 1,086,371</td>
<td>$ 54,024</td>
<td>$ 39,736,207</td>
<td>$ 3,338,000</td>
<td>$ 163,607,667</td>
</tr>
</tbody>
</table>

### Deferred outflows/inflows of resources:

#### 1. Deferred Outflows of Resources

<table>
<thead>
<tr>
<th>Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred outflows - unamortized loss on refunding(s)</td>
<td>$ 688,903</td>
</tr>
<tr>
<td>Deferred outflows - net pension liability</td>
<td>3,734,536</td>
</tr>
<tr>
<td>Deferred outflows - net OPEB liability</td>
<td>1,488,171</td>
</tr>
<tr>
<td>Deferred outflows - others:</td>
<td></td>
</tr>
<tr>
<td>Sales/intra-entity transfers of future revenues</td>
<td>-</td>
</tr>
<tr>
<td>Gain/loss on sale leaseback</td>
<td>-</td>
</tr>
<tr>
<td>Loan origination fees and costs</td>
<td>-</td>
</tr>
<tr>
<td>Change in fair value of hedging derivative instrument</td>
<td>-</td>
</tr>
<tr>
<td>Irrevocable split-interest agreements</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total deferred outflows - others</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total deferred outflows of resources</strong></td>
<td>$ 5,911,610</td>
</tr>
</tbody>
</table>

#### 2. Deferred Inflows of Resources

<table>
<thead>
<tr>
<th>Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred inflows - service concession arrangements</td>
<td></td>
</tr>
<tr>
<td>Deferred inflows - net pension liability</td>
<td>$ 342,506</td>
</tr>
<tr>
<td>Deferred inflows - net OPEB liability</td>
<td>1,468,868</td>
</tr>
<tr>
<td>Deferred inflows - unamortized gain on debt refunding(s)</td>
<td>37,000</td>
</tr>
<tr>
<td>Deferred inflows - nonexchange transactions</td>
<td></td>
</tr>
<tr>
<td>Deferred inflows - others:</td>
<td></td>
</tr>
<tr>
<td>Sales/intra-entity transfers of future revenues</td>
<td>-</td>
</tr>
<tr>
<td>Gain/loss on sale leaseback</td>
<td>-</td>
</tr>
<tr>
<td>Loan origination fees and costs</td>
<td>-</td>
</tr>
<tr>
<td>Change in fair value of hedging derivative instrument</td>
<td>-</td>
</tr>
<tr>
<td>Irrevocable split-interest agreements</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total deferred inflows - others</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total deferred inflows of resources</strong></td>
<td>$ 1,848,374</td>
</tr>
</tbody>
</table>

See accompanying note to the supplementary schedules.
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 accounting principles generally accepted in the United States of America applicable to governmental not-for-profit organizations.