

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

(a Component Unit of the  
California State University System)

Independent Auditor's Report, Financial Statements  
And Supplemental Schedules

For the Year Ended June 30, 2010

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

**FOR THE YEAR ENDED JUNE 30, 2010**

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## Independent Auditor's Report

Board of Directors  
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 the California State University System, as of and for the year ended June 30, 2010 as listed in the table of contents. These financial statements are the responsibility of UAS' management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UAS' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UAS, as of June 30, 2010, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2010, on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis (MD&A) and the schedule of funding progress as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Macias Fini & O'Connell LLP*

Certified Public Accountants

Los Angeles, California

September 8, 2010

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010  
(UNAUDITED)**

This section of 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, 2010. 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 Government Accounting Standards Board. UAS is a component of the University.

The statement of net assets includes all assets and liabilities 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 assets presents information showing how UAS' net assets changed during the fiscal year presented. All changes in net assets 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 Assets**

The following is a summary of the UAS' assets, liabilities and net assets comparing FY 2009-10 with FY 2008-09.

	FY 2009-10	FY 2008-09	Percent Increase (Decrease)
<b>Assets:</b>			
Current and other assets	\$ 7,170,511	\$ 5,274,396	36%
Capital assets, net	<u>28,487,653</u>	<u>27,818,914</u>	2%
Total assets	<u><u>35,658,164</u></u>	<u><u>33,093,310</u></u>	8%
<b>Liabilities:</b>			
Long-term Liabilities	36,122,211	33,834,670	7%
Other liabilities	<u>8,372,863</u>	<u>7,013,765</u>	19%
Total liabilities	<u><u>44,495,074</u></u>	<u><u>40,848,435</u></u>	9%
<b>Net Assets:</b>			
Unrestricted	(6,542,306)	(6,104,163)	7%
Invested in capital assets, net of related debt	<u>(2,294,604)</u>	<u>(1,650,962)</u>	39%
Total net assets (deficit)	<u><u>(8,836,910)</u></u>	<u><u>(7,755,125)</u></u>	14%
Total liabilities and net assets	<u><u>\$ 35,658,164</u></u>	<u><u>\$ 33,093,310</u></u>	8%

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
**(UNAUDITED)**

***Assets***

The UAS' assets totaled \$35.7 million on June 30, 2010, an increase of \$2.6 million, or 7.8% compared to the previous year. Current and other assets increased \$1.9 million, primarily due to an increase of \$1.3 million in accounts receivable and an increase in cash and cash equivalents of \$0.6 million. The increase in accounts receivable was primarily related to year-end accrued revenue of grants and contracts programs, which were billed in June and collected in July. The increase in cash and cash equivalents was attributed to a more effective system in corporate billings and collections, which resulted in a positive cash flow for the organization. Capital assets increased by \$0.7 million, a 2.4% net increase primarily due to the \$2.6 million acquisition of the Television, Film, and Media Studies Building, capital equipment purchases, and \$1.9 million depreciation expenses.

***Liabilities***

The UAS' liabilities totaled \$44.5 million on June 30, 2010, an increase of \$3.6 million, or 8.9% compared to the previous year. The increase was the net result of \$2.1 million increase in deferred revenue, a \$0.6 million increase in postemployment benefit, a \$2.2 million increase in long term notes payable, and a \$1.2 million decrease in accounts payable and long term debt and obligations. The majority of the increase in deferred revenue was due to prepaid rent for space rental on the 2<sup>nd</sup> and 3<sup>rd</sup> floors of the Golden Eagle Building, and the Television, Film, and Media Studies Building. The increase in postemployment benefits was calculated based on the annual required contribution of UAS; which is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. Currently, UAS has not prefunded this obligation. The increase in long term notes payable was the result of the acquisition of the Television, Film, and Media Studies Building. The decrease in accounts payable was primarily due to vendor payments prior to year-end. Similarly, the decrease in the long term debt obligations was the result of payments made on debt obligations during the fiscal year.

***Net Assets***

The UAS' net assets decreased by \$1.1 million, or 13.9%, from the previous year, primarily due to the facts described in the following page.

**Statement of Revenues, Expenses and Changes in Net Assets**

The following is a summary of the UAS' revenues, expenses and changes in net assets comparing FY 2009-10 with 2008-09.

