

University Corporation at Monterey Bay

Annual Report

**For the Year Ended
June 30, 2022**

**University Corporation at Monterey Bay
Annual Report
For the Year Ended
June 30, 2022**

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Independent Auditors' Report

Board of Directors
University Corporation at Monterey Bay
Seaside, California

Opinions

We have audited the accompanying financial statements of the business-type activities for University Corporation at Monterey Bay (the Corporation), a component unit of California State University, Monterey Bay, as of June 30, 2022, and the related notes to the financial statements, which collectively comprise the Corporation'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 University Corporation at Monterey Bay as of June 30, 2022, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 Corporation 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 opinion.

Change in Accounting Principle

As discussed in Notes 1 and 12 to the financial statements, during the year ended June 30, 2022, the Corporation adopted new accounting guidance, GASB Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

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 University Corporation at 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.

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 and *Government 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 the Corporation'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 the Corporation's ability to continue as a going concern for a reasonable period of time.

Auditor’s Responsibilities for the Audit of the Financial Statements (continued)

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 5 through 16 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 University Corporation at Monterey Bay’s basic financial statements. The accompanying supplementary information for inclusion in the financial statements of the California State University on pages 58 through 65 is presented for purposes of additional analysis as required by the California State University and is 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.

Board of Directors
University Corporation at Monterey Bay
Seaside, California
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2022, on our consideration of the University Corporation at Monterey Bay'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 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 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 the University Corporation at Monterey Bay's internal control over financial reporting and compliance.

GLENN BURDETTE ATTEST CORPORATION

Glenn Burdette Attest Corporation
San Luis Obispo, California

October 13, 2022

University Corporation at Monterey Bay
Management's Discussion and Analysis
June 30, 2022

The University Corporation at Monterey Bay (Corporation) is an auxiliary organization in good standing of California State University, Monterey Bay (CSUMB or University). The Corporation is an IRC Section 501(c)(3) nonprofit public benefit corporation and its primary objective is to support the University. The Corporation manages the University's post-award function for grants and contracts; commercial enterprise sales and services which include student and employee housing, dining, bookstore and vending operations; and provides accounting services to the University's other auxiliaries, the Foundation of California State University, Monterey Bay (Foundation) and the Otter Student Union (OSU).

As management of the Corporation, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Corporation 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 Corporation's financial statements, which follow this narrative. The Corporation's financial statements are presented here and are incorporated in the University's financial statements as a component unit.

Introduction to the Financial Statements

This annual report consists of a series of financial statements, prepared in accordance with principles issued by the Governmental Accounting Standards Board ("GASB"). The financial statements include the Statements of Net Position, Statements of Changes in Net Position and Statements of Cash Flow (on pages 18 through 25). All provide information about the Corporation'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. They also report on the Corporation's net position as a whole and changes in it resulting from the current year's activity. You can think of the Corporation'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 Corporation's financial health, or fiscal position. Over time, increases or decreases in the Corporation's net position is one indicator of whether its financial position is improving or declining.

University Corporation at Monterey Bay
Management's Discussion and Analysis
June 30, 2022

Financial Highlights

- At June 30, 2022, the Corporation's total net position decreased by 2.8 percent or \$1.9 million from \$68.7 million to \$66.8 million.
- Housing revenue increased 74.6 percent or \$17.7 million from \$23.7 million to \$41.4 million.
- Grants and contracts revenue increased to \$19.5 million from \$16.6 million for a 17.7 percent or \$2.9 million increase.
- Sales and services of auxiliary enterprises increased \$7.6 million or 1,219.0 percent from \$622 thousand to \$8.2 million.
- Other operating income decreased to \$360 thousand from \$1.4 million for a 74.5 percent or \$1.1 million decrease.
- Contract services increased by \$7.8 million or 117.0 percent from \$6.6 million to \$14.4 million.
- Utilities increased 34.5 percent or \$1.4 million from \$4.2 million to \$5.6 million.
- Scholarships increased 69.4 percent or \$1.2 million from \$1.7 million to \$2.9 million.
- Repairs and maintenance increased by 51.0 percent or \$2.3 million from \$4.5 million to \$6.8 million.
- Depreciation and amortization increased 31.8 percent or \$2.6 million from \$8.2 million to \$10.8 million.
- Other operating expenses increased from \$3.9 million to \$5.1 million for a \$1.2 million or 30.9 percent increase.
- Realized and unrealized gains on investments declined by 228.2 percent or \$13.4 million from \$5.9 million to a \$7.5 million Realized and unrealized loss on investments.
- Other nonoperating revenues, net increased from \$7 thousand to \$16.5 million for a 220,718.6 percent increase.
- University support, capital increased to \$11.4 million from \$3.2 million for an \$8.2 million or 259.3 percent increase.

