

**Foundation of California State University,
Monterey Bay**

Annual Report

**For the Years Ended
June 30, 2022 and 2021**

**Foundation of California State University, Monterey Bay
Annual Report
For the Years Ended
June 30, 2022 and 2021**

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Independent Auditors' Report

Board of Directors
Foundation of California State University, Monterey Bay
Seaside, California

Opinions

We have audited the accompanying financial statements of net position of Foundation of California State University, Monterey Bay (the Foundation), a component unit of California State University, Monterey Bay, as of June 30, 2022 and 2021, and the related statement of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foundation of California State University, Monterey Bay as of June 30, 2022 and 2021, and the change in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation of California State University, Monterey Bay, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Foundation of California State University, Monterey Bay's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation of California State University, Monterey Bay's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Foundation of California State University, Monterey Bay's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which 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 basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Foundation of California State University, Monterey Bay's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "GLENN BURDETTE ATTEST CORPORATION". The letters are in all caps and have a slightly cursive, hand-drawn appearance.

Glenn Burdette Attest Corporation
San Luis Obispo, California

October 3, 2022

Foundation of California State University, Monterey Bay
Management's Discussion and Analysis
June 30, 2022 and 2021

The Foundation of California State University, Monterey Bay (Foundation) is an auxiliary in good standing of California State University, Monterey Bay (CSUMB or University). The Foundation is an IRC Section 501(c)(3) not-for-profit public benefit corporation and its primary objective is to support the University. The Foundation provides support for the advancement of education and fosters, encourages and promotes the scientific, literary, educational and charitable activities of the University. In addition, it administers scholarships and endowments and manages the endowment investments.

Foundation management believes that having this separate philanthropic organization will elevate the level of interest in University fundraising in the community, improve the University's ability to raise funds for scholarships and endowments, streamline the accounting process, and simplify investment tracking and reporting for all vested parties.

As management of the Foundation, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Foundation for the fiscal years ended June 30, 2022 and 2021. We encourage readers to read the information presented here in conjunction with additional information that we have provided in the Foundation's financial statements, which follow this narrative. The Foundation's financial statements are presented here and are incorporated in the University's financial statements as a component unit.

Financial Highlights

- At June 30, 2022, the Foundation's total net position decreased by 7.4 percent or \$2.7 million from \$37.2 million to \$34.5 million.
- Endowment distribution increased \$254,000 or 30.0 percent from \$847,000 to \$1.1 million.
- Contributions from Corporation increased by 567.8 percent or \$577,000 from \$101,000 to \$678,000.
- Realized and unrealized gains/losses on investments, net, decreased by \$11.3 million or 171.6 percent from a \$6.6 million gain to a \$4.7 million loss.
- Additions to permanent endowments increased \$158,000 or 25.7 percent from \$613,000 to \$771,000.

Foundation of California State University, Monterey Bay
Management's Discussion and Analysis
June 30, 2022 and 2021

Overview of the Financial Statements

This annual report consists of a series of financial statements. The Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows (on pages 11 through 15) all provide information about the Foundation's activities and present a long-term view of its finances.

These statements are prepared using the accrual basis of accounting which recognizes expenses when incurred and revenue when earned rather than when payment is made or received and is widely used by most private sector companies. They also report the Foundation's net position and change in net position. You can think of the Foundation's net position – the difference between assets (plus deferred outflows of resources) and liabilities (plus deferred inflows of resources) – as one way to measure the Foundation's financial health, or fiscal position. Over time, increases or decreases in the Foundation's net position are one indicator of whether its financial health is improving or declining.

Condensed Comparative Financial Information

Net position in 2021/22 decreased by \$2.7 million or 7.4 percent, primarily as a result of realized and unrealized losses on investments. In fiscal year 2020/21, net position increased by 26 percent or \$7.6 million over 2019/20, primarily as a result of realized and unrealized gains on investments and investment income.

The accompanying audited financial statements as of and for the years ended June 30, 2022 and 2021 are reported in accordance with standards and requirements of the GASB as are the following schedules.

Foundation of California State University, Monterey Bay
Management's Discussion and Analysis
June 30, 2022 and 2021

Table 1: Condensed Summary of Net Position as of June 30, 2022, 2021, and 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Assets			
Current assets	\$ 2,333,149	\$ 1,905,933	\$ 1,921,581
Noncurrent assets:			
Endowment investments	31,872,054	34,630,784	26,793,151
Other noncurrent assets	368,970	762,772	1,016,230
Total Assets	<u>34,574,173</u>	<u>37,299,489</u>	<u>29,730,962</u>
Liabilities			
Current liabilities	<u>98,204</u>	<u>85,384</u>	<u>201,419</u>
Total Liabilities	<u>98,204</u>	<u>85,384</u>	<u>201,419</u>
Net Position			
Restricted for:			
Nonexpendable – endowments	16,658,679	15,762,611	15,143,083
Expendable	17,813,259	21,447,965	14,379,878
Unrestricted	<u>4,031</u>	<u>3,529</u>	<u>6,582</u>
Total Net Position	<u>\$34,475,969</u>	<u>\$ 37,214,105</u>	<u>\$ 29,529,543</u>

Assets

Current assets consist of Cash and cash equivalents, Receivables from Corporation and University, and Pledges receivable, net.

In 2021/22, Cash and cash equivalents increased from \$1.7 million to \$2.2 million for a \$495,000 or 28.4 percent increase. This increase is a result of a larger endowment distribution transfer to savings in June 2022 and the accumulation of prior years' payout transfers not being fully spent. Cash and cash equivalents in 2020/21 experienced a minimal decrease of 1.0 percent or \$17,500.

Pledges receivable, net in 2021/22 decreased from \$150,000 to \$42,000 for a \$108,000 or 71.8 percent change, mostly due to the write-off of two unfulfilled pledges totaling \$100,000. In 2020/21, Pledges receivable, net increased by 1.7 percent or \$2,600 from \$147,000 to \$150,000. Multi-year pledges were fulfilled and replaced with noncurrent pledges, and minimal pledges were added for the year.

Foundation of California State University, Monterey Bay
Management's Discussion and Analysis
June 30, 2022 and 2021

Noncurrent assets consist of Restricted cash and cash equivalents, Pledges receivable, net, and Endowment investments.

