

Financial Statements and Report of
Independent Certified Public
Accountants

**The University Corporation (Component Unit
of San Francisco State University)**

June 30, 2020 and 2019

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
The University Corporation, San Francisco State

We have audited the accompanying financial statements of The University Corporation, San Francisco State (Component Unit of San Francisco State University) (the Corporation), which comprise the statements of net position as of June 30, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net financial position of The University Corporation, San Francisco State (Component Unit of San Francisco State University) as of June 30, 2020 and 2019, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters*Required supplementary information*

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 6-15 be presented to supplement the financial statements. Such information, although not a required part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operations, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with the sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's financial statements. The supplementary information on pages 40-49 is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated September 18, 2020, on our consideration of the Corporation's 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 solely 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 effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



San Francisco, California
September 18, 2020

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

**Management Discussion and Analysis
(Unaudited)**

This section of The University Corporation, San Francisco State (the Corporation) annual financial report presents management's discussion and analysis of the financial performance of the Corporation for the fiscal year ended June 30, 2020.

The Corporation presents its financial statements for fiscal year 2020 with comparative data presented for fiscal year 2019. The emphasis of this discussion concerning these statements will be for the fiscal years ended June 30, 2020 and 2019. There are three financial statements presented: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows.

The following discussion and analysis is intended to help readers of the Corporation's financial statements to better understand its financial position and operating activities. It should be read in conjunction with, and is qualified in its entirety by, the related financial statements and footnotes. The financial statements, footnotes and this discussion and analysis were prepared by the Corporation and are the responsibility of its management.

The Corporation

The Corporation is a nonprofit auxiliary organization of San Francisco State University (the University) with a 501(c)(3) designation with the Internal Revenue Service. The Corporation's purpose is to support, promote and assist the University in meeting its educational mission.

The business-type activities (BTA) reporting model has been adopted by the California State University (CSU) system for use by all of its member campuses. The CSU determined the BTA model best represents the combined activities of the CSU and its auxiliary corporations.

The Corporation's June 30, 2020 and 2019 financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Highlights of Financial Operations

- Net Position

The Corporation's net position increased during fiscal year 2019 - 2020. The Corporation's overall net position stands at \$44,498,918 at, June 30, 2020, up from the previous fiscal year of \$33,612,887.

- Operating Revenues and Expenses

In fiscal year 2020, the Corporation applied for and received a Payroll Protection Program (PPP) loan, a federal program administered by the U.S. Small Business Administration, launched by the U.S. government in response to the economic turmoil caused by COVID-19. The loan enabled the Corporation to continue employment through the end of the spring semester for its part-time and full-time staff, who might have otherwise been laid off when the campus was forced to close and move its operations to remote modalities due to COVID-19.

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(Component Unit of San Francisco State University)**

**Management Discussion and Analysis - Continued
(Unaudited)**

In fiscal year 2020, the Corporation continued managing the Student Organization banking program, for which it had assumed responsibility in fiscal year 2018. Student Organizations generated approximately \$239,940 in program revenue and contributions. Student Organizations also generated approximately \$186,180 in expenses.

During fiscal year 2020, the Corporation continued to manage the University's retail and commercial services locations. All of the locations were fully occupied with proprietors. However, due to the campus' move to remote operations, rental income was down in fiscal year 2020. In March 2020, all of the Corporation's retail and commercial services partners shuttered their businesses on campus, in a coordinated campus response to the pandemic. Municipal and State stay-at-home orders necessitated such an action. In consultation with the Corporation's board of directors, and pursuant to the terms of the contracts governing these businesses on campus, the Corporation waived rental income from March through the end of the fiscal year. Thus, rental income in fiscal year 2020 was down to \$2,308,842, which includes recharges (those amounts charged back to tenants for specific fees and services) of \$432,583.

Expenses for the vendors in the Cesar Chavez Student Center were \$1,071,108. Management's arrangement with the University and Associated Students of San Francisco State University (AS) required the Corporation to donate any residual net rental income to AS. For the year ended June 30, 2020, the residual net rental income contributed to AS was \$45,672. This was a decrease over the previous year largely due to the campus closure described above, which saw a reduction in revenue. The net impact to the Corporation's change in net position was an increase of \$197,079 for the administrative fee charged for managing the retail and commercial services.

- Non-Operating Revenues and Expenses

The Corporation's total non-operating revenue decreased during fiscal year 2020 due to a decrease in contributions and investment returns in comparison to the last fiscal year.

Financial Position

The statement of net position presents the financial position of the Corporation at the end of fiscal years 2020 and 2019. The purpose of the statement of net position is to present to the readers of the financial statements a fiscal summary of the Corporation. From the data presented, the readers of the statement of net position are able to determine the assets available to continue the operations of the Corporation. The readers are also able to determine how much the Corporation owes its vendors, and to assess other liabilities. Finally, the statement of net position provides an overview of the net position (assets, deferred outflows of resources minus liabilities, deferred inflows of resources) and their availability for expenditure.

Net position is divided into three major categories. The first category includes those assets invested in capital assets, which presents the Corporation's equity in property and equipment. The next asset category includes restricted assets, which are divided into two categories: nonexpendable and expendable.

The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted assets are available for expenditure by the Corporation but must be spent for purposes as determined by donors and/or external entities that have placed time, purpose or legal restrictions on the use of the assets. The final category is unrestricted assets that are available to the Corporation for any lawful purpose of the Corporation.

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**Management Discussion and Analysis - Continued
(Unaudited)**

The detailed statements of net assets are included with the financial statements. A condensed version is shown below:

Condensed Statements of Net Position - June 30, 2020, 2019, and 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Assets:			
Current assets	\$ 23,242,162	\$ 24,069,871	\$ 32,155,380
Noncurrent assets	<u>23,884,928</u>	<u>13,219,103</u>	<u>3,421,013</u>
Total assets	47,309,090	37,288,974	35,576,393
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 47,309,090</u>	<u>\$ 37,288,974</u>	<u>\$ 35,576,393</u>
Liabilities:			
Current liabilities	\$ 1,636,400	\$ 3,129,977	\$ 3,689,296
Noncurrent liabilities	<u>982,184</u>	<u>349,712</u>	<u>-</u>
Total liabilities	<u>2,618,584</u>	<u>3,479,689</u>	<u>3,689,296</u>
Deferred inflows of resources	<u>191,588</u>	<u>196,398</u>	<u>135,666</u>
Net position:			
Investment in capital assets	2,336,329	1,356,245	1,149,000
Restricted:			
Nonexpendable - endowments	628,596	625,499	618,392
Expendable - grants and contracts, scholarships, fellowships, capital projects	33,442,197	20,947,060	20,078,552
Unrestricted	<u>8,091,796</u>	<u>10,684,083</u>	<u>9,905,487</u>
Total net position	<u>44,498,918</u>	<u>33,612,887</u>	<u>31,751,431</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 47,309,090</u>	<u>\$ 37,288,974</u>	<u>\$ 35,576,393</u>

Assets

Current assets in fiscal year 2020 decreased by \$645,709 (3%). The decrease is attributable to the maturity of investments allocated between current and noncurrent.

Accounts receivables increased by 11% in 2020. The increase in receivables for fiscal year 2020 is primarily related to an increase in receivables from its related parties at year-end, the payment for which was received early in fiscal year 2021. The Corporation continues to work on improving its collection process of overdue invoices greater than 90 days by following up on outstanding invoices more frequently and working with vendors that have fallen behind. During 2020, the Corporation and the University continued the process of invoicing more activity between the two entities to better track revenue owed. The Corporation recorded a

**The University Corporation, San Francisco State
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**Management Discussion and Analysis - Continued
(Unaudited)**

receivable of \$875,625. Current pledge receivables increased current assets by \$451,301 for pledges due within one year. The increase was primarily attributable to the a new pledge received in fiscal year 2020 with maturity less than one year.

Current assets in fiscal year 2019 decreased by \$8,085,509 (25%). The decrease was attributed to the distribution of current and non-current investment assets during the fiscal year. The Corporation changed its mix of bond funds to obtain more Fossil Fuel Free investments, as set out in its investment policy statement. Accounts receivable decreased 28% in 2019. The decrease in receivables for fiscal year 2019 is primarily related to improving collection of overdue invoices greater than 90 days by following up on outstanding invoices more frequently and working with vendors that have fallen behind. During 2019, the Corporation continued to invoice the University for more activity between the two entities to better track revenue owed. The Corporation recorded a receivable of \$790,771. The distribution of pledge receivables increased current assets (16%) with pledges due within one year.

In fiscal year 2020, noncurrent assets increased by \$10,665,825 (81%). The increase in noncurrent assets is attributed to the increase in pledges receivable. During the fiscal year, the Corporation received a multi-year grant pledge from the Genentech Foundation for \$10.2 million. The Corporation's investment increased 6% due to the distribution of fixed income assets. The Corporation also recorded a sublease rent receivable, representing the straight-line method to record rent revenue related to the sublease the Corporation has with American Campus Communities for the Holloway Revitalization Project. The sublease rent receivable increased 79%, due to annual adjustment to the rent receivable related to amortized rent schedule.

In fiscal year 2019, noncurrent assets increased by \$9,798,090 (286%). The increase in noncurrent assets is attributed to the increase in investment assets. As a result of the Corporation's move to fossil fuel free investments some investments, were switched out to new vehicles that fit the fossil fuel free criteria. With the change, there were a total of four new investment vehicles, two in equities, one bond fund and one new alternative. For the alternative class, the Corporation will be divesting in its last holding that is not fossil fuel free as capital calls are called for the new alternative real estate vehicle. The Corporation also recorded a lease rent receivable, representing the straight line method to record rent revenue related to the sublease the Corporation has with ACC for the Holloway project.

Liabilities

In fiscal year 2020, current liabilities decreased \$1,493,577 (48%) over 2019. The decrease is mainly attributable to the decrease in payables to the University for scholarships, salary and benefits as well as for various programs. The decrease was part of a coordinated effort between the Corporation and the University to process all payments related to fiscal year 2020 before the fiscal year closing, which led to increased payments to SFSU thereby reducing accrued payables.

In fiscal year 2019, current liabilities decreased \$559,319 (15%) over 2018. The decrease is mainly attributed to the decrease in payables to the University for scholarships, salary and benefits as well as various programs. The decrease was part of a coordinated effort between the Corporation and the University to process all payments related to fiscal year 2019 before closing, which led to increased payments to the University thereby reducing accrued payables.

