

AGENDA

COMMITTEE ON AUDIT

Meeting: 11:15 a.m., Tuesday, March 23, 2021
Virtually via Teleconference

Adam Day, Chair
Jane W. Carney, Vice Chair
Silas H. Abrego
Jean P. Firstenberg
Jack McGrory
Anna Ortiz-Morfit
Peter J. Taylor

- Consent**
1. Approval of Minutes of the Meeting of January 26, 2021, *Action*
 2. Status Report on Audit and Advisory Services Activities, *Information*
- Discussion**
3. Audited Financial Statements and Single Audit Report, *Information*

**MINUTES OF THE MEETING OF
COMMITTEE ON AUDIT**

**Trustees of the California State University
Office of the Chancellor
Glenn S. Dumke Auditorium*
401 Golden Shore
Long Beach, California**

January 26, 2021

Members Present

Adam Day, Chair
Jane W. Carney, Vice Chair
Silas H. Abrego
Jean P. Firstenberg
Jack McGrory
Anna Ortiz-Morfit
Peter J. Taylor

Lillian Kimbell, Chair of the Board

Trustee Adam Day called the meeting to order.

Approval of Minutes

The minutes of November 17, 2020, were approved as submitted.

Status Report on Audit and Advisory Services Activities

With the concurrence of the committee, Trustee Day presented agenda item 2 as a consent information item.

Trustee Day adjourned the Committee on Audit.

***PLEASE NOTE: Due to the Governor's proclamation of a State of Emergency resulting from the threat of COVID-19, and pursuant to the Governor's Executive Orders N-25-20 and N-29-20 issued on March 12, 2020 and March 17, 2020, respectively, all members of the Board of Trustees may participate in meetings remotely, either by telephonic or video conference means. Out of consideration for the health, safety and well-being of the members of the public and the Chancellor's Office staff, the January 26-27, 2021 meeting of the CSU Board of Trustees was conducted entirely virtually via Zoom teleconference.**

COMMITTEE ON AUDIT

Status Report on Audit and Advisory Services Activities

Presentation By

Vlad Marinescu
Vice Chancellor and Chief Audit Officer
Audit and Advisory Services

Summary

This item provides an update on internal audit activities and initiatives. It also includes both a status report on the 2020-2021 audit plan and follow-up on completed audit assignments. Follow-up on current and past assignments is being conducted on approximately 25 completed campus reviews. Attachment A summarizes the status of audit assignments by campus.

For the 2020-2021 audit plan year, assignments were made to execute individual campus audit plans and conduct financial, operational, compliance, and information technology audits; use continuous auditing techniques and data analytics tools; and provide advisory services and investigation reviews.

AUDITS

Status of In-Process and Completed Audits

Audit and Advisory Services continues to make progress on the 2020-2021 audit plan. Twenty-seven audits have been completed as part of the 2020-2021 audit plan and 20 audits are currently in-process. Completed audit reports are posted on the California State University website at <https://www2.calstate.edu/csu-system/transparency-accountability/audit-reports>.

Audits providing coverage of a broad range of organizational areas are being performed remotely and include some of the following topics: academic personnel, auxiliary organizations, cloud computing, construction, facilities management, faculty assigned time and additional employment, information security, procurement, professional and continuing education, service learning and internships, and sponsored programs - post award. Scheduled reviews may also include campus-specific concerns or follow-up on prior campus issues.

The status of campus progress toward implementing recommendations for completed 2020-2021 audits is included in Attachment A. Prior year audits that have open recommendations are also included in Attachment A and are removed from the report the meeting following all recommendations having shown as completed.

Both campus management and audit management are responsible for tracking the implementation/completion status of audit recommendations contained in campus audit reports. During the audit process, campus management identifies a target estimated completion date for addressing each audit recommendation. Target completion dates are subject to approval by audit management prior to the audit report being finalized. Implementation timelines are reviewed for appropriateness, reasonableness, and timeliness, which also includes evaluating the nature and level of risk and whether any mitigating controls can or should be implemented on an interim basis while audit recommendations are being implemented.

If there are difficulties or unexpected delays in addressing/completing audit recommendations within the agreed upon timeframes, escalation processes for resolution are followed by audit management. Audit management first contacts the campus senior leadership team (president and/or VP/CFO) to resolve any delays. In rare instances in which delays cannot be resolved during discussions between campus and audit management, the chancellor and audit committee chair and/or vice chair may help resolve delays, as needed.

Continuous Auditing and Data Analytics

As discussed in the January audit activity report, Audit and Advisory Services completed 12 campus reviews of credit card data as of December 31, 2020. Subsequent to these reviews, we held meetings with representatives from all 12 campuses to share best practices and to provide an overview of how different campuses are using credit card programs across the CSU. Fieldwork for an additional seven campus reviews of credit card data was completed as of March 5, 2021, and the results are currently being reviewed and aggregated.

Fieldwork has also started for the review of human resources/payroll at two campuses and data validation is currently in progress. An additional review is scheduled to begin in March 2021. Data analytics tests have also been incorporated into three procurement audits that are currently in progress.

ADVISORY SERVICES

Audit and Advisory Services partners with management to identify solutions for business issues, offer opportunities to improve the efficiency and effectiveness of operating areas, and assist with special requests, while ensuring the consideration of related internal control issues. Advisory services are more consultative in nature than traditional audits and are performed in response to requests from campus management. The goal is to enhance awareness of risk, control and compliance issues and to provide a proactive independent review and appraisal of specifically identified concerns. Reviews are ongoing and work is being performed remotely.

INVESTIGATIONS AND INTERGOVERNMENTAL AUDITS

Audit and Advisory Services is periodically called upon to provide investigative reviews, which are often the result of alleged misappropriations or conflicts of interest. Investigations are performed on an ongoing basis, both at the request of an individual campus or the chancellor's office and by referral from the state auditor. Additionally, the investigations unit tracks external audits being conducted by state and federal agencies, acts as a liaison for the system throughout the audit process, and offers assistance to campuses undergoing such audits.

Last year the investigations unit began providing fraud awareness and prevention training throughout the CSU system. The fraud awareness and prevention training program shares insights and common findings from investigations. Investigations often involve allegations related to travel and hospitality claims and procurement card transactions, so the program highlights CSU-specific examples that cover each of those areas and provides practical guidance on how to prevent and detect fraud. Since fall 2020, presentations have been made to 12 campuses and various systemwide affinity groups, and more than 1,100 employees throughout the system have participated in the training program, including presidents, chief administrators, business officers, and campus audit liaisons. In addition, individual campuses can and are in the process of scheduling fraud awareness and prevention training sessions that are custom tailored to various groups on campus such as accounts payable personnel, business and finance analysts, and academic personnel such as department chairs, deans, and provosts.

COMMITTEES/SPECIAL PROJECTS

Members of Audit and Advisory Services serve on various chancellor's office and systemwide committees and affinity groups/workgroups. Audit and Advisory Services also provides consultation to the campuses and assists with performing special projects.

AUDIT SUPPORT

Audit Planning Process and Risk Assessment

The Audit and Advisory Services audit year runs from July 1 to June 30 each year. The annual audit planning process incorporates risk questionnaires and other surveys, management interviews, audit history, and other qualitative and quantitative factors. Periodically, other audit topics may be selected for review due to their high-profile nature in order to assure the board that appropriate policies and procedures are in place to mitigate risk to the system.

Aud.
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March 23, 2021
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Administration

Day-to-day administration of the Audit and Advisory Services division includes such tasks as scheduling, personnel administration, maintenance of department standards and protocols, administration of the department's automated workpaper system and SharePoint website, and department quality assurance and improvement.

Status Report on Current and Past Audit Assignments

Campus	Category	Audit Topic	Audit Plan Year	Total # of Recommendations	*Status
Bakersfield	Audits Currently in Progress	Cloud Computing	2020		
	Status of Recommendations	Housing and Residential Services	2020	5	5
Chancellor's Office	Audits Currently in Progress	Procurement	2020		
	Status of Recommendations	Accessible Technology	2019	7	7
Channel Islands	Status of Recommendations	Faculty Reassigned Time and Additional Employment	2019	4	2 2
		Conference Services	2020	2	2
		Information Security	2020	9	9
Chico	Audits Currently in Progress	Academic Personnel	2020		
Dominguez Hills	Audits Currently in Progress	Post Award Administration	2020		
East Bay	Audits Currently in Progress	Information Security	2020		
Fresno	Audits Currently in Progress	Faculty Assigned Time & Additional Employment	2020		
	Status of Recommendations	Professional and Continuing Education	2020	3	3
Fullerton	Audits Currently in Progress	Faculty Assigned Time & Additional Employment	2020		
	No Reportable Recommendations	Service Learning	2020	n/a	
Humboldt	Audits Currently in Progress	Procurement	2020		
	Status of Recommendations	Facilities Management	2020	6	5 1
		University Center	2020	14	14
Long Beach	Status of Recommendations	Foundation	2020	3	3
	No Reportable Recommendations	Accounts Payable & Disbursements	2020	n/a	
Los Angeles	Audits Currently in Progress	Faculty Assigned Time & Additional Employment	2020		
	Status of Recommendations	Information Security	2020	8	8
Maritime Academy	Audits Currently in Progress	Service Learning and Internships	2020		
	Status of Recommendations	Foundation	2020	8	8
Monterey Bay	Status of Recommendations	Information Security	2020	11	11
		Professional and Continuing Education	2020	2	2
Northridge	Audits Currently in Progress	Service Learning and Internships	2020		
Pomona	Audits Currently in Progress	Procurement	2020		
	Status of Recommendations	Housing and Residential Services	2020	4	1 3
Sacramento	Audits Currently in Progress	Professional and Continuing Education	2020		
	No Reportable Recommendations	Accounts Payable & Disbursements	2020	n/a	

***Status**

Closed (green) - Recommendations have been satisfactorily implemented

Open (blue) - Implementation of recommendations is in progress and within the agreed upon timeframe

Exceeds Agreed Upon Timeframe (red) - Recommendations have not been implemented within the agreed upon timeframe

Report as of March 2, 2021

Status Report on Current and Past Audit Assignments

Campus	Category	Audit Topic	Audit Plan Year	Total # of Recommendations	*Status
San Bernardino	Audits Currently in Progress	Facilities Management	2020		
	Status of Recommendations	Philanthropic Foundation	2020	6	1 (green) 5 (blue)
		Post Award Administration	2020	6	5 (green) 1 (blue)
San Diego	Audits Currently in Progress	Information Security	2020		
	Status of Recommendations	Emergency Management	2020	7	4 (green) 3 (blue)
San Francisco	Audits Currently in Progress	Facilities Management	2020		
	Status of Recommendations	Emergency Management	2019	11	10 (green) 1 (blue)
		Minors on Campus	2020	5	5 (green)
San Jose	Audits Currently in Progress	Construction Management	2020		
		Fundraising and Gift Processing	2020		
	Status of Recommendations	Professional and Continuing Education	2020	5	5 (green)
San Luis Obispo	Audits Currently in Progress	Housing and Residential Services	2020		
		Information Security	2020		
	Status of Recommendations	Associated Students, Inc.	2020	5	5 (blue)
San Marcos	Audits Currently in Progress	Construction Management	2020	6	6 (blue)
		Emergency Management	2020	6	6 (green)
	Status of Recommendations	Accessible Technology	2020	5	5 (green)
Sonoma	No Reportable Recommendations	Travel and Hospitality	2020	n/a	
	Status of Recommendations	Emergency Management	2020	4	4 (green)

***Status**

Closed (green) - Recommendations have been satisfactorily implemented

Open (blue) - Implementation of recommendations is in progress and within the agreed upon timeframe

Exceeds Agreed Upon Timeframe (red) - Recommendations have not been implemented within the agreed upon timeframe

Report as of March 2, 2021

COMMITTEE ON AUDIT

Audited Financial Statements and Single Audit Report

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

Mary Ek
Assistant Vice Chancellor/Controller
Financial Services

Summary

Financial statement audits are performed annually for the California State University (CSU) and for its discretely presented component units (i.e., auxiliary organizations) that separately issue stand-alone audited financial statements, by 15 certified public accounting firms. The CSU systemwide financial statements for fiscal year ended June 30, 2020, included as Attachment A to this item, will be issued with an unmodified opinion on March 30, 2021. The audit finding related to employee census data used in the calculations of other post employment benefits (OPEB) from last year has been fully remediated. Highlights of the systemwide financial statements and significant changes from last year will be presented at the March 2021 Board of Trustees meeting.

The CSU Single Audit Report will be issued on March 30, 2021, and is included as Attachment B to this item. The Single Audit Report covers federal awards received by the CSU, including student financial aid, subject to both compliance and internal control audit procedures as required by the Office of Management and Budget Compliance Supplement and the Uniform Guidance. There were two audit findings related to internal controls over administration of federal financial aid programs at several campuses. Corrective actions are in progress and a status update will be provided at a future Board of Trustees meeting.



CHICO STATE



CSU NORTHRIDGE



SONOMA STATE



CSU SAN BERNARDINO



CAL POLY POMONA



CSU FULLERTON



CSU MONTEREY BAY



SAN FRANCISCO STATE



CAL STATE EAST BAY



CSU BAKERSFIELD

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LETTER FROM THE EXECUTIVE VICE CHANCELLOR, CHIEF FINANCIAL OFFICER



LETTER FROM THE EXECUTIVE VICE CHANCELLOR, CHIEF FINANCIAL OFFICER



The global public health crisis and economic distress of the year 2020 brought unique challenges that we continue to endure as a university, state and nation. Our students, faculty, staff and leaders have risen to meet those challenges through inspired resilience, innovation and flexibility.

Under the bold leadership of recently retired Chancellor Timothy P. White, the CSU took action when the scope and scale of the COVID-19 pandemic became apparent. More than 80,000 classes across our 23 campuses were transitioned to virtual delivery, ensuring the health and safety of students, faculty, staff and the communities we serve, while maintaining our students' progress to degree and providing a full range of support services online. Sixty percent of our total teaching force took part in a quarter million hours of professional development programming to ensure robust, engaging and equitable virtual instruction.

With 475,000 students, 53,000 faculty and staff, and 3.8 million alumni, the California State University is the largest and most diverse four-year public university in the United States. The CSU is also one of the nation's most powerful drivers of social mobility, serving as California's greatest producer of bachelor's degrees and a vital economic engine for our state.

Our continued investment in student success is paying great dividends. Despite a season of upheaval, we celebrated in 2020 the largest graduating class in the history of the CSU. At the same time, we reached historic student-success milestones through Graduation Initiative 2025, the CSU's flagship effort that has led to the highest graduation rates in our university's history – for students from all walks of life. And this past fall, thanks to increased enrollment and record retention, we served our largest student body ever – a testament not only to the high value and demand for a CSU degree, but also to the trust students have in our mission and ability to transform their lives.

The CSU also remains on solid financial footing. Thanks to prudent cost-savings measures and careful financial planning, the CSU enters a multi-year fiscal challenge ready to meet our strategic goals. And we look to continued strong investment by the state – investment that has consistently delivered a strong return by elevating individuals, families and communities, and meeting the state's current and future workforce needs.

Under the leadership of new Chancellor Joseph I. Castro, the CSU will continue unabated our commitment to providing all students the opportunity to earn a high-quality, affordable education, propelling California toward its brightest future.

For California,

A handwritten signature in black ink, appearing to read 'Steve Relyea', written in a cursive style.

Steve Relyea
Executive Vice Chancellor, CFO
The California State University

INDEPENDENT AUDITORS' REPORT





KPMG LLP
Suite 1500
550 South Hope Street
Los Angeles, CA 90071-2629

Independent Auditors' Report

The Board of Trustees
California State University:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the California State University (the University), an agency of the State of California, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements for the year then ended as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 opinions on these financial statements based on our audit. We did not audit the financial statements of 89 of the 91 aggregate discretely presented component units, which represent 95%, 98% and 94%, respectively of the assets, net position and revenues of the aggregate discretely presented component units totals. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the 89 discretely presented component units, is based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of 40 discretely presented component units were not audited in accordance with *Government Auditing Standards*, which represent 32%, 33% and 26%, respectively of the assets, net position and revenues of the aggregate discretely presented component unit totals.

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

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



Opinions

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the aggregate discretely presented component units of the California State University, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 9-30, the schedules of University's proportionate share of the net pension liability and related ratios, and employer contributions related to pension in Schedules 1 and 2, and the schedule of University's total other postemployment benefits liability and related ratios, and employer contributions related to other postemployment benefits in Schedules 3 and 4, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the California State University's basic financial statements. The supplementary information included in Schedules 5 through 7 is presented for purposes of additional analysis and are not a required part of the basic financial statements.

Schedule 5 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedule 5 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Schedules 6 and 7 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2021 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University'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 the University's internal control over financial reporting and compliance.

KPMG LLP

Los Angeles, California
March 19, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS



CALIFORNIA STATE UNIVERSITY
Management's Discussion and Analysis

June 30, 2020

(Unaudited)

The discussion and analysis below provides an overview of the financial position and performance of the California State University (the University) as of and for the year ended June 30, 2020, including 23 campuses and the Office of the Chancellor (collectively referred to as the University), and 91 discretely presented component units. The discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes, which follow this section. Separate financial statements are issued for each of the discretely presented component units and may be obtained from the individual campuses.

The California State University

The University promotes student success through high-quality education that prepares students to become leaders in the changing workforce, making the University a vital economic engine for California.

The University was established under the State of California Education Code as a public university to offer undergraduate and graduate instruction for professional and occupational goals emphasizing a broad liberal arts education. As an agency of the State of California (the State), the University is also included in the State's financial statements. Responsibility for the University is vested in the Trustees of California State University (the Trustees) who, in turn, appoint the Chancellor, who is the chief executive officer of the University, and the University presidents, who are the chief executive officers of the respective campuses.

The discretely presented component units of the University consist of primarily recognized auxiliary organizations. These not-for-profit organizations are separate legal entities created to perform essential functions. These functions are classified into the following categories:

- Student self-governance
- Student body center, union, and recreation center
- Externally supported research and sponsored programs
- Commercial services such as bookstores, food services, housing, or real estate development
- Philanthropic activities

Impact of COVID-19 Global Pandemic

In March 2020, the World Health Organization declared the outbreak of Coronavirus Disease (COVID-19) to be a global pandemic. The University, in order to safeguard the health and well-being of its students, faculty, staff and the communities it serves immediately moved towards primarily online instruction and virtual support. The University has faced increased costs associated with the pandemic and shift to virtual instruction. In addition, self-funded enterprise programs such as student housing, parking, and professional and continuing education are suffering financially.

In order to keep core instructional and student-support functions afloat, and to mitigate negative impacts to faculty and staff, the University has implemented a hiring slowdown, halted travel, and is carefully spending down a portion of reserves that had been prudently saved for economic uncertainty.

In addition, the University has received funding through the Higher Education Emergency Relief Fund (HEERF) authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act enacted into law in April 2020. This made it possible for the University to offer emergency grants for students experiencing financial hardships directly due to the COVID-19 global pandemic. A portion of the funds are also available to cover costs incurred by the University associated with significant changes to the delivery of instruction due to COVID-19 global pandemic. Further, certain

CALIFORNIA STATE UNIVERSITY
Management's Discussion and Analysis

June 30, 2020

(Unaudited)

component units applied for and received a Payroll Protection Program (PPP) loan, a federal program administered by the U.S. Small Business Administration, launched by the U.S. federal government in response to the economic impact of the COVID-19 global pandemic.

The extent to which the COVID-19 global pandemic impacts the operations going forward will depend on numerous evolving factors, which cannot be reliably predicted at this time. The University has and will continue to attempt to minimize negative impacts of the COVID-19 global pandemic.

Financial Statements

The financial statements of the University as of and for the year ended June 30, 2020 have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. For reporting purposes, the University is considered a special-purpose government engaged in business-type activities.

This discussion and analysis is intended to serve as an introduction to the University's basic financial statements: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The financial statements are designed to provide readers with a broad overview of the University's finances from all revenue sources, in a manner similar to the private sector. The University's discretely presented component units are presented in a separate column to enable the reader to distinguish between the University and these separate but related not-for-profit organizations.

Statement of Net Position

The Statement of Net Position is the University's balance sheet. It presents information on all of the University's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these four reported as net position (equity). Assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally reported at book value, except investments, which are reported at fair value. Over time, increases or decreases in net position may serve as a useful indicator of the financial position of the University. The University's net position is classified as net investment in capital assets, restricted or unrestricted.

Changes from one fiscal year to the next in total net position as presented on the Statement of Net Position are based on the activity presented on the Statement of Revenues, Expenses, and Changes in Net Position.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position is the University's income statement. Revenues earned and expenses incurred during the fiscal year on an accrual basis are classified as either operating or nonoperating. This distinction results in operating deficits, as the GASB Statement No. 35 reporting model requires classification of state appropriations, a significant revenue stream to fund current operations, as nonoperating revenue.

CALIFORNIA STATE UNIVERSITY
Management's Discussion and Analysis

June 30, 2020

(Unaudited)

Statement of Cash Flows

The Statement of Cash Flows presents the changes in the University's cash and cash equivalents during the most recent fiscal year. This Statement is prepared using the direct method. The Statement breaks out the sources and uses of the University's cash and cash equivalents into four categories:

- Operating activities
- Noncapital financing activities
- Capital and related financing activities
- Investing activities

The University's routine activities appear in the operating and noncapital financing categories. Noncapital financing activities include borrowing money for purposes other than to acquire, construct, or improve capital assets and repaying those amounts borrowed, including interest. The proceeds from the issuance of Systemwide Revenue Bonds (SRB) that will be passed through to the discretely presented component units for capital purposes are reported as noncapital financing activities.

Capital and related financing sources include debt proceeds, state capital appropriations, capital grants and gifts, proceeds from sale of capital assets, and principal and interest payments received on capital leases. Within the capital and related financing activities, uses of funds consist of acquisition of capital assets, and debt repayments. Sales and purchases of investments are part of investing activities.

The Statement of Cash Flows for the discretely presented component units is not included in the University's financial statements.

CALIFORNIA STATE UNIVERSITY
Management's Discussion and Analysis

June 30, 2020

(Unaudited)

Financial Position

The Statement of Net Position presents the financial position of the University and its discretely presented component units. The major components of the Statement of Net Position include assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. A condensed comparative Statements of Net Position follows as of June 30, 2020 and 2019:

	University		Discretely presented component units	
	2020	2019	2020	2019
	(In thousands)			
Assets:				
Current assets	\$ 4,249,587	4,076,294	1,678,457	1,585,507
Capital assets, net	10,139,549	9,538,377	871,445	912,577
Other noncurrent assets	2,704,609	2,017,426	2,660,458	2,487,979
Total assets	17,093,745	15,632,097	5,210,360	4,986,063
Deferred outflows of resources	2,984,024	2,456,788	36,209	32,520
Liabilities:				
Current liabilities	1,465,131	1,502,157	525,924	493,517
Noncurrent liabilities	31,227,378	28,279,755	1,076,603	1,034,713
Total liabilities	32,692,509	29,781,912	1,602,527	1,528,230
Deferred inflows of resources	2,452,308	2,888,140	59,506	52,189
Net position:				
Net investment in capital assets	3,566,992	3,438,964	329,264	295,177
Restricted:				
Nonexpendable	1,677	1,693	1,414,654	1,336,916
Expendable	178,610	194,812	1,184,530	1,146,945
Unrestricted	(18,814,327)	(18,216,636)	656,088	659,126
Total net position	\$ (15,067,048)	(14,581,167)	3,584,536	3,438,164

The University's net position decreased by \$485.88 million in 2020. The University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in 2018. This change in accounting policy in 2018 was the primary reason for the deficit in the unrestricted net position. Despite the deficit, the University's current ratio, which measures its ability to pay-off short-term obligations, remains positive for both years at an average of 2.81.

CALIFORNIA STATE UNIVERSITY
Management's Discussion and Analysis

June 30, 2020

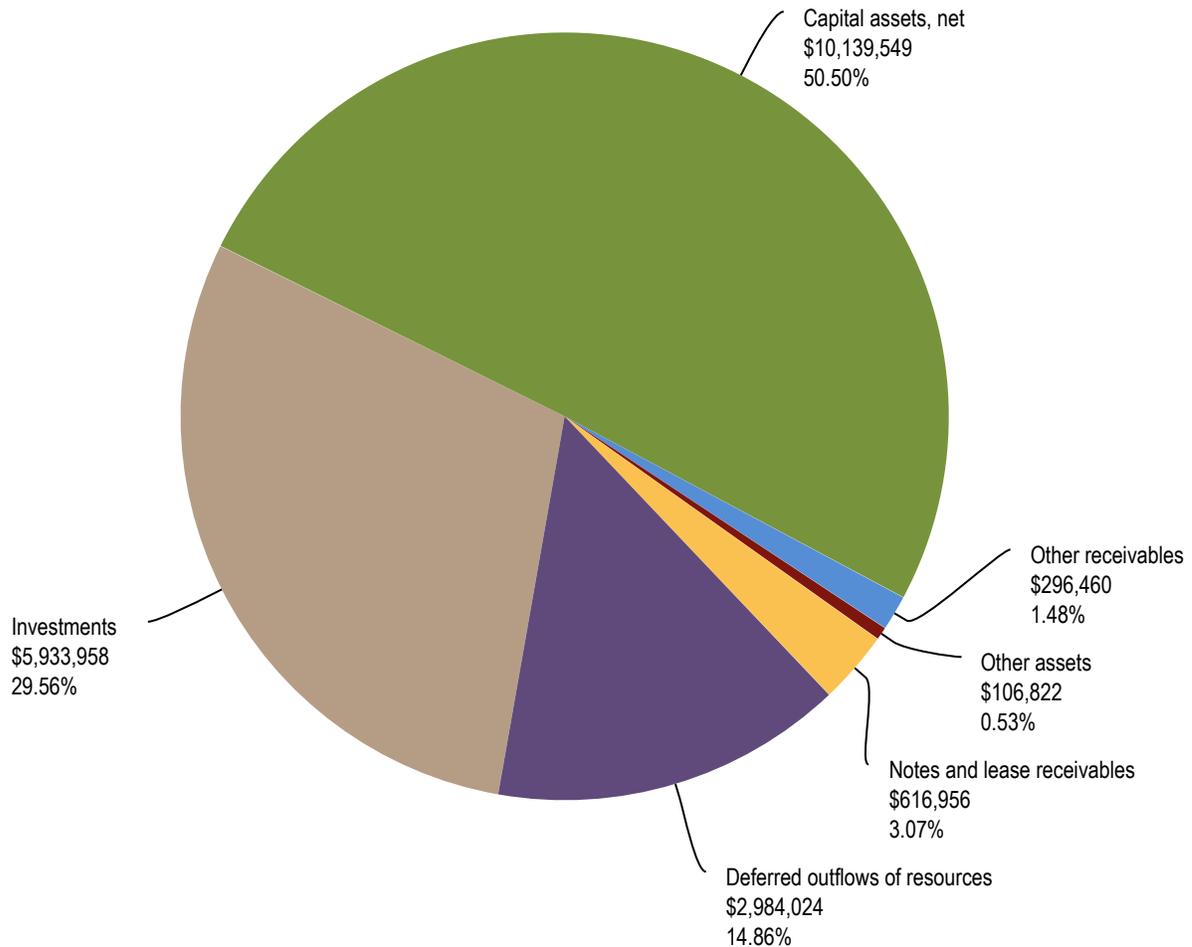
(Unaudited)

The University's Financial Position

Assets and Deferred Outflows of Resources

Total assets increased from \$15.63 billion in 2019 to \$17.09 billion in 2020. Deferred outflows of resources increased from \$2.46 billion in 2019 to \$2.98 billion in 2020.

Assets and Deferred Outflows of Resources
(In thousands)



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Current and other noncurrent assets of the University are assets that are not capital assets and are used to meet current and noncurrent obligations. These assets consist of cash and cash equivalents, restricted cash and cash equivalents, investments, accounts receivable, notes receivable, capital leases receivable, student loans receivable, pledges receivable, prepaid expenses, and other assets.

Capital Assets, Net

The University's capital assets, net of accumulated depreciation and amortization, represents the largest portion of total assets. The University's net capital assets are as follows as of June 30, 2020 and 2019:

	2020	2019
	(In thousands)	
Land and land improvements	\$ 285,802	281,916
Buildings and building improvements	7,349,654	6,861,632
Improvements other than buildings	209,258	213,164
Infrastructure	669,619	658,566
Equipment	219,464	228,913
Library books and materials	30,964	29,578
Works of art and historical treasures	53,581	50,100
Intangible assets	62,135	57,870
Construction work in progress	1,259,072	1,156,638
Total	\$ 10,139,549	9,538,377

The University continues to expand its campuses and renovate existing facilities to meet the needs of its students, faculty, and staff. The capital spending includes constructing and renovating academic buildings, student union and recreation centers, and housing facilities. Major projects in 2020 included the Chico SSKU II Science Replacement, the Dominguez Hills Student Housing Phase III and Innovation and Instruction Building, the Fullerton Parking Structure Eastside 2, the Long Beach Housing Expansion Phase I, the Los Angeles Student Housing Complex E and Physical Science Building Seismic renewal, the Monterey Bay Student Union, the San Bernardino Santos Manuel Student Union Expansion, the San Diego Land Mission Valley, the San Francisco New Creative Arts Center, the San Jose South Campus Multi-level Parking Structure and Sports Field Facility and Interdisciplinary Science Building, the San Luis Obispo Science and Research Building, and the Stanislaus Union Renovation and Expansion.