Restricted cash and cash equivalents consist of cash and money market balances associated with endowments. In 2021/22, restricted cash and cash equivalents decreased to \$333,000 from \$689,000 for a \$356,000 or 51.7 percent change due to a private equity asset class distribution and a donor wire received in prior year that were both transferred to long-term investments in July 2021. In 2020/21, restricted cash and cash equivalents decreased to \$689,000 from \$903,000 for a \$214,000 or 23.7 percent change mostly as a result of two endowment contributions received in prior year that were transferred to long-term investments in early 2020/21.

Results of Operations

In fiscal year 2021/22, the Foundation's net position decreased by 7.4 percent or \$2.7 million as a result of \$771,000 in contributions to permanent endowments, Gifts and donations, noncapital of \$415,000, Contributions from Corporation of \$513,000, \$1.4 million in investment income offset by \$4.7 million in investment losses, and a \$1.1 million operating loss.

Foundation of California State University, Monterey Bay
Management's Discussion and Analysis
June 30, 2022 and 2021

**Table 2: Condensed Summary of Changes in Net Position for
Years Ended June 30, 2022, 2021, and 2020**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Expenses			
Scholarships	\$ 1,016,130	\$ 1,026,944	\$ 1,132,949
Other operating expenses	86,883	80,204	68,839
Total Operating Expenses	<u>1,103,013</u>	<u>1,107,148</u>	<u>1,201,788</u>
 Operating Loss	 <u>(1,103,013)</u>	 <u>(1,107,148)</u>	 <u>(1,201,788)</u>
 Nonoperating Revenues (Expenses)			
Endowment distribution	(1,100,332)	(846,563)	(848,403)
Contributions from Corporation	678,133	101,541	1,213,178
Realized and unrealized gains/(losses)	(4,741,300)	6,626,533	(1,352,467)
Other nonoperating revenues	<u>2,757,307</u>	<u>2,297,008</u>	<u>2,462,587</u>
Total Nonoperating Revenues (Expenses)	<u>(2,406,192)</u>	<u>8,178,519</u>	<u>1,474,895</u>
 Other Changes in Net Position			
Additions to permanent endowments	<u>771,069</u>	<u>613,191</u>	<u>569,206</u>
Total Other Changes in Net Position	<u>771,069</u>	<u>613,191</u>	<u>569,206</u>
 Increase/(Decrease) in Net Position	 <u>(2,738,136)</u>	 <u>7,684,562</u>	 <u>842,313</u>
 Net Position			
Net position — beginning of year	37,214,105	29,529,543	28,687,230
 Net position — end of year	 <u>\$ 34,475,969</u>	 <u>\$ 37,214,105</u>	 <u>\$ 29,529,543</u>

Foundation of California State University, Monterey Bay
Management's Discussion and Analysis
June 30, 2022 and 2021

Operating expenses consist of Scholarships, Insurance, and Other operating expenses.

Nonoperating revenues (expenses) consist of Gifts and donations, noncapital, Endowment distribution, Interagency transfer for scholarships, Contributions from Corporation, Investment income, and Realized and unrealized gains and losses on investments, net.

In 2021/22, the Endowment distribution increased to \$1.1 million from \$847,000 for a 30.0 percent or \$254,000 increase. This can be attributed to the increase in the average market values of the endowments through December 2021 as well as the increase in the Consumer Price Index (CPI) which both affect the calculation of the payouts. The Endowment distribution in 2020/21 decreased minimally 0.2 percent or \$1,800 from \$848,000 to \$846,000 due to steady average market values and a decrease in CPI.

In 2021/22, the Contributions from Corporation increased 567.8 percent or \$577,000 from \$101,000 to \$678,000. This increase is mostly attributed to a change in designated purpose of a \$500,000 pledge contribution. In 2020/21, the Contributions from Corporation decreased 91.6 percent or \$1.1 million from \$1.2 million to \$101,000. This decrease was due to no large transfers to replace the \$1.0 million gift transferred in the prior year.

Investment income in 2021/22 increased from \$1.2 million to \$1.4 million for a \$188,000 or 15.5 percent change. In 2020/21, Investment income went from \$1.0 million to \$1.2 million for a \$186,000 or 18.0 percent increase. For both years, capital gains and investment growth account for the majority of the change.

Realized and unrealized gains/losses decreased significantly in 2021/22 from a \$6.6 million gain to a \$4.7 million loss for a 171.6 percent or \$11.3 million change due to the beginning of a recession in 2022. In 2020/21, realized and unrealized gains increased from a \$1.4 million loss to a \$6.6 million gain for a 590.0 percent or \$8.0 million increase due to an economic recovery and the stock market reaching new highs.

Other Changes in Net Position

Additions to permanent endowments increased in 2021/22 to \$771,000 from \$613,000 for a 25.7 percent or \$158,000 change due mostly to donations made to the College of Business Agribusiness endowment. Additions to permanent endowments increased in 2020/21 to \$613,000 from \$569,000 for a 7.7 percent or \$44,000 change. This change was due mostly to a donation made to the Woolpert Endowed Mathematics Scholarships fund.

Foundation of California State University, Monterey Bay
Management's Discussion and Analysis
June 30, 2022 and 2021

Currently Known Facts, Decisions and Conditions

The Foundation's management believes the following will impact future reporting periods:

Market Conditions

Endowment investments account for 92.0 percent of the Foundation's total assets. The Foundation manages its investments via its Investment Committee, which works in conjunction with the investment consultant, Verus Investments. It is important to remember that the majority of the Foundation's investments participate in a long-term investment strategy and that there is a smoothing effect of returns over time. Future investment earnings will continue to fluctuate and be affected by interest rate fluctuations and uncertain market conditions.