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
**(UNAUDITED)**

	FY 2009-10	FY 2008-09	Percent Increase (Decrease)
<b>Operating revenues:</b>			
Grants and contracts	\$ 26,059,075	\$ 26,161,806	0%
Auxiliary activities	2,773,280	3,320,095	-16%
Campus program activities	1,807,590	2,308,684	-22%
Lease income	798,541	377,645	111%
Other income	267,954	254,804	5%
Total operating revenues	<u>31,706,440</u>	<u>32,423,034</u>	-2%
<b>Operating expenses:</b>			
Sponsored programs	26,506,647	26,260,277	1%
Auxiliary activities	2,680,157	3,267,808	-18%
Campus program activities	2,098,028	4,074,408	-49%
General and administrative	169,779	148,352	14%
Total operating expenses	<u>31,454,611</u>	<u>33,750,845</u>	-7%
Total operating income (loss)	251,829	(1,327,811)	-119%
<b>Nonoperating revenues (expenses):</b>			
Interest income	3,314	6,569	-50%
Interest expenses	(1,336,928)	(1,410,761)	-5%
(Loss) on sale of capital assets	<u>-</u>	<u>(220,476)</u>	100%
Total nonoperating revenues (expenses)	<u>(1,333,614)</u>	<u>(1,624,668)</u>	-18%
<b>Change in net assets:</b>	(1,081,785)	(2,952,479)	-63%
<b>Net assets (deficit) – beginning</b>	<u>(7,755,125)</u>	<u>(4,802,646)</u>	61%
<b>Net assets (deficit)– ending</b>	<u><u>\$ (8,836,910)</u></u>	<u><u>\$ (7,755,125)</u></u>	14%

Operating revenue decreased \$0.7 million, or 2.2%, compared to the previous year. This was the result of a decrease of \$0.6 million in catering and food service commission revenue, which was primarily due to the reduction in student enrollment and a mandatory two day a month furlough program implemented by the University. Also, there was a decrease of \$0.5 million in campus program revenue. The increase of \$0.4 million in lease revenue was the result of recognized revenue for leased office space.

Operating expenses decreased \$2.3 million, or 6.8%, compared to the previous year. The decrease was primarily due to reductions of salary and benefit expenses as a result of downsizing of staff positions, and the outsourcing of financial and facilities maintenance services to the university during the year.

Nonoperating revenue and expenses decreased \$0.3 million, or 17.9%, compared to the previous year. The decrease was primarily due to the \$0.2 million loss on the sale of the two faculty housing units during the previous year, and \$0.1 million decrease in interest expense for the current year.

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010  
(UNAUDITED)**

UAS' net assets at the end of 2010 reflected a deficit of \$8.8 million, an increase of \$1.1 million from the previous year.

**Capital Assets**

Capital assets include land, buildings and improvements, furniture, fixtures and equipment at June 30, 2010. The original costs of all capital assets increased by \$2.6 from the previous year primarily due to the purchase of the Television, Film, and Media Studies Building for \$2.4 million and capitalized equipment purchases of \$0.2 million.

Accumulated depreciation increased from \$12.3 million to \$14.2 million. Depreciation expense for the year was \$1.9 million.

**Debt Administration**

Long-Term Debt Liabilities increased by \$2.3 million primarily due to the \$2.2 million in loan payable for the Television, Film, and Media Studies Building, an increase of \$0.6 million in postretirement obligation, and a net reduction of \$0.5 million in principal payment for the notes payable and capital leases as the transfer of the long term obligation to the current liabilities.

**Other Potentially Significant Matters**

California State University Los Angeles (the University) recognizes that the University Auxiliary Services (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.

UAS recently purchased a 9,092 square foot building with an associated parking structure located adjacent to the university. The building space will be subleased to the university in support of the Television, Film, and Media studies. This acquisition has resulted in new lease space revenue for UAS.

UAS continues to streamline Food and Commercial services, resulting in reductions of operational expenses and lower labor costs as overtime expenses are reduced to minimum levels. Concurrently, UAS has also renegotiated lease agreements to reflect more current rates, which will result in additional lease space revenues.

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

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

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

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

**Assets**

Current assets:

Cash and cash equivalents	\$ 1,818,474
Accounts receivable, net	5,263,413
Inventory	28,930
Prepaid expenses and other current assets	59,694
<b>Total current assets</b>	<u>7,170,511</u>

Noncurrent assets:

Capital assets, net:	
Non-depreciable	639,000
Depreciable	27,848,653
<b>Total noncurrent assets</b>	<u>28,487,653</u>

<b>Total assets</b>	<u><u>\$ 35,658,164</u></u>
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**Liabilities and net assets (deficit)**

Current liabilities:

Accounts payable	\$ 1,566,343
Accrued expenses	1,536,844
Deferred revenue	3,943,497
Compensated absences	352,119
Other postemployment healthcare benefits	82,039
Notes payable	237,021
Capital lease obligation	655,000
<b>Total current liabilities</b>	<u>8,372,863</u>

Long-term liabilities:

Due to the University	4,736,710
Compensated absences	25,536
Other postemployment healthcare benefits	1,469,729
Notes payable	2,958,205
Capital lease obligation	26,180,000
Unamortized capital lease premium	752,031
<b>Total long-term liabilities</b>	<u>36,122,211</u>

<b>Total liabilities</b>	<u>44,495,074</u>
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**Net assets (deficit):**

Invested in capital assets, net of related debt	(2,294,604)
Unrestricted	(6,542,306)

<b>Total net assets (deficit)</b>	<u>(8,836,910)</u>
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<b>Total liabilities and net assets (deficit)</b>	<u><u>\$ 35,658,164</u></u>
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See accompanying notes to the basic financial statements.