Investments

The University invests its funds mainly in the Liquidity Portfolio (Systemwide Investment Fund Trust or SWIFT), and the Total Return Portfolio (TRP), collectively referred herein as CSU Consolidated Investment Pool. The purpose of the Liquidity Portfolio is to provide sufficient and immediate liquidity to meet the operating needs of the University. The investment objective for TRP is to achieve prudent return within a moderate risk level. In addition, funds are invested in Surplus Money Investment Fund (SMIF), which is managed and invested by the State Treasurer in a short-term pool. The proceeds from the sale of Systemwide Revenue Bonds (SRB) are held by the State and invested in SMIF, as required by state law. The investment balances are as follows as of June 30, 2020 and 2019:

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	2020	Percentage of total	2019	Percentage of total
	(In thousands)	%	(In thousands)	%
Liquidity Portfolio	\$ 3,398,917	57.28	\$ 3,655,041	72.45
Total Return Portfolio	1,110,236	18.71	559,192	11.08
State's Surplus Money Investment Fund	1,424,805	24.01	830,721	16.47
Total	<u>\$ 5,933,958</u>	<u>100.00</u>	<u>\$ 5,044,954</u>	<u>100.00</u>

Investments increased from \$5.04 billion in 2019 to \$5.93 billion in 2020. Investments increased due to proceeds from issuance of SRB Series 2020A/B, investment gains/earnings, and increase in operating resources provided by the State through noncapital appropriations. This is offset by capital project spending and debt service payments.

Notes Receivable

The University has a program utilizing discretely presented component units to support a broad range of functions. In certain cases, the discretely presented component units are involved in the financing of campus facilities as well as off-campus facilities serving the needs of the campus. These facilities are mostly financed by SRB using either lease or loan arrangements.

In the loan arrangement, facilities are financed or refinanced by a loan of SRB proceeds from the University to the discretely presented component units pursuant to a loan agreement. Under the terms of the loan agreement, in return for the loan from the University, the component unit agrees to acquire, construct and/or maintain the facility and repay the loan to the University. The outstanding loan balance is carried by the University as notes receivable. Notes receivable from discretely presented component units decreased from \$400.38 million in 2019 to \$385.19 million in 2020. The decrease of \$15.19 million is due mainly to current year net collection of \$12.97 million, and refunding of existing loan agreements from \$56.45 million to \$54.23 million.

Deferred Outflows of Resources

Deferred outflows of resources are consumption of assets that are applicable to a future reporting period, which has a positive effect on the net position. Deferred outflows of resources consist of the following transactions:

- *Pension* - Increases in the net pension liability that are not recognized as pension expenses for the reporting period are reported as deferred outflows of resources. This includes the difference between expected and actual experience with regard to economic or demographic factors and changed in assumptions used by an actuary to determine total pension liability; and the University's proportionate share of net pension liability, which are recognized as pension expenses over the average of the expected remaining service lives of participating employees. The employer contributions subsequent to measurement date are recognized as deferred outflows of resources related to pensions and reduction of net pension liability in the following year.
- *Other Postemployment Benefits (OPEB)* - The employer contributions subsequent to measurement date are recognized as deferred outflows of resources and a reduction of total OPEB liability in the following year. This includes changes in the actuarial OPEB assumptions, which are recognized as OPEB expense over the average remaining working lifetime of all participants.

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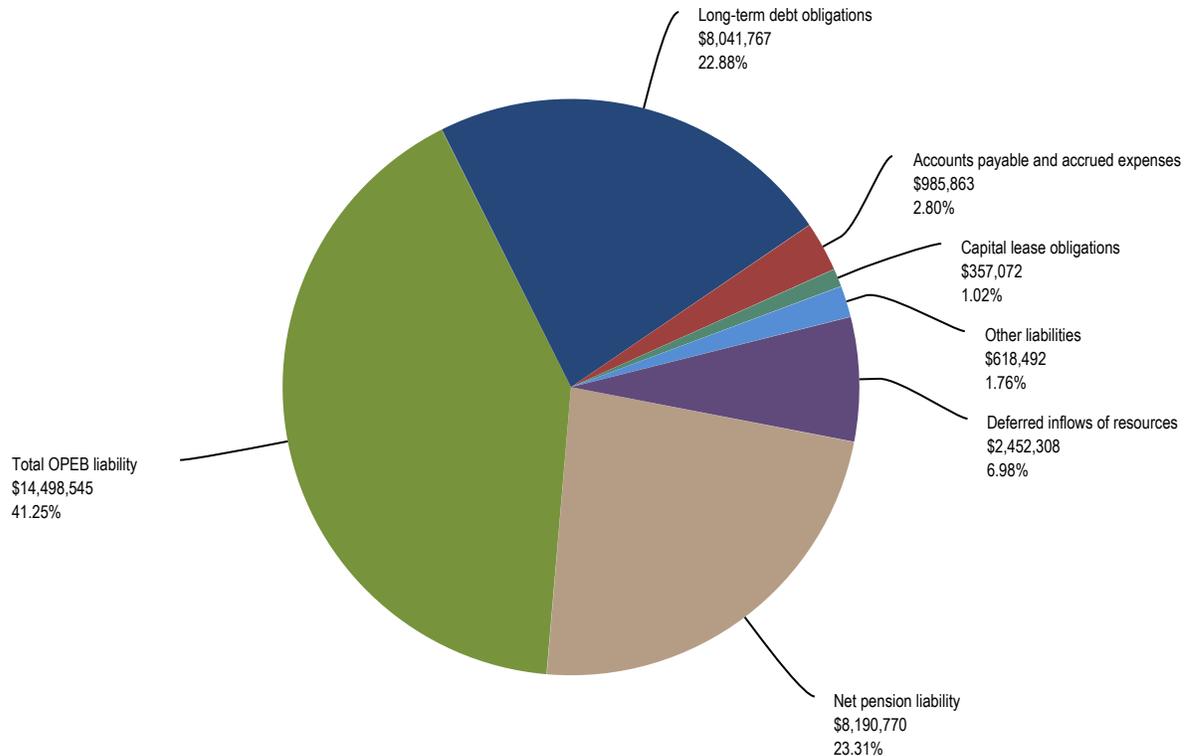
- *Loss on Debt Refunding* - The defeasance of previously outstanding systemwide revenue bonds results in deferring refunding losses. These deferred losses are recognized as a component of interest over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Deferred outflows of resources increased by \$527.23 million from \$2.46 billion in 2019 to \$2.98 billion in 2020. This is mainly due to the increase in deferred outflows of \$751.69 million related to changes in assumptions in determining total OPEB liability. In addition, the deferred outflows related to net pension liability increased by \$328.89 million primarily due to the effect of the difference between expected and actual experience in determining the net pension liability. The employer contributions for OPEB and pension liabilities subsequent to measurement date had a net increase of \$42.13 million and \$82.53 million, respectively. In addition, there was an amortization of \$678 million for deferred outflows of resources related to total OPEB liability, net pension liability and loss on debt refunding.

Liabilities and Deferred Inflows of Resources

Total liabilities of \$32.69 billion represent an increase of \$2.91 billion compared to \$29.78 billion in 2019. Deferred inflows of resources decreased from \$2.89 billion in 2019 to \$2.45 billion in 2020.

Liabilities and Deferred Inflows of Resources
(In thousands)



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Current liabilities (liabilities due within one year) and noncurrent liabilities (liabilities due in more than one year) include major components such as net pension liability, long-term debt obligations, accounts payable and accrued expenses, total OPEB liability, capital lease obligations, and other liabilities.

Total OPEB Liability

The State has a Retiree Health Benefits Program with CalPERS as an agent multiple-employer defined-benefit plan and CalPERS functions as the investment and administrative agent for its members. The University, as a state agency, participates in the State's Retiree Health Benefits Program. The OPEB benefits are funded on a pay-as-you-go basis as eligible participants retire and receive those benefits.

The total OPEB liability increased from \$13.13 billion as of June 30, 2019 to \$14.50 billion as of June 30, 2020. The key factors contributing to this increase include (a) change in the demographic experience wherein more members are retiring, retiring earlier, and living longer than assumed, (b) update on healthcare related assumptions based on the 2014-2018 Experience Review, and (c) lower discount rate from 3.62% to 3.13%. This is offset by (a) favorable healthcare claims experience as average member claim costs were lower than assumed, and (b) change in trend rates.

Net Pension Liability

The State's pension plans with CalPERS are agent multiple-employer defined-benefit pension plans and CalPERS functions as the investment and administrative agent for its members. The University, as a state agency, participates in the State's pension plans. The plans act as cost-sharing, multiple-employer defined-benefit pension plans for the University. The University's share in the net pension liability, which is actuarially determined, is based on its proportionate share in the total pensionable compensation of all the participating state agencies for the measurement period.

The pension liability increased from \$7.73 billion in 2019 to \$8.19 billion in 2020. The \$0.46 billion increase is due mainly to \$2.85 billion additional pension liability which included the impact of service costs, interest and unfavorable experience compared to the expected. The contributions both the by University and its employees of \$1.15 billion and net return on investment of \$1.24 billion reduced the net pension liability in 2020.

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Long-Term Debt Obligations

The University's capital assets are financed using the State's capital appropriations, SRB, leases, and reserves. BANs provide short-term financing for capital assets during the construction period. The University's total long-term debt obligations increased by \$1.09 billion in 2020. The University's long-term debt obligations are summarized as follows as of June 30, 2020 and 2019:

	2020	2019
	(In thousands)	
Systemwide revenue bonds	\$ 7,218,305	6,211,333
Bond anticipation notes	129,119	109,659
Other long-term debt obligations	9,012	10,046
Total	7,356,436	6,331,038
Unamortized net bond premium	685,331	620,431
Total long-term debt obligations	8,041,767	6,951,469
Less current portion	(171,661)	(171,813)
Long-term debt obligations, net of current portion	<u>\$ 7,870,106</u>	<u>6,779,656</u>

- *Systemwide Revenue Bonds*

The University's SRB program issues revenue bonds to finance housing, parking, health centers, student body centers, continuing education facilities, and other special projects related to the educational mission of the University. The following revenues have been pledged as a security for outstanding SRB: student tuition fees, student housing fees, student body center fees, parking fees, health center facility fees, and fees from the professional and continuing education program, as well as payments from various auxiliary organizations and special purpose government entities.

Moody's Investors Service currently provides an intrinsic rating of Aa2, with a stable outlook, for the SRB. Standard & Poor's Ratings Services currently provides an intrinsic rating of AA-, with a stable outlook, for the SRB. All maturities in SRB Series 2007B, and 2007C are insured. Since the middle of fiscal year 2008, some providers of insurance for SRB have been downgraded to ratings below Aaa/AAA. Those bonds that are uninsured bear the intrinsic ratings of the SRB, which are Aa2 from the Moody's Investors Service and AA- from the Standard & Poor's Ratings Services.

The long-term debt obligations related to SRB increased by \$1.01 billion due to issuance of Series 2019 A/B and 2020 A/B with proceeds amounting to \$1.43 billion offset by \$0.42 billion of combined payments and refunding of SRB Series 2010A and 2011A.

- *Bond Anticipation Notes*

BANs are used as short-term financing to acquire and construct capital assets. The BAN payable increased by \$19.46 million from a prior year's ending balance of \$109.66 million, based on additional BANs amounting to \$227.92 million, offset by redemption of \$208.46 million using proceeds from sale of SRB Series 2019 A/B, Series 2020 B and campus revenue.

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- *State General Obligation Bonds*

The State's GO Bond program has provided capital funding for various projects of the University. The debt related to these projects is not allocated to the University by the State and is not recorded in the University's financial statements. The total GO Bonds carried by the State related to University projects decreased from \$2.14 billion in 2019 to \$2.05 billion in 2020. As a result of the enactment of Education Code Section 89770, the University's share continues to decrease as bonds are paid by the State with no new debt issued for capital facilities.

Deferred Inflows of Resources

Deferred inflows of resources decreased by \$0.44 billion from \$2.89 billion in 2019 to \$2.45 billion in 2020. Deferred inflows of resources are mainly related to certain changes in net pension liability and total OPEB liabilities. The decrease is mainly due to the amortization of prior year deferred inflows of resources amounting to \$482.72 million, net of \$63.80 million additions related to favorable healthcare claims experience as member claims cost is lower than assumed.

In 2020, deferred inflows of resources includes a \$3.82 million unamortized gain on debt refunding of SRB Series 2020 A/B. This deferred gains are recognized as an offset to the interest over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Net Position

Net position may serve over time as a useful indicator of the University's financial position. Net position represents the residual interest in the University's assets and deferred outflows of resources after all liabilities and deferred inflows of resources are deducted.

Net position by category is as follows as of June 30, 2020 and 2019:

	2020	2019
	(In thousands)	
Net investment in capital assets	\$ 3,566,992	3,438,964
Restricted:		
Nonexpendable	1,677	1,693
Expendable	178,610	194,812
Unrestricted	(18,814,327)	(18,216,636)
Total net position	\$ (15,067,048)	(14,581,167)

- *Net Investment in Capital Assets*

The net position category "Net investment in capital assets" represents the University's capital assets, net of accumulated depreciation and amortization, and also net of outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets and any related deferred outflows of resources. The net investment in capital assets increased from \$3.44 billion in 2019 to \$3.57 billion in 2020.

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- *Restricted*

Restricted net position has constraints on its use that are either externally imposed by creditors or imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes a government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for specific purposes. Such restrictions are primarily related to endowments, scholarships and fellowships, research, loans, capital projects, and debt service funds. The restricted net position category consists of two subcategories: "Restricted nonexpendable" and "Restricted expendable".

- i. Restricted Nonexpendable

The restricted nonexpendable net position is made up of the permanent endowment funds, the corpus of which may not be expendable. The University's foundations, which are discretely presented component units, hold the significant majority of the University-related endowments.

- ii. Restricted Expendable

Restricted expendable net position represents resources that are subject to external restrictions on how they may be used. Such restrictions are primarily related to scholarships and fellowships, research, loans, capital projects, and debt service funds. The restricted expendable net position decreased due to spending for capital outlay projects and debt service payments.

- *Unrestricted*

The unrestricted net position represents all other net resources available to the University for general and educational obligations. Under U.S. generally accepted accounting principles, net position that is not subject to externally imposed restrictions governing their use must be classified as unrestricted for financial reporting purposes. Although unrestricted net position is not subject to externally imposed restrictions per accounting definitions, the predominant portions of the unrestricted net position are designated by statute for specific programs or projects related to certain revenue sources. The University, an agency of the State of California, considers statutory restrictions as internally imposed restrictions rather than externally imposed restrictions.

These resources are derived from fee collections and other activities that are designated for very specific purposes and are not to be repurposed and spent for other activities. For example, students pay fees, including housing, parking, and campus activities fees, all of which are to be used for specific designated purposes as described in the State of California Education Code. The University also has certain designated resources that represent amounts pledged to support the SRB program.

At June 30, 2020, unrestricted net position reflects a deficit of \$18.81 billion due primarily to the implementation of GASB Statement No. 68 (pension) during 2015, and the implementation of GASB Statement No. 75 (OPEB) in 2018. These Statements require the University to record its share of the State's actuarially determined liabilities for pension and OPEB. Unrestricted net position decreased \$597.69 million in 2020.

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Discretely Presented Component Units' Financial Position

In 2020, the discretely presented component units (DPCUs) managed \$5.21 billion of assets, representing 23.36% of the University's \$22.30 billion combined total assets. In 2019, \$4.99 billion of assets were managed by the discretely presented component units, representing 24.18% of the combined total assets.

The philanthropic activities of the University are managed mostly by the discretely presented component units. The restricted cash and cash equivalents, pledges receivables, and endowment investments increased from \$2 billion in 2019 to \$2.09 billion in 2020. This represents 9.39% and 9.71% of the combined total assets for 2020 and 2019, respectively.

The claims liability for losses and loss adjustment expenses decreased from of \$60.45 million in 2019 to \$53.98 million in 2020. These are mainly the liabilities from the California State University Risk Management Authority, a discretely presented component unit.

The restricted net position, expendable and nonexpendable, of the discretely presented component units was \$2.60 billion, representing 93.51% of the combined restricted net position in 2020. In 2019, the restricted net position of discretely presented component units was \$2.48 billion, representing 92.67% of the combined restricted net position.

The combined University and discretely presented component units' net position reflects a deficit of \$11.48 billion in 2020 when compared to \$11.14 billion deficit in 2019.

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Results of Operations

The Statement of Revenues, Expenses and Changes in Net Position represents the University's and its discretely presented component units' result of operations. Major components are operating revenues, operating expenses, and nonoperating revenues (expenses). A condensed comparative presentation of the results of operations follows for the years ended June 30, 2020 and 2019:

	University		Discretely presented component units	
	2020	2019	2020	2019
	(In thousands)			
Operating revenues:				
Student tuition and fees, net	\$ 2,175,170	2,197,925	196,983	191,565
Grants and contracts, noncapital	70,304	79,131	586,416	596,454
Sales and services of educational activities	39,923	47,655	43,650	47,906
Sales and services of auxiliary enterprises, net	455,639	560,234	439,576	498,896
Other operating revenues	247,890	254,648	264,676	256,013
Total operating revenues	2,988,926	3,139,593	1,531,301	1,590,834
Operating expenses	10,460,792	9,683,523	1,743,663	1,784,670
Operating loss	(7,471,866)	(6,543,930)	(212,362)	(193,836)
Nonoperating revenues (expenses):				
State appropriations, noncapital	4,734,349	4,102,570	—	—
Financial aid grants, noncapital	2,060,158	1,980,562	3,100	2,746
Grants and gifts, noncapital	304,741	59,029	178,295	189,943
Investment income, net	173,420	204,813	39,953	66,692
Endowment income, net	35	20	38,684	59,479
Interest expense	(275,191)	(259,621)	(20,301)	(23,033)
Other nonoperating revenues (expenses)	(80,124)	(45,449)	3,753	(7,667)
Net nonoperating revenues	6,917,388	6,041,924	243,484	288,160
Income (loss) before other revenues (expenses)	(554,478)	(502,006)	31,122	94,324
State appropriations, capital	5,236	34,972	—	—
Grants and gifts, capital	63,361	60,141	8,447	31,413
Additions to permanent endowments	—	—	106,803	100,239
Change in net position	(485,881)	(406,893)	146,372	225,976
Net position – beginning of year	(14,581,167)	(14,174,274)	3,438,164	3,212,188
Net position – end of year	\$ (15,067,048)	(14,581,167)	3,584,536	3,438,164

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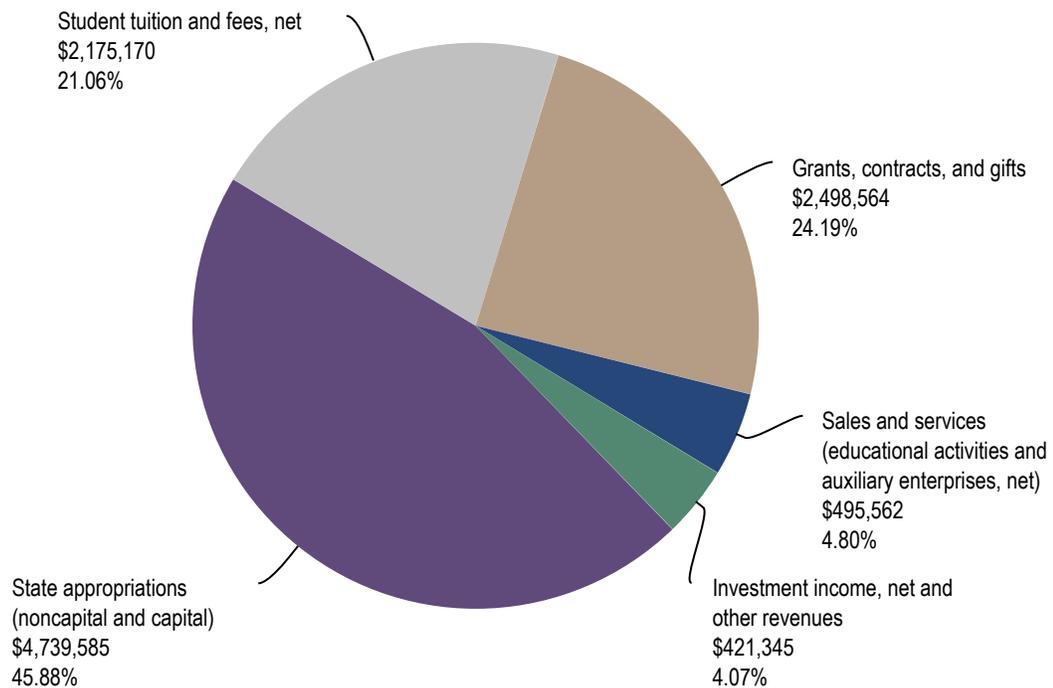
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Revenues (Operating and Nonoperating)

The University's two major sources of revenues are state appropriations and student tuition and fees, net, which accounted for a combined 66.94% and 66.12% of total revenues in 2020 and 2019, respectively. State appropriations are received for both noncapital and capital purposes. Another major source of revenues are grants, contracts, and gifts which represent 24.19% of total revenues in 2020. This includes revenues from student financial aid and funding through the HEERF authorized by the CARES Act enacted into law in April 2020.

Revenues (Operating and Nonoperating)
(In thousands)



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The University's total revenues consisted of the following:

	<u>2020</u>	<u>Percentage of total</u>	<u>2019</u>	<u>Percentage of total</u>
	(In thousands)		(In thousands)	
State appropriations (noncapital and capital)	\$ 4,739,585	45.88 %	\$ 4,137,542	43.18 %
Student tuition and fees, net	2,175,170	21.06	2,197,925	22.94
Grants, contracts, and gifts	2,498,564	24.19	2,178,863	22.74
Sales and services (educational activities and auxiliary enterprises), net	495,562	4.80	607,889	6.34
Investment income, net and other revenues	421,345	4.07	459,481	4.80
Total revenues (operating and nonoperating)	<u>\$ 10,330,226</u>	<u>100.00 %</u>	<u>\$ 9,581,700</u>	<u>100.00 %</u>

State Appropriations (Noncapital and Capital)

The University's state appropriations (noncapital and capital) consisted of the following:

	<u>2020</u>	<u>2019</u>
	(In thousands)	
State appropriations, general fund	\$ 4,346,139	3,776,457
State's contribution on behalf of the University for OPEB	388,210	326,113
Total state appropriations, noncapital	<u>4,734,349</u>	<u>4,102,570</u>
State appropriations, capital	5,236	34,972
Total state appropriations (noncapital and capital)	<u>\$ 4,739,585</u>	<u>4,137,542</u>

The state general fund appropriations increased from \$3.78 billion in 2019 to \$4.35 billion in 2020. The increase of \$0.57 billion was to augment funding for the graduation initiative 2025, enrollment growth support, employee compensation, mandatory cost increases, deferred maintenance and other miscellaneous support.

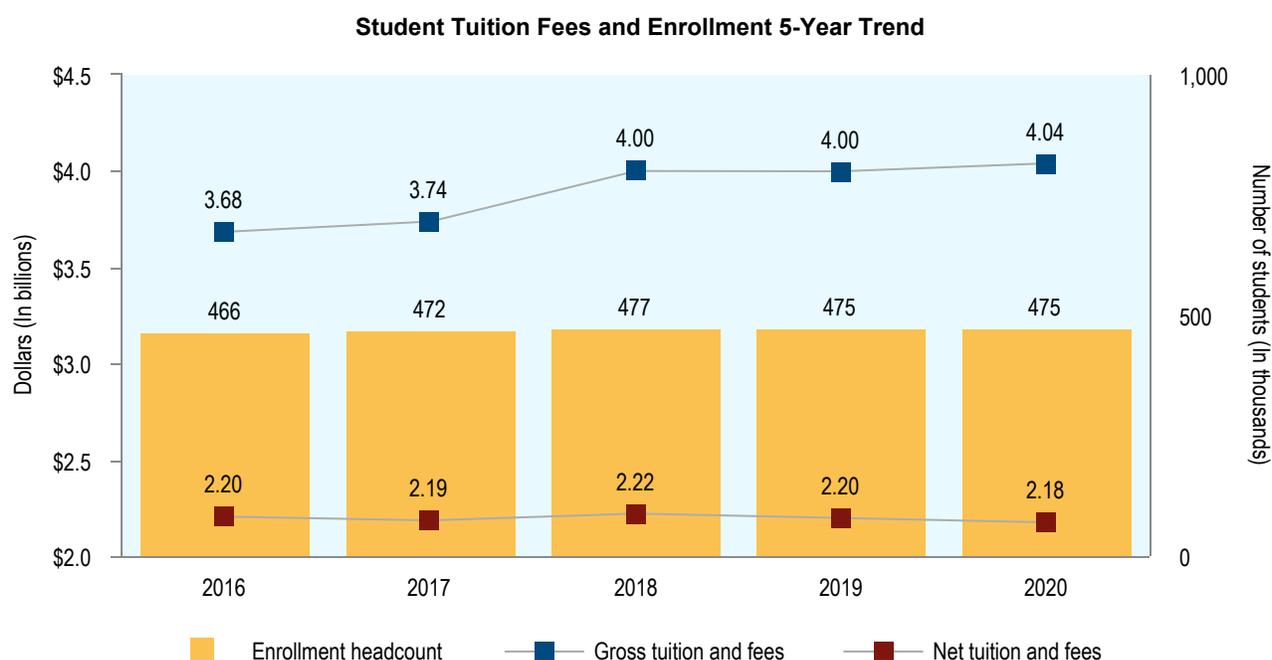
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Student Tuition and Fees, Net

The student tuition and fees (before scholarship allowances) remained consistent with prior year at \$4.04 billion. The following chart displays the five-year trend between enrollment headcount and student tuition and fees:



The gross student tuition fees revenue reflects an increasing trend over the last five years. This is mainly driven by student enrollment growth in the last five years. In addition to student enrollment growth, the increase in tuition rates effective in academic year 2017-2018 resulted in the upward trend in 2018.

The University offers eligible students fee waivers and institutional grants to be applied against student tuition and fees. This is in addition to federal agencies, state agencies, and nongovernmental grantor's student financial aid grants. Collectively, these are referred to as scholarship allowance; an offset to the gross student tuition and fees. The increasing gap between the gross and net student tuition and fees reflects growth in the waivers and financial aid grants made available to students. During the last three years, approximately half of the student tuition and fees were paid through waivers and financial aid grants, as shown in the table below.