Requests for Information

This report is designed to provide an overview of the Foundation's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to:

Controller
University Corporation at Monterey Bay
100 Campus Center
Building 201, Suite 101B
Seaside, CA 93955

Foundation of California State University, Monterey Bay

Financial Statements

For the Years Ended June 30, 2022 and 2021

Foundation of California State University, Monterey Bay
Statements of Net Position
June 30, 2022 and 2021

	2022	2021
Assets		
<u>Current Assets:</u>		
Cash and cash equivalents	\$ 2,240,029	\$ 1,744,698
Receivables:		
Corporation	48,910	11,305
University	2,000	-
Pledges receivable, net	42,210	149,930
Total Current Assets	2,333,149	1,905,933
<u>Noncurrent Assets:</u>		
Restricted cash and cash equivalents	332,913	689,381
Pledges receivable, net	36,057	73,391
Endowment investments	31,872,054	34,630,784
Total Noncurrent Assets	32,241,024	35,393,556
Total Assets	34,574,173	37,299,489
Liabilities		
<u>Current Liabilities:</u>		
Payable to Corporation	74,930	54,859
Due to University	20,774	28,260
Other liabilities	2,500	2,265
Total Current Liabilities	98,204	85,384
Total Liabilities	98,204	85,384
Net Position		
<u>Net Position:</u>		
Restricted for:		
Nonexpendable - endowments	16,658,679	15,762,611
Expendable:		
Pledges receivable	78,268	223,320
Scholarships	10,316,608	12,940,019
Other	7,418,383	8,284,626
Unrestricted	4,031	3,529
Total Net Position	\$ 34,475,969	\$ 37,214,105

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

Foundation of California State University, Monterey Bay
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2022 and 2021

	2022	2021
Operating Expenses:		
Scholarships	\$ 1,016,130	\$ 1,026,944
Insurance	50,000	50,000
Other operating expenses	36,883	30,204
Total Operating Expenses	1,103,013	1,107,148
Operating Loss	(1,103,013)	(1,107,148)
Nonoperating Revenues (Expenses):		
Gifts and donations, noncapital	414,584	408,163
Endowment distribution	(1,100,332)	(846,563)
Interagency transfer for scholarships	934,700	669,446
Contributions from Corporation	678,133	101,541
Investment income	1,408,023	1,219,399
Realized and unrealized gains/(losses) on investments, net	(4,741,300)	6,626,533
Net Nonoperating Revenues	(2,406,192)	8,178,519
Other Changes in Net Position:		
Additions to permanent endowments	\$ 771,069	\$ 613,191
Net Other Changes in Net Position	771,069	613,191
Increase/(Decrease) in Net Position	(2,738,136)	7,684,562
Net Position:		
Net position - beginning of year	37,214,105	29,529,543
Net position - end of year	\$ 34,475,969	\$ 37,214,105

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

Foundation of California State University, Monterey Bay
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities:		
Payments to vendors	\$ (136,384)	\$ (118,241)
Payments/Receipts from Corporation, net	20,071	(73,407)
Payments to University	(976,115)	(1,001,331)
Payments/Receipts from Other	235	(30,204)
Net Cash Used in Operating Activities	(1,092,193)	(1,223,183)
 Cash Flows from Noncapital Financing Activities:		
Gifts and donations	522,033	445,907
Additions to permanent endowments	771,069	613,191
Endowment distribution to Corporation	(1,100,332)	(846,563)
Intra-agency transfer for scholarships	934,700	669,446
Contributions from Corporation	678,133	101,541
Net Cash Provided by Noncapital Financing Activities	1,805,603	983,522
 Cash Flows from Investing Activities:		
Proceeds from sale of investments	4,837,761	(83)
Purchase of investments	(6,820,331)	(1,211,017)
Investment income received	1,408,023	1,219,399
Net Cash Provided by (Used in) Investing Activities	(574,547)	8,299
 Net Increase (Decrease) in Cash	138,863	(231,362)
 Cash and Cash Equivalents - Beginning of year	2,434,079	2,665,441
 Cash and Cash Equivalents - End of year	\$ 2,572,942	\$ 2,434,079

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

Foundation of California State University, Monterey Bay
Statements of Cash Flows (Continued)
Years Ended June 30, 2022 and 2021

	2022	2021
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:		
Operating loss	\$ (1,103,013)	\$ (1,107,148)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Change in assets and liabilities:		
Payable to Corporation	20,071	(73,407)
Due to University	(7,486)	(43,887)
Other liabilities	235	1,259
Net Cash Used in Operating Activities	\$ (1,092,193)	\$ (1,223,183)
 Supplemental Schedule of Noncash Financing and Investing Activities:		
Increase/(Decrease) in fair value of investments	\$ (4,741,300)	\$ 6,626,533

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

Foundation of California State University, Monterey Bay
Notes to Financial Statements
June 30, 2022 and 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity

The Foundation of California State University, Monterey Bay (Foundation), a nonprofit 501(c)(3) public benefit corporation, began operations in July 2010 to support the academic mission of the California State University, Monterey Bay (University). The Foundation is an auxiliary organization of the University and is presented in the University's financial statements as a component unit.

The Foundation is governed by the Board of Directors, which is comprised of community members, the University President, a faculty member, an alumni member, and a student member.

The activities administered by the Foundation include the following:

- Public relations and community outreach programs
- Endowment management
- Private giving
- Fund development
- Fund management
- Fundraising activities

Basis of Presentation – The 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, gifts, and similar items are recognized as soon as all eligibility requirements have been met.

Other Accounting Policies

Cash and Cash Equivalents – Cash and cash equivalents include all highly liquid investments purchased with original maturities of three months or less. The Foundation considers all balances in demand deposit and money market accounts to be cash equivalents for the purposes of the Statements of Net Position and Statements of Cash Flows.

Foundation of California State University, Monterey Bay
Notes to Financial Statements
June 30, 2022 and 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments – Investments are reported at fair value using quoted market prices and net book value at the financial statement date. Realized and unrealized gains and losses are included in the Statements of Revenues, Expenses and Changes in Net Position.

Receivables – Receivables consist of monies due from the University Corporation at Monterey Bay (Corporation) and the University. An allowance for doubtful accounts is deemed unnecessary.

Pledges Receivable – Pledges are unconditional promises to make future payments to the Foundation. Pledges receivable are recognized as gift revenue in the period pledged when all applicable eligibility requirements are met. Multi-year pledges are recorded at the discounted net present value of expected future cash flows shown net of the allowance for doubtful accounts of \$2,422 and \$6,908 at June 30, 2022 and 2021, respectively. Conditional pledges which depend on the occurrence of a specified future or uncertain event are recognized as gift revenue when the conditions are substantially met.

