

Cal State East Bay Educational Foundation, Inc.
(A Component Unit of California State University, East Bay)

**Financial Statements
and Supplementary Information**

Year Ended June 30, 2021



Cal State East Bay Educational Foundation, Inc.

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Year Ended June 30, 2021

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Cal State East Bay Educational Foundation, Inc.
Hayward, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type and fiduciary activities, of the Cal State East Bay Educational Foundation, Inc., a component unit of California State University, East Bay, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the entity's 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.

Auditors' 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 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.

Board of Directors

Board of Directors
Cal State East Bay Educational Foundation, Inc.

States of America. In our opinion, the schedules of the Cal State East Bay Educational Foundation, Inc., referred to above, are 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 16, 2021, on our consideration of the Cal State East Bay Educational Foundation, Inc.'s

Cal State East Bay Educational Foundation, Inc.
Management's Discussion and Analysis (Continued)
Year Ended June 30, 2021
(Unaudited)

This section of Cal State East Bay Educational Foundation, Inc.'s (Educational Foundation) annual financial report includes some of management's insights and analyses of the Educational Foundation's financial performance for the year ended June 30, 2021. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes.

Financial Highlights

- Current assets increased by \$3.3 million primarily due to an increase in the investment portfolio resulting from the market's recovery and improved performance in the current year as compared to the previous year where the global pandemic had a significant negative impact on investment returns. The increase is partially offset by a decrease in pledges solicited in the current year.
- Operating expenses increased by \$1.1 million due to the increase in contributions made to the University for scholarships and other programs in the current year as compared to the previous year.
- Nonoperating revenues increased by \$5 million due to the significant increase in the value of invested funds as a result of the market recovery in the current year from the negative impact of the global pandemic in the prior year.

Overview of the Financial Statements

The annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 35, Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities. This standard is applicable to the Educational Foundation because it is a component unit of California State University, East Bay (University).

Cal State East Bay Educational Foundation, Inc.
Management's Discussion and Analysis (Continued)
Year Ended June 30, 2021
(Unaudited)

A summary of key financial statement information is presented below:

Statements of Net Position		
	2021	2020
Assets:		
Current assets	\$ 7,862,275	\$ 4,531,014
Noncurrent assets	15,072,768	14,855,172
Total Assets	22,935,043	19,386,186
Liabilities:		
Current liabilities	31,302	45,944
Net Position:		
Restricted:		
Nonexpendable	14,647,215	13,956,477
Expendable	7,664,392	4,942,419
Unrestricted	592,134	441,346
Total net position	\$ 22,903,741	\$ 19,340,242

Assets

Current assets increased by \$3.3 million, or 74%, primarily due to a \$3.5 million increase in the value of the investment portfolio partially offset by a \$291,000 decrease in pledge receivables. Investments increased as the market recovered from the negative effect of the global pandemic on market volatility and valuation. Pledges decreased due to the completion of previous year pledges. In addition, solicitation for pledges in the current year was limited as a result of the shelter in place directive imposed due to COVID-19.

Noncurrent assets increased by \$218,000, or 2%, in fiscal year 2021. The increase is primarily from a \$691,000 increase in additions to permanent endowments during the year, offset by \$473,000 decrease in noncurrent pledge receivables due to collection of such funds in the current year.

Liabilities

Current liabilities decreased by \$15,000, or 32%, due to a decrease in the accounts payable balance resulting from timing of payments as compared to the previous year.

Net Position

Net position increased by \$3.6 million, or 18%, in fiscal year 2021, mainly from the expendable net position increase of \$2.7 million, due to improved investment returns in the current year. This increase is augmented by a \$691,000 increase in nonexpendable net position from additions to permanent endowments received during the year.

Cal State East Bay Educational Foundation, Inc.
Management's Discussion and Analysis (Continued)
Year Ended June 30, 2021
(Unaudited)

Statements of Revenues, Expenses and
Changes in Net Position

	2021	2020
Operating revenues	\$ 3,158,459	\$ 2,610,135
Operating expenses	3,401,801	2,271,030
Operating income (loss)	(243,342)	339,105
Nonoperating revenues (expenses)	3,806,841	(1,232,949)
Increase (decrease) in net position	3,563,499	(893,844)
Net position, beginning of year	19,340,242	20,234,086
Net position, end of year	\$ 22,903,741	\$ 19,340,242

Revenues and Expenses

Operating revenues increased by \$548,000, or 21%, in fiscal year 2021, mainly due to higher noncapital gifts received in the current year compared to the previous year offset by lower additions to permanent endowment received in the current year.