	2020	2019
	(In thousands)	
Gross student tuition and fees	\$ 4,040,242	3,998,779
Less: Institutional grants	(786,717)	(802,370)
Less: Financial aid grants	(1,078,355)	(998,484)
Net student tuition and fees	\$ 2,175,170	2,197,925

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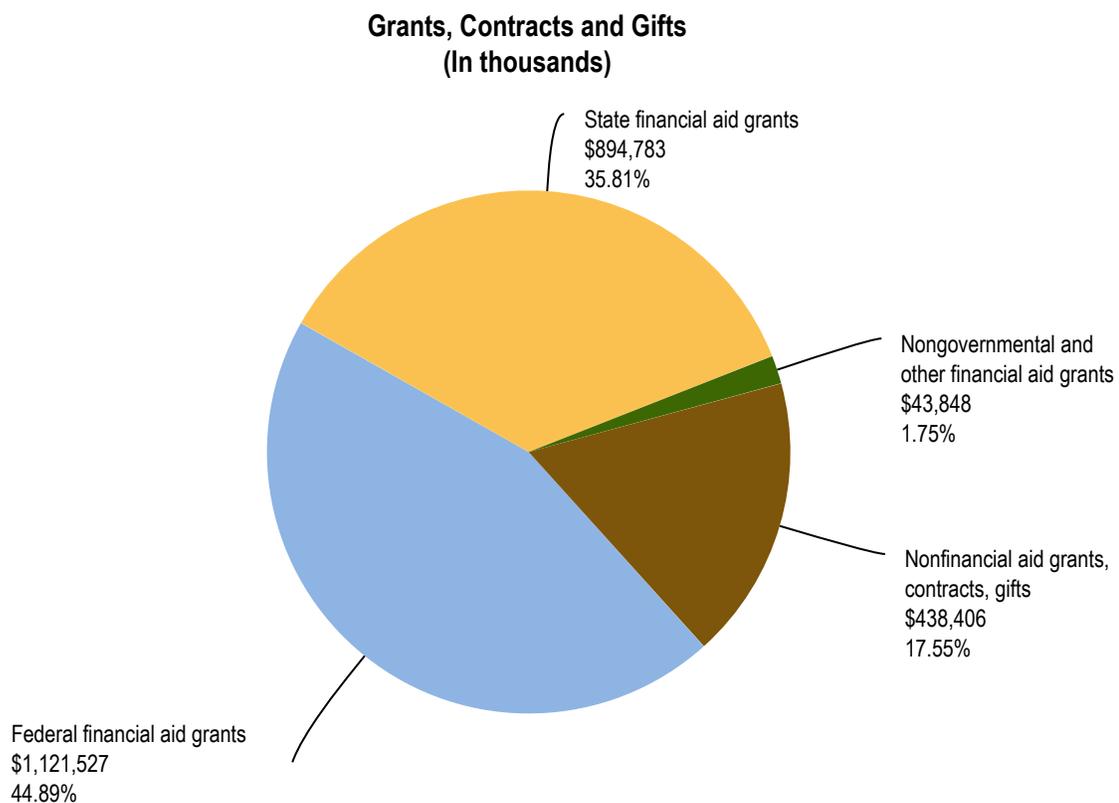
Sales and Services (Educational Activities and Auxiliary Enterprise)

Sales and services of educational activities include revenues related incidentally to the conduct of instruction, research, and public service, and revenues for activities that exist to provide instructional and laboratory experience for students and that incidentally create goods and services that may be sold to faculty, students, staff, and the general public. Net revenues from sales and services of educational activities amounted to \$39.92 million, a decrease from \$47.66 million in 2019.

Auxiliary enterprises exist predominantly to furnish goods or services to students, faculty, or staff, for a fee. Net revenues from sales and services of auxiliary enterprises, which are primarily for student housing and parking, amounted to \$455.64 million, which is a \$104.59 million decrease when compared to 2019. The decrease is due to loss of revenue resulting from the University's response to the pandemic by transitioning to primarily virtual instructional approach towards the last quarter of 2020.

Grants, Contracts and Gifts

Grants, contracts and gifts revenues are derived substantially from the student financial aid grants from federal agencies, state agencies, and nongovernmental grantors. Major federal financial aid grants came from the Pell Grant, Supplemental Educational Opportunity Grant, and College Work Study. Major state financial aid grants came from Cal Grants and Middle Class Scholarship.



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Student financial aid grants from federal and state agencies were \$1.12 billion and \$894.78 million, respectively. A combined increase of \$0.08 billion from previous year. The financial aid increases are due to more eligible students and higher aid per student.

The remainder of the grants, contracts and gifts include non-financial aid grants, contracts, changes to permanent endowments, and gifts (capital and noncapital), which amounted to \$438.41 million, or 17.55%, of total grants, contracts, and gifts. This included \$245.05 million of HEERF grants mainly used for emergency aid to students, including but not limited to grants for food, housing, course materials, technology, health care, and childcare. Further, gifts received from discretely presented component units amounted to \$70.19 million.

Investment and Endowment Income, Net

Investment and endowment income for 2020 is \$173.46 million, which is \$31.38 million lower when compared to the prior year. This is primarily due to lower earnings for TRP investments.

Expenses (Operating and Nonoperating)

The University's total expenses of \$10.82 billion is comprised of operating expenses of \$10.46 billion, or 96.71%, and nonoperating expenses of \$355.31 million, or 3.29%.

Operating Expenses

When the mission-critical educational support activities of student services, academic support, student grants and scholarships, public service, and research are added to direct classroom instruction, the total instruction and educational support activities account for 70.10% and 70.31% of the 2020 and 2019 total operating expenses of the University, respectively.

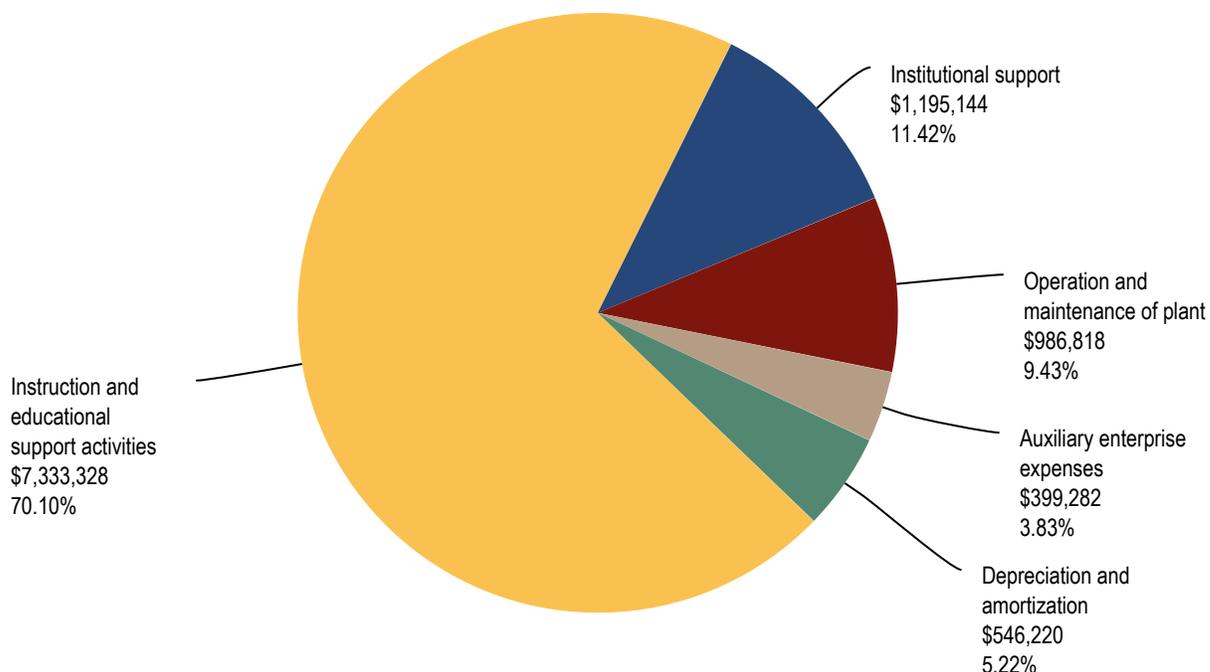
	2020	Percentage of total	2019	Percentage of total
	(In thousands)		(In thousands)	
Instruction	\$ 3,853,279	36.84 %	\$ 3,614,639	37.33 %
Research	57,249	0.55	80,580	0.83
Public service	58,867	0.56	71,870	0.74
Academic support	1,028,607	9.83	1,042,756	10.77
Student services	1,139,403	10.89	1,083,497	11.19
Student grants and scholarships	1,195,923	11.43	915,286	9.45
Total instruction and educational support activities	7,333,328	70.10	6,808,628	70.31
Institutional support	1,195,144	11.42	1,021,045	10.54
Operation and maintenance of plant	986,818	9.43	892,396	9.22
Auxiliary enterprise expenses	399,282	3.83	440,354	4.55
Depreciation and amortization	546,220	5.22	521,100	5.38
Total operating expenses	\$ 10,460,792	100.00 %	\$ 9,683,523	100.00 %

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Management's Discussion and Analysis

June 30, 2020

(Unaudited)

Operating Expenses
(In thousands)



- **Salaries**

The University's salaries increased from \$3.72 billion in 2019 to \$3.89 billion in 2020. The increase is due mainly to employee salary rate increases during the year and higher employee headcount. The majority of the increase in salaries are in instruction and education support of \$130.74 million, in institutional support of \$27.46 million, and in operation and maintenance of plant of \$6.02 million.

- **Benefits**

The University's benefits increased from \$2.91 billion in 2019 to \$3.23 billion in 2020. The majority of the increase in benefits are in instruction and educational support of \$165.10 million. The overall increase was related to changes in pension expenses.

The pension related benefits expense increased by \$287.01 million in 2020 due mainly to additional pension liability which included the impact of service costs, interest, unfavorable experience compared to the expected and lower investment earnings. The other benefits expense increased by \$35.47 million due to increase in benefits rates and employee headcount. The OPEB expense decreased by \$6.95 million in 2020, due mainly to the smoothing effect of the changes in the assumptions and differences between actual and expected experience.

CALIFORNIA STATE UNIVERSITY
Management's Discussion and Analysis

June 30, 2020

(Unaudited)

- *Scholarships and Fellowships*

The scholarship and fellowships, which represent financial aid directly paid to students, increased from \$0.92 billion in 2019 to \$1.20 billion in 2020. The increase is mainly due to the HEERF grants given to eligible students under the CARES Act enacted in April 2020.

Discretely Presented Component Units' Results of Operations

The discretely presented component units managed \$1.91 billion of revenues, representing 15.61% of the University's \$12.24 billion combined total revenues. This is lower compared to the 17.56% in prior year due to decrease in major revenues resulting from the significant changes to the delivery of instruction due to the coronavirus

The discretely presented component units managed \$776.26 million grants contracts, and gifts revenues, representing 23.70% of the \$3.27 billion combined total. Discretely presented component units fund many student co-curricular activities, administer research programs, raise funds, operate student unions, offer recreational programs, coordinate commercial enterprises, and develop public-private partnerships on behalf of the University.

Factors Impacting Future Periods

The impact of COVID-19 global pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. The University is continually monitoring the potential impacts of the COVID-19 pandemic and its effects on the financial statements. The extent to which the COVID-19 global pandemic impacts the operations going forward will depend on numerous evolving factors, which cannot be reliably predicted at this time.

On June 29, 2020, the State of California Budget Act of 2020 was signed. In the final budget for fiscal year 2020-21, the state reduced permanent base funding to the University by \$299 million, and removed \$315 million in one-time funding. The University's operating budget for fiscal year 2020-21 includes General Fund appropriation for operations of \$3.34 billion and for academic facilities and infrastructure of \$340.56 million.

The University has been proactive in mitigating the impact of the decrease in General Fund appropriation. The University implemented several cost-control measures. The CSU has and will continue to attempt to minimize negative impacts of the COVID-19 global pandemic.

Subsequent Events

The following information describes significant events that occurred subsequent to June 30, 2020, but prior to the date of the auditors' report.

- The Central Utility Plant Replacement project at California State University, Fresno, procured through a public-private partnership, was approved by the Trustees on January 2021. In February 2021, the Trustees entered into a project agreement with a private development partner, to design, build, finance and maintain the generation and distribution of heating and cooling services throughout the campus, and install ground mounted solar photovoltaic systems. The total project cost is approximately \$170 million and will be funded primarily through financing provided by the private development partner. The private development partner will be compensated through availability payments by the University for capital investment in the project and services relating to maintenance, management and life-cycle component, subject to deductions for performance failures.
- In December 2020, the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 was signed. This new law gives the U.S. Department of Education approximately \$22.7 billion to distribute to institutions of higher education in order to prevent, prepare for, and respond to coronavirus through the HEERF. The University have

CALIFORNIA STATE UNIVERSITY
Management's Discussion and Analysis

June 30, 2020

(Unaudited)

been awarded a total of \$853 million, of which \$262 million are for student financial aid grants and \$591 million for institutional support grants.

- *SRB Issuance*

In September 2020, the University issued \$314.03 million of SRB Series 2020C (Tax Exempt), \$528.58 million of SRB Series 2020D (Taxable) and \$466.01 million of SRB Series 2020E (Taxable). The new bonds were issued to fund various capital projects, redeem maturing BANs, refund a portion of outstanding SRB Series 2011A and a portion of the SRB Series 2012A bonds.

- *BAN Issuance*

The University issued the BANs for the following capital projects:

	Amount (In thousands)
San Diego State University Mission Valley Real Property Acquisition and Site Development	\$ 88,970
Long Beach Hillside Renovation	31,230
Long Beach Housing Expansion Phase 1 Administration and Commons Building	18,735
San Diego State University Mission Valley Multi-Use Stadium	17,410
Monterey Bay Capital Improvement	11,745
Fresno New Student Union Project (2nd Tranche)	8,461
Total	<u>\$ 176,551</u>

BASIC FINANCIAL STATEMENTS



CALIFORNIA STATE UNIVERSITY

Statement of Net Position

June 30, 2020

(In thousands)

Assets	University	Discretely presented component units	Total
Current assets:			
Cash and cash equivalents	\$ 11,317	269,946	281,263
Short-term investments	3,936,203	912,878	4,849,081
Accounts receivable, net	205,891	239,547	445,438
Capital lease receivable, current portion	12,723	6,268	18,991
Notes receivable, current portion	13,363	129,345	142,708
Pledges receivable, net	2,000	86,412	88,412
Prepaid expenses and other current assets	68,090	34,061	102,151
Total current assets	<u>4,249,587</u>	<u>1,678,457</u>	<u>5,928,044</u>
Noncurrent assets:			
Restricted cash and cash equivalents	201	56,075	56,276
Accounts receivable, net	37,786	22,509	60,295
Capital lease receivable, net of current portion	217,728	156,730	374,458
Notes receivable, net of current portion	373,142	19,304	392,446
Student loans receivable, net	50,783	419	51,202
Pledges receivable, net	—	139,524	139,524
Endowment investments	1,677	1,812,599	1,814,276
Other long-term investments	1,996,078	411,656	2,407,734
Capital assets, net	10,139,549	871,445	11,010,994
Other assets	27,214	41,642	68,856
Total noncurrent assets	<u>12,844,158</u>	<u>3,531,903</u>	<u>16,376,061</u>
Total assets	<u>17,093,745</u>	<u>5,210,360</u>	<u>22,304,105</u>
Deferred Outflows of Resources			
Deferred outflows of resources	2,984,024	36,209	3,020,233
Liabilities			
Current liabilities:			
Accounts payable	288,569	113,300	401,869
Accrued salaries and benefits	427,283	29,774	457,057
Accrued compensated absences, current portion	112,812	15,516	128,328
Unearned revenues	285,738	94,989	380,727
Capital lease obligations, current portion	20,897	10,769	31,666
Long-term debt obligations, current portion	171,661	145,126	316,787
Claims liability for losses and loss adjustment expenses, current portion	—	16,416	16,416
Depository accounts	13,201	15,506	28,707
Other liabilities	144,970	84,528	229,498
Total current liabilities	<u>1,465,131</u>	<u>525,924</u>	<u>1,991,055</u>

CALIFORNIA STATE UNIVERSITY

Statement of Net Position

June 30, 2020

(In thousands)

	<u>University</u>	<u>Discretely presented component units</u>	<u>Total</u>
Noncurrent liabilities:			
Accrued compensated absences, net of current portion	\$ 157,199	7,013	164,212
Unearned revenues	6,980	59,890	66,870
Grants refundable	48,781	4,242	53,023
Capital lease obligations, net of current portion	336,175	236,004	572,179
Long-term debt obligations, net of current portion	7,870,106	447,080	8,317,186
Claims liability for losses and loss adjustment expenses, net of current portion	—	37,561	37,561
Depository accounts	2,243	23,446	25,689
Total other postemployment benefits liability	14,498,545	119,543	14,618,088
Net pension liability	8,190,770	99,240	8,290,010
Other liabilities	116,579	42,584	159,163
Total noncurrent liabilities	31,227,378	1,076,603	32,303,981
Total liabilities	32,692,509	1,602,527	34,295,036

Deferred Inflows of Resources

Deferred inflows of resources	2,452,308	59,506	2,511,814
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Net Position

Net position:			
Net investment in capital assets	3,566,992	329,264	3,896,256
Restricted for:			
Nonexpendable – endowments	1,677	1,414,654	1,416,331
Expendable:			
Scholarships and fellowships	22,596	250,401	272,997
Research	113	24,950	25,063
Loans	22,881	4,849	27,730
Capital projects	83,879	115,102	198,981
Debt service	28,315	8,294	36,609
Others	20,826	780,934	801,760
Unrestricted	(18,814,327)	656,088	(18,158,239)
Total net position	\$ (15,067,048)	3,584,536	(11,482,512)

See accompanying notes to financial statements.

CALIFORNIA STATE UNIVERSITY

Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2020

(in thousands)

	<u>University</u>	<u>Discretely presented component units</u>	<u>Eliminations</u>	<u>Total</u>
Revenues:				
Operating revenues:				
Student tuition and fees (net of University scholarship allowances of \$1,865,072)	\$ 2,175,170	196,983	(5,210)	2,366,943
Grants and contracts, noncapital:				
Federal	45,255	381,768	(8)	427,015
State	8,267	122,754	(90)	130,931
Local	2,700	20,015	—	22,715
Nongovernmental	14,082	61,879	(440)	75,521
Sales and services of educational activities	39,923	43,650	(211)	83,362
Sales and services of auxiliary enterprises (net of University scholarship allowances of \$106,201)	455,639	439,576	(3,383)	891,832
Other operating revenues	247,890	264,676	(10,285)	502,281
Total operating revenues	<u>2,988,926</u>	<u>1,531,301</u>	<u>(19,627)</u>	<u>4,500,600</u>
Expenses:				
Operating expenses:				
Instruction	3,853,279	124,302	(3,970)	3,973,611
Research	57,249	234,053	(946)	290,356
Public service	58,867	206,183	(235)	264,815
Academic support	1,028,607	102,352	(11,056)	1,119,903
Student services	1,139,403	193,170	(13,775)	1,318,798
Institutional support	1,195,144	247,442	(20,705)	1,421,881
Operation and maintenance of plant	986,818	51,606	(14,476)	1,023,948
Student grants and scholarships	1,195,923	87,380	(34,565)	1,248,738
Auxiliary enterprise expenses	399,282	439,035	(6,642)	831,675
Depreciation and amortization	546,220	58,140	—	604,360
Total operating expenses	<u>10,460,792</u>	<u>1,743,663</u>	<u>(106,370)</u>	<u>12,098,085</u>
Operating loss	<u>(7,471,866)</u>	<u>(212,362)</u>	<u>86,743</u>	<u>(7,597,485)</u>

CALIFORNIA STATE UNIVERSITY

Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2020

(in thousands)

	<u>University</u>	<u>Discretely presented component units</u>	<u>Eliminations</u>	<u>Total</u>
Nonoperating revenues (expenses):				
State appropriations, noncapital	\$ 4,734,349	—	—	4,734,349
Federal financial aid grants, noncapital	1,121,527	833	—	1,122,360
State financial aid grants, noncapital	894,783	1,895	—	896,678
Local financial aid grants, noncapital	—	115	—	115
Nongovernmental and other financial aid grants, noncapital	43,848	257	(30,034)	14,071
Other federal nonoperating grants, noncapital	249,027	111	—	249,138
Gifts, noncapital	55,714	178,184	(40,973)	192,925
Investment income, net	173,420	39,953	—	213,373
Endowment income, net	35	38,684	—	38,719
Interest expense	(275,191)	(20,301)	—	(295,492)
Other nonoperating revenues (expenses)	(80,124)	3,753	13,479	(62,892)
Net nonoperating revenues	<u>6,917,388</u>	<u>243,484</u>	<u>(57,528)</u>	<u>7,103,344</u>
Income (loss) before other revenues	(554,478)	31,122	29,215	(494,141)
State appropriations, capital	5,236	—	—	5,236
Grants and gifts, capital	63,361	8,447	(29,215)	42,593
Additions to permanent endowments	—	106,803	—	106,803
Increase (decrease) in net position	<u>(485,881)</u>	<u>146,372</u>	<u>—</u>	<u>(339,509)</u>
Net position:				
Net position at beginning of year	<u>(14,581,167)</u>	<u>3,438,164</u>	<u>—</u>	<u>(11,143,003)</u>
Net position at end of year	<u>\$ (15,067,048)</u>	<u>3,584,536</u>	<u>—</u>	<u>(11,482,512)</u>

See accompanying notes to financial statements.

CALIFORNIA STATE UNIVERSITY

Statement of Cash Flows

Year ended June 30, 2020

(In thousands)

	<u>University</u>
Cash flows from operating activities:	
Student tuition and fees	\$ 2,105,508
Federal grants and contracts	47,640
State grants and contracts	12,075
Local grants and contracts	2,008
Nongovernmental grants and contracts	16,425
Payments to suppliers	(1,611,144)
Payments to employees	(3,857,581)
Payments for benefits	(1,970,764)
Payments to students	(1,196,317)
Collections of student loans	2,853
Sales and services of educational activities	39,771
Sales and services of auxiliary enterprises	435,725
Other receipts	275,594
	<hr/>
Net cash used in operating activities	(5,698,207)
	<hr/>
Cash flows from noncapital financing activities:	
State appropriations	4,344,361
Federal financial aid grants	1,124,294
State financial aid grants	891,725
Nongovernmental and other financial aid grants	43,833
Other federal nonoperating grants	248,251
Gifts and grants received for other than capital purposes	50,638
Federal loan program receipts	1,401,994
Federal loan program disbursements	(1,409,141)
Monies received on behalf of others	186,672
Monies disbursed on behalf of others	(188,343)
Transfers to escrow agent	(59,052)
Proceeds from long-term debt	59,245
Principal paid on long-term debt	(22,650)
Interest paid on long-term debt	(27,906)
Issuance of notes receivable	(2,544)
Principal collections on capital leases	3,387
Interest collections on capital leases	1,385
Principal collections on notes receivable	13,269
Interest collections on notes receivable	19,794
Other noncapital financing activities	(100,689)
	<hr/>
Net cash provided by noncapital financing activities	6,558,253
	<hr/>

CALIFORNIA STATE UNIVERSITY

Statement of Cash Flows

Year ended June 30, 2020

(In thousands)

	<u>University</u>
Cash flows from capital and related financing activities:	
Proceeds from capital debt	\$ 1,713,632
State appropriations	25,476
State appropriations – SPWB Lease Revenue Bond program	207
Capital grants and gifts	44,195
Proceeds from sale of capital assets	35,928
Acquisition of capital assets	(1,051,744)
Transfers to escrow agent	(226,478)
Principal paid on capital debt and leases	(366,987)
Interest paid on capital debt and leases	(314,736)
Principal collection on capital leases	6,376
Interest collection on capital leases	5,371
	<hr/>
Net cash used in capital and related financing activities	(128,760)
	<hr/>
Cash flows from investing activities:	
Proceeds from sales of investments	11,090,706
Purchases of investments	(11,954,640)
Investment income proceeds	126,571
	<hr/>
Net cash used in investing activities	(737,363)
	<hr/>
Net decrease in cash and cash equivalents	(6,077)
Cash and cash equivalents at beginning of year	17,595
	<hr/>
Cash and cash equivalents at end of year	\$ 11,518
	<hr/> <hr/>
Summary of cash and cash equivalents at end of year:	
Cash and cash equivalents	\$ 11,317
Restricted cash and cash equivalents	201
	<hr/>
Total cash and cash equivalents at end of year	\$ 11,518
	<hr/> <hr/>

CALIFORNIA STATE UNIVERSITY

Statement of Cash Flows

Year ended June 30, 2020

(In thousands)

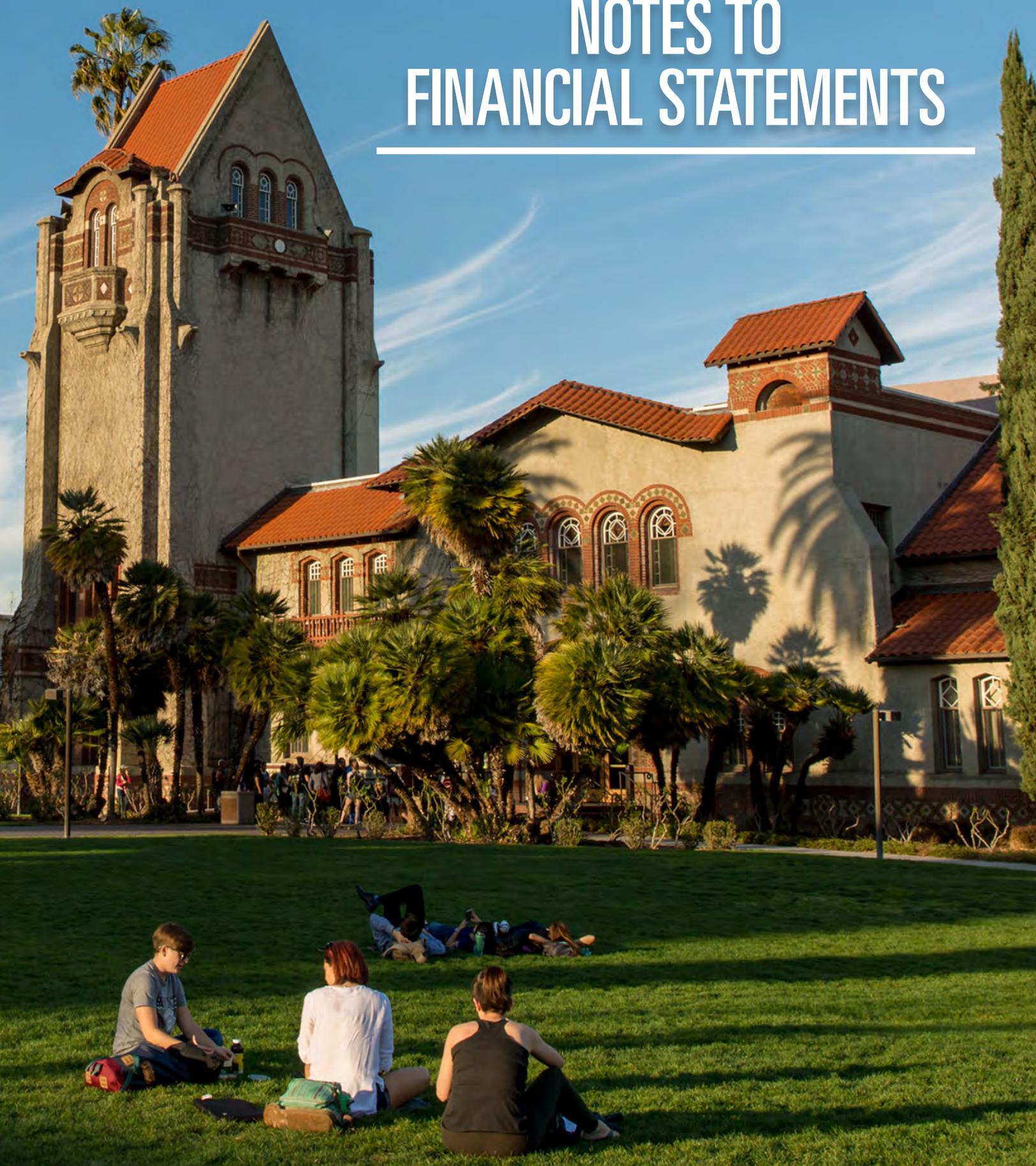
	<u>University</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (7,471,866)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	546,220
Change in assets and liabilities:	
Accounts receivable, net	9,336
Student loans receivable, net	(894)
Prepaid expenses and other current assets	9,827
Other assets	1,379
Deferred outflows of resources	(164,235)
Accounts payable	(17,565)
Accrued salaries and benefits	5,649
Accrued compensated absences	30,050
Unearned revenues	(38,869)
Depository accounts	128
Total other postemployment benefits liability	1,388,592
Other liabilities	(13,821)
Deferred inflows of resources	(439,657)
Net cash used in operating activities	<u>\$ (5,698,207)</u>

Supplemental schedule of noncash transactions:

State's contribution for OPEB	\$ 388,210
Acquisition of capital assets through capital lease	73,804
Other assets paid through long-term debt	54,678
Amortization of net bond premium	35,562
Contributed capital assets	18,726
Change in accrued capital asset purchases	12,365

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS



CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2020

(In thousands)

(1) Organization

California State University (the University) was established under the State of California Education Code as a public university to offer undergraduate and graduate instruction for professional and occupational goals emphasizing a broad liberal arts education. As an agency of the State of California (the State), the University is also included in the State's financial statements. Responsibility for the University is vested in the Trustees of California State University (the Trustees) who, in turn, appoint the Chancellor, who is the chief executive officer of the University, and the University presidents, who are the chief executive officers of the respective campuses. In addition to the Office of the Chancellor, the following 23 campuses comprise the California State University at June 30, 2020:

- California State University, Bakersfield
- California State University Channel Islands
- California State University, Chico
- California State University, Dominguez Hills
- California State University, East Bay
- California State University, Fresno
- California State University, Fullerton
- Humboldt State University
- California State University, Long Beach
- California State University, Los Angeles
- California State University Maritime Academy
- California State University, Monterey Bay
- California State University, Northridge
- California State Polytechnic University, Pomona
- California State University, Sacramento
- California State University, San Bernardino
- San Diego State University
- San Francisco State University
- San José State University
- California Polytechnic State University, San Luis Obispo
- California State University San Marcos
- Sonoma State University
- California State University, Stanislaus

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2020

(In thousands)

The University provides instruction for baccalaureate, masters', doctorate, and certificate programs, and operates various auxiliary enterprises, such as student housing and parking facilities. In addition, the University administers a variety of financial aid programs that are funded primarily through state and federal programs.