Endowments – Endowments are managed in a unitized investment pool. Investment earnings and related expenses are allocated based upon each individual endowment's unit market value. Endowment investments include cash and money market funds. In January 2009, California adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and therefore the Foundation has the ability to spend from endowments that are underwater. Under UPMIFA, there is elimination of the "historic dollar value" rule and the Foundation may spend from these endowments as it determines is prudent after considering donor intent, the purpose of the fund and relevant economic factors. Also, there is broader investment freedom as long as decisions are made with regard to the overall resources of the institution and its charitable purpose. In April 2011, the Foundation Board approved a 70/30 hybrid spending policy. 70% of the spending rate is determined by last year's spending adjusted for inflation as calculated by CPI (Consumer Price Index) as of December and the remaining 30% is determined by 4.5% of the average of the endowment's market value for the last twelve quarters. This spending policy was used to determine the payout rate for the 2022/23 academic year, resulting in \$1.1 million. For the 2021/22 academic year, the hybrid spending policy was used in the calculation and the resulting payout was \$847 thousand. Endowment reserves (accumulated net appreciation) on true endowments totaling \$5.9 million as of June 30, 2022, were included in restricted-expendable net position.

Foundation of California State University, Monterey Bay
Notes to Financial Statements
June 30, 2022 and 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position – The Foundation’s net position is required to be classified for accounting and reporting purposes into the following net position categories:

Net investment in capital assets includes capital assets, net of accumulated depreciation and amortization, and deferred outflows of resources, less the outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. The Foundation does not have any assets in this category.

Restricted, nonexpendable consists of net position subject to externally imposed restrictions that they must be retained in perpetuity. Net position in this category consists of permanent endowments held by the Foundation.

Restricted, expendable consists of net position subject to externally imposed restrictions that can be fulfilled by the actions of the Foundation pursuant to those restrictions or that expire by the passage of time.

Unrestricted consists of all other categories of net position. Unrestricted may be designated for use by management of the Foundation. These designations limit the area of operations for which expenditures of net position may be made and require that unrestricted net position be used to support future operations in these areas.

The Foundation has adopted a policy of utilizing restricted–expendable funds, when available, prior to unrestricted funds.

Classification of Current and Noncurrent Assets and Liabilities – The Foundation 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 twelve months of the Statements of Net Position date. Liabilities that can reasonably be expected, as part of normal business operations, to be liquidated within twelve months of the Statements of Net Position date are considered to be current. All other assets and liabilities are considered to be noncurrent.

Classification of Revenues and Expenses – The Foundation considers operating revenues and expenses in the Statements of Revenues, Expenses and Changes in Net Position to be those revenues and expenses that result from exchange transactions or from other activities that are connected directly to the Foundation’s primary functions. Exchange transactions include charges for services rendered and the acquisition of goods and services.

Foundation of California State University, Monterey Bay
Notes to Financial Statements
June 30, 2022 and 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In accordance with GASB Statement No. 35, certain significant revenues relied upon and budgeted for fundamental operational support of the core mission of the Foundation are mandated to be recorded as Nonoperating revenues. Nonoperating revenues and expenses include the Foundation's net investment income, realized and unrealized gains/losses on investments, net, private gifts and donations for other than capital purposes, contributions from Corporation, interagency transfer for scholarships, and endowment distributions to the Corporation. Additions to permanent endowments are classified as Other changes in net position.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications – Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

Fair Value Measurements – As defined in GASB Statement No. 72, *Fair Value Measurement and Application*, 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. The Foundation uses valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

GASB Statement No. 72 establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Observable inputs, other than Level 1 prices, for the asset or liability, either directly or indirectly;

Level 3 – Unobservable inputs for the asset or liability.

For fiscal year ended June 30, 2022, the application of valuation techniques applied to the Foundation's financial statements has been consistent.

Foundation of California State University, Monterey Bay
Notes to Financial Statements
June 30, 2022 and 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes – The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation’s tax-exempt purpose is subject to taxation as unrelated business income. No liability for income taxes has been recorded since the amount is not expected to be significant. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(iv) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

The Foundation follows accounting standards generally accepted in the United States of America, which requires, among other things, the recognition and measurement of tax positions based on a "more likely than not" (likelihood greater than 50%) approach. As of June 30, 2022, management has considered its tax positions and believes that the Organization did not maintain any tax positions that did not meet the "more likely than not" threshold. The Organization does not expect any material changes through June 30, 2023. However, tax returns remain subject to examination by the Internal Revenue Service for fiscal years ending on or after June 30, 2018, and by the California Franchise Tax Board for fiscal years ending on or after June 30, 2017.

Recent Pronouncements – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. Activities meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the entity to disburse fiduciary resources. The provisions of Statement No. 84 are effective for fiscal years beginning after December 15, 2019. Implementation of this Statement did not have a material impact on the Organization’s financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. Statement No. 87 increases the usefulness of entities’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions of Statement No. 87 are effective for fiscal years beginning after June 15, 2021. Implementation of this Statement did not have a material impact on the Organization’s financial statements.

Foundation of California State University, Monterey Bay
Notes to Financial Statements
June 30, 2022 and 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2018, GASB issued Statement No 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Statement No. 89 enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The provisions of Statement No. 89 are effective for fiscal years beginning after December 15, 2020. Implementation of this Statement did not have a material impact on the Organization's financial statements.

In August 2018, GASB issued Statement No 90, *Majority Equity Interests*. Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The provisions of Statement No. 90 are effective for fiscal years beginning after December 15, 2019 with earlier application encouraged. Implementation of this Statement did not have a material impact on the Organization's financial statements.

In May 2019, GASB issued Statement No 91, *Conduit Debt Obligations*. Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The provisions of Statement No. 91 are effective for fiscal years beginning after December 15, 2021 with earlier application encouraged. Management has not yet determined the impact of this Statement on its financial statements.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. Statement No. 92 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The provisions of Statement No. 92 are effective for fiscal years beginning after June 15, 2022 with earlier application encouraged. Management has not yet determined the impact of this Statement on its financial statements.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Statement No. 93 addresses accounting and financial reporting implications that result from the replacement of the interbank offered rate. The provisions of Statement No. 93 are effective for fiscal years beginning after June 15, 2021 with earlier application encouraged. Implementation of this Statement did not have a material impact on the Organization's financial statements.

Foundation of California State University, Monterey Bay
Notes to Financial Statements
June 30, 2022 and 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. Statement No. 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022 with earlier application encouraged. Management has not yet determined the impact of this Statement on its financial statements.

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, or later. The requirements of this Statement are effective immediately and the effective dates of the Statements affected have been updated in this footnote. Implementation of this Statement did not have a material impact on the Organization's financial statements.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The provisions of Statement 96 are effective for fiscal years beginning after June 15, 2022 with earlier application encouraged. Management has not yet determined the impact of this Statement on its financial statements.

