

**CAL STATE L.A. UNIVERSITY
AUXILIARY SERVICES, INC.**

**(a Component Unit of
California State University, Los Angeles)**

**Independent Auditor's Report, Financial Statements
and Supplementary Schedules**

For the Year Ended June 30, 2014



Certified Public Accountants.

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.
FOR THE YEAR ENDED JUNE 30, 2014**

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Independent Auditor's Report

To the Board of Directors
Cal State L.A. University Auxiliary Services, Inc.
Los Angeles, California

We have audited the accompanying financial statements of Cal State L.A. University Auxiliary Services, Inc. (UAS), a component unit of California State University, Los Angeles, as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise UAS' basic financial statements, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 Cal State L.A. University Auxiliary Services, Inc., as of June 30, 2014, and the changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements. The accompanying supplementary information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary 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. 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2014, on our consideration of UAS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UAS' internal control over financial reporting and compliance.

Macias Jini & O'Connell LLP

Los Angeles, California
September 24, 2014

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

This section of the Cal State L.A. University Auxiliary Services, Inc., (UAS) annual financial report presents management's discussion and analysis of the financial performance of UAS during the fiscal year ended June 30, 2014. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with, and is qualified in its entirety by the financial statements and footnotes. The financial statements, footnotes and this discussion are the responsibility of management.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of UAS as prescribed by statements of the Governmental Accounting Standards Board. UAS is a component unit of California State University, Los Angeles (University).

The statement of net position includes all assets, deferred outflows of resources, liabilities and deferred inflows of resources of UAS. It is prepared under the accrual basis of accounting, whereby revenues and receivables are recognized when the services are provided and expenses and liabilities are recognized when incurred, regardless of when cash is exchanged.

The statement of revenues, expenses and changes in net position presents information showing how UAS' net position changed during the fiscal year presented. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, certain revenues and expenses are reported in this statement will result in cash flows for future fiscal periods (e.g., uncollected interest receivable).

Statement of Net Position

The following is a summary of the UAS' assets, liabilities, deferred inflows of resources and net position comparing FY 2013-14 with FY 2012-13.

	<u>FY 2013-14</u>	<u>FY 2012-13</u>	<u>Percent Change</u>
Assets:			
Current assets	\$ 10,171,464	\$ 9,625,213	6%
Capital assets, net	23,872,715	25,178,061	-5%
Total assets	<u>34,044,179</u>	<u>34,803,274</u>	-2%
Liabilities:			
Current liabilities	7,304,441	7,963,470	-8%
Long-term liabilities	31,984,869	32,727,890	-2%
Total liabilities	<u>39,289,310</u>	<u>40,691,360</u>	-3%
Deferred inflows of resources:	206,929	222,449	-7%
Net position:			
Net investment in capital assets	(3,446,030)	(2,958,988)	-16%
Unrestricted	(2,006,030)	(3,151,547)	36%
Total net position	<u>\$ (5,452,060)</u>	<u>\$ (6,110,535)</u>	11%

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

Assets

UAS' assets totaled \$34.0 million on June 30, 2014, a decrease of \$0.8 million, or 2% compared to the previous year. Current assets increased \$0.5 million, primarily due to an increase in accounts receivable which was attributed to timing of billings and collections resulting in a higher receivables balance at year end. Capital assets decreased by \$1.3 million, a 5% net decrease comprised of \$0.4 million of new acquisitions and the \$1.7 million current year depreciation expense.

Liabilities

UAS' liabilities totaled \$39.3 million on June 30, 2014, a decrease of \$1.4 million, or 3% compared to the previous year. The decrease was the net result of \$1.6 million decrease in long-term debt , a \$0.6 million decrease in unearned revenue, a \$0.2 million increase in accounts payable and accrued expenses, a \$0.2 million increase in unamortized capital lease premium, and a \$0.4 million increase in postemployment healthcare benefit. The \$0.6 million decrease in unearned revenue was attributed to the current year earned revenue from the Barnes & Noble signing bonus, which was being recognized over the term of the contract and the rental income earned in the current year that was prepaid by the University in 2009. The decrease in long-term debt and obligations was the result of payments made on debt obligations during the fiscal year. The increase in other postemployment healthcare benefits was calculated based on the annual required contribution of UAS, which is an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Currently, UAS has not prefunded this obligation.

Net Position

UAS' net position increased by \$0.7 million, or 11%, from the previous year, primarily due to the facts described in the following page.

Statement of Revenues, Expenses and Changes in Net Position

The following is a summary of the UAS' revenues, expenses and changes in net position comparing FY 2013-14 with FY 2012-13.

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

	<u>FY 2013-14</u>	<u>FY 2012-13</u>	<u>Change</u>
Operating revenues:			
Grants and contracts	\$ 23,267,430	\$ 26,045,696	-11%
Auxiliary activities	3,477,436	3,276,014	6%
Campus program activities	2,005,360	1,575,364	27%
Lease income	1,604,939	1,610,298	0%
Other income	478,664	639,200	-25%
Total operating revenues	<u>30,833,829</u>	<u>33,146,572</u>	-7%
Operating expenses:			
Sponsored programs	23,429,625	25,497,272	-8%
Auxiliary activities	3,219,521	2,996,484	7%
Campus program activities	1,540,011	1,680,728	-8%
General and administrative	715,016	250,176	186%
Total operating expenses	<u>28,904,173</u>	<u>30,424,660</u>	-5%
Total operating income	<u>1,929,656</u>	<u>2,721,912</u>	-29%
Nonoperating revenues (expenses):			
Interest income	5,567	10,651	-48%
Interest expense	(1,276,748)	(1,332,074)	-4%
Total nonoperating revenues (expenses)	<u>(1,271,181)</u>	<u>(1,321,423)</u>	-4%
Change in net position:	658,475	1,400,489	-53%
Net position – beginning	<u>(6,110,535)</u>	<u>(7,511,024)</u>	19%
Net position – ending	<u>\$ (5,452,060)</u>	<u>\$ (6,110,535)</u>	11%

Operating revenues decreased \$2.3 million, or 7%, compared to the previous year. The decrease was primarily due to a \$2.8 million decrease in grants and contracts revenue in the current year; and an increase of \$0.4 million in campus program activities revenue. In 2014, the number of grant awards increased as compared to 2013, however, the amounts awarded are comparably lower than 2013 causing the decreases in overall grants and contracts revenue.

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

Operating expenses decreased \$1.5 million, or 5%, compared to the previous year. The decrease was primarily due to a \$2.0 million reduction in sponsored program expenses and an increase of \$0.7 million in auxiliary activities and corporate operating expenses as a result of the increase in postretirement health benefits.

