

University Enterprises, Inc.

Sacramento, California

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORT**

June 30, 2019 and 2018



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I S O M**

University Enterprises, Inc.

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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, 2019 and 2018, which includes the statements of net position; the statements of revenues, expenses, and 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, 2019 and 2018; 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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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 Chancellor's Office 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 17, 2019, 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.

KCoe Jam, LLP

September 17, 2019
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, 2019 and 2018. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with, and is qualified in its entirety by, the financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management.

REPORTING ENTITY

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The Statements of Cash Flows present information about the cash receipts and cash payments of UEI during the two most recent fiscal years. When used with related disclosures and information in the other financial statements, the information provided in these statements should help financial report users assess UEI's ability to generate future net cash flows and to meet its obligations as they become 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.

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

FINANCIAL HIGHLIGHTS

Fiscal Year 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, and 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 Sponsored Programs Administration (SPA) and California Intern Network (CAIN) activities, amounted 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.

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

Fiscal Year 2018

UEI recorded a \$995 thousand increase in net position during 2017-18. A \$1.12 million deficit in University Support Program activities was offset by a \$2.12 million surplus in UEI's central Enterprise operations. The latter was achieved against a budgeted surplus of \$532 thousand, meaning actual results exceeded budget by \$1.58 million. The Enterprise surplus consisted of \$87.77 and \$85.65 million in total revenue and expense, respectively. Excluding non-operating revenues and expenses, UEI is reporting a \$3.43 million operating surplus from central operations. UEI's overall net position stands at \$38.94 million at June 30, 2018, up from \$37.94 million at the end of the previous fiscal year. This includes a \$2.16 million reduction adjustment to net position as the result of a cumulative change in accounting principle, resulting from the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (see note 1, change in accounting principal for more additional information).

Most of the surplus is attributable to \$2.17 million in investment earnings. This figure includes \$1.14 million in realized gains (on sales and dispositions) and \$341 thousand in unrealized gains (on appreciation of UEI's investment portfolio). Net of these gains, UEI still exceeded its overall budgeted surplus by \$100 thousand. UEI maintains \$20.56 million in long-term investments, consisting of 81% equity and 19% fixed income. A total of \$7.27 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 a "Due to/from other funds" balance in the amount of \$4.84 million that UEI essentially "owes itself". Please refer to Note 2 for more detailed information about UEI's investments.

A total of \$46.79 million in total grants and contracts from federal and state governments and various private organizations was recorded as revenue during 2017-18, representing a \$6.2 million (15.3%) increase over the previous year. UEI books the same \$46.79 million in expense on its direct contract activity. Income is earned in the form of indirect cost recovery, shown as administration fees in the statement of revenues, expenses, and changes in net position. Fees earned through Sponsored Programs Administration (SPA) activities as well as UEI's California Intern Network (CAIN), amounted to \$3.37 and \$2.53 million, respectively. Both represent significant (14.1%/20.8%) increases over the previous year.

UEI operates four primary revenue-producing units, all of whom exceeded net revenue projections during 2017-18. In order of total revenue generated: Property Services (41.4%), Dining Services (33.6%), Sponsored Programs Administration (9.3%), and California Intern Network (7.0%) account for 91.3% of total revenue. During 2017-18, UEI allocated \$5.82 million in corporate overhead to its revenue-producing units. Inclusive of overhead, Property Services generated a \$2.63 million surplus, mostly on \$13.72 million in rental and lease income from its real estate portfolio. UEI's Dining Services division produced a \$634 thousand surplus. Aside from 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.

During 2017-18, UEI incurred \$15.23 million in salaries and related benefits/taxes costs, representing 44.6% of total operating expenses. This is exclusive of wages tied to federal and state contracts. Other expenses included \$7.54 million in operating costs, \$3.42 million in interest expense, \$3.28 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 \$468 thousand in recorded contributions to the University.

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

UEI'S CONDENSED STATEMENTS OF NET POSITION
(Amounts Expressed in Thousands)

June 30	2019	2018	2017
ASSETS			
Current assets	\$ 36,121	\$ 33,295	\$ 29,433
Noncurrent Assets			
Long-term investments	15,436	20,562	20,325
Accounts receivable	-	-	429
Capital assets - net	56,390	51,769	53,139
Net investment in direct financing leases	39,949	40,731	41,503
Other	1,961	2,393	646
Total Noncurrent Assets	113,736	115,455	116,042
Deferred Outflows of Resources			
Deferred outflows from pension	4,354	5,123	6,079
Deferred outflows from OPEB	1,357	1,784	-
Deferred outflows from unamortized loss on debt refunding	531	559	589
Total Deferred Outflows of Resources	6,242	7,466	6,668
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 156,099	\$ 156,216	\$ 152,143
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION			
Current liabilities - including current portion of long-term debt	\$ 16,436	\$ 12,524	\$ 11,330
Long-term liabilities - net of current portion	101,174	104,555	98,727
Total Liabilities	117,610	117,079	110,057
Deferred Inflows of Resources			
Deferred inflows from pension	343	-	1,941
Deferred inflows from OPEB	1,561	158	-
Deferred inflows from unamortized gain on debt refunding	39	41	44
Total Deferred Inflows of Resources	1,943	199	1,985
Net Position			
Net investment in capital assets	25,632	17,475	16,792
Restricted expendable	3,734	3,842	3,806
Unrestricted	7,180	17,621	19,503
Total Net Position	36,546	38,938	40,101
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	\$ 156,099	\$ 156,216	\$ 152,143

University Enterprises, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Total current assets showed an increase of \$2.83 million between 2019 and 2018. This change is primarily due to a combination of the following: a) an increase of \$388 thousand in cash due to the of timing of payments, b) a decrease of \$3.57 million in short-term investment due to funds being utilized for property acquisitions, c) an increase of \$6.12 million in accounts receivable due to the timing of billings and collections of receivables, and d) a decrease of \$108 thousand in restricted cash and investments.

Total noncurrent assets decreased by \$1.72 million in 2019 against 2018. The decrease is due to a combination of the following: a) a decrease in long-term investments of \$5.13 million primarily due to the sale of investments to necessitate the acquisition of property located at 910 University Avenue and 6011 Folsom Blvd., b) a decrease of \$782 thousand in direct financing leases due to regular amortization, c) an increase of \$4.62 million in capital assets due to new acquisitions, and d) a decrease of \$432 thousand in note 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 \$4.35 million at June 30, 2019, with a measurement date of June 30, 2018, consisting of the following components: a) a reclassification of current year's pension contributions in the amount of \$1.99 million to deferred outflows, all of which will be amortized during fiscal year 2019-20, per accounting pronouncement GASB Statement No. 71; and b) difference between projected and actual earnings on pension plan investments, changes in assumptions, and difference between expected and actual experience, in the amount of \$2.36 million.

Deferred outflows of resources related to other postretirement benefits (OPEB) reflected a \$1.36 million balance at June 30, 2019, with a measurement date of June 30, 2018, consisting of the following components: a) a reclassification of current year's OPEB contributions in the amount of \$425 thousand to deferred outflows, all of which will be amortized during fiscal year 2019-20, per accounting pronouncement GASB Statement No. 75; and b) changes in assumptions, difference between expected and actual experience, and difference between projected and actual earnings on investments, in the amount of \$932 thousand.

Total current liabilities increased by 3.91 million in 2019 compared to 2018. The increase was mainly due to the following: a) an increase of \$3.51 million in accounts payable due to the replacement costs of the McAuliffe Ballfields and Starbucks equipment at the University Union; increased grants and contracts activities, and timing of payments; b) an increase of \$491 thousand in accrued liabilities due to increased payroll and related taxes as a result of increased student employment; c) a decrease of \$60 thousand in current portion of long-term debt due to normal amortization; d) a decrease of \$78 thousand in unearned revenue; and e) an increase of \$50 thousand in disallowance and overruns.

Long-term liabilities decreased by \$3.38 million in 2019. The main contributing factors were: a) a decrease of \$1.03 million in OPEB obligation; b) an increase of \$1.47 million in net pension liability; c) an increase of \$634 thousand in advances from grantors, due to timing of advance payments and timing of expenditures; d) a decrease of \$2.23 million in bonds payable due to normal amortization; e) a decrease of \$1.48 million in note payable due to payoff of loan to City of Sacramento; f) a decrease of \$201 thousand in other noncurrent liabilities; and g) a decrease of \$537 thousand in capital lease obligations due to normal amortization.

Deferred inflows of resources related to pension increased from \$-0- to \$343 thousand in 2019, per CalPERS valuation report with a measurement date of June 30, 2018.

University Enterprises, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Deferred inflows of resources related to OPEB were \$1.56 million at June 30, 2019, with a measurement date of June 30, 2018, consisting of the following components: a) difference between expected and actual experience in the amount of \$560 thousand, and b) difference between projected and actual earnings on investment in the amount of \$46 thousand, and changes in assumption of \$955 thousand.

Net investment in capital assets increased by \$8.16 million in 2019 over 2018 primarily due to the purchase of land located at 910 University Avenue and a building located at 6011 Folsom Blvd.

UEI'S CONDENSED STATEMENTS OF CHANGES IN NET POSITION

(Amounts Expressed in Thousands)

Year Ended June 30	2019	2018	2017
Operating Revenues			
Sales and commissions	\$ 17,958	\$ 17,904	\$ 16,077
Sales and services of educational activities	14,997	14,345	12,965
Grants and contracts	50,588	46,792	40,594
Administration fees	7,028	6,877	6,049
Rental income	13,707	14,028	13,941
Total Operating Revenues	104,278	99,946	89,626
Operating Expenses			
Cost of sales	4,660	4,719	4,107
Grants and contracts	50,588	46,792	40,594
Other expenses	48,791	46,309	41,236
Total Operating Expenses	104,039	97,820	85,937
Operating Income	239	2,126	3,689
Loss on sale of capital assets - net	(2)	(15)	(17)
Net other nonoperating expenses	(2,628)	(1,116)	(910)
Change in Net Position	(2,391)	995	2,762
Net Position - Beginning of Year	38,937	40,101	37,339
Restatements	-	(2,159)	-
Net Position as Restated - Beginning of Year	38,937	37,942	37,339
Net Position - End of Year	\$ 36,546	\$ 38,937	\$ 40,101

Total operating revenues increased by \$4.33 million in 2019 over 2018. The increase in revenues was due to the following factors: a) an increase of \$3.80 million in grants and contract activities, of which \$3.26 million was generated from student employment services funded by state, city, and private organizations; b) an increase in administrative fees of \$151 thousand as a result of the aforementioned grants and contracts; c) an increase of \$54 thousand in sales and commissions primarily due to increased sales of student meal plans; d) an increase of \$652 thousand in sales and services of educational activities related to University Support Programs; and e) a decrease of \$321 thousand in rental income.

University Enterprises, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Total operating expenses increased by \$6.22 million in 2019. The primary contributing factors were: a) an increase of \$3.75 million related to student employment services, b) a decrease of \$48 thousand in grants and contracts, c) a decrease of \$59 thousand in cost of sales tied to decreased dining services sales, and d) an increase of \$2.48 million in other expenses primarily due to increased labor costs and increased activities from various other programs.