Operating expenses increased by \$1.1 million, or 50%, mainly due to the increase in contributions paid out to the University for scholarships and other programs in the current year as compared to the previous year.

Nonoperating revenues increased by \$5 million, or 409%, from an increase in investment gains resulting from the market's recovery and improved performance in the current year as compared to the previous year where the global pandemic had a significant negative impact on investment returns.

Request for Information

The financial report is designed to provide a general overview of the Educational Foundation's finances. For questions concerning any information in this report or for additional financial information, contact Maureen Pasag, Associated Vice President of Financial Services, California State University, East Bay, 25800 Carlos Bee Boulevard, Hayward, California 94542 or call 510-885-2749.

Cal State East Bay Educational Foundation, Inc.

Statement of Net Position

Year Ended June 30, 2021

(With Comparative Totals for 2020)

	2021	2020
ASSETS		
Current assets:		

See accompanying Notes to Financial Statements.

Cal State East Bay Educational Foundation, Inc. 219(4)5SIT340(4)5SIT213.5 (0)13.5 (5)TJ-4.2.8
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2021
(With Comparative Totals for 2020)

	2021	2020
REVENUES		
Operating revenues		
Gifts, capital	\$ 47,937	\$ 80,367
Gifts, noncapital	2,141,297	1,417,245
In-kind contributions	-	7,654
Additions to permanent endowments	692,500	903,287
Other operating revenues	276,725	201,582
Total operating revenues	3,158,459	2,610,135
EXPENSES		
Operating expenses:		
Contributions to support activities of the University	3,274,025	2,073,014
Accounting and administrative cost	127,776	198,016
Total operating expenses	3,401,801	2,271,030
Net operating income (loss)	(243,342)	339,105
NONOPERATING REVENUE (NO)-17.4 (N)5.6	127,776	

See accompanying Notes to Financial Statements.

Cal State East Bay Educational Foundation, Inc.

Statement of Cash Flows

Year Ended June 30, 2021

(With Comparative Totals for 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from contributors	\$ 3,646,049	\$ 2,428,997

See accompanying Notes to Financial Statements.

Cal State East Bay Educational Foundation, Inc.

Statement of Fiduciary Net Position

Custodial Fund

Year Ended June 30, 2021

(With Comparative Totals for 2020)

ASSETS	2021	2020
Investments at fair value		
Corporate bonds	\$ 65,177	\$66,521
Equity securities	418,799	333,874
U.S. treasury securities	40,245	48,626
Municipal Bonds	26,636	26,939
U.S. agency securities	857	933
Money market mutual funds	45,461	17,219
Mutual funds	123,039	117,372
Total investments	720,214	611,484
 Total assets	 720,214	 611,484
 LIABILITIES	 -	 -
 NET POSITION		
Restricted:		

See accompanying Notes to Financial Statements.

Cal State East Bay Educational Foundation, Inc.
Statement of Changes in Fiduciary Net Position
Custodial Fund
Year Ended June 30, 2021
(With Comparative Totals for 2020)

	2021	2020
ADDITIONS		
Realized and unrealized gains (losses)	\$ 132,566	\$ (55,107)
Interest and dividends, net of fees	9,754	12,731
Total additions	142,320	(42,376)
 DEDUCTIONS		
Distributions	27,080	27,315
Administrative expenses	6,510	6,507
Total deductions	33,590	33,822
Net increase (decrease) in fiduciary net position	108,730	(76,198)
 FIDUCIARY NET POSITION		
Net position, Beginning of year	611,484	687,682
Net position, End of year	\$ 720,214	\$ 611,484

See accompanying Notes to Financial Statements.

Cal State East Bay Educational Foundation, Inc.

Notes to Financial Statements

June 30, 2021

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

Cal State East Bay Educational Foundation, Inc. (Educational Foundation) is a California tax-exempt, nonprofit corporation organized in 1963 as the Cal State-Affiliates to support California State University, East Bay (University). The Educational Foundation promotes private sector support for educational activities to supplement state support. Contributions to the Educational Foundation support scholarships and other University programs.

B. Financial Reporting Entity

The basic financial statements include the accounts of the Educational Foundation. The Educational Foundation is a government organization under accounting principles generally accepted in the United States of America and is also a component unit of the University, a public university under the California State University system. The Educational Foundation has chosen to use the reporting model for special-purpose governments engaged only in business-type activities.