Nonoperating expenses decreased \$0.05 million, or 4%, compared to the previous year. The decrease was primarily due to less interest expense incurred from the capital lease.

UAS' net position at the end of 2014 reflected a deficit of \$5.5 million, a decrease of \$0.7 million from the previous year. The reduction in the deficit is attributed to the operating surplus achieved during the current fiscal year.

Capital Assets

Capital assets include land, buildings and improvements, furniture, fixtures and equipment, and software at June 30, 2014. The original costs of capital assets increased by \$0.3 million from the previous year primarily due to the acquisition of capitalized equipment in the current year.

Accumulated depreciation increased from \$18.9 million to \$20.5 million. Depreciation expense for the year was \$1.7 million. See note 4 for additional information.

Debt Administration

Long-term debt liabilities totaled \$29.6 million at June 30, 2014, a decrease of \$1.5 million, or 5% compared to the previous year. The decrease is primarily due to the principal payments for notes payable and capital lease. See note 6 for additional information.

Other Potentially Significant Matters

California State University L.A. recognizes that UAS is central to the mission of the University. UAS supports the academic mission by providing the infrastructure for contracts and grants administration, making available facilities in support of the Division of Extended Education and Special Events, as well as providing additional services to our customers such as food services and educational supplies and textbooks through the bookstore. As such, UAS is a vital component of the University. The University thus recognizes the importance of UAS and will continue supporting UAS to ensure that it is a vital business entity.

Over the past year, several changes have been made to ensure the continued viability of UAS. Planned revenue enhancements and cost reduction plans have been implemented including renting Golden Eagle office space to externally sponsored projects. Beginning in the fall quarter of 2014, UAS will commence operations of the student meal program in the new Housing Dining Commons which will generate additional revenues for UAS. The University understands the challenges faced by UAS. UAS' ability to carry out its mission is dependent upon the University and the statewide California State University system (CSU). The transactions entered into between UAS, the University, and CSU continue to reflect this relationship. Because of the facilities and services provided by UAS and the University's ultimate responsibility for the bond financing of the Golden Eagle building, management of the University remains committed to taking all reasonable actions to ensure that UAS continues to provide these vital functions.

The UAS Board of Directors also understands the challenges fully disclosed in the current financial reports and the need to seize potential opportunities to improve UAS' financial position.

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

Contacting the Cal State L.A. University Auxiliary Services, Inc. Management

This financial report is designed to provide the public with an overview of UAS' financial operations and condition. If you have questions about this report or need additional information, you can contact the UAS Executive Director at 5151 State University Drive, Los Angeles, CA 90032.

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CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.
STATEMENT OF NET POSITION
JUNE 30, 2014

Assets

Current assets:

Cash and cash equivalents	\$ 5,066,509
Accounts receivable, net	5,065,138
Inventory	23,227
Prepaid expenses and other current assets	16,590
Total current assets	10,171,464

Noncurrent assets:

Capital assets, net:	
Non-depreciable	639,000
Depreciable	23,233,715
Total capital assets, net	23,872,715

Total assets

34,044,179

Liabilities

Current liabilities:

Accounts payable	1,188,814
Accrued expenses	1,670,984
Unearned revenue	2,592,772
Due to the University	626,967
Compensated absences	220,448
Other postemployment healthcare benefits	105,548
Notes payable	118,908
Capital lease obligation	780,000
Total current liabilities	7,304,441

Long-term liabilities:

Due to the University	1,899,773
Compensated absences	223,448
Other postemployment healthcare benefits	3,648,740
Notes payable	2,128,603
Capital lease obligation	23,270,000
Unamortized capital lease premium	814,305
Total long-term liabilities	31,984,869

Total liabilities

39,289,310

Deferred inflows of resources:

Unamortized gain on sale of property	206,929
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Net position:

Net investment in capital assets	(3,446,030)
Unrestricted	(2,006,030)

Total net position

\$ (5,452,060)

See accompanying notes to basic financial statements.

CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

Operating revenues:	
Grants and contracts	\$ 23,267,430
Revenue from auxiliary activities	3,477,436
Campus program activities	2,005,360
Lease income	1,604,939
Other income	478,664
Total operating revenues	<u>30,833,829</u>
Operating expenses:	
Sponsored programs	23,429,625
Auxiliary activities	3,219,521
Campus program activities	1,540,011
General and administrative	715,016
Total operating expenses	<u>28,904,173</u>
Operating income	<u>1,929,656</u>
Nonoperating revenues (expenses):	
Interest income	5,567
Interest expense	(1,276,748)
Total nonoperating revenues (expenses)	<u>(1,271,181)</u>
Change in net position	658,475
Net position - beginning of year	(6,110,535)
Net position - end of year	<u><u>\$ (5,452,060)</u></u>

See accompanying notes to basic financial statements.

CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

Cash flows from operating activities:	
Federal grants and contracts	\$ 17,786,278
State and local grants and contracts	2,698,351
Nongovernmental grants and contracts	2,100,422
Payments to suppliers	(8,661,698)
Payments to employees	(13,709,605)
Payments to students	(3,924,739)
Sales and services of educational activities	2,005,360
Sales and services of auxiliary enterprises	4,592,404
Other receipts	477,664
Net cash provided by operating activities	<u>3,364,437</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(411,653)
Principal paid on capital debt and leases	(1,589,778)
Interest paid on capital debt and leases	(1,341,293)
Net cash used for capital and related financing activities	<u>(3,342,724)</u>
Cash flows from investing activities:	
Investment income	<u>5,567</u>
Net cash provided by investing activities	<u>5,567</u>
Net increase in cash and cash equivalents	27,280
Cash and cash equivalents - beginning of year	<u>5,039,229</u>
Cash and cash equivalents - end of year	<u>\$ 5,066,509</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,929,656
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,716,999
Amortization of capital lease premium	206,004
Change in assets and liabilities:	
Increase in accounts receivable	(547,849)
Increase in inventory	(648)
Decrease in prepaid expenses and other current assets	29,526
Increase in accounts payable	268,581
Decrease in accrued expenses	(34,295)
Decrease in unearned revenue	(625,501)
Increase in compensated absences	16,098
Increase in other postemployment healthcare benefits	405,866
Net cash provided by operating activities	<u>\$ 3,364,437</u>
Noncash capital and related financing activities:	
Amortization of capital lease premium	\$ (42,858)
Amortization of gain on sale of property	(15,520)
Increase in unamortized capital lease premium	206,004

See accompanying notes to basic financial statements.