In June 2020, GASB issued Statement No 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. Statement No. 97 will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The provisions of Statement 96 are effective for fiscal years beginning after June 15, 2021 with earlier application encouraged. Implementation of this Statement did not have a material impact on the Organization's financial statements.

In November 2021, GASB issued Statement No 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged. Implementation of this Statement did not have a material impact on the Organization's financial statements.

Foundation of California State University, Monterey Bay
Notes to Financial Statements
June 30, 2022 and 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In April 2022, GASB issued Statement No 99 *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

Earlier application is encouraged and is permitted by topic. Management has not yet determined the impact of this Statement on its financial statements.

In June 2022, GASB issued Statement No 100 *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. Management has not yet determined the impact of this Statement on its financial statements.

In June 2022, GASB issued Statement No 101 *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. Management has not yet determined the impact of this Statement on its financial statements.

Foundation of California State University, Monterey Bay
Notes to Financial Statements
June 30, 2022 and 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events – Events subsequent to June 30, 2022 have been evaluated through October 3, 2022, which is the date the financial statements were available to be issued. Management did not identify any subsequent events that required disclosure.

NOTE 2. DEPOSITS

The Foundation maintains cash for operating needs in checking, deposit and money market accounts, with Federal Deposit Insurance Corporation (FDIC) insured financial institutions.

At June 30, 2022 and 2021, the Foundation’s checking, deposit and money market accounts were insured by the FDIC up to \$250,000. At June 30, 2022 and 2021, the Foundation had \$2,186,445 and \$1,855,079 respectively, in uninsured cash deposits.

NOTE 3. INVESTMENTS

Investments comprised the following at June 30, 2022 and 2021:

	2022	2021
Mutual Funds:		
Equity Funds	\$ 17,579,903	\$ 21,935,672
Bond Funds	8,399,074	6,974,597
Alternative Funds:		
ASB Real Estate	1,488,380	1,219,291
Private Assets:		
Private Credit Funds	4,404,697	4,501,224
Total *	\$ 31,872,054	\$ 34,630,784

* Total excludes Cash and Bank Sweep balance of \$336,855 and Money Market fund balance of \$641,881 at June 30, 2022 and 2021, respectively.

Investment Fair Values

The Foundation categorizes its fair values measurements within the fair value hierarchy established by generally accepted accounting principles. At June 30, 2022 and 2021, the Foundation’s mutual funds were valued using quoted market prices in active markets and are all classified within Level 1 of the fair value hierarchy. At June 30, 2022 and 2021, the Foundation’s alternative funds and private assets were valued by the administrator of the

Foundation of California State University, Monterey Bay
Notes to Financial Statements
June 30, 2022 and 2021

NOTE 3. INVESTMENTS (Continued)

fund using net book value to value the investments and are classified within Level 3 of the fair value hierarchy.

For the year ended June 30, 2022, the table below sets forth a summary of changes in the fair value of the Foundation's Level 3 investment:

Balance - beginning of year	\$ 5,720,515
Unrealized gains relating to instruments held at the reporting date	220,658
Distributions	(501,539)
Income/realized gains	478,503
Dividend Reinvested	9,299
Fees	<u>(34,359)</u>
Balance - end of year	<u>\$ 5,893,077</u>

Investment Policies

The Foundation's Board oversees the management of its investments and establishes the investment policy. The Board has delegated to its Investment Committee the implementation of the investment policy. The Investment Committee establishes investment guidelines and selects investment managers. The Foundation prohibits investments that jeopardize the safety of principal concept or non-profit status of the Foundation. The Foundation has developed and implemented a socially responsible investing policy.

The endowed portfolio is an investment pool in which a large number of individual endowments participate in order to benefit from diversification and economies of scale. The primary investment objective of the endowed investment portfolio is growth of principal sufficient to preserve purchasing power and to provide income to support current and future expenditures consistent with endowment restrictions. The long-term goal is that the total return on the portfolio, net of investment and administration fees, should equal the rate of inflation, plus the payout rate which is used to support current activities.

Investments authorized by the Investment Committee include high quality, readily marketable securities.

Foundation of California State University, Monterey Bay
Notes to Financial Statements
June 30, 2022 and 2021

NOTE 3. INVESTMENTS (Continued)

The equity portion of the investments may include both domestic and international equities, including foreign currency denominated, common and preferred stocks and actively managed and passive (index) strategies. Overall, the investments are measured against the Standard & Poor's 500, Russell 2500, MSCI Europe, Australasia, and Far East (EAFE), MSCI All Country World Index (ACWI) ex US and MSCI Emerging Markets indices.

The fixed income portion of the investments may include both domestic and international securities, along with common bond substitutes. Investment guidelines establish set ranges for the percentage of the total bond portfolio that can be invested in U.S. government, investment grade, non-investment grade and foreign bonds. The fixed income portfolio is measured against the Barclays Capital Aggregate Bond and JP Morgan EMBI Global Total Return.

The Alternatives portion includes funds which seek to achieve a real rate of return in excess of U.S. inflation. These funds can be made up of a mixture of stocks, bonds and other assets such as commodities. The portfolio is measured against the NCREIF ODCE, HFRI Fund of Funds Index and the PIMCO Custom Benchmark (45% BC U.S. TIPS, 20% Bloomberg Commodity, 15% JPM ELMI + (Unhedged), 10% DJ U.S. Select REIT, 10% Bloomberg Gold Subindex).

Investment Risk Factors

There are many factors that can affect the value of investments. Some, such as custodial credit risk, concentration of credit risk, and foreign currency risk may affect both the equity and fixed income securities. Equity securities respond to such investment behavioral factors as economic conditions, individual company earnings, performance and market liquidity, while fixed income securities are sensitive to credit risks and changes in interest rates.

Equity securities held by the Foundation through mutual funds comprised \$17,555,740 or 54.5% of the total investments of the Foundation. Equities are subject to both unsystematic and systematic risk. Unsystematic risk is the risk of a price change due to the unique circumstances of a specific security or group of related securities. The Foundation addresses unsystematic risk by investing in widely diversified equity mutual funds. Equity securities are also subject to systematic risk or market risk. Systematic risk recognizes that equity securities, as an asset class, can change in value as a result of such factors as inflation, exchange rates, political instability, war, economic conditions and interest rates. This type of risk is not specific to a particular company or industry and cannot be substantially mitigated by diversification.