In fiscal year 2020, the Corporation's non-current liabilities increased by \$632,472 (181%) because of a rent payable based on the straight-line method revenue collected from American Campus Communities for the sublease rent on the Holloway Revitalization Project, which is paid to the University. In addition, the Corporation also received the PPP loan in fiscal year 2020 used to continue employment for its employees through the end of the fiscal year, which contributed to the increase in noncurrent liabilities.

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**Management Discussion and Analysis - Continued
(Unaudited)**

Deferred inflows of resources equaled \$191,588 and \$196,398 in 2020 and 2019, respectively. In fiscal year 2020, there were no new charitable annuities recorded.

Net Position

As of June 30, 2020, the total net position was \$44,498,918, which is an increase of \$10,886,031 over the prior fiscal year. During 2020, the Corporation saw an increase in grants and contracts of \$12,069,199 over fiscal year 2019. The Corporation's investments income yielded positive returns though there was a decrease from fiscal year 2019 of 23%.

As of June 30, 2019, total net position was \$33,612,887, which is an increase of \$1,861,456 over prior fiscal year. During 2019, the Corporation saw an increase in contributions for current use gifts of \$1,445,912 over fiscal year 2018. The Corporation's investments income yielded positive returns with a slight increase over fiscal year 2018.

Further discussion of the Corporation's revenue and expenses is set out below under results of operations, which highlights the changes that contributed to the overall fluctuation in operating results.

Results of Operations

The statement of revenues, expenses, and changes in net position presents the Corporation's operating results, as well as the non-operating revenues and expenses. Operating revenues primarily include grants, contracts, retail operations and program revenue. Gifts and investment income are classified as prescribed by GASB. Net non-operating revenues or expenses are an integral component in determining the increase or decrease in net position.

The detailed statement of revenues, expenses, and changes in net position for the years ended June 30, 2020 and 2019 is included in the financial statements.

Condensed Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2020, 2019 and 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenues (expenses):			
Revenues	\$ 25,805,243	\$ 14,167,792	\$ 12,606,156
Expenses	<u>20,033,402</u>	<u>(17,927,959)</u>	<u>(16,917,198)</u>
Operating loss	<u>5,771,841</u>	<u>(3,760,167)</u>	<u>(4,311,042)</u>
Non-operating revenues (expenses)/ additions to endow:			
Contributions	3,980,214	4,161,970	2,716,058
Investment return	1,146,603	1,481,592	1,462,883
Additions to permanent endow	<u>(12,627)</u>	<u>(21,939)</u>	<u>-</u>
Total non-operating revenues (expenses)/additions to endow	<u>5,114,190</u>	<u>5,621,623</u>	<u>4,178,941</u>
Change in net position	<u>\$ 10,886,031</u>	<u>\$ 1,861,456</u>	<u>\$ (132,101)</u>

**The University Corporation, San Francisco State
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**Management Discussion and Analysis - Continued
(Unaudited)**

OPERATING REVENUES

Retail, Program, Grants, and Contracts Revenue

For fiscal year 2020, revenue increased over fiscal year 2019 by \$11,637,451 (82%). Grants and contracts revenue increased significantly in fiscal year 2020 by approximately 1630% due primarily to receiving a significant multi-year grant from Genentech Foundation. Grants and contracts revenue decreased by (12%) due to receiving fewer grants in 2019 over 2018. One of the Corporation's larger programs, the Guardian Scholars program, received approximately \$888,500 in grants during fiscal year 2020.

Program revenues are the function of the many projects administered by the Corporation as well as programs run by the Corporation, which must be self-supporting. Program revenue consists mainly of revenue received to support campus programs and student scholarships.

Program revenue decreased by \$1,155,141 (28%) in 2020 over 2019. The decrease in program revenue is primarily linked to COVID-19, the campus move to remote activity, and the cessation of face-to-face classes, programs and events. Several of the Corporation's programs were significantly impacted by the cancellation of face-to-face interactions due to COVID-19. These included:

- Pacific Leadership Institute (a ropes course located in Fort Miley at the Presidio of San Francisco): PLI had a revenue loss of approximately \$142,000 in fiscal year 2020.
- Sierra Nevada Field Campus (SNFC) (a satellite (a satellite campus location where the Corporation offers workshops and classes, as well as meals and lodging in a camp setting): SNFC enrollment for the 2020 season had been trending higher than the 2019 season. However, the pandemic necessitated the campus' closure for the entire summer, and the program realized losses compared to 2019 of approximately \$166,000.
- Commencement (the annual in-person graduation celebration, which was to be held at the ballpark): The program was canceled and moved online.
- The Family Acceptance Project program revenue decreased as well, partially due to COVID-19, as the program was not able to offer programming in person, and it took some time to readjust its offerings to virtual modalities. The Project's revenues were down by approximately \$92,000 in 2020.

Each of these programs had revenue reduced or eliminated due to an inability to offer those programs in person.

Program revenue increased by approximately \$445,291 (12%) in 2019 over 2018. This increase is primarily attributed to the addition of several new programs administered under the Corporation, which enjoyed an increase in earned revenue in fiscal year 2019.

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

**Management Discussion and Analysis - Continued
(Unaudited)**

The Corporation continues to operate several retail locations on campus. These self-operated locations are a component of retail revenue. During the first nine months of the fiscal year, all of the Corporation's retail locations were experiencing an increase in revenue. The onslaught of the COVID-19 pandemic exacted a deleterious impact on revenues, as the University's move to remote classes and activities vitiated the need for retail on campus. In compliance with municipal and State directives, the Corporation's self-operating retail locations closed effective March 11, 2020. The Corporation self-operated enterprises fared as follows:

- Open 24, an automated 24-hour vending machine, continued to operate but with very limited revenue. It generated retail revenue of \$67,106 and \$50,285 in fiscal years 2020 and 2019, respectively.
- Despite what had been poised to be a banner year, retail revenue for both convenience store operations was down in 2020 over 2019 due to the store closures for the fourth quarter. The Lobby Shop ended the fiscal year mainly flat with a slight decrease over 2019. Healthy U ended the year down over the previous fiscal year by \$171,985.
- Ctrl+P, an on-campus copy center, another one of the Corporation self-operating businesses, continued its growth in fiscal year 2020, prior to the forced closure. Ctrl+P ended the fiscal year down \$48,651.

Follett continues to manage the University's campus bookstore through a contract with the Corporation. As the course materials industry continues to face challenges, the Corporation's commission revenue was down over the previous year; the total revenue earned in 2020 was \$451,985 down from \$755,079 in 2019. As with all other retail offerings on campus, the bookstore closed in March 2020, which had a significant impact on sales and ultimately on commissions.

Pursuant to its contract with Follett, the Corporation garners a commission based on certain sales. Yet the commission paid cannot fall below 10% less than the prior year's commission. This commission floor is a contract term, suspended in the case of a force majeure. Due to the campus closure, the parties ultimately agreed to follow the contract's commission structure through March 2020 and thereafter follow an actual commission structure for the final months of the year. Follett has agreed to pay a total of \$527,549 for fiscal year 2020, which is lower than the guaranteed minimum, which would have been \$638,632 in a normal full year. The difference between what has been paid and what is owed will be provided by Follett in one final payment.

In 2020, related-party revenue from endowments increased by \$1,971,689 (51%). Related-party revenue from endowments increased in 2019 by approximately \$787,260 (25%). These funds are used to support campus programs and scholarships.

Indirect costs from grants, contracts and campus programs were eliminated against revenue so as not to double count the total revenue and expenses. Indirect costs were \$531,585 and \$758,604 as of June 30, 2020 and 2019, respectively.

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**Management Discussion and Analysis - Continued
(Unaudited)**

Rental Income

The Corporation has several sources of rental income, including 21 food-vending tenants, a bank, ATMs and a construction company leasing storage space. The campus closure and suspension of in-person classes, activities, and programs had a significant impact on many of these revenue streams. The Corporation's vendors closed their respective operations in March in compliance with public health orders enacted in response to the pandemic. The Corporation worked with its vendors on a rent and recharge deferral program to cover the period from March 2020 through June 2020. The rent deferral for \$491,703 was written off as of June 30, 2020, as the deferral was deemed an abatement in the absence of support through a federal or state relief program or insurance payment. The rental abatement did not apply to income from the bank, ATMs, or the construction company leasing storage space; in those instances, the Corporation continued to receive rental income.

The Corporation continues to enjoy longstanding relationships with its vendors. Over the course of the past two years, there have been few changes:

- In 2020, JDB & Sons Construction, entered into an agreement with the Corporation to lease parking spaces in a section of Lot 25, which the Corporation leased from the University.
- Ike's, a vendor in the Student Center, left the campus during the fiscal year 2018 and was temporarily replaced by Crave, a sandwich shop operated by neighboring Nizario's. There was no rent lost in the assignment of the sublease. Corporation granted Crave a one-year lease in April 2018 through June 30, 2019 through the assignment process. In the spring of 2019, the Corporation issued a request for proposals; Crave was selected. A new lease was signed effective July 1, 2019.

2020 saw the substantial completion of construction on the Holloway Revitalization Project, the public private partnership with American Campus Communities. In 2020, the Corporation recorded the straight-line rent related to the project for \$638,192.

Tenant rents are increased based on the consumer price index (CPI), which is reviewed annually.

Other Revenue

Other revenue is a category where generally one time or non-reoccurring revenue that does not belong in the other operating revenue categories is captured.

During fiscal year 2020, other revenue decreased by approximately \$43,264 (46%). While this category of revenue would generally include revenue from a refund related to an unemployment insurance program for excess funds, the Corporation did not request a refund in fiscal year 2020.

During fiscal year 2019, other revenue decreased by approximately \$348,565 (79%) primarily due to reclassifying revenue from the Student Organization Banking Program, which started in fiscal year 2018, to program revenue. The CSU requires that student organizations conduct their financial and banking like transactions with an auxiliary or directly with the University. The University designated this obligation to the Corporation, an arrangement memorialized in a memorandum of understanding between the parties. During this same year, the Corporation also recorded a one-time refund of excess funds held for the unemployment insurance program.

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**Management Discussion and Analysis - Continued
(Unaudited)**

OPERATING EXPENSES

Operating Expenses

Operating expenses are tied to the use of funds from grants, contracts, donations, program revenue, retail operations, transfers and other miscellaneous sources.