(2) Summary of Significant Accounting Policies

(a) Financial Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*, the accompanying financial statements present the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows of the 23 campuses and the Office of the Chancellor of the University.

In addition, the accompanying financial statements include the accounts of the 91 discretely presented component units, which are primarily University-related recognized auxiliary organizations. These discretely presented component units are legally separate entities that provide services primarily to the University and its students. Recognized auxiliary organizations include foundations, associated students, student unions, auxiliary services, university corporations, and similar organizations. Foundations, whose net position comprises approximately 79.02% of the discretely presented component unit totals, carry out a variety of campus-related activities. Such activities consist primarily of administering grants from governmental and private agencies for research, as well as soliciting and accepting donations, gifts, and bequests for University-related use. Separate financial statements are issued for each of the discretely presented component units and may be obtained from the individual campuses.

The discretely presented component units are as follows:

- California State University, Bakersfield Foundation
- Associated Students, California State University, Bakersfield, Inc.
- California State University, Bakersfield Student-centered Enterprises, Inc. (formerly California State University, Bakersfield Student Union)
- California State University, Bakersfield, Auxiliary for Sponsored Programs Administration
- California State University Foundation
- California State University Institute
- California State University Risk Management Authority
- California State University, Channel Islands Foundation
- Associated Students of California State University Channel Islands, Inc.
- CI University Auxiliary Services, Inc.
- California State University Channel Islands Financing Authority
- California State University Channel Islands Site Authority
- Chico State Enterprises (formerly The CSU, Chico Research Foundation)

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2020

(In thousands)

- The University Foundation, California State University, Chico
- Associated Students of California State University, Chico
- California State University, Dominguez Hills Foundation
- California State University, Dominguez Hills Philanthropic Foundation
- Associated Students, Inc., California State University, Dominguez Hills
- The Donald P. and Katherine B. Loker University Student Union, Inc., California State University, Dominguez Hills
- Cal State East Bay Educational Foundation, Inc.
- California State University, East Bay Foundation, Inc.
- Associated Students, Inc. of California State University, East Bay
- California State University, Fresno Foundation
- The Agricultural Foundation of California State University, Fresno
- The Bulldog Foundation (Fresno)
- Associated Students California State University, Fresno
- California State University, Fresno Athletic Corporation
- California State University, Fresno Association, Inc.
- Fresno State Programs for Children, Inc.
- Cal State Fullerton Philanthropic Foundation
- Associated Students, California State University, Fullerton, Inc.
- CSU Fullerton Auxiliary Services Corporation
- Humboldt State University Foundation
- Humboldt State University Sponsored Programs Foundation
- Associated Students of Humboldt State University
- Humboldt State University Center Board of Directors
- California State University, Long Beach Research Foundation
- CSULB 49er Foundation
- Associated Students, Inc., California State University, Long Beach
- Forty-Niner Shops, Inc. (Long Beach)
- California State University, Los Angeles Foundation
- Associated Students of California State University, Los Angeles, Inc.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2020

(In thousands)

- University-Student Union at California State University, Los Angeles
- Cal State L.A. University Auxiliary Services, Inc.
- California Maritime Academy Foundation, Inc.
- Associated Students of the California Maritime Academy
- Foundation of California State University, Monterey Bay
- University Corporation at Monterey Bay
- Otter Student Union at CSU Monterey Bay
- California State University, Northridge Foundation
- Associated Students, California State University, Northridge, Inc.
- University Student Union California State University, Northridge
- The University Corporation (Northridge)
- North Campus - University Park Development Corporation (Northridge)
- Cal Poly Pomona Foundation, Inc.
- Associated Students, Inc., California State Polytechnic University, Pomona
- Cal Poly Pomona Philanthropic Foundation *
- The University Foundation at Sacramento State
- Associated Students of California State University, Sacramento
- University Union Operation of California State University, Sacramento
- University Enterprises, Inc. (Sacramento)
- Capital Public Radio, Inc. (Sacramento)
- CSUSB Philanthropic Foundation
- Associated Students, Incorporated, California State University, San Bernardino
- Santos Manuel Student Union of California State University, San Bernardino
- University Enterprises Corporation at CSUSB
- San Diego State University Research Foundation
- The Campanile Foundation (San Diego)
- Associated Students of San Diego State University
- Aztec Shops, Ltd. (San Diego)
- San Francisco State University Foundation
- Associated Students of San Francisco State University

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2020

(In thousands)

- The University Corporation, San Francisco State
- San José State University Research Foundation
- Tower Foundation of San José State University
- Associated Students of San José State University
- The Student Union of San José State University
- Spartan Shops, Inc. (San José)
- California Polytechnic State University Foundation (San Luis Obispo)
- Associated Students, Inc., California Polytechnic State University, San Luis Obispo
- Cal Poly Corporation (San Luis Obispo)
- California State University San Marcos Foundation
- Associated Students, Inc. of California State University San Marcos
- California State University San Marcos Corporation
- Sonoma State University Foundation
- Associated Students of Sonoma State University
- Sonoma State Enterprises, Inc.
- California State University, Stanislaus Foundation
- Associated Students Incorporated of California State University, Stanislaus
- University Student Center of California State University, Stanislaus (formerly University Student Union of California State University, Stanislaus)
- California State University, Stanislaus Auxiliary and Business Services

**New in FY 2019/2020*

These component units are presented in the accompanying financial statements as discretely presented component units of the University due to the nature and significance of their relationship with the University. The relationships are such that exclusion of these organizations from the reporting entity would render the financial statements incomplete, primarily due to their close affiliation with the University. These organizations are discretely presented to allow the financial statement users to distinguish between the University and the component units. None of the component units are considered individually significant to the total discretely presented component units. All significant nonexchange transactions between the University and discretely presented component units have been eliminated from these financial statements.

The accompanying financial statements also include the Stockton Center Site Authority, and Fullerton Arboretum Authority, which are included as blended component units. These organizations primarily provide services to the University in the areas of asset management and student support. The University is financially accountable for these organizations.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2020

(In thousands)

(b) Basis of Presentation

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

As a public institution, the University is considered a special-purpose government under the provisions of GASB Statements Nos. 34 and 35. The University records revenue in part from fees and other charges for services to external users and, accordingly, has chosen to present financial statements using the reporting model for special-purpose governments engaged in business-type activities. This model allows all financial information for the University to be reported in a single column in each of the financial statements, accompanied by aggregated financial information for the discretely presented component units, as discussed above. The effects of internal activities between funds or groups of funds have been eliminated from these financial statements.

(c) New Accounting Pronouncements

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, effective for the University's fiscal year ended June 30, 2020. This Statement extends the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. The new accounting pronouncements below reflect the extended effective dates pursuant to GASB Statement No. 95.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, effective for the University's fiscal year beginning July 1, 2020. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefits) trust funds, (2) investment trust funds, (3) private-purpose trust funds and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust fund or equivalent arrangement that meets specific criteria. The University is evaluating the effect GASB Statement No. 84 will have on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*, effective for the University's fiscal year beginning July 1, 2021. This Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The University is evaluating the effect GASB Statement No. 87 will have on its financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the University's fiscal year beginning July 1, 2021. This Statement requires that interest cost incurred before the end of the construction period be recognized as an expense in the period in which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The University is evaluating the effect GASB Statement No. 89 will have on its financial statements.

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In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests*, effective for the University's fiscal year beginning July 1, 2020. This Statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization. When a majority equity interest meets the definition of an investment as defined by GASB, the equity interest is to be reported as an investment for financial reporting purposes and measured using the equity method. Majority equity interests that do not meet the definition of an investment are to be reported as a component unit. This Statement also provides guidance for valuing the acquisition of assets and liabilities of 100% equity interests that remain legally separate, and brings this reporting in line with existing standards that apply to acquisitions that do not remain legally separate. The University is evaluating the effect GASB Statement No. 90 will have on its financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, effective for the University's fiscal year beginning July 1, 2022. This Statement clarifies the definition of a conduit debt obligation and establishes that a conduit debt obligation is not a liability of the issuer. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. The University is evaluating the effect GASB Statement No. 91 will have on its financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*, effective for the University's fiscal year beginning July 1, 2021. This Statement addresses a variety of topics including issues related to leases and implementation guides, intra-entity transfers of assets, fiduciary activities, asset retirement obligations, and postemployment benefits (pensions and OPEB). The University is evaluating the effect GASB Statement No. 92 will have on its financial statements.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates (IBOR)*, effective for the University's fiscal year beginning July 1, 2021. This Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The University is evaluating the effect GASB Statement No. 93 will have on its financial statements.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for the University's fiscal year beginning July 1, 2022. This Statement is intended to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. The University is evaluating the effect GASB Statement No. 94 will have on its financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for the University's fiscal year beginning July 1, 2022. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The University is evaluating the effect GASB Statement No. 96 will have on its financial statements.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, effective for the University's fiscal year beginning July 1, 2021. This Statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The University is evaluating the effect GASB Statement No. 97 will have on its financial statements.

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(d) Classification of Current and Noncurrent Assets (Other than Investments) and Liabilities

The University considers assets to be current that can reasonably be expected, as part of its normal business operations, to be converted to cash and be available for liquidation of current liabilities within 12 months of the Statement of Net Position date. Liabilities that reasonably can be expected, as part of normal University business operations, to be liquidated within 12 months of the Statement of Net Position date are considered to be current. All other assets and liabilities are considered noncurrent. For classification of current and noncurrent investments, refer to note 2(f).

(e) Cash and Cash Equivalents and Statement of Cash Flows

The University considers highly liquid investments with an original maturity date of three months or less to be cash and cash equivalents. The University considers amounts included in the California State University (CSU) Consolidated Investment Pool to be investments.

The Statement of Cash Flows does not include the cash flows of the discretely presented component units. Certain discretely presented component units are also participants in the CSU Consolidated Investment Pool. The University considers changes in the equity in the CSU Consolidated Investment Pool as investing cash flows of the University in the accompanying Statement of Cash Flows.

(f) Investments

Investments are reflected at fair value using quoted market prices. Realized and unrealized gains and losses are included in the accompanying Statement of Revenues, Expenses, and Changes in Net Position as a component of investment income, net.

Investments that are used for current operations are classified as short-term investments. Investments that are restricted from withdrawal or use for other than current operations, designated or restricted for the acquisition or construction of noncurrent assets, designated or restricted for the liquidation of the noncurrent portion of long-term debt obligations, and restricted as to the liquidity of the investments are classified as other long-term investments.

The University invests in the Surplus Money Investment Fund (SMIF), an external investment pool. The State Treasurer invests the SMIF funds through the Pooled Money Investment Account (PMIA). PMIA policy sets as primary investment objectives safety, liquidity, and yield. The Investment Division of the State Treasurer's Office manages the PMIA under statutory authority granted by California Government Code Sections 16430 and 16480.4. The Pooled Money Investment Board governs the PMIA. The State Treasurer chairs this Board, which also includes the State Controller and the State Director of Finance.

(g) Accounts Receivable

The University maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable based on types of receivables and expectations of repayment. In establishing the required allowance, management considers one or more of the following: types of receivable, state guidelines, historical losses adjusted to take into account current market conditions, the amount of receivable in dispute, the current receivable aging, and current payment patterns. The University reviews its allowance for doubtful accounts annually. Past-due balances over 90 days and over a specified amount are reviewed individually for collectibility.

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(h) Capital Assets

Capital assets are stated at cost or estimated historical cost if purchased, or, if donated, at estimated acquisition value (an entry price) at date of donation. Capital assets, including infrastructure and intangible assets, with an original value of five thousand dollars or more and with a useful life of over one year, are capitalized. Such cost includes, where applicable, interest capitalized as part of the cost of constructed capital assets. Title to all University assets, whether purchased, constructed, or donated, is held by the State. Although title is not with the University for land and buildings, the University has exclusive use of these assets and is responsible for the maintenance of these assets and thus has recorded the cost of these assets in the accompanying financial statements. Capital assets, with the exception of land and land improvements, works of art and historical treasures, construction work in progress, and certain intangible assets, are depreciated or amortized on a straight-line basis over their estimated useful lives, which ranges from 3 to 45 years. Library books, unless considered rare collections, are capitalized and depreciated over a 10-year period. Periodicals and subscriptions are expensed as purchased. Works of art and historical treasures are valued at cost, if purchased, or the acquisition value (an entry price) at the date of donation, if contributed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

Depreciation and amortization expense is shown separately in the Statement of Revenues, Expenses, and Changes in Net Position rather than being allocated among other categories of operating expenses.

(i) Unearned Revenues

Unearned revenues consist primarily of fees collected in advance for summer and fall terms and professional and continuing education programs.

(j) Compensated Absences

Compensated absences are recognized, as either current or noncurrent liabilities, when the right to receive the compensation is earned by the employees from vested unpaid vacation and other paid leave programs. Unused sick leave balances are not included in the compensated absences because they do not vest to employees. Vacation is accrued on a monthly basis. The University uses an employee's current pay rate as of July 1, 2020 to calculate the liability for accrued compensated absences. The University provides vacation based on length of service and job classifications.

(k) Grants Refundable

The University periodically receives contributions from the federal government in support of its operation of the Federal Perkins and Nursing Loan programs, both Title IV Loan programs. The federal government has the ability to terminate its support of these programs at any time and to request that the University return those contributions on a cumulative basis, such as the Federal Perkins Loan Program which has expired in fiscal year 2018.

Accordingly, the federal contributions received and retained by the University at year-end are considered liabilities of the University and are reflected as such in the accompanying Statement of Net Position.

(l) Claims Liability for Losses and Loss Adjustment Expenses

The claims liability for losses and loss adjustment expenses included in the aggregate discretely presented component units column of the financial statements includes California State University Risk Management Authority's (CSURMA) estimated ultimate cost of settling claims relating to events that have occurred on or before June 30, 2020. The liability includes the estimated amount that will be required for future payments of claims that

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have been reported and claims related to events that have occurred but have not been reported. The liability is also reduced by estimated amounts recoverable from the reinsurance that is related to the liabilities for unpaid claims and claim adjustment expenses. The liability is estimated through an actuarial calculation using individual case basis valuations and statistical analyses. The liability is not discounted.

Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. Adjustments to claim liabilities are charged or credited to expense in the periods in which they are made.

In the estimate of the unpaid losses and loss adjustment expenses, CSURMA and its consulting actuary have employed methods and assumptions they considered reasonable and appropriate given the information currently available. Given the inherent uncertainty in the nature of such estimates, future losses may deviate from those estimates.

(m) Deferred Outflows of Resources and Deferred Inflows of Resources

The University classifies losses on debt refundings as deferred outflows of resources and amortizes it as a component of interest expense over the remaining life of the old debt or the new debt, whichever is shorter.

Changes in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources. Deferred outflows and inflows of resources related to differences between expected and actual experience and related to change in the University's proportionate share of pensionable compensation made subsequent to the measurement date are amortized over a closed period equal to the average employees' remaining service lives. The deferred outflows and inflows of resources related to differences between projected and actual earnings on pension plan investments are netted and amortized over a closed 5-year period.

Changes in total OPEB liability not included in OPEB expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the total OPEB liability are reported as deferred outflows of resources. Deferred outflows and inflows of resources related to differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average employees' remaining service lives.

(n) Net Position

The University's net position is classified into the following categories:

- Net Investment in Capital Assets: Capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets and any related deferred outflows of resources.

- Restricted:

Nonexpendable: Net position subject to externally imposed conditions that the University retains in perpetuity. Net position in this category consists of endowments held by the University or its related discretely presented component units.

Expendable: Net position subject to externally imposed conditions that can be fulfilled by the actions of the University or by the passage of time.

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- Unrestricted: All other categories of net position. In addition, unrestricted net position may have legislative or bond indenture requirements associated with their use or may be designated for use by management of the University. These requirements limit the area of operations for which expenditures of net position may be made and require that unrestricted net position be designated to support future operations in these areas. University housing programs are a primary example of operations that have unrestricted net position with designated uses.

Restricted or unrestricted resources are spent based upon a variety of factors, including funding restrictions, consideration of prior and future revenue sources, the type of expenses incurred, the University's budgetary policies surrounding the various revenue sources or whether the expense is a recurring cost. Unrestricted net position is negative due primarily to liabilities for pension and retiree health benefits exceeding University assets available to pay such obligations.

(o) Classification of Revenues and Expenses

The University considers operating revenues and expenses in the Statement of Revenues, Expenses, and Changes in Net Position to be those revenues and expenses that result from exchange transactions and from other activities that are connected directly to the University's primary functions. Exchange transactions include charges for services rendered and the acquisition of goods and services. Certain other transactions are reported as nonoperating revenues and expenses in accordance with GASB Statement No. 35. These nonoperating activities include the University's capital and noncapital appropriations from the State, financial aid grants, net investment income, noncapital gifts, interest expense, capital grants and gifts, and changes in permanent endowments.

The State appropriates funds to the University on an annual basis. The appropriations are, in turn, allocated among the campuses by the Office of the Chancellor. Appropriations are recognized as revenue in general when authorization is received and are reported as either noncapital appropriations when used to support general operations or capital appropriations when used for capital projects.

Student tuition and fees revenue, and sales and services of auxiliary enterprises, including revenues from student housing programs, are presented net of scholarships and fellowships applied to student accounts. Certain other scholarship and fellowships are paid directly to, or refunded to, the student and are reflected as operating expenses.

(p) Total Other Postemployment Benefits (OPEB) Liability

The University's total OPEB liability is an actuarial accrued liability that reflects the present value of future healthcare benefits earned by employees up to June 30, 2019. The University's total OPEB liability is determined by discounting the projected benefit for current active employees and retirees based on the discount rate required by GASB Statement No. 75 for OPEB plans which do not have assets residing in a qualified trust. The University and the State fund their current OPEB expenses on a "pay-as-you-go" basis.

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(g) Net Pension Liability

The University records a pension liability equal to the net pension liability for its proportionate share in the State's defined-benefit plans: the State's Miscellaneous Plan and the Peace Officers and Firefighters Plan (Agent Multiple-Employer Defined-Benefit Pension Plans). The net pension liability is measured as the University's proportionate share of the State's total pension liability, less the University's proportionate share of the pension plan's fiduciary net position. The fiduciary net position and changes in net position of the cost sharing defined-benefit plans has been measured consistent with the accounting policies used by the plans.

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

(r) Grant Revenues and Expenses

The University records grant revenue when all applicable grant eligibility requirements are met. Expenses are recorded as expenditures are incurred. Expenditure-driven grant revenue is recorded as the expenditures are incurred, in amounts equal to the expenditures.

(s) Internal Services Activities

Certain institutional internal service providers offer goods and services to University departments, as well as to external customers. These include activities such as copy centers, postal services, and telecommunications. All significant internal service activities provided to University departments have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the internal service sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the fiscal year.

(t) Income Taxes

The University is an agency of the State and is treated as a governmental entity for tax purposes. As such, the University is generally not subject to federal or state income taxes. The component units are either exempt governmental entities or not-for-profit organizations exempt under IRC Section 501(c)(3). However, the University and its component units remain subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded. If there is net income from any unrelated trade or business, such provision, in the opinion of management, is not material to the financial statements taken as a whole.

(u) Eliminations

All significant nonexchange transactions between the University and its discretely presented component units have been eliminated from the total column and are separately presented in the eliminations column in the accompanying Statement of Revenues, Expenses, and Changes in Net Position.

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(v) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the accompanying financial statements. Actual results could differ from those estimates.

(w) Risk and Uncertainties

The Coronavirus Disease 2019 (COVID-19) has negatively affected national, state, and local economies along with global financial markets and the higher education landscape in general. While the future impact of the COVID-19 pandemic cannot be quantified at this time, the University continuous to monitor its course and, if necessary, is prepared to take additional measures to protect the health and welfare of the University.

(3) Cash, Cash Equivalents, and Investments

The University's cash, cash equivalents, and investments as of June 30, 2020 are classified in the accompanying Statement of Net Position as follows:

Cash and cash equivalents	\$	11,317
Restricted cash and cash equivalents		201
Total cash and cash equivalents		<u>11,518</u>
Short-term investments		3,936,203
Endowment investments		1,677
Other long-term investments		1,996,078
Total investments		<u>5,933,958</u>
Total cash, cash equivalents, and investments	\$	<u><u>5,945,476</u></u>

(a) Cash and Cash Equivalents

At June 30, 2020, cash and cash equivalents consist of demand deposits held at the State Treasury, commercial banks, and petty cash. Total cash and cash equivalents of \$11,518 had a corresponding carrying balance with the State Treasury and commercial banks of \$20,402 at June 30, 2020. The difference was primarily related to deposits in transit and outstanding checks.

Cash in demand deposit accounts is minimized by sweeping available cash balances into the CSU Consolidated Investment Pool on a daily basis.

(i) Custodial Credit Risk for Deposits

Custodial credit risk for deposits is the risk that in the event of the failure of the custodian, the deposits may not be returned to the University. The University deposits are maintained at financial institutions that are Federal Deposit Insurance Corporation secured. As a result, custodial credit risk for deposits is remote.

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(b) Investments

The University's investment portfolio consists primarily of investments in the CSU Consolidated Investment Pool and SMIF. Separate accounting is maintained as to the amounts allocable to the various University funds and programs.

(i) Investment Policy

State law and regulations require that surplus monies of the University be invested. The objectives of the University's investment policy are to safeguard the principal, to meet liquidity needs of the University, and to obtain the best possible return commensurate with the degree of risk the University is willing to assume in obtaining such return. These objectives may be weighted or prioritized differently for individual portfolios depending on the purpose of the portfolio.

The University's investment policy authorizes funds held in local trust accounts under Education Code Sections 89721 and 89724 to be invested in any of the securities authorized by Government Code Section 16430, and Education Code Sections 89724 and 89725, subject to certain limitations. In general, the University's investment policy permits investments in obligations of the Federal and California state governments, certificates of deposit, high-quality domestic corporate fixed-income securities, and certain other investment instruments.

Effective January 1, 2017, changes to the Education and Government Code of the State expanded the permitted investments to include mutual funds, including equity mutual funds, subject to registration by, and under the regulatory authority of the United States Securities and Exchange Commission (SEC), or in United States registered real estate investment trusts, resulting in the establishment of the CSU Total Return Portfolio (TRP). Under State law, investment of funds in the TRP is subject to the University meeting certain conditions regarding investment oversight, reporting, and use of earnings, and may not exceed thirty percent of eligible investments thereafter. TRP investments amounted to \$1,110,236 as of June 30, 2020.

Additional earnings (if any) from TRP investments shall be used only for capital outlay or maintenance, and shall not be used for ongoing operations.

(ii) Interest Rate Risk

Interest rate risk is the risk that fluctuations in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The University's investment guidelines for the Liquidity Portfolio manage its interest rate risk by limiting an eligible investment to maximum effective maturity and by limiting the average duration of the portfolio. There are no restrictions on the duration for the investments in the TRP. The effective maturity date reflects a bond with embedded options such as a call, put, or reset date, and prepayment speed resulting in the maturity of a bond being less than the final maturity date. Duration is a measure of the sensitivity of the price of an investment relative to fluctuations in market interest rates. Durations of the University's investment portfolio for each investment type, except for SMIF in which weighted average life is used, as of June 30, 2020 are presented in the following table:

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Investment type	Fair value	Duration
Money market funds	\$ 188,045	—
Repurchase agreements	19,462	0.00273
Certificates of deposit	128,927	0.18171
U.S. agency securities	676,426	1.63563
U.S. Treasury securities	1,518,103	1.16541
Municipal bonds	2,560	0.90800
Corporate bonds	851,290	1.04084
Asset-backed securities	13,951	0.16480
Mortgage-backed securities	154	1.74345
Mutual funds	1,110,235	5.84117
SMIF	1,424,805	0.52329
Total	<u>\$ 5,933,958</u>	

Another way the University manages its exposure to interest rate risk is by purchasing a combination of short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or nearing maturity over time as necessary to provide cash flow and liquidity needed for operations.

(iii) Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The University, except for investments in the TRP, invests in low credit risk securities such as U.S. government securities, securities of federally sponsored agencies, highly rated domestic corporate bonds, prime-rated commercial paper, repurchase and reverse repurchase agreements, banker's acceptance, and negotiable certificates of deposit. Therefore, the credit risk is low and occurrence of default risk is remote.

Investments in the TRP include SEC registered mutual funds invested per a target asset allocation which includes investment grade bonds, higher credit risk bonds (i.e. high yield bonds, bank loans, and emerging market bonds), equities and real assets. Risk for the TRP is viewed holistically and in the context of the overall CSU Consolidated Investment Pool, incorporating quantitative and qualitative assessments into oversight of the TRP. The University accepts a level of risk commensurate with the long-term investment goals of the TRP. The mutual fund investment managers are responsible for assessing the credit risk of the individual securities held in the mutual funds for the TRP. Moreover, certain passive index funds in the TRP will seek to replicate the credit risk of the underlying indices to which the index funds are benchmarked.

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Ratings of the University's investment portfolio for each investment type as of June 30, 2020 are presented in the following table:

Investment type	Fair value	AAA	AA	A	BB	B	Not rated
Money market funds	\$ 188,045	128,858	—	—	—	—	59,187
Repurchase agreements	19,462	19,462	—	—	—	—	—
Certificates of deposit	128,927	53,900	—	75,027	—	—	—
U.S. agency securities	676,426	68,184	608,242	—	—	—	—
U.S. Treasury securities	1,518,103	45,344	1,472,759	—	—	—	—
Municipal bonds	2,560	—	—	2,560	—	—	—
Corporate bonds	851,290	—	71,317	779,973	—	—	—
Asset-backed securities	13,951	13,951	—	—	—	—	—
Mortgage-backed securities	154	—	154	—	—	—	—
Mutual funds	1,110,235	55,807	246,026	—	16,401	109,818	682,183
SMIF	1,424,805	—	—	—	—	—	1,424,805
Total	<u>\$5,933,958</u>	<u>385,506</u>	<u>2,398,498</u>	<u>857,560</u>	<u>16,401</u>	<u>109,818</u>	<u>2,166,175</u>

The mutual funds credit ratings are based on average credit ratings of the underlying mutual funds. Credit ratings for mutual fund related to equity and real estate asset are not applicable.

By law, the SMIF only invests in U.S. government securities, securities of federally sponsored agencies, domestic corporate bonds, interest-bearing time deposits in California banks, savings and loan associations and credit unions, prime-rated commercial paper, repurchase and reverse repurchase agreements, security loans, banker's acceptances, negotiable certificates of deposit, and loans to various bond funds.

(iv) Concentration Risk

Concentration risk rises as investments become concentrated relative to a portfolio characteristic such as issuance, issuer, market sector, counterparty, or sovereign nation, and is best mitigated by diversification. The University's investment policy has concentration limits that provide sufficient diversification. As such, the concentration risk is remote.

As of June 30, 2020, the investments (excluding U.S. Treasury securities, mutual funds, and external investment pools) in Federal Home Loan Banks (\$386,868 or 6.52%) represented 5% or more of the University's investment portfolio.

(v) Risk and Uncertainties

The University may invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. 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 will occur in the near term and that the changes could materially affect the amounts reported in the Statement of Net Position.

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The University, through the CSU Consolidated Investment Pool, invests in securities with contractual cash flows, such as asset-backed securities and mortgage-backed securities. The value, liquidity, and related income of these securities are sensitive to changes in economic conditions, including real estate values, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

(vi) *Custodial Credit Risk*

Custodial credit risk is the risk that in the event of the failure of the custodian, the investments may not be returned to the University. Substantially all of the University's securities are registered in the University's name by the custodial bank as an agent for the University. As a result, custodial credit risk for such investments is remote.

(vii) *Fair Value Measurements*

The University uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine the fair value disclosures. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. The University groups its assets and liabilities measured at fair value in three levels, based on markets in which the asset and liabilities are traded and the reliability of the assumptions used to determine fair value. The level in the fair value hierarchy with which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the University has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset and liability. This valuation is accomplished using management's best estimate of fair value, with inputs into the determination of fair value that require significant management judgment or estimation.

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The following table presents investments that are measured at fair value on a recurring basis at June 30, 2020:

Investment type	Fair value	Level 2	NAV	Not required to be leveled
Money market funds	\$ 188,045	—	188,045	—
Repurchase agreements	19,462	19,462	—	—
Certificates of deposit	128,927	128,927	—	—
U.S. agency securities	676,426	676,426	—	—
U.S. Treasury securities	1,518,103	1,518,103	—	—
Municipal bonds	2,560	2,560	—	—
Corporate bonds	851,290	851,290	—	—
Asset-backed securities	13,951	13,951	—	—
Mortgage-backed securities	154	154	—	—
Mutual funds	1,110,235	1,110,235	—	—
SMIF	—	—	—	1,424,805
Total	<u>\$ 4,509,153</u>	<u>4,321,108</u>	<u>188,045</u>	<u>1,424,805</u>

The following discussions describe the valuation methodologies used for financial assets and liabilities measured at fair value. The techniques utilized in estimating the fair value are affected by the assumptions used.

