

California State University, Bakersfield  
**Base Budget Operating Fund - Direct Institutional Support for Athletics**  
for the year ended June 30, 2021

| <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     | 3,728,691            |                   | 3,728,691             |
|                          |                       | 660 - Operating Expenses     | <u>803,000</u>       | 33,759 (4)        | <u>836,759</u>        |
|                          |                       |                              | <b>4,531,691</b> (1) | <b>33,759</b>     | <b>4,565,450</b>      |
| D90000 - Campus Wide     | D900000 - Campus Wide | 603 - Benefits               | <u>1,984,869</u>     | 62,771 (5)        | <u>2,047,640</u>      |
|                          |                       |                              | <b>6,516,560</b> (2) | <b>96,530</b>     | <b>6,613,090</b>      |
| D90000 - Campus Wide     | D900000 - Campus Wide | 660 - Operating Expenses     | 400,965 (3)          | 0                 | 400,965               |
|                          |                       | Direct Institutional Support | <u>6,917,525</u>     | <u>96,530</u>     | <u>7,014,054</u> (6)  |

Notes:

- (1) Agrees with Athletics as reported on FY20-21 Base Budget Operating Fund - by Department and Account Category
- (2) Agrees with Athletics as reported on FY20-21 Base Budget Operating Fund Allocation
- (3) Athletics campus-wide expenses such as insurance, memberships, and other operational costs
- (4) Athletics outstanding purchase orders from prior year
- (5) Athletics portion of campus-wide benefits adjustment
- (6) Agrees with Independent Auditor's Report, Statement of Revenues and Expenses, Page 3 Line 4 - Direct Institutional Support

# California State University, Bakersfield

Financial Statement of the Intercollegiate Athletics  
Department

Year Ended June 30, 2021



**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD**

**Financial Statement**

Year Ended June 30, 2021

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## INDEPENDENT AUDITOR'S 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 is comprised of the statement of revenues and expenses for the year ended June 30, 2021 and the related notes to the financial statement.

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

Management is responsible for the preparation and fair presentation of 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 the financial statement that is 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 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 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, 2021 in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis-of-Matter**

#### Change in Accounting Principle

As discussed in Note 1 to the financial statement, in 2021, California State University, Bakersfield's Intercollegiate Athletics Department adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). Our opinion is not modified with respect to this matter.

#### Coronavirus Pandemic

As described in Note 11 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.

## INDEPENDENT AUDITOR'S REPORT, CONTINUED

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2022, on our consideration of California State University, Bakersfield's Intercollegiate Athletics Department'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 California State University, Bakersfield's Intercollegiate Athletics Department'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 California State University, Bakersfield's Intercollegiate Athletics Department's internal control over financial reporting and compliance.

