

California State University, Bakersfield
Net Operating Budget - Direct Institutional Support for Athletics
for the year ended June 30, 2017

<u>Division</u>	<u>College/Area</u>	<u>Account Category</u>	<u>Original Base</u>	<u>Adjustment</u>	<u>Final Budget</u>	<u>Adjustment</u>	<u>Audit Report</u>
D2300 - Student Affairs	D10800 - Athletics	601 - Salaries and Wages	3,292,629	0	3,292,629	0	3,292,629
		660 - Operating Expenses	550,000	14,203 (5)	564,203	(12,832) (8)	551,371
			<u>3,842,629</u> (1)	<u>14,203</u>	<u>3,856,832</u> (1)	<u>(12,832)</u>	<u>3,844,000</u>
D900000 - Campus Wid	D900000 - Campus Wid	603 - Benefits	1,517,991 (2)	193,766 (6)	1,711,757	0	1,711,757
			<u>5,360,620</u> (3)	<u>207,969</u>	<u>5,568,589</u>	<u>(12,832)</u>	<u>5,555,757</u>
D900000 - Campus Wid	D900000 - Campus Wid	660 - Operating Expenses	339,317 (4)	0	339,317	0	339,317
		Non-general Operating Funds	0	76,360 (7)	76,360	0	76,360
		Direct Institutional Support	<u>5,699,937</u>	<u>284,329</u>	<u>5,984,266</u>	<u>(12,832)</u>	<u>5,971,434</u> (9)

Notes:

- (1) Agrees with Athletics as reported on Base Budget Operating Fund - by Department and Account Category
- (2) Athletics portion of campus wide benefits
- (3) Agrees with Athletics as reported on Net Operating Budget - allocated Centralized Benefits
- (4) Athletics portion of campus wide insurance (204,407) and memberships (134,910)
- (5) Athletics outstanding purchase orders from prior year
- (6) Athletics portion of campus wide increased cost of benefits
- (7) Athletics funding provided by non-general operating funds
- (8) Athletics one-time revenue offset to operating expenses
- (9) Agrees with Independent Auditor's Report, Statement of Revenues and Expenses, line 4 - Direct Institutional Support

California State University, Bakersfield

Financial Statement of the Intercollegiate Athletics
Department

Year Ended June 30, 2017



CALIFORNIA STATE UNIVERSITY, BAKERSFIELD

Financial Statement

Year Ended June 30, 2017

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statement:	
Statement of Revenues and Expenses	2
Notes to Financial Statement	4

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
California State University, Bakersfield

We have audited the accompanying financial statement of California State University, Bakersfield's Intercollegiate Athletics Department, which comprise the statement of revenues and expenses as of June 30, 2017 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of these financial statement 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 statement that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of California State University, Bakersfield's Intercollegiate Athletics Department as of June 30, 2017 in accordance with accounting principles generally accepted in the United States of America.

Aldrich CPAs + Advisors LLP

San Diego, California
October 4, 2018

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD

Statement of Revenues and Expenses

Year Ended June 30, 2017

Revenues	Football*	Men's Basketball	Women's Basketball	Other Sports	Non- Program Specific	Total
Operating Revenues:						
1 Ticket Sales	\$ -	\$ 164,055	\$ 28,642	\$ 100,185	\$ 1,505	\$ 294,387
2 Direct State or Other Government Support	-	-	-	-	-	-
3 Student Fees	-	-	-	-	3,637,627	3,637,627
4 Direct Institutional Support	-	-	-	-	5,971,434	5,971,434
5 Less - Transfers to Institution	-	-	-	-	-	-
6 Indirect Institutional Support	-	-	-	-	1,363,000	1,363,000
6a Indirect Institutional Support-Athletic Facilities Debt Service, Lease and Rental Fees	-	-	-	-	-	-
7 Guarantees	-	260,000	55,000	9,750	-	324,750
8 Contributions	-	162,344	10,641	900,138	744,878	1,818,001
9 In-Kind	-	-	-	-	82,412	82,412
10 Compensation and Benefits Provided by a Third Party	-	8,500	8,500	-	20,892	37,892
11 Media Rights	-	-	-	-	-	-
12 NCAA Distributions	-	33,398	-	-	604,295	637,693
13 Conference Distributions (Non Media or Bowl)	-	-	-	-	-	-
14 Program, Novelty, Parking and Concession Sales	-	481	100	2,815	-	3,396
15 Royalties, Licensing Advertisements and Sponsorships	-	-	-	-	125,432	125,432
16 Sports Camp Revenues	-	64,203	8,225	97,378	-	169,806
17 Athletics Restricted Endowment and Investments Income	-	-	-	-	377,224	377,224
18 Other Operating Revenue	-	86,177	48,732	221,356	215,473	571,738
19 Bowl Revenues	-	-	-	-	-	-
Subtotal Operating Revenues	<u>\$ -</u>	<u>\$ 779,158</u>	<u>\$ 159,840</u>	<u>\$ 1,331,622</u>	<u>\$ 13,144,172</u>	<u>\$ 15,414,792</u>