Investments are classified in Level 1 as fair value is obtained at the last sale price on the last business day of the current fiscal year, as quoted on a recognized exchange or an industry standard pricing, when available. Investments for which no sale was reported as of the close of the last business day of the current fiscal year are valued at the quoted bid price provided by the University's external investment managers or their custodians. There were no investments classified in Level 1.

Investments are classified in Level 2 as fair value is calculated using valuations that include observable market quoted prices for similar assets or liabilities. Observable inputs other than quoted prices such as price services or indices, estimates, appraisals, assumptions, and other methods that are reviewed by management. Changes in market conditions and economic environments may impact the net asset value (NAV) and consequently, the fair value of the University's interests in the funds.

There were no assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

Certain money market funds are not categorized under the fair value hierarchy and are shown at NAV. These investments are measured at amortized cost when calculating NAV per share (or its equivalent) of the investment.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2020

(In thousands)

(viii) Foreign Currency Risk

Foreign Currency Risk, also known as exchange rate risk, is the risk arising from fluctuations in the value of a base currency (U.S. dollar) against foreign currencies related to the underlying currency denomination of securities held for investment.

The majority of the Consolidated Investment Pool is invested in U.S. dollar denominated securities without foreign currency risk.

However, the TRP includes allocations to non-U.S. equities and non-dollar-denominated bonds in the underlying mutual funds for the TRP. The TRP Investment Policy includes an asset allocation policy with targets and acceptable ranges for each asset class included in the TRP, including non-U.S. equity and emerging markets bonds. Additionally, mutual funds utilized in other asset classes within the TRP may also have some foreign currency exposure. However, all mutual funds in the TRP are denominated in United States dollars.

(viii) Discretely Presented Component Units' Investments

Investments of the discretely presented component units at fair value consisted of the following at June 30, 2020:

Investment type	Current	Noncurrent	Total
Money market funds	\$ 62,566	55,434	118,000
Repurchase agreements	525	12	537
Certificates of deposit	30,909	5,983	36,892
U.S. agency securities	22,023	6,736	28,759
U.S. Treasury securities	109,492	189,182	298,674
Municipal bonds	4,833	8,757	13,590
Corporate bonds	99,429	101,115	200,544
Asset-backed securities	3,352	1,992	5,344
Mortgage-backed securities	8,613	11,254	19,867
Mutual funds	234,922	843,234	1,078,156
Exchange-traded funds	38,430	170,410	208,840
Equity securities	44,033	466,869	510,902
Alternative investments:			
Private equity (including limited partnerships)	2,855	66,473	69,328
Hedge funds	6,144	73,318	79,462
Real estate investments (including real estate investment trust)	2,928	40,426	43,354
Commodities	282	12,871	13,153
Other alternative investments	1,352	118,965	120,317
Other external investment pools	—	24,591	24,591
Local Agency Investment Fund (LAIF)	238,546	2,289	240,835
Other investments	1,644	24,344	25,988
Total	\$ 912,878	2,224,255	3,137,133

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2020

(In thousands)

The following table presents investments of the discretely presented component units that are measured at fair value on a recurring basis at June 30, 2020:

<u>Investment type</u>	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>
Money market funds	\$ 118,000	103,505	6,158	—	8,337
Repurchase agreements	537	—	537	—	—
Certificates of deposit	36,892	2,379	34,513	—	—
U.S. agency securities	28,759	4,248	24,511	—	—
U.S. Treasury securities	298,674	168,317	130,357	—	—
Municipal bonds	13,590	5,244	8,346	—	—
Corporate bonds	200,544	138,305	54,648	—	7,591
Asset-backed securities	5,344	80	5,264	—	—
Mortgage-backed securities	19,867	5,353	14,514	—	—
Mutual funds	1,078,156	1,005,785	6,176	42,601	23,594
Exchange-traded funds	208,840	164,488	44,352	—	—
Equity securities	510,902	495,356	3,052	978	11,516
Alternative investments:					
Private equity (including limited partnerships)	69,328	1,253	1,059	12,059	54,957
Hedge funds	79,462	—	—	3,946	75,516
Real estate investments (including real estate investment trust)	43,354	511	3,139	14,667	25,037
Commodities	13,153	—	—	—	13,153
Other alternative investments	120,317	268	923	—	119,126
Other external investment pools	24,591	—	—	24,591	—
LAIF	240,835	—	—	—	240,835
Other investments	25,988	23,217	633	2,138	—
Total	\$ 3,137,133	2,118,309	338,182	100,980	579,662

For additional information regarding the investments and investment policies of the individual discretely presented component units, refer to their separately issued financial statements.

Investments reported by the University of \$61,731 are invested under contractual agreements on behalf of the discretely presented component units of the University.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2020

(In thousands)

(4) Accounts Receivable

Accounts receivable of the University at June 30, 2020 consisted of the following:

	Current	Noncurrent	Total
State appropriations	\$ 830	34,252	35,082
State appropriations – SPWB Lease Revenue Bond program	—	1,255	1,255
Discretely presented component units	52,125	1,736	53,861
Student accounts	93,265	—	93,265
Government grants and contracts	27,258	—	27,258
Others	43,200	543	43,743
	<u>216,678</u>	<u>37,786</u>	<u>254,464</u>
Less allowance for doubtful accounts	<u>(10,787)</u>	<u>—</u>	<u>(10,787)</u>
Total	\$ <u>205,891</u>	<u>37,786</u>	<u>243,677</u>

(5) Capital Lease Receivable

The University has entered into capital lease agreements with certain discretely presented component units using proceeds from issuance of SRB and BANs to lease existing and newly constructed facilities to the discretely presented component units amounting to \$202,190. Interest rates range from 2% to 5.55%. Lease payments are due twice a year on May 1 and November 1. Under the capital lease agreements, payments are due to the University as follows:

Fiscal year ending June 30:

2021	\$ 25,938
2022	21,400
2023	23,573
2024	23,616
2025	23,515
2026 - 2030	119,789
2031 - 2035	54,946
2036 - 2040	22,901
2041 - 2045	6,723
2046 - 2050	4,037
Total minimum lease payments to be received	<u>326,438</u>
Less amounts representing interest	<u>(95,987)</u>
Present value of future minimum lease payments to be received	230,451
Less current portion	<u>(12,723)</u>
Capital lease receivable, net of current portion	<u>\$ 217,728</u>

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2020

(In thousands)

(6) Notes Receivable

The University has entered into note agreements primarily with certain discretely presented component units to finance its existing and newly constructed facilities. Notes receivable from discretely presented component units amounted to \$385,190. Interest rates range from 2% to 6.48%. Note payments are due twice a year, on May 1 and November 1.

Under the agreements, payments are due to the University as follows:

Fiscal year ending June 30:	
2021	\$ 31,564
2022	32,594
2023	31,344
2024	31,002
2025	30,974
2026 - 2030	148,681
2031 - 2035	129,009
2036 - 2040	97,084
2041 - 2045	62,782
2046 - 2050	28,175
Total minimum note payments to be received	<u>623,209</u>
Less amounts representing interest	<u>(236,704)</u>
Present value of future minimum note payments to be received	386,505
Less current portion	<u>(13,363)</u>
Notes receivable, net of current portion	<u><u>\$ 373,142</u></u>

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2020

(In thousands)

(7) Capital Assets

Capital assets activity for the University for the year ended June 30, 2020 consisted of the following:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending balance</u>
Nondepreciable/nonamortizable capital assets:					
Land and land improvements	\$ 281,916	4,426	(540)	—	285,802
Works of art and historical treasures	50,100	3,481	—	—	53,581
Construction work in progress	1,156,638	965,863	(6,310)	(857,119)	1,259,072
Intangible assets	38,997	11,927	(4,386)	(5,338)	41,200
Total nondepreciable/ nonamortizable capital assets	1,527,651	985,697	(11,236)	(862,457)	1,639,655
Depreciable/amortizable capital assets:					
Buildings and building improvements	13,169,288	117,541	(44,477)	796,450	14,038,802
Improvements other than buildings	752,293	6,347	(776)	18,685	776,549
Infrastructure	1,250,573	16,592	(704)	35,442	1,301,903
Personal property:					
Equipment	904,571	45,486	(17,213)	6,542	939,386
Library books and materials	386,023	7,666	(6,120)	—	387,569
Intangible assets	275,481	4,371	(1,644)	5,338	283,546
Total depreciable/ amortizable capital assets	16,738,229	198,003	(70,934)	862,457	17,727,755
Total cost	18,265,880	1,183,700	(82,170)	—	19,367,410
Less accumulated depreciation/ amortization:					
Buildings and building improvements	(6,307,656)	(402,641)	21,149	—	(6,689,148)
Improvements other than buildings	(539,129)	(28,906)	744	—	(567,291)
Infrastructure	(592,007)	(40,699)	422	—	(632,284)
Personal property:					
Equipment	(675,658)	(60,097)	15,833	—	(719,922)
Library books and materials	(356,445)	(6,280)	6,120	—	(356,605)
Intangible assets	(256,608)	(7,652)	1,649	—	(262,611)
Total accumulated depreciation/amortization	(8,727,503)	(546,275)	45,917	—	(9,227,861)
Net capital assets	\$ 9,538,377	637,425	(36,253)	—	10,139,549

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2020

(In thousands)

Capital assets activity of the discretely presented component units of the University for the year ended June 30, 2020 consisted of the following:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending balance</u>
Nondepreciable/nonamortizable capital assets:					
Land and land improvements	\$ 132,976	5,220	(2,693)	—	135,503
Works of art and historical treasures	9,213	5,397	(1,688)	—	12,922
Construction work in progress	145,552	48,915	(71,683)	(51,386)	71,398
Intangible assets	10,031	1,796	(4,997)	(193)	6,637
Total nondepreciable/ nonamortizable capital assets	297,772	61,328	(81,061)	(51,579)	226,460
Depreciable/amortizable capital assets:					
Buildings and building improvements	774,038	23,985	(15,196)	9,672	792,499
Improvements other than buildings	170,816	10,366	(9,390)	33,967	205,759
Infrastructure	67,693	—	—	—	67,693
Personal property:					
Equipment	230,417	15,406	(7,321)	7,747	246,249
Intangible assets	8,044	126	(578)	193	7,785
Total depreciable/ amortizable capital assets	1,251,008	49,883	(32,485)	51,579	1,319,985
Total cost	1,548,780	111,211	(113,546)	—	1,546,445
Less accumulated depreciation/amortization:					
Buildings and building improvements	(337,682)	(25,251)	7,672	—	(355,261)
Improvements other than buildings	(97,012)	(13,375)	4,822	—	(105,565)
Infrastructure	(24,241)	(1,692)	—	—	(25,933)
Personal property:					
Equipment	(170,795)	(17,577)	6,294	—	(182,078)
Intangible assets	(6,476)	(260)	573	—	(6,163)
Total accumulated depreciation/amortization	(636,206)	(58,155)	19,361	—	(675,000)
Net capital assets	\$ 912,574	53,056	(94,185)	—	871,445

For additional information regarding the capital assets of the individual discretely presented component units of the University, refer to their separately issued financial statements.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2020

(In thousands)

(8) Lease Obligations

The University is obligated under various capital and operating leases and installment purchase agreements for the acquisition of equipment and facility rentals. A substantial amount of the capital leases are a result of the University's participation with the State in the State Public Works Board (SPWB) Lease Revenue Bond program. The University has participated in this program since 1986 in connection with the construction of campus facilities and related equipment.

As part of the annual budget process, the State of California Department of Finance augments the University's operating budget to provide additional funds for the required lease payments. The capital lease obligations related to the SPWB Lease Revenue Bond program amounted to \$143,410 at June 30, 2020. Total capital assets related to these capital leases have a carrying value of \$159,905 at June 30, 2020. The leases have terms expiring in various years through 2035. These capital leases consist primarily of leases of campus facilities, but also include certain computer, energy efficiency equipment, and telecommunications equipment. Total capital assets related to these capital leases have a carrying value of \$223,454 at June 30, 2020. The leases bear interest at rates ranging from 0.04% to 10% and have terms expiring in various years through 2049.

Operating leases consist primarily of leases for the use of real property. The University's operating leases expire in various years through 2099. The leases can be canceled if the State does not provide adequate funding. Some of these leases are with discretely presented component units for the rental of office space used in the operations of the University. Total operating lease expenditures for the year ended June 30, 2020 were \$41,694 of which \$25,721 was paid to related discretely presented component units.

Future minimum lease payments under capital and operating leases having remaining terms in excess of one year as of June 30, 2020 are as follows:

	<u>Capital leases</u>	<u>Operating leases</u>
Fiscal year ending June 30:		
2021	\$ 39,272	38,752
2022	36,790	32,542
2023	36,492	20,882
2024	34,812	18,476
2025	33,969	18,112
2026 - 2030	157,807	63,904
2031 - 2035	139,036	27,222
2036 - 2040	36,930	24,476
2041 - 2045	19,484	18,789
2046 - thereafter	12,369	2,444
Total minimum lease payments	546,961	<u>\$ 265,599</u>
Less amount representing interest	(190,405)	
Present value of future minimum lease payments	356,556	
Unamortized net premium	516	
Total capital lease obligations	357,072	
Less current portion	(20,897)	
Capital lease obligations, net of current portion	<u>\$ 336,175</u>	

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2020

(In thousands)

(9) Long-Term Debt Obligations

(a) *State's General Obligation Bond Program*

The General Obligation Bond program of the State has provided capital outlay funds for the three segments of California Higher Education through voter-approved bonds. Each of the approved bond programs provides a pool of available funds, which is allocated on a project-by-project basis among the University, the University of California, and the Community Colleges. Financing provided to the University through the State's General Obligation Bonds is not allocated to the University by the State. This debt remains as obligation of the State and is funded by state tax revenues. Accordingly, such debt is not reflected in the accompanying financial statements. The total General Obligation Bonds carried by the State related to the University projects is approximately \$2,050,623 as of June 30, 2020.

(b) *Systemwide Revenue Bond Program*

The State University Revenue Bond Act of 1947, Sections 90010 through 90091 of the Education Code of the State of California (the Bond Act) authorizes the Trustee to issue revenue bonds to finance projects that support the University's educational mission. The University's financing program, referred to as the SRB Program, is designed to provide lower cost debt and greater flexibility to finance projects at the University than would be possible if projects were financed separately. Rather than relying on specific pledged revenues to support specific debt obligations, the SRB program pools multiple sources of revenue as the security for the debt. The University's total outstanding balance of revenue bond indebtedness under the SRB program was \$7,218,305 at June 30, 2020. Under the Bond Act authority, the University has constructed or acquired facilities located at its 23 campuses and the Office of the Chancellor.

In 2014, the State enacted legislation that granted additional capital financing authorities to the University, leading to the SRB program expanding to allow the financing of academic facilities and energy conservation projects. Allowable academic projects include construction and equipping of new and existing academic facilities; infrastructure; deferred maintenance; and refunding of SPWB lease revenue bonds (which funded the construction of certain academic facilities of the University).

Systemwide Revenue Bonds are not secured by mortgages on the facilities constructed or acquired and therefore the facilities do not act as security for the debt. Revenues pledged under the SRB program include program fees from professional and continuing education, health center facilities, housing, parking, and student union; student tuition and fees; and designated auxiliary revenues, net of maintenance and operation expenses before extraordinary items (net income available for debt service), to repay the bonds.

The SRB Indenture (The Indenture) contains provisions that define events of default related to punctuality of the payment of the outstanding principal and interest. Additionally, the Indenture describes the process for which other events of default by the Board related to covenants, agreements, or conditions of the Indenture occur for a period of sixty (60) days after written notice by bondholders (of not less than twenty-five percent (25%) in aggregate principal amount of the bonds outstanding) requiring remediation. Further, the Indenture specifies the process which the Trustees may undertake, at the request of the majority of the bondholders, to declare the principal of all of the bonds then outstanding and the interest accrued to be immediately due and payable.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2020

(In thousands)

(c) Bond Anticipation Notes

The Trustees have authorized the issuance of BANs to provide short-term financing to the University for certain projects. The BANs are purchased by CSU Institute with proceeds from the commercial paper issued by the Institute. The BANs are generally issued for periods of up to three years in anticipation of issuing permanent revenue bonds at a future date. State law was amended in 2008 to allow BAN maturities to extend beyond three years and the maturity date for the issuance of BANs to be determined by the Trustees. BAN interest is variable and changes based upon the cost of the Institute's commercial paper program. The maximum and minimum weighted average interest rates for the year ended June 30, 2020 were 2.25% and 1.90%, respectively. The University's BANs totaled \$129,119 at June 30, 2020. The authorized amounts totaled \$301,880, of which \$171,600 has not been issued and \$130,280 has been issued.

CSU Institute, a discretely presented component unit of the University, manages the commercial paper program. The commercial paper program is bound by certain agreements, including the Trust Indenture with the Trustee/ paying agent and the Reimbursement Agreement with the letter of credit banks. Under certain provision of the Trust Indenture, in the event of a default, the Trustees shall take actions set forth by the BAN Resolution to effect the sale of long-term bonds to refinance outstanding BANs. Upon the occurrence of certain events of default specified in the Reimbursement Agreement, the right of the CSU Institute and the University to issue notes may be terminated or be suspended by the banks.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

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(In thousands)

Long-term debt obligations of the University as of June 30, 2020 consisted of the following:

Description	Interest rate percentage	Final maturity date	Original issue amount	Amount outstanding
Systemwide Revenue Bonds:				
Housing Series L - M	3%	2020/21	\$ 5,510	245
Housing Series N & Q	3.00	2021/22	6,695	470
Series 2007-B	5.45-5.55	2037/38	13,165	8,920
Series 2007-C	5.00	2028/29	63,275	26,090
Series 2010-B	5.45-6.48	2041/42	205,145	205,145
Series 2011-A	3.00-5.25	2042/43	236,410	111,685
Series 2012-A	3.00-5.00	2042/43	436,220	399,280
Series 2012-B	2.79-4.17	2036/37	16,700	14,050
Series 2013-A	3.00-5.00	2026/27	308,855	202,045
Series 2014-A	3.00-5.00	2044/45	747,740	710,830
Series 2015-A	2.00-5.00	2047/48	1,032,920	919,555
Series 2015-B	1.98-4.41	2035/36	29,305	19,435
Series 2016-A	2.00-5.00	2045/46	1,133,105	1,102,670
Series 2016B-1	1.60	2047/48	50,000	50,000
Series 2016B-2	4.00	2049/50	100,000	100,000
Series 2016B-3	4.00	2051/52	100,000	100,000
Series 2017-A	3.00-5.00	2047/48	812,030	784,495
Series 2017-B	1.55-3.90	2047/48	335,155	333,310
Series 2017-C	3.25-5.00	2037/38	49,175	43,345
Series 2018-A	4.00-5.00	2050/51	492,690	490,465
Series 2018-B	2.45-4.25	2050/51	171,000	170,840
Series 2019-A	4.00-5.00	2051/52	449,430	449,430
Series 2019-B	1.90-3.59	2051/52	81,335	81,335
Series 2020-A	5.00	2031/32	65,240	65,240
Series 2020-B	1.47-3.07	2042/43	829,425	829,425
			<u>\$ 7,770,525</u>	7,218,305
Bond Anticipation Notes	Various			129,119
Others	Various			9,012
Total				<u>7,356,436</u>
Unamortized net bond premium				685,331
Total long-term debt				<u>8,041,767</u>
Less current portion				(171,661)
Long-term debt, net of current portion				<u>\$ 7,870,106</u>

CALIFORNIA STATE UNIVERSITY

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(In thousands)

Long-term debt principal and interest are payable in the following fiscal years:

	Principal	Interest
Fiscal year ending June 30:		
2021	\$ 171,661	324,028
2022	185,360	311,219
2023	191,892	302,130
2024	198,766	293,152
2025	206,341	283,909
2026 - 2030	1,193,615	1,268,318
2031 - 2035	1,342,767	971,597
2036 - 2040	1,311,440	669,918
2041 - 2045	1,262,739	386,684
2046 - 2050	1,005,604	141,039
Thereafter	286,251	9,974
	\$ 7,356,436	4,961,968

Long-term debt obligations of the individual discretely presented component units have been issued to purchase or construct facilities for University-related uses. For additional information regarding long-term debt obligations of the individual discretely presented component units, refer to their separately issued financial statements.

The Board of Trustees does not have a specified debt limit or debt margin, as noted in the University's Policy for Financing Activities. However, the Board finds it appropriate to establish the lowest cost debt financing programs for the University, and to use the limited debt capacity in the most prudent manner.

As of June 30, 2020, the Board had approved SRB and BANs that were authorized but unissued in the aggregate principal amount of \$1,764,565 for projects including academic, infrastructure, housing, and parking facilities. As of June 30, 2020, there are approximately \$470,840 of remaining authorized and unissued debt for the purpose of refunding certain bonds of the SPWB not previously refunded. The Board may issue all or a portion of these authorized bonds as well as other additional bonds for other new money projects or refunding purposes. The Board expects to authorize the issuance of additional Systemwide Revenue Bonds from time to time in the future. There is no limit on the amount of SRB that the Board may authorize.

(10) Long-Term Debt Refunding

In August 2019, the University issued SRB Series 2019B (Taxable) and 2020A (Tax Exempt), a portion of the proceeds was applied for a current refunding of SRB Series 2010A (Tax Exempt). Further, the University issued SRB Series 2020B (Taxable), a portion of the proceeds was applied for advance refunding of SRB Series 2011A (Tax Exempt). The defeasance will reduce the University's total financing cost by approximately \$65,329 over the life of the refunded bonds. The economic gain (difference between net present values of the debt service payments on the old debt and new debt) from these transactions was approximately \$50,267. Accordingly, the refunded bonds have been considered defeased and, therefore, removed as a liability from the accompanying financial statements. The total par amount of bonds outstanding as of date of refunding totaled \$269,000. The outstanding balance as of June 30, 2020 is \$193,445.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2020

(In thousands)

(11) Long-Term Liabilities Activity

Long-term liabilities activity of the University for the year ended June 30, 2020 was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Current portion
Accrued compensated absences	\$ 239,962	151,991	(121,942)	270,011	112,812
Capital lease obligations (note 8)	315,322	73,803	(32,053)	357,072	20,897
Long-term debt obligations (note 9):					
Systemwide revenue bonds	6,211,333	1,425,430	(418,458)	7,218,305	170,115
Bond anticipation notes	109,659	227,918	(208,458)	129,119	72
Other	10,046	—	(1,034)	9,012	1,474
	<u>6,331,038</u>	<u>1,653,348</u>	<u>(627,950)</u>	<u>7,356,436</u>	<u>171,661</u>
Unamortized net bond premium	620,431	114,509	(49,609)	685,331	—
Total long-term debt obligations	<u>6,951,469</u>	<u>1,767,857</u>	<u>(677,559)</u>	<u>8,041,767</u>	<u>171,661</u>
Total long-term liabilities	<u>\$ 7,506,753</u>	<u>1,993,651</u>	<u>(831,554)</u>	<u>8,668,850</u>	<u>305,370</u>

Long-term liabilities activity of the aggregated discretely presented component units of the University for the year ended June 30, 2020 was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Current portion
Accrued compensated absences	\$ 21,375	11,744	(10,590)	22,529	15,516
Claims liability for losses					
and loss adjustment expenses	60,446	28,803	(35,272)	53,977	16,416
Capital lease obligations	238,245	23,284	(14,756)	246,773	10,769
Long-term debt obligations:					
Revenue bonds	19,790	—	(970)	18,820	1,030
Commercial paper, including principal rollovers	109,659	995,595	(976,135)	129,119	127,337
Notes payable	348,250	39,780	(53,245)	334,785	11,515
Other	68,329	10,551	(9,249)	69,631	5,244
	<u>546,028</u>	<u>1,045,926</u>	<u>(1,039,599)</u>	<u>552,355</u>	<u>145,126</u>
Unamortized net bond premium	40,178	4,338	(4,665)	39,851	—
Total long-term debt obligations	<u>586,206</u>	<u>1,050,264</u>	<u>(1,044,264)</u>	<u>592,206</u>	<u>145,126</u>
Total long-term liabilities	<u>\$ 906,272</u>	<u>1,114,095</u>	<u>(1,104,882)</u>	<u>915,485</u>	<u>187,827</u>

The University has entered into note agreements with certain discretely presented component units to finance existing and newly constructed facilities, using proceeds from issuance of SRB and BANs, for the discretely presented component units amounting to \$334,785 included in notes payable and \$50,405 in other long-term debt obligations as of June 30, 2020.

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The University has also entered into capital lease agreements with certain discretely presented component units using proceeds from issuance of SRB and BANs to lease existing and newly constructed facilities to the discretely presented component units amounting to \$200,707 as of June 30, 2020.

For additional information regarding the long-term liabilities of the individual discretely presented component units of the University, refer to their separately issued financial statements.

(12) Pension Plan

(a) *Pension Plan Description*

The University participates in the State's Public Employee's Retirement Fund A (PERF A). PERF A is comprised of agent multiple-employer plans, which includes the State. CalPERS acts as an investment and administrative agent for participating employers. State employees served by PERF A includes the University's Miscellaneous Tier 1 employees and Peace Officers and Firefighters.

(b) *Benefits Provided*

The plan also provides survivor, death, and disability benefits. Eligible employees are covered by the Public Employees' Medical and Hospital Care Act (PEMHCA) for medical benefits. The benefit provisions are established by the Public Employee's Retirement Law (PERL) and the Public Employees' Pension Reform Act of 2013 (PEPRA).

A full description of the pension plans regarding numbers of employees covered, benefit provision, assumptions, and membership information are listed in the June 30, 2018 State Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report.

In general, retirement benefits are based on a formula using member's years of service credit, age at retirement, and final compensation (average salary for a defined period of employment). Retirement formulas vary based on:

- Classification (e.g., miscellaneous or peace officers and firefighters)
- Membership category (pre-PEPRA and post-PEPRA); and
- Specific provisions in employees' contracts.

CalPERS issues a publicly available Actuarial Valuation Report and Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information. Copies of the CalPERS Actuarial Valuation Report and CAFR may be obtained at www.CalPERS.ca.gov or from the California Public Employees' Retirement System Executive Office, 400 P Street, Sacramento, CA 95814.

(c) *Pensionable Compensation*

For the University, the plan acts as cost sharing multiple-employer defined-benefit pension plan, which provides a defined-benefit pension and postretirement program for substantially all eligible University employees. The University's proportion of the State's net pension liability was calculated based on its proportionate share of the State's pensionable compensation. The pensionable compensation has a measurement period of July 1, 2018 through June 30, 2019.

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(d) Contributions

Section 20814(c) of the 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 the July 1 following notice of a change in the rate. The total plan contributions are determined through the 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. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

For the measurement period ended June 30, 2019, the average State's active employee contribution rates for State Miscellaneous and Peace Officer and Firefighters Plans are 6.90% and 11.46% of annual payroll, respectively. For the measurement period ended June 30, 2018, the State's contribution rates for State Miscellaneous and Peace Officer and Firefighters Plans are 29.37% and 45.37% of annual payroll, respectively.

State Miscellaneous Plan members of the University are required to contribute 5% of their annual earnings in excess of \$513 per month to CalPERS. Effective January 1, 2013, all new University employees that are considered "new members" to CalPERS are required to contribute 50% of the normal cost for their category (e.g., State Miscellaneous Plan members contribute 7.25% of their annual earnings per month to CalPERS). The University is required to contribute at an actuarially determined rate.

State Peace Officers and Firefighters Plan members of the University are required to contribute 8% of their annual earnings in excess of \$238 per month to CalPERS. Effective January 1, 2013, all new University employees that are considered "new members" to CalPERS are required to contribute 50% of the normal cost for their category (e.g., State Peace Officers and Firefighters Plan members contribute 12% of their annual earnings per month to CalPERS). The University is required to contribute at an actuarially determined rate.

The contribution requirements of the plan members are established and may be amended by CalPERS. The contractual maximum contribution required for the University is determined by the annual CalPERS compensation limit(s), which are based on provisions of Assembly Bill (AB) 340 and the IRC 401(a) 17 limits. The University's contributions to CalPERS for the most recent three fiscal years ended June 30 were equal to the required contributions and were as follows:

	<u>University's contributions</u>	
Fiscal year ending June 30:		
2020	\$	1,011,518
2019		928,987
2018		1,734,716

In 2018, the State made a supplemental pension contribution of \$876,842 to CalPERS on behalf of the University as authorized by Government Code Section 20825. The University shall repay \$156,283 amount contributed through June 30, 2030, while the remainder was recognized as State appropriations, noncapital in 2018. As of June 30, 2020, the outstanding amount to be repaid by the University is \$133,419.