*Aldrich CPAs + Advisors LLP*

San Diego, California  
February 7, 2022

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD**

**Statement of Revenues and Expenses**

Year Ended June 30, 2021

| Revenues                                                                                        | Football* | Men's<br>Basketball | Women's<br>Basketball | Other<br>Sports | Non-<br>Program<br>Specific | Total         |
|-------------------------------------------------------------------------------------------------|-----------|---------------------|-----------------------|-----------------|-----------------------------|---------------|
| <b>Operating Revenues:</b>                                                                      |           |                     |                       |                 |                             |               |
| 1 Ticket Sales                                                                                  | \$ -      | \$ 6,000            | \$ 1,000              | \$ 4,276        | \$ 37                       | \$ 11,313     |
| 2 Direct State or Other<br>Government Support                                                   | -         | -                   | -                     | -               | -                           | -             |
| 3 Student Fees                                                                                  | -         | -                   | -                     | -               | 4,534,728                   | 4,534,728     |
| 4 Direct Institutional<br>Support                                                               | -         | -                   | -                     | -               | 7,014,054                   | 7,014,054     |
| 5 Less - Transfers to<br>Institution                                                            | -         | -                   | -                     | -               | -                           | -             |
| 6 Indirect Institutional<br>Support                                                             | -         | -                   | -                     | -               | 748,714                     | 748,714       |
| 6a Indirect Institutional Support-Athletic<br>Facilities Debt Service, Lease and<br>Rental Fees | -         | -                   | -                     | -               | -                           | -             |
| 7 Guarantees                                                                                    | -         | 77,500              | 20,000                | -               | -                           | 97,500        |
| 8 Contributions                                                                                 | -         | 91,358              | 77,154                | 965,403         | 1,280,936                   | 2,414,851     |
| 9 In-Kind                                                                                       | -         | 1,507               | 564                   | 1,483           | 26,000                      | 29,554        |
| 10 Compensation and Benefits<br>Provided by a Third Party                                       | -         | 8,500               | 8,500                 | -               | 20,892                      | 37,892        |
| 11 Media Rights                                                                                 | -         | -                   | -                     | -               | -                           | -             |
| 12 NCAA Distributions                                                                           | -         | -                   | -                     | -               | 440,539                     | 440,539       |
| 13 Conference Distributions<br>(Non Media and Non Football Bowl)                                | -         | -                   | -                     | -               | -                           | -             |
| 13a Conference Distributions of<br>Football Bowl Generated Revenue                              | -         | -                   | -                     | -               | -                           | -             |
| 14 Program, Novelty, Parking<br>and Concession Sales                                            | -         | -                   | -                     | -               | -                           | -             |
| 15 Royalties, Licensing<br>Advertisements and<br>Sponsorships                                   | -         | 17,500              | -                     | 8,895           | 155,120                     | 181,515       |
| 16 Sports Camp Revenues                                                                         | -         | -                   | -                     | 2,025           | -                           | 2,025         |
| 17 Athletics Restricted Endowment<br>and Investments Income                                     | -         | -                   | -                     | 729             | 1,065,337                   | 1,066,066     |
| 18 Other Operating Revenue                                                                      | -         | -                   | -                     | 96,847          | 6,730                       | 103,577       |
| 19 Football Bowl Revenues                                                                       | -         | -                   | -                     | -               | -                           | -             |
| Subtotal Operating<br>Revenues                                                                  | \$ -      | \$ 202,365          | \$ 107,218            | \$ 1,079,658    | \$ 15,293,087               | \$ 16,682,328 |

