



**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Financial Statements and Supplementary Schedules

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Table of Contents

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited)	3
Basic Financial Statements:	
Statements of Net Position	9
Statements of Revenues, Expenses, and Changes in Net Position	10
Statements of Cash Flows	11
Notes to Financial Statements	12
Supplementary Information	
Schedule 1 – Reconciliation of Workers' Compensation Claims Liabilities	31
Schedule 2 – Reconciliation of General Liability Claims Liabilities	32
Schedule 3 – Reconciliation of Industrial Disability, Nonindustrial Disability, and Unemployment Insurance (IDL/NDI/UI) Claims Liabilities	33
Schedule 4 – Reconciliation of Property Claims Liabilities	34
Schedule 5 – Reconciliation of Athletic Injury Medical Expense (AIME) Claims Liabilities	35
Schedule 6 – Reconciliation of Club Sports Claims Liabilities	36
Schedule 7 – Reconciliation of AORMA Workers' Compensation Claims Liabilities	37
Schedule 8 – Reconciliation of AORMA General Liability Claims Liabilities	38
Schedule 9 – Reconciliation of AORMA Property Claims Liabilities	39
Schedule 10 – Reconciliation of AORMA Unemployment Insurance Program (UIP) Claims Liabilities	40
Schedule 11 – Schedule of Net Position	41
Schedule 12 – Schedule of Revenues, Expenses, and Changes in Net Position	42
Schedule 13 – Other Information	43

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Table of Contents

	Page
Required Supplementary Information	
Schedule 14 – Claims Development Information (Unaudited)	45



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

Independent Auditors' Report

The Board of Directors
California State University Risk Management Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the California State University Risk Management Authority (the Authority), a component unit of the California State University as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements for the years 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the California State University Risk Management Authority as of June 30, 2020 and 2019, and the changes in its net position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis on pages 3 through 8 and the claims development information on Schedule 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information included in Schedules 1 through 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information included in Schedules 1 through 13 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, the supplementary information included in Schedules 1 through 13 is fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

Los Angeles, California
September 23, 2020

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Management's Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

The following discussion and analysis provides an overview of the financial position and performance of the California State University Risk Management Authority (the Authority) as of and for the years ended June 30, 2020 and 2019. It is designed to assist the readers in focusing on financial overview and analysis of the financial activities of the Authority. The discussion has been prepared by management and should be read in conjunction with the basic financial statements and accompanying notes, which follow this section.

Overview of the Financial Statements

The financial statements of the Authority as of and for the years ended June 30, 2020 and 2019 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 Authority is considered a special-purpose government engaged in business-type activities.

The Authority’s financial statements consist of the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, Statements of Cash Flows, the notes to the financial statements, supplementary information, and required supplementary information. The Authority’s basic financial statements include the Statements of Net Position, the Statements of Revenue, Expenses, and Changes in Net Position, the Statements of Cash Flows and the related notes to the financial statements.

Statement of Net Position

The Statement of Net Position presents the financial position of the Authority at the end of the fiscal year and includes all assets and liabilities of the Authority. The difference between total assets and total liabilities, net position, is one indicator of the current financial condition of the Authority, while the change in net position is an indicator of how the overall financial condition has fluctuated from year to year.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Management's Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

A summary of the Authority's assets, liabilities, and net position at June 30, 2020, 2019, and 2018 is as follows:

Condensed Schedules of Net Position

(In thousands)

	June 30		
	2020	2019	2018
Assets:			
Current assets	\$ 108,559	88,129	92,382
Noncurrent assets	39,497	47,638	53,800
Total assets	\$ 148,056	135,767	146,182
Liabilities:			
Current liabilities	\$ 34,893	25,099	29,559
Noncurrent liabilities	37,656	45,509	52,370
Total liabilities	\$ 72,549	70,608	81,929
Net position:			
Unrestricted	\$ 75,507	65,159	64,253
Total net position	\$ 75,507	65,159	64,253

Assets

The Authority's assets totaled \$148.06 million on June 30, 2020, an increase of \$12.29 million or 9%, as compared to the previous year. The increase is mainly attributed to the increase in investments by \$15.30 million, due to the excess of receipts over payments from operating activities, and investment income. The increase was offset by the decrease in prepaid expenses by \$3.20 million due to the timing of payments made for various insurance premiums.

The Authority's assets totaled \$135.77 million on June 30, 2019, a decrease of \$10.42 million or 7%, as compared to the previous year. The decrease is mainly attributed to the decrease in investments by \$20.12 million, due to the excess of payments over receipts from operating activities. Accounts receivable increased by \$6.70 million due to the enrollment of new construction projects in the Owner Controlled Insurance Program (OCIP.) Prepaid expenses increased by \$3.94 million due to the timing and coverage periods of various insurance premiums.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Management's Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

Liabilities

The Authority's liabilities totaled \$72.55 million on June 30, 2020, an increase of \$1.94 million or 3%, as compared to the previous year. Accounts payable increased \$3.80 million primarily due to unemployment claims in the fourth quarter of the fiscal year. Unearned revenues increased by \$6.16 million due to contribution collections related to multi-year projects, which was offset by the decreases in SELF assessment liability by \$1.36 million and claims liabilities by \$6.65 million

Due to the enrollment in the Excess Insurance Authority (EIA), effective January 1, 2016, claims liability, current and noncurrent, decreased in the amounts of \$6.65 million and \$8.33 million as of June 30, 2020 and 2019, respectively. The EIA is responsible for all covered losses within the amount of the self-insurance layer for the campus and Auxiliary Organizations Risk Management Alliance (AORMA) workers' compensation program; thus, the Authority is not liable for the layers covered by the EIA. Claims liability, current and noncurrent, represents 69% and 80% of the total liabilities as of June 30, 2020 and 2019, respectively.

The Authority's liabilities totaled \$70.61 million on June 30, 2019, a decrease of \$11.32 million or 14%, as compared to the previous year. The decrease is primarily attributed to the decrease in claims liability for losses and loss adjustment expenses.

Net Position

Net position may serve over time as a useful indicator of the Authority's financial position. Net position represents the residual measure of assets net of liabilities. Net position fluctuates annually due to the Authority's operating results for a given fiscal year as well as changes in investment income. The Authority's net position is classified as unrestricted and may be designated for use by the Authority.

The Authority's net position totaled \$75.51 million on June 30, 2020, an increase of \$10.35 million or 16%, as compared to the previous year. This is primarily due to revenues exceeding expenses during the year.

The Authority's net position totaled \$65.16 million on June 30, 2019, an increase of \$906 thousand or 1%, as compared to the previous year. This is primarily due to investment income that offset the operating losses during the year.

Statement of Revenue, Expenses, and Changes in Net Position

The Statement of Revenue, Expenses, and Changes in Net Position is the Authority's income statement. Revenues earned and expenses incurred during the year on an accrual basis are classified as either operating or nonoperating. It presents the results of the Authority's operations and changes in net position over the course of the fiscal year.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Management's Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

A summary of the Authority's statement of revenues, expenses, and changes in net position for the years ended June 30, 2020, 2019, and 2018 is as follows:

Condensed Schedules of Revenues, Expenses, and Changes in Net Position

June 30, 2020, 2019, and 2018

(In thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenues	\$ 107,022	94,329	92,291
Operating expenses	<u>103,940</u>	<u>101,141</u>	<u>101,067</u>
Operating (income) loss	3,082	(6,812)	(8,776)
Nonoperating revenues (expenses), net	<u>7,266</u>	<u>7,718</u>	<u>(351)</u>
Change in net position	10,348	906	(9,127)
Net position, beginning of year	<u>65,159</u>	<u>64,253</u>	<u>73,380</u>
Net position, end of year	<u>\$ 75,507</u>	<u>65,159</u>	<u>64,253</u>

Operating Revenues and Expenses

The Authority's operating revenues consist of member contributions, net of reinsurance premiums. Increases or decreases in member contributions are primarily attributable to recommended funding for campus-covered programs calculated by an independent actuarial firm employed by the Authority.

During fiscal year 2020, operating revenues totaled \$107.02 million, an increase of \$12.69 million or 13%, which was primarily due to an increase of member contributions, offset by the increase in reinsurance premiums.