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(e) *Actuarial Methods and Assumptions*

The total pension liability was measured as of June 30, 2019 (measurement date), by rolling forward the total pension liability determined by the June 30, 2018 actuarial valuation (valuation date), based on the following actuarial methods and assumptions:

Valuation date:	June 30, 2018
Actuarial cost method:	Entry age normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Investment rate of return	7.15%, net of pension plan investment expense but without reduction for administrative expenses including inflation
Mortality rate of return	Derived using CalPERS' membership data for all funds
Postretirement benefit increase:	Contract cost of living allowance up to 2.50% until purchasing power protection allowance floor on purchasing power applies; 2.50% thereafter

The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions report (Experience Study), based on CalPERS demographic data from 1997 to 2015. The Experience Study report can be obtained from www.CalPERS.ca.gov under Forms and Publications.

(f) *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 a 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. Based on the plans tested, none of the plan assets were exhausted. Therefore, the current 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15% is applied to all plans in the PERF. The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test result is presented in the GASB Crossover Testing Report, which can be obtained from www.CalPERS.ca.gov under GASB Statement No. 68 section.

(g) *Investment Rate of Return*

The long-term expected rate of return on pension plan investments of 7.15% was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, but without reduction for administrative expenses, and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Taking into account historical returns

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of all the PERF's asset classes (which includes the agent plan and two cost-sharing plans), 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation used to measure the total pension liability.

Asset class	Current target allocation %	years 1–10¹ %	years 11+² %
Global equity	50	4.80	5.98
Fixed income	28	1.00	2.62
Inflation assets	—	0.77	1.81
Private equity	8	6.30	7.23
Real estate	13	3.75	4.93
Liquidity	1	—	(0.92)
Total	<u>100</u>		

¹ An expected inflation of 2% used for this period

² An expected inflation of 2.92% used for this period

(h) Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the University's proportionate share of net pension liability of the State Miscellaneous and Peace Officers and Firefighters Plans (collectively the Plans) as of the measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability would be 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:

Plan	Discount rate -1% (6.15%)	Current discount rate (7.15%)	Discount rate + 1% (8.15%)
Miscellaneous Plan	\$ 11,430,804	8,022,235	5,166,956
Peace Officers and Firefighters Plan	248,159	168,535	103,250
Net pension liability	<u>\$ 11,678,963</u>	<u>8,190,770</u>	<u>5,270,206</u>

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(i) Changes in Net Pension Liability

The University reported a liability of \$8,190,770 for its proportionate share of the State's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined based on an actuarial valuation as of June 30, 2018 rolled forward to the measurement date. The University's proportion of the State's net pension liability was calculated based on its proportionate share of the State's pensionable compensation. The State considered this a practical, systematic, and rational approach. At measurement date June 30, 2019, the University's proportionate share of the total State net pension liability for the State Miscellaneous and Peace Officers and Firefighters Plans were 23.85065% and 1.14289%, respectively.

	State Miscellaneous Plan	State Peace Officers and Firefighters Plan	Total
Balance at June 30, 2018 (measurement date)	\$ 7,570,176	163,075	7,733,251
Changes in proportionate share	(77,569)	(4,083)	(81,652)
Balance at June 30, 2018, adjusted	7,492,607	158,992	7,651,599
Changes recognized for the measurement period:			
Service cost	487,235	11,943	499,178
Interest on total pension liability	1,901,033	38,648	1,939,681
Recognized difference between expected and actual experience	484,754	7,594	492,348
Employee contributions	(224,907)	(5,005)	(229,912)
Employer contributions	(900,954)	(19,039)	(919,993)
Net investment income	(1,231,444)	(24,864)	(1,256,308)
Plan to plan resource movement	321	(4)	317
Administrative expenses	13,633	272	13,905
Other miscellaneous expense	(44)	(1)	(45)
Net changes	529,627	9,544	539,171
Balance at June 30, 2019 (measurement date)	\$ 8,022,234	168,536	8,190,770

(j) Pension Plan Fiduciary Net Position

The plan fiduciary net position disclosed in the GASB Statement No. 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. For example, for the accounting valuations, CalPERS must keep items such as deficiency reserves and fiduciary self-insurance included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation.

(k) Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pension

The University recognized pension expense of \$1,573,707 for State Miscellaneous Plan and State Peace Officers and Firefighters Plan, which were reported as benefits expense.

The following table presents deferred outflows and inflows of resources as of June 30, 2020. Deferred outflows and inflows of resources are recognized for the difference between expected and actual experience and changes in

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assumptions. Deferred outflows of resources are recognized for the University's retirement contributions made subsequent to the measurement date of June 30, 2019 which will be recognized as a reduction of the net pension liability in the next measurement date. Net deferred outflows of resources are recognized for the aggregate difference (positive and negative) between projected and actual earnings on pension plan investments arising in different measurement periods. Net deferred outflows of resources are recognized for changes in the University's proportionate share of pensionable compensation.

	Deferred outflows of resources	Deferred inflows of resources
University's retirement contributions subsequent to the measurement date	\$ 1,011,518	—
Differences due to changes in assumptions	350,551	168,457
Net differences between projected and actual earnings on pension plan investments	—	61,011
Differences due to changes in proportionate share	54,883	—
Differences between expected and actual experience	429,591	24,464
Total	<u>\$ 1,846,543</u>	<u>253,932</u>

The deferred outflows of resources will be recognized as pension expense as follows:

(i) Schedule of Differences due to Changes in Assumptions

Measurement Period ended June 30	Initial differences*	Recognition period (year)	Increase in pension expense arising from the recognition of the effects of changes in assumptions (measurement dates)			
			2020	2021	2022	Total
Miscellaneous Plan:						
2017	\$ 1,351,750	4	\$ 337,937	—	—	337,937
Peace Officers and Firefighters Plan:						
2017	29,815	5.2	5,734	5,734	1,146	12,614
Increase in pension expense			<u>\$ 343,671</u>	<u>5,734</u>	<u>1,146</u>	<u>350,551</u>

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ii) Schedule of Changes in Proportionate Share

Measurement Period ended June 30	Initial differences*	Recognition period (year)	Increase (decrease) in pension expense arising from the recognition of the effects of changes in proportionate share (measurement dates)				
			2020	2021	2022	2023	Total
Miscellaneous Plan:							
2017	\$ 291,636	4	\$ 72,909	—	—	—	72,909
2018	69,770	4.1	17,017	17,017	1,702	—	35,736
2019	(72,052)	4.1	(17,574)	(17,574)	(17,574)	(1,757)	(54,479)
Peace Officers and Firefighters Plan:							
2015	7,537	5.1	148	—	—	—	148
2016	10,242	5.2	1,970	394	—	—	2,364
2017	10	5.2	2	2	—	—	4
2018	1,713	5	343	343	343	—	1,029
2019	(3,533)	5	(707)	(707)	(707)	(707)	(2,828)
Increase (Decrease) in pension expense			<u>\$ 74,108</u>	<u>(525)</u>	<u>(16,236)</u>	<u>(2,464)</u>	<u>54,883</u>

(iii) Schedule of Differences between Expected and Actual Experience

Measurement Period ended June 30	Initial differences*	Recognition period (year)	Increase in pension expense arising from the recognition of the effects of differences between expected and actual experience (measurement dates)				
			2020	2021	2022	2023	Total
Miscellaneous Plan:							
2018	\$ 106,313	4.1	\$ 25,930	25,930	2,593	—	54,453
2019	484,755	4.1	118,233	118,233	118,233	11,823	366,522
Peace Officers and Firefighters Plan:							
2015	3,298	5.1	65	—	—	—	65
2016	209	5.2	40	8	—	—	48
2018	4,047	5	809	809	809	—	2,427
2019	7,594	5	1,519	1,519	1,519	1,519	6,076
Increase in pension expense			<u>\$ 146,596</u>	<u>146,499</u>	<u>123,154</u>	<u>13,342</u>	<u>429,591</u>

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The deferred inflows of resources will be recognized as pension expense as follows:

(iv) Schedule of Differences between Expected and Actual Experience

Measurement Period ended June 30	Initial differences*	Recognition period (year)	Decrease in pension expense arising from the recognition of the differences between projected and actual earnings on pension plan investments (measurement dates)			
			2020	2021	2022	Total
Miscellaneous Plan:						
2017	\$ 92,312	4	\$ 23,078	—	—	23,078
Peace Officers and Firefighters Plan:						
2017	3,275	5.2	630	630	126	1,386
Decrease in pension expense			<u>\$ 23,708</u>	<u>630</u>	<u>126</u>	<u>24,464</u>

(v) Schedule of Differences due to Changes in Assumptions

Measurement Period ended June 30	Initial differences*	Recognition period (year)	Decrease in pension expense arising from the recognition of the effects of changes in assumptions (measurement dates)			
			2020	2021	2022	Total
Miscellaneous Plan:						
2018	\$ 328,556	4.1	\$ 80,136	80,136	8,014	168,286
Peace Officers and Firefighters Plan:						
2018	288	5	57	57	57	171
Decrease in pension expense			<u>\$ 80,193</u>	<u>80,193</u>	<u>8,071</u>	<u>168,457</u>

*Adjusted for any changes in University's proportionate share

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(vi) Schedule of Differences between Projected and Actual Earnings on Pension Plan Investments

Measurement Period ended June 30	Initial differences*	Recognition period (year)	Decrease (increase) in pension expense arising from the recognition of the differences between projected and actual earnings on pension plan investments (measurement dates)				
			2020	2021	2022	2023	Total
Miscellaneous Plan:							
2016	\$ (1,140,831)	5	\$ (228,167)	—	—	—	(228,167)
2017	629,965	5	125,993	125,993	—	—	251,986
2018	218,063	5	43,613	43,613	43,613	—	130,839
2019	(118,647)	5	(23,729)	(23,729)	(23,729)	(23,730)	(94,917)
Peace Officers and Firefighters Plan:							
2016	(21,636)	5	(4,327)	—	—	—	(4,327)
2017	12,087	5	2,417	2,417	—	—	4,834
2018	4,260	5	852	852	852	—	2,556
2019	(2,241)	5	(448)	(448)	(448)	(449)	(1,793)
Decrease (Increase) in pension expense			<u>\$ (83,796)</u>	<u>148,698</u>	<u>20,288</u>	<u>(24,179)</u>	<u>61,011</u>

(13) Other Postemployment Benefits (OPEB)

(a) OPEB Plan Description

The State provides retiree health and dental benefits to annuitants of retirement systems through an agent multiple-employer defined benefit plan which operates as a single-employer defined benefit plan for the University. The design of health and dental benefit plans can be amended by CalPERS Board of Administration. To be eligible, employees must retire within 120 days of separation from employment and have met the health and dental vesting period to be eligible to receive these benefits.

(b) Benefits Provided

For healthcare benefits, CalPERS offers Preferred Provider Organizations (PPOs), Health Maintenance Organizations (HMOs), and Exclusive Provider Organizations (EPOs) (limited to members in certain California counties). For dental benefits, a Dental Maintenance Organization (DMO) and dental indemnity plans are offered to the University's retirees. Health plans offered, covered benefits, monthly rates, and co-payments are determined by the CalPERS Board of Administration, which reviews health plan contracts annually. At measurement date, the count of retired and active employees covered by the benefit terms were:

	Headcount
Retirees elected to receive healthcare benefits	31,483
Active employees	49,249
Total	<u>80,732</u>

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(c) Contributions

The contribution requirements of retirees and the State are established and may be amended by the State legislature. For healthcare benefits, the State makes a contribution toward the retiree's monthly health premiums, with the retirees covering the difference between the State's contribution and the actual healthcare premium amount. The State contribution is normally established through collective bargaining agreements. No retiree contribution is required for dental benefits.

For healthcare benefits, responsibility for funding the cost of the employer share of premiums is apportioned between the State and the University based on "billable" and "nonbillable" accounts. Billable accounts have special revenue sources such as fees, licenses, penalties, assessments, and interest, which offset the costs incurred by a State department during the year. The University reimburses the State for retiree's health benefit costs allocated to billable accounts but not for costs allocated to nonbillable accounts. The University is responsible for funding the costs of the billable accounts on a pay-as-you-go basis as part of the statewide general administrative costs charged to the University. The State is responsible for funding the cost of the employer share of healthcare premiums of retirees for all nonbillable accounts. Historically, the State has funded approximately 95% of the cost of the benefits.

The University is responsible for paying the cost of dental benefits for all University retirees using funds provided by the State through general fund appropriations. The University makes payments directly to Delta Dental for the retiree's monthly dental premiums. The University is paying these benefits on a pay-as-you-go basis. The State's contribution to the retirees' health benefits are recorded as State appropriations, noncapital.

In addition to the explicit University contribution provided to retirees, there is an "implicit rate subsidy". The gross premium for retired members not eligible for Medicare who are charged a premium based on the experience of both active and retired members will be receiving a subsidy because the average healthcare costs of retired members is generally higher than the blended average costs of a group comprised of both active and retired members. The subsidy is referred to as the implicit rate subsidy. The implicit subsidy associated with the retiree health costs paid during the past year is also considered to be a contribution from the University.

(d) Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used are consistent with a long-term perspective and involve estimates of the value of reported benefits and assumptions about the probability of occurrence of events far into the future.

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Significant actuarial methods and assumptions used to calculate the University's total OPEB liability were:

Valuation date:	June 30, 2019
Actuarial cost method:	Entry Age Normal Actuarial Cost Method and the blended discount rates in accordance with the requirements of GASB Statement No. 74 and 75.
Actuarial assumptions:	
Discount rate	3.13%
Price inflation	2.25%
Wage inflation	2.50%
Healthcare-related:	Assumptions were updated based on the 2018 Experience Review for the Years July 1, 2014, to June 30, 2018, performed by State Actuary and were first adopted beginning with the June 30, 2019 actuarial valuation. It includes rates of decrement, salary increase rates, and economic assumptions. These assumption changes increased expected total OPEB liability by 0.4 percent or \$0.36 billion.
Healthcare trend rate:	
Pre-Medicare cost trend rate	7.5% in 2021, graded down over a six-year period until to a trend rate of 4.5% in 2027, remains at 4.50 percent for ten years until the ultimate rate of 4.25 percent is reached in 2037.
Post-Medicare cost trend rate	7.5% in 2021, graded down over a six-year period until to a trend rate of 4.5% in 2027, remains at 4.50 percent for ten years until the ultimate rate of 4.25 percent is reached in 2037.
Participation rate	On average approximately 95% of all eligible retirees elect healthcare coverage.
Per capita claim costs	A retiree healthcare actuarial valuation depends on the retired member's expected healthcare claim at a given age indexed for healthcare inflation.
Pension-related:	Assumptions were based on the December 2017 Experience Study conducted by CalPERS which includes rates of decrement, salary increase rates, and economic assumptions. Assumptions were first adopted beginning with the June 30, 2018, actuarial valuation.

The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions report (Experience Study), based on CalPERS demographic data from 1997 to 2015. The Experience Study report can be obtained from www.CalPERS.ca.gov under Forms and Publications.

(e) Sensitivity of the University's Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

One of the key assumptions influencing costs is the assumed growth or trend in healthcare costs. The healthcare trend assumption for OPEB actuarial valuations spans over the lifetime of a covered retiree, which could extend to over 30 years. This is in contrast to the short-term healthcare inflation used to develop premiums for the next fiscal year. This long-term healthcare assumption is by far the most difficult to set.

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The following table presents the University's total OPEB liability as of the measurement date, calculated using the healthcare cost trend rates that are one-percentage-point lower of (6.5% decreasing to 3.25%) or one-percentage-point higher (8.5% decreasing to 5.25%) than the current healthcare cost trend rate:

	Trend rate -1% (6.5% decreasing to 3.25%)	Current trend rate (7.5% decreasing to 4.25%)	Trend rate + 1% (8.5% decreasing to 5.25%)
Total OPEB liability	\$ 12,349,046	14,498,545	17,249,934

(f) Discount Rate

The discount rate used to estimate the total OPEB liability as of measurement dates June 30, 2019 and 2018 was 3.13% and 3.62%, respectively. The discount rates were based on Fidelity Index's 20-Year Municipal GO AA Index since the University has no plan assets sufficient to make benefit payments.

(g) Sensitivity of the University's Total OPEB Liability to Changes in the Discount Rate

The following table presents the University's total OPEB liability as of the measurement date, calculated using the discount rate of 3.13%, as well as what the total other postemployment benefits liability would be if it were calculated using a discount rate that is one-percentage point lower (2.13%) or one-percentage point higher (4.13%) than the current rate:

	Discount rate -1% (2.13%)	Current discount rate (3.13%)	Discount rate + 1% (4.13%)
Total OPEB liability	\$ 17,001,133	14,498,545	12,495,949

(h) Changes in Total OPEB Liability

The following table presents the changes in total OPEB liability of the University recognized over the measurement period:

Balance at June 30, 2018 (Measurement Date)	\$ 13,128,996
Changes recognized for the measurement period:	
Service cost	603,049
Interest on total OPEB liability	490,260
Recognized changes of assumptions	751,688
Differences between expected and actual experience (non-investment)	(94,145)
Employer contribution	(381,303)
Net changes	1,369,549
Balance at June 30, 2019 (Measurement Date)	\$ 14,498,545

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2020

(In thousands)

(i) OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

The University recognized OPEB expense of \$714,217 which was reported as benefits expense.

The following table presents deferred outflows and inflows of resources. Deferred outflows of resources are recognized for the University's retirement contributions made subsequent to the measurement date of June 30, 2019 which will be recognized as a reduction of total OPEB liability on the subsequent measurement date. The deferred inflows of resources are recognized for the change in assumptions.

	Deferred outflows of resources	Deferred inflows of resources
University's contributions subsequent to the measurement date	\$ 404,389	—
Differences due to changes in assumptions	648,057	1,311,057
Differences between expected and actual experience (non-investment)	—	882,469
Total	<u>\$ 1,052,446</u>	<u>2,193,526</u>

The University's contributions subsequent to the measurement date includes \$388,210 contributed by the State on behalf of the University as authorized by Government Code Section 22871. The State's contributions are recognized as State appropriations, noncapital.

The deferred outflows of resources due to changes in assumptions will be recognized as OPEB expense as follows:

			Increase in OPEB expenses arising from changes of assumptions (measurement dates)							
Measurement Period ended June 30	Initial difference	Recognition period (year)	2021	2022	2023	2024	2025	2026	2027	Total
2019	\$ 751,688	7.25	\$ 103,631	103,631	103,631	103,631	103,631	103,631	26,271	648,057
Increase in OPEB expenses			<u>\$ 103,631</u>	<u>103,631</u>	<u>103,631</u>	<u>103,631</u>	<u>103,631</u>	<u>103,631</u>	<u>26,271</u>	<u>648,057</u>

The deferred inflows of resources will be recognized as OPEB expense as follows:

			Decrease in OPEB expenses arising from changes of assumptions (measurement dates)							
Measurement Period ended June 30	Initial difference	Recognition period (year)	2021	2022	2023	2024	2025	2026	Total	
2017	\$ 1,663,194	6.86	\$ 242,299	242,299	242,299	209,400	—	—	936,297	
2018	519,714	7.17	72,477	72,477	72,477	72,477	72,477	12,375	374,760	
Decrease in OPEB expenses			<u>\$ 314,776</u>	<u>314,776</u>	<u>314,776</u>	<u>281,877</u>	<u>72,477</u>	<u>12,375</u>	<u>1,311,057</u>	

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2020

(In thousands)

**Decrease in OPEB expenses arising from differences between expected and actual experience
(non-investment)
(measurement dates)**

Measurement Period ended June 30	Initial difference	Recognition period (year)	2021	2022	2023	2024	2025	2026	2027	Total
2018	\$ 1,111,239	7.17	\$ 154,968	154,968	154,968	154,968	154,968	26,463	—	801,303
2019	94,145	7.25	12,979	12,979	12,979	12,979	12,979	12,979	3,292	81,166
Decrease in OPEB expenses			<u>\$ 167,947</u>	<u>167,947</u>	<u>167,947</u>	<u>167,947</u>	<u>167,947</u>	<u>39,442</u>	<u>3,292</u>	<u>882,469</u>

(14) Deferred Outflows and Inflows of Resources

The composition of deferred outflows and inflows of resources at June 30, 2020 is summarized as follows:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Related to:		
Net pension liability (note 12)	\$ 1,846,543	253,932
Total other postemployment benefits liability (note 13)	1,052,446	2,193,526
Unamortized loss on SRB debt refunding	85,035	—
Unamortized gain on SRB debt refunding	—	3,825
Nonexchange transactions	—	1,025
Total	<u>\$ 2,984,024</u>	<u>2,452,308</u>

(15) Claims Liability for Losses and Loss Adjustment Expenses

The University and certain auxiliary organizations have established the CSURMA, a discretely presented component unit of the University, to centrally manage workers' compensation, general liability, industrial and nonindustrial disability, unemployment insurance coverage, and other risk-related programs. The claims liability included in the discretely presented component unit column reflects the estimated ultimate cost of settling claims related to events that have occurred on or before June 30, 2020. The liability includes estimated amounts that will be required for future payments of claims that have been reported and claims related to events that have occurred but have not yet been reported. The liability is also reduced by estimated amounts recoverable from the reinsurer that are related to the liabilities for unpaid claims and claim adjustment expenses. The liability is estimated through an actuarial calculation using individual case basis valuations and statistical analyses. Although considerable variability is inherent in such estimates, management believes that the liability is a reasonable estimate at June 30, 2020.

The information of the change in claims liability for losses and loss adjustment expenses may be obtained from the separate financial statements issued for CSURMA.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2020

(In thousands)

(16) Commitments and Contingencies

The University is a defendant in multiple lawsuits involving matters not covered by the CSURMA as discussed in note 15. Management of the University is of the opinion that the liabilities, if any, arising from litigation will not have a material effect on the financial position of the University.

Federal grant programs are subject to review by the grantor agencies, which could result in requests for reimbursement to grantor agencies for disallowed expenditures. Management believes that it has adhered to the terms of its grants and that any disallowed expenditures resulting from such reviews would not have a material effect on the financial position of the University.

Authorized but unexpended costs for construction projects as of June 30, 2020 totaled \$982,672. These expenditures will be funded primarily by State appropriations and bond proceeds.

In order to secure access to electricity used for normal operation, the University participates in forward purchase contract of electricity operated by Shell Energy North America. The University's obligations under these special purchase arrangements require it to purchase an estimated total of \$15,881 of electricity at fixed prices through December 2021. The University estimates that the special purchase contract in place represent approximately 17.73% of its total annual electricity expenses.

(17) Classification of Operating Expenses

The University has elected to report operating expenses by functional classification in the Statement of Revenues, Expenses, and Changes in Net Position, and to provide the natural classification of those expenses as an additional disclosure. For the year ended June 30, 2020, operating expenses by natural classification consisted of the following:

	Salaries	Benefits	Scholarships and fellowships expense	Supplies and other services	Depreciation and amortization	Total operating expenses
Instruction	\$ 2,027,897	1,632,023	—	193,359	—	3,853,279
Research	31,035	5,779	—	20,435	—	57,249
Public service	29,561	13,539	—	15,767	—	58,867
Academic support	465,744	359,765	—	203,098	—	1,028,607
Student services	494,863	422,181	—	222,359	—	1,139,403
Institutional support	483,475	432,349	—	279,320	—	1,195,144
Operation and maintenance of plant	264,996	329,928	—	391,894	—	986,818
Student grants and scholarships	—	—	1,195,923	—	—	1,195,923
Auxiliary enterprise expenses	92,091	32,523	—	274,668	—	399,282
Depreciation and amortization	—	—	—	—	546,220	546,220
Total	\$ 3,889,662	3,228,087	1,195,923	1,600,900	546,220	10,460,792

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2020

(In thousands)

(18) Transactions with Related Entities

The University is an agency of the State and receives approximately 46% of total revenues through state appropriations. State appropriations allocated to the University aggregated \$4,739,585 for the year ended June 30, 2020. State appropriations receivable is \$36,337 at June 30, 2020.

State appropriations allocated to the University for the year ended June 30, 2020 consisted of the following:

	<u>2020</u>
State appropriations, noncapital	\$ 4,346,139
State's contribution on behalf of the University for OPEB	388,210
State appropriations, capital	<u>5,236</u>
Total state appropriations	<u>\$ 4,739,585</u>

(19) Subsequent Events

The following information describes significant events that occurred subsequent to June 30, 2020, but prior to the date of the auditors' report.

- The Central Utility Plant Replacement project at California State University, Fresno, procured through a public-private partnership, was approved by the Trustees on January 2021. In February 2021, the Trustees entered into a project agreement with a private development partner, to design, build, finance and maintain the generation and distribution of heating and cooling services throughout the campus, and install ground mounted solar photovoltaic systems. The total project cost is approximately \$170, 000 and will be funded primarily through financing provided by the private development partner. The private development partner will be compensated through availability payments by the University for capital investment in the project and services relating to maintenance, management and life-cycle component, subject to deductions for performance failures.
- In December 2020, the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 was signed. This new law gives the U.S. Department of Education approximately \$22,700,000 to distribute to institutions of higher education in order to prevent, prepare for, and respond to coronavirus through the HEERF. The University have been awarded a total of \$853,000, of which \$262,000 are for student financial aid grants and \$591,000 for institutional support grants.
- *SRB Issuance*
In September 2020, the University issued \$314,030 of SRB Series 2020C (Tax Exempt), \$528,575 of SRB Series 2020D (Taxable) and \$466,010 of SRB Series 2020E (Taxable). The new bonds were issued to fund various capital projects, redeem maturing BANs, refund a portion of outstanding SRB Series 2011A and a portion of the SRB Series 2012A bonds.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2020

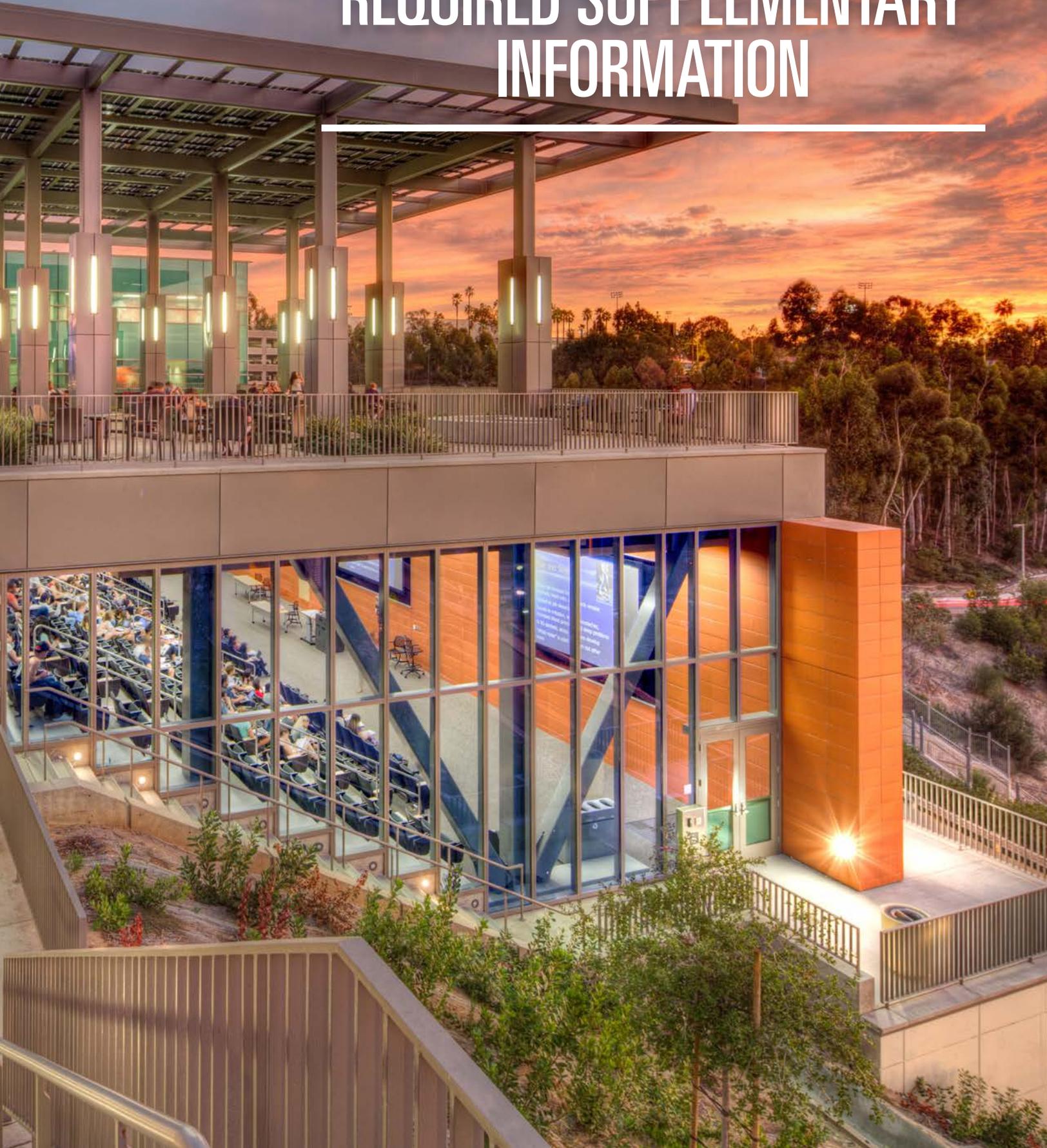
(In thousands)

- *BAN Issuance*

The University issued the BANs for the following capital projects:

	Amount
San Diego State University Mission Valley Real Property Acquisition and Site Development	\$ 88,970
Long Beach Hillside Renovation	31,230
Long Beach Housing Expansion Phase 1 Administration and Commons Building	18,735
San Diego State University Mission Valley Multi-Use Stadium	17,410
Monterey Bay Capital Improvement	11,745
Fresno New Student Union Project (2nd Tranche)	8,461
Total	<u>\$ 176,551</u>

REQUIRED SUPPLEMENTARY INFORMATION



CALIFORNIA STATE UNIVERSITY

Schedule of University's Proportionate Share of the Net Pension Liability and Related Ratios

June 30, 2020

(Unaudited)

(In thousands)

Last Ten Fiscal Years⁽¹⁾

State of California Miscellaneous Plan	2019⁽²⁾	2018⁽²⁾	2017⁽²⁾	2016⁽²⁾	2015⁽²⁾	2014⁽²⁾
University's proportion of the net pension liability	23.85065 %	24.09757 %	23.87558 %	22.87662 %	22.84970 %	22.72891 %
University's proportionate share of the net pension liability	\$ 8,022,235	7,570,176	8,723,068	7,575,326	6,453,200	5,411,439
University's proportionate share of covered payroll	\$ 3,002,439	2,900,140	2,780,552	2,567,251	2,407,821	2,209,786
University's proportionate share of the net pension liability as a percentage of covered payroll	267.19061 %	261.02795 %	313.71711 %	295.07539 %	268.00996 %	244.88521 %
Plan fiduciary net position as a percentage of the total pension liability	71.34328 %	71.82994 %	66.41644 %	66.81100 %	70.68274 %	74.17418 %
State of California Peace Officers and Firefighters Plan						
University's proportion of the net pension liability	1.14289 %	1.17223 %	1.15890 %	1.15882 %	1.07094 %	1.00623 %
University's proportionate share of the net pension liability	\$ 168,535	163,075	176,894	158,599	124,994	102,216
University's proportionate share of covered payroll	\$ 41,367	41,153	38,632	37,528	33,341	30,160
University's proportionate share of the net pension liability as a percentage of covered payroll	407.41412 %	396.26516 %	457.89066 %	422.61507 %	374.89140 %	338.91247 %
Plan fiduciary net position as a percentage of the total pension liability	70.56276 %	70.53476 %	65.89199 %	66.09678 %	69.61241 %	72.18915 %

⁽¹⁾ The University implemented GASB Statement No. 68 effective July 1, 2014, therefore, no information is available for the measurement periods prior to June 30, 2014.

