

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, 2020

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Cal State East Bay Educational Foundation, Inc.

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Year Ended June 30, 2020

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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 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, 2020, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents to 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 o -1.14ussion

Cal State East Bay Educational Foundation, Inc.
Management's Discussion and Analysis
Year Ended June 30, 2020
(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, 2020. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes.

Financial Highlights

Current assets decreased by \$2.5 million primarily due to change in the investment portfolio value resulting from the global pandemic's negative impact on market volatility and valuation.

Operating expenses increased by \$190,000 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 decreased by \$1.4 million due to the global pandemic negatively impacting investment returns causing significant losses on the value of invested funds as compared to the previous 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. 34, 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). Consistent with the University, the Educational Foundation has adopted the Business-Type Activity (BTA) reporting model to represent its activities.

Cal State East Bay Educational Foundation, Inc.
Management's Discussion and Analysis (Continued)
Year Ended June 30, 2020
(Unaudited)

A summary of key financial statement information is presented below:

Statement of Net Position

	2020	2019
Assets:		
Current assets	\$ 5,142,498	\$ 7,637,478
Noncurrent assets	14,855,172	13,290,318
Total Assets	19,997,670	20,927,796
Liabilities:		
Current liabilities	657,428	693,710
Net Position:		
Restricted:		
Nonexpendable	13,956,477	13,054,142
Expendable	4,942,419	6,743,187
Unrestricted	441,346	436,757
Total net position	\$ 19,340,242	\$ 20,234,086

Assets

Current assets decreased by \$2.5 million or 33% primarily due to a \$1.9 million decrease in the value of the investment portfolio and a \$680,000 decrease in pledge receivable. Investment decreased due to the global pandemic's negative impact on market volatility and valuation. Additionally, pledges decreased due to the completion of previous year pledges. These decreases were partially offset by small increase in cash and accounts receivable as compared to the previous year.

Noncurrent assets increased by \$1.6 million or 12% in fiscal year 2020. The increase was from the \$900,000 increase in additions to permanent endowments during the year and a \$660,000 increase in noncurrent pledge receivables attributable to the increase of new pledges received during the year.

Liabilities

Current liabilities decreased by \$36,000 or 5% due to a \$76,000 lower gains on the value of invested agency funds as compared to the prior year, offset by a \$39,000 increase in accounts payable due to the timing of the payment for campus cost recovery charges.

Net Position

Net position decreased by \$890,000 or 4% in fiscal year 2020 mainly due to the expendable net position, which decreased by a total of \$1.9 million due to the global pandemic negatively impacting investment returns. A \$900,000 increase in nonexpendable net position from additions to permanent endowments received during the year offset this impact.

Cal State East Bay Educational Foundation, Inc.
Management's Discussion and Analysis (Continued)
Year Ended June 30, 2020
(Unaudited)

Cal State East Bay Educational Foundation, Inc.
Statement of Net Position
Year Ended June 30, 2020

ASSETS

Current assets:

Cash	\$ 1,222,839
Investments	2,977,505
Accounts receivable	255,475
Pledge receivable, net	686,679
Total current assets	5,142,498

Noncurrent assets:

See accompanying Notes to Financial Statements.

Cal State East Bay Educational Foundation, Inc.
Statement of Revenues, Expenses, and Changes in Net Position

Cal State East Bay Educational Foundation, Inc.
Statement of Cash Flows
Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from contributors	\$	2,428,997
Payments for contributions to the University		(2,073,014)
Payments for accounting and administrative costs		(198,016)
Other operating cash flows		126,862
Net cash provided by operating activities		284,829

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments		(9,668,085)
Sales of investments		10,428,418
Investment gain, net		(985,177)
Net cash used in investing activities		(224,844)

Net increase in cash 59,985

Cash, beginning of year 1,162,854

Cash, end of year \$ 1,222,839

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income		339,105
Adjustments to reconcile operating income to net cash provided by operating activities		(47,266)

Cal State East Bay Educational Foundation, Inc.
Notes to Financial Statements
June 30, 2020

Cal State East Bay Educational Foundation, Inc.
Notes to Financial Statements (Continued)
June 30, 2020

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

G. Investments

Investments are reflected at fair value using quoted market prices. Earnings, gains, and losses are included in the statements of revenues, expenses, and changes in net position as investment gains (losses), net or investment income, net. Earnings, gains, or losses on donor-restricted endowments are available or deducted from donor-designated purposes, primarily scholarships, and are presented separately under nonoperating revenues (expenses) in the accompanying statement of revenues, expenses, and changes in net position.