Operating expenses increased in fiscal year 2020 by \$2,105,443 (12%). In fiscal year 2020, indirect costs of \$531,585 were eliminated against revenue from grants, contracts and campus programs, so as not to double count the total revenue and expenses. Expenses related to grants and contracts increased by \$235,656 (19%) during 2020 as grant expenses increased due to receiving a new Genentech multi-year grant awarded in fiscal year 2020. Scholarship expenses increased over the prior year by \$1,986,353 (95%), as more scholarships were given out to students during 2020 resulting from support from the Genentech Foundation grant. More funding was received from endowments to support scholarships to students. Rental expenses were \$574,712 for 2020 and 2019 respectively because of recording the straight-line rental expenses related to the Holloway Revitalization Project to return to San Francisco State.

Operating expenses increased in fiscal year 2019 by \$1,010,761 (6%). In fiscal year 2019, indirect costs of \$758,604 were eliminated against revenue from grants, contracts and campus programs so as not to double count the total revenue and expenses. Expenses related to grants and contracts increased by \$62,071 (5%) during 2019 as grant expenses increased due to the receipt of multi-year grants awarded the previous year and new grants and contracts awarded during fiscal year 2019. Scholarship expenses increased over the prior year by \$45,922 (2%) as more scholarships were given out to students during 2019. More funding was received from endowments to support scholarships to students.

During fiscal year 2020, the Corporation's retail operations operated for nine months of the fiscal year as a result of the campus closure due to COVID-19. Retail expenses remained constant as the Corporation continued to pay its employees during the store closure through the end of the spring 2020 semester. Retail expenses decreased by \$27,378 (1%) in 2020. The decrease in retail expenses is primarily related to the shops closure from March through June 2020. Retail expenses increased by approximately \$12,773 (1%) in 2019; the increase was primarily attributed to the 3% increase in the rent for the retail space.

Management and general expenses increased in 2020 by \$778,627 (21%) due to a variety of factors, including an increase in salary and benefit reimbursement to the University for the Corporation's administrative staff, cost recovery expenses of \$133,729 to the University and the Corporation's share of a State-mandated retirement loan replenishment for the administrative staff of \$72,500.

Management and general expenses decreased in 2019 by approximately \$965,219 (21%) due primarily to a decrease in expenses related to the Cesar Chavez Student Center by approximately \$320,000. During fiscal year 2018, there were some one-time building repairs that did not take place in fiscal year 2019.

NON-OPERATING REVENUES AND EXPENSES

Contributions

Contributions are recognized as revenue when they are verifiable, measurable, probable of collection, and the Corporation has met all time and eligibility requirements. Contributions were down in fiscal year 2020 over the prior fiscal year by approximately \$181,756 (4%). The Corporation received a one-time \$1.2 million contribution from PG&E in 2019, which accounts for the variance in comparison to the subsequent year.

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**Management Discussion and Analysis - Continued
(Unaudited)**

Contributions were up in fiscal year 2019 over the prior fiscal year by approximately \$1,445,912 (53%). PG&E contributed two \$600,000 gifts to programs stationed at the Romberg Tiburon Campus' Estuary & Ocean Sciences Center study eelgrass, which primarily contributed to the increase in contributions in fiscal year 2019.

Investment Return

Fiscal year 2020 saw volatile markets due to the global pandemic. The market was down to historic lows during the first quarter of 2020. The last quarter of the fiscal year saw an enormous rally, which wiped away the earlier significant losses in the Corporation's portfolio. Ultimately, the Corporation ended the fiscal year up 4.3%. Nonetheless, this was a decrease in investment income in fiscal year 2020 from the prior fiscal year. The Corporation's equity holdings and fixed income both ended the fiscal year positively. Investment returns, net for the fiscal year were down \$334,989 (23%) over the prior fiscal years' earnings. The Corporation's total composite performance for fiscal year 2020 was 4.3% versus 4.5% for the composite allocation index.

Investment income increased in fiscal year 2019, as the U.S. economy had remained strong even in the face of growing market concerns. The Corporation's equity holdings continued to perform well especially U.S. equities and fixed income, which had been relatively flat over the prior fiscal year 2018. Investment returns, net for the fiscal year were approximately \$1,481,592, up 1% over the previous years' earnings. The Corporation's total composite performance for fiscal year 2019 was 5.8% versus 6.4% for the composite allocation index.

SIGNIFICANT ITEMS

In fiscal year 2020, the Holloway Avenue Revitalization Project, now named Manzanita Square, remained on schedule with the construction phase completed in August 2020. As set forth in the agreements between the parties, upon the completion of construction, the developer will begin paying the minimum lease year rent of \$650,000. The Corporation will take a 10% management fee and remit the remainder to the University.

The Corporation has been working collaboratively with the developer and the University to address the unique challenges posed by operating a student residential housing facility in a pandemic. The health and well-being of the residents is extremely important for all parties, and the parties agreed to significantly limit occupancy to support physical distancing protocols. The agreement has been memorialized in a letter setting out the respective obligations of each, including an apportionment of the lost revenue.

During fiscal year 2020, the Corporation received a PPP loan from Wells Fargo, which allowed it to continue to employ its personnel through the remainder of the spring term, when most would have ceased employment as a matter of course. In fiscal year 2021, the Corporation will seek to have the full amount of the loan forgiven, as the loan was used primarily for payroll expenses.

The Corporation expects that it will continue to face significant impacts to its revenues in the coming year. The University will continue with remote operations through fall 2020, with only a limited number of classes being offered in person, along with a very modest residential community. In an abundance of caution, the Corporation has been looking to secure a line of credit to assist with the organization's cash flow over the next fiscal year to avoid having to liquidate any investments at inopportune times, should cash flow needs warrant it.

The Corporation believes all other significant items have already been disclosed and they do not have a significant effect on future operations, or these effects have already been included in the current financial statements.

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

STATEMENTS OF NET POSITION

June 30,

	2020	2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,949,373	\$ 791,960
Investments, unrestricted	19,681,258	22,018,213
Pledges receivable, net	873,782	422,481
Accounts receivable, net	875,625	790,771
Prepaid expenses and other assets	44,124	46,446
Total current assets	23,424,162	24,069,871
NONCURRENT ASSETS:		
Pledges receivable, net	10,068,057	629,657
Lease rent receivable (straight-line)	716,385	398,192
Investments:		
Unrestricted	10,113,042	9,571,705
Restricted	628,596	625,499
Capital assets, net	2,358,848	1,994,050
Total noncurrent assets	23,884,928	13,219,103
Total assets	47,309,090	37,288,974
DEFERRED OUTFLOWS OF RESOURCES (NOTE 2)	-	-
Total assets and deferred outflows of resources	\$ 47,309,090	\$ 37,288,974

The accompanying notes are an integral part of these financial statements.

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

STATEMENTS OF NET POSITION - CONTINUED

June 30,

	2020	2019
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	\$ 634,468	\$ 1,087,359
Accrued salaries and benefits payable	186,896	184,414
Accrued compensated absences	102,221	83,924
Payable to related parties	461,683	1,668,059
Unearned revenue	69,842	106,221
Loan payable - current portion	181,290	-
	<u>1,636,400</u>	<u>3,129,977</u>
Total current liabilities		
NONCURRENT LIABILITIES:		
Lease rent payable (straight-line)	624,423	349,712
Loan payable and accrued interest	357,761	-
	<u>982,184</u>	<u>349,712</u>
Total noncurrent liabilities		
Total liabilities	2,618,584	3,479,689
DEFERRED INFLOWS OF RESOURCES (NOTE 2)	<u>191,588</u>	<u>196,398</u>
NET POSITION:		
Invested in capital assets	2,336,329	1,356,245
Restricted for:		
Nonexpendable - endowments	628,596	625,499
Expendable - grants and contracts, scholarships, fellowships, capital projects	33,442,197	20,947,060
Unrestricted	8,091,796	10,684,083
	<u>44,498,918</u>	<u>33,612,887</u>
Total net position		
Total liabilities, deferred inflows of resources and net position	<u>\$ 47,309,090</u>	<u>\$ 37,288,974</u>

The accompanying notes are an integral part of these financial statements.

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years ended June 30,

	2020	2019
Operating revenues:		
Grants and contract revenue	\$ 12,809,772	\$ 740,573
Program revenue	2,909,573	4,064,714
Retail revenue	1,853,807	2,607,711
Programs funded by related parties	5,872,058	3,900,369
Rental income	2,308,842	2,759,970
Other revenues	51,191	94,455
Total operating revenues	25,805,243	14,167,792
Operating expenses:		
Grants and contracts	1,448,219	1,212,563
Campus programs	6,757,264	7,735,967
Rental expenses	574,712	574,712
Student scholarships	4,085,760	2,099,407
Management and general	4,421,053	3,642,426
Retail expenses	2,142,039	2,169,417
Student organization	186,180	238,577
Depreciation	418,175	254,890
Total operating expenses	20,033,402	17,927,959
Operating income (loss)	5,771,841	(3,760,167)
Non-operating revenues (expenses):		
Contributions	3,980,214	4,161,970
Investment return	1,146,603	1,481,592
Reductions to permanent endowment	(12,627)	(21,939)
Net non-operating revenues and reductions to permanent endowment	5,114,190	5,621,623
Change in net position	10,886,031	1,861,456
Net position, beginning of the year	33,612,887	31,751,431
Net position, end of the year	\$ 44,498,918	\$ 33,612,887

The accompanying notes are an integral part of these financial statements.

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

STATEMENTS OF CASH FLOWS

Years ended June 30,

	2020	2019
Cash flows from operating activities:		
Receipts from programs	\$ 14,277,116	\$ 11,662,468
Rent receipts	1,990,649	2,361,778
Payments to suppliers	(11,856,193)	(11,670,217)
Payments to employees for services	(5,077,444)	(4,052,320)
Scholarships to students	(4,085,760)	(2,099,407)
Other	51,191	94,455
Net cash used by operating activities	(4,700,441)	(3,703,243)
Cash flows from noncapital financing activities:		
Donations received	3,176,075	4,614,227
Proceeds from PPP loan	538,255	-
Net cash provided by noncapital financing activities	3,714,330	4,614,227
Cash flows from capital and related financing activities:		
Capital asset additions	(782,973)	(1,105,413)
Net cash used by capital and related financing activities	(782,973)	(1,105,413)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	11,173,594	18,371,204
Purchase of investments	(8,401,278)	(18,454,650)
Investment income	154,181	771,267
Net cash provided investing activities	2,926,497	687,821
Net change in cash and cash equivalents	1,157,413	493,392
Cash and cash equivalents, beginning of year	791,960	298,568
Cash and cash equivalents, end of year	\$ 1,949,373	\$ 791,960

The accompanying notes are an integral part of these financial statements.