C. Basis of Presentation

The basic financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Voluntary nonexchange transactions are recognized as revenue as soon as all eligibility requirements have been met.

D. Fiduciary Activities

The Educational Foundation is the custodian of investments held for the California State University East Bay, Alumni Association. These activities are presented in a separate statement of Net Fiduciary Position and Statement of Changes in Fiduciary Net Position.

E. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Cash and Cash Equivalents

The Educational Foundation considers highly liquid investments with a maturity of three months or less to be cash and cash equivalents.

Cal State East Bay Educational Foundation, Inc.

Notes to Financial Statements (Continued)

June 30, 2021

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

G. Pledges Receivable, Net

Pledges that are expected to be collected within one year are reflected as current and are recorded at their net realizable value. Pledges that are due in subsequent years are reflected as noncurrent and are discounted to their present value using risk-adjusted rates. The discount rate for the year ended June 30, 2021 was 1.99%. Allowance for uncollectible pledges is provided based on management's judgment, considering such factors as prior collection history, type of contribution, relationship with the donor, and other relevant factors.

Cal State East Bay Educational Foundation, Inc.

Notes to Financial Statements (Continued)

June 30, 2021

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cal State East Bay Educational Foundation, Inc.

Notes to Financial Statements (Continued)

June 30, 2021

NOTE 2 INVESTMENTS (CONTINUED)

Primary government investments consist of the following:

	<u>2021</u>	<u>2020</u>
Equity securities	\$ 11,946,733	\$ 8,912,175
Mutual funds	3,509,841	3,133,048
Corporate bonds	1,859,238	1,775,669
U.S. treasury securities	1,148,028	1,297,999
Municipal bonds	759,836	719,078
Money market mutual funds	1,296,804	459,629
U.S. agency securities	24,450	24,901
Total	<u>\$ 20,544,930</u>	<u>\$ 16,322,499</u>

Primary government Nonoperating revenues (expenses), net, consists of the following:

	<u>2021</u>	<u>2020</u>
Realized and unrealized gains (losses)	\$ 3,688,427	\$ (1,423,366)
Interest and dividends, net of fees	118,414	190,417
Total	<u>\$ 3,806,841</u>	<u>\$ (1,232,949)</u>

A. Credit Risk

Credit risk is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations. This is measured by the assignment of ratings by nationally recognized statistical rating organizations. The Educational Foundation's investment policy generally prohibits investments in the following vehicles: private placements, venture capital investments, real estate

Cal State East Bay Educational Foundation, Inc.

Notes to Financial Statements (Continued)

June 30, 2021

Cal State East Bay Educational Foundation, Inc.

Notes to Financial Statements (Continued)

June 30, 2021

Cal State East Bay Educational Foundation, Inc.

Notes to Financial Statements (Continued)

June 30, 2021

NOTE 3 PLEDGE RECEIVABLE

Pledges receivable consist of the following:

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 401,756	\$ 723,769
Receivable in one to five years	446,991	936,363
Less: allowance for doubtful accounts	(6,250)	(37,090)
Less: discount factor to present value	(21,438)	(37,668)
Total	<u>\$ 821,059</u>	<u>\$ 1,585,374</u>

NOTE 4 RELATED PARTY TRANSACTIONS

The Educational Foundation may enter into transactions with the other California State University, East Bay Auxiliaries (Associated Students, Inc. of California State University, East Bay and the California State University, East Bay Foundation, Inc. (collectively known as the Auxiliaries)) as well as transactions with the University itself.

The Educational Foundation reimburses the University for certain services to Educational

**Other Supplementary Information
For California State University
Office of the Chancellor**

Cal State East Bay Educational Foundation, Inc.