Condensed Financial Information

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

**University Corporation at Monterey Bay
Management's Discussion and Analysis
June 30, 2022**

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

	<u>2022</u>	<u>2021</u>
Assets		
Current assets	\$ 27,750,742	\$ 32,878,119
Noncurrent assets	<u>201,074,497</u>	<u>167,039,724</u>
Total Assets	<u>228,825,239</u>	<u>199,917,843</u>
Liabilities		
Current liabilities	34,788,074	12,118,938
Noncurrent liabilities	<u>126,779,416</u>	<u>120,421,305</u>
Total Liabilities	<u>161,567,490</u>	<u>132,540,243</u>
Net Position		
Net investment in capital assets	27,824,230	5,836,468
Restricted for:		
Expendable	6,637,881	7,280,647
Unrestricted	<u>32,322,828</u>	<u>55,569,038</u>
Total Net Position	<u>\$ 66,784,939</u>	<u>\$ 68,686,153</u>

In 2021/22, total net position decreased by 2.8 percent or \$1.9 million. This decrease is primarily due to \$3.8 million in Gifts and donations, noncapital, Investment income of \$1.6 million, Other nonoperating revenues, net of \$16.5 million offset by Realized and unrealized investment losses of \$7.5 million, University support of \$11.8 million, Contributions to the Foundation of \$453 thousand, Interest on capital-related debt of \$3.8 million, and a \$174 thousand Operating Loss.

University Corporation at Monterey Bay
Management's Discussion and Analysis
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Net investment in capital assets represents capital assets, net of accumulated depreciation and amortization, and net of outstanding balances of related debt. In 2021/22, Net investment in capital assets increased significantly from \$5.8 million to \$27.8 million for a 22.0 million or 376.7 percent change. The change is mostly due to the implementation of GASB Statement 87, in effect reclassifying operating leases to capital leases, which resulted in a net \$16.5 million nonoperating gain.

The Unrestricted net position category is an important measure of an organization's financial health because it comprises the part of net position that can be used to finance the day-to-day operations of the Corporation without constraints established by donor restrictions, debt covenants or other legal requirements. Unrestricted net position in 2021/22 decreased by 2.8 percent or \$1.9 million from \$68.7 million to \$66.8 million.

Assets

Current assets, or assets that can normally be converted to cash in less than one year, consist of Cash and cash equivalents, Short-term investments, Receivables, net, Pledges receivable, net, Leases receivable, Prepaid expenses and other assets, and Real estate held for sale.

In 2021/22, Cash and cash equivalents decreased by 42.6 percent or \$5.3 million from \$12.4 million to \$7.1 million mostly due to the investment of the remaining \$3.0 million in money market held due to cash flow uncertainty and the reimbursement to the University of \$2.0 million for the purchase of the Golden Gate University building.

In 2021/22, as a result of the implementation of GASB Statement 87, Leases receivable has an ending balance of \$21 thousand. This balance can be attributed to lessor agreements for antenna space leased to telecommunications companies at Ryan Ranch. More detailed information on Leases receivable can be found in Note 12 to the financial statements.

Noncurrent assets consist of Accounts Receivable, net, Pledges receivable, net, Leases receivable, net, Certificates of deposit, Long-term investments, Capital assets, net, and Other noncurrent assets.

Leases receivable, net ended the 2021/22 fiscal year with a \$460 thousand balance. The implementation of GASB Statement 87 resulted in the recording of future payments as receivables from the lessees for antenna space located at Ryan Ranch. More detailed information on Leases receivable can be found in Note 12 to the financial statements.