During fiscal year 2019, operating revenues totaled \$94.33 million, an increase of \$2.04 million or 2%, which was primarily due to an increase in member contributions, offset by the increase in reinsurance premiums.

During fiscal year 2020, operating expenses totaled \$103.94 million, an increase of \$2.80 million or 3% compared to the previous year, primarily due to increases in insurance premiums and dividends expenses, which were offset by the decreases in claim losses and loss adjustment expenses.

During fiscal year 2019, operating expenses totaled \$101.14 million, an increase of \$74 thousand or less than 1%, as compared to the previous year. The operating expense remained consistent with prior year as the increases in claim losses and loss adjustment expenses and insurance premiums were offset by the increase in dividends expenses and claims administration expenses.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Management's Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

Operating expenses consist of claim losses and loss adjustment expenses of \$27.50 million and \$31.38 million, claims administration expenses of \$10.35 million and \$9.46 million, insurance premiums of \$54.04 million and \$50.86 million, dividend distributions of \$8.55 million and \$6.11 million, general and administrative of \$1.85 million and \$1.57 million, and miscellaneous services of \$1.65 million and \$1.75 million for the years ended June 30, 2020 and 2019, respectively. Claim losses and loss adjustment expenses include actual claim payments made, as well as adjustments for reserves on claims. Claim case reserves are adjusted as claims develop and mature and additional information regarding potential loss amounts are known. Reserves for claims incurred but not reported, as determined by independent actuaries, are also included in this expense category. Claims administration includes expenses incurred by the Authority for claims administrator's fees and program administrator's fees, and brokerage commissions. Dividend distributions represent the return of contributions to CSU campuses and Auxiliary Organization members. In providing insurance coverage and risk management services to its members, the Authority incurs general and administrative and miscellaneous services expenses that are budgeted and approved by the Board of Directors annually.

Nonoperating Revenues (Expenses), Net

During fiscal year 2020, net nonoperating revenues totaled \$7.27 million, a decrease of \$452 thousand, which is primarily due to lower investment gains, both realized and unrealized, and earnings from the investment portfolio where the Authority's investments are held.

During fiscal year 2019, net nonoperating revenues totaled \$7.72 million, an increase of \$8.07 million, which is primarily due to investment gains, both realized and unrealized, and higher earnings from the investment portfolio where the Authority's investments are held. This is attributed mainly to favorable market conditions in fiscal year 2019 as compared to prior year. Further, the investment balance declined in the fourth quarter of the fiscal year, as such it did not affect earnings significantly.

Factors Impacting Future Periods

There are no known issues that are expected to materially impact the organization with respect to the COVID-19 pandemic. However, there are trends that may influence membership and developments in the hardening commercial insurance market that warrant notice.

The Authority has a limited pool of membership consisting of CSU and its not-for-profit Auxiliary Organizations. The CSU and Auxiliary Organizations are subject to economic trends which impact funding, operations, and grants and contracts.

The California workers' compensation operating environment has stabilized despite increases in the cost of medical care and prescription drugs, combined with an aging workforce. To combat increasing costs to settle workers' compensation claims, the Authority has implemented a Workers' Compensation Claims Management and Return to Work Program, as well as an ongoing claims closure initiative. Results have been positive, however, the environment may change. The annual spend on the Workers' Compensation continues to remain essentially stable year over year.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Management's Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

Generally, the commercial insurance and reinsurance market is stable. However, weather extremes, catastrophic losses, pandemics and investment losses are areas of concern for commercial insurance carriers and the California market has experienced catastrophic claims due to pandemic, wildfire, and excessive rainfall. Institutional size risks, such as the CSU and its Auxiliary Organizations, with large valued property locations spread throughout the state are experiencing rate increases as commercial insurers raise concerns about recent natural disasters such as floods, hurricanes, and potential wildfires.

The market for excess liability for California public entities has firmed. This is largely due to a significant rise in the cost of claims, especially those involving employment practices, law enforcement, and injuries to minors. The Authority has managed this risk by developing long-term underwriting relationships and attracting other insurers to the program.

Funds are invested by the Authority to pay expected claims in the pooled programs. The valuation of claims liabilities is discounted based on assumed investment earning rates. A divergence in the rate assumed for discounting claims liabilities and investment earnings can affect the ultimate claims liability recorded in the financial statements. To guard against possible divergence, the dividend calculations utilized to return excess funds to the membership use a more conservative calculation of equity.

The rates charged by the Authority for member contributions for the future year increased due to claim and market trends for the liability, industrial disability/nonindustrial disability/unemployment insurance, and property programs. In the May 2020 Board of Director's meeting, the fiscal year 2021 budget was approved for operating revenues of \$114.63 million and operating expenses of \$115.69 million.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Statements of Net Position

June 30, 2020 and 2019

(In thousands)

	2020	2019
Assets:		
Current assets:		
Cash and cash equivalents	\$ 62	14
Investments	89,252	65,954
Accounts receivable	9,561	9,308
Prepaid expenses	9,610	12,811
Reinsurance recoverable – workers' compensation	74	42
Total current assets	108,559	88,129
Noncurrent assets:		
Loans receivable from affiliates, net of current portion	1,497	1,638
Other long-term investments	38,000	46,000
Total noncurrent assets	39,497	47,638
Total assets	148,056	135,767
Liabilities:		
Current liabilities:		
Accounts payable	12,521	8,723
Unearned revenues	6,216	55
SELF assessment liability, current portion	1,363	1,364
Claims liability for losses and loss adjustment expenses – current portion:		
Reported claims	7,863	7,882
Claims incurred but not reported	6,930	7,075
Total current liabilities	34,893	25,099
Noncurrent liabilities:		
SELF assessment liability, net of current portion	2,728	4,091
Claims liability for losses and loss adjustment expenses – noncurrent portion:		
Reported claims	18,566	21,826
Claims incurred but not reported	16,362	19,592
Total noncurrent liabilities	37,656	45,509
Total liabilities	72,549	70,608
Net position:		
Unrestricted	75,507	65,159
Total net position	\$ 75,507	65,159

See accompanying notes to financial statements.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Statements of Revenues, Expenses, and Changes in Net Position

June 30, 2020 and 2019

(In thousands)

	2020	2019
Operating revenues:		
Member contributions	\$ 120,435	105,548
Reinsurance premiums	(13,413)	(11,219)
Total operating revenues	107,022	94,329
Operating expenses:		
Claim losses and loss adjustment expenses	27,499	31,384
Claims administration	10,350	9,456
Insurance premiums	54,038	50,863
Dividend distributions	8,547	6,111
General and administrative	1,854	1,573
Miscellaneous services	1,652	1,754
Total operating expenses	103,940	101,141
Operating income (loss)	3,082	(6,812)
Nonoperating revenues:		
Investment income, net	7,202	7,660
Interest income from loans	64	58
Total nonoperating revenues, net	7,266	7,718
Change in net position	10,348	906
Net position, beginning of year	65,159	64,253
Net position, end of year	\$ 75,507	65,159

See accompanying notes to financial statements.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Statements of Cash Flows

June 30, 2020 and 2019

(In thousands)

	2020	2019
Cash flows from operating activities:		
Receipts of member contributions	\$ 112,049	86,802
Payments to providers	(70,848)	(68,510)
Payments of claims	(24,706)	(40,401)
Dividend distributions to members	(8,556)	(6,425)
Net cash provided by (used in) operating activities	7,939	(28,534)
Cash flows from noncapital and related financing activities:		
Payments received on loans to related entities	141	651
Loan interest income received	64	58
Net cash provided by noncapital and related financing activities	205	709
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	364,738	529,892
Purchases of investments	(356,960)	(502,777)
Withdrawals from CSU Consolidated Investment Pool	139,957	142,910
Deposits into CSU Consolidated Investment Pool	(162,218)	(148,394)
Investment income, net	6,387	6,146
Net cash (used in) provided by investing activities	(8,096)	27,777
Net change in cash and cash equivalents	48	(48)
Cash and cash equivalents at beginning of year	14	62
Cash and cash equivalents at end of year	\$ 62	14
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 3,082	(6,812)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Changes in assets and liabilities:		
Increase in accounts receivable	(253)	(3,938)
Decrease (increase) in prepaids	3,201	(6,697)
(Increase) decrease in reinsurance recoverable – workers' compensation	(32)	234
Increase (decrease) in accounts payable	3,798	(540)
Increase (decrease) in unearned revenues	6,161	(1,086)
Decrease in SELF assessment liability	(1,364)	(1,363)
Decrease in claims liability for losses and loss adjustment expenses	(6,654)	(8,332)
Net cash provided by (used in) operating activities	\$ 7,939	(28,534)