\*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, 2021

| Expenses                                                                                                                 | Football* | Men's<br>Basketball | Women's<br>Basketball | Other<br>Sports | Non-<br>Program<br>Specific | Total        |
|--------------------------------------------------------------------------------------------------------------------------|-----------|---------------------|-----------------------|-----------------|-----------------------------|--------------|
| <b>Operating Expenses:</b>                                                                                               |           |                     |                       |                 |                             |              |
| 20 Athletic Student Aid                                                                                                  | \$ -      | \$ 406,181          | \$ 376,733            | \$ 2,224,884    | \$ 39,697                   | \$ 3,047,495 |
| 21 Guarantees                                                                                                            | -         | 6,000               | -                     | -               | -                           | 6,000        |
| 22 Coaching Salaries, Benefits,<br>and Bonuses Paid by the<br>University and Related<br>Entities                         | -         | 910,489             | 475,544               | 1,853,216       | -                           | 3,239,249    |
| 23 Coaching Salaries, Benefits,<br>and Bonuses Paid by a<br>Third Party                                                  | -         | 8,500               | 8,500                 | -               | -                           | 17,000       |
| 24 Support Staff/Administrative<br>Compensation, Benefits, and<br>Bonuses Paid by the<br>University and Related Entities | -         | 62,230              | 57,137                | -               | 3,346,809                   | 3,466,176    |
| 25 Support Staff/Administrative<br>Compensation Benefits and<br>Bonuses Paid by a<br>Third Party                         | -         | -                   | -                     | -               | 20,892                      | 20,892       |
| 26 Severance Payments                                                                                                    | -         | -                   | -                     | -               | -                           | -            |
| 27 Recruiting                                                                                                            | -         | 6,975               | 9,286                 | 33,325          | 2,712                       | 52,298       |
| 28 Team Travel                                                                                                           | -         | 188,943             | 78,501                | 233,374         | -                           | 500,818      |
| 29 Sports Equipment, Uniforms,<br>and Supplies                                                                           | -         | 42,953              | 32,913                | 214,369         | 13,084                      | 303,319      |
| 30 Game Expenses                                                                                                         | -         | 63,522              | 46,187                | 76,084          | 70,955                      | 256,748      |
| 31 Fund Raising, Marketing,<br>and Promotion                                                                             | -         | 1,507               | 564                   | 1,805           | 33,404                      | 37,280       |
| 32 Sports Camp<br>Expenses                                                                                               | -         | -                   | -                     | 36              | -                           | 36           |
| 33 Spirit Groups                                                                                                         | -         | -                   | -                     | -               | 103,011                     | 103,011      |
| 34 Athletic Facilities Debt Service,<br>Leases and Rental Fees                                                           | -         | -                   | -                     | 23,283          | 10,288                      | 33,571       |
| 35 Direct Overhead and<br>Administrative Expenses                                                                        | -         | 3,852               | 1,532                 | 40,067          | 152,334                     | 197,785      |
| 36 Indirect Institutional<br>Support                                                                                     | -         | -                   | -                     | -               | 748,714                     | 748,714      |
| 37 Medical Expenses and<br>Insurance                                                                                     | -         | 24,208              | 8,732                 | 67,057          | 54,948                      | 154,945      |
| 38 Memberships and Dues                                                                                                  | -         | -                   | 203                   | 6,681           | 223,767                     | 230,651      |
| 39 Student-Athlete Meals<br>(non-travel)                                                                                 | -         | 18,693              | 14,686                | 17,301          | 340                         | 51,020       |
| 40 Other Operating Expenses                                                                                              | -         | 68,936              | 19,790                | 155,835         | 455,460                     | 700,021      |
| 41 Football Bowl Expenses                                                                                                | -         | -                   | -                     | -               | -                           | -            |
| 41a Football Bowl Expenses -<br>Coaching Compensation/<br>Bonuses                                                        | -         | -                   | -                     | -               | -                           | -            |
| Total Operating Expenses                                                                                                 | -         | 1,812,989           | 1,130,308             | 4,947,317       | 5,276,415                   | 13,167,029   |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenses                                                                 | \$ -      | \$ (1,610,624)      | \$ (1,023,090)        | \$ (3,867,659)  | \$ 10,766,672               | \$ 4,265,299 |

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

See accompanying notes to financial statement.

# CALIFORNIA STATE UNIVERSITY, BAKERSFIELD

## Notes to Financial Statement

Year Ended June 30, 2021

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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 May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenues from Contracts with Customers* (Topic 606). This new standard, along with related subsequently issued updates, clarifies the principles for recognizing revenue and develops a common revenue standard under accounting principles generally accepted in the United States of America (US GAAP). Effective July 1, 2020, the Entities adopted ASU 2014-09, *Revenues from Contracts with Customers* (Topic 606).

The new guidance was applied retrospectively to all contracts that were not completed as of the adoption date. Management has analyzed the provisions of the FASB's ASC Topic 606, *Revenues from Contracts with Customers*, and has concluded that no changes are necessary to conform with the new standard and the new standard has not had a significant impact on the financial statement.

#### 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

*Student Fees* – Each matriculated student of the University was required to pay student fees, a portion of which is allocated to Athletics each semester. Instructionally related activities fees were allocated to Athletics at a rate of \$46 per student for the fall semester and \$35 per student for the spring semester, for the year ended June 30, 2021. 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 a \$1,725 net increase in the allowance for uncollectible student accounts for the year ended June 30, 2021.

Student association fees were allocated to Athletics at a rate of \$160 per student for both the fall and spring semester, for the year ended June 30, 2021. These payments, collected by the University then transferred to Athletics, support Athletics' operations and are recognized on a ratable basis over the academic semester, which is when program services are delivered. Athletics may not receive the full amount of fees charged to students if amounts remain uncollected.