*California State University, Bakersfield Intercollegiate Athletics Department does not have a football program.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD

Statement of Revenues and Expenses

Year Ended June 30, 2017

Expenses	Football*	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
Operating Expenses:						
20 Athletics Student Aid	\$ -	\$ 461,402	\$ 445,724	\$ 1,723,856	\$ 19,998	\$ 2,650,980
21 Guarantees	-	12,000	6,000	18,841	-	36,841
22 Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities	-	786,896	417,222	1,783,433	79,766	3,067,317
23 Coaching Salaries, Benefits and Bonuses Paid by a Third Party	-	8,500	8,500	-	-	17,000
24 Support Staff/Administrative Compensation Benefits and Bonuses Paid by the University and Related Entities	-	35,759	30,154	-	2,343,453	2,409,366
25 Support Staff/Administrative Compensation Benefits and Bonuses Paid by a Third-Party	-	-	-	-	20,892	20,892
26 Severance Payments	-	-	-	49,605	-	49,605
27 Recruiting	-	96,561	57,671	80,357	3,530	238,119
28 Team Travel	-	406,201	142,468	1,025,504	52,875	1,627,048
29 Sports Equipment, Uniforms, and Supplies	-	65,001	38,316	253,414	4,889	361,620
30 Game Expenses	-	68,350	61,400	111,602	83,842	325,194
31 Fund Raising, Marketing, and Promotion	-	7,505	1,599	32,261	413,016	454,381
32 Sports Camp Expenses	-	66,930	11,823	61,592	-	140,345
33 Spirit Groups	-	-	-	-	310,498	310,498
34 Athletic Facilities Debt Service, Leases and Rental Fees	-	-	-	-	1,084	1,084
35 Direct Overhead and Administrative Expenses	-	4,250	484	119,397	58,463	182,594
36 Indirect Institutional Support	-	-	-	-	1,363,000	1,363,000
37 Medical Expenses and Insurance	-	4,516	-	34,094	234,995	273,605
38 Memberships and Dues	-	1,740	790	16,314	141,536	160,380
39 Student-Athlete Meals	-	1,051	-	-	12,250	13,301
40 Other Operating Expenses	-	65,476	71,592	350,243	1,998,254	2,485,565
41 Bowl Expenses	-	-	-	-	-	-
Total Operating Expenses	-	2,092,138	1,293,743	5,660,513	7,142,341	16,188,735
Excess (Deficiency) of Revenues Over (Under) Expenses	\$ -	\$ (1,312,980)	\$ (1,133,903)	\$ (4,328,891)	\$ 6,001,831	\$ (773,943)

*California State University, Bakersfield Intercollegiate Athletics Department does not have a football program.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD

Notes to Financial Statement

Year Ended June 30, 2017

Note 1 – Organization and Summary of Significant Accounting Policies

Nature of Activities

The California State University, Bakersfield Intercollegiate Athletics Department (Athletics) is a program within the campus of California State University, Bakersfield (University) with funding sources from Associated Students, California State University, Bakersfield, Inc., California State University, Bakersfield Foundation, and California State University, Bakersfield (collectively, the Entities).