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CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Cal State L.A. University Auxiliary Services, Inc. (UAS) is a recognized nonprofit auxiliary and a component unit of California State University, Los Angeles (University). UAS serves as a multi-purpose auxiliary operating at the University. UAS exists to serve the California State University (CSU) and the University and provides the University with services, which are an integral part of the educational program of the CSU and the University. The principal activities of UAS are grants and contracts administration and management of the bookstore, food services, campus day care center, and campus vending services. In order for UAS to execute operations in support of the University's mission, the CSU and University provide essential support and services to the auxiliary. UAS' ability to carry out its mission is dependent upon the University and CSU, and transactions entered into between UAS, the University, and CSU reflects this relationship.

Basis of Accounting and Measurement Focus

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

An enterprise fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the UAS' enterprise fund are grants and contracts, campus program revenue and revenue from auxiliary activities. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits, money market accounts and UAS's share in the California State University system's pooled cash and investments, which are reported at fair value, generally based on quoted market price.

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates and have an original maturity of three months or less at time of purchase.

Accounts Receivable

Accounts receivable consists of amounts due from grants and contracts, the University and others. Annually, a review of open receivables is conducted to determine collectability on past due receivables and an allowance is established based on historical data.

CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Capital Assets

Building, housing and furniture, fixtures and equipment are stated at cost at the date of acquisition. UAS capitalizes all expenses for building improvements and furniture, fixtures and equipment with costs in excess of \$5,000 and with a useful life of one year or more and for which it is deemed probable that the assets will not revert back to the granting agency. For furniture, fixtures and equipment, depreciation is calculated using the straight-line method over the assets' estimated useful lives, which range from three to seven years. Building improvements are stated at cost and are amortized using the straight-line method over the estimated useful life of the asset or term of the lease, whichever is less. Buildings and housing are depreciated over 30 years.

Components of Net Position

Net investment in capital assets – This component of the net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds or deferred inflows of resources at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of restricted assets reduced by liabilities related to those assets.

Unrestricted – This component of net position consists of the net amount of those assets that are not included in the determination of net investment in capital assets or the restricted component of net position.

Policy Regarding Use of Restricted vs. Unrestricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the UAS will utilize restricted resources first, and then unrestricted resources as needed.

Income Taxes

UAS is exempt from federal income and state franchise taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code, respectively. Accordingly, there is no provision for income taxes in the financial statements. UAS has implemented Accounting Standards Codification (ASC) topic 740-10-25, *Income taxes – Overall – Recognition*, for uncertainty in tax positions and has determined there is no material impact on the financial statements. UAS' federal and state returns for 2013, 2012, 2011 and 2010 are subject to examination, generally for three years (federal) and four years (state) after they were filed.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2014 are composed of the following:

Cash on hand	\$	2,625
Cash in banks		3,447,267
Pooled cash and investments		1,616,617
Total	\$	5,066,509

Cash in Bank

The *California Government Code* requires California banks and savings and loan associations to secure the UAS' deposits. Obligations pledged to secure deposits must be delivered to an institution other than the institution in which the deposit is made; however, the trust department of the same institution may hold them. Written custodial agreements are required that provide, among other things, that the collateral securities are held separate from the assets of the custodial institution. The pledge to secure deposits is administered by the California Superintendent of Banks. The market value of pledged securities must equal 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure an agency's deposits by pledging first trust deeds or first mortgages having a value of 150 percent of an agency's total deposits. All such collateral is considered to be held by the pledging financial institutions' trust departments or agents in the name of the UAS. At June 30, 2014, cash held by financial institutions for the UAS of \$5,339,665 was entirely insured and collateralized as described above. The book balance at June 30, 2014 for the UAS was \$3,447,267.

Pooled Cash and Investments in the California State University System

UAS participates in the CSU investment pool (the Pool) managed by U.S. Bank, an asset management and investment advisory firm that serves the CSU. Securities within the investment pool that are not insured are held in the name of CSU. Such short-term investments are reported at fair value, which was \$1,616,617, and represents approximately 0.08% of the Pool as of June 30, 2014. There are no specific investments belonging to UAS. The Pool is not rated as of June 30, 2014. The weighted average to maturity of the Pool as of June 30, 2014 is 1.7 years.

CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 3 – ACCOUNTS RECEIVABLE

The following is a summary of accounts receivable at June 30, 2014:

Grants and contracts	\$ 4,854,040
Due from California State University, Los Angeles	158,093
Other	324,882
Allowance for doubtful accounts	<u>(271,877)</u>
Total	<u><u>\$ 5,065,138</u></u>

All of the above receivables are expected to be received within one year.

NOTE 4 – CAPITAL ASSETS

The capital assets balance at June 30, 2014 consists of the following activity:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2014</u>
Capital assets, non-depreciable:				
Land	\$ 639,000	\$ -	\$ -	\$ 639,000
Total non-depreciable capital assets	<u>639,000</u>	<u>-</u>	<u>-</u>	<u>639,000</u>
Capital assets, depreciable				
Buildings and building improvements under capital lease	32,402,614	81,519	-	32,484,133
Furniture, fixtures and equipment	10,955,423	330,134	(80,196)	11,205,361
Software	73,686	-	-	73,686
Total depreciable capital assets	<u>43,431,723</u>	<u>411,653</u>	<u>(80,196)</u>	<u>43,763,180</u>
Less accumulated depreciation:				
Buildings and building improvements under capital lease	(9,443,515)	(1,188,346)	-	(10,631,861)
Furniture, fixtures and equipment	(9,420,491)	(514,812)	80,196	(9,855,107)
Software	(28,656)	(13,841)	-	(42,497)
Total accumulated depreciation	<u>(18,892,662)</u>	<u>(1,716,999)</u>	<u>80,196</u>	<u>(20,529,465)</u>
Capital assets, depreciable (net)	<u>24,539,061</u>	<u>(1,305,346)</u>	<u>-</u>	<u>23,233,715</u>
Capital assets – net	<u><u>\$ 25,178,061</u></u>	<u><u>\$ (1,305,346)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 23,872,715</u></u>

Depreciation expense for the year ended June 30, 2014 was \$1,716,999.

CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 5 – ACCOUNTS PAYABLE

The following is a summary of accounts payable at June 30, 2014:

Accounts payable to third-party vendors	\$ 808,798
Payable to California State University, Los Angeles	380,016
Total	<u>\$ 1,188,814</u>

NOTE 6 – LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended June 30, 2014 is as follows:

	Balance			Balance	Due in
	June 30, 2013	Increases	Decreases	June 30, 2014	one year
Due to the University	\$ 3,150,588	\$ -	\$ (623,848)	\$ 2,526,740	\$ 626,967
Compensated absences	427,798	236,547	(220,449)	443,896	220,448
Notes payable	2,473,441	-	(225,930)	2,247,511	118,908
Capital lease	24,790,000	-	(740,000)	24,050,000	780,000
Unamortized capital lease premium	651,159	206,004	(42,858)	814,305	-
Other postemployment healthcare benefits (Note 9)	3,348,422	483,678	(77,812)	3,754,288	105,548
	<u>\$ 34,841,408</u>	<u>\$ 926,229</u>	<u>\$ (1,930,897)</u>	<u>\$ 33,836,740</u>	<u>\$ 1,851,871</u>
Less current portion				1,851,871	
Total long-term obligation				<u>\$ 31,984,869</u>	

Notes Payable

In 2000 and 2001, UAS issued interest-free notes payable to an unrelated corporation (the Franchisee) to which it has transferred the management rights to the bookstore. Proceeds from the notes are to be used for the construction of a new auxiliary services facility, which includes a new 22,000-square-foot bookstore. The University Bookstore was relocated to the new facility (The Golden Eagle Building) in June 2003 through beneficial occupancy and serves as an anchor service within the multi-use building. The University Bookstore fulfills a vital service to the institution via the provision of textbooks and associated course materials to students and faculty. Principal payments are \$11,111 per month and are deducted from the monthly commission payments. During the year ended June 30, 2004, the Franchisee that has management rights to the bookstore purchased furniture and fixtures totaling \$700,000, on behalf of UAS for use in the Golden Eagle building. Of this amount, \$200,000 was donated to UAS and one of the existing notes payable to the Franchisee was amended to include the remaining \$500,000. The maturity date of the notes was April 30, 2009. A revised note was signed on March 22, 2012 extending the maturity date to April 30, 2014. The note was paid in full in April 2014.

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 6 – LONG-TERM DEBT OBLIGATIONS (Continued)

Notes Payable (Continued)

On April 1, 2008, UAS entered into an interest-free note payable with the University-Student Union Board, California State University, Los Angeles (USU), an affiliate, for borrowing up to \$490,000. The purpose was to purchase furniture, fixtures or equipment or for tenant improvement costs for Starbucks and Sbarro stores located in USU. Principal payments are \$38,400 annually for the first ten years, and \$21,200 annually for the remaining five years. The agreement expires in March 2023. As of June 30, 2014, the outstanding balance is \$298,000.

On June 16, 2010, UAS entered into a loan agreement with the Cal State LA Federal Credit Union, for borrowing up to \$2,232,500. The purpose was to purchase a nearby building, and sublease to the University in support of the Television Film Media Studies. The terms of the agreement is for 6 years with a monthly payment of \$15,078 including interest and a lump sum payoff of \$1,772,896 in August 2016. The initial interest rate is at 5.25% for the first three years, and became a fixed rate on August 1, 2013. The initial payment was paid on August 1, 2010. As of June 30, 2014, the outstanding balance is \$1,949,511.

The principal maturities of notes payable outstanding as of June 30, 2014 are as follows:

	University Student Union		Federal Credit Union	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2015	\$ 38,400	\$ -	\$ 80,508	\$ 100,430
2016	38,400	-	84,838	96,101
2017	38,400	-	1,784,165	7,806
2018	38,400	-	-	-
2019	38,400	-	-	-
2020-2023	106,000	-	-	-
	\$ 298,000	\$ -	\$ 1,949,511	\$ 204,337
	Total			
	Principal	Interest		
Year ending June 30:				
2015	\$ 118,908	\$ 100,430		
2016	123,238	96,101		
2017	1,822,565	7,806		
2018	38,400	-		
2019	38,400	-		
2020-2023	106,000	-		
	\$ 2,247,511	\$ 204,337		

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 6 – LONG-TERM DEBT OBLIGATIONS (Continued)

Capital Lease Obligation

In connection with the issuance by the California State University Systemwide Revenue Bonds (SRB), Series 2005A&B, by the Board of Trustees of the California State University System (Trustees), UAS agreed to sell, and the Trustees agreed to purchase, all of UAS’ rights, title and interest in and to the Golden Eagle Facility originally financed with the proceeds of the UAS 2001 Series Bonds. UAS sold the Golden Eagle Facility to the Trustees.

UAS also simultaneously entered into a Ground and Facilities Lease (Lease) to lease back from the Trustees the Golden Eagle Facility for a lease commencing on April 15, 2005 through November 1, 2032. Based on the terms of the Ground and Facilities Lease, the transaction met the requirements to be treated as a Sale-Leaseback Transaction.

The carrying value of the Golden Eagle Facility was approximately \$29,001,497 at the time of the Sale-Leaseback Transaction and the purchase price, agreed to as part of the transaction, was \$29,352,161. This resulted in a net \$350,664 gain on the sale for UAS. This balance will be amortized over the term of the capital lease and, at June 30, 2014, the unamortized gain on the sale was \$206,929. In accordance with the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the unamortized balance is being classified as deferred inflows of resources. In addition, UAS has deferred the bond premium, totaling of \$1,221,458. This balance will be amortized over the term of the capital lease and, at June 30, 2014, the unamortized premium was \$814,305. The Lease contains certain restrictive covenants including restrictions on the issuance of debt, budget goals, and minimum net income available for debt service and tax code compliance requirements.

For the year ended June 30, 2014, the total lease interest expense incurred by UAS under this lease was \$1,248,750. The University paid \$1,221,000 and UAS has reimbursed \$1,221,000 to the University. The amount reported due to the university reflects the prior years’ capital lease payments which were not made. Such amount totaled \$2,526,740 at June 30, 2014.

The amount of the leased asset is \$29,351,562 and accumulated amortization was \$9,783,854 at June 30, 2014.

The minimum lease payments required by the lease are as follows:

Year ending June 30:	
2015	\$ 1,963,000
2016	1,963,000
2017	1,956,125
2018	1,962,125
2019	1,960,750
2020 - 2024	9,810,000
2025 - 2029	9,789,250
2030 - 2033	<u>7,842,750</u>
Total minimum lease payments	37,247,000
Less amount representing interest	<u>(13,197,000)</u>
Present value of future minimum lease payments	<u>\$ 24,050,000</u>

CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 7 – FRANCHISE OF BOOKSTORE AND FOOD SERVICE

In May 1999, UAS entered into a management agreement with an unrelated corporation (the Franchisee) under which UAS transferred the management rights to the bookstore for a five-year period. The agreement has been renewed on May 1, 2009 for an additional three years with two one-year extensions. On March 22, 2012, the agreement was amended to extend for a five-year period through March 2017 with an automatic renew option through 2022. UAS receives a fixed fee of not less than \$570,000 per year. This fee is to cover the management rights of the bookstore, Café LA, and Metro Express Convenience Store, including facilities rental and rental of UAS' leasehold improvements and equipment. In addition, UAS will receive all revenues in excess of the fixed and variable commission fees retained by the Franchisee. At the termination of the agreement, such leasehold improvements and equipment revert to UAS. During the year ended June 30, 2014 UAS recognized \$702,087, in rental income from the bookstore lease. Under the terms of the amended agreement, UAS receives a fixed fee of \$49,000 per year to cover utility expenses, a \$100,000 unrestricted contribution to support UAS operations, a one-time \$600,000 signing bonus to be used at the discretion of UAS and amortized over the term of the 10-year contract, and a \$250,000 renovation cost to be used for the design, construction, equipment, and install fixtures in the bookstore, Café LA, and Metro Express Convenience Store. Both of the renovation costs and signing bonus are repayable should the agreement be terminated prior to March 22, 2022.