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

STATEMENTS OF CASH FLOWS - CONTINUED

Years ended June 30,

	2020	2019
Reconciliation of operating loss to net cash		
flows used by operating activities:		
Operating income (loss)	\$ 5,771,841	\$ (3,760,167)
Adjustments to reconcile operating loss to net cash		
flows used by operating activities:		
Depreciation	418,175	254,890
Interest expense	796	-
Changes in assets and liabilities:		
Accounts, pledges, and lease rent receivables	(9,488,609)	(38,895)
Prepaid expenses and other assets	2,322	(10,196)
Accounts payable	(87,537)	223,049
Lease rent payable	274,711	349,712
Deferred revenue	(41,189)	157,216
Payable to related parties	(1,571,730)	(916,934)
Accrued salaries and benefits payable	2,482	20,975
Accrued compensated absences	18,297	17,107
	(10,472,282)	56,924
Net cash used by operating activities	\$ (4,700,441)	\$ (3,703,243)
Supplemental disclosures of cash flow activity:		
Non-cash activity:		
Donation of stock received	\$ 18,743	\$ 18,293
Unrealized gain/loss	\$ 1,016,741	\$ 619,390

The accompanying notes are an integral part of these financial statements.

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 1 - ORGANIZATION

The University Corporation, San Francisco State (the Corporation), formerly the San Francisco State University Foundation, Inc., is a nonprofit, tax-exempt California corporation. The Corporation serves as an auxiliary organization of San Francisco State University. The Corporation is a component unit of San Francisco State University (the University).

The Corporation was established in 1946 for the purpose of promoting and assisting the University through administration of educational projects, university research and development projects, commercial services and community outreach programs. The Corporation has grants, contracts and agreements with state, local and private agencies and organizations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The basic financial statements required by the Governmental Accounting Standards Board (GASB) Statement Nos. 34, 35 and 36 include a statement of net position, a statement of revenues, expenses, and changes in net position and a statement of cash flows. As a component unit of a public institution, the Corporation has chosen to present its basic financial statements using the reporting model for special purpose governments engaged only in business-type activities. This model allows all financial information for the Corporation to be reported in a single column in each of the basic financial statements. In accordance with the business-type activities reporting model, the Corporation prepares its statement of cash flows using the direct method.

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), as prescribed by GASB. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Generally, grants, contributions and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The Corporation considers assets to be current that can reasonably be expected, as part of its normal business operations, to be converted to cash and be available for liquidation of current liabilities within 12 months of the date of the statement of net position. Liabilities that reasonably can be expected, as part of the Corporation's normal business operations, to be liquidated within 12 months of the date of the statement of net position are considered to be current. All other assets and liabilities are considered noncurrent, with the exception of those amounts that are required to be reported as deferred outflows or inflows of resources. The Corporation follows GASB 63 and 65, which provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The standard defines deferred outflows or inflows of resources as transactions that result in the consumption or acquisition of net assets in one period that are applicable to future periods.

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

The Corporation's net assets are classified into the following categories:

- *Invested in Capital Assets*: Capital assets, net of accumulated depreciation;
- *Restricted, Nonexpendable*: Net assets subject to externally imposed conditions that the Corporation retains in perpetuity. Net assets in this category consist of endowments;
- *Restricted, Expendable*: Net assets subject to externally imposed conditions that can be fulfilled by the actions of the Corporation or by the passage of time. This category includes grants, contracts, scholarships and fellowships;
- *Capital Projects*: Net assets subject to externally imposed conditions whose restricted use is for capital projects, which can be fulfilled by the actions of the Corporation; and
- *Unrestricted*: This represents all unrestricted net assets. Unrestricted net assets may be designated for use by management or the Board of Directors. As of June 30, 2020 and 2019, the Corporation maintains operating and capital reserves of approximately \$1,783,061 and \$2,974,074, respectively.

Cash and Cash Equivalents

Cash and cash equivalents consist of unrestricted cash, checking accounts, savings accounts and money market funds held outside of investment brokerage accounts with an original maturity date of three months or less.

Custodial Credit Risk - In the case of bank deposits, this is the risk that in the event of a bank failure, the Corporation's deposits may not be returned. The Corporation does not have a formal policy addressing custodial credit risk for its bank deposits. Although the Corporation is not a government agency, the financial institutions, in which the Corporation makes its deposits, have collateralized the deposits in accordance with section 53601 et. Seq. of the California Government Code. Wells Fargo is a financial institution whereby Federal Deposit Insurance Corporation (FDIC) insures deposits. Deposits of more than the \$250,000 insured amount would be collateralized by the bank by pledging identifiable collateral according to statute. Periodically, throughout the years ended June 30, 2020 and 2019, the Corporation maintained balances in excess of the federally insured limits.

Accounts Receivable, Net

Accounts receivable includes amounts due from special projects, business services, contracts and other receivables from the University. Accounts receivable of \$875,625 and \$790,771 as of June 30, 2020 and 2019, respectively, are shown net of an allowance for uncollectible accounts of \$4,500 and \$10,678, respectively.

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Pledges Receivable, Net

Pledges receivable are unconditional promises of private gifts to the Corporation. Pledges meeting the requirements specified by GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions* (GASB 33), are included in the financial statements as pledges receivable and recognized as revenue in the period pledged. Pledges extending beyond one year are discounted to recognize the present value of the future cash flows.

Pledges receivable, net as of June 30,	2020	2019
One year	\$ 873,782	\$ 422,481
Two to five	10,068,057	629,657
Total	\$ 10,941,839	\$ 1,052,138

In subsequent years, this discount is accreted and recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. In addition, pledges are recorded net of an allowance. The allowance for uncollectible pledges is determined by management. Discounts are computed using risk-adjusted market rates. Amortization of the discounts is included in grants and contracts revenue. The discount rate used to calculate the present value of pledges is 5.5% for both fiscal years 2020 and 2019. The pledge receivable discount at June 30, 2020 and 2019 is \$766,114 and \$56,749, respectively. Conditional promises and intentions to pledge are recognized as receivables and revenue when the specific condition and/or eligibility and recognition requirement is met.

The pledge receivable balance also includes annuities, which are held by the CSU Foundation (CSU Foundation) on behalf of the Corporation, which serves as the designated entity for the University to collect and administer current use gifts. The annuities have been recorded at present value of the total annuity. The annuity recorded was approximately \$191,588 and \$196,398 as of June 30, 2020 and 2019, respectively.

Investments

Investments are stated at fair value. The Corporation pools available resources into savings, management and investment accounts. Interest and dividends earned are allocated to the respective endowment funds, net of fees, based on the ratio of a fund's invested resources to the total amount invested.

Investments in alternative investments are based upon the Corporation's net asset value (NAV) of the fair value of underlying assets as reported by the entities in their financial statements or as determined by the fund manager. In some cases, the underlying assets are marketable securities with quoted market prices. In other situations, the underlying assets are not marketable, and valuations are determined by the fund managers. Due to the inherent uncertainty of valuation of non-marketable and restricted investments, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material. Additionally, these investments may have liquidity constraints, including lock up periods of a quarter or longer.

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Restricted Investments

Investments made from donor-restricted endowments are pooled with the Corporation's other investments. Any appreciation of such investments is tracked separately and recorded in unrestricted net assets as long as the donor has not restricted those earnings. The Uniform Prudent Management of Institutional Funds Act (UPMIFA), passed in July 2006 and adopted by California in 2008, authorizes an institution to spend the amount it deems prudent considering the donor's intent, the purposes of the fund and relevant economic factors. According to the Corporation's policy, up to 4% of the earnings may be distributed each year. Earnings available for distribution are identified as interest, dividends and realized gains and losses and are calculated quarterly based on the average daily balance of the portfolio.

The Corporation invests these funds to produce current income to meet spending needs and to preserve the real value of the endowment principal. The payout policy objective is interlinked with the investment objectives for the total fund and has been formulated in the context of the overarching goal for prudent management of endowments: to optimize the balance between preserving the real (after inflation) long-term purchasing power of the endowment principal with the need to make annual distributions to campus beneficiaries.

Capital Assets

Capital assets, which include property, leasehold improvements and equipment, are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from five to ten years for equipment and ten to thirty years for buildings and related improvements. Property and equipment with a value of less than \$5,000 is not capitalized. Annually, the Corporation transfers ownership of the capital assets belonging to closed projects to the University, where appropriate. In addition, the Corporation also transfers capital assets purchased by Corporation projects when those assets are requested to be transferred to the University. There was no net book value of transfers made to the University during the fiscal years ended June 30, 2020 and 2019.

Compensated Absences

Employees accrue annual vacation leave based on length of service and job classification.

Revenue and Expenses

The Corporation classifies operating revenues into six categories: program revenue, grants and contracts, programs funded by related parties, retail revenue, rental income and other revenues. Program revenue, grants and contracts, and programs funded by related parties are derived from program-specific grants and contracts and contributions arising from exchange transactions with federal, state, local, private foundation and individual contributions restricted for a particular program. Programs funded by related parties represent primarily revenue transferred from the San Francisco State University Foundation for scholarships and campus programs.

The retail revenue and expenses category includes revenue from the operation of two convenience stores, the 24-hour automated vending machine and a copy center. The balance relates to commission revenue from the operator of the University's bookstore.

Rental income is revenue generated from food vendors and commercial space leased to various corporations.

Other revenues are revenues, that are not required to be reported under program revenue or rental income.

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

The non-operating revenue and expenses category includes revenue from restricted and unrestricted contributions where the restrictions have been met and transferred. This category also includes investment returns, which are net of administrative fees charged per the investment policy (such as interest, dividends and net realized and unrealized gains and losses).

Use of Estimates

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

Income Taxes

The Corporation is a not-for-profit corporation and is exempt from federal and state income taxes under provisions of section 501(c)(3) of the Internal Revenue Code and the California Tax Code. Continuance of such exemption is subject to compliance with laws and regulations of the taxing authorities. Certain activities considered unrelated to the tax exempt purposes of the Corporation may generate income that is taxable. No provision has been recorded for income taxes, as the net income, if any, from unrelated business in the opinion of management; it is not material to the basic financial statements taken as a whole. The open tax years are generally the years ended June 30, 2014 through June 30, 2019 for federal tax purposes and the years ended June 30, 2013 through June 30, 2019 for California tax purposes.

Fair Value Measurement

The GASB issued Statement No. 72, *Fair Value Measurement and Application (February 2015)*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.

