

California State University, Bakersfield  
**Base Budget Operating Fund - Direct Institutional Support for Athletics**  
for the year ended June 30, 2020

<u>Division</u>	<u>College/Area</u>	<u>Account Category</u>	<u>Original Base</u>	<u>Adjustment</u>	<u>Current Budget</u>
D23000 - Student Affairs	D10800 - Athletics	601 - Salaries and Wages	3,969,092	0	3,969,092
		660 - Operating Expenses	803,000	42,986 (4)	845,986
			<b>4,772,092</b> (1)	42,986	<b>4,815,078</b> (1)
D90000 - Campus Wide	D900000 - Campus Wide	603 - Benefits	2,116,366	(6,841) (5)	2,109,525
			<b>6,888,458</b> (2)	36,145	6,924,603
D20010 - President Admin	D10826 - Athletic Fac Rep	601 - Salaries and Wages	35,909	0	35,909
		660 - Operating Expenses	1,745	0	1,745
			<b>37,654</b> (1)	0	<b>37,654</b> (1)
D20010 - President Admin	D10826 - Athletic Fac Rep	603 - Benefits	19,750	(4,494) (5)	15,256
			57,404	(4,494)	52,910
D90000 - Campus Wide	D900000 - Campus Wide	660 - Operating Expenses	451,971 (3)	0	451,971
		Non-general Operating Funds	0	150,000 (6)	150,000
		Direct Institutional Support	<b>7,397,833</b>	<b>181,651</b>	<b>7,579,483</b> (7)

Notes:

- (1) Agrees with Athletics and Athletics Fac Rep as reported on FY19-20 Base Budget Operating Fund - by Department and Account Category
- (2) Agrees with Athletics as reported on FY19-20 Base Budget Operating Fund Allocation
- (3) Athletics portion of campus-wide insurance (210,171) and memberships (241,800)
- (4) Athletics outstanding purchase orders from prior year
- (5) Athletics and Athletics Fac Rep portion of campus-wide benefits adjustment
- (6) Big West Conference Membership - BK002
- (7) Agrees with Independent Auditor's Report, Statement of Revenues and Expenses, Page 2 Line 4 - Direct Institutional Support

# California State University, Bakersfield

Financial Statement of the Intercollegiate Athletics  
Department

Year Ended June 30, 2020



**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD**

**Financial Statement**

Year Ended June 30, 2020

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
California State University, Bakersfield

We have audited the accompanying financial statement of California State University, Bakersfield's Intercollegiate Athletics Department, which comprises the statement of revenues and expenses for the year ended June 30, 2020 and the related notes.

### **Management's Responsibility for the Financial Statement**

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

### **Auditors' Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues and expenses of California State University, Bakersfield's Intercollegiate Athletics Department for the year ended June 30, 2020 in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As described in Note 1 to the financial statement, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommend containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is unmodified with respect to that matter.

*Aldrich CPAs + Advisors LLP*

San Diego, California  
February 10, 2021

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD**

**Statement of Revenues and Expenses**

Year Ended June 30, 2020

Revenues	Football*	Men's Basketball	Women's Basketball	Other Sports	Non- Program Specific	Total
<b>Operating Revenues:</b>						
1 Ticket Sales	\$ -	\$ 286,691	\$ 29,597	\$ 94,716	\$ 969	\$ 411,973
2 Direct State or Other Government Support	-	-	-	-	-	-
3 Student Fees	-	-	-	-	4,444,635	4,444,635
4 Direct Institutional Support	-	-	-	-	7,579,483	7,579,483
5 Less - Transfers to Institution	-	-	-	-	-	-
6 Indirect Institutional Support	-	-	-	-	866,178	866,178
6a Indirect Institutional Support-Athletic Facilities Debt Service, Lease and Rental Fees	-	-	-	-	-	-
7 Guarantees	-	352,500	66,000	5,000	-	423,500
8 Contributions	-	34,323	15,058	381,439	506,187	937,007
9 In-Kind	-	-	-	10,145	80,171	90,316
10 Compensation and Benefits Provided by a Third Party	-	8,500	8,500	-	20,892	37,892
11 Media Rights	-	-	-	-	-	-
12 NCAA Distributions	-	-	1,403	-	218,356	219,759
13 Conference Distributions (Non Media or Bowl)	-	-	-	-	-	-
13a Conference Distributions of Bowl Generated Revenue	-	-	-	-	-	-
14 Program, Novelty, Parking and Concession Sales	-	-	-	-	-	-
15 Royalties, Licensing Advertisements and Sponsorships	-	13,500	-	117,425	230,928	361,853
16 Sports Camp Revenues	-	2,681	1,400	83,999	1,548	89,628
17 Athletics Restricted Endowment and Investments Income	-	-	-	(290)	28,361	28,071
18 Other Operating Revenue	-	1,210	14,790	6,010	398,594	420,604
19 Bowl Revenues	-	-	-	-	-	-
Subtotal Operating Revenues	\$ -	\$ 699,405	\$ 136,748	\$ 698,444	\$ 14,376,302	\$ 15,910,899