University Corporation at Monterey Bay
Management's Discussion and Analysis
June 30, 2022

Long-term investments increased by \$11.0 million or 28.8 percent from \$38.4 million to \$49.4 million in 2021/22, as a result of management's decision to reinvest remaining funds liquidated in the prior year caused by the uncertainty due to the global pandemic.

In 2021/22, Capital assets, net increased to \$150.6 million from \$128.3 million for a 17.4 percent or \$22.3 million change. This change is mostly due to the implementation of GASB Statement 87 which resulted in the replacement of assets funded by capital lease obligations with the newly created Right of Use capital assets.

Liabilities

Current liabilities or amounts owed or due within one year, consist of Accounts payable, Payable to University, Payable to Foundation, Payable to Otter Student Union, Payable to CSU, Accrued salaries and benefits payable, Unearned revenue, Lease liability, current, Notes payable-current, and Other liabilities.

In 2021/22, Accounts payable increased to \$7.3 million from \$2.6 million for a \$4.7 million or 181.7 percent change. This change is mostly attributable to a \$3.5 million payable for construction on the Residential Halls Sewer Project, East Campus renovation projects, and grants and contracts subaward expenses received at year end.

Payable to the University increased 629.5 percent or \$10.8 million from \$1.7 million to \$12.5 million in 2021/22 primarily due to an \$8.9 million invoice for Otter Student Union construction overages.

In 2021/22, Payable to Otter Student Union increased to \$200 thousand for a 100.0 percent change. This increase is due to utilities and space rental expenses incurred for dining and other auxiliary-commercial services supporting the campus community.

In 2021/22, Unearned revenue went from \$2.2 million to \$7.6 million for a \$5.4 million or 244.7 percent increase. This change is mostly attributed to the new dining service contractor's advance payment of \$4.4 million designated for improvements to the dining venues.

In 2021/22, as a result of the implementation of GASB Statement 87, Capital lease obligation is now considered a finance lease liability and will now be included in Lease liability current and noncurrent. Lease liability, current had an ending balance of \$3.6 million. This balance can be attributed to lessee agreements entered into by the Corporation for the Right to Use assets of a lessor which were previously expensed, as well as the current principal payment for Systemwide Revenue Bonds (SRB's) issued under a capital lease obligation agreement. More detailed information on Lease liabilities can be found in Note 12 to the financial statements.

University Corporation at Monterey Bay
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Noncurrent liabilities consist of Lease liability, net of current portion, Notes payable, net of current portion and Depository accounts.

In 2021/22, as a result of the implementation of GASB Statement 87, Capital lease obligation is now considered a finance lease liability and will now be included in Lease liability current and noncurrent. Lease liability, net of current portion had an ending balance of \$47.6 million. This balance can be attributed to lessee agreements entered into by the Corporation for the Right to Use assets of a lessor which were previously expensed as well as the noncurrent principal balance for SRB's originally issued under a capital lease obligation agreement. More detailed information on Lease liabilities can be found in Note 12 to the financial statements.

Results of Operations

In 2021/22, the Corporation's total net position decreased to \$66.8 million from \$68.7 million for a 2.8 percent or \$1.9 million change. This decline is mostly a result of an increase in Other nonoperating revenues resulting from the implementation of GASB Statement 87, offset by an increase in University support, capital for the Otter Student Union overages and unrealized and realized losses on investments.

