Date: July 29, 2021

To: Members of the Finance and Investment Committee

Mr. Scott Apel

Ms. Tracey Richardson

Dr. Beth Lesen

Dr. Praveen Soni

From: Robert de Wit, Controller

Subject: Operating Statement – June 2021 Pre-Audit

June financial results are Pre-audit with final numbers pending audit completion scheduled for mid-September. June included a big win for the Shops as the initial PPP loan for $2 Million was forgiven in its entirety by the Small Business Association (SBA). This amount was declared as Other Income for the month.

In addition, key year-end accounting adjustments pertaining to Insurance and Retirement Accounts resulted in a net expense increase of $508,538 within the G&A pool as follows:

1. CalPERS unfunded Liability actuarial projection increase of $1,015,522
2. Unemployment Insurance Liability of $499,931 for premiums due to CSURMA/AORMA. This is roughly half of the Unemployment costs incurred by the Shops with the balance being covered by the Federal Government under the CARES Act.
3. Post Retirement Benefit Actuarial reduction of $1,015,522. This was the result of investment gains within the VEBA trust that mitigate the long term liability.

Operationally, Sales remained challenged coming in at $470,007 and $268,612 (36.4%) below plan with limited on campus opportunities. However, the Graduation Ceremonies held at Angel Stadium helped achieve record merchandise commissions adding $370,150 for the month. This in turn with ongoing labor and expense maintenance resulted in an operating Income of Negative $48,502, although much better than plan.

The aforementioned loan forgiveness boosted June to a positive Net Contribution for the month and ended the year at a negative $486,357. Total year results were much better than expected given that the budget assumed a return to in class learning for the Spring Semester. At the Operating Contribution line we ended up as planned given the extra G&A adjustment. Bottom line Net Contribution exceeded planned losses thanks to a combination of loan forgiveness and investment gains of almost $6M.

Table 1 below highlights the June and Year-to-Date Operating Statement summary while table 2 provides the corresponding divisional breakdown.



Table 1



Table 2

Tables 3 and 4 below provides a similar comparison with prior year for the month while total year activity benefitted from financial instruments compared to sales volume.



Table 3



Table 4