Consistent with Cal State East Bay Educational Foundation's Endowment and Investment Policy Statement (Document No.301), *restricted endowment funds are funds for which the donor specifies how the endowed income will be used. Donor gift agreements direct that Restricted Nonexpendable Endowments are to be held in perpetuity with only the investment returns being available for use in accordance with the Educational Foundation endowment spending policy. As such, the investments attributable to the Restricted Nonexpendable Endowments are classified as long-term.*

H. Capital Assets

Capital assets are stated at cost, net of accumulated depreciation. Expenses for maintenance and repairs are charged against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the related asset of three years. The Educational Foundation's property and equipment are fully depreciated and therefore, do not appear in this report.

I. Agency Liabilities

The Educational Foundation administers monies and investments for the California State University East Bay Alumni Association and other University programs. Such funds are reported as agency liabilities in the accompanying statement of net position.

J. In-kind Contributions

In-kind contributions are composed of miscellaneous tangible items and reported at fair value. All items greater than \$5,000 require a professional appraisal and the remainder are valued by the donor.

Cal State East Bay Educational Foundation, Inc.
Notes to Financial Statements (Continued)
June 30, 2020

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cal State East Bay Educational Foundation, Inc.

Notes to Financial Statements (Continued)

June 30, 2020

NOTE 2 INVESTMENTS (CONTINUED)

Investments consist of the following as of June 30, 2020:

Equity securities	\$ 9,246,049
Mutual funds	3,250,420
Corporate bonds	1,842,190
U.S. treasury securities	1,346,625
Municipal bonds	746,017
Money market mutual funds	476,848
U.S. agency securities	25,834
Total	<u>\$ 16,933,982</u>

Nonoperating revenues (expenses), net, consists of the following for the year ended June 30, 2020:

Realized and unrealized losses	\$ (1,423,366)
Interest and dividends, net of fees	190,417
Total	<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

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Cal State East Bay Educational Foundation, Inc.
Notes to Financial Statements (Continued)
June 30, 2020

NOTE 2 INVESTMENTS (CONTINUED)

C. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. Under the Educational Foundation's Investment Policy, no more than five percent (5%) of the total assets of the investments held by Educational Foundation may be invested in the securities of any one issuer. In order to maximize the rate of return in Educational Foundation's long-term investment portfolio while preserving capital and limiting concentration of credit risks, the Educational Foundation's investment policy dictates a diverse asset allocation as follows: equities (10-80%), fixed income (20-50%), cash (0-10%), and alternative investments (10-35%).

D. Interest Rate Risk

This is the risk of loss due to the fair value of an investment falling due to interest rates rising. As a means of limiting this exposure, short-term investments are limited to relatively liquid instruments such as certificates of deposit, savings accounts, federally guaranteed notes and bills, money market mutual funds.

The following indicates the credit and interest rate risk of investments as of June 30, 2020. The credit ratings listed are for Moody's Investor Services.

	Weighted-Average Duration (Years)	Fair Value	AAA	Aa1-Aa3	A1-A3	BA1	Baa1- Baa3	NR
Corporate bonds	4.96	1,842,190						

Cal State East Bay Educational Foundation, Inc.

Notes to Financial Statements (Continued)

June 30, 2020

NOTE 2 INVESTMENTS (CONTINUED)

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The valuation technique utilized to measure the investments is the market approach using prices and other relevant information generated by market transactions involving identical or comparable assets.