Foundation of California State University, Monterey Bay
Notes to Financial Statements
June 30, 2022 and 2021

NOTE 3. INVESTMENTS (Continued)

Credit Risk

Fixed income securities are subject to credit risk, which is the chance that a bond issue will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline.

The following schedule of credit risk profile of Foundation's investments summarizes the fair value of the fixed income securities subject to credit risk. The Foundation maintains policies to manage credit risk which include requiring minimum credit ratings issued by nationally- recognized statistical rating organizations, including Standard and Poor's or Moody's Investor Services, for certain investments. For investments in securities rated below investment grade, the Foundation and its investment advisor monitor the investments and fund manager to determine if the portfolio is managed according to the stated guidelines. A security's tier can be established either by an independent rating organization or by a determination of the investment adviser. Money market fund shares and U.S. government securities are automatically considered Tier 1 securities.

	<u>Fair Value</u>	<u>Rating</u>
Bond Mutual Funds:		
Met West Total Return Bond I	\$ 3,653,083	(1)
Dodge & Cox Income	3,804,315	(2)
JP Morgan Emerging ETF	941,676	(3)
Money Market Fund:		
Schwab Premier Bank	336,856	Not Rated
Total	<u>\$ 8,735,930</u>	

(1) Credit ratings range from AAA to below CCC with 93% at rating of BBB or above.

(2) Credit ratings range from AAA to below B with 99% at a BB rating or above.

(3) Credit ratings range from AA to below B with 54% at a BBB rating or above.

Custodial Credit Risk

Custodial risk is the risk that in the event of the failure of the custodian, the investments may not be returned. Substantially all of the Foundation's investments are issued, registered or held in the name of the Foundation by custodian banks and brokers, as its agent. Other types of investments represent ownership interest that do not exist in physical or book entry form.

Foundation of California State University, Monterey Bay
Notes to Financial Statements
June 30, 2022 and 2021

NOTE 3. INVESTMENTS (Continued)

Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers; thereby exposing the organization to greater risks resulting from adverse conditions or developments. The Foundation maintains investment policies that limit the holdings of any individual security (except those issued or guaranteed by the federal government) to 10% of invested funds. GASB requires disclosure of investments in any one individual issuer that represent 5% or more of total investments. The Foundation had no investments that exceeded this threshold at June 30, 2022 or 2021.

Interest Rate Risk

Interest rate risk is the risk that fixed income securities will decline because of rising interest rates. The Foundation measures interest rate risk using the weighted average maturity method.

The weighted average maturities of the Foundation's fixed income securities and money market funds at June 30, 2022, were as follows:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Bond Mutual Funds:		
Met West Total Return Bond I	\$ 3,653,083	9.0
Dodge & Cox Income	3,804,315	9.8
JP Morgan Emerging ETF	941,676	12.7
Money Market Fund:		
Schwab Premier Bank	336,856	0.1
Total	<u>\$ 8,735,930</u>	

Foreign Currency Risk

Exposure from foreign currency risk results from investments in foreign currency denominated equity or fixed income investments. The Foundation maintains international equity investments by investing in international mutual funds that are broadly diversified over many developed and emerging markets. Exposure from foreign currency risk from these investments is permitted and it may be fully or partially hedged by the individual mutual fund managers but hedging is not permitted for speculation or to create leverage.

Foundation of California State University, Monterey Bay
Notes to Financial Statements
June 30, 2022 and 2021

NOTE 3. INVESTMENTS (Continued)

As of June 30, 2022, the exposure to foreign currency risk of the International Equity Funds was as follows:

<u>Currency</u>	<u>Fair Value</u>
Euro	\$ 1,099,105
Japanese Yen	794,355
Hong Kong Dollar	102,314
British Pound	513,524
Korean Won	557,317
Swiss Franc	464,518
Taiwan Dollar	506,223
Chinese Yuan	1,170,009
Indian Rupee	494,482
Canadian Dollar	376,159
Brazilian Real	274,519
Australian Dollar	157,559
Mexican Peso	95,802
Indonesian Rupiah	61,515
Swedish Krona	41,267
South African Rand	115,948
Malaysian Ringgit	33,749
Thai Baht	38,098
Danish Krone	101,331
Phillipine Peso	16,352
Chilean Peso	8,524
Other Currencies	326,744
Total International Funds Subject to Foreign Currency Risk	<u>\$ 7,349,414</u>

Other currencies are individually less than 1% of the Foundation's international equity funds.

Foundation of California State University, Monterey Bay
Notes to Financial Statements
June 30, 2022 and 2021

NOTE 4. PLEDGES RECEIVABLE

Pledges receivable at June 30 were as follows:

	2022	2021
Academic scholarships	\$ 86,028	\$ 235,566
Less: Allowance for doubtful accounts	(2,422)	(6,908)
Less: Unamortized discount	(5,339)	(5,337)
Pledges receivable, net	\$ 78,267	\$ 223,321
Pledges due in:		
One year or less	\$ 43,517	\$ 154,566
One to five years	42,511	81,000
Total	\$ 86,028	\$ 235,566

NOTE 5. OPERATING AGREEMENTS

CSU

The Foundation entered into a new operating agreement with the Trustees of the CSU on July 1, 2015 with a term end date of June 30, 2025. It describes the terms and conditions under which the Foundation may operate as an auxiliary organization within the CSU. No amounts are paid to the Trustees of the CSU under this agreement.

Corporation

On July 1, 2010 the Foundation entered into an agreement with the Corporation for accounting and financial reporting services. This agreement will renew automatically in 12-month increments unless terminated by choice by either party. The Corporation currently does not charge the Foundation for services; however, it reserves the right to establish an annual fixed fee in future years.

NOTE 6. RISK MANAGEMENT

The Foundation of CSUMB manages its risk through the purchase of insurance through California State University Risk Management Authority (CSURMA)/Auxiliaries Organization Risk Management Alliance (AORMA), a joint powers public entity risk pool, for coverage of workers' compensation, general liability, professional liability, property, and general organizational risk exposures. The Auxiliary Organization Risk Management Alliance (AORMA) Self Insured Retention (SIR) liability fund provides coverage for the first \$5,000,000 of each General Liability, Automobile Liability, Products and Completed Operations, Professional Liability including Directors & Officers Liability and Employment

Foundation of California State University, Monterey Bay
Notes to Financial Statements
June 30, 2022 and 2021

Practices Liability claim. Reinsurance insurance for AORMA’s \$5,000,000 layer is purchased from Great American Insurance (AM Best Rating: A, XV Rating; A+ XV) in the amount of \$4,500,000 each occurrence. AORMA also purchases \$5,000,000 excess of \$5,000,000 from Continental Indemnity (AM Best Rating: A, XV Rating), Upland (AM Best Rating: A-, VIII), and Sirius Bermuda (AM Best Rating: A+, XV) and \$5,000,000 excess of \$10,000,000 from Everest Re (AM Best Rating: A+, XV Rating).