# CALIFORNIA STATE UNIVERSITY, BAKERSFIELD

## Notes to Financial Statement

Year Ended June 30, 2021

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

#### Revenue Recognition, continued

*Direct Institutional Support* – Support from the University allocated to Athletics as part of the University budgeting process is recognized at the start of the fiscal year, when the promise to give is unconditional. Additional amounts may be requested throughout the year subject to University approval and are recognized when approval is granted.

*Contributions* – All contributions are considered available for Athletics' general programs unless specifically restricted by the donor and may be restricted by purpose or timing or be perpetual in nature. 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 \$54,919 for the year ended June 30, 2021 and is included in contributions in the statement of revenues and expenses.

*Gifts In-Kind* – Contributions of services and tangible assets are recognized at fair market value when received.

*NCAA Distributions* – As the exact amount of National Collegiate Athletics Association (NCAA) distributions is not known in advance, these amounts are recognized 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.

#### Property and Equipment

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 is considered to be immaterial to the financial statements for the year ended June 30, 2021.

#### 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.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The primary change in US GAAP addressed by ASU 2016-02 is the requirement for a lessee to recognize either lease expense or interest and amortization expense of a liability to make lease payments ("lease liability") and a right-of-use asset representing its right to use the underlying asset for the lease term depending of the terms of the lease agreement. ASU 2016-02 also requires qualitative and quantitative disclosures to enable users of the financial statement to assess the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. Lessees must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statement. The Entities are evaluating the effect that the provisions of ASU 2016-02 will have on their financial statement and related disclosures.

#### Subsequent Events

The Entities have evaluated subsequent events through February 7, 2022, which is the date the financial statement was available to be issued.

# CALIFORNIA STATE UNIVERSITY, BAKERSFIELD

## Notes to Financial Statement

Year Ended June 30, 2021

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### Note 2 – Concentrations

During the year ended June 30, 2021, approximately 52% of Athletics' total revenue was received from the University. This included approximately 80% of total Student Fees (3) and all of Direct Institutional Support (4) and Indirect Institutional Support (6). In addition, approximately 22% of Athletics' total revenue was received from Associated Students, California State University, Bakersfield, Inc. This included approximately 20% of total Student Fees. Finally, approximately 60% of Contributions (8) was received from four donors. Management believes that Athletics is not exposed to any significant concentration risk in the near term.

### Note 3 – Revenue from Contracts with Customers

For the year-ended June 30, 2021, revenues from contracts with customers were as follows:

|                                              |                     |
|----------------------------------------------|---------------------|
| Student fees                                 | \$ 4,534,728        |
| Other                                        | <u>395,930</u>      |
| Total revenues from contracts with customers | <u>\$ 4,930,658</u> |

Other revenues from contracts with customers includes Ticket Sales (1), Guarantees (7), Royalties, Licensing, Advertising, and Sponsorships (15), Sports Camp Revenues (16), and Other Operating Revenue (18).

#### Significant Judgments

Athletics analyzes revenue recognition on a portfolio approach under ASC Topic 606. Significant judgment is utilized in determining the appropriate portfolios to assess for meeting the criteria to recognize revenue under ASC Topic 606. Athletics has determined that, for each distinct revenue stream identified, all contracts can be grouped into one portfolio. Based on past experience, customers within each distinct stream all behave similarly, contracts contain similar terms, and policies are the same across all contracts. Athletics does not expect that revenue earned for the portfolio is significantly different as compared to revenue that would be earned if they were to assess each contract separately.

Significant judgment is also required to assess collectability. Athletics assesses collectability each reporting period to monitor that the collectability threshold is met and does not recognize revenue if collection is not probable. Impairment losses are recognized when there are significant changes in a customer's assessed collectability.