Level 2 - Inputs (other than quoted market prices included within Level 1) that are observable for the asset/liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset/liability; used to the extent that observable inputs are not available.

NAV - the fair value of underlying assets as reported by the entities in their financial statements or as determined by the fund manager. In some cases, the underlying assets are marketable securities with quoted market prices. In other situations, the underlying assets are not marketable, and valuations are determined by the fund managers. Due to the inherent uncertainty of valuation of non-marketable and restricted investments, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material. Additionally, these investments may have liquidity constraints, including lock up periods of a quarter or longer.

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Capital Lease

In April 2015, the Corporation entered into a capital lease agreement with a third party for copier equipment for Ctrl+P. This agreement expired in May 2020, and was payable in monthly installments of \$769 and \$348, and bore an effective annual interest rate of 10.79% and 8.07%, respectively. The Corporation upgraded the copier equipment in June 2018 and entered an operating lease. The capital lease was fully expensed. No payment was made for principal and interest in 2020 and 2019.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and would only be recognized as an inflow of resources (revenue) at that time. The Corporation has one item that qualifies for reporting in this category: deferred inflows from charitable gift annuities held at California State University Foundation.

Lease Revenue and Expense

The Corporation recognizes lease revenue on a straight-line basis over the term of the respective lease. Lease receivable represents the amount by which straight-line lease revenue exceeds rent currently billed in accordance with the lease agreements.

The Corporation recognizes lease expense on a straight-line basis over the term of the respective lease. Lease payable represents the amount by which straight-line lease expense exceeds rental expense currently remitted in accordance with the lease agreements.

NOTE 3 - INVESTMENTS

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

	Fair Value	Investment Maturities (Years)				
		<1 Year	1 - 5 Years	6 - 10 Years	10+ Years	Other
Local agency investment fund	\$ 4,210,141	\$ 4,210,141	\$ -	\$ -	\$ -	\$ -
Broker money market funds	461,319	461,319	-	-	-	-
Treasury bonds	1,196,734	125,508	283,199	788,027	-	-
Agency securities	431,089	-	131,629	299,460	-	-
Corporate debt securities	2,011,245	60,640	1,070,679	879,926	-	-
Municipal bonds	538,186	45,062	155,770	337,354	-	-
Mortgage backed	414,384	-	-	73,797	340,587	-
Mutual funds	6,247,828	6,247,828	-	-	-	-
CMO	209,085	50,485	92,037	66,563	-	-
Asset backed securities	124,838	-	124,838	-	-	-
REIT	258,291	258,291	-	-	-	-
Equity securities	12,285,188	8,221,984	-	-	-	4,063,204
Alternative investments	2,034,568	-	-	-	-	2,034,568
	<u>\$ 30,422,896</u>	<u>\$19,681,258</u>	<u>\$ 1,858,152</u>	<u>\$ 2,445,127</u>	<u>\$ 340,587</u>	<u>\$ 6,097,772</u>

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Investments consist of the following as of June 30, 2019:

	Fair Value	Investment Maturities (Years)				
		<1 Year	1 - 5 Years	6 - 10 Years	10+ Years	Other
Local agency investment fund	\$ 7,011,568	\$ 7,011,568	\$ -	\$ -	\$ -	\$ -
Broker money market funds	320,690	320,690	-	-	-	-
Treasury bonds	1,235,334	202,299	481,973	-	551,062	-
Agency securities	485,523	-	204,309	199,688	81,526	-
Corporate debt securities	1,749,630	115,632	1,076,851	118,526	438,621	-
Municipal bonds	224,941	65,498	106,684	-	52,759	-
Mortgage pools	917,250	-	-	61,372	855,878	-
Mutual funds	7,241,580	7,241,580	-	-	-	-
CMO and asset backed securities	276,612	-	276,612	-	-	-
REIT	287,119	287,119	-	-	-	-
Equity securities	10,778,018	6,773,827	-	-	-	4,004,191
Alternative investments	1,687,152	-	-	-	-	1,687,152
	<u>\$32,215,417</u>	<u>\$22,018,213</u>	<u>\$ 2,146,429</u>	<u>\$ 379,586</u>	<u>\$ 1,979,846</u>	<u>\$ 5,691,343</u>

Investment return for the years ended June 30, 2020 and 2019 consists of the following:

	2020	2019
Interest and dividends	\$ 755,385	\$ 864,860
Realized and unrealized gain	391,218	616,732
	<u>\$ 1,146,603</u>	<u>\$ 1,481,592</u>

Interest Rate Risk - The Corporation mitigates its interest rate risk through the use of professional money managers that use their judgment on the selection of debt securities. The Corporation does not currently have a formal policy on future maturity limitations.

Credit Risk - The Corporation's investment policy provides that all investments must be rated at least investment grade by one nationally recognized ratings agency. In the event that an investment falls below investment grade, the manager must notify the Corporation of the downgrade and provide a recommended course of action. Securities rated BBB are limited to 10% of the managers' bond portfolio, and the maximum exposure to an issuer rated BBB is limited to 3% of the Corporation's fixed income holdings.

Concentration of Credit Risk - Securities held by any one issuer are limited to 10% of a particular money manager's bond portfolio and 3% of the Corporation's total fixed income holdings. Individual equities are also mandated to be no more than 5% of the stock portfolio. As a result, no one issuer exceeds 5% of the Corporation's total investments.

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Custodial Credit Risk - Custodial credit risk represents the risk that, in the event of the failure of counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The account held by UBS Financial Services, Inc. is insured with a combination of Securities Investor Protection Corporation (SIPC) and other commercial insurance. SIPC coverage protects customers of a U.S. registered broker-dealer in the event the broker-dealer becomes financially insolvent and cannot return the full value of a customer's securities and cash in the broker-dealer's possession or control. SIPC covers each customer's account up to \$500,000, of which up to \$100,000 may be cash. Excess coverage follows the terms of SIPC coverage but covers each account up to its full net equity value, including all cash balances. CAPCO, an insurer who provides securities account protection for amounts in excess of SIPC, is rated A+ by Standard & Poor's. The Corporation does not have a formal policy covering custodial credit risk for its investments.

Local Agency Investment Fund (LAIF)

Under federal law, the State of California cannot declare bankruptcy, thereby allowing the Government Code Section 16429.3 to stand. This section states that "moneys placed with the Treasurer for deposit in the LAIF by cities, counties, special districts, nonprofit corporations, or qualified quasi-governmental agencies shall not be subject to either of the following: (a) transfer or loan pursuant to Sections 16310, 16312, or 16313, or (b) impoundment or seizure by any state official or state agency."

During the 2002 legislative session, California Government Code Section 16429.4 was added to the LAIF's enabling legislation. The section states that "the right of a city, county, city and county, special district, nonprofit corporation, or qualified quasi-governmental agency to withdraw its deposited moneys from the LAIF, upon demand, may not be altered, impaired, or denied in any way, by any state official or state agency based upon the state's failure to adopt a State Budget by July 1 of each new fiscal year."

NOTE 4 - FAIR VALUE MEASUREMENT

At June 30, 2020 and 2019, the Corporation investments consist of cash and money market funds of \$461,319 and \$320,690, respectively, and the following assets which are classified by level within the valuation hierarchy on a recurring basis at June 30:

	2020				
	Level 1	Level 2	Level 3	NAV	Total
Local Agency Investment Fund	\$ -	\$ -	\$ -	\$ 4,210,141	\$ 4,210,141
Corporate Debt Securities	1,555,131	456,114	-	-	2,011,245
Treasury Bonds	1,196,734	-	-	-	1,196,734
Agency Securities	431,089	-	-	-	431,089
Municipal Bonds	54,426	483,760	-	-	538,186
Mortgage Backed CMO	-	414,384	-	-	414,384
CMO	-	209,085	-	-	209,085
Asset Backed Securities	74,667	50,171	-	-	124,838
Mutual Funds	6,247,828	-	-	-	6,247,828
REIT	258,291	-	-	-	258,291
Equity Securities	8,221,984	-	-	4,063,204	12,285,188
Alternative Investments	-	-	-	2,034,568	2,034,568
	<u>\$18,040,150</u>	<u>\$ 1,613,514</u>	<u>\$ -</u>	<u>\$10,307,913</u>	<u>\$29,961,577</u>

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

	2019				
	Level 1	Level 2	Level 3	NAV	Total
Local agency investment fund	\$ -	\$ -	\$ -	\$ 7,011,568	\$ 7,011,568
Corporate debt securities	1,319,665	429,965	-	-	1,749,630
Treasury Bonds	1,235,334	-	-	-	1,235,334
Agency securities	485,523	-	-	-	485,523
Municipal bonds	52,759	172,182	-	-	224,941
Mortgage pools	-	917,250	-	-	917,250
CMO & Asset backed securities	69,952	206,660	-	-	276,612
Mutual funds	7,241,580	-	-	-	7,241,580
REIT	287,119	-	-	-	287,119
Equity Securities	6,773,827	-	-	4,004,191	10,778,018
Alternatives	-	-	-	1,687,152	1,687,152
	<u>\$ 17,465,759</u>	<u>\$ 1,726,057</u>	<u>\$ -</u>	<u>\$ 12,702,911</u>	<u>\$ 31,894,727</u>

Alternative Investments Measured at NAV

	Fair value	Unfunded commitments	Redemption frequency (If currently eligible)	Redemption notice period
Multi-strategy hedge funds				
Real estate funds	\$ 2,034,568	-	Annually	90 days
Commingled fund	4,063,204	-	Monthly	10 days
Total alternative investments measured at the NAV	<u>\$ 6,097,772</u>			

1. Real estate funds. This type includes two real estate funds that invest primarily in U.S. multi-family low income properties. The real estate funds purchase, own, and manage affordable housing including manufactured housing, senior housing, student housing and commercial real estate. The fair values of the investments in this type have been determined using the NAV per share of the Plan's ownership interest in partners' capital. One investment can be redeemed after a lock-up period lasting either a) two years after the fund has raised \$300 million or b) five years after the inception of the fund. After that there is a 20% gate, so liquidity is provided quarterly, but no more than 20% of the fund can be liquidated in any given calendar year. The fund has a 90-day advance notice for any withdrawal of any quarter end date. The Corporation has \$1,133,389 in the fund at June 30, 2020. The second investment has a seven-year lock up after raising \$200 million. The Corporation has invested \$901,179 in this fund at June 30, 2020.
2. Comingled fund. This type includes one fund that invests primarily in developed markets investing in international and Global equities with a long-term focus. The fair value of the investment in this type has been determined using the NAV per share.