See accompanying notes to financial statements.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands)

(1) Organization

On January 1, 1997, California State University (CSU or the University) and certain auxiliary organizations of the University established the California State University Risk Management Authority (the Authority) pursuant to the provisions of Section 6500 et seq. of the California Government Code (the Code). The Code authorizes CSU and Auxiliary Organizations to establish and operate pooled coverage programs and to provide related services. The Authority provides entity risk pooling programs for workers' compensation, general liability, industrial and nonindustrial disability, unemployment insurance coverage, property, construction, and other risk-related programs for its member organizations (the Members). Members participating in the Authority's coverage programs at June 30, 2020 and 2019 are as follows:

Location	Member Organization
Bakersfield	California State University, Bakersfield
Bakersfield	Associated Students, California State University, Bakersfield, Inc.
Bakersfield	California State University, Bakersfield Auxiliary for Sponsored Programs Administration
Bakersfield	California State University, Bakersfield Foundation
Bakersfield	California State University, Bakersfield Student Union, Inc.
Chancellor's Office	Office of the Chancellor
Chancellor's Office	California State University Foundation
Chancellor's Office	California State University Institute
Channel Islands	California State University, Channel Islands
Channel Islands	Associated Students of California State University, Channel Islands, Inc.
Channel Islands	California State University Channel Islands Foundation
Channel Islands	CI University Auxiliary Services, Inc.
Channel Islands	* Channel Islands Site Authority
Chico	California State University, Chico
Chico	Associated Students of California State University, Chico
Chico	Auxiliary Organization Associations
Chico	The CSU, Chico Research Foundation
Chico	The University Foundation, California State University, Chico
Dominguez Hills	California State University, Dominguez Hills
Dominguez Hills	Associated Students, California State University, Dominguez Hills
Dominguez Hills	California State University, Dominguez Hills Foundation
Dominguez Hills	CSU Dominguez Hills Philanthropic Foundation
Dominguez Hills	The Donald P. and Katherine B. Loker University Student Union, Inc., California State University, Dominguez Hills
East Bay	California State University, East Bay
East Bay	Associated Students Inc., California State University, East Bay
East Bay	Cal State East Bay Educational Foundation
East Bay	California State University, East Bay Foundation, Inc.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands)

Location	Member Organization
Fresno	California State University, Fresno
Fresno	Associated Students of California State University, Fresno
Fresno	California State University, Fresno Association, Inc.
Fresno	California State University, Fresno Foundation
Fresno	Fresno State Programs for Children, Inc.
Fresno	The Agricultural Foundation of California State University, Fresno
Fresno	The California State University, Fresno Athletic Corporation
Fullerton	California State University, Fullerton
Fullerton	Associated Students, California State University, Fullerton, Inc.
Fullerton	Cal State Fullerton Philanthropic Foundation
Fullerton	CSU Fullerton Auxiliary Services Corporation
Humboldt	Humboldt State University
Humboldt	Associated Students, Humboldt State University
Humboldt	Humboldt State University Advancement Foundation
Humboldt	Humboldt State University Center Board of Directors
Humboldt	Humboldt State University Sponsored Programs Foundation
Long Beach	California State University, Long Beach
Long Beach	Associated Students, California State University, Long Beach
Long Beach	California State University, Long Beach Research Foundation
Long Beach	CSULB 49er Foundation
Long Beach	Forty-Niner Shops, Inc.
Los Angeles	California State University, Los Angeles
Los Angeles	Associated Students, California State University, Los Angeles, Inc.
Los Angeles	Cal State L.A. University Auxiliary Services, Inc.
Los Angeles	California State University, Los Angeles Foundation
Los Angeles	University-Student Union at California State University, Los Angeles
Maritime Academy	California Maritime Academy
Maritime Academy	California Maritime Academy Foundation, Inc.
Maritime Academy	The Associated Students of the California Maritime Academy
Monterey Bay	California State University, Monterey Bay
Monterey Bay	Foundation of California State University, Monterey Bay
Monterey Bay	The University Corporation at Monterey Bay
Monterey Bay	Otter Student Union at CSU Monterey Bay
Northridge	California State University, Northridge
Northridge	Associated Students, California State University, Northridge, Inc.
Northridge	California State University, Northridge Foundation
Northridge	North Campus University Park Development Corporation
Northridge	The University Corporation, CSU Northridge
Northridge	University Student Union of California State University, Northridge

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands)

Location	Member Organization
Pomona	California State Polytechnic University, Pomona
Pomona	Associated Students Inc., California State Polytechnic University, Pomona
Pomona	The Cal Poly Pomona Foundation, Inc.
Pomona	** Cal Poly Pomona Philanthropic Foundation
Sacramento	California State University, Sacramento
Sacramento	Associated Students of California State University, Sacramento
Sacramento	Capital Public Radio, Inc., CSU Sacramento
Sacramento	The University Foundation at Sacramento State
Sacramento	University Enterprises, Inc., CSU Sacramento
Sacramento	University Union Operation of CSUS, Inc.
San Bernardino	California State University, San Bernardino
San Bernardino	Associated Students Inc., California State University, San Bernardino
San Bernardino	CSUSB Philanthropic Foundation
San Bernardino	Santos Manuel Student Union of California State University, San Bernardino
San Bernardino	University Enterprises Corporation at CSUSB
San Diego	San Diego State University
San Diego	Associated Students, San Diego State University
San Diego	Aztec Shops, Ltd., San Diego State University
San Diego	San Diego State University Research Foundation
San Diego	The Campanile Foundation
San Francisco	San Francisco State University
San Francisco	Associated Students, Inc., San Francisco State University
San Francisco	San Francisco State University Foundation
San Francisco	The University Corporation, San Francisco State
San Jose	San Jose State University
San Jose	Associated Student, San Jose State University
San Jose	San Jose State University Research Foundation
San Jose	Spartan Shops, Inc., San Jose State University
San Jose	The Student Union of San Jose State University
San Jose	The Tower Foundation, San Jose State University
San Luis Obispo	California Polytechnic State University, San Luis Obispo
San Luis Obispo	Associated Students, Inc., California Polytechnic State University at San Luis Obispo
San Luis Obispo	Cal Poly Corporation
San Luis Obispo	California Polytechnic State University Foundation
San Marcos	California State University, San Marcos
San Marcos	California State University San Marcos Corporation
San Marcos	California State University San Marcos Foundation
San Marcos	The Associated Students of California State University, San Marcos

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands)

Location	Member Organization
Sonoma	Sonoma State University
Sonoma	Associated Students of Sonoma State University
Sonoma	Sonoma State Enterprises, Inc.
Sonoma	Sonoma State University Academic Foundation, Inc.
Stanislaus	California State University, Stanislaus
Stanislaus	Associated Students, Inc., California State University, Stanislaus
Stanislaus	California State University, Stanislaus Auxiliary and Business Services
Stanislaus	California State University, Stanislaus Foundation
Stanislaus	University Student Union of California State University, Stanislaus

* New member in 2020

** New member in 2019

The accompanying financial statements are also included in the CSU's financial statements as a discretely presented component unit.

The Authority is managed by a board of directors, which is composed of 30 directors appointed by the CSU Executive Vice Chancellor/Chief Financial Officer, Business and Finance, and 10 directors elected by the Auxiliary Organizations, which are members of the Authority. The Executive Vice Chancellor may also appoint alternate representatives who shall serve in the absence of the primary representatives. Directors elected by the Auxiliary Organizations serve subject to terms and conditions adopted by the Auxiliary Organizations for election and replacement of the same. Each director of the Authority must be an officer, director, or employee of the University or an Auxiliary Organization.

The Authority assumed the losses of the University's risk pool on January 1, 1997 (inception date) in exchange for a commitment from the University to fund incurred losses. In addition, the University has made the commitment to provide sufficient cash flows to the Authority to meet its operating needs.