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

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD**

**Statement of Revenues and Expenses, continued**

Year Ended June 30, 2020

Expenses	Football*	Men's Basketball	Women's Basketball	Other Sports	Non- Program Specific	Total
<b>Operating Expenses:</b>						
20 Athletic Student Aid	\$ -	\$ 458,462	\$ 415,661	\$ 2,129,988	\$ 101,900	\$ 3,106,011
21 Guarantees	-	150,500	4,500	12,248	-	167,248
22 Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities	-	895,303	449,957	2,002,337	-	3,347,597
23 Coaching Salaries, Benefits, and Bonuses Paid by a Third Party	-	8,500	8,500	-	-	17,000
24 Support Staff/Administrative Compensation, Benefits, and Bonuses Paid by the University and Related Entities	-	59,551	44,100	-	3,505,973	3,609,624
25 Support Staff/Administrative Compensation Benefits and Bonuses Paid by a Third-Party	-	-	-	-	20,892	20,892
26 Severance Payments	-	-	-	-	-	-
27 Recruiting	-	62,014	37,673	74,457	5,763	179,907
28 Team Travel	-	366,865	229,612	774,573	5,932	1,376,982
29 Sports Equipment, Uniforms, and Supplies	-	76,086	52,950	317,901	28,931	475,868
30 Game Expenses	-	98,500	74,750	95,078	129,528	397,856
31 Fund Raising, Marketing, and Promotion	-	11,332	334	120,651	187,284	319,601
32 Sports Camp Expenses	-	30,614	17,323	113,640	30,490	192,067
33 Spirit Groups	-	-	-	-	253,856	253,856
34 Athletic Facilities Debt Service, Leases and Rental Fees	-	70	-	170	38,845	39,085
35 Direct Overhead and Administrative Expenses	-	2,256	881	24,125	193,146	220,408
36 Indirect Institutional Support	-	-	-	-	866,178	866,178
37 Medical Expenses and Insurance	-	2,366	1,362	60,271	211,824	275,823
38 Memberships and Dues	-	1,400	1,750	13,519	326,041	342,710
39 Student-Athlete Meals	-	29,170	11,154	28,734	17,841	86,899
40 Other Operating Expenses	-	47,617	24,707	255,502	578,989	906,815
41 Bowl Expenses	-	-	-	-	-	-
41a Bowl Expenses - Coaching Compensation/Bonuses	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>-</b>	<b>2,300,606</b>	<b>1,375,214</b>	<b>6,023,194</b>	<b>6,503,413</b>	<b>16,202,427</b>
Excess (Deficiency) of Revenues Over (Under) Expenses	<b>\$ -</b>	<b>\$ (1,601,201)</b>	<b>\$ (1,238,466)</b>	<b>\$ (5,324,750)</b>	<b>\$ 7,872,889</b>	<b>\$ (291,528)</b>

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

# CALIFORNIA STATE UNIVERSITY, BAKERSFIELD

## Notes to Financial Statement

Year Ended June 30, 2020

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### Note 1 – Organization and Summary of Significant Accounting Policies

#### Nature of Activities

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

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

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

#### New Accounting Pronouncement

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). This standard update clarifies and improves the scope and the accounting guidance for contributions received and contributions made under accounting principles generally accepted in the United States of America (US GAAP). Effective July 1, 2019, the Entities adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958).

Management has analyzed the provisions of the FASB's ASC Topic 958, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, and has concluded that no changes are necessary to conform with the new standard.