Net other non-operating expenses consisted primarily of interest expense, contributions to the University, investment earnings, contributions, and other income. The increase of \$1.51 million in nonoperating expenses in 2019 was primarily due to a decrease in investment earnings of \$1.70 million resulting from a reduced portfolio due to \$5.5 million in assets sales, along with less favorable performance in the financial markets, and an increase of \$153 thousand in contributions to the University. The increase was offset by a decrease of \$88 thousand in interest expense, and an increase of \$249 thousand in contributions and other income.

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital Assets net of accumulated depreciation, reflected balances of \$56.39 million and \$51.77 million as of June 30, 2019 and 2018, respectively. The following table summarizes the changes in capital assets for the fiscal years ended 2019, 2018, and 2017:

CHANGES IN CAPITAL ASSETS

(Amounts Expressed in Thousands)

Year Ended June 30	2019	Change	2018	Change	2017
Capital Assets					
Land	\$ 7,682	84.2%	\$ 4,171	0.0%	\$ 4,171
Construction in progress	403	-75.6%	1,652	142.9%	680
Buildings and improvements	32,271	11.6%	28,910	1.1%	28,583
Assets under capital lease	24,358	0.0%	24,358	0.0%	24,358
Leasehold improvements	17,006	8.3%	15,701	0.1%	15,690
Equipment	9,918	6.4%	9,318	2.3%	9,109
Total Capital Assets	91,638	9.0%	84,110	1.8%	82,591
Accumulated Depreciation					
Buildings and improvements	12,036	7.2%	11,227	7.7%	10,426
Assets under capital lease	9,743	9.1%	8,931	10.0%	8,119
Leasehold improvements	6,995	14.3%	6,119	15.2%	5,311
Equipment	6,474	6.8%	6,064	8.4%	5,596
Total Accumulated Depreciation	35,248	9.0%	32,341	9.8%	29,452
Total Capital Assets - Net	\$ 56,390	8.9%	\$ 51,769	-2.6%	\$ 53,139

The increase of \$3.51 million in 2019 in land was mainly due to the acquisition of land located at 910 University Avenue and a building located at 6011 Folsom Blvd., and the decrease of \$1.25 million in construction in progress due mainly to the completion of renovations of the S Street building.

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

Long-Term Debt reflected balances of \$71.49, \$75.8, and \$78.52 million at June 30, 2019, 2018, and 2017, respectively. These amounts were comprised of revenue bonds, notes payable, and a capital lease.

CHANGES IN LONG-TERM DEBT
(Amounts Expressed in Thousands)

Years Ended June 30	2019	Change	2018	Change	2017
Current portion of long-term debt	\$ 2,580	0.0%	\$ 2,640	0.0%	\$ 2,534
Long-term debt	68,909	0.0%	73,158	0.0%	75,985
Totals	\$ 71,489	-5.68%	\$ 75,798	-3.47%	\$ 78,519

Long-term debt as of June 30, 2019, decreased by \$4.31 million from 2018 due to the normal pay down of \$2.83 million in principal payments in 2019 and the payoff of a \$1.48 million note payable. Additional information on long-term debt obligations can be found in note 5 to the financial statements included in this report.

REQUEST FOR INFORMATION

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

University Enterprises, Inc.
STATEMENTS OF NET POSITION

June 30, 2019	Enterprise	University Support Programs	Total
ASSETS AND DEFERRED OUTFLOWS			
Current Assets			
Cash	\$ 2,785,650	\$ -	\$ 2,785,650
Restricted cash and investments	3,295,240	438,492	3,733,732
Short-term investments	-	3,696,713	3,696,713
Accounts receivable	22,256,516	1,528,265	23,784,781
Due to (from) other funds	(7,284,328)	7,284,328	-
Inventories	128,159	-	128,159
Prepaid expenses and other assets	887,950	-	887,950
Notes receivable - current	321,000	-	321,000
Net investment in direct financing leases	782,650	-	782,650
Total Current Assets	23,172,837	12,947,798	36,120,635
Notes receivable - net of current portion	1,960,750	-	1,960,750
Long-term investments	15,435,741	-	15,435,741
Net investment in direct financing leases	39,948,598	-	39,948,598
Capital assets - net	56,390,398	-	56,390,398
Total Assets	136,908,324	12,947,798	149,856,122
Deferred Outflows of Resources			
Deferred outflows from pension	3,033,953	1,320,709	4,354,662
Deferred outflows from OPEB	953,960	403,031	1,356,991
Deferred outflows from unamortized loss on debt refunding	530,839	-	530,839
Total Deferred Outflows of Resources	4,518,752	1,723,740	6,242,492
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 141,427,076	\$ 14,671,538	\$ 156,098,614

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

University Enterprises, Inc.
STATEMENTS OF NET POSITION
(Continued)

June 30, 2019	Enterprise	University Support Programs	Total
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION			
Current Liabilities			
Accounts payable	\$ 7,316,414	\$ -	\$ 7,316,414
Accrued liabilities	4,984,544	771,968	5,756,512
Unearned revenue	77,890	380,874	458,764
Liability for disallowances and overruns	324,360	-	324,360
Current portion of long-term debt	2,580,000	-	2,580,000
Total Current Liabilities	15,283,208	1,152,842	16,436,050
Long-Term Liabilities			
Other postemployment benefits obligation	5,089,535	5,251,049	10,340,584
Net pension liability	11,199,289	5,440,504	16,639,793
Bonds payable - net of current portion	54,287,243	-	54,287,243
Other noncurrent	1,245,881	-	1,245,881
Advances from grantors	4,038,266	-	4,038,266
Capital lease obligation - net of current portion	14,622,246	-	14,622,246
Total Long-Term Liabilities	90,482,460	10,691,553	101,174,013
Total Liabilities	105,765,668	11,844,395	117,610,063
Deferred Inflows of Resources			
Deferred inflows from pension	282,031	60,966	342,997
Deferred inflows from OPEB	1,019,451	541,354	1,560,805
Deferred inflows from unamortized gain on debt refunding	39,145	-	39,145
Total Deferred Inflows of Resources	1,340,627	602,320	1,942,947
Net Position			
Net investment in capital assets	25,632,150	-	25,632,150
Restricted expendable	3,295,240	438,492	3,733,732
Unrestricted	5,393,391	1,786,331	7,179,722
Total Net Position	34,320,781	2,224,823	36,545,604
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	\$ 141,427,076	\$ 14,671,538	\$ 156,098,614

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

University Enterprises, Inc.
STATEMENTS OF NET POSITION
(Continued)

June 30, 2018	Enterprise	University Support Programs	Total
ASSETS AND DEFERRED OUTFLOWS			
Current Assets			
Cash	\$ 2,397,852	\$ -	\$ 2,397,852
Restricted cash and investments	3,259,583	582,435	3,842,018
Short-term investments	-	7,269,081	7,269,081
Accounts receivable	17,031,968	636,981	17,668,949
Due to (from) other funds	(4,838,737)	4,838,737	-
Inventories	103,516	-	103,516
Prepaid expenses and other assets	878,095	-	878,095
Note receivable - current	363,301	-	363,301
Net investment in direct financing leases	771,888	-	771,888
Total Current Assets	19,967,466	13,327,234	33,294,700
Note receivable - net of current portion	2,392,691	-	2,392,691
Long-term investments	20,562,326	-	20,562,326
Net investment in direct financing leases	40,731,247	-	40,731,247
Capital assets - net	51,769,183	-	51,769,183
Total Assets	135,422,913	13,327,234	148,750,147
Deferred Outflows of Resources			
Deferred outflows from pension	3,525,496	1,597,202	5,122,698
Deferred outflows from OPEB	1,289,222	494,386	1,783,608
Deferred outflows from unamortized loss on debt refunding	559,763	-	559,763
Total Deferred Outflows of Resources	5,374,481	2,091,588	7,466,069
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 140,797,394	\$ 15,418,822	\$ 156,216,216

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

University Enterprises, Inc.
STATEMENTS OF NET POSITION
(Continued)

June 30, 2018	Enterprise	University Support Programs	Total
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION			
Current Liabilities			
Accounts payable	\$ 3,807,084	\$ -	\$ 3,807,084
Accrued liabilities	4,570,441	695,691	5,266,132
Unearned revenue	27,403	509,454	536,857
Liability for disallowances and overruns	274,400	-	274,400
Current portion of long-term debt	2,639,972	-	2,639,972
Total Current Liabilities	11,319,300	1,205,145	12,524,445
Long-Term Liabilities			
Net OPEB liability	5,759,422	5,611,758	11,371,180
Net pension liability	10,261,857	4,913,200	15,175,057
Bonds payable - net of current portion	56,517,917	-	56,517,917
Note payable - net of current portion	1,481,065	-	1,481,065
Other noncurrent	1,446,802	-	1,446,802
Advances from grantors	3,404,259	-	3,404,259
Capital lease obligation - net of current portion	15,158,791	-	15,158,791
Total Long-Term Liabilities	94,030,113	10,524,958	104,555,071
Total Liabilities	105,349,413	11,730,103	117,079,516
Deferred Inflows of Resources			
Deferred inflows from pension	62,513	(62,513)	-
Deferred inflows from OPEB	107,585	50,349	157,934
Deferred inflows from unamortized gain on debt refunding	41,290	-	41,290
Total Deferred Inflows of Resources	211,388	(12,164)	199,224
Net Position			
Net investment in capital assets	17,474,567	-	17,474,567
Restricted expendable	3,259,583	582,435	3,842,018
Unrestricted	14,502,443	3,118,448	17,620,891
Total Net Position	35,236,593	3,700,883	38,937,476
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	\$ 140,797,394	\$ 15,418,822	\$ 156,216,216

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, 2019	Enterprise	University Support Programs	Total
REVENUES			
Operating Revenues			
Sales and commissions	\$ 17,958,280	\$ -	\$ 17,958,280
Sales and services of educational activities	-	14,997,091	14,997,091
Grants and contracts - noncapital	50,588,438	-	50,588,438
Administration fees	6,900,688	126,829	7,027,517
Rental income	13,707,062	-	13,707,062
Total Operating Revenues	89,154,468	15,123,920	104,278,388
Operating Expenses			
Cost of sales	4,660,341	-	4,660,341
Grants and contracts	50,588,438	-	50,588,438
Operating expenses	22,815,933	16,652,016	39,467,949
General and administrative	6,145,320	-	6,145,320
Sponsored research	-	123,784	123,784
Other programs	-	24,180	24,180
Depreciation and amortization	3,029,541	-	3,029,541
Total Operating Expenses	87,239,573	16,799,980	104,039,553
Operating Income (Loss)	1,914,895	(1,676,060)	238,835
Nonoperating Revenues (Expenses)			
Investment earnings	472,140	-	472,140
Contributions and other income	676,240	-	676,240
Contributions to the University	(445,507)	-	(445,507)
Loss on sale of capital assets - net	(1,936)	-	(1,936)
University support	(200,000)	200,000	-
Interest expense	(3,331,644)	-	(3,331,644)
Net Nonoperating Revenues (Expenses)	(2,830,707)	200,000	(2,630,707)
Change in Net Position	(915,812)	(1,476,060)	(2,391,872)
Net Position - Beginning of Year	35,236,593	3,700,883	38,937,476
Net Position - End of Year	\$ 34,320,781	\$ 2,224,823	\$ 36,545,604

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

University Enterprises, Inc.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

(Continued)