AORMA’s “All Risk” property insurance program coverage is through the Alliant Property Insurance Program (APIP). This program, including Flood, Boiler and Machinery, Cyber Liability, & Pollution Liability coverage, provides replacement cost coverage for all buildings and contents, subject to a limit of liability per occurrence of \$1 billion. Members’ deductibles are \$5,000 for business personal property and business interruption / loss of rents.

The member deductible for real property is based on the Total Insurance Value (TIV) of the building as shown below:

TIV \$10,000,000 or less.....	\$5,000
TIV between \$10,000,001 and \$25,000,000	\$10,000
TIV between \$25,000,001 and \$50,000,000	\$25,000
TIV \$50,000,001 or more.....	\$50,000

For information regarding losses or claims paid, or for a description and amount of any claim pending, or any settlement made, or any litigation entered during the policy year, please contact the following:

Carl Warren & Company
(Liability Program) Attn:
Shari Huff
PO Box 2411
Tustin, CA 92781
Tel: 818-265-6765

Foundation of California State University, Monterey Bay
Notes to Financial Statements
June 30, 2022 and 2021

NOTE 7. RELATED PARTY TRANSACTIONS

The Foundation is involved in transactions with the Corporation and the University. Amounts at June 30 and transactions for the years then ended are summarized below:

	<u>2022</u>	<u>2021</u>
University:		
Foundation receivable from the University	\$ 2,000	\$ -
Foundation payable to the University	20,774	28,260
Gifts, grants, or capital contributions to the University	976,116	1,001,831
Corporation:		
Foundation receivable from the Corporation	\$ 48,910	\$ 11,305
Foundation payable to the Corporation	74,930	54,859
Endowment distribution to Corporation	165,632	177,117
Net contributions from Corporation	678,132	101,541

NOTE 8. COVID-19 PANDEMIC

As noted in Management’s Discussion and Analysis, the Foundation has been impacted by the recent Covid-19 pandemic. Due to the uncertainty surrounding the pandemic, the length and severity of the outbreak, and the volatility in the world investment markets, there is uncertainty as to how these events will affect results of operations and investment fund income in the future.

Supplemental Information

Foundation of California State University, Monterey Bay
Schedule of Net Position
June 30, 2022
(for inclusion in the California State University Financial Statements)

Assets:

Current assets:

Cash and cash equivalents	\$	2,240,029
Short-term investments		-
Accounts receivable, net		50,910
Lease receivables, current portion		-
Notes receivable, current portion		-
Pledges receivable, net		42,210
Prepaid expenses and other current assets		-
Total current assets		2,333,149

Noncurrent assets:

Restricted cash and cash equivalents		332,913
Accounts receivable, net		-
Lease receivables, net of current portion		-
Notes receivable, net of current portion		-
Student loans receivable, net		-
Pledges receivable, net		36,057
Endowment investments		31,872,054
Other long-term investments		-
Capital assets, net		-
Other assets		-
Total noncurrent assets		32,241,024
Total assets		34,574,173

See accompanying independent auditors' report.

Deferred outflows of resources:	
Unamortized loss on debt refunding	-
Net pension liability	-
Net OPEB liability	-
Leases	-
Others	-
Total de ferred outflows of resources	-
Liabilities:	
Current liabilities:	
Accounts payable	95,704
Accrued salaries and benefits	-
Accrued compensated absences, current portion	-
Unearned revenues	-
Lease liabilities, current portion	-
Long-term debt obligations, current portion	-
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	2,500
Total current liabilities	98,204
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	-
Unearned revenues	-
Grants refundable	-
Lease liabilities, net of current portion	-
Long-term debt obligations, net of current portion	-
Claims liability for losses and loss adjustment expenses, net of current portion	-
Depository accounts	-
Net other postemployment benefits liability	-
Net pension liability	-
Other liabilities	-
Total noncurrent liabilities	-
Total liabilities	98,204
Deferred inflows of resources:	
Service concession arrangements	-
Net pension liability	-
Net OPEB liability	-
Unamortized gain on debt refunding	-
Nonexchange transactions	-
Lease	-
Others	-
Total de ferred inflows of resources	-
Net position:	
Net investment in capital assets	-
Restricted for:	
Nonexpendable – endowments	16,658,679
Expendable:	
Scholarships and fellowships	10,394,876
Research	-
Loans	-
Capital projects	-
Debt service	-
Others	7,418,383
Unrestricted	4,031
Total net position	\$ 34,475,969

See accompanying independent auditors' report.

Foundation of California State University, Monterey Bay
Schedule of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2022
(for inclusion in the California State University Financial Statements)

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	-
Scholarship allowances (enter as negative)	-
Other operating revenues	-
Total operating revenues	<u>-</u>
Expenses:	
Operating expenses:	
Instruction	-
Research	-
Public service	1,859
Academic support	34,307
Student services	-
Institutional support	50,717
Operation and maintenance of plant	-
Student grants and scholarships	1,016,130
Auxiliary enterprise expenses	-
Depreciation and amortization	-
Total operating expenses	<u>1,103,013</u>
Operating income (loss)	<u>(1,103,013)</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	1,092,717
Investment income (loss), net	(3,333,277)
Endowment income (loss), net	-
Interest expense	-
Other nonoperating revenues (expenses)	(165,632)
Net nonoperating revenues (expenses)	<u>(2,406,192)</u>
Income (loss) before other revenues (expenses)	<u>(3,509,205)</u>
State appropriations, capital	-
Grants and gifts, capital	-
Additions (reductions) to permanent endowments	771,069
Increase (decrease) in net position	<u>(2,738,136)</u>
Net position:	
Net position at beginning of year, as previously reported	37,214,105
Restatements	-
Net position at beginning of year, as restated	<u>37,214,105</u>
Net position at end of year	<u>\$ 34,475,969</u>

See accompanying independent auditors' report.