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

<b>Operating revenues:</b>	
Grants and contracts	\$ 26,059,075
Revenue from auxiliary activities	2,773,280
Campus program revenue	1,807,590
Lease income	798,541
Other income	267,954
Total operating revenues	<u>31,706,440</u>
<b>Operating expenses:</b>	
Sponsored programs	26,506,647
Auxiliary activities	2,680,157
Campus program expense	2,098,028
General and administrative	169,779
Total operating expenses	<u>31,454,611</u>
Operating income	<u>251,829</u>
<b>Nonoperating revenues (expenses):</b>	
Interest income	3,314
Interest expense	<u>(1,336,928)</u>
Total nonoperating revenues (expenses)	<u>(1,333,614)</u>
Change in net assets	(1,081,785)
<b>Net assets (deficit) - beginning of year</b>	<u>(7,755,125)</u>
<b>Net assets (deficit) - end of year</b>	<u><u>\$ (8,836,910)</u></u>

See accompanying notes to the basic financial statements.

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**Cash flows from operating activities:**

Federal grants and contracts	\$ 21,098,971
State and local grants and contracts	2,899,466
Nongovernmental grants and contracts	1,561,109
Payments to suppliers	(10,034,052)
Payments to employees	(15,364,966)
Payments to students	(4,017,640)
Sales and services of educational activities	1,852,590
Sales and services of auxiliary enterprises	4,946,667
Other receipts	252,954
Net cash provided by operating activities	<u>3,195,099</u>

**Cash flows from capital and related financing activities:**

Acquisition of capital assets	(2,591,841)
Proceeds from capital debt	2,232,500
Principal paid on capital debt and leases	(886,495)
Interest paid on capital debt and leases	(1,338,842)
Net cash used by capital and related financing activities	<u>(2,584,678)</u>

**Cash flows from investing activities:**

Investment income received	3,314
Net cash provided by investing activities	<u>3,314</u>

Net increase in cash and cash equivalents	613,735
Cash and cash equivalents - beginning of year	1,204,739
Cash and cash equivalents - end of year	<u>\$ 1,818,474</u>

**Reconciliation of operating income to net cash provided by operating activities:**

Operating Income	\$ 251,829
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	1,923,103
Amortization of capital lease premium	(33,624)
Change in assets and liabilities:	
(Increase) in accounts receivable	(1,238,208)
Decrease in inventory	2,968
(Increase) in prepaid expenses	(47,140)
(Decrease) in accounts payable	(564,054)
Increase in accrued expenses	256,840
Increase in deferred revenue	2,143,525
(Decrease) in compensated absences	(54,181)
Increase in other postemployment healthcare benefits	554,041
Net cash provided by operating activities	<u>\$ 3,195,099</u>

See accompanying notes to the basic financial statements.

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

Cal State L.A. University Auxiliary Services, Inc. (UAS) (a California State University Auxiliary Organization) is a recognized nonprofit auxiliary organization within the California State University System (CSU) and is a component unit of the CSU. UAS serves as a multi-purpose auxiliary operating at the California State University, Los Angeles (the University). UAS exists to serve the CSU and California State University, Los Angeles, 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.

As allowed by governmental accounting standards, the UAS has elected not to apply statements and related interpretations issued by the Financial Accounting Standards Board after November 30, 1989.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of demand deposits and money market accounts.

**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 collectibility 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, 2010**

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

**Capital Assets**

Building, housing and furniture, fixtures and equipment are stated at cost at date of acquisition. UAS capitalizes all expenditures for building improvements and furniture, fixtures and equipment with costs in excess of \$5,000 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 Assets**

Net Assets Invested in Capital Assets, Net of Related Debt - This amount is derived by subtracting the outstanding debt incurred by the UAS to buy or construct capital assets shown in the statement of net assets from the capital assets balance.

Restricted Net Assets - This category represents restrictions imposed on the use of the UAS' resources by parties outside of the government or by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets - These assets are resources of the UAS that can be used for any purpose.

**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 an organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code and is generally not subject to federal or state income taxes. However, UAS is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purpose for which it is granted exemption. No income tax provision has been recorded.

**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, 2010**

**NOTE 2 – CASH AND CASH EQUIVALENTS**

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, 2010, cash held by financial institutions for the UAS of \$3,429,825 was entirely insured and collateralized as described above. The book balance at June 30, 2010 for the UAS was \$1,818,474.