**University Corporation at Monterey Bay
Management's Discussion and Analysis
June 30, 2022**

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

	<u>2022</u>	<u>2021</u>
Operating Revenues		
Housing	\$ 41,360,447	\$ 23,690,039
Grants and contracts	19,546,444	16,603,239
Sales and services of auxiliary enterprises	8,209,988	622,445
Other operating income	360,305	1,415,257
Total Operating Revenues	<u>69,477,184</u>	<u>42,330,980</u>
Operating Expenses		
Salaries and benefits	20,124,864	18,395,545
Contract services	14,400,402	6,635,022
Utilities	5,615,087	4,176,158
Supplies and services	2,014,570	1,550,688
Scholarships	2,876,812	1,698,553
Repairs and maintenance	6,813,250	4,511,877
Rental expense	284,350	898,963
Depreciation and amortization	10,796,215	8,194,168
Cost of real estate sold	1,626,845	763,821
Other operating expenses	5,099,144	3,896,096
Total Operating Expenses	<u>69,651,539</u>	<u>50,720,891</u>
Operating Loss	<u>(174,355)</u>	<u>(8,389,911)</u>
Nonoperating Revenues (Expenses)		
University support, noncapital	(475,000)	(596,800)
Other nonoperating revenues, net	10,100,195	6,756,218
Total Nonoperating Revenues (Expenses)	<u>9,625,195</u>	<u>6,159,418</u>
Other Changes in Net Position		
University support, capital	(11,369,304)	(3,164,327)
Other changes in net position	17,250	-
Total Other Changes in Net Position	<u>(11,352,054)</u>	<u>(3,164,327)</u>
Decrease in Net Position	<u>(1,901,214)</u>	<u>(5,394,820)</u>
Net Position		
Net position — beginning of year	68,686,153	74,080,973
Net position — end of year	<u>\$ 66,784,939</u>	<u>\$ 68,686,153</u>

University Corporation at Monterey Bay
Management's Discussion and Analysis
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Total operating revenues increased in 2021/22 by 64.1 percent or \$27.1 million from \$42.3 million to \$69.5 million. This is attributed to the increases in Housing revenue, Grants and contracts revenue, Sales and services of auxiliary enterprise revenue and offset by a decrease in Other operating revenues.

In 2021/22, Housing revenue increased significantly from \$23.7 million to \$41.4 million for an increase of 74.6 percent or \$17.7 million. The return to in-person instruction and repopulation of the student housing areas to pre-pandemic levels contributed to this change.

Grants and contracts revenue increased to \$19.5 million from \$16.6 million in 2021/22 for a \$2.9 million or 17.7 percent increase mostly due to an increase in Coronavirus Aid, Relief, and Economic Security Act (CARES Act) federal awards meant to respond to the effects or impact of the pandemic in the Monterey Bay area.

In 2021/22, Sales and services of auxiliary enterprises, net increased by \$7.6 million or 1,219.0 percent from \$622 thousand to \$8.2 million. This is mostly due to the implementation of GASB Statement 84, *Fiduciary Activities*, which changed the way meal plans are accounted for, along with the repopulation of the campus.

Other operating revenues decreased in 2021/22 from \$1.4 million to \$360 thousand for a \$1.1 million or 74.5 percent change as a result of CARES Act funding received to replace lost meal plan revenue in 2020/21 and none in 2021/22.

Total operating expenses in 2021/22 increased to \$69.7 million from \$50.7 million for a 37.3 percent or \$18.9 million change. Increases of Contract services, Utilities, Scholarships, Repairs and maintenance, Depreciation and amortization, and Other operating expenses account for most of this change.

In 2021/22, Contract services increased 117.0 percent or \$7.8 million from \$6.6 million to \$14.4 million. This increase can be attributed mostly to the implementation of GASB Statement 84, *Fiduciary Activities*, which changed the way meal plans are accounted for, along with the return of students to the campus.

Utilities increased 34.5 percent or \$1.4 million from \$4.2 million to \$5.6 million in 2021/22 primarily due to the lifting of COVID restrictions and the return of the student population to campus housing.

Scholarships increased in 2021/22 from \$1.7 million to \$2.9 million for a \$1.2 million or 69.4 percent increase. The change is mostly due to new federal awards with large scholarship budgets from National Science Foundation and Department of Health and Human Services.

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Management's Discussion and Analysis
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Repairs and maintenance increased 51.0 percent in 2021/22 from \$4.5 million to \$6.8 million for a \$2.3 million change. State Fire Marshall safety upgrades and corrections to both Main campus and East campus housing and interior and exterior repairs such as carpeting and painting of the Promontory and North Quad buildings make up most of this change

Depreciation and amortization increased in 2021/22 from \$8.2 million to \$10.8 million for a \$2.6 million or 31.8 percent. This change is mostly due to the implementation of GASB Statement 87, *Leases*, and the addition of the Right of Use assets with a new book value.