Total Other intangible assets	-	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-	-
Total accumulated depreciation/amortization	-	-	-	-	-	-	-	-	-
Total capital assets, net excluding lease assets	-	-	-	-	-	-	-	-	-
Lease assets, net	-	-	-	-	-	-	-	-	-
Total capital assets, net	-	-	-	-	-	-	-	-	-

Composition of lease assets:	Balance June 30, 2021	Additions	Re measurements	Reductions	Balance June 30, 2022
Non-depreciable/Non-amortizable lease assets:					\$ -
Land and land improvements	-	-	-	-	-
Total non-depreciable/non-amortizable lease assets	-	-	-	-	\$ -
Depreciable/Amortizable lease assets:					
Land and land improvements	-	-	-	-	-
Buildings and building improvements	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-
Infrastructure	-	-	-	-	-
Personal property:					
Equipment	-	-	-	-	-
Total depreciable/amortizable lease assets	-	-	-	-	-
Less accumulated depreciation/amortization: (enter as negative number, except for reductions enter as positive number)					
Land and land improvements	-	-	-	-	-
Buildings and building improvements	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-
Infrastructure	-	-	-	-	-
Personal property:					
Equipment	-	-	-	-	-
Total accumulated depreciation/amortization	-	-	-	-	-
Total lease assets, net	\$ -	-	-	-	\$ -

3.2 Detail of depreciation and amortization expense: N/A
 Depreciation and amortization expense related to capital assets
 Amortization expense related to other assets
Total depreciation and amortization

4 Long-term liabilities: N/A

	Balance June 30, 2021	Prior Period Adjustments/Reclassifications	Balance June 30, 2021 (Restated)	Additions	Reductions	Balance June 30, 2022	Current Portion	Noncurrent Portion
1. Accrued compensated absences	\$ -	-	-	-	-	\$ -	-	\$ -
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:	-	-	-	-	-	-	-	-
Total others:	-	-	-	-	-	-	-	-
Sub-total long-term debt	\$ -	-	-	-	-	\$ -	-	-
4.5 Unamortized net bond premium/(discount)	-	-	-	-	-	-	-	-
Total long-term debt obligations	-	-	-	-	-	-	-	-
5. Lease Liabilities: N/A								
Total long-term liabilities								

5 Lease Liabilities schedule: N/A

	Lease Liabilities related to SRB			All other lease liabilities			Total lease liabilities		
	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:									
2023	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-	-
2028 - 2032	-	-	-	-	-	-	-	-	-
2033 - 2037	-	-	-	-	-	-	-	-	-
2038 - 2042	-	-	-	-	-	-	-	-	-
2043 - 2047	-	-	-	-	-	-	-	-	-
2048 - 2052	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-
Total minimum lease payments	\$ -	-	-	-	-	-	-	-	-
Less: amounts representing interest	-	-	-	-	-	-	-	-	-
Present value of future minimum lease payments	-	-	-	-	-	-	-	-	-
Total lease liabilities	-	-	-	-	-	-	-	-	-
Less: current portion	-	-	-	-	-	-	-	-	-
Lease liabilities, net of current portion	-	-	-	-	-	-	-	-	-

6 Long-term debt obligations schedule: N/A

	Auxiliary revenue bonds (non-SRB related)			All other long-term debt obligations			Total long-term debt obligations		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
Year ending June 30:									
2023	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-	-
2028 - 2032	-	-	-	-	-	-	-	-	-
2033 - 2037	-	-	-	-	-	-	-	-	-
2038 - 2042	-	-	-	-	-	-	-	-	-
2043 - 2047	-	-	-	-	-	-	-	-	-
2048 - 2052	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-
Total minimum payments	\$ -	-	-	-	-	-	-	-	-
Less: amounts representing interest	-	-	-	-	-	-	-	-	-
Present value of future minimum payments	-	-	-	-	-	-	-	-	-
Unamortized net premium/(discount)	-	-	-	-	-	-	-	-	-
Total long-term debt obligations	-	-	-	-	-	-	-	-	-
Less: current portion	-	-	-	-	-	-	-	-	-
Long-term debt obligations, net of current portion	-	-	-	-	-	-	-	-	-

7 Transactions with related entities:
 Payments to University for salaries of University personnel working on contracts, grants, and other program
 Payments to University for other than salaries of University personnel
 Payments received from University for services, space, and program
 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
 Other amounts (payable to) University
 Accounts receivable from University
 Other amounts receivable from University

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

Restatement #1	Debit (Credit)
Enter transaction description	
Restatement #2	
Enter transaction description	

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	-	-	-	-	-	-	-	-
Research	-	-	-	-	-	-	-	-
Public service	-	-	-	-	-	1,859	-	1,859
Academic support	-	-	-	-	-	34,307	-	34,307
Student services	-	-	-	-	-	-	-	-
Institutional support	-	-	-	-	-	-	50,717	50,717
Operation and maintenance of plant	-	-	-	-	-	-	-	-
Student grants and scholarships	-	-	-	-	1,016,130	-	-	1,016,130
Auxiliary enterprise expenses	-	-	-	-	-	-	-	-
Depreciation and amortization	-	-	-	-	-	-	-	-
Total operating expenses	\$ -	-	-	-	1,016,130	86,883	-	1,103,013

10 Deferred outflows/inflows of resources: N/A

1. Deferred Outflows of Resources

Deferred outflows - unamortized loss on refunding(s)

Deferred outflows - net pension liability

Deferred outflows - net OPEB liability

Deferred outflows - leases

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

Deferred inflows - leases

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	\$ -

11 Other nonoperating revenues (expenses)

Other nonoperating revenues	934,700
Other nonoperating (expenses)	(1,100,332)
Total other nonoperating revenues (expenses)	\$ (165,632)

**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**

Board of Directors
Foundation of California State University, Monterey Bay
Seaside, California

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 statement of net position and related statement of revenues, expenses and changes in net position and cash flows of Foundation of California State University, Monterey Bay (the Foundation), a component unit of California State University, Monterey Bay, as of and for the year ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated October 3, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation'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 statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 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.

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Board of Directors
Foundation of California State University, Monterey Bay
Seaside, California
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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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation’s financial statements are free of 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 determination of financial statement amounts. 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*.

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 the entity’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 entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "GLENN BURDETTE ATTEST CORPORATION". The letters are in all caps and have a slightly cursive, hand-drawn appearance.

Glenn Burdette Attest Corporation
San Luis Obispo, California

October 3, 2022