**NOTE 3 – ACCOUNTS RECEIVABLE**

The following is a summary of accounts receivable at June 30, 2010:

Grants and contracts	\$ 4,976,034
Due from California State University, Los Angeles	167,125
Other	396,463
Allowance for doubtful accounts	<u>(276,209)</u>
Total	<u><u>\$ 5,263,413</u></u>

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

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 4 – CAPITAL ASSETS**

The capital assets balance at June 30, 2010 consists of the following activity:

	Balance June 30, 2009	Increases	Decreases	Balance June 30, 2010
Capital assets, non-depreciable:				
Land	\$ 325,819	\$ 315,000	\$ 1,819	\$ 639,000
Total non-depreciable capital assets	325,819	315,000	1,819	639,000
Capital assets, depreciable				
Buildings and building improvements under capital lease	30,193,140	2,035,000	-	32,228,140
Furniture, fixtures and equipment	9,562,040	243,660	-	9,805,700
Total depreciable capital assets	39,755,180	2,278,660	-	42,033,840
Less accumulated depreciation:				
Buildings and building improvements under capital lease	(4,748,364)	(979,528)	-	(5,727,892)
Furniture, fixtures and equipment	(7,513,721)	(943,574)	-	(8,457,295)
Total accumulated depreciation	(12,262,085)	(1,923,102)	-	(14,185,187)
Capital assets, depreciable (net)	27,493,095	355,558	-	27,848,653
Capital assets – net	<u>\$ 27,818,914</u>	<u>\$ 670,558</u>	<u>\$ 1,819</u>	<u>\$ 28,487,653</u>

Depreciation expense for the fiscal year ended June 30, 2010 was 1,923,102.

**NOTE 5 – ACCOUNTS PAYABLE**

The following is a summary of accounts payable at June 30, 2010:

Vendors	\$ 1,199,562
Due to California State University, Los Angeles	366,781
Total	<u>\$ 1,566,343</u>

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 6 – LONG-TERM DEBT OBLIGATIONS**

Long-term debt activity for the year ended June 30, 2010 is as follows:

	Balance June 30, 2009	Increases	Decreases	Balance June 30, 2010	Due in one year
Due to the University	\$ 4,738,624	\$ 1,329,799	\$ 1,331,713	\$ 4,736,710	\$ -
Compensated absences	431,836	297,938	352,119	377,655	352,119
Notes payable	1,219,221	2,232,500	256,495	3,195,226	237,021
Capital lease	27,465,000	-	630,000	26,835,000	655,000
Unamortized capital lease premium	785,655	-	33,624	752,031	-
Other postemployment healthcare benefits (Note 9)	997,727	636,080	82,039	1,551,768	82,039
	<u>\$ 35,638,063</u>	<u>\$ 4,496,317</u>	<u>\$ 2,685,990</u>	<u>\$ 37,448,390</u>	<u>\$ 1,326,179</u>
Less current portion				<u>1,326,179</u>	
Total long-term debt				<u>\$ 36,122,211</u>	

Notes Payable

On March 1, 2003, UAS entered into a credit agreement with CSLA Foundation, a related party, for borrowings up to \$300,000. The agreement expires in March 2011 and bears interest at 8% per annum. The amounts advanced may be used by UAS only for the purpose of capital construction and furnishing of the Children's Center expansion project. During the year, UAS had paid off the outstanding balance of \$84,763 in November 2009.

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 May 3, 2010 extending the maturity date to April 30, 2012 with two one-year extension. As of June 30, 2010, the outstanding balance is \$511,126.

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2010**

**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 (USU), a related party, for borrowing up to \$490,000. The purpose is to purchase furniture, fixtures or equipment or for tenant improvement costs for Starbucks and Sbarro stores. 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. \$38,400 was paid on September 1, 2009. As of June 30, 2010, the outstanding balance is \$451,600.

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 is to purchase a nearby building, and sublease to the university in support the Television Film Media Studies. The term 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 changes to an adjustable interest rate on August 1, 2013, and will be fixed until maturity. The initial payment is due on August 1, 2010. As of June 30, 2010, the outstanding balance is \$2,232,500.

The principal maturities of notes payable outstanding as of June 30, 2010 are as follows:

	Bookstore		University Student Union		Federal Credit Union	
	Principal	Interest	Principal	Interest	Principal	Interest
Year ending June 30:						
2011	\$ 133,332	\$ -	\$ 38,400	\$ -	\$ 65,289	\$ 115,650
2012	133,332	-	38,400	-	68,800	112,139
2013	133,332	-	38,400	-	72,500	108,439
2014	111,130	-	38,400	-	76,400	104,539
2015	-	-	38,400	-	80,508	100,430
2016 - 2020	-	-	174,800	-	1,869,003	103,906
2021 - 2025	-	-	84,800	-	-	-
	<u>\$ 511,126</u>	<u>\$ -</u>	<u>\$ 451,600</u>	<u>\$ -</u>	<u>\$ 2,232,500</u>	<u>\$ 645,103</u>

	Total	
	Principal	Interest
Year ending June 30:		
2011	\$ 237,021	\$ 115,650
2012	240,532	112,139
2013	244,232	108,439
2014	225,930	104,539
2015	118,908	100,430
2016 - 2020	2,043,803	103,906
2021 - 2025	84,800	-
	<u>\$ 3,195,226</u>	<u>\$ 645,103</u>

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 6 – LONG-TERM DEBT OBLIGATIONS (Continued)**

Capital Lease Obligation

In connection with the issuance by the California State University Systemwide Revenue Bonds, 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. In addition, UAS has deferred the net premium, underwriter's discount, bond insurance premium and internal costs of issuance totaling \$927,162. This balance will be amortized over the term of the capital lease and, at June 30, 2010, the unamortized premium was \$752,031. 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, 2010, the total lease interest expense incurred by UAS under this lease was \$1,329,799. The University paid \$1,329,799 and UAS has reimbursed \$1,331,713 to the University. The amount reported due to the university reflects the prior years' capital lease payments which were not made. Such amount totaled \$4,736,310 at June 30, 2010.