⁽²⁾ The date in the column heading represents the end of the measurement period of the net pension liability, which is one year prior to the reporting period.

See accompanying independent auditors' report.

CALIFORNIA STATE UNIVERSITY
 Schedule of Employer Contributions Related to Pension
 Year ended June 30, 2020
 (Unaudited)
 (In thousands)

Last Ten Fiscal Years⁽¹⁾

State of California Miscellaneous Plan	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,000,772	\$ 902,330	836,450	737,766	641,710	588,353
Contributions in relation to the actuarially determined contributions	(992,004)	(909,834)	(839,367)	(740,571)	(644,679)	(589,385)
Contribution deficiency (excess)	<u>\$ 8,768</u>	<u>\$ (7,504)</u>	<u>(2,917)</u>	<u>(2,805)</u>	<u>(2,969)</u>	<u>(1,032)</u>
University's covered payroll	\$ 3,230,694	\$ 3,079,834	2,953,043	2,768,770	2,559,878	2,431,410
Contributions as a percentage of covered payroll	30.70560 %	29.54166 %	28.42380 %	26.74729 %	25.18397 %	24.24046 %

State of California Peace Officers and Firefighters Plan

Actuarially determined contribution	\$ 19,512	\$ 18,374	17,762	15,858	14,027	11,737
Contributions in relation to the actuarially determined contributions	(19,514)	(19,153)	(18,442)	(16,600)	(14,647)	(13,610)
Contribution deficiency (excess)	<u>\$ (2)</u>	<u>\$ (779)</u>	<u>(680)</u>	<u>(742)</u>	<u>(620)</u>	<u>(1,873)</u>
University's covered payroll	\$ 41,342	\$ 42,022	41,696	39,372	37,568	33,363
Contributions as a percentage of covered payroll	47.20139 %	45.57851 %	44.22966 %	42.16194 %	38.98797 %	40.79369 %

⁽¹⁾ The University implemented GASB Statement No. 68 effective July 1, 2014, therefore, no information is available for the measurement periods prior to June 30, 2014.

CALIFORNIA STATE UNIVERSITY

Schedule of Employer Contributions Related to Pensions

Year ended June 30, 2020

(Unaudited)

Notes to required supplementary information schedule for the most recent fiscal year presented:

Valuation date	Actuarially calculated contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported.
Methods and assumption used to determine contribution rates:	
Actuarial cost method	Entry age normal in accordance with the requirement of GASB Statement No. 68.
Amortization method/period	For details, see June 30, 2018 Funding Valuation Report.
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2018 Funding Valuation Report.
Inflation	2.5%
Salary increases	Varies by entry age and service
Payroll growth	2.75%
Investment rate of return	7%, net of pension plan investment and administrative expenses; includes inflation.
Retirement age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of retirement are based on 15 years of mortality improvements using the Society of Actuaries 90% of Scale MP 2016. For more details, please refer to the 2017 CalPERS Experience Study and Review of Actuarial Assumptions report.
Significant factors affecting contribution rates	For details, see June 30, 2018 Funding Valuation Report.

See accompanying independent auditors' report.

CALIFORNIA STATE UNIVERSITY

Schedule of University's Total Other Postemployment Benefits Liability and Related Ratios

June 30, 2020

(Unaudited)

(In thousands)

Last Ten Fiscal Years ⁽¹⁾

	2019 ⁽²⁾	2018 ⁽²⁾	2017 ⁽²⁾
University's total other postemployment benefits liability at beginning of the year	\$ 13,128,996	13,918,525	14,683,420
Changes recognized for the measurement period:			
Service cost	603,049	680,934	795,696
Interest on total other postemployment benefits liability	490,260	513,512	436,431
Recognized changes of assumptions	751,688	(519,714)	(1,663,194)
Recognized differences between Expected and Actual Experience (Non-Investment)	(94,145)	(1,111,239)	—
Employer contributions	(381,303)	(353,022)	(333,828)
Net changes	1,369,549	(789,529)	(764,895)
University's total other postemployment benefits liability at end of the year	\$ 14,498,545	13,128,996	13,918,525
University's covered payroll	\$ 3,272,036	3,121,856	2,994,739
University's total other postemployment benefits liability as a percentage of covered payroll	443.10469 %	420.55098 %	464.76588 %

⁽¹⁾ The University implemented GASB Statement No. 75 effective July 1, 2017, therefore, no information is available for the measurement periods prior to June 30, 2017.

⁽²⁾ The date in the column heading represents the end of the measurement period of the total OPEB liability, which is one year prior to the reporting period.

See accompanying independent auditors' report.

CALIFORNIA STATE UNIVERSITY

Schedule of Employer Contributions Related to Other Postemployment Benefits

Year ended June 30, 2020

(Unaudited)

(In thousands)

Last Ten Fiscal Years ⁽¹⁾

	2020	2019	2018
Actuarially determined contributions	\$ 786,426	743,648	754,550
Contributions in relation to the actuarially determined contributions	(404,389)	(362,260)	(349,487)
Contribution deficiency	<u>\$ 382,037</u>	<u>381,388</u>	<u>405,063</u>
University's covered payroll	\$ 3,272,036	3,121,856	2,994,739
Contributions as a percentage of covered payroll	12.35894 %	11.60399 %	11.67003 %

Notes to required supplementary information schedule for the most recent fiscal year presented:

Valuation date Actuarially calculated contribution rates are calculated as of July 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumption used to determine actuarially determined contributions:

Actuarial cost method Entry Age Normal Actuarial Cost Method and the blended discount rates as required by GASB Statements No. 74 and 75. The Normal Cost and Actuarial Accrued Liability for purpose of calculating the Actuarially Determined Contribution were developed using the Entry Age Normal Actuarial Cost Method and a full-funding discount rate of 6.75 percent.

Inflation 2.25%

Payroll growth 2.50%

Retirement age The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.

Mortality The mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board. For purposes of the mortality rates, the revised rates include 15 years of projected ongoing mortality improvement using Scale MP 2016 published by the Society of Actuaries.

⁽¹⁾ The University implemented GASB Statement No. 75 effective July 1, 2017, therefore, no information is available for the measurement periods prior to June 30, 2017.

See accompanying independent auditors' report.

SUPPLEMENTARY INFORMATION



CALIFORNIA STATE UNIVERSITY

Systemwide Revenue Bond Program's Net Income Available for Debt Service

Year ended June 30, 2020

(In thousands)

Gross revenues:	
Tuition fees	\$ 3,361,162
Student housing	460,682
Student unions/recreation centers	265,971
Parking	108,875
Health centers	11,028
Professional and continuing education	443,957
Auxiliary organizations ¹	529,243
Other related entity ²	7,181
Total gross revenues	<u>5,188,099</u>
Maintenance and operation expenses ³ :	
Academic facilities	441,683
Student housing	310,823
Student unions/recreation centers	133,841
Parking	81,159
Health centers	6,114
Professional and continuing education	416,004
Auxiliary organizations ¹	474,446
Total maintenance and operation expenses	<u>1,864,070</u>
Net income available for debt service	<u>\$ 3,324,029</u>
Debt service:	
Systemwide revenue bonds debt	\$ 421,268
Designated auxiliary organizations debt	2,011
Total debt service	<u>\$ 423,279</u>

The purpose of this schedule is to meet bond reporting covenants covering the operations of the projects showing the gross revenues and expenses for the fiscal year.

- (1) This included gross revenues and maintenance and operation expenses of 17 auxiliary organizations that have financed with SRB through lease or loan arrangements. This excludes research grants and contracts activity and restricted gifts. Gross revenues under the SRB Indenture are a smaller amount derived from payments under certain leases or with the Board of Trustees.
- (2) This includes gross revenues derived from leases with California State University, Channel Islands Site Authority which are used solely to pay debt service. The maintenance and operation expenses are excluded as these are not paid by the pledged gross revenues.
- (3) Maintenance and operation expenses for the year ended June 30, 2020 include extraordinary maintenance and repair projects, which are generally paid from existing program fund balance of \$154,356, other postemployment benefits expense of \$13,148 pursuant to GASB Statement No. 75, and pension expense of \$56,110 pursuant to GASB Statement No. 68.

See accompanying independent auditors' report.

CALIFORNIA STATE UNIVERSITY

Systemwide Revenue Bond Program's Residence and Dining Halls Operating Data by Campus ⁽¹⁾

Year ended June 30, 2020

(Unaudited)

(In thousands)

	Operating and other revenues	Operating expenditures	Excess of revenues over expenditures	Design capacity	Operational capacity ⁽²⁾	Average number of spaces occupied	% of spaces occupied ⁽³⁾
California State University, Bakersfield	\$ 4,351	2,824	1,527	500	496	277	56 %
California State University Channel Islands	13,673	2,357	11,317	1,529	1,612	1,221	76
California State University, Chico	18,947	14,757	4,191	2,239	2,308	1,788	77
California State University, Dominguez Hills	5,146	3,704	1,442	665	665	489	74
California State University, East Bay	11,663	7,729	3,933	1,296	1,666	1,051	63
California State University, Fullerton	24,692	15,783	8,909	1,924	2,045	1,334	65
Humboldt State University	11,916	(3,180)	15,095	2,061	2,084	1,395	67
California State University, Long Beach	19,344	19,676	(332)	1,826	2,048	1,354	66
California State University, Los Angeles	9,674	4,725	4,949	1,069	1,060	648	61
California State University Maritime Academy	9,631	13,128	(3,497)	988	937	701	75
California State University, Northridge	22,678	15,008	7,670	3,596	3,315	2,280	69
California State Polytechnic University, Pomona	22,388	11,860	10,528	2,440	2,462	1,644	67
California State University, Sacramento	23,762	19,231	4,532	2,088	2,175	1,721	79
California State University, San Bernardino	9,221	6,244	2,977	1,934	1,462	883	60
San Diego State University	59,024	45,106	13,918	4,839	5,600	4,896	87
San Francisco State University ⁽⁵⁾	48,706	11,431	37,275	4,940	4,739	3,618	76
San José State University	51,826	37,649	14,177	3,939	4,059	2,813	69
California Polytechnic State University, San Luis Obispo	53,745	42,414	11,331	7,882	8,425	6,027	72
Sonoma State University ⁽⁶⁾	26,676	16,470	10,206	3,146	3,286	2,224	68
California State University, Stanislaus	4,442	4,636	(194)	460	492	372	76
	<u>\$ 451,505</u>	<u>\$ 291,552</u>	<u>\$ 159,954</u>	<u>49,361</u>	<u>50,936</u>	<u>36,736</u>	<u>72 %</u>
Interest income	9,177	—	9,177				
Total	<u><u>\$ 460,682</u></u>	<u><u>\$ 291,552</u></u>	<u><u>\$ 169,131</u></u>				

CALIFORNIA STATE UNIVERSITY

Systemwide Revenue Bond Program's Residence and Dining Halls Operating Data by Campus ⁽¹⁾

Year ended June 30, 2020

(Unaudited)

Average annual rates per academic year ⁽⁴⁾

	Residence Halls			Apartments			Suites		
	Single	Double	Triple	Single	Double	Triple	Single	Double	Triple
California State University, Bakersfield	\$ 12,150	9,000	7,650	—	—	—	—	—	—
California State University Channel Islands	10,820	9,740	—	12,670	11,060	—	11,660	10,570	9,210
California State University, Chico	9,430	7,780	6,558	9,430	7,780	—	—	—	—
California State University, Dominguez Hills	—	—	—	—	10,360	—	—	—	—
California State University, East Bay	—	—	—	11,221	9,280	7,275	—	8,920	6,983
California State University, Fullerton	—	12,174	10,574	12,972	9,882	—	—	—	—
Humboldt State University	8,216	6,638	4,938	8,216	6,638	—	—	—	—
California State University, Long Beach	8,994	7,994	6,994	—	—	—	—	—	—
California State University, Los Angeles	—	—	—	11,296	8,725	7,025	—	—	—
California State University Maritime Academy	7,854	6,038	—	—	—	—	—	—	—
California State University, Northridge	—	—	—	12,038	7,054	—	—	6,796	—
California State Polytechnic University, Pomona	11,640	10,158	9,276	—	—	—	13,422	11,076	—
California State University, Sacramento	8,229	7,629	6,466	—	8,483	—	9,082	8,183	—
California State University, San Bernardino	8,229	6,606	—	9,651	—	—	—	—	—
San Diego State University	13,637	11,893	10,357	11,165	9,341	8,149	—	—	—
San Francisco State University ⁽⁵⁾	—	9,656	—	13,448	10,968	10,152	—	—	—
San José State University	10,328	9,060	7,601	14,104	11,211	10,186	17,196	11,466	10,022
California Polytechnic State University, San Luis Obispo	—	8,718	8,283	10,665	10,017	—	—	—	—
Sonoma State University ⁽⁶⁾	9,672	7,424	5,416	12,264	8,352	5,672	—	—	—
California State University, Stanislaus	7,895	—	4,813	8,409	6,970	—	—	—	—
Average annual rates	\$ 9,776	\$ 8,701	\$ 7,411	\$ 11,254	\$ 9,075	\$ 8,077	\$ 12,840	\$ 9,502	\$ 8,738

⁽¹⁾ Housing facilities at the Fresno, Monterey Bay, and San Marcos campuses are operated by Auxiliary Organizations.

⁽²⁾ This column reflects capacity adjusted for increase or decrease in permanent conversions and temporary adjustments.

⁽³⁾ Percent of spaces occupied is based on Operational Capacity. The percentages represent the average academic year occupancy, a portion of which was impacted by the COVID-19 pandemic. Due to virtual instruction for the remainder of the spring 2020 academic term, most housing facilities were closed and capacity reduced significantly.

⁽⁴⁾ This section primarily reflects an average of the more traditional rates to students. Each campus has different rates depending on accommodations, such as super doubles, cluster occupancy, etc.

⁽⁵⁾ The operational capacity does not include 1,207 apartment units that were occupied by students, faculty, and staff. The monthly rates for the one-bedroom, two-bedroom, or three-bedroom units (not bed-spaces) vary between \$2,140 and \$4,325.

⁽⁶⁾ The operational capacity does not include 90 faculty and staff apartment units.

See accompanying independent auditors' report.

CALIFORNIA STATE UNIVERSITY

Systemwide Revenue Bond Program's Statement of Insurance Coverage

Year ended June 30, 2020

(Unaudited)

(In thousands)

Expiration date ⁽¹⁾	Insurance Coverage	Coverage Limit	Insurance Company	Policy number
Property Insurance:				
July 1, 2020	CSU Master Property Policy, "All Risk" Building, Equipment, Rental Income (excluding earthquake)	\$1,000,000 per occurrence	Alliant Property Insurance Program	017471590/06
July 1, 2020	CSU Master Property Policy, Boiler & Machinery	100,000	Alliant Property Insurance Program	017471590/06
General Liability Insurance:				
July 1, 2020	Bodily Injury & Property Damage Liability (Primary)	5,000	CSU Risk Management Authority (self-insured portion)	CSURMA-LIAB-1920
July 1, 2020	Bodily Injury & Property Damage Liability (Reinsurance)	5,000 xs 5,000	Ironshore Indemnity Inc.	000541309
July 1, 2020	Bodily Injury & Property Damage Liability (Reinsurance)	10,000 xs 10,000	Argonaut Insurance Company	2902105-01
July 1, 2020	Bodily Injury & Property Damage Liability (Excess)	5,000 xs 20,000	Great American Insurance Group	1827346
July 1, 2020	Bodily Injury & Property Damage Liability (Excess)	5,000 xs 25,000	Brit Syndicates Ltd. Syndicate 2987 at Lloyd's	SCP1000819
July 1, 2020	Bodily Injury & Property Damage Liability (Excess)	5,000 xs 30,000	Hallmark Specialty Insurance Company	77PEF190080
July 1, 2020	Bodily Injury & Property Damage Liability (Excess)	15,000 xs 35,000	Gemini Insurance Company	CEX09600368-06
July 1, 2020	Bodily Injury & Property Damage Liability (Excess)	50,000 xs 50,000	Multiple	Multiple
July 1, 2020	Bodily Injury & Property Damage Liability (Excess)	50,000 xs 100,000	Multiple	Multiple
July 1, 2020	Bodily Injury & Property Damage Liability (Excess)	50,000 xs 150,000	XL Insurance Company SE - Irish Branch	IE00020744LI19A
July 1, 2020	Bodily Injury & Property Damage Liability (Excess)	25,000 xs 200,000	American International Reinsurance Company, Ltd.	28336890
July 1, 2020	Bodily Injury & Property Damage Liability (Excess)	50,000 xs 225,000	Multiple	Multiple
July 1, 2020	Bodily Injury & Property Damage Liability (Excess)	25,000 xs 275,000	Argo Re Ltd.	ARGO-CAS-OCC-001363.1
July 1, 2020	Bodily Injury & Property Damage Liability (Excess)	25,000 xs 300,000	Hamilton Re, Ltd.	CX19-6549
Workers' Compensation and Employer's Liability Insurance:				
July 1, 2020	Workers' Compensation and Employer's Liability	2,500	CSAC Excess Insurance Authority	EIA-PE 19 EWC-143
July 1, 2020	Workers' Compensation and Employer's Liability	in excess of 2,500 up to California Workers' Compensation Statutes	Safety National Casualty Corporation	SP 4060592

⁽¹⁾ Additional insurance policies are maintained for the period from July 1, 2020 through July 1, 2021. These policies provide the same coverage indicated above.

See accompanying independent auditors' report.



CSU The California State University

401 Golden Shore, Long Beach, CA 90802

www.calstate.edu

CSU The California
State University

SINGLE AUDIT REPORTS

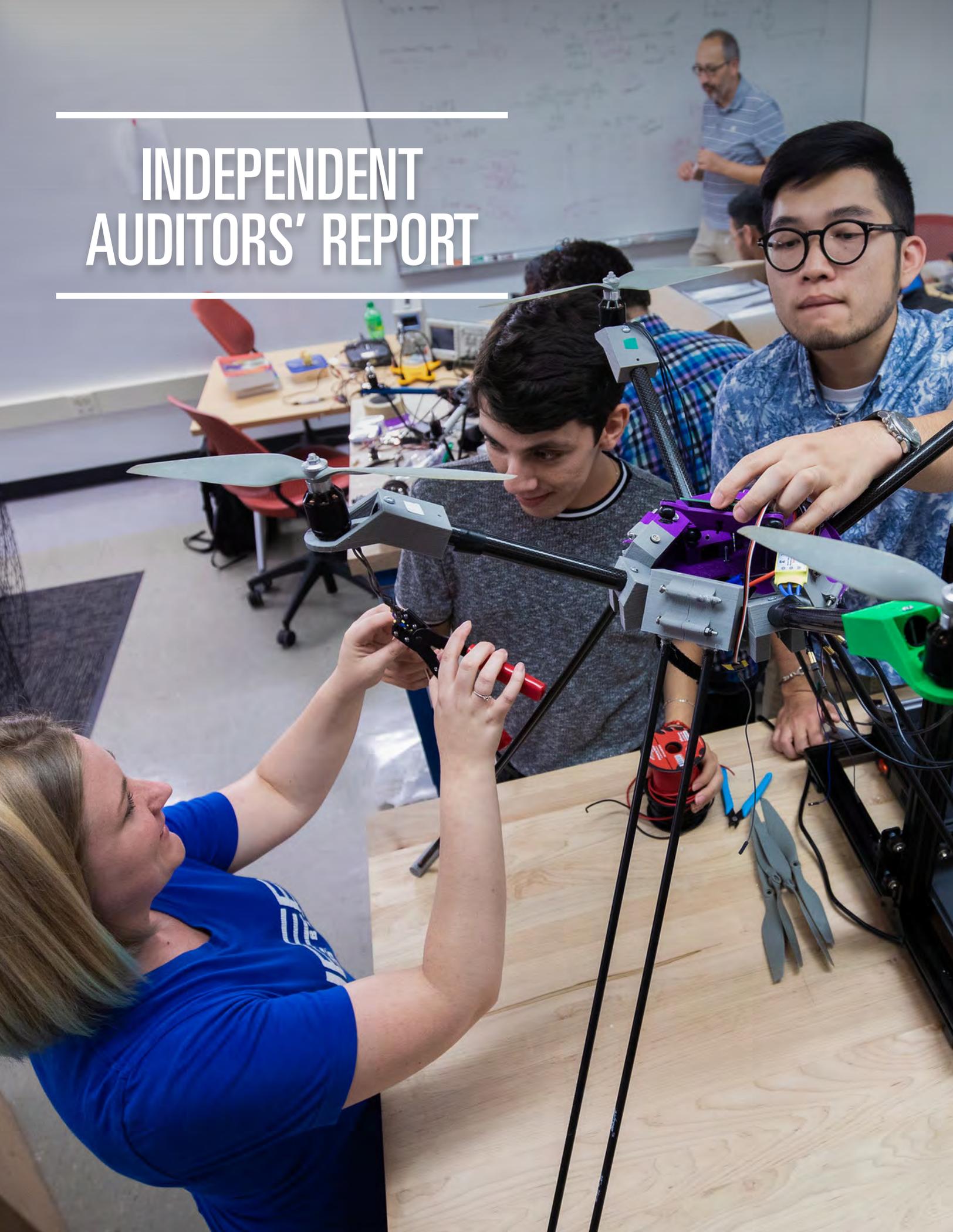
2019-2020



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INDEPENDENT AUDITORS' REPORT





KPMG LLP
Suite 1500
550 South Hope Street
Los Angeles, CA 90071-2629

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Trustees
California State University:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the California State University, an agency of the State of California, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise California State University's basic financial statements, and have issued our report thereon dated March 19, 2021. Our report refers to other auditors who audited 89 of the 91 aggregate discretely presented component units, which represent 95%, 98% and 94%, respectively of the assets, net position and revenues of the aggregate discretely presented component units totals. The reports of the other auditors have been furnished to us, and our opinion, insofar as they relate to the amounts included for the 89 aggregate discretely presented component units, are based solely on the reports of the other auditors. The financial statements of 40 discretely presented component units are not audited in accordance with *Government Auditing Standards* which represent 32%, 33% and 26%, respectively of the assets, net position and revenues of the aggregate discretely presented component unit totals. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters in accordance with *Government Auditing Standards* for the discretely presented component units.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered California State University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of California State University's internal control. Accordingly, we do not express an opinion on the effectiveness of California State University's internal control.

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

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether California State University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the California State University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the California State University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Los Angeles, California
March 19, 2021



KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board of Trustees
California State University:

Report on Compliance for Each Major Federal Program

We have audited the California State University's (the University) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2020. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The University's basic financial statements include the operations of the University's discretely presented component units, which expended federal awards totaling \$382,601,482, which are not included in the schedule of expenditures of federal awards for the year ended June 30, 2020. Our audit, described below, did not include the operations of these component units because the component units engaged other auditors to perform audits in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Management's Responsibility

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

Auditors' Responsibility

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

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



Opinion on Each Major Federal Program

In our opinion, the California State University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002. Our opinion on each major federal program is not modified with respect to these matters.

The University's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The University's responses and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plan.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002 that we consider to be significant deficiencies.