Year Ended June 30, 2018	Enterprise	University Support Programs	Total
REVENUES			
Operating Revenues			
Sales and commissions	\$ 17,903,904	\$ -	\$ 17,903,904
Sales and services of educational activities	-	14,345,034	14,345,034
Grants and contracts - noncapital	46,792,029	-	46,792,029
Administration fees	6,451,125	426,215	6,877,340
Rental income	14,027,532	-	14,027,532
Total Operating Revenues	85,174,590	14,771,249	99,945,839
Operating Expenses			
Cost of sales	4,719,040	-	4,719,040
Grants and contracts	46,792,029	-	46,792,029
Operating expenses	21,816,676	16,050,153	37,866,829
General and administrative	5,393,848	-	5,393,848
Sponsored research	-	(1,788)	(1,788)
Other programs	-	24,029	24,029
Depreciation and amortization	3,025,896	-	3,025,896
Total Operating Expenses	81,747,489	16,072,394	97,819,883
Operating Income (Loss)	3,427,101	(1,301,145)	2,125,956
Nonoperating Revenues (Expenses)			
Investment earnings	2,169,828	-	2,169,828
Contributions and other income	421,786	5,000	426,786
Contributions to the University	(292,987)	-	(292,987)
Loss on sale of capital assets	(14,786)	-	(14,786)
University support	(175,000)	175,000	-
Interest expense	(3,419,581)	-	(3,419,581)
Net Nonoperating Revenues (Expenses)	(1,310,740)	180,000	(1,130,740)
Change in Net Position	2,116,361	(1,121,145)	995,216
Net Position - as Previously Reported	34,451,062	5,650,113	40,101,175
Cumulative Effect of Change in Accounting Principles	(1,330,830)	(828,085)	(2,158,915)
Net Position - as Restated	33,120,232	4,822,028	37,942,260
Net Position - End of Year	\$ 35,236,593	\$ 3,700,883	\$ 38,937,476

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

University Enterprises, Inc.
STATEMENTS OF CASH FLOWS

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

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

University Enterprises, Inc.

STATEMENTS OF CASH FLOWS

(Continued)

Year Ended June 30, 2019	Enterprise	University Support Programs	Total
RECONCILIATION TO THE STATEMENTS OF NET POSITION			
Cash	\$ 2,785,650	\$ -	\$ 2,785,650
Restricted cash and investments	3,295,240	438,492	3,733,732
Short-term investments	-	3,696,713	3,696,713
TOTAL CASH AND CASH EQUIVALENTS	\$ 6,080,890	\$ 4,135,205	\$ 10,216,095
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ 1,914,895	\$ (1,676,060)	\$ 238,835
Adjustments to reconcile:			
Depreciation and amortization expense	3,029,541	-	3,029,541
Amortization of deferred inflows from pension	(121,955)	(68,599)	(190,554)
Amortization of deferred inflows from OPEB	(108,213)	(58,268)	(166,481)
Amortization of deferred outflows from pension	2,528,460	1,422,258	3,950,718
Amortization of deferred outflows from OPEB	665,514	207,632	873,146
Amortization of deferred outflows from unamortized loss on debt refunding	28,924	-	28,924
Amortization of deferred inflows from unamortized gain on debt refunding	(2,145)	-	(2,145)
Loss on disposal of capital assets	1,936	-	1,936
Net effect of changes in operating assets and liabilities:			
(Increase) Decrease in assets:			
Accounts receivable	(5,137,748)	(550,600)	(5,688,348)
Due to (from) other funds	2,410,047	(2,410,047)	-
Inventories	(24,643)	-	(24,643)
Deferred outflows from pension	(2,036,917)	(1,145,764)	(3,182,681)
Deferred outflows from OPEB	(330,252)	(116,277)	(446,529)
Prepaid expenses and other assets	(9,855)	-	(9,855)
Increase (Decrease) in liabilities:			
Accounts payable	3,509,330	-	3,509,330
Accrued liabilities	269,750	76,277	346,027
Net pension liability	937,432	527,304	1,464,736
Unearned revenue	684,494	(128,580)	555,914
Deferred inflows from pension	341,473	192,077	533,550
Deferred inflows from OPEB	1,020,079	549,273	1,569,352
Liability for disallowances and overruns	49,960	-	49,960
Net OPEB liability	(669,887)	(360,709)	(1,030,596)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 8,950,220	\$ (3,540,083)	\$ 5,410,137

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

University Enterprises, Inc.

STATEMENTS OF CASH FLOWS

(Continued)

Year Ended June 30, 2018	Enterprise	University Support Programs	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers/students	\$ 83,907,274	\$ 13,997,596	\$ 97,904,870
Cash paid suppliers and employees	(76,163,343)	(14,193,353)	(90,356,696)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	7,743,931	(195,757)	7,548,174
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Payments received on notes receivable	150,650	-	150,650
Issuance of note receivable	(2,110,000)	-	(2,110,000)
University support	(175,000)	175,000	-
Contributions to University	(292,987)	-	(292,987)
Contributions and other income	421,785	5,000	426,785
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	(2,005,552)	180,000	(1,825,552)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on long-term debt	(2,340,000)	-	(2,340,000)
Repayment on bonded debt	(194,389)	-	(194,389)
Interest paid	(3,612,121)	-	(3,612,121)
Acquisition of capital assets	(1,671,335)	-	(1,671,335)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(7,817,845)	-	(7,817,845)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	675,359	-	675,359
Decrease in net investment in direct financing lease	668,433	-	668,433
Proceeds from sales and maturities of investments	6,599,414	-	6,599,414
Purchase of investments	(5,356,685)	-	(5,356,685)
NET CASH PROVIDED BY INVESTING ACTIVITIES	2,586,521	-	2,586,521
Net Change in Cash and Cash Equivalents	507,055	(15,757)	491,298
Cash and Cash Equivalents - Beginning of Year	5,150,380	7,867,273	13,017,653
Cash and Cash Equivalents - End of Year	\$ 5,657,435	\$ 7,851,516	\$ 13,508,951

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

University Enterprises, Inc.

STATEMENTS OF CASH FLOWS

(Continued)

Year Ended June 30, 2018	Enterprise	University Support Programs	Total
RECONCILIATION TO THE STATEMENTS OF NET POSITION			
Cash	\$ 2,397,852	\$ -	\$ 2,397,852
Restricted cash and investments	3,259,583	582,435	3,842,018
Short-term investments	-	7,269,081	7,269,081
TOTAL CASH AND CASH EQUIVALENTS	\$ 5,657,435	\$ 7,851,516	\$ 13,508,951
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ 3,427,101	\$ (1,301,145)	\$ 2,125,956
Adjustments to reconcile:			
Depreciation and amortization expense	3,025,896	-	3,025,896
Amortization of deferred inflows from pension	(1,261,897)	(679,484)	(1,941,381)
Amortization of deferred inflows from OPEB	(12,899)	(12,568)	(25,467)
Amortization of deferred outflows from OPEB	54,664	53,260	107,924
Amortization of deferred outflows from unamortized loss on debt refunding	28,923	-	28,923
Amortization of deferred inflows from unamortized gain on debt refunding	(2,145)	-	(2,145)
Loss on disposal of capital assets	15,646	-	15,646
Net effect of changes in operating assets and liabilities:			
(Increase) Decrease in assets:			
Accounts receivable	(2,616,050)	82,452	(2,533,598)
Due to (from) other funds	(2,552)	2,552	-
Inventories	31,031	-	31,031
Deferred outflows from pension	621,558	334,685	956,243
Deferred outflows from OPEB	67,566	(474,890)	(407,324)
Prepaid expenses and other assets	(123,232)	-	(123,232)
Increase (Decrease) in liabilities:			
Accounts payable	748,088	-	748,088
Accrued liabilities	339,939	9,146	349,085
Net pension liability	1,828,224	984,429	2,812,653
Unearned revenue	578,575	(26,400)	552,175
Liability for disallowances and overruns	48,619	-	48,619
Net OPEB liability	946,876	832,206	1,779,082
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 7,743,931	\$ (195,757)	\$ 7,548,174

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 (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 CSU Board notifies UEI that an administrative necessity or emergency exists requiring termination; (ii) UEI ceases its operations; or (iii) a violation of any substantial provision of the Operating Agreement occurs. Upon the termination of the Operating Agreement, the CSU Board, at its sole discretion, may require UEI to transfer all assets in its possession to a successor nonprofit corporation qualifying as an auxiliary organization.

Effective June 8, 2005, and amended on March 25, 2013, UEI executed an operating agreement between UEI and Follett Higher Education Group, Inc. (Follett), in which Follett assumed the operation of the Hornet Bookstore. The agreement expires on June 30, 2020 and is automatically renewed for successive one-year renewal terms under the same terms and conditions set forth in the agreement, unless either party notifies the other of its intent not to renew.

Basis of Presentation Pursuant to the requirements established by the Chancellor of the California State University, UEI has adopted the provisions of 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 statement 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-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 generally accepted accounting standards, 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.

University Enterprises, Inc.

NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

Following is a description of the valuation methodologies used for assets measured at fair value for the year ended June 30, 2019 and 2018.

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 represents a claim on its 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 Pooled Money Investment Account (PMIA), which, as of June 30, 2019 and 2018, had a balance of \$105.7 billion and \$88.8 billion, respectively. The weighted average maturity of PMIA investments was 173 days and 193 days as of June 30, 2019 and 2018, respectively. The total amount invested by all public agencies in LAIF as of June 30, 2019 and 2018, was \$24.6 billion and \$22.5 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 \$977.2 million and \$1.55 billion, respectively, as of June 30, 2019 and 2018.

University Enterprises, Inc.

NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

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 \$126,884,892, as of June 30, 2019, of which \$4,038,266 had been received and recorded as a liability and of which the balance of \$122,846,626 has 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, 2019 and 2018, inventories were \$128,159 and \$103,516, 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.

University Enterprises, Inc.

NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

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, 2019. 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, 2019 and 2018, were \$23.78 million and \$17.67 million, respectively. 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. Included in the 2018 total was \$15.04 million of Grants and Contracts, \$1.94 million of Retail and Property Development, and \$637 thousand from University Support Programs. UEI established an allowance for Grants and Contracts receivable of \$324,360 as of June 30, 2019.

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, 2019 and 2018, primarily consisted of \$2,281,750 and \$2,755,992, respectively, from the existing loans with the Alumni Center and Sacramento State Housing, and a new loan with Sacramento State for tenant improvement of the building at S Street (see note 7). The Alumni Center loan of \$205,992 was paid off in 2019.

Deferred Outflows of Resources In addition to assets, the statement of net position includes 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 represents a reclassification of current year's pension contributions, all of which will be amortized during 2019-20, 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 represents a reclassification of the current year's OPEB contributions, all of which will be amortized during 2019-20, 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.

University Enterprises, Inc.

NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

Deferred Inflows of Resources In addition to liabilities, the statement of net position includes 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 consists 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 consists 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 absences liability as accrued unused sick leave is not paid upon separation.

Unearned Revenue Student residence hall board charges applicable to periods subsequent to year end are deferred and recognized as revenue in the year earned. Receipts from Pepsi licensing, 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.

University Enterprises, Inc.

NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

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

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

Restricted – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation. As of June 30, 2019 and 2018, UEI reported restricted expendables of \$3,733,732 and \$3,842,018, 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, 2019 and 2018, were \$2,785,650 and \$2,397,852, 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.

University Enterprises, Inc.

NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

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:

June 30	2019	2018
Cash	\$ 2,785,650	\$ 2,397,852
Money market mutual fund	3,733,732	3,842,018
Local Agency Investment Fund	3,696,713	7,269,081
Corporate bonds	154,315	177,551
Mutual funds:		
Equity - international	1,216,197	1,628,449
Equity - U.S.	814,683	892,825
Equity - real assets funds	667,832	983,722
Fixed income	2,594,860	3,189,384
Exchange traded funds:		
Equity - international	2,158,630	3,036,801
Equity - U.S.	6,826,285	9,188,751
Real assets funds	369,440	551,091
Fixed income	235,321	501,299
Common stocks	398,178	412,453
Total Cash and Investments	\$ 25,651,836	\$ 34,071,277

University Enterprises, Inc.

NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

The following is a schedule of the assets at fair value, by level within the fair value hierarchy, as of June 30, 2019 and 2018, respectively.

June 30, 2019	Level 1	Level 2	Total
Investment Type			
Pooled investments:			
Local Agency Investment Fund (LAIF)	\$ -	\$ 3,696,713	\$ 3,696,713
Debt and fixed income securities:			
Corporate bonds	-	154,315	154,315
Mutual funds by investment objective:			
Bond and fixed income funds	2,594,860	-	2,594,860
Foreign stock funds	1,216,197	-	1,216,197
Growth funds	814,683	-	814,683
Real assets funds	667,832	-	667,832
Exchange traded funds by investment objective:			
Bond and fixed income funds	235,321	-	235,321
Foreign stock funds	2,158,630	-	2,158,630
Growth funds	741,633	-	741,633
Value funds	44,293	-	44,293
Blend funds	6,040,359	-	6,040,359
Real assets funds	369,440	-	369,440
Equity securities by industry type:			
Basic materials	10,256	-	10,256
Communication services	10,793	-	10,793
Consumer cyclical	22,885	-	22,885
Consumer defensive	40,376	-	40,376
Energy	32,835	-	32,835
Financial services	51,402	-	51,402
Healthcare	60,285	-	60,285
Industrials	49,286	-	49,286
Real estate	10,220	-	10,220
Technology	104,840	-	104,840
Utilities	5,000	-	5,000
Total Assets	\$ 15,281,426	\$ 3,851,028	\$ 19,132,454

University Enterprises, Inc.

NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

June 30, 2018	Level 1	Level 2	Total
Investment Type			
Pooled investments:			
Local Agency Investment Fund (LAIF)	\$ -	\$ 7,269,081	\$ 7,269,081
Debt and fixed income securities:			
Corporate bonds	-	177,551	177,551
Mutual funds by investment objective:			
Bond and fixed income funds	3,189,384	-	3,189,384
Foreign stock funds	1,628,449	-	1,628,449
Growth funds	575,135	-	575,135
Blend funds	317,690	-	317,690
Real assets funds	983,722	-	983,722
Exchange traded funds by investment objective:			
Bond and fixed income funds	501,299	-	501,299
Foreign stock funds	3,036,801	-	3,036,801
Growth funds	619,063	-	619,063
Value funds	1,536,479	-	1,536,479
Blend funds	6,384,596	-	6,384,596
Real assets funds	551,091	-	551,091
Financial funds	648,613	-	648,613
Equity securities by industry type:			
Basic materials	6,592	-	6,592
Communication services	11,668	-	11,668
Consumer cyclical	13,934	-	13,934
Consumer defensive	49,661	-	49,661
Energy	38,770	-	38,770
Financial services	79,418	-	79,418
Healthcare	64,584	-	64,584
Industrials	31,907	-	31,907
Real estate	17,499	-	17,499
Technology	89,131	-	89,131
Utilities	9,289	-	9,289
Total Assets	\$ 20,384,775	\$ 7,446,632	\$ 27,831,407

University Enterprises, Inc.

NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

Interest Rate Risk

The risk of loss due to the fair value of an investment falling due to rising interest rates. As a means of limiting its exposure to fair value losses from rising interest rates, short-term investments are limited to relatively liquid instruments such as certificates of deposit, savings accounts, federally guaranteed notes and bills, money market mutual funds or State of California 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, 2019 and 2018.

Credit Risk

The risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations. This is measured by the assignment of ratings by nationally recognized statistical rating organizations. Refer to the tables on the next page for credit risk disclosure as of June 30, 2019 and 2018.

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, 2019 and 2018, 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

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%).

University Enterprises, Inc.

NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

The following indicates the credit and interest rate risk of investments as of June 30, 2019 and 2018. The credit ratings listed are for Standard and Poor's and Moody's Investor Services, whichever rating is lower.

June 30, 2019	Fair Value	Less Than One	One to Five	Five to Ten	Years More Than Ten	Weighted Average Maturity 173 Days
Investment Type						
LAIF	\$ 3,696,713	\$ -	\$ -	\$ -	\$ -	\$ 3,696,713
Corporate bonds	154,315	-	154,315	-	-	-
Mutual funds:						
Fixed income	2,594,860	295,612	1,345,466	697,427	256,355	-
Exchange traded funds:						
Fixed income	235,321	202,659	32,662	-	-	-
Total	\$ 6,681,209	\$ 498,271	\$ 1,532,443	\$ 697,427	\$ 256,355	\$ 3,696,713

June 30, 2019	Fair Value	AA	AA-	A	A-	BBB	BB	Not Rated
Investment Type								
LAIF	\$ 3,696,713	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,696,713
Corporate bonds	154,315	-	-	51,100	103,215	-	-	-
Mutual funds:								
Fixed income	2,594,860	1,219,251	516,329	-	-	207,147	652,133	-
Exchange traded funds:								
Fixed income	235,321	235,321	-	-	-	-	-	-
Total	\$ 6,681,209	\$ 1,454,572	\$ 516,329	\$ 51,100	\$ 103,215	\$ 207,147	\$ 652,133	\$ 3,696,713

University Enterprises, Inc.

NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

June 30, 2018	Fair Value	Less Than One	One to Five	Five to Ten	Years More Than Ten	Weighted Average Maturity 193 Days
Investment Type						
LAIF	\$ 7,269,081	\$ -	\$ -	\$ -	\$ -	\$ 7,269,081
Corporate bonds	177,551	25,196	152,355	-	-	-
Mutual funds:						
Fixed income	3,189,384	273,757	1,598,243	1,028,712	288,672	-
Exchange traded funds:						
Fixed income	501,299	193,780	179,666	91,775	36,078	-
Total	\$ 11,137,315	\$ 492,733	\$ 1,930,264	\$ 1,120,487	\$ 324,750	\$ 7,269,081

June 30, 2018	Fair Value	AA	A	A+	BBB	BB	Not Rated
Investment Type							
LAIF	\$ 7,269,081	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,269,081
Corporate bonds	177,551	-	76,576	100,975	-	-	-
Mutual funds:							
Fixed income	3,189,384	1,644,851	522,215	-	204,797	817,521	-
Exchange traded funds:							
Fixed income	501,299	501,299	-	-	-	-	-
Total	\$ 11,137,315	\$ 2,146,150	\$ 598,791	\$ 100,975	\$ 204,797	\$ 817,521	\$ 7,269,081

Investment Earnings

Net investment earnings were \$472,140 and \$2,169,828 for the years ended June 30, 2019 and 2018, 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 2.43% and 1.85% for the years ended June 30, 2019 and 2018, respectively. For the years ended June 30, 2019 and 2018, interest earned on deposits with LAIF was \$69,783 and \$99,173 respectively.

University Enterprises, Inc.

NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

3. CAPITAL ASSETS

Capital assets activity was as follows:

June 30, 2019	Beginning Balance	Additions	Transfers/ (Deductions)	Ending Balance
Nondepreciated Capital Assets				
Land	\$ 4,171,290	\$ 3,510,921	\$ -	\$ 7,682,211
Construction in progress	1,652,253	379,553	(1,628,856)	402,950
Total Nondepreciated Capital Assets	5,823,543	3,890,474	(1,628,856)	8,085,161
Depreciated Capital Assets				
Buildings and building improvements	28,910,441	1,863,896	1,496,458	32,270,795
Assets under capital lease	24,357,887	-	-	24,357,887
Leasehold improvements	15,701,100	1,172,348	132,398	17,005,846
Equipment	9,317,662	726,579	(126,447)	9,917,794
Total Depreciated Capital Assets	78,287,090	3,762,823	1,502,409	83,552,322
Less: Accumulated Depreciation				
Buildings and building improvements	(11,226,983)	(808,684)	-	(12,035,667)
Assets under capital lease	(8,931,229)	(811,929)	-	(9,743,158)
Leasehold improvements	(6,118,990)	(875,278)	-	(6,994,268)
Equipment	(6,064,248)	(533,650)	123,906	(6,473,992)
Total Accumulated Depreciation	(32,341,450)	(3,029,541)	123,906	(35,247,085)
Total Depreciated Capital Assets - Net	45,945,640	733,282	1,626,315	48,305,237
CAPITAL ASSETS - NET	\$ 51,769,183	\$ 4,623,756	\$ (2,541)	\$ 56,390,398

University Enterprises, Inc.

NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

June 30, 2018	Beginning Balance	Additions	Transfers/ (Deductions)	Ending Balance
Nondepreciated Capital Assets				
Land	\$ 4,171,290	\$ -	\$ -	\$ 4,171,290
Construction in progress	680,315	1,233,565	(261,627)	1,652,253
Total Nondepreciated Capital Assets	4,851,605	1,233,565	(261,627)	5,823,543
Depreciated Capital Assets				
Buildings and building improvements	28,583,214	112,225	215,002	28,910,441
Assets under capital lease	24,357,887	-	-	24,357,887
Leasehold improvements	15,690,071	35,315	(24,286)	15,701,100
Equipment	9,108,413	290,230	(80,981)	9,317,662
Total Depreciated Capital Assets	77,739,585	437,770	109,735	78,287,090
Less: Accumulated Depreciation				
Buildings and building improvements	(10,425,802)	(801,181)		(11,226,983)
Assets under capital lease	(8,119,299)	(811,930)	-	(8,931,229)
Leasehold improvements	(5,310,738)	(816,955)	8,703	(6,118,990)
Equipment	(5,595,961)	(595,830)	127,543	(6,064,248)
Total Accumulated Depreciation	(29,451,800)	(3,025,896)	136,246	(32,341,450)
Total Depreciated Capital Assets - Net	48,287,785	(2,588,126)	245,981	45,945,640
CAPITAL ASSETS - NET	\$ 53,139,390	\$ (1,354,561)	\$ (15,646)	\$ 51,769,183

Depreciation expense for the fiscal years ended June 30, 2019 and 2018, was \$3,029,541 and \$3,025,896, 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.

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:

June 30, 2019

Total minimum lease payments to be received	\$ 142,831,805
Amounts representing estimated executory costs (such as taxes, maintenance, and insurance), included in total minimum lease payments	(7,984,143)
Minimum Lease Payments Receivable	134,847,662
Unearned interest income	(94,116,414)
Net Investment in Direct Financing Leases	\$ 40,731,248

University Enterprises, Inc.

NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

June 30, 2018

Total minimum lease payments to be received	\$ 150,476,349
Amounts representing estimated executory costs (such as taxes, maintenance, and insurance), included in total minimum lease payments	(8,720,044)
Minimum Lease Payments Receivable	141,756,305
Unearned interest income	(100,253,170)
Net Investment in Direct Financing Leases	\$ 41,503,135

Future minimum lease payments as of June 30, 2019, scheduled to be received for each of the next five years and thereafter, are as follows:

Years Ending June 30	Minimum Lease Payments
2020	\$ 7,649,939
2021	7,655,469
2022	7,661,137
2023	7,666,947
2024	7,672,902
Thereafter	104,525,411
Total	\$ 142,831,805

University Enterprises, Inc.

NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM DEBT AND FINANCING ARRANGEMENTS**Bonds Payable**

Bonds payable consisted of the following:

June 30	2019	2018
Series 2011A bonds (CSU 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, 2041. The bonds are collateralized by certain revenues as defined.	\$ 22,735,000	\$ 23,250,000
Series 2015A bonds (CSU 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.	10,885,000	11,430,000
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.	19,790,000	20,710,000
Totals	53,410,000	55,390,000
Current portion	(2,085,000)	(1,980,000)
Unamortized premium	2,962,243	3,107,917
Totals	\$ 54,287,243	\$ 56,517,917

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, 2019 and 2018, principal and interest paid were \$4,730,166 and \$4,730,571, respectively; and revenues, as defined by the bond indenture, were \$5,593,993 and \$8,756,624, respectively. The total principal and interest remaining to be paid on the bonds as of June 30, 2019 and 2018, were \$82,961,679 and \$87,691,845, 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, 2019 and 2018, \$19,790,000 and \$20,710,000, 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, 2019 and 2018, the amount of the bonds outstanding was \$22,735,000 and \$23,250,000, 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, 2019 and 2018, \$10,885,000 and \$11,430,000, 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.

University Enterprises, Inc.

NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

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

Years Ending June 30	Principal	Interest	Total
2020	\$ 2,085,000	\$ 2,647,589	\$ 4,732,589
2021	2,210,000	2,537,368	4,747,368
2022	2,185,000	2,425,287	4,610,287
2023	2,305,000	2,308,408	4,613,408
2024	2,425,000	2,184,640	4,609,640
2025-2029	13,160,000	8,866,460	22,026,460
2030-2034	12,025,000	5,756,537	17,781,537
2035-2039	12,370,000	2,507,973	14,877,973
2040-2042	4,645,000	317,417	4,962,417
Total	\$ 53,410,000	\$ 29,551,679	\$ 82,961,679

Note Payable

In June 2015, UEI entered into an agreement with the City of Sacramento to acquire the land housing the McAuliffe ball fields, an 11.46-acre parcel located at 3012 State University Drive. The property was used by both the East Sacramento Babe Ruth League and the Sacramento Men's Senior Baseball League. The purchase price of the property was \$2,274,233, plus interest accruing as of January 1, 2016. Commencing January 1, 2016, UEI began paying the City of Sacramento \$200,000 annually, with payments due no later than January 31 of each following year. The closing date of the note is December 31, 2026, with options to extend. An initial down payment of \$10,000 was made in June 2015. UEI may elect to pay off the entire balance at any time over the course of the agreement in order to assume immediate ownership of the land. UEI has agreed to sublease the property back to the Leagues at a cost of \$150 per year so that they may continue to enjoy use of the fields. In 2019, the loan of \$1,676,037 was paid off in full.

University Enterprises, Inc.

NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

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 CSU System-Wide Revenue Bond Series 2007A (nontaxable) and B (taxable). Those bonds became eligible for refunding in 2015 and CSU refinanced Series 2007A bonds in July 2015. Because of the refunding, UEI's total capital lease obligation increased by \$45,000, interest payments were reduced by \$1,277,409, offset by net premiums on bond issuance in the amount of \$789,897, and deferred outflows on debt refunding by \$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:

Years Ending June 30	Lease Payments
2020	\$ 1,165,876
2021	1,167,968
2022	1,163,607
2023	1,167,538
2024	1,164,751
2025-2029	5,754,064
2030-2034	5,426,142
2035-2038	4,334,633
Total Minimum Lease Payments	21,344,579
Amount representing interest	(6,989,579)
Present Value of Minimum Lease Payments	14,355,000
Current portion	(495,000)
Unamortized premium	762,246
Capital Lease Obligation	\$ 14,622,246

Interest expense incurred on UEI's long-term debt for the fiscal years ended June 30, 2019 and 2018, was \$3,331,644 and \$3,419,581, respectively.

University Enterprises, Inc.

NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

Long-term debt activity was as follows:

June 30, 2019	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Capital lease obligation	\$ 14,820,000	\$ -	\$ (465,000)	\$ 14,355,000	\$ 495,000
Plus: Issuance premiums	803,791	-	(41,545)	762,246	-
Series 2011A	23,250,000	-	(515,000)	22,735,000	540,000
Series 2005B bonds	20,710,000	-	(920,000)	19,790,000	970,000
Series 2015A (series 2005A refinance)	11,430,000	-	(545,000)	10,885,000	575,000
Plus: Issuance premiums	3,107,917	-	(145,674)	2,962,243	-
Note payable	1,676,037	-	(1,676,037)	-	-
Total Long-Term Debt	\$ 75,797,745	\$ -	\$ (4,308,256)	\$ 71,489,489	\$ 2,580,000

June 30, 2018	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Capital lease obligation	\$ 15,265,000	\$ -	\$ (445,000)	\$ 14,820,000	\$ 465,000
Plus: Issuance premiums	845,336	-	(41,545)	803,791	-
Series 2011A	23,745,000	-	(495,000)	23,250,000	515,000
Series 2005B bonds	21,585,000	-	(875,000)	20,710,000	920,000
Series 2015A (series 2005A refinance)	11,955,000	-	(525,000)	11,430,000	545,000
Plus: Issuance premiums	3,253,591	-	(145,674)	3,107,917	-
Note payable	1,870,426	-	(194,389)	1,676,037	194,972
Total Long-Term Debt	\$ 78,519,353	\$ -	\$ (2,721,608)	\$ 75,797,745	\$ 2,639,972

University Enterprises, Inc.

NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

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, 2019 and 2018, the components of unrestricted designated net position consisted of:

June 30	2019	2018
Working capital reserve	\$ (276,901)	\$ 4,066,852
Reserve for:		
Postretirement health benefits	5,170,292	5,685,591
Pension	500,000	1,000,000
Contingencies	-	500,000
Future business development	-	500,000
Future building projects	-	1,500,000
Plant improvements and replacements	-	1,250,000
University support programs	1,786,331	3,118,448
Total Unrestricted Net Position	\$ 7,179,722	\$ 17,620,891

7. RELATED-PARTY TRANSACTIONS

Leases

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

Among other provisions, the leases require that UEI:

- (1) Operate under the general supervision of the California State University system.
- (2) Use its net assets and residual amounts only for operations of UEI and for the benefit of the University, faculty, and students.

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 University Union.

As of June 30, 2019 and 2018, operating expenses included rent expense of \$6,133,134 and \$6,251,476, respectively.

University Enterprises, Inc.

NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

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

Lease income from all related parties for the years ended June 30, 2019 and 2018, was \$6,872,658 and \$6,970,846, respectively.

Notes Receivable

Notes receivable consisted primarily of: a) an existing loan made to the Alumni Center for construction costs of the Alumni Center building, b) a loan made to Sacramento State Housing in 2016 for the residence hall dining area renovation project, and c) a loan made to Sacramento State in 2018 for tenant improvements of classrooms and offices located at 304 S Street. Outstanding loans receivable as of June 30, 2019 and 2018, were \$2,281,750 and \$2,755,992, respectively. Interest earned on the loans as of June 30, 2019 and 2018, was \$82,974 and \$8,854, respectively. The loan to the Alumni Center for construction costs of the Alumni Center building was paid off in full in October 2018.

Other

Reimbursements to the University for salaries of University personnel working on contracts, grants, and other programs (including faculty release time) amounted to \$2,660,042 and \$2,402,324 for the fiscal years ended June 30, 2019 and 2018, respectively.

Reimbursements to the University for items other than salaries of University personnel amounted to \$4,291,398 and \$3,277,552 for the years ended June 30, 2019 and 2018, respectively.

Payments received from the University for services, space, and programs amounted to \$11,840,865 and \$13,750,791 for the years ended June 30, 2019 and 2018, respectively.

Capital purchases made from grant funds that were transferred to the University amounted to \$226,293 and \$779,430 for the years ended June 30, 2019 and 2018, respectively.

Amounts payable to the University (including faculty release time) were \$667,988 and \$825,528 as of June 30, 2019 and 2018, respectively.

Amounts payable to University Union, another auxiliary of the University, as of June 30, 2019 and 2018, were \$134,158 and \$3,555.

Amounts receivable from the University amounted to \$521,826 and \$537,628 as of June 30, 2019 and 2018, respectively.

University Enterprises, Inc.

NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

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 \$8,262,960 and \$7,810,699 for the years ended June 30, 2019 and 2018, respectively. Amounts that had not yet been remitted to UEI as of June 30, 2019 and 2018, were \$15,695 and \$34,579, respectively.

Grant and contract expenses include faculty release time of \$467,495 and \$489,675 for the fiscal years ended June 30, 2019 and 2018, respectively.

Amounts receivable at June 30, 2019 and 2018, from the University Union, another University auxiliary organization, were \$547,053 and \$417,349, respectively. The receivable balance is primarily related to reimbursements to UEI for payroll processing.

Amounts receivable at June 30, 2019 and 2018, from Associated Students, Inc., another University auxiliary organization, for catering services were \$13,725 and \$14,959, 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.

An agreement between UEI and the Foundation for the former to provide accounting services began on January 1, 2007, had been renewed periodically, and ended on September 30, 2018. The fee for accounting services for 2019 and 2018 was \$72,500 and \$237,500, respectively. No amounts were due to UEI from the Foundation for fiscal year ended June 30, 2019 and 2018, respectively.

Contributions to the University

UEI made several contributions to the University in support of various campus functions in the amount of \$645,507 for the year ended June 30, 2019. These contributions included \$33,042 for events and activities, and \$612,465 for faculty grants and University marketing.

University Enterprises, Inc.

NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

8. OPERATING LEASES

In 2004, UEI, as the lessor, entered into an operating lease agreement with the 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 CSU Chancellor's Office 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 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 2019, at an annual rent of \$231,458. The lease may be terminated at any time by either party upon 30 days' written notice.

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

In 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 are on a month-to-month basis and the other tenant has the lease through April 30, 2022.

University Enterprises, Inc.
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

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

Years Ending June 30	
2020	\$ 5,468,297
2021	4,882,551
2022	4,609,376
2023	1,836,220
2024	1,716,185
Total	\$ 18,512,629

Rental income from all operating leases was \$6,490,273 and \$6,656,853 for the fiscal years ended June 30, 2019 and 2018, 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.

University Enterprises, Inc.
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

Employees Covered

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

June 30, 2019

Inactive employees or beneficiaries currently receiving benefits	165
Active employees	177
Total	342

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, 2018 (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, 2019, employees covered by Social Security and hired on or before January 1, 2013, contributed 4.923% 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, 2018, using an annual actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, using standard update procedures. The June 30, 2017, and the June 30, 2018, 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, 2017, actuarial valuations were determined using the following actuarial assumptions:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Actuarial cost method	Entry-age normal cost method
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Postretirement benefit increase	2.00%

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" that 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 pension fund (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.