Schedule of Net Position

Year Ended June 30, 2021

Assets:	
Current assets:	
Cash and cash equivalents	1,134,334
Short-term investments	5,897,715
Accounts receivable, net	434,720
Capital lease receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	395,506
Prepaid expenses and other current assets	-
Total current assets	7,862,275
Noncurrent assets:	
Restricted cash and cash equivalents	-
Accounts receivable, net	-
Capital lease receivable, net of current portion	-
Notes receivable, net of current portion	-
Student loans receivable, net	-
Pledges receivable, net	425,553
Endowment investments	14,647,215
Other long-term investments	-
Capital assets, net	-
Other assets	-
Total noncurrent assets	15,072,768
Total assets	22,935,043
Deferred outflows of resources:	
Unamortized loss on debt refunding	-
Net pension liability	-
Net OPEB liability	-
Others	-
Total deferred outflows of resources	-
Liabilities:	
Current liabilities:	
Accounts payable	31,302
Accrued salaries and benefits	-
Accrued compensated absences, current portion	-
Unearned revenues	-
Capital lease obligations, current portion	-
Long-term debt obligations, current portion	-
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	-
Total current liabilities	31,302
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	-
Unearned revenues	-
Grants refundable	-
Capital lease obligations, net of current portion	-
Long-term debt obligations, net of current portion	-
Claims liability for losses and loss adjustment expenses, net of current portion	-
Depository accounts	-
Net other postemployment benefits liability	-
Net pension liability	-
Other liabilities	-
Total noncurrent liabilities	-
Total liabilities	31,302
Deferred inflows of resources:	
Service concession arrangements	-
Net pension liability	-
Net OPEB liability	-
Unamortized gain on debt refunding	-
Nonexchange transactions	-
Others	-
Total deferred inflows of resources	-
Net position:	
Net investment in capital assets	-
Restricted for:	
Nonexpendable – endowments	14,647,215
Expendable:	
Scholarships and fellowships	3,838,705
Research	-
Loans	-
Capital projects	363,609
Debt service	-
Others	3,462,078
Unrestricted	592,134
Total net position	22,903,741

See accompanying note to supplementary information.

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Cal State East Bay Educational Foundation, Inc.
Schedule of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2021

Revenues:

Operating revenues:

Student tuition and fees, gross

-

Cal State East Bay Educational Foundation, Inc.

Other Information

Year Ended June 30, 2021

1 Cash and cash equivalents:

See accompanying note to supplementary information.

(23)

Cal State East Bay Educational Foundation, Inc.
Other Information (Continued)
Year Ended June 30, 2021

2.2 Fair value hierarchy in investments:

Investment Type	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other
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Cal State East Bay Educational Foundation, Inc.
Other Information (Continued)
Year Ended June 30, 2021

2.3

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

3.1 Composition of capital assets:

	Balance June 30, 2020	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2020 (Restated)	Additions	Retirements	Transfer of completed CWIP/PWIP	Balance June 30, 2021
Non-depreciable/Non-amortizable capital assets:									
Land and land improvements	\$ -				\$ -				\$ -
Works of art and historical treasures					-				-
Construction work in progress (CWIP)					-				-
Intangible assets:									
Rights and easements					-				-
Patents, copyrights and trademarks					-				-
Intangible assets in progress (PWIP)					-				-
Licenses and permits					-				-
Other intangible assets:					-				-
					-				-
					-				-
					-				-
					-				-
					-				-
Total Other intangible assets					-				-
Total intangible assets					-				-
Total non-depreciable/non-amortizable capital assets	\$ -				\$ -				\$ -

See accompanying note to supplementary information.

Cal State East Bay Educational Foundation, Inc.
Other Information (Continued)
Year Ended June 30, 2021

Less accumulated depreciation/amortization: (enter as negative number, except for reductions enter as positive number)
Buildings and building improvements

Cal State East Bay Educational Foundation, Inc.
 Other Information (Continued)
 Year Ended June 30, 2021

4 Long-term liabilities:

Balance June 30, 2020	Prior Period Adjustments/Reclassifica tions	Balance June 30, 2020 (Restated)	Additions	Reductions	Balance June 30, 2021	Current Portion	Noncurrent Portion
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Cal State East Bay Educational Foundation, Inc.
Other Information (Continued)
Year Ended June 30, 2021

Cal State East Bay Educational Foundation, Inc.
 Other Information (Continued)
 Year Ended June 30, 2021

9 Natural classifications of operating expenses:

	Salaries	Benefits - Other	Benefits - Pension	Benefits - OPEB	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total operating expenses
Instruction	-	-	-	-	-	-	-	-
Research	-	-	-	-	-	-	-	-
Public service	-	-	-	-	-	-	-	-

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Cal State East Bay Educational Foundation, Inc.

Note to Supplementary Schedules

Year Ended June 30, 2021

Note 1 Supplementary Schedules

As an auxiliary organization, the Cal State East Bay Educational Foundation, Inc. is required to include audited supplementary information in its financial statements in the form and content specified by CSU. As a result, there are differences in reporting format between the Educational Foundation's financial statements and supplementary schedules for CSU.

