Date: August 17, 2020

To: Members of the Finance and Investment Committee

Mr. Scott Apel

Dr. Wendy Reiboldt

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From: Robert de Wit, Controller

Subject: Operating Statement – June 2020 Pre-Audit Reports

June financial results are Pre-audit with final numbers pending audit completion scheduled for mid-September. June resulted in a negative Operating Income as anticipated given the move towards distance learning extended through summer program activity with all but a handful of Shops operations remaining open. However, investment gains remained positive through year-end but were off-set by non-cash actuarial adjustments for retiree benefits.

Net Contribution came in at a negative ($1,246,079) on sales of $584,523 and included year-end closing adjusting entries for Physical Inventory audit, retirement accounts actuarial reports, bad debt reviews and account cleanup.

Key adjustment included non-cash entries in the G&A pool including:

1. Post Retirement Benefit Actuarial adjustment of positive $169,011
   1. This was the result of reduced medical premium projections and VEBA investment gains.
2. CalPERS unfunded Liability projection increase of $823,761
3. Incentive Comp accrual of $200,000. This represents the estimated future liability payable since the program has been terminated starting with FY 20/21

The Operating Statement (See table 1) depicts the below summarized activity while Tables 2 & 3 recap the Divisional results against budget and last year respectively.

**Sales** came in at $584,523 and $810,284 below budget. All the sales were attributed to Bookstore activity for both web sales and campus delivery of covid-19 related products including computers. Residential dining reflected negative sales as a result of student meal plan refunds.

**Cost of Goods** came in at 110.5% and were unmeasurable due to the meal plan refunds, inventory write-offs for food venue closures 22 points lower than plan and was skewed by inventory adjustments and missed sales in the high margin areas such as retail sales and food services.

**Credit’s and Revenues** came in at $82,049 and $23,476 below plan as vendor commissions associated with food service were prior period receipts with no new activity due to closure. Grad Fair saw residual cleanup for account reconciliation.

**Operating Expenses** were $631,533 and $573,929 below budget as staffing was 50 percent of summer levels with all food venues closed. Another key item was the elimination of the inventory reserve, $143,400, as part of the physical inventory reconciliation that moved the adjustment to Cost of Goods. The only area of increase was Freight since the majority of sales were web based and thereby requiring shipment.

**G&A** came in at $1,014,635 and higher than budget due to the aforementioned year-end adjustments that combined for $854,750. These are non-cash entries only that are reported through the operating statement.

**Other Income/Investments** – The financial markets continued their upward trend for the third month in a row and saw a gain of $379,242 and ending the year in positive territory.

In summary, June’s reported **Net Contribution** was a negative $1,246,080 moving post Covid year-to-date results to a negative $2,214,608 (See Table 1).

**Capital Expenditures** for the month were $40,215 in support of Bookstore A/C and Front Doors along with Food POS upgrade.

Reported Cash Flow was a negative $430,706 for the month inclusive of the G&A adjustments. Total year Cash flow ended up at a negative $1,608,073 (See Cash flow statement).



Table 1

Divisional results are depicted in the below tables 2 and 3 for both Budget and Prior Year comparisons. Table 2 depicts the Divisional recap of June and Year-to-Date results. As expected, June delivered a negative OI while actuarial adjustments further impacted the bottom line contribution.



Table 2

Compared to last year, June results trailed in operating categories as expected with the shut down while investment gains were not enough to override the business shortfall.

Total year comparison highlights the fourth quarter business shutdown as all areas were severely impacted. (Table 3).



Table 3