#### Basis of Presentation

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

#### Use of Estimates

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

#### Revenue Recognition

All contributions are considered available for Athletics' general programs unless specifically restricted by the donor and may be restricted by purpose, timing, or be perpetual in nature.

#### Student Fees

Each matriculated student of the University was required to pay student fees, of which \$206 per student was allocated to Athletics per semester, for the year ended June 30, 2020. These payments support Athletics' operations and are recognized as revenue ratably over the course of the term. It is the policy of management to review the outstanding student fees receivable at year-end, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts. There was no net effect of the changes in the allowance for uncollectible student accounts for the year ended June 30, 2020.

#### Contributions

Promises that are expected to be collected within one year are recorded at their net realizable value. Promises that are expected to be collected in future years are discounted to their estimated net present value. After promises are originally recorded, an allowance for uncollectible promises may be established based on specific circumstances. The net effect of the changes in the discount on and allowance for promises to give was an increase of \$8,637 for the year ended June 30, 2020 and is included in contributions in the statement of revenues and expenses. Promises to give are discounted using an average imputed interest rate of 3%.

# CALIFORNIA STATE UNIVERSITY, BAKERSFIELD

## Notes to Financial Statement

Year Ended June 30, 2020

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

#### In-Kind

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

#### Athletics Restricted Endowment and Investments Income

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

#### Depreciation Expense

The Entities expense all expenditures for property and equipment below \$5,000. Expenditures for maintenance and repairs are charged against operations. Depreciation is computed on the straight-line method over estimated useful lives of three to 30 years. The Entities follow the guidelines in the California State University's "Capital Assets Guide" regarding all reporting for Athletics-related assets. Depreciation expense totaled \$4,392 for the year ended June 30, 2020. Depreciation expense is included in Other Operating Expenses in the statement of revenues and expenses.

#### Advertising

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

#### Future Accounting Standards

The FASB has issued a substantial ASU which will become effective in a future year.

The amendments in ASU 2014-09 *Revenue from Contracts with Customers* and subsequent updates require that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Adoption of the new standard is to be applied on a full retrospective basis or a modified retrospective basis. The Entities are in the process of assessing how this new ASU and subsequent updates will affect the Entities' reporting of revenues, effective July 1, 2020. This assessment includes determining the effect of the new standard on the Entities' financial statement, accounting systems, business processes, and internal controls. Based on their assessment to date, the Entities does not currently expect adoption to have a material effect on their revenues. Adoption of ASU 2014-09 will also require enhanced financial statement disclosures about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

#### Subsequent Events

The Entities have evaluated subsequent events through February 10, 2021, which is the date the financial statement was available to be issued.

### Note 2 – Concentrations

During the year ended June 30, 2020, approximately 59% of Athletics' total revenue was received from the University, including a portion of Student Fees (3), Direct Institutional Support (4) and Indirect Institutional Support (6). In addition, 22% of the Athletics' total revenue was received from Associated Students, California State University, Bakersfield, Inc. through a portion of Student Fees (3). Management believes that Athletics is not exposed to any significant concentration risk in the near term.



## **CALIFORNIA STATE UNIVERSITY, BAKERSFIELD**

### **Notes to Financial Statement**

Year Ended June 30, 2020

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#### **Note 3 – Indirect Institutional Support (6 and 36)**

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

#### **Note 4 – Guarantees (7)**

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

#### **Note 5 – Contributions (8) – Conditional Promise to Give**

Athletics received a \$1,000,000 gift during the year ended June 30, 2019 to make improvements at the Icardo Center. Of that amount, \$600,000 was unconditional and the remaining \$400,000 is conditional on the initial improvements being substantially completed which has not occurred as of June 30, 2020. A conditional promise to give does not meet the standard for revenue recognition and, as such, the \$400,000 conditional portion of the promise to give has not been recognized in the statement of revenues and expenses for the year ended June 30, 2020.

#### **Note 6 – NCAA Distributions (12)**

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

#### **Note 7 – Athletics Restricted Endowment and Investments Income (17)**

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

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

The Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity is subject to appropriation for expenditure by the Foundation in a manner that is consistent with the standard of prudence prescribed by UPMIFA.