University Enterprises, Inc.
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

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.

Asset Class	Target	Rate of Return	
	Allocation	Years 1-10*	Years 11+**
Global equity	50.0%	4.80%	5.98%
Global fixed income	28.0%	1.00%	2.62%
Inflation sensitive	0.0%	0.77%	1.81%
Private equity	8.0%	6.30%	7.23%
Real estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	100%		

* An expected inflation of 2% 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:

Year Ended June 30, 2019	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance - June 30, 2017 (Valuation Date)	\$ 63,407,236	\$ 48,232,179	\$ 15,175,057
Changes Recognized for the Measurement Period			
Service cost	1,538,578	-	1,538,578
Interest on the total pension liability	4,584,168	-	4,584,168
Changes of benefit terms	-	-	-
Changes of assumptions	(533,551)		(533,551)
Differences between expected and actual experience	1,801,856	-	1,801,856
Net Plan to Plan resource movement		(119)	119
Contributions - employer	-	1,572,662	(1,572,662)
Contributions - employee	-	547,334	(547,334)
Net investment income	-	4,024,325	(4,024,325)
Benefit payments, including refunds of employee contributions	(2,661,175)	(2,661,175)	
Administrative expenses	-	(75,159)	75,159
Other miscellaneous income (expense)		(142,728)	142,728
Net Changes During 2018-19	4,729,876	3,265,140	1,464,736
Balance - June 30, 2018 (Measurement Date)	\$ 68,137,112	\$ 51,497,319	\$ 16,639,793

University Enterprises, Inc.

NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

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:

June 30, 2019	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Net pension liability	\$ 25,990,159	\$ 16,639,793	\$ 8,903,966

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, 2019, UEI recognized pension expense of \$4,566,281. At June 30, 2019, UEI reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Resources	Deferred Inflows Resources
Differences between expected and actual experience	\$ 1,221,388	\$ -
Changes of assumptions	950,882	(342,997)
Net difference between projected and actual earnings on pension plan investments	191,880	-
UEI contributions subsequent to the measurement date	1,990,512	-
Total	\$ 4,354,662	\$ (342,997)

University Enterprises, Inc.

NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

An amount of \$1,990,512 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

Years Ending June 30	
2020	\$ 2,090,843
2021	519,994
2022	(467,746)
2023	(121,938)
2024	-
Total	\$ 2,021,153

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 are 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, 2019 and 2018, were \$391,306 and \$341,259, 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 Project 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 Project Employees, subject to certain limitations. Total contributions for the years ended June 30, 2019 and 2018, to the two plans were \$143,080 and \$150,554, 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.

University Enterprises, Inc.
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

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:

June 30, 2019

Inactive plan members or beneficiaries currently receiving benefit payments	93
Active plan members	172
Total	265

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, 2019 and 2018, UEI contributed \$375,033 and \$341,138, 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, 2018, using an annual actuarial valuation as of June 30, 2018.

University Enterprises, Inc.
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions

The total OPEB liability for the year ended June 30, 2019, 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:

Valuation date	June 30, 2018
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return	7.00% ⁽¹⁾
Salary increases	3.25%
Consumer price inflation	2.00%
Healthcare cost trend rate - pre-65	6.85% ⁽²⁾
Healthcare cost trend rate - post-65	5.00% ⁽³⁾

(1) Net of investment expenses, but gross of administrative expenses.

(2) For fiscal year 2019, decreasing .25 percent annually to an ultimate rate of 5.73% in fiscal year 2031.

(3) For fiscal year 2019, decreasing .25 percent annually to an ultimate rate of 5.00% in fiscal year 2020 and beyond.

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, 2018, 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 study. There were no other changes to the assumptions since the last measurement date.

Long-Term Expected Rates of Return

As of June 30, 2018, the long-term expected rates of return for each major investment class in the OPEB Plan's portfolio are as follows:

Investment Class	Target Allocation	Long-Term Expected Real Rate of Return ⁽¹⁾
Equity	54.00%	6.78%
REITs	6.00%	5.30%
Fixed income	40.00%	2.60%

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

University Enterprises, Inc.

NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

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 20+ years as provided by Morgan Stanley Wealth Management. The Strategic return is based on a seven-year time horizon while the Secular return is based on a 20-year-plus time horizon. Investment expenses were assumed to be 25 basis points per year. 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.

June 30	2017	2018
Discount rate	7.00%	7.00%
Bond Buyer 20-Bond GO Index	3.58%	3.87%

University Enterprises, Inc.
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

Changes in the Net OPEB Liability

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

Year Ended June 30, 2019

Total OPEB Liability	
Service cost	\$ 431,348
Interest	1,088,011
Difference between expected and actual experience	(519,985)
Changes of assumptions	(1,049,367)
Benefit payments - including refunds of employee contributions	(303,941)
Net Change in Total OPEB Liability	(353,934)
Total OPEB Liability - Beginning	15,261,067
Total OPEB Liability - Ending (a)	14,907,133
Plan Fiduciary Net Position	
Contributions - employer	723,725
Net investment income	264,963
Benefit payments - including refunds of employee contributions	(303,941)
Administrative expense	(8,083)
Net Change in Plan Fiduciary Net Position	676,664
Plan Fiduciary Net Position - Beginning	3,889,885
Plan Fiduciary Net Position - Ending (b)	4,566,549
Plan Net OPEB Liability - Ending ((a) - (b))	\$ 10,340,584
Plan fiduciary net position as a percentage of the total OPEB liability	30.63%
Covered-employee payroll	\$ 10,453,801
UEI's net OPEB liability as a percentage of covered-employee payroll	98.92%

University Enterprises, Inc.

NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

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 was calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

June 30, 2019	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB liability	\$ 12,706,420	\$ 10,340,584	\$ 8,429,523

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 6.85%, as well as UEI's net OPEB liability if it was calculated using a healthcare trend rate that is one percentage point lower (5.85%) or one percentage point higher (7.85%) than the current rate:

June 30, 2019	1% Decrease (5.85%)	Health Cost Trend Rates (6.85%)	1% Increase (7.85%)
Net OPEB liability	\$ 8,281,740	\$ 10,340,584	\$ 12,926,940

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 CSU auxiliaries, 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 2019 and 2018, UEI funded VEBA with deposits of \$50,000 and \$419,784, 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. They make 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, 2019, the total market values of the VEBA trust accounts and UEI's VEBA account were \$72,711,873 and \$4,816,547, 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.

University Enterprises, Inc.

NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2019, UEI recognized OPEB expense of \$1,223,925. At June 30, 2019, UEI reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows Resources	Deferred Inflows Resources
Difference between expected and actual experience	\$ -	\$ 560,041
Net difference between projected and actual earnings on OPEB Plan investments	17,196	45,688
Change in assumptions	914,762	955,076
UEI contributions subsequent to the measurement date	425,033	
Total	\$ 1,356,991	\$ 1,560,805

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

Years Ending June 30	
2020	\$ 370,775
2021	(54,258)
2022	(54,259)
2023	(39,029)
2024	(43,328)
Thereafter	(383,715)
Total	\$ (203,814)

12. CONTINGENT LIABILITIES

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

University Enterprises, Inc.

NOTES TO THE BASIC FINANCIAL STATEMENTS

(Continued)

13. HORNET COMMONS

UEI entered into a ground lease with GEDR Sacramento LLC (“Greystar”), a subsidiary of Greystar real estate partners, for approximately 13 acres of real property adjacent to the Sacramento State campus. The ground lease has an effective date of June 5, 2019, and expires on June 30, 2104, for a total term of 85 years. Pursuant to the ground lease, Greystar will lease the property, known as Hornet Commons (formerly the McAuliffe Ballfields) from UEI for the purpose of constructing and operating (at Greystar’s cost and expense) a student housing complex comprised of six separate buildings having a total of 1,100 beds. During the term of the ground lease, Greystar will own the real estate improvements. However, upon expiration of the ground lease, title to all such improvements shall pass to UEI. Greystar is funding the construction of Hornet Commons with 100% of its own equity and no debt.

On June 5, 2019, UEI finalized the acquisition of the Hornet Commons site from the City of Sacramento which was the location of the McAuliffe ballfield. The site was acquired at a total cost of \$2,304,940 with funds transferred from Greystar per agreement. Greystar also covered \$5,000,000 of the cost to build a replacement ballpark at the Army Depot Park in Sacramento, as well as \$3,000,000 in general reimbursable costs and \$171,204 in CEQA expenses. UEI is responsible for any excess costs. The total amount funded by Greystar was \$10,671,204. UEI does not have any ongoing responsibility for the replacement ballpark other than potential warranty expense. At June 30, 2019, UEI’s accumulated net share of the development costs totaled \$1,077,837 and is projected to increase to approximately \$2.15 million upon completion of the replacement ballpark.

Hornet Commons is scheduled to open by August 2021. Greystar will pay UEI 7.25% of Greystar’s gross revenue from its operation of Hornet Commons each year. Current projections are for \$361,000,000 in cumulative ground rent over the term of the lease, with a present value of \$38,500,000, assuming a 5.00% discount rate. Rent to UEI in the first year of operations is projected to be approximately \$965,000.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

University Enterprises, Inc.

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

Year Ended June 30	2019	2018
Total OPEB Liability		
Service cost	\$ 431,348	\$ 410,808
Interest	1,088,011	1,005,208
Difference between expected and actual experience	(519,985)	(107,255)
Changes of assumptions	(1,049,367)	1,130,610
Benefit payments - including refunds of employee contributions	(303,941)	(334,500)
Net Change in Total OPEB Liability	(353,934)	2,104,871
Total OPEB Liability - Beginning	15,261,067	13,156,194
Total OPEB Liability - Ending (a)	14,907,133	15,261,065
Plan Fiduciary Net Position		
Contributions - employer	723,725	941,398
Net investment income	264,963	321,182
Benefit payments - including refunds of employee contributions	(303,941)	(334,498)
Administrative expense	(8,083)	(14,492)
Net Change in Plan Fiduciary Net Position	676,664	913,590
Plan Fiduciary Net Position - Beginning	3,889,885	2,976,295
Plan Fiduciary Net Position - Ending (b)	4,566,549	3,889,885
Plan Net OPEB Liability - Ending ((a) - (b))	\$ 10,340,584	\$ 11,371,180
Plan fiduciary net position as a percentage of the total OPEB liability	30.63%	25.49%
Covered-employee payroll	\$ 10,453,801	\$ 9,747,560
UEI's net OPEB liability as a percentage of covered-employee payroll	98.92%	116.66%

See the accompanying notes to the required supplementary information.

University Enterprises, Inc.
SCHEDULE OF OPEB CONTRIBUTIONS

Year Ended June 30	2019	2018
Actuarially determined contribution	\$ 1,504,707	\$ 1,240,967
Contributions in relation to the actuarially determined contribution	(760,922)	(941,398)
Contribution Deficiency (Excess)	\$ 743,785	\$ 299,569
UEI's covered-employee payroll	\$ 10,453,801	\$ 9,747,560
Contributions as a percentage of covered-employee payroll	14.39%	12.73%

See the accompanying notes to the required supplementary information.

University Enterprises, Inc.
SCHEDULE OF INVESTMENT RETURNS

Year Ended June 30	2019	2018
Annual money-weighted rate of return - net of investment expense	7.23%	10.06%

See the accompanying notes to the required supplementary information.