The amount of the leased asset is \$29,352,161 and accumulated amortization was \$5,545,563 at June 30, 2010.

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

Year ending June 30:

2011	\$ 1,960,888
2012	1,963,381
2013	1,958,375
2014	1,961,000
2015	1,963,000
2016 - 2020	9,804,000
2020 - 2025	9,806,000
2026 - 2030	9,795,500
2031 - 2033	<u>5,878,500</u>
Total minimum lease payments	45,090,644
Less amount representing interest	<u>(18,255,644)</u>
Present value of future minimum lease payments	<u>\$ 26,835,000</u>

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**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. Under terms of the agreement, UAS receives a fixed fee of not less than \$504,000 per year. This fee is to cover the management rights of the bookstore, 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, 2010 UAS recognized \$609,477, in rental income from the bookstore lease. Under the terms of the agreement, UAS also receives a fixed fee of \$35,000 per year to cover utility expenses and \$55,000 unrestricted contribution to support UAS operation.

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 options to extend on a revolving basis under the same terms and conditions, as defined in the agreements. During the year ended June 30, 2010 UAS recognized \$552,192, 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 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, 2010 were \$265,599.

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, 2010 were \$102,399. Both plans include eligible grants and contracts staff.

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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

Plan Description

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

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 50 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. 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 through 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 2010 is:

Employee only	\$ 478
Two party	909
Family	1,167

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 fiscal year ended June 30, 2010 UAS contributed \$82,039, 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. 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, 2010**

**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 fiscal year ended June 30, 2010, the amount actually contributed to the plan, and changes in UAS' net OPEB obligation.

Annual required contribution	\$ 626,293
Interest on net OPEB obligation	44,898
Adjustment to annual required contribution	<u>(35,111)</u>
Annual OPEB cost (expense)	636,080
Contributions made	<u>(82,039)</u>
Increase in net OPEB obligation	554,041
Net OPEB obligation - beginning of year	<u>997,727</u>
Net OPEB obligation - end of year	<u><u>\$ 1,551,768</u></u>

UAS' annual OPEB cost, actual contributions, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008, 2009 and 2010 were as follows:

Year Ended	Annual OPEB Cost	Actual Contributions	OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 636,080	\$ 82,039	13%	\$ 1,551,768
6/30/2009	578,955	62,674	11%	997,727
6/30/2008	533,166	51,720	10%	481,446

Funded Status and Funding Progress

The following reflects the funded status of the plan as of July 1, 2009:

Actuarial value of plan assets	<u>\$ -</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 4,348,600</u></u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 4,006,891
UAAL as a percentage of covered payroll	108.5%

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2010**

**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 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

In the July 1, 2009 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions used to determine the annual required contribution included a 4.50 percent investment rate of return, (net of administrative expenses) and an annual blended healthcare trend rate of 8.2 percent initially, reduced by decrements to an ultimate rate of 5.5 percent after ten years. A 3.25 percent 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 \$6,776 to age 64 with an annual cost of \$9,848. 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. 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**

Operating Lease

UAS leases various equipment under noncancelable lease arrangements that expire at various dates through December 2011. The future aggregate minimum rental commitments for noncancelable operating leases amount to \$38,645.

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 10 – COMMITMENTS AND CONTINGENCIES (Continued)**

Operating Lease (Continued)

Fiscal Year Ending June 30

2011	20,540
2012	<u>18,105</u>
Total	<u>\$ 38,645</u>

**NOTE 11 - RELATED PARTY TRANSACTIONS**

University Auxiliary Services, Inc. (UAS) is one of the four recognized auxiliary organizations of California State University Los Angeles 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 \$6,999,134 for the year ended June 30, 2010. This amount included \$1,961,713 of the capital lease principal and interest expenses payment.

UAS received \$2,227,009 from the University for providing, catering and campus program services, space to the University for the usage as classrooms, special events, facilities of Extended Education Division, and temporary facilities of University’s Facilities, Planning and Construction, and Property Management departments through the reconstruction of the Corporation Yard building.