UAS has various agreements with Franchisees to operate food service units and vending machines on the University campus. Under the terms of the agreements, UAS is to receive a predetermined percentage of total net sales. The agreements expire on various dates through 2014, with most Franchisees renewing under the same terms and conditions, as defined in the agreements. During the year ended June 30, 2014, UAS recognized \$725,797 in commission income from net sales. The commission income is included in revenue from auxiliary activities.

NOTE 8 – RETIREMENT PLANS

UAS Money Purchase Pension Plan (Plan) is a defined contribution plan covering all employees of the UAS who have one year of service and are age twenty-one or older. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The Plan is administered by Prudential Retirement Insurance and Annuity Company (Prudential). Although UAS has not expressed any intent to do so, UAS has the right under the Plan to modify or discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants would become 100 percent vested in their employer contribution. The Plan contributes an amount equal to 6% of eligible employees' annual salaries. Total contributions to this plan for the year ended June 30, 2014 were \$248,889.

UAS also has a tax-sheltered annuity plan whereby UAS will match up to 6% of eligible employees' gross salary contributed by the employees. Total contributions to this plan for the year ended June 30, 2014 were \$130,626.

NOTE 9 – OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (OPEB) PLAN

Plan Description

UAS' Other Postemployment Healthcare Benefit (OPEB) Plan is a single-employer defined benefit healthcare plan administered by UAS. The OPEB plan provides lifetime postemployment medical coverage to its eligible employees and their spouses.

CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 9 – OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (OPEB) PLAN (Continued)

UAS employees hired prior to November 14, 2006 are eligible to receive UAS subsidized postemployment medical coverage for themselves and their spouse if they retire at age 55 or older with at least 10 years of service with UAS. Eligible retirees receive lifetime benefits from UAS as long as they remain enrolled in a medical plan sponsored by UAS. At age 65 retirees have the option of opting out of UAS sponsored coverage. In return UAS agrees to pay the Medicare Part B premium for these retirees and their spouses. UAS employees hired after November 14, 2006 are eligible to receive UAS subsidized postemployment medical coverage for themselves and their spouse if they retire at age 59.5 or older with at least 10 years of service with UAS. Eligible retirees receive lifetime benefits from UAS as long as they remain enrolled in a medical plan sponsored by UAS. Employees who retire with 10 to 19 years of service are eligible to receive 50% of the maximum UAS subsidy. Employees who retire with 20 or more years of service are eligible to receive 100% of the maximum UAS subsidy.

UAS currently sponsors Blue Cross and Kaiser HMOs and two Blue Cross PPOs. UAS contributes a significant portion of the cost of this coverage. Employees and retirees are required to contribute 10% of the monthly premium cost. The maximum UAS monthly contribution is “capped”. The monthly cap in effect for 2014 is:

Employee only	\$ 642
Two party	1,218
Family	1,559

Benefit provisions of the plan are established and may be amended by the UAS Board of Directors. The defined benefit postemployment plan does not issue a separate stand-alone financial report.

Funding Policy

The contribution requirements of plan members and UAS are established and may be amended by UAS’ Board of Directors. Currently, UAS’ policy is to contribute to the plan on a pay-as-you-go basis. For the year ended June 30, 2014, UAS contributed \$77,812, representing premium payments on behalf of its retired employees.

Annual OPEB Cost

UAS’ annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. Currently, UAS has not prefunded any of its OPEB obligation and is contributing on a pay-as-you-go basis.

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 9 – OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (OPEB) PLAN (Continued)

Annual OPEB Cost (Continued)

The following table shows UAS’ annual required contribution (OPEB costs), for the year ended June 30, 2014, the amount actually contributed to the plan, and changes in UAS’ net OPEB obligation.

Annual required contribution	\$	525,255
Interest on net OPEB obligation		133,937
Adjustment to annual required contribution		(175,514)
Annual OPEB cost (expense)		483,678
Contributions made		(77,812)
Increase in net OPEB obligation		405,866
Net OPEB obligation - beginning of year		3,348,422
Net OPEB obligation - end of year	\$	3,754,288

UAS’ annual OPEB cost, actual contributions, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012, 2013, and 2014 were as follows:

Year Ended	Annual OPEB Cost	Actual Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 483,678	\$ 77,812	16%	\$ 3,754,288
6/30/2013	732,649	87,603	12%	3,348,422
6/30/2012	671,225	73,603	11%	2,703,376

Funded Status and Funding Progress

The following reflects the funded status of the plan as of July 1, 2013:

Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)		\$ 4,731,574
Funded ratio (actuarial value of plan assets/actuarial accrued liability(AAL))		0.0%
Covered payroll (active plan members)	\$	4,329,488
UAAL as a percentage of covered payroll		109.3%

CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 9 – OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (OPEB) PLAN (Continued)

Funded Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

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

In the July 1, 2013 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions used to determine the annual required contribution included a 4.0% investment rate of return, (net of administrative expenses) and an annual blended healthcare trend rate of 6.7% initially, reduced by decrements to an ultimate rate of 5.0% after ten years. A 3.25% annual rate of increase in payroll was used. The estimated age-adjusted “true cost” of retiree medical cost ranges from age 55 with an annual cost of \$8,940 to age 64 with an annual cost of \$12,994. The plan’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over a period of 30 years. As of July 1, 2013, 6 years of amortization have occurred and 24 years remained. Under the entry age normal cost method the projected benefits allocates the present value of future benefits on a level basis over the earnings or service (in this case earnings) of each employee between the hire date and assumed retirement age.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Grants and Contracts

Amounts received or receivable from federal and state agencies are subject to audit and any claims may constitute a liability of the applicable funds. The amount, if any, of expenses which may be potentially disallowed cannot be determined at this time. UAS expects such amounts, if any, to be insignificant as of June 30, 2014.

CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 11 - RELATED PARTY TRANSACTIONS

UAS is one of the four recognized auxiliary organizations of the University that provide services primarily to the University's students and faculty.

UAS received utilities, mainframe computer services, printing, faculty release time, office supplies, information technology management, accounting and financial services, and human resource services from the University and was charged \$8,077,734 for the year ended June 30, 2014. This amount included \$1,961,000 of the current year capital lease principal and interest expenses payment, and \$639,601 payment for principal and interest of prior years' outstanding capital lease balance.

UAS received \$3,005,504 from the University for providing catering and campus program services, space to the University for the usage as classrooms, special events, and facilities for the Extended Education Division.

In April 2005, UAS was assisted by the CSU and participated in the SRB program to refinance the UAS Golden Eagle Building Facility. The transaction resulted in the ownership of the building being transferred from UAS to the CSU Board of Trustees. A capitalized ground lease agreement exists between the CSU Trustees, the University and UAS ending November, 2032 (see note 6).

In April 2008, UAS entered into an interest-free note payable with the USU, an affiliate, for borrowing up to \$490,000 (see note 6).

NOTE 12 – LIQUIDITY

The Board of Directors (BOD) reviewed a ten year projection in support of refinancing, the economic plans for the future, and approved the restructuring of the debt through the CSU SRB Program, and on this basis, are confident that the UAS has adequate resources to continue in operational existence for the foreseeable future.

This is supported by the ongoing revenue enhancements and expense reductions that UAS has made during the fiscal year. These enhancements include negotiating new agreements with Barnes & Noble and First Vending to improve the revenue streams. In addition, the outsourcing of the Café LA and Metro Express Convenience Store operations to Barnes & Noble will further reduce UAS' internal operating cost and increase its contractual revenue. With these revenue enhancements and cost reduction plans in place, UAS is expected to improve its operating income in the commercial and administrative operations. The changes implemented have improved fiscal viability, and during the 2013/14 fiscal year, UAS had an increase in net position of \$658,475.

REQUIRED SUPPLEMENTARY INFORMATION

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**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2014**

Schedule of Funding Progress - Other Postemployment Healthcare Benefits

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B - A)	Funded Ratio (A / B)	Covered Payroll (C)	UAAL as Percentage of Covered Payroll ((B - A) / C)
7/1/2011	\$ -	\$ 4,843,360	\$ 4,843,360	0.0%	\$ 4,543,541	106.6%
7/1/2012	-	5,433,943	5,433,943	0.0%	4,256,534	127.7%
7/1/2013	-	4,731,574	4,731,574	0.0%	4,329,488	109.3%

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SUPPLEMENTARY INFORMATION

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UNIVERSITY AUXILIARY SERVICES, INC.
SCHEDULE OF NET POSITION
JUNE 30, 2014
(FOR INCLUSION IN THE CALIFORNIA STATE UNIVERSITY)

Assets:		
Current assets:		
Cash and cash equivalents	\$	3,449,892
Short-term investments		1,616,617
Accounts receivable, net		5,065,138
Leases receivable, current portion		-
Notes receivable, current portion		-
Pledges receivable, net		-
Prepaid expenses and other assets		39,817
Total current assets		<u>10,171,464</u>
Noncurrent assets:		
Restricted cash and cash equivalents		-
Accounts re s		-
Leases receivable, net of current portion		-
Notes receivable, net of current portion		-
Student loans receivable, net		-
Pledges receivable, net		-
Endowment investments		-
Other long-term investments		-
Capital assets, net		23,872,715
Other assets		-
Total noncurrent assets		<u>23,872,715</u>
Total assets		<u>34,044,179</u>
Deferred outflows of resources:		
Unamortized loss on refunding(s)		-
Total deferred outflows of resources		<u>-</u>
Liabilities:		
Current liabilities:		
Accounts payable		1,188,814
Accrued salaries and benefits payable		1,670,984
Accrued compensated absences– current portion		220,448
Unearned revenue		2,592,772
Capitalized lease obligations – current portion		780,000
Long-term debt obligations – current portion		118,908
Self-insurance claims liability - current portion		-
Depository accounts		-
Other liabilities		732,515
Total current liabilities		<u>7,304,441</u>
Noncurrent liabilities:		
Accrued compensated absences, net of current portion		223,448
Unearned revenue		-
Grants refundable		-
Capitalized lease obligations, net of current portion		24,084,305
Long-term debt obligations, net of current portion		2,128,603
Self-insurance claims liabilities, net of current portion		-
Depository accounts		-
Other postemployment benefits obligation		3,648,740
Other liabilities		1,899,773
Total noncurrent liabilities		<u>31,984,869</u>
Total liabilities		<u>39,289,310</u>
Deferred inflows of resources:		
Unamortized gain on sale of property		206,929
Total deferred inflows of resources		<u>206,929</u>
Net position:		
Net investment in capital assets		(3,446,030)
Restricted for:		
Nonexpendable – endowments		-
Expendable:		
Scholarships and fellowships		-
Research		-
Loans		-
Capital projects		-
Debt service		-
Other		-
Unrestricted		(2,006,030)
Total net position		<u>\$ (5,452,060)</u>

See accompanying note to the supplementary schedule.

CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2014
(FOR INCLUSION IN THE CALIFORNIA STATE UNIVERSITY)

Revenues:		
Operating revenues:		
Student tuition and fees (net of scholarship allowances of \$0)	\$	-
Grants and contracts, noncapital:		
Federal		18,468,657
State		2,698,351
Local		497,895
Nongovernmental		1,602,527
Sales and services of educational activities		2,005,360
Sales and services of auxiliary enterprises (net of scholarship allowances of \$0)		5,082,375
Other operating revenues		478,664
Total operating revenues		<u>30,833,829</u>
Expenses:		
Operating expenses:		
Instruction		22,950,224
Research		-
Public service		-
Academic support		-
Student services		-
Institutional support		1,527,092
Operation and maintenance of plant		2,709,858
Student grants and scholarships		-
Auxiliary enterprise expenses		-
Depreciation and amortization		1,716,999
Total operating expenses		<u>28,904,173</u>
Operating income (loss)		<u>1,929,656</u>
Nonoperating revenues (expenses):		
State appropriations, noncapital		-
Federal financial aid grants, noncapital		-
State financial aid grants, noncapital		-
Local financial aid grants, noncapital		-
Nongovernmental and other financial aid grants, noncapital		-
Other federal nonoperating grants, noncapital		-
Gifts, noncapital		-
Investment income (loss), net		5,567
Endowment income (loss), net		-
Interest expense		(1,276,748)
Other nonoperating revenues (expenses)		-
Net nonoperating revenues (expenses)		<u>(1,271,181)</u>
Income (loss) before other additions		658,475
State appropriations, capital		-
Grants and gifts, capital		-
Additions (reductions) to permanent endowments		-
Increase (decrease) in net position		<u>658,475</u>
Net position:		
Net position at beginning of year, as previously reported		(6,110,535)
Restatements		-
Net position at beginning of year, as restated		<u>(6,110,535)</u>
Net position at end of year	\$	<u><u>(5,452,060)</u></u>

See accompanying note to supplementary schedule.

CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.
OTHER INFORMATION
JUNE 30, 2014
(FOR INCLUSION IN THE CALIFORNIA STATE UNIVERSITY)

1 Restricted cash and cash equivalents at June 30, 2014:	
Portion of restricted cash and cash equivalents related to endowments	\$ -
All other restricted cash and cash equivalents	-
Total restricted cash and cash equivalents	<u>\$ -</u>

2.1 Composition of investments at June 30, 2014:

	Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
State of California Surplus Money Investment Fund (SMIF)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State of California Local Agency Investment Fund (LAIF)	-	-	-	-	-	-	-
Wachovia Short Term Fund	-	-	-	-	-	-	-
Wachovia Medium Term Fund	-	-	-	-	-	-	-
Wachovia Equity Fund	-	-	-	-	-	-	-
CSU Consolidated Investment Pool (includes SWIFT and 0948 SMIF)	1,616,617	-	1,616,617	-	-	-	1,616,617
Common Fund - Short Term Fund	-	-	-	-	-	-	-
Common Fund - Others	-	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-	-
Fixed income securities (Treasury notes, GNMA's)	-	-	-	-	-	-	-
Land and other real estate	-	-	-	-	-	-	-
Certificates of deposit	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	-
Mutual funds	-	-	-	-	-	-	-
Money Market funds	-	-	-	-	-	-	-
Collateralized mortgage obligations:							
Inverse floaters	-	-	-	-	-	-	-
Interest-only strips	-	-	-	-	-	-	-
Agency pass-through	-	-	-	-	-	-	-
Partnership interests (includes private pass-through)	-	-	-	-	-	-	-
Alternative investments	-	-	-	-	-	-	-
Hedge funds	-	-	-	-	-	-	-
Other major investments:							
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
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2.4 Restricted noncurrent investments at June 30, 2014 related to:

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

3.1 Composition of capital assets at June 30, 2014:

	Balance June 30, 2013	Prior period Adjustments	Reclassifications	Balance June 30, 2013 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2014
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	\$ 639,000	\$ -	\$ -	\$ 639,000	\$ -	\$ -	\$ -	\$ 639,000
Works of art and historical treasures	-	-	-	-	-	-	-	-
Construction work in progress (CWIP)	-	-	-	-	-	-	-	-
Intangible assets:								
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-
Internally generated intangible assets in progress	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:								
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
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Less accumulated depreciation/amortization:								
Buildings and building improvements	(9,135,583)	-	-	(9,135,583)	(1,124,676)	-	-	(10,260,259)
Improvements, other than buildings	(10,121)	-	-	(10,121)	(5,916)	-	-	(16,037)
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	(297,811)	-	-	(297,811)	(57,754)	-	-	(355,565)
Personal property:								
Equipment	(9,420,491)	-	-	(9,420,491)	(514,812)	80,196	-	(9,855,107)
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	(28,656)	-	-	(28,656)	(13,841)	-	-	(42,497)
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:								
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total intangible assets	(28,656)	-	-	(28,656)	(13,841)	-	-	(42,497)
Total accumulated depreciation/amortization	(18,892,662)	-	-	(18,892,662)	(1,716,999)	80,196	-	(20,529,465)
Total capital assets, net	\$ 25,178,061	\$ -	\$ -	\$ 25,178,061	\$ (1,305,346)	\$ -	\$ -	\$ 23,872,715

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

Depreciation and amortization expense related to capital assets	\$ 1,716,999
Amortization expense related to other assets	-
Total depreciation and amortization	<u>\$ 1,716,999</u>

4 Long-term liabilities activity schedule:

	Balance June 30, 2013	Prior period adjustments	Reclassifications	Balance June 30, 2013 (restated)	Additions	Reductions	Balance June 30, 2014	Current portion	Long-term portion
Accrued compensated absences	\$ 427,798	\$ -	\$ -	\$ 427,798	\$ 236,547	\$ (220,449)	\$ 443,896	\$ 220,448	\$ 223,448
Capitalized lease obligations:									
Gross balance	24,790,000	-	-	24,790,000	-	(740,000)	24,050,000	780,000	23,270,000
Unamortized premium / (discount) on capitalized lease obligations	651,159	-	-	651,159	206,004	(42,858)	814,305	-	814,305
Total capitalized lease obligations	25,441,159	-	-	25,441,159	206,004	(782,858)	24,864,305	780,000	24,084,305
Long-term debt obligations:									
Revenue Bonds	-	-	-	-	-	-	-	-	-
Other bonds (non-Revenue Bonds)	-	-	-	-	-	-	-	-	-
Commercial Paper	-	-	-	-	-	-	-	-	-
Note Payable related to SRB	-	-	-	-	-	-	-	-	-
Other:									
Note Payable - University Student Union	336,400	-	-	336,400	-	(38,400)	298,000	38,400	259,600
Note Payable - Barnes & Noble	111,130	-	-	111,130	-	(111,130)	-	-	-
Note Payable - Federal Credit Union	2,025,911	-	-	2,025,911	-	(76,400)	1,949,511	80,508	1,869,003
Add description	-	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-	-
Total long-term debt obligations	2,473,441	-	-	2,473,441	-	(225,930)	2,247,511	118,908	2,128,603
Unamortized bond premium / (discount)	-	-	-	-	-	-	-	-	-
Unamortized loss on refunding	-	-	-	-	-	-	-	-	-
Total long-term debt obligations, net	2,473,441	-	-	2,473,441	-	(225,930)	2,247,511	118,908	2,128,603
Total long-term liabilities	<u>\$ 28,342,398</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,342,398</u>	<u>\$ 442,551</u>	<u>\$ (1,229,237)</u>	<u>\$ 27,555,712</u>	<u>\$ 1,119,356</u>	<u>\$ 26,436,356</u>

See accompanying note to supplementary schedule.