Money Market Funds are not categorized under the fair value hierarchy and are shown at Net Asset Value (NAV). These investments are measured at amortized cost when calculating NAV per share (or its equivalent) of the investment.

The following shows the investments by fair value level as of June 30, 2020:

Investment by Fair Value Level	Total	Quoted Prices	Significant Other	NAV
		in Active Markets for Identical Assets	Observable Inputs	
		Level 1	Level 2	
Corporate bonds	\$ 1,842,190	\$ -	\$ 1,842,190	\$ -
Equity securities	9,246,049	9,246,049		-
Mutual funds	3,250,420	-	3,250,420	-
U.S. treasury securities	1,346,625	-	1,346,625	-
Municipal bonds	746,017	-	746,017	-
Money market mutual funds	476,848	-		476,848
U.S. agency securities	25,834	-	25,834	-
Total investments by fair value level	16,933,982			

Cal State East Bay Educational Foundation, Inc.
Notes to Financial Statements (Continued)
June 30, 2020

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, collectively known as the Auxiliaries)) as well as transactions with the University itself.

The Educational Foundation reimburses the University for certain services to Educational Foundation. The fees for these services for the year ended June 30, 2020 was \$114,372. During the year ended June 30, 2020, the Educational Foundation paid cash and contributed in-kind gifts of \$2,061,792 and \$7,654, respectively to the University. Fees of \$60,403 for services rendered in relation to these gifts were deducted from the contributions. These amounts are included as contributions to support activities of the University in the accompanying statement of revenues, expenses, and changes in net position. Accounts payable to California State University, East Bay at June 30, 2020 was \$45,943.

At June 30, 2020, the Educational Foundation had pledges receivable from members and officers of the Board of Directors in the amount of \$81,051, net of allowances for doubtful accounts and discounts. These pledges receivable mature at various dates through 2025.

NOTE 5 FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of revenues, expenses, and changes in net position. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**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, 2020

Assets:

Current assets:

Cash and cash equivalents	\$	1,222,839
Short-term investments		2,977,505
Accounts receivable, net		255,475
Capital lease receivable, current portion		-
Notes receivable, current portion		-
Pledges receivable, net		686,679
Prepaid expenses and other current assets		-

Total current assets \$ 4,142,508

Cal State East Bay Educational Foundation, Inc.
Schedule of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2020

Revenues:	
Operating revenues:	
Student tuition and fees, gross	\$ -
Scholarship allowances (enter as negative)	-
Grants and contracts, noncapital:	
Federal	-
State	-
Local	-
Nongovernmental	-
Sales and services of educational activities	-
Sales and services of auxiliary enterprises, gross	-
Scholarship allowances (enter as negative)	-
Other operating revenues	-
Total operating revenues	-
Expenses:	
Operating expenses:	
Instruction	-
Research	-
Public service	-
Academic support	-
Student services	-
Institutional support	-
Operation and maintenance of plant	-
Student grants and scholarships	-
Auxiliary enterprise expenses	2,271,030
Depreciation and amortization	-
Total operating expenses	2,271,030
Operating income (loss)	(2,271,030)
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	1,424,899
Investment income (loss), net	(1,423,366)
Endowment income (loss), net	190,417
Interest expense	-
Other nonoperating revenues (expenses) - excl. interagency transfers	201,582
Net nonoperating revenues (expenses)	393,532
Income (loss) before other revenues (expenses)	(1,877,498)
State appropriations, capital	-
Grants and gifts, capital	80,367
Additions (reductions) to permanent endowments	903,287
Increase (decrease) in net position	(893,844)
Net pos 9.5 , capital	

Cal State East Bay Educational Foundation, Inc.
Other Information
Year Ended June 30, 2020

1 Cash and cash equivalents:

Portion of restricted cash and cash equivalents related to endowments	
All other restricted cash and cash equivalents	
Noncurrent restricted cash and cash equivalents	-
Current cash and cash equivalents	1,222,839
Total	\$ 1,222,839