University Enterprises, Inc.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Years Ended June 30	2019	2018	2017	2016	2015
Total Pension Liability					
Service cost	\$ 1,538,578	\$ 1,447,878	\$ 1,254,714	\$ 1,178,751	\$ 1,234,505
Interest	4,584,168	4,262,581	4,023,614	3,721,102	3,551,362
Difference between expected and actual experience	1,801,856	243,200	1,060,447	(676,004)	-
Changes of assumptions	(533,551)	3,667,686	-	(951,423)	-
Benefit payments, including refunds of employee contributions	(2,661,175)	(2,391,583)	(2,139,513)	(1,948,240)	(1,732,144)
Net Change in Total Pension Liability	4,729,876	7,229,762	4,199,262	1,324,186	3,053,723
Total Pension Liability - Beginning	63,407,236	56,177,474	51,978,212	50,654,026	47,600,303
Total Pension Liability - Ending (a)	68,137,112	63,407,236	56,177,474	51,978,212	50,654,026
Plan Fiduciary Net Position					
Contributions - employer	1,572,662	1,463,055	1,306,292	1,138,919	1,049,130
Contributions - employee	547,334	567,162	458,194	507,833	389,490
Net investment income	4,024,325	4,843,165	219,523	969,467	6,466,390
Benefit payments, including refunds of employee contributions	(2,661,175)	(2,391,583)	(2,139,513)	(1,948,240)	(1,732,144)
Other changes in fiduciary net position	(218,006)	(64,690)	(26,814)	(49,508)	-
Net Change in Fiduciary Net Position	3,265,140	4,417,109	(182,318)	618,471	6,172,866
Plan Fiduciary Net Position - Beginning	48,232,179	43,815,070	43,997,388	43,378,917	37,206,051
Plan Fiduciary Net Position - Ending (b)	51,497,319	48,232,179	43,815,070	43,997,388	43,378,917
Plan Net Pension Liability - Ending ((a) - (b))	\$ 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	75.58%	76.07%	77.99%	84.65%	85.64%
Covered-employee payroll	\$ 10,172,417	\$ 9,470,680	\$ 9,188,677	\$ 8,477,787	\$ 8,515,005
Plan net pension liability as a percentage of covered-employee payroll	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**

Years Ended June 30	2019	2018	2017	2016	2015
Actuarially-determined contribution	\$ 1,572,662	\$ 1,463,055	\$ 1,306,292	\$ 1,138,919	\$ 1,049,130
Contributions in relation to the actuarially-determined contribution	(1,572,662)	(1,463,055)	(1,306,292)	(1,138,919)	(1,049,130)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 10,172,417	\$ 9,470,680	\$ 9,188,677	\$ 8,477,787	\$ 8,515,005
Contributions as a percentage of covered employee payroll	15.46%	15.45%	14.22%	13.43%	12.32%

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, 2019

Valuation date*

Methods and Assumptions Used to Determine Contribution Rates

Actuarial cost method	Entry-age normal cost method
Amortization method	Level percent of payroll
Remaining amortization period	15 years as of valuation date
Asset valuation method	15-year smoothed market
Inflation	2.75%
Payroll growth	3.00%
Investment rate of return	7.50% - net of investment and administrative expenses
Retirement age	(1)
Mortality	(2)

* The actuarial methods and assumptions used to set the actuarially-determined contributions for Fiscal Year 2017-18 were from June 30, 2015, 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, 2019
(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 2,785,650
Short-term investments	3,696,713
Accounts receivable, net	23,784,781
Capital lease receivable, current portion	782,650
Notes receivable, current portion	321,000
Pledges receivable, net	-
Prepaid expenses and other current assets	1,016,109
Total current assets	<u>32,386,903</u>
Noncurrent assets:	
Restricted cash and cash equivalents	3,733,732
Accounts receivable, net	-
Capital lease receivable, net of current portion	39,948,598
Notes receivable, net of current portion	1,960,750
Student loans receivable, net	-
Pledges receivable, net	-
Endowment investments	-
Other long-term investments	15,435,741
Capital assets, net	56,390,398
Other assets	-
Total noncurrent assets	<u>117,469,219</u>
Total assets	<u>149,856,122</u>
Deferred outflows of resources:	
Unamortized loss on debt refunding	530,839
Net pension liability	4,354,662
Net OPEB liability	1,356,991
Others	-
Total deferred outflows of resources	<u>6,242,492</u>
Liabilities:	
Current liabilities:	
Accounts payable	7,316,414
Accrued salaries and benefits	3,524,180
Accrued compensated absences, current portion	1,396,503
Unearned revenues	458,763
Capital lease obligations, current portion	495,000
Long-term debt obligations, current portion	2,085,000
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	1,160,190
Total current liabilities	<u>16,436,050</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	-
Unearned revenues	-
Grants refundable	4,038,266
Capital lease obligations, net of current portion	14,622,246
Long-term debt obligations, net of current portion	54,287,243
Claims liability for losses and loss adjustment expenses, net of current portion	-
Depository accounts	-
Net other postemployment benefits liability	10,340,584
Net pension liability	16,639,793
Other liabilities	1,245,881
Total noncurrent liabilities	<u>101,174,013</u>
Total liabilities	<u>117,610,063</u>
Deferred inflows of resources:	
Service concession arrangements	-
Net pension liability	342,997
Net OPEB liability	1,560,805
Unamortized gain on debt refunding	39,145
Nonexchange transactions	-
Others	-
Total deferred inflows of resources	<u>1,942,947</u>
Net Position:	
Net investment in capital assets	25,632,150
Restricted for:	
Nonexpendable – endowments	-
Expendable:	
Scholarships and fellowships	-
Research	-
Loans	-
Capital projects	-
Debt service	3,295,240
Others	438,492
Unrestricted	7,179,722
Total net position	<u>\$ 36,545,604</u>

See accompanying note to the supplementary schedules.

University Enterprises, Inc.

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2019

(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		14,516,880
State		30,259,431
Local		2,529,287
Nongovernmental		3,282,840
Sales and services of educational activities		14,997,091
Sales and services of auxiliary enterprises, gross		38,692,859
Scholarship allowances (enter as negative)		-
Other operating revenues		-
Total operating revenues		104,278,388

Expenses:

Operating expenses:

Instruction		8,680,864
Research		17,450,539
Public service		29,260,312
Academic support		3,228,968
Student services		527,727
Institutional support		37,705,802
Operation and maintenance of plant		3,981,222
Student grants and scholarships		174,578
Auxiliary enterprise expenses		-
Depreciation and amortization		3,029,541
Total operating expenses		104,039,553
Operating income (loss)		238,835

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		472,140
Endowment income (loss), net		-
Interest expense		(3,331,644)
Other nonoperating revenues (expenses) - excl. interagency transfers		228,797
Other nonoperating revenues (expenses) - interagency transfers		-
Net nonoperating revenues (expenses)		(2,630,707)
Income (loss) before other revenues (expenses)		(2,391,872)

State appropriations, capital

Grants and gifts, capital		-
Additions (reductions) to permanent endowments		-
Increase (decrease) in net position		(2,391,872)

Net position:

Net position at beginning of year, as previously reported		38,937,476
Restatements		-
Net position at beginning of year, as restated		38,937,476
Net position at end of year	\$	36,545,604

See accompanying note to the supplementary schedules.

University Enterprises, Inc.
OTHER INFORMATION
June 30, 2019
(for inclusion in the California State University)

1 Cash and cash equivalents:

Portion of restricted cash and cash equivalents related to endowments

All other restricted cash and cash equivalents

Noncurrent restricted cash and cash equivalents

Current cash and cash equivalents

Total

	\$ -
	3,733,732
	\$ 3,733,732

2.1 Composition of investments:

	Current	Noncurrent	Total
Money market funds	\$ -	\$ -	\$ -
Repurchase agreements	-	-	-
Certificates of deposit	-	-	-
U.S. agency securities	-	-	-
U.S. treasury securities	-	-	-
Municipal bonds	-	-	-
Corporate bonds	-	154,315	154,315
Asset backed securities	-	-	-
Mortgage backed securities	-	-	-
Commercial paper	-	-	-
Mutual funds	-	5,293,572	5,293,572
Exchange traded funds	-	9,589,676	9,589,676
Equity securities	-	398,178	398,178
Alternative investments:			
Private equity (including limited partnerships)	-	-	-
Hedge funds	-	-	-
Managed futures	-	-	-
Real estate investments (including REITs)	-	-	-
Commodities	-	-	-
Derivatives	-	-	-
Other alternative investment types	-	-	-
Other external investment pools (excluding SWIFT)	-	-	-
Other investments	-	-	-
State of California Local Agency Investment Fund (LAIF)	3,696,713	-	3,696,713
State of California Surplus Money Investment Fund (SMIF)	-	-	-
Total investments	3,696,713	15,435,741	19,132,454
Less endowment investments (enter as negative number)	-	-	-
Total investments, net of endowments	\$ 3,696,713	\$ 15,435,741	\$ 19,132,454

See accompanying note to the supplementary schedules.

University Enterprises, Inc.
OTHER INFORMATION
June 30, 2019
(for inclusion in the California State University)

2.2 Fair value hierarchy in investments:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Money market funds	\$ -	\$ -	\$ -	\$ -	-
Repurchase agreements	-	-	-	-	-
Certificates of deposit	-	-	-	-	-
U.S. agency securities	-	-	-	-	-
U.S. treasury securities	-	-	-	-	-
Municipal bonds	-	-	-	-	-
Corporate bonds	154,315	-	154,315	-	-
Asset backed securities	-	-	-	-	-
Mortgage backed securities	-	-	-	-	-
Commercial paper	-	-	-	-	-
Mutual funds	5,293,572	5,293,572	-	-	-
Exchange traded funds	9,589,676	9,589,676	-	-	-
Equity securities	398,178	398,178	-	-	-
Alternative investments:					
Private equity (including limited partnerships)	-	-	-	-	-
Hedge funds	-	-	-	-	-
Managed futures	-	-	-	-	-
Real estate investments (including REITs)	-	-	-	-	-
Commodities	-	-	-	-	-
Derivatives	-	-	-	-	-
Other alternative investment types	-	-	-	-	-
Other external investment pools (excluding SWIFT)	-	-	-	-	-
Other investments	-	-	-	-	-
State of California Local Agency Investment Fund (LAIF)	3,696,713	-	3,696,713	-	-
State of California Surplus Money Investment Fund (SMIF)	-	-	-	-	-
Total investments	\$ 19,132,454	\$ 15,281,426	\$ 3,851,028	\$ -	-

2.3 Investments held by the University under contractual agreements:

	Current	Noncurrent	Total
Investments held by the University under contractual agreements (e.g CSU Consolidated SWIFT Inv pool):	\$ -	\$ -	\$ -

See accompanying note to the supplementary schedules.