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE 5 - ENDOWMENTS

Endowments held and administered by the Corporation at June 30, 2020 and 2019 are as follows:

	Restricted Net Assets - Nonexpendable	
Endowments	\$ 628,596	\$ 625,499

The Corporation's investment policy during fiscal years 2020 and 2019 allowed a 4% annual payout based on the quarterly average daily balance of the fund. The 4% annual payout was not changed during the years, and disbursements were allowed.

NOTE 6 - CAPITAL ASSETS

The following is a roll forward schedule of capital assets for the year ended June 30, 2020:

	Balance June 30, 2019	Additions	Reductions	Transfers	Balance June 30, 2020
Capital assets not being depreciated:					
Construction in progress	\$ 1,023,629	\$ 30,000	\$ -	\$ (1,023,629)	\$ 30,000
Capital assets being depreciated:					
Leasehold improvements	3,113,948	605,286	-	1,023,629	4,742,863
Equipment, furniture, and fixtures	1,165,363	147,687	-	-	1,313,050
Total capital assets	5,302,940	782,973	-	-	6,085,913
Less accumulated depreciation:					
Leasehold improvements	1,456,162	311,804	-	-	1,767,966
Equipment, furniture, and fixtures	1,852,728	106,371	-	-	1,959,099
Total accumulated depreciation	3,308,890	418,175	-	-	3,727,065
Net capital assets	\$ 1,994,050	\$ 364,798	\$ -	\$ -	\$ 2,358,848

Total depreciation expense for the year ended June 30, 2020 was \$418,175.

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

The following is a roll forward schedule of capital assets for the year ended June 30, 2019:

	Balance June 30, 2018	Additions	Reductions	Transfers	Balance June 30, 2019
Capital assets not being depreciated:					
Construction in progress	\$ 173,285	\$ 855,815	\$ (5,471)	-	\$ 1,023,629
Capital assets being depreciated:					
Leasehold improvements	2,142,464	971,484	-	-	3,113,948
Equipment, furniture, and fixtures	1,889,166	(721,886)	(1,916)	-	1,165,363
Total capital assets	<u>4,204,915</u>	<u>1,105,412</u>	<u>(7,387)</u>	<u>-</u>	<u>5,302,940</u>
Less accumulated depreciation:					
Leasehold improvements	1,295,340	160,823	(1)	-	1,456,162
Equipment, furniture, and fixtures	1,760,575	94,067	(1,914)	-	1,852,728
Total accumulated depreciation	<u>3,055,915</u>	<u>254,890</u>	<u>(1,915)</u>	<u>-</u>	<u>3,308,890</u>
Net capital assets	<u>\$ 1,149,000</u>	<u>\$ 850,522</u>	<u>\$ (5,472)</u>	<u>\$ -</u>	<u>\$ 1,994,050</u>

Total depreciation expense for the year ended June 30, 2019 was \$254,890.

NOTE 7 – LOAN PAYABLE (PAYCHECK PROTECTION PROGRAM LOAN)

On May 3, 2020, the Corporation received loan proceeds for \$538,255 pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), which was enacted March 27, 2020.

The loan, which was in the form of a promissory note dated May 3, 2020 issued by the Corporation, matures on May 3, 2022 and bears interest at a rate of 1.00% per annum, payable monthly in the amount of \$22,661 commencing on November 3, 2020. The note may be prepaid by the Corporation at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020 over the eight-week period following the date of the loan. The Corporation intends to use the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES ACT. At June 30, 2020, the Corporation has loan payable of \$538,255 and accrued interest of \$796.

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

The maturity schedule for the loan payable is as follows:

Year ending June 30,	<u>Principal and Interest</u>
2021	\$ 181,290
2022	<u>357,761</u>
Total	<u>\$ 539,051</u>

NOTE 8 - RELATED PARTIES

During the years ended June 30, 2020 and 2019, the Corporation paid \$12,209,946 and \$10,834,153, respectively, to the University for salary reimbursement, tuition and fees, scholarships, facilities, and other administrative costs. The Corporation paid \$107,900 and \$306,536 to the San Francisco State University Foundation in 2020 and 2019, respectively, for reimbursements. During the years ended June 30, 2020 and 2019, the Corporation received \$668,064 and \$1,371,008, respectively, from the University for reimbursements related to grants and contracts, campus programs, and operating facilities used by University students. During the years ended June 30, 2020 and 2019, the Corporation received \$6,055,355 and \$4,162,425, respectively, from the San Francisco State University Foundation for reimbursements and services. During the years ended June 30, 2020 and 2019, the Corporation received \$661,872 and \$523,896, respectively, from ASI for student support, reimbursements and accounting services.

Effective July 1, 2014, the Corporation entered into an operating agreement and lease ("Master Lease") with the Board of Trustees of the California State University ("Trustees") for the facilities and space that it utilizes in the Cesar Chavez Student Center ("the Student Center"). The term of the Master Lease was extended with a term from July 1, 2019 to June 30, 2029. The Corporation shares usage of the facility with Associated Students of San Francisco State University ("ASI"). For lease costs, the Corporation is required to pay its share of common area and facilities upkeep costs. For the years ended June 30, 2020 and 2019, the Corporation reimbursed the University \$990,493 and \$928,827, respectively, for its 54% share of the Student Center.

As part of the Master Lease agreement with the University, the Corporation agreed to donate any residual net rental income to ASI to support student-related programs and activities it assumed from the Student Center. For the years ended June 30, 2020 and 2019, the residual net rental income contributed to ASI was \$45,672 and \$325,720, respectively.

At June 30, 2020 and 2019, the Corporation's recorded receivables from the University were \$96,329 and \$102,293, respectively, and payables to the University were \$461,683 and \$1,668,059, respectively. At June 30, 2020 and 2019, the Corporation's recorded receivables from its affiliates totaled \$151,084 and \$139,002, respectively, and payables to its affiliates totaled \$47,964 and \$328,280, respectively.

NOTE 9 - STUDENT CENTER LEASE OPERATIONS

On June 5, 2014, the Board of Directors of the Student Center approved the merger of the Student Center with ASI, a related party. The Student Center ceased its operations on June 30, 2014. Beginning July 1, 2014, all student-related programs, activities and transactions of the Student Center transferred to ASI with the exception of the lease operations, which were assumed by the Corporation.

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

On June 30, 2014, all rental agreements and contracts between the concessionaries and the Student Center terminated. Effective July 1, 2014, those rental activities were assumed by the Corporation on behalf of the University and were converted to month-to-month lease agreements. As of June 30, 2020, total rental receipts including recharges amounted to \$1,313,859, and total expenses were \$1,349,020. As of June 30, 2019, total rental receipts including recharges amounted to \$1,685,577, and total expenses were \$1,107,020.

During fiscal year 2016, the Corporation entered into long-term sublease arrangements with many of its vendors in the Student Center. The terms of those subleases commenced on either July 1, 2015 or August 1, 2015, and all were set to terminate on June 30, 2019. Base rents ranged from \$13,000 - \$50,500 annually depending on the specific vendor and increased 3% in each year of the contract, with the first increase occurring July 1, 2016 for all subleases and with subsequent 3% increases on July 1 each year thereafter. Each sub-lessee had the opportunity to opt for a second five-year term, which extend from July 1, 2019 to June 30, 2024. All vendors have executed subleases in place.

NOTE 10 – RENT DEFERRAL/WAIVER

During fiscal year 2020 the Corporation provided a rent deferral/waiver program for its vendors covering the period of March 2020 through June 2020. The rental deferral/waiver program was offered in response to the COVID-19 global pandemic as the University moved to remote modalities for the remainder of the Spring 2020 semester. All retail and commercial services were halted, with the exception of Sodexo continuing to operate the Residential Dining Center for essential purposes. The total rent waived by the Corporation at June 30, 2020 was \$491,703.

NOTE 11 - ADMINISTRATION FEES

The Corporation charges the following administrative fees:

- The Corporation charges a one-time administrative fee of 5% when a gift is accepted, unless the gift is for scholarships in which case, no fees are charged. Gifts are funds received from donor contributions, and fundraising revenue that projects receive for their respective programs and overall campus fundraising efforts;
- The Corporation charges a one-time administrative fee of 10% when campus programs generate revenue. The Corporation defines program revenue as earned revenue for which a tax deduction would not qualify. Membership fees, conferences and meetings, fees for service, sale of goods and special events are highlighted examples of program revenue;
- The Corporation may charge an administrative fee for activity under various business partnerships with the campus or other auxiliaries such as the Corporation providing administration of commencement. Fees earned are based on the fees negotiated per each agreement; and
- Grants and contracts are charged an administrative fee based on the rate provided by the granting agency and are calculated as a percentage of grant expense or salaries and wages. Indirect costs and administrative fees from grants, contracts and campus programs were eliminated against revenue as not to double count the total revenue and expenses.

Administrative fees of \$531,585 and \$758,604 were charged by the Corporation during the years ended June 30, 2020 and 2019, respectively.

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE 12 - RISK FINANCING ACTIVITIES

The Corporation is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Corporation carries commercial insurance. The Corporation has not had any significant reduction in insurance coverage, and there have been no claims in excess of coverage in any of the past three years.

NOTE 13- LITIGATION

From time to time, the Corporation is subject to various claims and legal proceedings covering a range of matters that arise in the ordinary course of its business activities. The Corporation does not have any active litigation pending. In the opinion of management, although the outcome of any legal proceedings cannot be predicted with certainty, the ultimate liability of the Corporation in connection with its legal proceedings is not expected to have a material adverse effect on the Corporation's financial position and activities.

NOTE 14 - RETIREMENT PLAN

The Corporation adopted a 403(b) retirement and savings plan, which matches 50% of employee contributions up to 5% of each employee's eligible compensation. The Corporation's contributions for the plan years ended June 30, 2020 and 2019 were \$20,577 and \$18,019, respectively.

NOTE 15 - LEASES

Follett (Bookstore Operation)

The Corporation continues to maintain an agreement with Follett Higher Education Group, Inc. ("Follett") to manage the campus bookstore. Follett is required to make various operating and financial commitments to the Corporation in addition to the annual percentage of sales commission required by the agreement. The agreement has been in place since 2012 and upon the expiration of the initial 5-year term, the parties have been evoking options for additional two-year terms. The Corporation completed the first two-year option at June 30, 2019. The second two-year option began July 1, 2019.