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

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

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD**

**Notes to Financial Statement**

Year Ended June 30, 2020

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**Note 7 – Athletics Restricted Endowment and Investments Income (17), continued**

*Spending policy:* The Foundation’s spending policy allocates total earnings from the portfolio between current spending and reinvestment for future earnings and has been designed with three objectives in mind: (a) provide current programs with a predictable, stable stream of revenues; (b) ensure that the purchasing power of real value of this revenue stream does not decline over time; and (c) ensure that the purchasing power or real value of the Endowment assets does not decline over time. The cost of current operating programs will likely increase over time at least as fast as inflation. If the endowment is to cover a reasonably constant portion of current operating expenses, endowment spending must increase at least as fast as inflation. The Foundation’s policy is designed to preserve both the purchasing power of their endowments and of their endowment withdrawals. Such a policy also ensures that the competing needs of current and future generations of students and faculty are in financial equilibrium. Lastly, the Foundation has adopted an annual spending rate target of up to 5.25%, inclusive of the Foundation’s 1.25% investment management fee. The spending rate is computed based on the historical three-year rolling-average of the Endowment’s fiscal year-end market value, on year before the fiscal year in which the spend is available commencing July 1.

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

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

Endowment activities for the year ended June 30, 2020 consisted of the following:

Investment return:		
Interest	\$	51,060
Realized loss		(18,855)
Unrealized gains		74,366
Investment fees		(78,500)
		<hr/>
	\$	28,071
		<hr/>

Contributions to endowment funds are recorded in Contributions (8), and totaled \$6,400 for the year ended June 30, 2020.

**Note 8 – Athletics Student Aid (20)**

Athletics provides scholarships in 16 Division I sports. Scholarships may cover all or a portion of tuition, fees, books and supplies, and/or living expenses. Recipients are typically determined by the head coach of each sport. The coach also determines the amount of the award, in consultation with the Director of Athletics and the Athletic Compliance Officer. Awards are based on the student’s athletic ability, academic eligibility, their sport’s NCAA headcount or equivalency limits, and available funds. Coaches may propose an increase to an existing athletic grant-in-aid award at any time during the academic year. They may also reduce or cancel an award in accordance with the 2019-20 NCAA Division I Manual bylaw 15.3.4 - Reduction or Cancellation During Period of Award. Some scholarships are funded through private donations to the Foundation specified for Athletics, or student fees collected by Associated Students, California State University, Bakersfield, Inc.

## **CALIFORNIA STATE UNIVERSITY, BAKERSFIELD**

### **Notes to Financial Statement**

Year Ended June 30, 2020

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#### **Note 9 – Defined Benefit Pension Plan**

The University contributes to the Public Employees' Retirement System of the State of California (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public agencies in California. The University's total pension expense for employees covered by PERS for the year ended June 30, 2020 was \$1,233,687.

#### **Note 10 – Post-Employment Benefits Other Than Pensions**

In addition to the pension benefits described in Note 9, the University provides postretirement health care benefits through PERS to full-time employees who retire from the University on or after attaining age 50 with at least 5 years of service. Continued participation in the existing health and dental plans is offered. Once the individual is eligible for Medicare, coverage may be continued in the PERS health plan by enrolling in a supplement to Medicare or a Managed Medicare Plan. An actuarial study is completed annually to determine costs related to this benefit.

#### **Note 11 – Risks and Uncertainties**

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

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States of America (U.S.) has caused business disruption through mandated and voluntary closures of businesses and shelter-in-place orders, including California, where the Entities are located.

In the second and third quarter of calendar year 2020, the Entities saw a decline in the number of donations, sponsorships, ticket sales, and fundraising events and in-person meetings as a result of safety restrictions implemented due to COVID-19. Continued safety measures prevent in-person activities for the foreseeable future, which will likely have an impact on donations, sponsorships, ticket sales, and fundraising events efforts. In addition, due to the economic uncertainty surrounding the industries in which many of the Entities' donors are employed, fundraising activity will likely be impacted.

As of the date through which the Entities have evaluated events occurring subsequent to the year-end date of the statement of revenue and expenses, June 30, 2020, the Entities believe they understand the risks associated with COVID-19. The Entities are in the process of implementing risk mitigation tactics for the Entities as to the risk of the impact of COVID-19 related to all aspects of the Entities' business transactions with customers and vendors and human interaction within and outside the Entities.