All post-development costs of the Authority's programs are funded by annual premiums charged to members participating in the program each policy year and by interest earnings on the accumulated funds. Premiums are based on a cost allocation plan and rating formula developed by the Authority with the assistance of actuaries, risk management consultants, and other qualified persons. The premium for each member participating in the shared risk programs includes the member's share of expected program losses, program reinsurance costs, and program administrative costs for the year. If the Authority experiences unusually large losses in one of the aforementioned programs during a policy year, those pooled funds for the program may be exhausted before the next annual premiums are due. The Board of Directors may, upon consultation, impose assessments on all participating members in the respective program to provide adequate funds to the Authority for the payment of all incurred losses.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands)

The Authority coordinates the claims process in conjunction with various organizations. These entities include the State of California Attorney General's Office; Sedgwick Claims Management Services, Inc. (Sedgwick); Carl Warren & Company (Carl Warren); Health Special Risk, Inc. (HSR); the CSU Office of General Counsel; Systemwide Risk Management; Alliant Insurance Services (Alliant); the CSU Office of the Chancellor; and the 23 CSU campuses. Sedgwick is the third-party administrator (TPA) for all workers' compensation claims involving campuses and Auxiliary Organizations. Carl Warren is the TPA for Auxiliary Organization liability claims. HSR is the TPA for Athletic Injury Medical Expense (AIME) and Club Sports Insurance Program (CSIP) claims. Alliant administers all entity risk pooling programs provided by the Authority.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements for the Authority have been prepared under the standards promulgated by the Governmental Accounting Standards Board (GASB) using the accrual basis of accounting and economic resources measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The financial statements include the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows. The Authority is considered a special-purpose government. The Authority records revenues primarily from fees collected from the campuses and Auxiliary Organizations and, accordingly, has chosen to present its financial statements using the reporting model for special-purpose governments engaged only in business-type activities.

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

The Authority considers assets to be current when they can be reasonably 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 Statements of Net Position date. Liabilities that can be reasonably expected, as part of the Authority's normal business operations, to be liquidated within 12 months of the Statements of Net Position date are considered to be current. All other assets and liabilities are considered to be noncurrent. For classification of current and noncurrent investments, refer to note 2(d).

(c) Cash and Cash Equivalents and Statements of Cash Flows

The Authority considers all highly liquid investments with an original maturity date of three months or less to be cash and cash equivalents. The Authority considers amounts included in the Morgan Stanley Smith Barney and the CSU Consolidated Investment Pool to be investments. Certain transactions recorded as revenues or expenses in the accompanying Statements of Revenues, Expenses and Changes in Net Position include transactions between entities that are also participants in the Investment Pool. The Authority considers changes in the respective participants' equity in the CSU Consolidated Investment Pool resulting from these transactions to represent cash flows of the Authority in the accompanying Statements of Cash Flows.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands)

(d) Investments

Investments are reflected at fair value using quoted market prices. Realized and unrealized gains and losses are included in the accompanying Statements 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 for withdrawal or use for other than current operations, designated or restricted for the liquidation of the noncurrent portion of long-term liabilities, or restricted as to the liquidity of the investments are classified as other long-term investments.

(e) Accounts Receivable

Accounts receivable represents amounts due from the Members and excess insurance carriers.

(f) Reinsurance Recoverable

Reinsurance recoverable represents estimated amounts due from reinsurers, who reinsured the CSU's workers' compensation claims liability for claims incurred during the fiscal year. The estimates are related to paid claims and claim adjustment expenses as of fiscal year-end. The estimated amounts recoverable from reinsurers that are related to the liabilities for unpaid claims and claim adjustment expenses are deducted from those claims liabilities for losses and loss adjustment expenses (LAE) (note 2(h)).

(g) Member Contributions

The Authority reports contributions received from the Members in the Statements of Revenues, Expenses, and Changes in Net Position. Contribution calculations for both campuses and Auxiliary Organizations are based on program funding policies and procedures and various rating plans, including pro rata shares of the anticipated claims liabilities for losses and LAE based on actuary projections and loss rates. Contributions are recorded as revenue for the policy year in which coverage is provided. Contributions collected in advance of the policy year are recorded in the Statements of Net Position as unearned revenues.

(h) Claims Liability for Losses and LAE

The claims liability for losses and LAE included in the accompanying financial statements reflect the estimated cost of settling claims relating to events that have occurred as of fiscal year-end. The liability includes the estimated amount that will be required for future payments of claims that 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 reinsurer that are related to the liability 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 liability is recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands)

social factors. Adjustments to claim liabilities are charged or credited to expense in the periods in which they are made.

In estimating unpaid losses and LAE, the Authority has employed methods and assumptions 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.

(i) Dividend Distributions

The Authority reports dividends in the Statements of Revenues, Expenses, and Changes in Net Position for the return of contributions to the Members. Dividends to CSU campuses are based on a review of the funding status report by the Executive Committee and are distributed to each member by their pro rata contributions over the past five completed fiscal years. Dividends to any participating Auxiliary Organization are calculated and distributed in accordance with the Dividends and Assessment Policy. Dividend distributions are accrued as dividend expense once they are approved and declared by the Executive Committee and the Auxiliary Organizations Risk Management Alliance (AORMA) Committee.

(j) Net Position

The Authority's net position is classified as unrestricted. Unrestricted net position may be designated for use by the Authority. The Authority has adopted a policy of utilizing restricted funds, when available, prior to unrestricted funds.

(k) Classification of Revenues and Expenses

The Authority considers operating revenues and expenses in the Statements of Revenues, Expenses, and Changes in Net Position to be those revenues and expenses that result from exchange transactions or other activities that are connected directly to the Authority's primary functions. Certain other transactions are reported as nonoperating revenues and expenses in accordance with GASB requirements. These nonoperating activities include the Authority's investment income, net, and interest income from loans.

(l) Income Taxes

The Authority was formed pursuant to the Code Section 6500 et seq. and, as a governmental entity, is not subject to federal or state income taxes under §115 of the Internal Revenue Code of 1986.

(m) 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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands)

(n) Reclassification

Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 presentation.

(3) Cash and Cash Equivalents, Investments, and Investment Income, Net

The Authority's cash, cash equivalents, and investments as of June 30, 2020 and 2019 are classified in the accompanying Statements of Net Position as follows:

	2020	2019
Cash and cash equivalents	\$ 62	14
Short-term investments	89,252	65,954
Other long-term investments	38,000	46,000
Total	\$ 127,314	111,968

(a) Cash and Cash Equivalents

The Authority maintains centralized management for substantially all of its cash and cash equivalents. Cash in demand deposit accounts is minimized by sweeping available cash balances into the CSU Consolidated Investment Pool on a daily basis.

At June 30, 2020 and 2019, the Authority's cash and cash equivalents consist of demand deposits held at financial institutions which are secured by the Federal Deposit Insurance Corporation for \$250. The carrying amount of the cash in demand deposit accounts were \$208 and \$98 at June 30, 2020 and 2019, respectively. The primary difference between the book and bank balance is due to outstanding checks and cash awaiting investment in the CSU Consolidated Investment Pool.

(b) Investments

At June 30, 2020 and 2019, the Authority's investment portfolio consists of investments held at Morgan Stanley Smith Barney and in the CSU Consolidated Investment Pool. Separate accounting is maintained as to the amounts allocable to the various funds and programs.

(i) Investment Policy

State law and regulations require that surplus monies of the Authority must be invested. The primary objective of the Authority's investment policy is to safeguard the principal. The secondary objective is to meet the liquidity needs of the Authority. The third objective is to return an acceptable yield.

The Authority'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 Sections 16430 and 53601, and Education Code Section 89724, subject to certain

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands)

limitations. In general, the Authority's investment policy permits investments in obligations of the federal and California state governments, certificates of deposit, high-quality domestic corporate and fixed-income securities, and certain other investment instruments.

(ii) Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the custodian, the investments or deposits may not be returned to the Authority. Substantially all of the Authority's securities are registered in the Authority's name by the custodial bank as an agent for the Authority.

(iii) Interest Rate Risk

Interest rate risk is the risk that fluctuations in interest rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair market value to fluctuations in market interest rates. The Authority's investment guidelines measure interest rate risk by limiting an eligible investment to a maximum effective maturity and by limiting the average duration of the portfolio. 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 its 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 Authority's investment portfolio for each investment type as of June 30, 2020 are presented in the table below.