### Note 4 – 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 5 – Guarantees (7 and 21)

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 6 – NCAA Distributions (12)

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

## CALIFORNIA STATE UNIVERSITY, BAKERSFIELD

### Notes to Financial Statement

Year Ended June 30, 2021

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#### 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 US GAAP, 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 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 donor-restricted endowment 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 investment assets
- 6) Other resources of the Foundation
- 7) The investment policy statement of the Foundation

*Spending policy:* The Foundation's spending policy allocates total earnings from the portfolio between current spending and reinvestment for future earnings and has been designed with three objectives in mind: (a) provide current programs with a predictable, stable stream of revenues; (b) ensure that the purchasing power of real value of this revenue stream does not decline over time; and (c) ensure that the purchasing power or real value of the endowment assets does not decline over time. The cost of current operating programs will likely increase over time at least as fast as inflation.

If the endowment is to cover a reasonably constant portion of current operating expenses, endowment spending must increase at least as fast as inflation. The Foundation's policy is designed to preserve both the purchasing power of their endowments and of their endowment withdrawals. Such a policy also ensures that the competing needs of current and future generations of students and faculty are in financial equilibrium. Lastly, the Foundation has adopted an annual spend amount equal to 4.00% based upon the spend formula, in addition to the Foundation's 1.25% investment management fee. The spend formula 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 total annualized rate of return objective for the full portfolio shall be, net of all investment asset expenses, 5.00% greater than the rate of inflation, as measured by the Consumer Price Index.

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 net assets without donor restrictions.

## CALIFORNIA STATE UNIVERSITY, BAKERSFIELD

### Notes to Financial Statement

Year Ended June 30, 2021

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

In addition to endowment funds, Athletics also holds investments without donor restrictions. Income from these amounts is also included in Athletics Restricted Endowment and Investments Income (17).

Endowment and investment activity for the year ended June 30, 2021 consisted of the following:

|                    |    |                  |
|--------------------|----|------------------|
| Investment return: |    |                  |
| Interest           | \$ | 61,254           |
| Realized gains     |    | 317,531          |
| Unrealized gains   |    | 770,649          |
| Investment fees    |    | (83,368)         |
|                    | \$ | <u>1,066,066</u> |

Contributions to endowment funds are recorded in Contributions (8), and totaled \$2,900 for the year ended June 30, 2021.

#### 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 2020-21 NCAA Division I Manual bylaw 15.3.4 - Reduction or Cancellation During Period of Award. Some scholarships are funded through private donations to the Foundation specified for Athletics, or student fees collected by Associated Students, California State University, Bakersfield, Inc.

#### Note 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 employer contributions for employees covered by PERS for the year ended June 30, 2021 was \$1,161,840.

#### 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 – Commitments and Contingencies

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.

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD**

**Notes to Financial Statement**

Year Ended June 30, 2021

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**Note 11 – Commitments and Contingencies, continued**

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 has caused business disruption through mandated and voluntary closures of businesses and shelter-in-place orders, including California, where the Entities are located.

Management has initiated several changes to the operations of the programs, events and administrative functions in order to protect the health of staff and students and to mitigate the financial effects of the virus and its resultant economic slowdown. The Entities will continue to evaluate, and if appropriate, adopt other measures in the future required for the ongoing safety of students and staff.

The extent of the impact of COVID-19 on the Entities' operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Entities' customers, employees, and vendors, all of which at present, cannot be determined.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of  
California State University, Bakersfield

We have audited, in accordance with the 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 financial statement of California State University, Bakersfield's Intercollegiate Athletics Department, which is comprised of the statement of revenues and expenses as of June 30, 2021 and the related notes to the financial statement, and have issued our report thereon dated February 7, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statement, we considered California State University, Bakersfield's Intercollegiate Athletics Department'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 opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of California State University, Bakersfield's Intercollegiate Athletics Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the California State University, Bakersfield's Intercollegiate Athletics Department'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 entity's financial statement 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 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 California State University, Bakersfield's Intercollegiate Athletics Department's financial statement is 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 statement. 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*.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS*, CONTINUED

**Purpose of this Report**

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 California State University, Bakersfield's Intercollegiate Athletics Department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering California State University, Bakersfield's Intercollegiate Athletics Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Aldrich CPAs + Advisors LLP*

San Diego, California  
February 7, 2022