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3.1 Composition of capital assets:

	Balance June 30, 2018	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2018 (Restated)	Additions	Retirements	Transfer of completed CWIP	Balance June 30, 2019
Non-depreciable/Non-amortizable capital assets:									
Land and land improvements	\$ 4,171,290	\$ -	\$ -	\$ -	\$ 4,171,290	\$ 3,510,921	\$ -	\$ -	\$ 7,682,211
Works of art and historical treasures	-	-	-	-	-	-	-	-	-
Construction work in progress (CWIP)	1,652,253	-	-	-	1,652,253	379,553	(1,628,856)	402,950	-
Intangible assets:									
Rights and easements	-	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-	-
Intangible assets in progress (PWIP)	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-	-
Total non-depreciable/non-amortizable capital assets	5,823,543	-	-	-	5,823,543	3,890,474	-	(1,628,856)	8,085,161
Depreciable/Amortizable capital assets:									
Buildings and building improvements	53,268,328	-	-	-	53,268,328	1,863,896	-	1,496,458	56,628,682
Improvements, other than buildings	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-
Leasehold improvements	15,701,100	-	-	-	15,701,100	1,172,348	-	132,398	17,005,846
Personal property:									
Equipment	9,317,662	-	-	-	9,317,662	726,579	(126,447)	-	9,917,794
Library books and materials	-	-	-	-	-	-	-	-	-
Intangible assets:									
Software and websites	-	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-	-
Total depreciable/amortizable capital assets	78,287,090	-	-	-	78,287,090	3,762,823	(126,447)	1,628,856	83,552,322
Total capital assets	84,110,633	-	-	-	84,110,633	7,653,297	(126,447)	-	91,637,483
Less accumulated depreciation/amortization: (enter as negative number, except for reductions enter as positive number)									
Buildings and building improvements	(20,158,212)	-	-	-	(20,158,212)	(1,620,613)	-	-	(21,778,825)
Improvements, other than buildings	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-
Leasehold improvements	(6,118,991)	-	-	-	(6,118,991)	(875,278)	-	-	(6,994,269)
Personal property:									
Equipment	(6,064,247)	-	-	-	(6,064,247)	(533,650)	123,906	-	(6,473,991)
Library books and materials	-	-	-	-	-	-	-	-	-
Intangible assets:									
Software and websites	-	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-	-
Total accumulated depreciation/amortization	(32,341,450)	-	-	-	(32,341,450)	(3,029,541)	123,906	-	(35,247,085)
Total capital assets, net	\$ 51,769,183	\$ -	\$ -	\$ -	\$ 51,769,183	\$ 4,623,756	\$ (2,541)	\$ -	\$ 56,390,398
3.2 Detail of depreciation and amortization expense:									
Depreciation and amortization expense related to capital assets	\$ 3,029,541	-	-	-	-	-	-	-	-
Amortization expense related to other assets	-	-	-	-	-	-	-	-	-
Total depreciation and amortization	\$ 3,029,541	-	-	-	-	-	-	-	-

See accompanying note to the supplementary schedules.

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4 Long-term liabilities:

	Balance June 30, 2018	Prior Period Adjustments/Reclassi- fications	Balance June 30, 2018 (Restated)	Additions	Reductions	Balance June 30, 2019	Current Portion	Noncurrent Portion
1. Accrued compensated absences	\$ 1,308,035	\$ -	\$ 1,308,035	712,428	(623,960)	\$ 1,396,503	1,396,503	-
2. Claims liability for losses and loss adjustment expenses	-	-	-	-	-	-	-	-
3. Capital lease obligations:								
Gross balance	14,820,000	-	14,820,000	-	(465,000)	14,355,000	495,000	13,860,000
Unamortized net premium/(discount)	803,791	-	803,791	-	(41,545)	762,246	-	762,246
Total capital lease obligations	15,623,791	-	15,623,791	-	(506,545)	15,117,246	495,000	14,622,246
4. Long-term debt obligations:								
4.1 Auxiliary revenue bonds (non-SRB related)	20,710,000	-	20,710,000	-	(920,000)	19,790,000	970,000	18,820,000
4.2 Commercial paper	-	-	-	-	-	-	-	-
4.3 Notes payable (SRB related)	34,680,000	-	34,680,000	-	(1,060,000)	33,620,000	1,115,000	32,505,000
4.4 Others:								
Note payable	1,676,037	-	1,676,037	-	(1,676,037)	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
Total others	1,676,037	-	1,676,037	-	(1,676,037)	-	-	-
Sub-total long-term debt	57,066,037	-	57,066,037	-	(3,656,037)	53,410,000	2,085,000	51,325,000
4.5 Unamortized net bond premium/(discount)	3,107,917	-	3,107,917	-	(145,674)	2,962,243	-	2,962,243
Total long-term debt obligations	60,173,954	-	60,173,954	-	(3,801,711)	56,372,243	2,085,000	54,287,243
Total long-term liabilities	\$ 77,105,780	\$ -	\$ 77,105,780	\$ 712,428	\$ (4,932,216)	\$ 72,885,992	\$ 3,976,503	\$ 68,909,489

5 Capital lease obligations schedule:

	Capital lease obligations related to SRB			All other capital lease obligations			Total capital lease obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2020	\$ 495,000	\$ 670,876	\$ 1,165,876	\$ -	\$ -	\$ -	\$ 495,000	\$ 670,876	\$ 1,165,876
2021	525,000	642,968	1,167,968	-	-	-	525,000	642,968	1,167,968
2022	550,000	613,607	1,163,607	-	-	-	550,000	613,607	1,163,607
2023	585,000	582,538	1,167,538	-	-	-	585,000	582,538	1,167,538
2024	615,000	549,751	1,164,751	-	-	-	615,000	549,751	1,164,751
2025 - 2029	3,550,000	2,204,065	5,754,065	-	-	-	3,550,000	2,204,065	5,754,065
2030 - 2034	4,050,000	1,376,141	5,426,141	-	-	-	4,050,000	1,376,141	5,426,141
2035 - 2039	3,985,000	349,633	4,334,633	-	-	-	3,985,000	349,633	4,334,633
2040 - 2044	-	-	-	-	-	-	-	-	-
2045 - 2049	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-
Total minimum lease payments	\$ 14,355,000	\$ 6,989,579	\$ 21,344,579	\$ -	\$ -	\$ -	\$ 14,355,000	\$ 6,989,579	\$ 21,344,579
Less: amounts representing interest									(6,989,579)
Present value of future minimum lease payments									14,355,000
Unamortized net premium/(discount)									762,246
Total capital lease obligations									15,117,246
Less: current portion									(495,000)
Capital lease obligations, net of current portion									\$ 14,622,246

See accompanying note to the supplementary schedules.

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6 Long-term debt obligations schedule:

	Auxiliary revenue bonds (non-SRB related)			All other long-term debt obligations			Total long-term debt obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2020	\$ 970,000	\$ 1,028,024	\$ 1,998,024	\$ 1,115,000	\$ 1,619,565	\$ 2,734,565	\$ 2,085,000	\$ 2,647,589	\$ 4,732,589
2021	1,030,000	974,737	2,004,737	1,180,000	1,562,631	2,742,631	2,210,000	2,537,368	4,747,368
2022	1,075,000	917,922	1,992,922	1,110,000	1,507,365	2,617,365	2,185,000	2,425,287	4,610,287
2023	1,140,000	857,577	1,997,577	1,165,000	1,450,831	2,615,831	2,305,000	2,308,408	4,613,408
2024	1,200,000	793,943	1,993,943	1,225,000	1,390,697	2,615,697	2,425,000	2,184,640	4,609,640
2025 - 2029	6,150,000	2,924,324	9,074,324	7,010,000	5,942,136	12,952,136	13,160,000	8,866,460	22,026,460
2030 - 2034	4,065,000	1,646,935	5,711,935	7,960,000	4,109,602	12,069,602	12,025,000	5,756,537	17,781,537
2035 - 2039	4,160,000	410,023	4,570,023	8,210,000	2,097,950	10,307,950	12,370,000	2,507,973	14,877,973
2040 - 2044	-	-	-	4,645,000	317,417	4,962,417	4,645,000	317,417	4,962,417
2045 - 2049	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-
Total minimum payments	\$ 19,790,000	\$ 9,553,485	\$ 29,343,485	\$ 33,620,000	\$ 19,998,194	\$ 53,618,194	\$ 53,410,000	\$ 29,551,679	\$ 82,961,679
Less: amounts representing interest									(29,551,679)
Present value of future minimum payments									53,410,000
Unamortized net premium/(discount)									2,962,243
Total long-term debt obligations									56,372,243
Less: current portion									(2,085,000)
Long-term debt obligations, net of current portion									\$ 54,287,243

7 Transactions with related entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 2,660,042
Payments to University for other than salaries of University personnel	\$ 4,291,398
Payments received from University for services, space, and programs	\$ 11,840,865
Gifts-in-kind to the University from discretely presented component units	\$ -
Gifts (cash or assets) to the University from discretely presented component units	\$ 226,293
Accounts (payable to) University (enter as negative number)	\$ (667,988)
Other amounts (payable to) University (enter as negative number)	\$ -
Accounts receivable from University (enter as positive number)	\$ 521,826
Other amounts receivable from University (enter as positive number)	\$ 15,695

See accompanying note to the supplementary schedules.

University Enterprises, Inc.
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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:

Debit/(Credit)

Transaction #1 Enter transaction description

Transaction #2 Enter transaction description

9 Natural classifications of operating expenses:

	Salaries	Benefits - Other	Benefits - Pension	Benefits - OPEB	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total operating expenses
Instruction	\$ 2,967,777	\$ 347,177	\$ 499,924	\$ 92,513	-	\$ 4,773,473	-	\$ 8,680,864
Research	5,914,711	954,553	472,750	56,169	-	10,052,356	-	17,450,539
Public service	21,015,593	1,804,846	96,065	26,432	-	6,317,376	-	29,260,312
Academic support	790,114	277,972	-	-	-	2,160,882	-	3,228,968
Student services	183,034	42,124	-	-	-	302,569	-	527,727
Institutional support	14,682,761	3,591,950	3,497,542	1,048,811	-	14,884,738	-	37,705,802
Operation and maintenance of plant	209,723	102,449	-	-	-	3,669,050	-	3,981,222
Student grants and scholarships	-	-	-	-	174,578	-	-	174,578
Auxiliary enterprise expenses	-	-	-	-	-	-	-	-
Depreciation and amortization	-	-	-	-	-	-	3,029,541	3,029,541
Total operating expenses	\$ 45,763,713	\$ 7,121,071	\$ 4,566,281	\$ 1,223,925	\$ 174,578	\$ 42,160,444	\$ 3,029,541	\$ 104,039,553

See accompanying note to the supplementary schedules.

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10 Deferred outflows/inflows of resources:

1. Deferred Outflows of Resources

Deferred outflows - unamortized loss on refunding(s)	\$	530,839
Deferred outflows - net pension liability		4,354,662
Deferred outflows - net OPEB liability		1,356,991
Deferred outflows - others:		<u> -</u>

Total deferred outflows - others

Total deferred outflows of resources

-
-
-
-
<u> -</u>
<u>\$ 6,242,492</u>

2. Deferred Inflows of Resources

Deferred inflows - service concession arrangements	\$	-
Deferred inflows - net pension liability		342,997
Deferred inflows - net OPEB liability		1,560,805
Deferred inflows - unamortized gain on debt refunding(s)		39,145
Deferred inflows - nonexchange transactions		<u> -</u>
Deferred inflows - others:		<u> -</u>

Total deferred inflows - others

Total deferred inflows of resources

-
-
-
-
<u> -</u>
<u>\$ 1,942,947</u>

University Enterprises, Inc.

NOTE TO THE SUPPLEMENTARY INFORMATION

BASIS OF PRESENTATION

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