<u>Investment type</u>	<u>Fair value</u>	<u>Duration (in years)</u>
Asset-backed securities	\$ 4,829	5.23555
Corporate bonds	16,823	2.17188
Money market funds	2,239	—
Mortgage-backed securities	13,886	1.68751
Municipal bonds	3,877	6.80789
U.S. agency securities	741	8.63534
U.S. Treasury securities	55,427	4.41767
International bonds	1,214	2.96665
CSU Consolidated Investment Pool	28,216	1.11637
Total investments	<u>\$ 127,252</u>	

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands)

Durations of the Authority's investment portfolio for each investment type as of June 30, 2019 are presented in the table below.

Investment type	Fair value	Duration (in years)
Asset-backed securities	\$ 5,774	4.46933
Corporate bonds	25,188	2.68551
Money market funds	690	—
Mortgage-backed securities	9,058	1.71837
Municipal bonds	4,633	5.38498
U.S. agency securities	2,151	4.39240
U.S. Treasury securities	57,740	5.15195
International bonds	1,195	3.77047
CSU Consolidated Investment Pool	5,525	0.89091
Total investments	<u>\$ 111,954</u>	

Another way the Authority 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 evenly over time as necessary to provide cash flows and liquidity needed for operations.

(iv) Credit Risk

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

By law, the Authority 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 acceptances, and negotiable certificates of deposit.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands)

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

Investment type	Fair value	Ratings as of year-end					Not rated
		AAA	AA	A	BBB	BB	
Asset-backed securities	\$ 4,829	4,530	—	299	—	—	—
Corporate bonds	16,823	2,475	3,699	9,930	655	64	—
Money market funds	2,239	2,239	—	—	—	—	—
Mortgage-backed securities	13,886	13,886	—	—	—	—	—
Municipal bonds	3,877	1,894	1,983	—	—	—	—
U.S. agency securities	741	741	—	—	—	—	—
U.S. Treasury securities	55,427	55,427	—	—	—	—	—
International bonds	1,214	1,214	—	—	—	—	—
CSU Consolidated Investment Pool	28,216	—	—	—	—	—	28,216
Total investments	\$ 127,252	82,406	5,682	10,229	655	64	28,216

Ratings of the Authority's investment portfolio for each investment type as of June 30, 2019 are presented in the table below:

Investment type	Fair value	Ratings as of year-end				Not rated
		AAA	AA	A	BBB	
Asset-backed securities	\$ 5,774	5,774	—	—	—	—
Corporate bonds	25,188	2,594	6,894	14,816	884	—
Money market funds	690	690	—	—	—	—
Mortgage-backed securities	9,058	9,058	—	—	—	—
Municipal bonds	4,633	1,751	2,882	—	—	—
U.S. agency securities	2,151	2,151	—	—	—	—
U.S. Treasury securities	57,740	57,740	—	—	—	—
International bonds	1,195	1,195	—	—	—	—
CSU Consolidated Investment Pool	5,525	—	—	—	—	5,525
Total investments	\$ 111,954	80,953	9,776	14,816	884	5,525

(v) *Concentration of Credit Risk*

Concentration of credit risk rises as investments become concentrated relative to a portfolio characteristic, such as issuance, issuer, market sector, counter party, or sovereign nation, and is best mitigated by diversification. The Authority's investment policy has concentration limits that provide sufficient diversification.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands)

As of June 30, 2020, the following investments held at Morgan Stanley Smith Barney (other than U.S. Treasury securities, mutual funds, and external investment pools) represented 5% or more of the Authority's investment held at Morgan Stanley Smith Barney: Federal National Mortgage Association totaling \$6,434 or 6.50%.

As of June 30, 2019, there were no investments of the held at Morgan Stanley Smith Barney (other than U.S. Treasury securities, mutual funds, and external investment pools) that represented 5% or more of the Authority's investment held at Morgan Stanley Smith Barney.

(vi) *Fair Value Measurements*

The Authority 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 among market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for the Authority's various financial instruments. In cases 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 Authority groups its assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. The level in the fair value hierarchy within 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 Authority 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 or 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.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands)

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

<u>Investment type</u>	<u>Fair value</u>	<u>Level 2</u>	<u>Net asset value</u>
Asset-backed securities	\$ 4,829	4,829	—
Corporate bonds	16,823	16,823	—
Money market funds	2,239	—	2,239
Mortgage-backed securities	13,886	13,886	—
Municipal bonds	3,877	3,877	—
U.S. agency securities	741	741	—
U.S. Treasury securities	55,427	55,427	—
International bonds	1,214	1,214	—
	<u>99,036</u>	<u>96,797</u>	<u>2,239</u>
Investments not subject to fair value hierarchy:			
Equity in CSU Consolidated Investment Pool	<u>28,216</u>		
Total investments	<u>\$ 127,252</u>		

The following table presents investments that are measured at fair value on a recurring basis at June 30, 2019:

<u>Investment type</u>	<u>Fair value</u>	<u>Level 2</u>	<u>Net asset value</u>
Asset-backed securities	\$ 5,774	5,774	—
Corporate bonds	25,188	25,188	—
Money market funds	690	—	690
Mortgage-backed securities	9,058	9,058	—
Municipal bonds	4,633	4,633	—
U.S. agency securities	2,151	2,151	—
U.S. Treasury securities	57,740	57,740	—
International bonds	1,195	1,195	—
	<u>106,429</u>	<u>105,739</u>	<u>690</u>
Investments not subject to fair value hierarchy:			
Equity in CSU Consolidated Investment Pool	<u>5,525</u>		
Total investments	<u>\$ 111,954</u>		

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands)

The following discussion describes 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 classified in Level 2 as fair value are calculated using valuations that include observable market quoted prices for similar assets or liabilities. These include 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) of the funds and consequently the fair value of the Authority's interests in the funds.

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.

(c) Investment Income, Net

Investment income, net, included within the Statements of Revenues, Expenses, and Changes in Net Position is comprised of unrealized gains of \$815 and \$1,514, realized gains of \$4,307 and \$2,634, and interest and dividend income of \$2,080 and \$3,512 for the years ended June 30, 2020 and 2019, respectively.

(4) Loans Receivable from Affiliates

In June 2017, the Authority entered into a loan agreement with Humboldt State University in the amount of \$1,800. The loan is nonamortizing, with interest due and payable quarterly, payable 30 days following the end of each calendar quarter. The interest rate is equal to the stated CSU Consolidated Investment Pool rate of return earned by the Authority (0.137% and 0.356% at June 30, 2020 and 2019, respectively). The maturity date of the loan is October 31, 2022. The amount outstanding on the loan was \$1,497 and \$1,638 as of June 30, 2020 and 2019, respectively.

(5) Claims Liability for Losses and Loss Adjustment Expenses

The Authority establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related loss adjustment expenses. Although considerable variability is inherent in such estimates, management believes that the liability is reasonable at June 30, 2020 and 2019.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands)

Changes in the Authority's claims liability for the years ended June 30, 2020 and 2019 are as follows:

Claims liability for losses and loss adjustment expenses, June 30, 2018	\$	64,707
Less current portion		<u>(17,791)</u>
Claims liability for losses and loss adjustment expenses, June 30, 2018, net of current portion		<u>46,916</u>
Incurred claims for losses and loss adjustment expenses:		
Provision for insured events of the current fiscal year		67,753
Decrease in provision for reinsured events of the current fiscal year		(30,120)
Decrease in provision for insured events of prior fiscal years		<u>(6,249)</u>
Total incurred claims for losses and loss adjustment expenses		<u>31,384</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current fiscal year		(19,460)
Claims and claim adjustment expenses attributable to recoveries from reinsured events of the current fiscal year		15,927
Claims and claim adjustment expenses attributable to insured events of prior fiscal years		<u>(36,183)</u>
Total payments		<u>(39,716)</u>
Claims liability for losses and loss adjustment expenses, June 30, 2019	\$	<u><u>56,375</u></u>

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands)