2.1 Composition of investments:

Investment Type	Current	Noncurrent	Fair Value
Money market funds	88,444	393,004	476,848
Repurchase agreements			-
Certificates of deposit			-
U.S. agency securities	4,542	21,291	25,833
U.S. treasury securities	236,777	1,023,740	1,260,517

Cal State East Bay Educational Foundation, Inc.
Other Information (Continued)
Year Ended June 30, 2020

2.2 Fair value hierarchy in investments:

Investment Type	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Money market funds	\$ 476,848				476,848
Repurchase agreements	-				
Certificates of deposit	-				
U.S. agency securities	25,834		25,834		
U.S. treasury securities	1,346,625		1,346,625		
Municipal bonds	746,017		746,017		
Corporate bonds	1,842,190		1,842,190		
Asset backed securities	-				
Mortgage backed securities	-				
Commercial paper	-				
Mutual funds	3,250,420		3,250,420		
Exchange traded funds	-				
Equity securities	9,246,049	9,246,049			
Alternative investments:					
Private equity (including limited partnerships)	-				
Hedge funds	-				
Managed futures	-				
Real estate investments (including REITs)	-				
Commodities	-				
Derivatives	-				
Other alternative investment	-				
Other external investment pools	-				
CSU Consolidated Investment Pool (formerly SWIFT)	-				
State of California Local Agency Investment Fund (LAIF)	-				
State of California Surplus Money Investment Fund (SMIF)	-				
Other investments:	-				
	-				
	-				
	-				
	-				
Total Other investments	\$ -	-	-	-	-
Total investments	16,933,982	9,246,049	7,211,086	-	476,848

2.3 Investments held by the University under contractual agreements:

	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, 2019	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2019 (Restated)	Additions	Retirements	Transfer of completed CWIP/PWIP	Balance June 30, 2020 (Restated)
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	\$ -	-	-	-	\$ -	-	-	-	\$ -

Cal State East Bay Educational Foundation, Inc.
Other Information (Continued)
Year Ended June 30, 2020

Depreciable/Amortizable capital assets:			
Buildings and building improvements	-	-	-
Improvements, other than buildings	-	-	-
Infrastructure	-	-	-
Leasehold improvements	-	-	-
Personal property:			
Equipment	-	-	-
Library books and materials	-	-	-
Intangible assets:			
Software and websites	112,000	112,000	112,000
Rights and easements	-	-	-
Patents, copyrights and trademarks	-	-	-
Licenses and permits	-	-	-
Other intangible assets:	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
Total Other intangible assets:	-	-	-
Total intangible assets	112,000	112,000	112,000
Total depreciable/amortizable capital assets	112,000	112,000	112,000

Cal State East Bay Educational Foundation, Inc.
Other Information (Continued)
Year Ended June 30, 2020

Cal State East Bay Educational Foundation, Inc.
Other Information (Continued)
Year Ended June 30, 2020

6 Long-term debt obligations schedule:

	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
Year ending June 30:									
2021			-			-			-
2022			-			-			-
2023			-			-			-
2024			-			-			-
2025			-			-			-
2026 - 2030			-			-			-
2031 - 2035			-			-			-
2036 - 2040			-			-			-
2041 - 2045			-			-			-
2046 - 2050			-			-			-
Thereafter			-			-			-
Total minimum payments	\$	-	-			-			-
Less: amounts representing interest									
Present value of future minimum payments									
Unamortized net premium/(discount)									
Total long-term debt obligations									
Less: current portion									
Long-term debt obligations, net of current portion									

7 Transactions with related entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs	
Payments to University for other than salaries of University personnel	114,372
Payments received	

Cal State East Bay Educational Foundation, Inc.
Other Information (Continued)
Year Ended June 30, 2020

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	-	-	-	-	-	-	-	-
Academic support	-	-	-	-	-	-	-	-
Student services	-	-	-	-	-	-	-	-
Institutional support	-	-	-	-	-	-	-	-

Cal State East Bay Educational Foundation, Inc.

Note to Supplementary Schedules

Year Ended June 30, 2020

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 differe

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an SEC-registered investment advisor. | CliftonLarsonAllen LLP