Athletics' vision is to develop Champions of Life through a commitment to academic excellence, an outstanding student-athlete experience, competitive success, and community engagement. Priorities include investing in relationships to promote individual growth and collective success, working internally on intentional actions that produce results, and developing best-in-class service to supporters, known as 'Runner Nation.

Men's sports include basketball, soccer, swimming & diving, track & field, baseball, and wrestling. Women's sports include basketball, soccer, swimming & diving, track & field, softball, volleyball, beach volleyball, cross country, and golf.

Basis of Presentation

The Entities follow accounting principles generally accepted in the United States of America and prepare Athletics' financial statement on the accrual basis.

Use of Estimates

The preparation of financial statement, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition

All contributions are considered available for Athletics' general programs unless specifically restricted by the donor and may be temporarily or permanently restricted.

Student Fees

During the year ended June 30, 2017, the Entities converted from a quarterly-based academic year to a semester-based academic year. Each matriculated student of the University was required to pay student fees, of which \$193 per student was allocated to Athletics per semester, for the year ended June 30, 2017. These payments support Athletics' operations and are recognized as revenue ratably over the course of the term. It is the policy of management to review the outstanding student fees receivable at year-end, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts. There was no net effect of the changes in the allowance for uncollectible student accounts for the year ended June 30, 2017.

Contributions

Promises that are expected to be collected within one year are recorded at their net realizable value. Promises that are expected to be collected in future years are discounted to their estimated net present value. After promises are originally recorded, an allowance for uncollectible promises may be established based on specific circumstances. The net effect of the changes in the discount on and allowance for promises to give was \$10,887 for the year ended June 30, 2017 and is included in Contributions in the statement of revenues and expenses. Promises to give are discounted using an average imputed interest rate of 3%.

In-Kind

Contributions of tangible assets are recognized at fair market value when received.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD

Notes to Financial Statement

Year Ended June 30, 2017

Note 1 – Organization and Summary of Significant Accounting Policies, continued

Athletics Restricted Endowment and Investments Income

All Athletics-related investments (endowed) are held by California State University, Bakersfield Foundation (Foundation). The fair value of investments is determined using quoted market prices. Alternative investments, for which quoted market prices are not readily available, are valued at fair value by the investment manager based on factors deemed relevant by the manager including, but not limited to, market conditions, purchase price, estimated liquidation value, restrictions on transfer and meaningful third party transactions in the private market. Because of the inherent uncertainty of valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material. Unrealized gains and losses are included in Athletics Restricted Endowment and Investments Income in the statement of revenues and expenses.

Depreciation Expense

The Entities expense all expenditures for property and equipment below \$5,000. Expenditures for maintenance and repairs are charged against operations. Depreciation is computed on the straight-line method over estimated useful lives of three to 30 years. The Entities follow the guidelines in the California State University's "Capital Assets Guide" regarding all reporting for Athletics-related assets. Depreciation expense totaled \$6,581 for the year ended June 30, 2017. Depreciation expense is included in Other Operating Expenses in the statement of revenues and expenses.

Advertising

The Entities follow the policy of charging the costs of advertising to expense as incurred.

Subsequent Events

The Entities have evaluated subsequent events through October 4, 2018, which is the date the financial statement was available to be issued.

Note 2 – Concentrations

During the year ended June 30, 2017, approximately 48% of the Entities' total revenue was received from the University, including Direct Institutional Support (4) and Indirect Institutional Support (6). Management believes that the Entities are not exposed to any significant concentration risk in the near term.

Note 3 – Indirect Institutional Support (6 & 36)

Indirect institutional support is comprised of allocations for utilities, grounds, and maintenance costs attributed to Athletics. These costs are reimbursed by the University and are, therefore, shown as both revenues and corresponding expenses.

Note 4 – Guarantees (7)

Guarantees arise in the normal course of operations and are negotiated by Athletics. The Entities provided negotiated guarantees to certain organizations and were provided negotiated guarantees by certain organizations during the year at the conclusion of the related athletic competitions.