Claims liability for losses and loss adjustment expenses, June 30, 2019	\$	56,375
Less current portion		<u>(14,957)</u>
Claims liability for losses and loss adjustment expenses, June 30, 2019, net of current portion		<u>41,418</u>
Incurring claims for losses and loss adjustment expenses:		
Provision for insured events of the current fiscal year		62,712
Decrease in provision for reinsured events of the current fiscal year		(22,606)
Decrease in provision for insured events of prior fiscal years		<u>(12,607)</u>
Total incurred claims for losses and loss adjustment expenses		<u>27,499</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current fiscal year		(25,099)
Claims and claim adjustment expenses attributable to recoveries from reinsured events of the current fiscal year		16,187
Claims and claim adjustment expenses attributable to insured events of prior fiscal years		<u>(25,241)</u>
Total payments		<u>(34,153)</u>
Claims liability for losses and loss adjustment expenses, June 30, 2020		49,721
Less current portion		<u>(14,793)</u>
Claims liability for losses and loss adjustment expenses, June 30, 2020, net of current portion	\$	<u><u>34,928</u></u>

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands)

(6) Related-Party Transactions

The following represents a summary of the accounts receivable, contributions, and dividends for the years ended June 30, 2020 and 2019, and general liability insurance deductibles for the policy period detailed by member:

June 30, 2020				
Member	Accounts receivable	Contributions	Dividends	General liability insurance deductibles per occurrence
Campuses	\$ 7,962	106,846	(7,220)	35 – 900
Auxiliary Organizations	334	13,589	(1,327)	25 – 100
	\$ 8,296	120,435	(8,547)	
June 30, 2019				
Member	Accounts receivable	Contributions	Dividends	General liability insurance deductibles per occurrence
Campuses	\$ 7,500	92,867	(4,775)	35 – 900
Auxiliary Organizations	188	12,681	(1,336)	25 – 100
	\$ 7,688	105,548	(6,111)	

(7) Excess Insurance and Reinsurance

(a) Excess Insurance

For the years ended June 30, 2020 and 2019, the Authority purchased excess insurance to protect the Members from catastrophic losses.

The Authority maintained excess public entity liability insurance coverage provided by School Excess Liability Fund (SELF), a joint powers authority, with coverage for individual claims above \$5,000 and up to \$45,000 per occurrence until December 2009.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands)

The Authority maintained excess general liability insurance coverage provided by various insurers with coverage for individual claims above \$20,000 up to \$325,000 per occurrence. The Authority purchased from Safety National excess workers' compensation insurance to statutory limits in excess of the \$2,500 self-insured retention for the years ended June 30, 2020 and 2019. For the AORMA workers' compensation program, the Authority also purchased from Safety National excess workers' compensation insurance to statutory limits in excess of the \$750 self-insured retention for the years ended June 30, 2020 and 2019. There have been no settlements exceeding insurance limits in the past three fiscal years.

Effective January 1, 2015, the Authority joined the CSAC Excess Insurance Authority Excess Workers' Compensation Program, pursuant to the memorandum of coverage issued by the EIA. The EIA is responsible for all covered losses within the amount of the self-insured retention layer of \$2,500 for the campus workers' compensation program and \$750 for the AORMA workers' compensation program. The estimated amounts that are recoverable from the EIA as of June 30, 2020 and 2019 were \$66,687 and \$65,957 for the campus workers' compensation program and \$4,148 and \$4,927 for the AORMA workers' compensation program, respectively.

(b) Reinsurance

For the years ended June 30, 2020 and 2019, the Authority did not enter into the CSU's workers' compensation reinsurance contract. From the years ended June 30, 2008 through June 30 2012, the Authority entered into a reinsurance contract with the Insurance Company of the State of Pennsylvania (the Reinsurer). This transaction reinsured the CSU's workers' compensation claims liability for claims incurred within the \$2,500 self-insured retention up to aggregate limits. The estimated amounts that are recoverable from the reinsurer and that reduce the liabilities as of June 30, 2020 and 2019 were \$6,417 and \$8,790, respectively. While such losses are reinsured, the Authority will not be relieved of its primary obligations to the policyholder in these reinsurance transactions.

For the years ended June 30, 2020 and 2019, the Authority purchased reinsurance for the campus and AORMA liability programs provided by Markel, Great American, Ironshore, Argonaut, and Hiscox/ATL. This transaction reinsured the campus and AORMA claims liability for individual claims incurred in excess of \$500 and up to \$20,000 per occurrence. The reinsurance premiums for the years ended June 30, 2020 and 2019 were \$3,952 and \$3,627, respectively. There have been no settlements in the most recent three fiscal years that have exceeded insurance limits.

For the years ended June 30, 2020 and 2019, the Authority purchased reinsurance for the campus and AORMA property programs provided by the Public Entity Property Insurance Program (the PEPPIP). This transaction reinsured the campus and AORMA property programs for individual claims in excess of \$100 for the AORMA program and \$1,000 for the Campus program and up to \$1,000,000 per occurrence. The reinsurance premiums for the years ended June 30, 2020 and 2019 were \$9,461 and \$7,592, respectively. The coverage terms and conditions are the same as provided by the PEPPIP in prior years.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands)

(8) SELF Assessment Liability

Prior to July 1, 2004, the Authority maintained excess workers' compensation insurance coverage provided by SELF, a public entity risk pool. The Authority remains liable for assessments from SELF in settlement of claims incurred prior to July 1, 2004. The assessment liabilities as of June 30, 2020 and 2019 were \$4,091 and \$5,455, respectively.

(9) Subsequent Events

Subsequent events have been evaluated through September 23, 2020, which corresponds to the date when the financial statements were issued. There are no subsequent events that require disclosure.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

Supplementary Information

Reconciliation of Workers' Compensation Claims Liabilities

(In thousands)

The schedule below presents the changes in claims liabilities for the Authority's workers' compensation contract for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Claims liability for losses and loss adjustment expenses, beginning of year	\$ 25,193	33,735
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	22,002	29,362
Decrease in provision for reinsured events of current fiscal year	(21,084)	(28,163)
Decrease in provision for insured events of prior fiscal years	<u>(6,534)</u>	<u>(7,325)</u>
Total incurred claims and claim adjustment expenses	<u>(5,616)</u>	<u>(6,126)</u>
Payments:		
Claims and claim adjustment expenses attributable to recoveries from reinsured events of current fiscal year	15,262	14,722
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>(15,531)</u>	<u>(17,138)</u>
Total payments	<u>(269)</u>	<u>(2,416)</u>
Claims liability for losses and loss adjustment expenses, end of year	\$ <u>19,308</u>	<u>25,193</u>

See accompanying independent auditors' report.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

Supplementary Information

Reconciliation of General Liability Claims Liabilities

(In thousands)

The schedule below presents the changes in claims liabilities for the Authority's general liability contract for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Claims liability for losses and loss adjustment expenses, beginning of year	\$ 24,172	23,906
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	11,267	13,768
Increase (decrease) in provision for insured events of prior fiscal years	<u>(6,481)</u>	<u>792</u>
Total incurred claims and claim adjustment expenses	<u>4,786</u>	<u>14,560</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	(190)	—
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>(4,911)</u>	<u>(14,294)</u>
Total payments	<u>(5,101)</u>	<u>(14,294)</u>
Claims liability for losses and loss adjustment expenses, end of year	<u>\$ 23,857</u>	<u>24,172</u>

See accompanying independent auditors' report.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

Supplementary Information

Reconciliation of Industrial Disability, Nonindustrial Disability, and Unemployment Insurance (IDL/NDI/UI)
Claims Liabilities

(In thousands)

The schedule below presents the changes in claims liabilities for the Authority's IDL/NDL/UI contracts for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Claims liability for losses and loss adjustment expenses, beginning of year	\$ —	—
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	<u>15,385</u>	<u>14,319</u>
Total incurred claims and claim adjustment expenses	<u>15,385</u>	<u>14,319</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	<u>(15,385)</u>	<u>(14,319)</u>
Total payments	<u>(15,385)</u>	<u>(14,319)</u>
Claims liability for losses and loss adjustment expenses, end of year	\$ <u>—</u>	<u>—</u>

See accompanying independent auditors' report.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

Supplementary Information
Reconciliation of Property Claims Liabilities
(In thousands)

The schedule below presents the changes in claims liabilities for the Authority's property contract for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Claims liability for losses and loss adjustment expenses, beginning of year	\$ —	—
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	<u>3,181</u>	<u>1,726</u>
Total incurred claims and claim adjustment expenses	<u>3,181</u>	<u>1,726</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	<u>(3,181)</u>	<u>(1,726)</u>
Total payments	<u>(3,181)</u>	<u>(1,726)</u>
Claims liability for losses and loss adjustment expenses, end of year	\$ <u>—</u>	<u>—</u>