In April 2005, UAS was assisted by the CSU and participated in the California State University Systemwide Revenue Bonds (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 University Student Union (USU), a related party, 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 Systemwide Revenue Bonds 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 revenue enhancements and expense reductions that UAS has made during the fiscal year. These enhancements include leasing of the Television Film and Media Studies building space to the University, as well as negotiating additional space rental to outside entities; and renegotiating the current agreements with AT&T and Dolcini to improve the revenue streams. In addition, the organization continued to evaluate internal costs in an effort to reduce expenses, including staff reductions, reorganizations, and outsourcing of the facilities maintenance services functions to the

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 12 – LIQUIDITY (Continued)**

University. With these revenue enhancements and cost reduction plans in place UAS is expected to improve its bottom line in the commercial and administrative operations. Although the changes implemented have improved fiscal viability, during the 2009/10 fiscal year, much of the improvements in cash flow were offset by increased trust activities where total expenses exceeded total revenues by \$290,000.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.  
SCHEDULE OF FUNDING PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2010**

Schedule of Funding Progress - Other Post Employment Benefits

	A	B	C	D	E	F
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL) (B - A)	Funded Ratio (A / B)	Covered Payroll	UAAL as Percentage of Covered Payroll ((B - A) / E)
7/1/2007	\$ -	\$ 3,332,335	\$ 3,332,335	0.0%	\$ 3,766,933	88.5%
7/1/2008	-	3,825,048	3,825,048	0.0%	4,253,597	89.9%
7/1/2009	-	4,348,600	4,348,600	0.0%	4,006,891	108.5%

**SUPPLEMENTAL INFORMATION**

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

Schedule of Net Assets

June 30, 2010

(for inclusion in the California State University)

Assets:

Current assets:

Cash and cash equivalents	\$ 1,818,474
Short-term investments	—
Accounts receivable, net	5,263,413
Leases receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	—
Prepaid expenses and other assets	88,624
	<hr/>
Total current assets	7,170,511

Noncurrent assets:

Restricted cash and cash equivalents	—
Accounts receivable, net	—
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	28,487,653
Other assets	—
	<hr/>
Total noncurrent assets	28,487,653
	<hr/>
Total assets	35,658,164

Liabilities:

Current liabilities:

Accounts payable	1,454,244
Accrued salaries and benefits payable	128,064
Accrued compensated absences— current portion	352,119
Deferred revenue	3,943,497
Capitalized lease obligations – current portion	655,000
Long-term debt obligations – current portion	237,021
Self-insurance claims liability - current portion	—
Depository accounts	—
Other liabilities	1,602,918
	<hr/>
Total current liabilities	8,372,863

Noncurrent liabilities:

Accrued compensated absences, net of current portion	25,536
Deferred revenue	—
Grants refundable	—
Capitalized lease obligations, net of current portion	26,932,031
Long-term debt obligations, net of current portion	2,958,205
Self-insurance claims liabilities, net of current portion	—
Depository accounts	—
Other postemployment benefits obligation	1,469,729
Other liabilities	4,736,710
	<hr/>
Total noncurrent liabilities	36,122,211
	<hr/>
Total liabilities	44,495,074

Net assets:

Invested in capital assets, net of related debt	(2,294,604)
Restricted for:	
Nonexpendable – endowments	—
Expendable:	
Scholarships and fellowships	—
Research	—
Loans	—
Capital projects	—
Debt service	—
Other	—
Unrestricted	(6,542,306)
	<hr/>
Total net assets	\$ (8,836,910)

See accompanying notes to the supplemental schedules.

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

Schedule of Revenues, Expenses, and Changes in Net Assets

Year Ended June 30, 2010

(for inclusion in the California State University)

Revenues:

Operating revenues:

Student tuition and fees (net of scholarship allowances of \$_____)	\$	—
Grants and contracts, noncapital:		
Federal		21,598,500
State		2,899,466
Local		324,180
Nongovernmental		1,236,929
Sales and services of educational activities		1,807,590
Sales and services of auxiliary enterprises (net of scholarship allowances of \$_____)		3,571,821
Other operating revenues		267,954
		<hr/>
Total operating revenues		31,706,440

Expenses:

Operating expenses:

Instruction		25,790,580
Research		—
Public service		—
Academic support		—
Student services		—
Institutional support		2,098,028
Operation and maintenance of plant		1,676,524
Student grants and scholarships		—
Auxiliary enterprise expenses		—
Depreciation and amortization		1,889,479
		<hr/>
Total operating expenses		31,454,611
		<hr/>
Operating income (loss)		251,829

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		3,314
Endowment income (loss), net		—
Interest Expenses		(1,336,928)
Other nonoperating revenues (expenses)		—
		<hr/>
Net nonoperating revenues (expenses)		(1,333,614)
		<hr/>
Income (loss) before other additions		(1,081,785)

State appropriations, capital

Grants and gifts, capital		—
Additions (reductions) to permanent endowments		—
		<hr/>
Increase (decrease) in net assets		(1,081,785)

Net assets:

Net assets at beginning of year, as previously reported		(7,755,125)
Restatements		—
		<hr/>
Net assets at beginning of year, as restated		(7,755,125)
		<hr/>
Net assets at end of year	\$	<u>(8,836,910)</u>

See accompanying notes to the supplemental schedules.