American Campus Communities (ACC) (Holloway Revitalization Project)

As further discussed in Note 16, during 2018, the Corporation entered into a 65-year ground sublease with American Campus Communities ("ACC"), for Block Six, a one-acre parcel it leased from the University to develop student housing and other amenities. Rental income for the sub-lease and rental expense for the associated ground lease with the University have been calculated using straight-line methodologies. The amortized rent revenue is \$638,192 throughout the lease term. At June 30, 2020 and 2019, lease rent receivable was \$716,385 and \$398,192, respectively. The amortized rental expense is \$574,712 throughout the lease term. At June 30, 2020 and 2019, rent payable was \$624,423 and \$349,712, respectively.

Long-term liability activities for the year ended June 30, 2020 was as follows:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020
Lease rent payable	\$ 349,712	\$ 574,712	\$ (300,001)	\$ 624,423

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

The estimated future minimum rental payments to be received under the operating lease are as follows:

Year ending June 30,	Amortized rent revenue	Minimum rental receipts
2021	\$ 638,192	\$ 622,500
2022	638,192	650,000
2023	638,192	650,000
2024	638,192	650,000
2025	638,192	650,000
Thereafter	37,015,155	37,700,000
Total	\$ 40,206,115	\$ 40,922,500

The estimated future minimum rental expense to be paid under the ground lease is follows:

Year ending June 30,	Amortized rent revenue	Minimum rental receipts
2021	\$ 574,712	\$ 561,250
2022	574,712	585,000
2023	574,712	585,000
2024	574,712	585,000
2025	574,712	585,000
Thereafter	33,333,267	33,930,000
Total	\$ 36,206,827	\$ 36,831,250

NOTE 16 - HOLLOWAY AVENUE REVITALIZATION PROJECT

The Corporation, as a business partner of the University has entered into ground lease with the University, dated January 2018 for Block Six, a one-acre parcel. The Corporation entered into the lease with the purpose of subleasing the premises to a third party, Holloway Avenue Partners, LLC (the "LLC"), which will own and operate a one-building facility consisting of approximately 230,000 - 280,000 gross square feet with (a) approximately 167 apartment-style student housing units with kitchens comprising a total of approximately 542 beds on levels 3-8; (b) approximately 20,000 - 70,000 gross square feet of ground floor and plaza level space, including 20,000 - 45,000 net leasable square footage of retail space and the balance of the ground floor and plaza level space consisting of residential support and "back-of-house" space; and (c) approximately 20-50 parking spaces. The ground sublease was amended effective October 2, 2018 to include American Campus Communities Operating Partnership LP, a Maryland limited partnership ("ACC", collectively with the LLC, the "Tenants"). The lease and sub-lease terms are for 65 years ending June 30, 2083 unless terminated or extended pursuant to the terms of the respective leases. Construction began October 2018. Once construction commenced, the Tenants were required to pay construction period rent, which is defined as the rent payable during the construction period in an amount equal to \$320,000 per annum. The Corporation collects the rent from ACC in all amounts set out in the Sublease. Annual base rent on the sub-lease will begin upon project opening and continue through the end of the term. The annual base rent is equal to the greater of minimum lease year rent or the percentage rent. Minimum lease rent is set at \$650,000. Annual base rent for years subsequent to year one shall increase at a percentage equal to the percentage increase in the effective gross residential revenue on the project in such lease year compared to the effective gross residential revenue in the preceding lease year. The Corporation will collect

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

rent from the Tenants and will remit to the University all revenue derived after first deducting a management fee of ten percent (10%) of the gross revenue and thereafter deducting any related project cost incurred by the Corporation.

The total cumulative costs incurred through June 30, 2020 by the Corporation was \$489,959. The Corporation has recorded these costs as expenses and will discuss with related parties about the potential for reimbursement in future periods.

NOTE 17 – SUBSEQUENT EVENTS

The Corporation has reviewed its financial statements for all subsequent events through September 18, 2020, the date the financial statements were issued. Management continues to evaluate the ongoing impacts of the COVID-19 pandemic on higher education and the Corporation's operations. As a result of the COVID-19 pandemic, the University moved to remote operations, which suspended in-person classes, activities and programs. The campus closure significantly decreased the Corporation's program, rental, and retail operations in 2020, but was offset by an increase in grants and contracts to support its programs. The University will continue remote modalities into Fall 2020 as a result of ongoing concerns related to COVID-19. The ongoing remote modalities will continue to affect the Corporation's retail revenue as some vendors will not be open and a significantly smaller population is expected to be physically present on campus. The Corporation's investments will also be affected by the volatility in the market due to the pandemic. Management has concluded that while the impact of COVID-19 could have consequential effects, which have a negative impact on the Corporation's financial position, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Board of Directors
The University Corporation, San Francisco State

We have audited, 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, the business-type activities of The University Corporation, San Francisco State (Component Unit of San Francisco State University) (the Corporation) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated September 18, 2020.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the Corporation's internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and other matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Intended purpose

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

San Francisco, California
September 18, 2020

SUPPLEMENTARY INFORMATION

**The University Corporation, San Francisco State
(for inclusion in the California State University)**

SCHEDULE OF NET POSITION

June 30, 2020

ASSETS:

CURRENT ASSETS:

Cash and cash equivalents	\$	1,949,373
Short-term investments		19,681,258
Accounts receivable, net		875,625
Capital lease receivable, current portion		-
Notes receivable, current portion		-
Pledges receivable, net		873,782
Prepaid expenses and other current assets		44,124
		44,124
Total current assets		23,424,162

NONCURRENT ASSETS:

Restricted cash and cash equivalents		-
Accounts receivable, net		-
Capital lease receivable, net of current portion		-
Notes receivable, net of current portion		-
Student loans receivable, net		-
Pledges receivable, net		10,068,057
Endowment investments		628,596
Other long-term investments		10,113,042
Capital assets, net		2,358,848
Other assets		716,385
		716,385
Total noncurrent assets		23,884,928

Total assets		47,309,090
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DEFERRED OUTFLOWS OF RESOURCES:

Unamortized loss on debt refunding		-
Net pension liability		-
Net OPEB liability		-
Others		-
		-
Total deferred outflows of resources		-

**The University Corporation, San Francisco State
(for inclusion in the California State University)**

SCHEDULE OF NET POSITION - CONTINUED

June 30, 2020

LIABILITIES:

CURRENT LIABILITIES:

Accounts payable	\$ 1,096,151
Accrued salaries and benefits	186,896
Accrued compensated absences, current portion	102,221
Unearned revenues	69,842
Capital lease obligations, current portion	-
Long-term debt obligations, current portion	181,290
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	-
	-
Total current liabilities	1,636,400

NONCURRENT LIABILITIES:

Accrued compensated absences, net of current portion	-
Unearned revenues	-
Grants refundable	-
Capital lease obligations, net of current portion	-
Long-term debt obligations, net of current portion	357,761
Claims liability for losses and loss adjustment expenses, net of current portion	-
Depository accounts	-
Net other postemployment benefits liability	-
Net pension liability	-
Other liabilities	624,423
	624,423
Total noncurrent liabilities	982,184
Total liabilities	2,618,584

DEFERRED INFLOWS OF RESOURCES:

Service concession arrangements	-
Net pension liability	-
Net OPEB liability	-
Unamortized gain on debt refunding	-
Nonexchange transactions	191,588
Others	-
	-
Total deferred inflows of resources	191,588

NET POSITION:

Net investment in capital assets	2,336,329
Restricted for:	
Nonexpendable – endowments	628,596
Expendable:	
Scholarships and fellowships	33,442,197
Research	-
Loans	-
Capital projects	-
Debt service	-
Others	-
Unrestricted	8,091,796
Total net position	\$ 44,498,918

**The University Corporation, San Francisco State
(for inclusion in the California State University)**

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

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		25,754,052
Scholarship allowances (enter as negative)		-
Other operating revenues		<u>51,191</u>
Total operating revenues		25,805,243

Expenses:

Operating expenses:

Instruction		2,172,095
Research		539,996
Public service		501,613
Academic support		1,586,728
Student services		1,767,998
Institutional support		2,414,395
Operation and maintenance of plant		880,193
Student grants and scholarships		4,587,542
Auxiliary enterprise expenses		5,164,667
Depreciation and amortization		<u>418,175</u>
Total operating expenses		<u>20,033,402</u>
Operating income (loss)		<u>5,771,841</u>

Nonoperating revenues (expenses):

State appropriations, noncapital		-
Federal financial aid grants, noncapital		-
State financial aid grants, noncapital		-
Local financial aid grants, noncapital		-
Nongovernmental and other financial aid grants, noncapital		-
Other federal nonoperating grants, noncapital		-
Gifts, noncapital		3,980,214
Investment income (loss), net		1,146,603
Endowment income (loss), net		-
Interest expense		-
Other nonoperating revenues (expenses) - excl. interagency transfers		-
Other nonoperating revenues (expenses) - interagency transfers		<u>-</u>
Net nonoperating revenues (expenses)		<u>5,126,817</u>
Income (loss) before other revenues (expenses)		10,898,658

State appropriations, capital		-
Grants and gifts, capital		-
Additions (reductions) to permanent endowments		(12,627)
Increase (decrease) in net position		10,886,031

Net position:

Net position at beginning of year, as previously reported		33,612,887
Restatements		-
Net position at beginning of year, as restated		<u>33,612,887</u>
Net position at end of year		<u>\$ 44,498,918</u>

**The University Corporation, San Francisco State
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OTHER INFORMATION

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	1,949,373
Total	\$ 1,949,373

2.1 Composition of investments:

	Current	Noncurrent	Total
Money market funds	\$ 461,319	\$ -	\$ 461,319
Repurchase agreements			-
Certificates of deposit			-
U.S. agency securities		431,089	431,089
U.S. treasury securities	125,508	1,071,226	1,196,734
Municipal bonds	45,062	493,124	538,186
Corporate bonds	60,640	1,950,605	2,011,245
Asset backed securities		124,838	124,838
Mortgage backed securities	50,485	572,984	623,469
Commercial paper			-
Mutual funds	6,247,828		6,247,828
Exchange traded funds			-
Equity securities	8,480,275		8,480,275
Alternative investments:			
Private equity (including limited partnerships)			-
Hedge funds			-
Managed futures			-
Real estate investments (including REITs)		2,034,568	2,034,568
Commodities		4,063,204	4,063,204
Derivatives			-
Other alternative investment types			-
Other external investment pools (excluding SWIFT)			-
Other investments			-
State of California Local Agency Investment Fund (LAIF)	4,210,141		4,210,141
State of California Surplus Money Investment Fund (SMIF)			-
Total investments	19,681,258	10,741,638	30,422,896
Less endowment investments (enter as negative number)	-	(628,596)	(628,596)
Total investments, net of endowments	\$ 19,681,258	10,113,042	29,794,300