See accompanying independent auditors' report.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

Supplementary Information

Reconciliation of Athletic Injury Medical Expense (AIME) Claims Liabilities

(In thousands)

The schedule below presents the changes in claims liabilities for the Authority's AIME contract for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Claims liability for losses and loss adjustment expenses, beginning of year	\$ 2,573	2,387
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	3,992	4,035
Increase in provision for insured events of prior fiscal years	<u>324</u>	<u>177</u>
Total incurred claims and claim adjustment expenses	<u>4,316</u>	<u>4,212</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	(1,968)	(1,928)
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>(2,376)</u>	<u>(2,098)</u>
Total payments	<u>(4,344)</u>	<u>(4,026)</u>
Claims liability for losses and loss adjustment expenses, end of year	\$ <u><u>2,545</u></u>	<u><u>2,573</u></u>

See accompanying independent auditors' report.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

Supplementary Information
Reconciliation of Club Sports Claims Liabilities
(In thousands)

The schedule below presents the changes in claims liabilities for the Authority's club sports contract for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Claims liability for losses and loss adjustment expenses, beginning of year	\$ —	—
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	<u>73</u>	<u>78</u>
Total incurred claims and claim adjustment expenses	<u>73</u>	<u>78</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	<u>(73)</u>	<u>(78)</u>
Total payments	<u>(73)</u>	<u>(78)</u>
Claims liability for losses and loss adjustment expenses, end of year	<u>\$ —</u>	<u>—</u>

See accompanying independent auditors' report.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

Supplementary Information

Reconciliation of AORMA Workers' Compensation Claims Liabilities

(In thousands)

The schedule below presents the changes in claims liabilities for the AORMA workers' compensation contract for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Claims liability for losses and loss adjustment expenses, beginning of year	\$ 1,899	2,890
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	1,602	2,047
Decrease in provision for reinsured events of current fiscal year	(1,522)	(1,957)
Decrease in provision for insured events of prior fiscal years	<u>(3)</u>	<u>(409)</u>
Total incurred claims and claim adjustment expenses	<u>77</u>	<u>(319)</u>
Payments:		
Claims and claim adjustment expenses attributable to recoveries from reinsured events of current fiscal year	925	1,189
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>(1,230)</u>	<u>(1,861)</u>
Total payments	<u>(305)</u>	<u>(672)</u>
Claims liability for losses and loss adjustment expenses, end of year	\$ <u>1,671</u>	<u>1,899</u>

See accompanying independent auditors' report.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

Supplementary Information

Reconciliation of AORMA General Liability Claims Liabilities

(In thousands)

The schedule below presents the changes in claims liabilities for the AORMA general liability contract for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Claims liability for losses and loss adjustment expenses, beginning of year	\$ 2,538	1,789
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	983	1,128
Increase in provision for insured events of prior fiscal years	<u>87</u>	<u>516</u>
Total incurred claims and claim adjustment expenses	<u>1,070</u>	<u>1,644</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	(75)	(119)
Claims and claim adjustment expenses attributable to recoveries from reinsured events of current fiscal year	—	16
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>(1,193)</u>	<u>(792)</u>
Total payments	<u>(1,268)</u>	<u>(895)</u>
Claims liability for losses and loss adjustment expenses, end of year	<u>\$ 2,340</u>	<u>2,538</u>

See accompanying independent auditors' report.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

Supplementary Information

Reconciliation of AORMA Property Claims Liabilities

(In thousands)

The schedule below presents the changes in claims liabilities for the AORMA property contract for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Claims liability for losses and loss adjustment expenses, beginning of year	\$ —	—
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	<u>20</u>	<u>396</u>
Total incurred claims and claim adjustment expenses	<u>20</u>	<u>396</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	<u>(20)</u>	<u>(396)</u>
Total payments	<u>(20)</u>	<u>(396)</u>
Claims liability for losses and loss adjustment expenses, end of year	\$ <u>—</u>	<u>—</u>

See accompanying independent auditors' report.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

Supplementary Information

Reconciliation of AORMA Unemployment Insurance Program (UIP) Claims Liabilities

(In thousands)

The schedule below presents the changes in claims liabilities for the AORMA UIP contract for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Claims liability for losses and loss adjustment expenses, beginning of year	\$ —	—
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	<u>4,207</u>	<u>894</u>
Total incurred claims and claim adjustment expenses	<u>4,207</u>	<u>894</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	<u>(4,207)</u>	<u>(894)</u>
Total payments	<u>(4,207)</u>	<u>(894)</u>
Claims liability for losses and loss adjustment expenses, end of year	<u><u>\$ —</u></u>	<u><u>—</u></u>

See accompanying independent auditors' report.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

Schedule of Net Position

June 30, 2020

(For inclusion in the California State University)

Assets:

Current assets:

Cash and cash equivalents	\$ 62,243
Short-term investments	89,252,113
Accounts receivable, net	9,635,447
Prepaid expenses and other assets	<u>9,610,380</u>
Total current assets	<u>108,560,183</u>

Noncurrent assets:

Notes receivable, net of current portion	1,497,091
Other long-term investments	<u>37,999,787</u>
Total noncurrent assets	<u>39,496,878</u>
Total assets	<u>148,057,061</u>

Liabilities:

Current liabilities:

Accounts payable	13,884,349
Unearned revenues	6,216,438
Claims liability for losses and loss adjustment expenses, current portion	<u>14,793,059</u>
Total current liabilities	<u>34,893,846</u>

Noncurrent liabilities:

Claims liability for losses and loss adjustment expenses, net of current portion	34,927,113
Other liabilities	<u>2,727,509</u>
Total noncurrent liabilities	<u>37,654,622</u>
Total liabilities	<u>72,548,468</u>

Net position:

Unrestricted	<u>75,508,593</u>
Total net position	<u>\$ 75,508,593</u>

See accompanying independent auditors' report.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

Schedule of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2020

(For inclusion in the California State University)

Revenues:		
Operating revenues:		
Other operating revenues	\$	<u>107,021,789</u>
Total operating revenues		<u>107,021,789</u>
Expenses:		
Operating expenses:		
Instruction		9,038,073
Research		118,439
Public service		90,295
Academic support		1,969,115
Student services		2,030,008
Institutional support		80,562,260
Operation and maintenance of plant		1,261,457
Student grants and scholarships		—
Auxiliary enterprise expenses		321,335
Depreciation and amortization		—
Total operating expenses		<u>95,390,982</u>
Operating income		<u>11,630,807</u>
Nonoperating revenues (expenses):		
Investment income, net		7,265,634
Other nonoperating expenses		<u>(8,547,090)</u>
Net nonoperating revenues		<u>(1,281,456)</u>
Increase in net position		10,349,351
Net position:		
Net position, beginning of year		<u>65,159,242</u>
Net position, end of year	\$	<u><u>75,508,593</u></u>

See accompanying independent auditors' report.

CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY

Other Information

June 30, 2020

(For inclusion in the California State University)

1 Cash and cash equivalents:

Portion of restricted cash and cash equivalents related to endowments	\$	—
All other restricted cash and cash equivalents		<u>—</u>
Noncurrent restricted cash and cash equivalents		—
Current cash and cash equivalents		<u>62,243</u>
Total	\$	<u><u>62,243</u></u>

2.1 Composition of investments:

	Current	Noncurrent	Fair Market Value
Money market funds	\$ 1,379,871	859,081	2,238,952
Repurchase agreements	—	—	—
Certificates of deposit	—	—	—
U.S. agency securities	456,490	284,202	740,692
U.S. treasury securities	34,159,916	21,267,277	55,427,193
Municipal bonds	2,388,948	1,487,310	3,876,258
Corporate bonds	10,368,770	6,455,388	16,824,158
Asset backed securities	2,976,033	1,852,818	4,828,851
Mortgage backed securities	8,557,911	5,327,984	13,885,895
Commercial paper	—	—	—
Mutual funds	—	—	—
Exchange traded funds	—	—	—
Equity securities	—	—	—
Alternative investments:			
Private equity (including limited partnerships)	—	—	—
Hedge funds	—	—	—
Managed futures	—	—	—
Real estate investments (including REITs)	—	—	—
Commodities	—	—	—
Derivatives	—	—	—
Other alternative investment	—	—	—
Other external investment pools			
CSU Consolidated Investment Pool (formerly SWIFT)	28,216,113	—	28,216,113
State of California Local Agency Investment Fund (LAIF)	—	—	—
State of California Surplus Money Investment Fund (SMIF)	—	—	—
Other investments:			
International bonds	<u>748,061</u>	<u>465,727</u>	<u>1,213,788</u>
Total Other investments	<u>748,061</u>	<u>465,727</u>	<u>1,213,788</u>
Total investments	89,252,113	37,999,787	127,251,900
Less endowment investments (enter as negative number)	—	—	—
Total investments, net of endowments	<u>\$ 89,252,113</u>	<u>37,999,787</u>	<u>127,251,900</u>

2.2 Fair value hierarchy in investments:

	Fair value measurements using				Net Asset Value (NAV)
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Money market funds	\$ 2,238,952	—	—	—	2,238,952
Repurchase agreements	—	—	—	—	—
Certificates of deposit	—	—	—	—	—
U.S. agency securities	740,692	—	740,692	—	—
U.S. treasury securities	55,427,193	—	55,427,193	—	—
Municipal bonds	3,876,258	—	3,876,258	—	—
Corporate bonds	16,824,158	—	16,824,158	—	—
Asset backed securities	4,828,851	—	4,828,851	—	—
Mortgage backed securities	13,885,895	—	13,885,895	—	—
Commercial paper	—	—	—	—	—
Mutual funds	—	—	—	—	—
Exchange traded funds	—	—	—	—	—
Equity securities	—	—	—	—	—
Alternative investments:					
Private equity (including limited partnerships)	—	—	—	—	—
Hedge funds	—	—	—	—	—
Managed futures	—	—	—	—	—
Real estate investments (including REITs)	—	—	—	—	—
Commodities	—	—	—	—	—
Derivatives	—	—	—	—	—
Other alternative investment	—	—	—	—	—
Other external investment pools					
CSU Consolidated Investment Pool (formerly SWIFT)	28,216,113	—	—	—	28,216,113
State of California Local Agency Investment Fund (LAIF)	—	—	—	—	—
State of California Surplus Money Investment Fund (SMIF)	—	—	—	—	—
Other investments:					
International bonds	<u>1,213,788</u>	—	1,213,788	—	—
Total Other investments	<u>1,213,788</u>	—	1,213,788	—	—
Total investments	<u>\$ 127,251,900</u>	—	<u>96,796,835</u>	—	<u>30,455,065</u>

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

Other Information

June 30, 2020

(For inclusion in the California State University)

2.3 Investments held by the University under contractual agreements: *Not applicable*

3.1 Composition of capital assets: *Not applicable*

3.2 Detail of depreciation and amortization expense: *Not applicable*

4 Long-term liabilities:

	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2020</u>	<u>Current Portion</u>	<u>Noncurrent Portion</u>
Claims liability for losses and loss adjustment expenses	\$ 56,373,876	27,499,275	(34,152,979)	49,720,172	14,793,059	34,927,113
Total long-term liabilities	\$ 56,373,876	27,499,275	(34,152,979)	49,720,172	14,793,059	34,927,113

5 Capital lease obligations schedule: *Not applicable*

6 Long-term debt obligations schedule: *Not applicable*

7 Transactions with related entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 2,076,879
Payments to University for other than salaries of University personnel	59,897
Payments received from University for services, space, and programs	—
Gifts-in-kind to the University from discretely presented component units	—
Gifts (cash or assets) to the University from discretely presented component units	—
Accounts (payable to) University	—
Other amounts (payable to) University	—
Accounts receivable from University	576
Other amounts receivable from University	—

8 Restatements: *Not applicable*

9 Natural classifications of operating expenses:

	<u>Salaries</u>	<u>Benefits - Other</u>	<u>Benefits - Pension</u>	<u>Benefits - OPEB</u>	<u>Scholarships and fellowships</u>	<u>Supplies and other services</u>	<u>Total operating expenses</u>
Instruction	\$ —	9,038,073	—	—	—	—	9,038,073
Research	—	118,439	—	—	—	—	118,439
Public service	—	90,295	—	—	—	—	90,295
Academic support	—	1,969,115	—	—	—	—	1,969,115
Student services	—	2,030,008	—	—	—	—	2,030,008
Institutional support	—	2,176,898	—	—	—	78,385,362	80,562,260
Operation and maintenance of plant	—	1,261,457	—	—	—	—	1,261,457
Student grants and scholarships	—	—	—	—	—	—	—
Auxiliary enterprise expenses	—	321,335	—	—	—	—	321,335
Depreciation and amortization	—	—	—	—	—	—	—
Total operating expenses	\$ —	17,005,620	—	—	—	78,385,362	95,390,982

10 Deferred outflows/inflows of resources: *Not applicable*

See accompanying independent auditors' report.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

Claims Development Information

(In thousands)

(Unaudited)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net earned required contribution and investment revenues:										
Earned	\$ 96,364	104,726	91,560	93,935	96,997	104,997	102,346	101,752	113,266	127,701
Ceded	18,879	16,149	3,005	11,626	6,872	6,886	9,441	9,812	11,219	13,413
Net earned	\$ 77,485	88,577	88,555	82,309	90,125	98,111	92,905	91,940	102,047	114,288
Unallocated expenses	\$ 39,257	48,776	41,755	30,116	44,878	60,194	80,309	71,150	69,756	76,439
Estimated incurred claims and expenses, end of policy year:										
Incurred	\$ 63,416	57,994	59,095	59,313	60,386	56,800	60,246	63,078	67,753	62,712
Ceded	19,834	19,575	—	—	14,527	24,959	26,653	29,282	30,120	22,606
Net incurred	\$ 43,582	38,419	59,095	59,313	45,859	31,841	33,593	33,796	37,633	40,106
Paid (cumulative) as of:										
End of policy year	\$ 18,972	20,541	11,400	13,019	14,300	9,658	7,058	5,830	3,533	8,912
One year later	20,457	22,295	28,965	27,549	24,260	21,005	23,554	23,227	22,540	—
Two years later	23,664	23,853	35,942	32,559	26,281	24,800	25,923	24,406	—	—
Three years later	28,733	25,063	38,432	41,718	27,674	32,329	27,174	—	—	—
Four years later	29,004	25,282	40,302	43,576	28,625	32,772	—	—	—	—
Five years later	29,461	25,330	45,884	45,763	29,329	—	—	—	—	—
Six years later	29,617	25,390	49,815	47,240	—	—	—	—	—	—
Seven years later	29,671	25,398	50,100	—	—	—	—	—	—	—
Eight years later	29,805	25,418	—	—	—	—	—	—	—	—
Nine years later	29,857	—	—	—	—	—	—	—	—	—
Re-estimated ceded claims and expenses	\$ 22,643	21,685	—	—	14,527	24,959	26,653	29,282	30,120	22,606
Re-estimated incurred claims and expenses:										
End of policy year	\$ 43,582	38,419	59,095	59,313	45,859	31,841	33,593	33,796	37,633	40,106
One year later	30,986	27,064	50,697	48,463	36,014	31,206	28,940	30,941	31,785	—
Two years later	28,962	27,864	50,636	49,235	33,781	29,356	28,377	27,913	—	—
Three years later	30,268	26,082	31,868	53,080	33,386	32,892	28,012	—	—	—
Four years later	30,168	25,906	37,005	53,946	32,341	33,207	—	—	—	—
Five years later	30,201	25,588	55,576	52,531	31,714	—	—	—	—	—
Six years later	30,079	25,666	54,124	51,849	—	—	—	—	—	—
Seven years later	30,157	25,642	53,504	—	—	—	—	—	—	—
Eight years later	29,973	25,471	—	—	—	—	—	—	—	—
Nine years later	29,922	—	—	—	—	—	—	—	—	—
Increase (decrease) in estimated incurred claims and expenses from end of policy year	\$ (13,660)	(12,948)	(5,591)	(7,464)	(14,145)	1,366	(5,581)	(5,883)	(5,848)	—

See accompanying independent auditors' report.