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

Other Information

June 30, 2010

(for inclusion in the California State University)

**3.1 Composition of capital assets at June 30, 2010:**

	Balance June 30, 2009	Prior period Adjustments	Reclassifications	Balance June 30, 2009 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2010
Nondepreciable capital assets:								
Land and land improvements	\$ 325,819	-	-	325,819	315,000	(1,819)	-	639,000
Works of art and historical treasures	-	-	-	-	-	-	-	-
Construction work in progress (CWIP)	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-
Total nondepreciable capital assets	325,819	-	-	325,819	315,000	(1,819)	-	639,000
Depreciable capital assets:								
Buildings and building improvements	30,193,140	-	-	30,193,140	2,035,000	-	-	32,228,140
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-
Personal property:								
Equipment	9,562,040	-	-	9,562,040	243,660	-	-	9,805,700
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-
Total depreciable capital assets	39,755,180	-	-	39,755,180	2,278,660	-	-	42,033,840
Total capital assets	40,080,999	-	-	40,080,999	2,593,660	(1,819)	-	42,672,840
Less accumulated depreciation:								
Buildings and building improvements	(4,748,364)	-	-	(4,748,364)	(979,528)	-	-	(5,727,892)
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-
Personal property:								
Equipment	(7,513,721)	-	-	(7,513,721)	(943,574)	-	-	(8,457,295)
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-
Total accumulated depreciation	(12,262,085)	-	-	(12,262,085)	(1,923,102)	-	-	(14,185,187)
Total capital assets, net	\$ 27,818,914	-	-	27,818,914	670,558	(1,819)	-	28,487,653

**3.2 Detail of depreciation and amortization expense for the year ended June 30, 2010:**

Depreciation and amortization expense related to capital assets	\$ 1,923,102
Amortization expense related to other assets	(33,623)
Total depreciation and amortization	\$ 1,889,479

**3.3 Detail of intangible assets as of June 30, 2010:**

	Nonamortizable	Amortizable	Accumulated Amortization
Easements	-	-	-
Rights	-	-	-
Websites	-	-	-
Computer software	-	-	-
Licenses and permits	-	-	-
Patents	-	-	-
Copyrights	-	-	-
Trademarks	-	-	-
Others (please list):			
Add description	-	-	-
Add description	-	-	-
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Add description	-	-	-
Add description	-	-	-
<b>Total Intangible Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

Other Information

June 30, 2010

(for inclusion in the California State University)

**4 Long-term liabilities activity schedule:**

	Balance June 30, 2009	Prior period adjustments	Reclassifications	Balance June 30, 2009 (restated)	Additions	Reductions	Balance June 30, 2010	Current portion	Long-term portion
Accrued compensated absences	\$ 431,836	—	—	431,836	297,938	(352,119)	377,655	352,119	25,536
Capitalized lease obligations:									
Gross balance	27,465,000	—	—	27,465,000	-	(630,000)	26,835,000	655,000	26,180,000
Unamortized premium / (discount) on capitalized lease obligations	785,655	—	—	785,655	-	(33,624)	752,031	—	752,031
Total capitalized lease obligations	28,250,655	—	—	28,250,655	-	(663,624)	27,587,031	655,000	26,932,031
Long-term debt obligations:									
Revenue Bonds	—	—	—	—	-	-	—	—	—
Other bonds (non-Revenue Bonds)	—	—	—	—	-	-	—	—	—
Commercial Paper	—	—	—	—	-	-	—	—	—
Other:									
Notes Payable University	—	—	—	—	-	-	—	—	—
Notes Payable University Student Union	490,000	—	—	490,000	-	(38,400)	451,600	38,400	413,200
Notes Payable Foundation	84,763	—	—	84,763	-	(84,763)	—	—	—
Unrelated Corporation (Franchisee)	644,458	—	—	644,458	-	(133,332)	511,126	133,332	377,794
Unrelated Corporation (FCU)	—	—	—	—	2,232,500	-	2,232,500	65,289	2,167,211
Due to University	4,738,624	—	(4,738,624)	—	—	—	—	—	—
Total long-term debt obligations	5,957,845	—	(4,738,624)	1,219,221	2,232,500	(256,495)	3,195,226	237,021	2,958,205
Unamortized bond premium / (discount)	—	—	—	—	-	-	—	—	—
Unamortized loss on refunding	—	—	—	—	-	-	—	—	—
Total long-term debt obligations, net	5,957,845	—	(4,738,624)	1,219,221	2,232,500	(256,495)	3,195,226	237,021	2,958,205
Total long-term liabilities	\$ 34,640,336	—	(4,738,624)	29,901,712	2,530,438	(1,272,238)	31,159,912	1,244,140	29,915,772

**5 Future minimum lease payments - capital lease obligations:**

	Principal	Interest	Principal and Interest
Year ending June 30:			
2011	655,000	1,305,888	1,960,888
2012	685,000	1,278,381	1,963,381
2013	705,000	1,253,375	1,958,375
2014	740,000	1,221,000	1,961,000
2015	780,000	1,183,000	1,963,000
2016 - 2020	4,530,000	5,274,000	9,804,000
2021 - 2025	5,820,000	3,986,000	9,806,000
2026 - 2030	7,460,000	2,335,500	9,795,500
2031 - 2035	5,460,000	418,500	5,878,500
2036 - 2040	-	-	—
2041 - 2045	-	-	—
2046 - 2050	-	-	—
2051 - 2055	-	-	—
2056 - 2060	-	-	—
Total minimum lease payments			45,090,644
Less amounts representing interest			(18,255,644)
Present value of future minimum lease payments			26,835,000
Less: current portion			(655,000)
<b>Capitalized lease obligation, net of current portion</b>			\$ 26,180,000

See accompanying notes to the supplemental schedules.