The University's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The University's responses and corrective action



plan were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plan.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of the University, an agency of the State of California, as of and for the year ended June 30, 2020, and have issued our report thereon dated March 19, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

Los Angeles, California
March 19, 2021

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS



CALIFORNIA STATE UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended of June 30, 2020

Student Financial Assistance Cluster:

Federal Grantor Agency	CFDA	Cluster Name	Federal Program Name	Direct Award or Pass-through Entity	Pass-through Identifying Number	Amount Expended	Amounts Provided to Subrecipients
Department of Education	84.007	Student Financial Aid	Federal Supplemental Educational Opportunity Grants (FSEOG)	Direct Award		\$ 19,015,242	\$ -
	84.033	Student Financial Aid	Federal Work-Study Program (FWS)	Direct Award		22,967,965	-
	84.038	Student Financial Aid	Federal Perkins Loan Program (PERKINS LOAN advanced and ACA)	Direct Award		55,320,028	-
	84.063	Student Financial Aid	Federal Pell Grant Program (PELL)	Direct Award		1,070,747,390	-
	84.268	Student Financial Aid	Federal Direct Student Loans (DIRECT LOAN)	Direct Award		1,381,458,139	-
	84.379	Student Financial Aid	Teacher Education Assistance for College and Higher Education Grants (TEACH)	Direct Award		2,501,557	-
	84.408	Student Financial Aid	Postsecondary Education Scholarships for Veteran's Dependents (VETERANS)	Direct Award		11,620	-
Department of Education Total						2,552,021,941	-
Department of Health and Human Services	93.364	Student Financial Aid	Nursing Student Loans (NURSING LOAN)	Direct Award		2,923,345	-
Department of Health and Human Services Total						2,923,345	-
Student Financial Assistance Cluster Total						\$ 2,554,945,286	\$ -

Other Programs and Clusters:

Federal Grantor Agency	CFDA	Cluster Name	Federal Program Name	Direct Award or Pass-through Entity	Pass-through Identifying Number	Amount Expended	Amounts Provided to Subrecipients	
U.S. Department of Agriculture	10.001		Agricultural Research Basic and Applied Research	Direct Award		\$ 121,722	\$ -	
	10.220		Higher Education - Multicultural Scholars Grant Program	Direct Award		70,836	23,780	
	10.223		Hispanic Serving Institutions Education Grants	Direct Award		246	-	
	10.558		Child and Adult Care Food Program	Pass-through California Department of Education	04346-CACFP-12-HU-CS	30,248	-	
	10.561	SNAP CLUSTER		State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Pass-through Chico State Enterprises	SUB18-018	28,667	-
						SUB18-043	31,908	-
						SUB18-046	56,012	-
						SUB18-027	11,384	-
SNAP CLUSTER Total						127,971	-	
10.561 Total						127,971	-	
U.S. Department of Agriculture Total						351,023	23,780	
U.S. Department of Commerce	11.419		Coastal Zone Management Administration Awards	Pass-through Elkhorn Slough Foundation	NA14NOS4190145	15,666	-	
	11.420		Coastal Zone Management Estuarine Research Reserves	Direct Award		8,384	5,883	
	11.429		Marine Sanctuary Program	Pass-through National Oceanic and Atmospheric Administration	NA19NOS4290123	29,360	-	
	11.999		Marine Debris Program	Direct Award		6,613	-	
U.S. Department of Commerce Total						60,023	5,883	
U.S. Department of Defense	12.550		The Language Flagship Grants to Institutions of Higher Education	Pass-through Institute of International Education	0054-SFSU-8-CHN-280-PO1	235,850	-	
					0054-SFSU-8-LINK-280-PO5	24,228	-	
					0054-SFSU-8-SSC-280-PO6	736	-	
12.550 Total						260,814	-	
	12.U01		U.S. Department of Defense (not classified elsewhere)	Direct Award		44,816	-	
U.S. Department of Defense Total						305,630	-	
U.S. Department of the Interior	15.224		Cultural and Paleontological Resources Management	Direct Award		9,091	-	
	15.904		Historic Preservation Fund Grants-In-Aid	Pass-through Historic Preservation, Office of (OHP)	C8963512	1,000	-	
	15.944		Natural Resource Stewardship	Direct Award		11,320	-	
	15.945		Cooperative Research and Training Programs – Resources of the National Park System	Direct Award		125,336	-	
U.S. Department of the Interior Total						146,747	-	
U.S. Department of Justice	16.922		Equitable Sharing Program	Pass-through Orange County Sheriff's Department - Regional Narcotics Suppression Program	RSNP 07252013	41,286	-	
U.S. Department of Justice Total						41,286	-	

See accompanying notes to schedule of expenditures of federal awards

CALIFORNIA STATE UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended of June 30, 2020

Federal Grantor Agency	CFDA	Cluster Name	Federal Program Name	Direct Award or Pass-through Entity	Pass-through Identifying Number	Amount Expended	Amounts Provided to Subrecipients
U.S. Department of Labor	17.277		WIOA National Dislocated Worker Grants / WIA National Emergency Grants	Pass-through Consortium, Inc	GC022 2011	59,699	-
U.S. Department of Labor Total						59,699	-
U.S. Department of State	19.421		Academic Exchange Programs - English Language Programs	Pass-through Family Health International	PO20000340	131,944	-
U.S. Department of State Total						131,944	-
U.S. Department of Transportation	20.819		Ballast Water Treatment Technologies	Direct Award		21,513	-
	20.U02		U.S. Department of Transportation (not classified elsewhere)	Pass-through Transportation, Department of (DOT, CALTRANS)	04A5368	50,580	-
U.S. Department of Transportation Total						72,093	-
Office of Personnel Management	27.011		Intergovernmental Personnel Act (IPA) Mobility Program	Direct Award		148,243	-
Office of Personnel Management Total						148,243	-
National Aeronautics and Space Administration	43.001		Science	Pass-through Association of Universities for Research in Astronomy, Inc.	STI-509915	504,746	-
	43.008		Office of Stem Engagement (OSTEM)	Direct Award		3,939	-
National Aeronautics and Space Administration Total						508,685	-
National Endowment for the Humanities	45.129		Promotion of the Humanities Federal/State Partnership	Pass-through California Humanities	HFAQ19-67 HFAQ19-156	1,332 3,149	-
	45.129 Total					4,481	-
	45.149		Promotion of the Humanities Division of Preservation and Access	Direct Award		3,550	-
	45.160		Promotion of the Humanities Fellowships and Stipends	Direct Award		25,200	-
	45.169		Promotion of the Humanities Office of Digital Humanities	Direct Award		16,956	-
National Endowment for the Humanities Total						50,187	-
National Endowment for the Arts	45.024		Promotion of the Arts Grants to Organizations and Individuals	Direct Award		9,153	-
	45.025		Promotion of the Arts Partnership Agreements	Pass-through Western States Arts Federation	TW20190008 TW20190180	2,000 2,125	-
	45.025 Total					4,125	-
National Endowment for the Arts Total						13,278	-
National Science Foundation	47.049		Mathematical and Physical Sciences	Direct Award		38,189	-
	47.050		Geosciences	Pass-through University of Connecticut	1756789 368638 322618	4,255 41,797	-
	47.050 Total					46,052	-
	47.076		Education and Human Resources	Pass-through Missouri State University	16043-007	39,018	-
	47.076 Total			Pass-through The Regents of the University of California	9400	2,677	-
National Science Foundation Total						125,936	-
U.S. Department of Environment Protection Agency	66.461		Regional Wetland Program Development Grants	Direct Award		103,476	-
	66.461 Total			Pass-through Association of Bay Area Governments	CD-99T66201	9,617	-
U.S. Department of Environment Protection Agency Total						113,093	-
U.S. Department of Energy	81.087		Renewable Energy Research and Development	Direct Award		2,410	-
	81.087 Total			Pass-through Department of Energy	AHQ-9-92092-11	785	-
	81.117		Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	Direct Award		143,745	-
U.S. Department of Energy Total						146,940	-

See accompanying notes to schedule of expenditures of federal awards

CALIFORNIA STATE UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended of June 30, 2020

Federal Grantor Agency	CFDA	Cluster Name	Federal Program Name	Direct Award or Pass-through Entity	Pass-through Identifying Number	Amount Expended	Amounts Provided to Subrecipients	
U.S. Department of Education	84.031		Higher Education Institutional Aid	Direct Award		4,990,602	120,063	
				Pass-through Ventura County Community College District	P0103046	155,369	-	
				Pass-through Santa Barbara City College	1231.4070.562000.60	44,032	-	
				Pass-through San Mateo County Community College District	681233 P031S160245	41,685 164,449	- -	
	84.031 Total					5,396,137	120,063	
	84.042	TRIO CLUSTER	TRIO Student Support Services	Direct Award		2,047,955	-	
	84.044	TRIO CLUSTER	TRIO Talent Search	Direct Award		829,905	-	
	84.047	TRIO CLUSTER	TRIO Upward Bound	Direct Award		2,192,492	-	
	84.103	TRIO CLUSTER	TRIO Staff Training Program	Direct Award		403,046	-	
	84.217	TRIO CLUSTER	TRIO McNair Post-Baccalaureate Achievement	Direct Award		519,251	-	
		TRIO CLUSTER Total				5,992,649	-	
	84.129		Rehabilitation Long-Term Training	Direct Award		212,521	-	
	84.325		Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	Direct Award		938,192	4,425	
				Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	Direct Award	554,009	-	
	84.335		Child Care Access Means Parents in School	Direct Award		574,752	-	
	84.365		English Language Acquisition State Grants	Direct Award		760,750	-	
	84.367		Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	Pass-through The Regents of the University of California	ESSA19-CMP-SONOMA ESSA19-CMP-STANISLAUS ESSA19-CWP-STANISLAUS	26,022 24,223 39,082	- - -	
				84.031 Total				89,327
	84.382		Strengthening Minority-Serving Institutions	Direct Award		402,078	-	
	84.411		Education Innovation and Research (formerly Investing in Innovation (i3) Fund)	Direct Award		929,403	189,680	
	84.425E		COVID-19 - Higher Education Emergency Relief Fund-Student Aid Portion	Direct Award		242,831,388	-	
	84.425F		COVID-19 - Higher Education Emergency Relief Fund-Institutional Portion	Direct Award		801,858	-	
	84.425L		COVID-19 - Higher Education Emergency Relief Fund-Minority Serving Institutions	Direct Award		1,417,114	-	
	U.S. Department of Education Total					260,900,178	314,168	
	U.S. Department of Health and Human Services	93.157		Centers of Excellence	Pass-through The Regents of the University of California, San Francisco	11245sc	47,596	-
		93.558	TANF CLUSTER	Temporary Assistance for Needy Families	Pass-through San Joaquin County	A-19-100	458,665	-
		93.575		Child Care and Development Block Grant	Pass-through California Department of Education	G-1801CACCDF	1,414,324	-
Pass-through California Department of Education					CCTR-9044	53,606	-	
				Pass-through City and County of San Francisco	P170053	523,244	-	
93.575 Total						1,991,174	-	
93.596			Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Pass-through California Department of Education	CCTR-9044	116,614	-	
93.600			Head Start	Pass-through California Department of Education	15291, 15292, 15298	119,721	-	
93.658			Foster Care Title IV-E	Pass-through The Regents of The University of California, Berkeley	9898	1,086,192	-	
				Pass-through The Regents of the University of California	18-3028	1,318,249	-	
93.658 Total						2,404,441	-	
93.732			Mental and Behavioral Health Education and Training Grants	Pass-through The Regents of The University of California, Berkeley	9668	86,809	-	
93.859			Biomedical Research and Research Training	Direct Award		366,277	-	
				Pass-through The Regents of the University of California, San Francisco	10339sc	35,216	-	
93.859 Total					401,493	-		
U.S. Department of Health and Human Services Total					5,626,513	-		
Corporation for National and Community Service	94.006		AmeriCorps	Direct Award		161,920	-	
				Pass-through Jumpstart for Young Children, Inc.	CFDA-94.006-JS-SITE #10 CFDA-94.006-JS-SITE #322	69,530 261,573	- -	
				Pass-through California Volunteers	17-AFH26-PG99	191	-	
	94.006 Total					493,214	-	
94.013		Volunteers in Service to America	Direct Award		19,126	-		
Corporation for National and Community Service Total					512,340	-		

See accompanying notes to schedule of expenditures of federal awards

CALIFORNIA STATE UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended of June 30, 2020

Federal Grantor Agency	CFDA	Cluster Name	Federal Program Name	Direct Award or Pass-through Entity	Pass-through Identifying Number	Amount Expended	Amounts Provided to Subrecipients
U.S. Department of Homeland Security	97.012		Boating Safety Financial Assistance	Pass-through California Department of Parks and Recreation	C8962333	3,408	-
	97.036		Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Pass-through Historic Preservation, Office of (OHP)	C1710004	4,368	-
U.S. Department of Homeland Security Total						7,776	-
Other Programs and Clusters Total						\$ 269,321,614	\$ 343,831

Research and Development (R&D) Cluster

Federal Grantor Agency	CFDA	Cluster Name	Federal Program Name	Direct Award or Pass-through Entity	Pass-through Identifying Number	Amount Expended	Amounts Provided to Subrecipients	
U.S. Department of Agriculture	10.226	R&D	Secondary and Two-Year Postsecondary Agriculture Education Challenge Grants	Pass-through The Regents of The University of California, Davis	A20-1464-S001	\$ 7,610	\$ -	
	10.561	R&D	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Pass-through California Department of Public Health/Nutrition Education Obesity Prevention Branch	18-10419	341,286	-	
	10.664	R&D	Cooperative Forestry Assistance	Direct Award		72,431	-	
	10.699	R&D	Partnership Agreements	Direct Award		2,096	-	
U.S. Department of Agriculture Total						423,423	-	
U.S. Department of Commerce	11.012	R&D	Integrated Ocean Observing System (IOOS)	Pass-through Monterey Bay Aquarium Research Institute	1611290	93,128	-	
	11.417	R&D	Sea Grant Support	Pass-through The Regents of The University of California, San Diego	R/HCE-10 R/HCE-11	28,828 25,158	- -	
	11.417 Total						53,986	-
	11.419	R&D	Coastal Zone Management Administration Awards	Pass-through Rhode Island Department of Environmental Management	COOP Agreement 2019	37,116	-	
	11.419 Total						51,155	-
	11.420	R&D	Coastal Zone Management Estuarine Research Reserves	Direct Award Pass-through Merkel & Associates, Inc.	05-024-35 1305M319FNFFP0234 3002.19.065658	627,350 29,454 13,251 6,896	- - - -	
	11.420 Total						676,951	-
	11.463	R&D	Habitat Conservation	Pass-through California Coastal Conservancy	CONTRACT NO. 10-030	25,233	-	
U.S. Department of Commerce Total						937,569	-	
U.S. Department of Defense	12.300	R&D	Basic and Applied Scientific Research	Direct Award Pass-through The Regents of the University of California Pass-through University of St. Andrews	A18-0896-S001-P06921 112717 AGREEMENT	26,528 47,348 21,827	- - -	
	12.300 Total						95,703	-
	12.431	R&D	Basic Scientific Research	Direct Award		87,796	-	
	12.630	R&D	Basic, Applied, and Advanced Research in Science and Engineering	Direct Award		615,821	-	
	12.631	R&D	Science, Technology, Engineering and Mathematics (STEM) Educational Program: Science, Mathematics And Research for Transformation (SMART)	Pass-through Department of Defense	W911NG1910504	143,917	-	
	12.800	R&D	Air Force Defense Research Sciences Program	Pass-through George Mason University	E2043361	56	-	
U.S. Department of Defense Total						943,293	-	
U.S. Department of the Interior	15.231	R&D	Fish, Wildlife and Plant Conservation Resource Management	Direct Award		71,814	-	
	15.246	R&D	Threatened and Endangered Species	Direct Award		34,379	-	
	15.564	R&D	Central Valley Project Conservation	Direct Award		194,532	-	
	15.608	R&D	Fish and Wildlife Management Assistance	Direct Award		69,858	38,922	
	15.615	R&D	Cooperative Endangered Species Conservation Fund	Pass-through California Department of Fish and Wildlife	P1680007	10,441	-	
	15.657	R&D	Endangered Species Recovery Implementation	Pass-through California Department of Fish and Wildlife	F18AC00359	12,846	-	
	15.670	R&D	Adaptive Science	Pass-through CSU Chico Research Foundation	SUB19-009	17,017	-	
	15.678	R&D	Cooperative Ecosystem Studies Units	Direct Award		19,444	-	
	15.807	R&D	Earthquake Hazards Program Assistance	Direct Award		40,424	-	
	15.808	R&D	U.S. Geological Survey Research and Data Collection	Direct Award		24,536	-	
	15.945	R&D	Cooperative Research and Training Programs – Resources of the National Park System	Direct Award		6,702	-	
	U.S. Department of the Interior Total						501,993	38,922

See accompanying notes to schedule of expenditures of federal awards

CALIFORNIA STATE UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended of June 30, 2020

Federal Grantor Agency	CFDA	Cluster Name	Federal Program Name	Direct Award or Pass-through Entity	Pass-through Identifying Number	Amount Expended	Amounts Provided to Subrecipients
National Aeronautics and Space Administration	43.001	R&D	Science	Direct Award		453,351	113,009
				Pass-through Smithsonian Astrophysical Observatory	GO9-20082A	6,104	-
				Pass-through University of New Hampshire	80NSSC20K1110	10,467	-
				Pass-through Children's Creativity Museum	09/06/18 AGREEMENT	9,032	-
				43.001 Total		478,954	113,009
National Aeronautics and Space Administration Total						478,954	113,009
National Endowment for the Humanities	45.129	R&D	Promotion of the Humanities Federal/State Partnership	Pass-through California Humanities	HFAP17-11	7	-
National Endowment for the Humanities Total						7	-
National Science Foundation	47.041	R&D	Engineering	Direct Award		194,409	-
				Pass-through CSU - San Diego Research Foundation	SA0000684	993	-
	47.041 Total					195,402	-
	47.049	R&D	Mathematical and Physical Sciences	Direct Award		431,263	26,887
	47.050	R&D	Geosciences	Direct Award		256,282	-
				Pass-through Yale University	GR104085(CON-80001397)	2,472	-
	47.050 Total					258,754	-
	47.070	R&D	Computer and Information Science and Engineering	Direct Award		202,928	-
				Pass-through The University of Texas at El Paso	226100998E	17,242	-
	47.070 Total					220,170	-
	47.074	R&D	Biological Sciences	Direct Award		1,590,555	403,388
				Pass-through The Regents of the University of California, San Francisco	9807sc	507,519	-
	47.074 Total					2,098,074	403,388
	47.075	R&D	Social, Behavioral, and Economic Sciences	Direct Award		129,828	-
	47.076	R&D	Education and Human Resources	Direct Award		2,902,414	663,261
				Pass-through The Regents of the University of California	KK1627	843	-
				Pass-through Cal Poly Corporation	A00-1696S004-P056579	410	-
			Pass-through CSU - East Bay Foundation	2018-2-51273	159	-	
			Pass-through University Enterprises, Inc. (Sacramento)	W1206-411	3,707	-	
				533001	156	-	
				533002	4,000	-	
				532842	15,000	-	
				1826490/532851	26,166	-	
			Pass-through Smith-Kettlewell Eye Research Institute	8201301-SFSU	17,203	-	
			Pass-through The Regents of The University of California, Irvine	2018-3646	30,103	-	
			Pass-through University of Texas at El Paso	226100955B	331,332	-	
47.076 Total					3,331,493	663,261	
National Science Foundation Total						6,664,984	1,093,536
U.S. Department of Energy	81.049	R&D	Office of Science Financial Assistance Program	Direct Award		228,378	-
	81.117	R&D	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	Pass-through The Regents of The University of California, Lawrence Berkeley National Laboratory	7403049	37,582	-
U.S. Department of Energy Total						265,960	-
U.S. Department of Education	84.324	R&D	Research in Special Education	Direct Award		51,530	37,027
U.S. Department of Education Total						51,530	37,027
U.S. Department of Health and Human Services	93.084	R&D	Prevention of Disease, Disability, and Death by Infectious Diseases	Pass-through The Regents of The University of California, Riverside	S-001163	23,091	-
	93.113	R&D	Environmental Health	Pass-through University of Southern California	93352808	20,869	-
	93.136	R&D	Injury Prevention and Control Research and State and Community Based Programs	Pass-through California Department of Public Health	18-10467	15,001	-
	93.143	R&D	NIEHS Superfund Hazardous Substances_Basic Research and Education	Pass-through The Regents of The University of California, Berkeley	9676	19,918	-
	93.173	R&D	Research Related to Deafness and Communication Disorders	Pass-through Trustees of Boston University	4500003318	11,700	-
	93.242	R&D	Mental Health Research Grants	Direct Award		660,333	188,925
				Pass-through Boston University	4500002320	12,286	-
93.242 Total					672,619	188,925	

See accompanying notes to schedule of expenditures of federal awards

CALIFORNIA STATE UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended of June 30, 2020

Federal Grantor Agency	CFDA	Cluster Name	Federal Program Name	Direct Award or Pass-through Entity	Pass-through Identifying Number	Amount Expended	Amounts Provided to Subrecipients	
U.S. Department of Health and Human Services	93.243	R&D	Substance Abuse and Mental Health Services Projects of Regional and National Significance	Pass-through The Regents of the University of California	10989sc	16,711	-	
	93.268	R&D	Immunization Cooperative Agreements	Pass-through California Department of Public Health	18-10467	7,492	-	
	93.273	R&D	Alcohol Research Programs	Pass-through Columbia University	1(GG014711-01)	14,902	-	
	93.307	R&D	Minority Health and Health Disparities Research	Direct Award		432,345	-	
				Pass-through The Board of Trustees of the University of Illinois	17233-00	22,342	-	
	93.307 Total						454,687	-
	93.310	R&D	Trans-NIH Research Support	Direct Award		3,576,594	1,158,111	
				Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	Pass-through California Department of Public Health	18-10467	67,496	-
	93.426	R&D	PPHF: Health Care Surveillance/Health Statistics – Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Fund	Pass-through California Department of Public Health	18-10467	154,154	-	
	93.745	R&D	Cardiovascular Diseases Research	Direct Award		780,941	250,334	
	93.837	R&D	Diabetes, Digestive, and Kidney Diseases Extramural Research	Pass-through The Regents of the University of California, San Francisco	8109sc	5,684	-	
	93.847	R&D	Allergy and Infectious Diseases Research	Direct Award		38,946	16,288	
	93.855	R&D	Biomedical Research and Research Training	Pass-through University of Pittsburgh	CNVA00056912 (131728-1)	36,949	-	
	93.855 Total						75,895	16,288
	93.859	R&D	Child Health and Human Development Extramural Research	Direct Award		2,967,790	6,261	
				Pass-through The Regents of the University of California, San Francisco	10339sc	58,758	-	
				Pass-through St. John's University	35712	15,184	-	
	93.859 Total						3,041,732	6,261
	93.865	R&D	Aging Research	Direct Award		47,736	-	
				Pass-through Research Foundation for Mental Hygiene, Inc. Columbia University	25999	45,051	-	
	93.865 Total						92,787	-
	93.866	R&D	Medical Library Assistance	Direct Award		117,117	59,405	
				Pass-through The Regents of the University of California, San Francisco	10295sc	74,575	-	
					11635sc	154,535	-	
					9913C	25,109	-	
				Pass-through Stanford University	61933281-133224	171,063	-	
				Pass-through University of South Carolina	20-3976	102,959	-	
93.866 Total						645,358	59,405	
93.879	R&D	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	Pass-through Stanford University	61100260-12656-A	3,555	-		
93.898	R&D	Preventive Health and Health Services Block Grant	Pass-through California Department of Public Health	18-10467	54,409	-		
93.991	R&D		Pass-through California Department of Public Health	18-10467	1,154,250	-		
U.S. Department of Health and Human Services Total						10,909,845	1,679,324	
Research and Development (R&D) Cluster Total						\$ 21,177,558	\$ 2,961,818	
Total expenditures of federal awards						\$ 2,845,444,458	\$ 3,305,649	

See accompanying notes to schedule of expenditures of federal awards

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS



CALIFORNIA STATE UNIVERSITY

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2020

(1) General

The accompanying schedule of expenditures of federal awards (Schedule) presents the activity of all federal award programs of the California State University (the University). The University does not consider itself a subrecipient of federal funds when those funds are received as payments for services rendered from individual campus foundations, which are discretely presented component units in the basic financial statements of the University. Accordingly, these amounts are not reflected in the accompanying Schedule.

For purposes of the Schedule, federal awards include all grants and contracts entered into directly between the University and agencies and departments of the federal government and pass-through agencies. The awards are classified into program categories in accordance with the provisions of the Uniform Guidance.

(2) Basis of Accounting

The information in the accompanying Schedule is prepared on the accrual basis of accounting and is also presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(3) Loan Programs

Total loans outstanding under the Federal Perkins Loan Program and the Nursing Student Loan Program are \$42,491,399 and \$2,312,082, respectively, at June 30, 2020. The amounts included in the accompanying Schedule consist of the beginning balances of the loans, loans advanced to students during the year and the administrative cost allowance for the year ended June 30, 2020.

(4) Administrative Cost Allowances

Administrative cost allowances included in the accompanying Schedule are summarized as follows:

Federal Pell Grant Program	\$	862,360
Federal Work-Study Program		945,736
Federal Supplemental Educational Opportunity Grant Program		413,309
Total administrative cost allowances	\$	<u>2,221,405</u>

(5) Indirect Cost Rate

The University did not elect to use the 10% de minimis indirect cost rate as discussed in the Uniform Guidance Section 200.414. For all sponsored programs where indirect costs are allowed to be claimed, the rates approved by the University's cognizant agency were used.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS



CALIFORNIA STATE UNIVERSITY
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2020

(1) Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on financial statements: Unmodified opinion

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None Reported

Noncompliance material to the financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness identified? Yes No
- Significant deficiencies in internal control over major programs Yes None Reported

Type of auditors' report issued on compliance for major programs: Unmodified opinion

Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a) of Uniform Guidance Yes No

Identification of Major Programs

<u>CFDA number(s)</u>	<u>Name of federal program or cluster</u>
Various CFDA numbers 84.425E, 84.425F, and 84.425L	Student Financial Assistance Cluster COVID-19 - Higher Education Emergency Relief Fund
Dollar threshold used to distinguish between Type A and Type B programs:	\$3,000,000
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

CALIFORNIA STATE UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None noted

(3) Findings and Questioned Costs Relating to Federal Awards

2020-001

Compliance requirement:	Enrollment Reporting
Campus:	Fresno, Northridge, Pomona, and San Jose
Cluster name/program:	Student Financial Assistance Cluster
CFDA number:	84.268 Federal Direct Student Loans 84.038 Federal Perkins Loan Program
Federal agency:	U.S. Department of Education
Passed through entity:	None
Award year:	July 1, 2019 through June 30, 2020

Criteria or Specific Requirement

Per 34 CFR Section 685.309, institutions with direct loan programs must complete and return to the National Student Loan Data System for Students (NSLDS) within 30 days the enrollment reporting roster file provided by NSLDS, unless the school expects to complete the next roster within 60 days, then they must return it within 60 days. The institution must update changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and then submit changes electronically to the NSLDS, for the purpose of providing complete and accurate data to lenders regarding enrollment status so they may properly determine when repayment of the loans should begin.

Condition Found and Context

During our testwork, we selected 90 students from nine campuses with direct loans that withdrew or graduated during the year and tested the University's reporting the change of status to NSLDS and noted the following:

- We identified four students from four campuses where their changes in status were not reported to the NSLDS within the 30/60-day reporting period. For these students, status changes were communicated between 80-365 days late.

Since this is a repeat finding and that non-compliance was identified at multiple campuses, we consider this to be a significant deficiency in internal control over the compliance requirement for enrollment status reporting. However, we do note this is a partial correction by the institution.

CALIFORNIA STATE UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

Cause and Effect

The non-compliance with the 30/60-day reporting period was caused by not having sufficient procedures, such as queries to include all graduated and credential students and not scheduling and submitting degree transmissions on a monthly basis, and controls in place to report graduated and credential students to the National Student Clearinghouse (NSC) in a timely manner.

Sampling

Not statistical

Isolated or Systemic

Systemic

Questioned Costs

None noted

Repeat Finding

Yes

Recommendation

We recommend the University update their procedures to verify that all graduated and credential students are included in the NSC submissions and that degree transmissions to NSC are made in a timely manner to comply with the 30/60-day reporting period to NSLDS.

Views of Responsible Officials

The University concurs with the recommendation. Campuses will further review and refine their policies and procedures and strengthen internal controls, to ensure the timely and accurate reporting of student status changes to NSLDS.

CALIFORNIA STATE UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

2020-002

Compliance requirement:	Disbursement to or on Behalf of Students
Campus:	San Jose
Cluster name/program:	Student Financial Assistance
CFDA number:	84.268 Federal Direct Student Loans 84.038 Federal Perkins Loan Program 84.379 Teacher Education Assistance for College and Higher Education Grants (TEACH)
Federal agency:	U.S. Department of Education
Pass-through entity:	None
Award year:	July 1, 2019 through June 30, 2020

Criteria or Specific Requirement

Per CFR Section 668.165 (a), before an institution disburses Title IV, Higher Education Act (HEA) program funds for any award year, the institution must notify a student of the amount of funds that the student or his or her parent can expect to receive under each Title IV, HEA program, and how and when those funds will be disbursed. If those funds include Direct Loan program funds, the notice must indicate which are from unsubsidized loans, and which are from Parent Loan for Undergraduate Students loans (PLUS). The institution must notify the student, or parent in writing of (1) the date and amount of the disbursement, and (2) the student's right, or parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan or the TEACH Grant payments returned to the Education Department; and (3) the procedure and time by which the student or parent must notify the institution that he or she wishes to cancel the loan, TEACH Grant, or TEACH Grant disbursement. The School must make disbursement notification to the student or parent no earlier than 30 days before, and no later than 30 days after, crediting the student's account at the institution with Direct Loans, Federal Perkins Loans or TEACH grants. Institutions that do not implement an affirmative confirmation process must notify a student no earlier than 30 days before, but no later than 7 days after, crediting the student's account and must give the student 30 days (instead of 14) to cancel all or part of the loan.

Condition Found and Context

During our testwork, we selected 60 students from six campuses that had disbursements where the University was required to notify the student and or parent of the loan disbursement. We noted that for 10 student samples from one campus, the University did not provide a disbursement notification to the student or parent.

Cause and Effect

The University's control failed in determining it did not send the required disbursement notification to the students or parent in the required timeframe with the required information. As a result, 10 students or parents were not notified of their rights, loan date or loan amounts.

Sampling

Not statistical

Isolated or Systemic

CALIFORNIA STATE UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

Systemic

Questioned Costs

None noted

Repeat Finding

No

Recommendation

We recommend the University implement internal controls to ensure the required disbursement information is communicated to the student or parent and are sent within the required timeframe.

Views of Responsible Officials

The University concurs with the recommendation. The Campus will review and enhance its procedures and internal controls, to ensure the timely and accurate notification to the student or parent of their Title IV HEA disbursement and cancellation options.



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