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June 30, 2020

2.2 Fair value hierarchy in investments:	Total	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	\$ 461,319	461,319			
Repurchase agreements	-				
Certificates of deposit	-				
U.S. agency securities	431,089	431,089			
U.S. treasury securities	1,196,734	1,196,734			
Municipal bonds	538,186	54,426	483,760		
Corporate bonds	2,011,245	1,555,131	456,114		
Asset backed securities	124,838	74,667	50,171		
Mortgage backed securities	623,469		623,469		
Commercial paper	-				
Mutual funds	6,247,828	6,247,828			
Exchange traded funds	-				
Equity securities	8,480,275	8,480,275			
Alternative investments:					
Private equity (including limited partnerships)	-				
Hedge funds	-				
Managed futures	-				2,034,568
Real estate investments (including REITs)	2,034,568				4,063,204
Commodities	4,063,204				
Derivatives	-				
Other alternative investment types	-				
Other external investment pools (excluding SWIFT)	-				
Other investments	-				4,210,141
State of California Local Agency Investment Fund (LAIF)	4,210,141				-
State of California Surplus Money Investment Fund (SMIF)	-				-
Total investments	<u>\$ 30,422,896</u>	<u>18,501,469</u>	<u>1,613,514</u>	<u>-</u>	<u>10,307,913</u>

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 SWIFT Inv pool):			\$ -

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June 30, 2020

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	Balance June 30, 2020
Non-depreciable/Non-amortizable capital assets:									
Land and land improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Works of art and historical treasures	-	-	-	-	-	-	-	-	-
Construction work in progress (CWIP)	1,023,629	-	-	-	1,023,629	30,000	-	(1,023,629)	30,000
Intangible assets:									
Rights and easements	-	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-	-
Intangible assets in progress (PWIP)	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-	-
Total non-depreciable/non-amortizable capital assets	1,023,629	-	-	-	1,023,629	30,000	-	(1,023,629)	30,000
Depreciable/Amortizable capital assets:									
Buildings and building improvements	-	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-
Leasehold improvements	3,108,477	5,471	-	-	3,113,948	605,286	-	1,023,629	4,742,863
Personal property:	-	-	-	-	-	-	-	-	-
Equipment	1,170,834	(5,471)	-	-	1,165,363	147,687	-	-	1,313,050
Library books and materials	-	-	-	-	-	-	-	-	-
Intangible assets:									
Software and websites	-	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-	-
Total depreciable/amortizable capital assets	4,279,311	-	-	-	4,279,311	752,973	-	1,023,629	6,055,913
Total capital assets	5,302,940	-	-	-	5,302,940	782,973	-	-	6,085,913
Less accumulated depreciation/amortization: (enter as negative number, except for reductions enter as positive number)									
Buildings and building improvements	-	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-
Leasehold improvements	(1,456,162)	-	-	-	(1,456,162)	(311,804)	-	-	(1,767,966)
Personal property:	-	-	-	-	-	-	-	-	-
Equipment	(1,852,728)	-	-	-	(1,852,728)	(106,371)	-	-	(1,959,099)
Library books and materials	-	-	-	-	-	-	-	-	-
Intangible assets:									
Software and websites	-	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-	-
Total accumulated depreciation/amortization	(3,308,890)	-	-	-	(3,308,890)	(418,175)	-	-	(3,727,065)
Total capital assets, net	\$ 1,994,050	\$ -	\$ -	\$ -	\$ 1,994,050	\$ 364,798	\$ -	\$ -	\$ 2,358,848

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June 30, 2020

3.2 Detail of depreciation and amortization expense:

Depreciation and amortization expense related to capital assets	\$ 418,175
Amortization expense related to other assets	
Total depreciation and amortization	<u>\$ 418,175</u>

4 Long-term liabilities:

	Balance June 30, 2019	Prior Period Adjustments/ Reclassifications	Balance June 30, 2019 (Restated)	Additions	Reductions	Balance June 30, 2020	Current Portion	Noncurrent Portion
1. Accrued compensated absences	\$ 83,924	\$ -	\$ 83,924	\$ 63,982	\$ (45,685)	\$ 102,221	\$ 102,221	\$ -
2. Claims liability for losses and loss adjustment expenses	-	-	-	-	-	-	-	-
3. Capital lease obligations:								
Gross balance	-	-	-	-	-	-	-	-
Unamortized net premium/(discount)	-	-	-	-	-	-	-	-
Total capital lease obligations	-	-	-	-	-	-	-	-
4. Long-term debt obligations:								
4.1 Auxiliary revenue bonds (non-SRB related)	-	-	-	-	-	-	-	-
4.2 Commercial paper	-	-	-	-	-	-	-	-
4.3 Notes payable (SRB related)	-	-	-	-	-	-	-	-
4.4 Others:	-	-	-	-	-	-	-	-
Loan payable interest	-	-	-	539,051	-	-	181,290	(181,290)
Total others	-	-	-	539,051	-	-	181,290	(181,290)
Sub-total long-term debt	-	-	-	539,051	-	-	181,290	(181,290)
4.5 Unamortized net bond premium/(discount)	-	-	-	-	-	-	-	-
Total long-term debt obligations	-	-	-	539,051	-	539,051	181,290	(181,290)
Total long-term liabilities	<u>\$ 83,924</u>	<u>\$ -</u>	<u>\$ 83,924</u>	<u>\$ 603,033</u>	<u>\$ (45,685)</u>	<u>\$ 641,272</u>	<u>\$ 283,511</u>	<u>\$ 357,761</u>

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OTHER INFORMATION - CONTINUED

June 30, 2020

5 Capital lease obligations schedule:

	Capital lease obligations related to SRB			All other capital lease obligations			Total capital lease obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2021	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2022	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-
2025 - 2029	-	-	-	-	-	-	-	-	-
2030 - 2034	-	-	-	-	-	-	-	-	-
2035 - 2039	-	-	-	-	-	-	-	-	-
2040 - 2044	-	-	-	-	-	-	-	-	-
2045 - 2049	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-
Total minimum lease payments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Less: amounts representing interest									-
Present value of future minimum lease payments									-
Unamortized net premium/(discount)									-
Total capital lease obligations									-
Less: current portion									-
Capital lease obligations, net of current portion									<u>\$ -</u>

6 Long-term debt obligations schedule:

	Auxiliary revenue bonds (non-SRB related)			All other long-term debt obligations			Total long-term debt obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2021	\$ -	\$ -	\$ -	\$ 181,290	\$ -	\$ 181,290	\$ 181,290	\$ -	\$ 181,290
2022	-	-	-	357,761	-	357,761	357,761	-	357,761
2023	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-
2025 - 2029	-	-	-	-	-	-	-	-	-
2030 - 2034	-	-	-	-	-	-	-	-	-
2035 - 2039	-	-	-	-	-	-	-	-	-
2040 - 2044	-	-	-	-	-	-	-	-	-
2045 - 2049	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-
Total minimum payments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 539,051</u>	<u>\$ -</u>	<u>\$ 539,051</u>	<u>\$ 539,051</u>	<u>\$ -</u>	<u>539,051</u>
Less: amounts representing interest									-
Present value of future minimum payments									539,051
Unamortized net premium/(discount)									-
Total long-term debt obligations									539,051
Less: current portion									(181,290)
Long-term debt obligations, net of current portion									<u>\$ 357,761</u>

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OTHER INFORMATION - CONTINUED

June 30, 2020

7 Transactions with related entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs	4,096,116
Payments to University for other than salaries of University personnel	8,113,830
Payments received from University for services, space, and programs	668,064
Gifts-in-kind to the University from discretely presented component units	
Gifts (cash or assets) to the University from discretely presented component units	
Accounts (payable to) University (enter as negative number)	(461,683)
Other amounts (payable to) University (enter as negative number)	
Accounts receivable from University (enter as positive number)	96,329
Other amounts receivable from University (enter as positive number)	

8 Restatements/Prior period adjustments:

Provide a detailed breakdown of the journal entries (at the financial statement line items level) booked to record each restatement/PPA:

		Debit/(Credit)
Transaction #1	Enter transaction description	
Transaction #2	Enter transaction description	

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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	\$ 1,372,396	\$ 342,054	\$ -	\$ -	\$ -	\$ 457,645	\$ -	\$ 2,172,095
Research	336,279	82,157	-	-	-	121,560	-	539,996
Public service	272,517	99,729	-	-	-	129,367	-	501,613
Academic support	507,742	179,481	-	-	-	899,505	-	1,586,728
Student services	650,636	302,115	-	-	-	815,247	-	1,767,998
Institutional support	49,559	8,371	-	-	-	2,356,465	-	2,414,395
Operation and maintenance of plant	9,375	1,186	-	-	-	869,632	-	880,193
Student grants and scholarships	-	-	-	-	4,587,542	-	-	4,587,542
Auxiliary enterprise expenses	547,948	187,350	-	-	-	4,429,369	-	5,164,667
Depreciation and amortization	-	-	-	-	-	-	418,175	418,175
Total operating expenses	\$ 3,746,452	\$ 1,202,443	\$ -	\$ -	\$ 4,587,542	\$ 10,078,790	\$ 418,175	\$ 20,033,402

Deferred outflows/inflows of resources:

1. Deferred Outflows of Resources

Deferred outflows - unamortized loss on refunding(s)	\$ -
Deferred outflows - net pension liability	-
Deferred outflows - net OPEB liability	-
Deferred outflows - others:	-
Sales/intra-entity transfers of future revenues	-
Gain/loss on sale leaseback	-
Loan origination fees and costs	-
Change in fair value of hedging derivative instrument	-
Irrevocable split-interest agreements	-
Total deferred outflows - others	-
Total deferred outflows of resources	\$ -

2. Deferred Inflows of Resources

Deferred inflows - service concession arrangements	-
Deferred inflows - net pension liability	-
Deferred inflows - net OPEB liability	-
Deferred inflows - unamortized gain on debt refunding(s)	-
Deferred inflows - nonexchange transactions	191,588
Deferred inflows - others:	-
Sales/intra-entity transfers of future revenues	-
Gain/loss on sale leaseback	-
Loan origination fees and costs	-
Change in fair value of hedging derivative instrument	-
Irrevocable split-interest agreements	-
Total deferred inflows - others	-
Total deferred inflows of resources	\$ 191,588