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5 Future minimum lease payments - capital lease obligations:

	<u>Principal</u>	<u>Interest</u>	<u>Principal and Interest</u>
Year ending June 30:			
2015	\$ 780,000	\$ 1,183,000	\$ 1,963,000
2016	820,000	1,143,000	1,963,000
2017	855,000	1,101,125	1,956,125
2018	905,000	1,057,125	1,962,125
2019	950,000	1,010,750	1,960,750
2020 - 2024	5,540,000	4,270,000	9,810,000
2025 - 2029	7,090,000	2,699,250	9,789,250
2030 - 2034	7,110,000	732,750	7,842,750
2035 - 2039	-	-	-
2040 - 2044	-	-	-
2045 - 2049	-	-	-
2050 - 2054	-	-	-
2055 - 2059	-	-	-
2060 - 2064	-	-	-
Total minimum lease payments			37,247,000
Less amounts representing interest			<u>(13,197,000)</u>
Present value of future minimum lease payments			24,050,000
Less: current portion			<u>(780,000)</u>
Capitalized lease obligation, net of current portion			<u>\$ 23,270,000</u>

6 Long-term debt obligation schedule

	<u>Revenue Bonds</u>			<u>All other long-term debt obligations</u>			<u>Total</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal and Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal and Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal and Interest</u>
Year ending June 30:									
2015	\$ -	\$ -	\$ -	\$ 118,908	\$ 100,430	\$ 219,338	\$ 118,908	\$ 100,430	\$ 219,338
2016	-	-	-	123,238	96,101	219,339	123,238	96,101	219,339
2017	-	-	-	1,822,565	7,806	1,830,371	1,822,565	7,806	1,830,371
2018	-	-	-	38,400	-	38,400	38,400	-	38,400
2019	-	-	-	38,400	-	38,400	38,400	-	38,400
2020 - 2024	-	-	-	106,000	-	106,000	106,000	-	106,000
2025 - 2029	-	-	-	-	-	-	-	-	-
2030 - 2034	-	-	-	-	-	-	-	-	-
2035 - 2039	-	-	-	-	-	-	-	-	-
2040 - 2044	-	-	-	-	-	-	-	-	-
2045 - 2049	-	-	-	-	-	-	-	-	-
2050 - 2054	-	-	-	-	-	-	-	-	-
2055 - 2059	-	-	-	-	-	-	-	-	-
2060 - 2064	-	-	-	-	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,247,511</u>	<u>\$ 204,337</u>	<u>\$ 2,451,848</u>	<u>\$ 2,247,511</u>	<u>\$ 204,337</u>	<u>\$ 2,451,848</u>

See accompanying note to supplementary schedule.

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7 **Calculation of net position**

	<u>Auxiliary Organizations</u>		<u>Total</u>
	<u>GASB</u>	<u>FASB</u>	<u>Auxiliaries</u>
7.1 Calculation of net position - Net investment in capital assets			
Capital assets, net of accumulated depreciation	\$ 23,872,715	\$ -	\$ 23,872,715
Capitalized lease obligations - current portion	(780,000)	-	(780,000)
Capitalized lease obligations, net of current portion	(24,084,305)	-	(24,084,305)
Long-term debt obligations - current portion	(118,908)	-	(118,908)
Long-term debt obligations, net of current portion	(2,128,603)	-	(2,128,603)
Portion of outstanding debt that is unspent at year-end	-	-	-
Other adjustments: (please list)			
Deferred inflows of resources	(206,929)	-	(206,929)
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Net position - net investment in capital asset	<u>\$ (3,446,030)</u>	<u>\$ -</u>	<u>\$ (3,446,030)</u>

7.2 Calculation of net position - Restricted for nonexpendable - endowments

Portion of restricted cash and cash equivalents related to endowments	\$ -	\$ -	\$ -
Endowment investments	-	-	-
Other adjustments: (please list)			
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Net position - Restricted for nonexpendable - endowments per SNP	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

8 **Transactions with Related Entities**

	<u>Amount</u>
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 3,047,270
Payments to University for other than salaries of University personnel	5,030,464
Payments received from University for services, space, and programs	3,005,504
Gifts-in-kind to the University from Auxiliary Organizations	-
Gifts (cash or assets) to the University from recognized Auxiliary Organizations	-
Accounts (payable to) University (enter as negative number)	(3,107,242)
Other amounts (payable to) University (enter as negative number)	-
Accounts receivable from University	158,093
Other amounts receivable from University	-

9 **Other Postemployment Benefits Obligation (OPEB)**

Annual required contribution (ARC)	\$ 483,678
Contributions during the year	(77,812)
Increase (decrease) in net OPEB obligation (NOO)	405,866
NOO - beginning of year	3,348,422
NOO - end of year	<u>\$ 3,754,288</u>

See accompanying note to supplementary schedule.

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10 Pollution remediation liabilities under GASB Statement No. 49:

<u>Description</u>	<u>Amount</u>
Add description	\$ -
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
<u>Total pollution remediation liabilities</u>	<u>\$ -</u>
Less: current portion	-
<u>Pollution remediation liabilities, net of current portion</u>	<u>-</u>

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

	<u>Net Position</u>	<u>Amount</u>
	<u>Class</u>	<u>Dr. (Cr.)</u>
Net position as of June 30, 2013, as previously reported		\$ (6,110,535)
Prior period adjustments:		
1 (list description of each adjustment)		-
2 (list description of each adjustment)		-
3 (list description of each adjustment)		-
4 (list description of each adjustment)		-
5 (list description of each adjustment)		-
6 (list description of each adjustment)		-
7 (list description of each adjustment)		-
8 (list description of each adjustment)		-
9 (list description of each adjustment)		-
10 (list description of each adjustment)		-
<u>Net position as of June 30, 2014, as restated</u>		<u>\$ (6,110,535)</u>

Provide a detailed breakdown of the journal entries (at the financial statement line item level) booked to record each prior period adjustment:

	<u>Debit</u>	<u>Credit</u>
Net position class: _____		
1 (breakdown of adjusting journal entry)	\$ -	\$ -
Net position class: _____		
2 (breakdown of adjusting journal entry)	-	-
Net position class: _____		
3 (breakdown of adjusting journal entry)	-	-
Net position class: _____		
4 (breakdown of adjusting journal entry)	-	-
Net position class: _____		
5 (breakdown of adjusting journal entry)	-	-
Net position class: _____		
6 (breakdown of adjusting journal entry)	-	-
Net position class: _____		
7 (breakdown of adjusting journal entry)	-	-

See accompanying note to supplementary schedule.

CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.
NOTE TO SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2014

1. Basis of Presentation

These schedules are prepared in accordance with the instructions listed in an Administrative Directive, dated June 24, 2003; *Financial Reporting Requirements for Auxiliary Organizations*, from the California State University Office of the Chancellor and revision dated April 30, 2014. As a result, these schedules do not purport to represent financial statements prepared fully in accordance with generally accepted accounting principles applicable to governmental not-for-profit organizations.

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