Note 5 – NCAA Distributions (12)

Distributions are provided to Athletics by the National Collegiate Athletics Association (NCAA) on an annual basis. These distributions are based on sport sponsorships, scholarship amounts, and other various grants.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD

Notes to Financial Statement

Year Ended June 30, 2017

Note 6 – Athletics Restricted Endowment and Investments Income (17)

All Athletics-related endowments are held by the Foundation. The Foundation has adopted the guidance on net classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the State Prudent Management of Institutional Funds Act (SPMIFA) and also requires disclosures about endowment funds, both donor-restricted endowment funds and institution-designated endowment funds.

The Foundation's endowments consist of funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has interpreted SPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner that is consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Foundation and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Foundation
- 7) The investment policies of the Foundation

Spending policy: The Foundation's spending policy allocates total earnings from the portfolio between current spending and reinvestment for future earnings and has been designed with three objectives in mind: (a) provide current programs with a predictable, stable stream of revenues; (b) ensure that the purchasing power of real value of this revenue stream does not decline over time; and (c) ensure that the purchasing power or real value of the Endowment assets does not decline over time. The cost of current operating programs will likely increase over time at least as fast as inflation. If the endowment is to cover a reasonably constant portion of current operating expenses, endowment spending must increase at least as fast as inflation. The Foundation's policy is designed to preserve both the purchasing power of their endowments and of their endowment withdrawals. Such a policy also ensures that the competing needs of current and future generations of students and faculty are in financial equilibrium. Lastly the Foundation has adopted an annual spending rate target of 4% of the Endowment's Fair Market Value (FMV), computed based on the December 31 FMV and available for the next academic year commencing July 1.

Investment policy: The objective is to promote growth in the investment funds sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant-dollar value and purchasing power of the funds for future generations, and to preserve the principal of operating cash and reserves while producing market-level income. The minimum total-return objective for the full portfolio shall be inflation plus 5%.

At times, the fair value of assets associated with these endowment funds may fall below the level that the donors require the Foundation to retain as funds of perpetual duration. These deficiencies results from unfavorable market fluctuations. In accordance with generally accepting accounting principles deficits of this nature are reported as unrestricted net assets.

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD

Notes to Financial Statement

Year Ended June 30, 2017

Note 6 – Athletics Restricted Endowment and Investments Income (17), continued

Endowment activities for the year ended June 30, 2017 consisted of the following:

Contributions	\$	237,800
Investment return:		
Interest		18,142
Unrealized gains		146,327
Investment fees		(25,045)
	\$	<u>377,224</u>

Note 7 – Athletics Student Aid (20)

Athletics provides scholarships in 16 Division I sports. Scholarships may cover all or a portion of tuition, fees, books and supplies, and/or living expenses. Recipients are typically determined by the head coach of each sport. The coach also determines the amount of the award, in consultation with the Director of Athletics and the Athletic Compliance Officer. Awards are based on the student's athletic ability, academic eligibility, their sport's NCAA headcount or equivalency limits, and available funds. Coaches may propose an increase to an existing athletic grant-in-aid award at any time during the academic year. They may also reduce or cancel an award in accordance with the 2016-17 NCAA Division I Manual bylaw 15.3.4 - Reduction or Cancellation During Period of Award. Some scholarships are funded through private donations to the Foundation specified for Athletics, or student fees collected by Associated Students, California State University, Bakersfield, Inc.

Note 8 – Defined Benefit Pension Plan

The University contributes to the Public Employees' Retirement System of the State of California (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public agencies in California. The University's total pension expense for employees covered by PERS for the year ended June 30, 2017 was \$836,643.

Note 9 – Post-Employment Benefits Other Than Pensions

In addition to the pension benefits described in Note 7, the University provides postretirement health care benefits through PERS to full-time employees who retire from the University on or after attaining age 50 with at least 5 years of service. Continued participation in the existing health and dental plans is offered. Once the individual is eligible for Medicare, coverage may be continued in the PERS health plan by enrolling in a supplement to Medicare or a Managed Medicare Plan. An actuarial study is completed annually to determine costs related to this benefit.

Note 10 – Risks and Uncertainties

The Entities invest in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect account balances and the amounts reported on the statement of revenues and expenses.