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**  
 Other Information  
 June 30, 2010  
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**6 Long-term debt obligation schedule**

	Revenue Bonds			All other long-term debt obligations			Total		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
Year ending June 30:									
2011	\$ -	-	-	237,021	115,650	352,671	237,021	115,650	352,671
2012	-	-	-	240,532	112,139	352,671	240,532	112,139	352,671
2013	-	-	-	244,232	108,439	352,671	244,232	108,439	352,671
2014	-	-	-	225,930	104,539	330,469	225,930	104,539	330,469
2015	-	-	-	118,908	100,430	219,338	118,908	100,430	219,338
2016 - 2020	-	-	-	2,043,803	103,906	2,147,709	2,043,803	103,906	2,147,709
2021 - 2025	-	-	-	84,800	-	84,800	84,800	-	84,800
2026 - 2030	-	-	-	-	-	-	-	-	-
2031 - 2035	-	-	-	-	-	-	-	-	-
2036 - 2040	-	-	-	-	-	-	-	-	-
2041 - 2045	-	-	-	-	-	-	-	-	-
2046 - 2050	-	-	-	-	-	-	-	-	-
2051 - 2055	-	-	-	-	-	-	-	-	-
2056 - 2060	-	-	-	-	-	-	-	-	-
Total	\$ -	-	-	3,195,226	645,103	3,840,329	3,195,226	645,103	3,840,329

**7 Calculation of net assets**

	Auxiliary Organizations		Total
	GASB	FASB	Auxiliaries
<b>7.1 Calculation of net assets - Invested in capital assets, net of related debt</b>			
Capital assets, net of accumulated depreciation	\$ 28,487,653	—	28,487,653
Capitalized lease obligations - current portion	(655,000)	—	(655,000)
Capitalized lease obligations, net of current portion	(26,932,031)	—	(26,932,031)
Long-term debt obligations - current portion	(237,021)	—	(237,021)
Long-term debt obligations, net of current portion	(2,958,205)	—	(2,958,205)
Portion of outstanding debt that is unspent at year-end	—	—	—
Other adjustments: (please list)			
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Net assets - invested in capital assets, net of related debt	\$ (2,294,604)	—	(2,294,604)

**7.2 Calculation of net assets - 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	—	—	—
Net assets - Restricted for nonexpendable - endowments per SNA	\$ —	—	—

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

Other Information

June 30, 2010

(for inclusion in the California State University)

**8 Transactions with Related Entities**

	<u>Amount</u>
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 3,231,988
Payments to University for other than salaries of University personnel	3,767,146
Payments received from University for services, space, and programs	2,227,009
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)	(5,103,491)
Other amounts (payable to) University (enter as negative number)	—
Accounts receivable from University	167,125
Other amounts receivable from University	—

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

Annual required contribution (ARC)	\$ 626,293
Interest on net OPEB obligation and adjustment to ARC	9,787
Contributions during the year	<u>(82,039)</u>
Increase (decrease) in net OPEB obligation (NOO)	554,041
NOO - beginning of year	997,727
NOO - end of year	\$ <u><u>1,551,768</u></u>

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

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

	<u>Net Asset</u>	<u>Amount</u>
	<u>Class</u>	<u>Dr. (Cr.)</u>
Net assets as of June 30, 2009, as previously reported		\$ (7,755,125)
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)		—
Net assets as of June 30, 2009, as restated		\$ <u><u>(7,755,125)</u></u>

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

Other Information

June 30, 2010

(for inclusion in the California State University)

**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 asset class: _____ 1 (breakdown of adjusting journal entry)	\$ —	—
Net asset class: _____ 2 (breakdown of adjusting journal entry)	—	—
Net asset class: _____ 3 (breakdown of adjusting journal entry)	—	—
Net asset class: _____ 4 (breakdown of adjusting journal entry)	—	—
Net asset class: _____ 5 (breakdown of adjusting journal entry)	—	—
Net asset class: _____ 6 (breakdown of adjusting journal entry)	—	—
Net asset class: _____ 7 (breakdown of adjusting journal entry)	—	—
Net asset class: _____ 8 (breakdown of adjusting journal entry)	—	—
Net asset class: _____ 9 (breakdown of adjusting journal entry)	—	—
Net asset class: _____ 10 (breakdown of adjusting journal entry)	—	—

**CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.**  
**NOTE TO SUPPLEMENTAL SCHEDULES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**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 May 26, 2010. As a result, these schedules do not purport to represent financial statements prepared fully in accordance with generally accepted accounting standards applicable to governmental not-for-profit organizations.