In 2021/22, Other operating expenses increased 30.9 percent or \$1.2 million from \$3.9 million to \$5.1 million. The return to campus and relaxation of COVID restrictions resulted in an increase of travel by staff and faculty. In addition, meal concessions for the Resident Advisors experienced an increase due to the student repopulation of the dormitories. Finally, the property insurance premium increased dramatically due to natural events such as the California wildfires, hurricanes, and general market losses in the past three years.

The Corporation's contributions in support of the University are shown as non-operating expense and other changes in net position in Table 2 (page 11). Table 3 below shows the noncapital and capital support for the last two fiscal years.

Table 3: University Support

	2022	2021
University support, non-capital	\$ 475,000	\$ 596,800
University support, capital	11,369,304	3,164,327
Total University support	\$ 11,844,304	\$ 3,761,127

University support, non-capital, consists of 1) contributions from the Corporation to the University in support of strategic initiatives identified by the University President and Cabinet, 2) contributions to support capital construction overages and building purchases, and 3) planning costs for the new College of Science building.

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Management's Discussion and Analysis
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University support, capital, is generally a one-time expense that is earmarked for a particular project or can involve the transfer of capital assets gifted to the Corporation for the benefit of the University. In 2021/22, the Corporation reimbursed the University for the purchase of the Golden Gate University building in the amount of \$2.0 million, provided an additional \$8.9 million to support the Otter Student Union construction overages, and contributed monies towards the Monterey Bay Football Club stadium project.

Significant Capital Asset and Long-Term Debt Activity

Capital Assets

At June 30, 2022, the Corporation had \$190.4 million in depreciable capital assets. The Corporation's net capital assets totaled \$150.6 million at the end of the fiscal year. Depreciable capital assets consist of buildings, leasehold improvements, equipment, and intangible assets. The Corporation had \$7.3 million in non-depreciable assets as of June 30, 2022. Non-depreciable capital assets consist of land and land improvements, construction in progress and the radio station's FCC license. More detailed information about the Corporation's Capital assets is in Note 7 to the financial statements.

Debt

The Corporation has used the CSU Systemwide Revenue Bond program to finance three projects – the Residence Hall 211 renovation in 2002, the North Quad Housing complex construction in 2003 and the refinancing of previous bond debt in 2005. Under this program, the Corporation entered into ground and facilities lease agreements with the State of California through the Board of Trustees of the CSU. In 2021/22, the implementation of GASB Statement 87 changed the lease classification of this debt to finance lease liabilities.

In early 2016/17, the Corporation exercised its option to purchase the Promontory student housing building for \$68,550,000 with CSU Systemwide Revenue Bonds. The initial purchase was made with commercial paper, however, in March 2017, the bonds replaced the commercial paper and the Corporation entered into a loan agreement with the Board of Trustees of the CSU.

In 2020/21, the Corporation was approved for the issuance of long-term Systemwide Revenue Bond financing and related debt instruments, including shorter term and variable rate debt, floating and fixed rate loans placed directly with banks, and bond anticipation notes (BANs) to support interim financing under the CSU commercial paper (CP) program in an aggregate amount not to exceed \$17,590,000. The funded Capital Improvement Project, with an initial issuance of \$11,766,000 in commercial paper, involves improvements to several facilities, including student, staff and faculty housing, and dining venues.

At June 30, 2022, the Corporation had a combined total of \$131.2 million in long-term debt obligations. More detailed information can be found in Note 8 to the financial statements.

University Corporation at Monterey Bay
Management's Discussion and Analysis
June 30, 2022

Currently Known Facts, Decisions and Conditions

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

Housing

Housing rates for freshmen students are guaranteed at the first-year residency base rate for each type of housing, then offered for a maximum of four more consecutive years so long as the student remains in housing. The number of years is pro-rated for first time housing residents based on their class level for first year of residency. Corporation management will control the rate increase for each following year and that allows the Corporation to keep its housing rates competitive and sufficient to support the Corporation's long-term debt obligations. The university requires freshmen and sophomores to live on campus unless they meet specific exception criteria.

In 2021/22, the student housing requirement for freshmen and sophomores was not enforced but occupancy ended the year at or near pre-pandemic levels 2018/19. In addition, dining services and meal plans resumed and also met or exceeded expectations.

Grants and Contracts

Due to the unpredictability of the grant funding climate and economy, we believe grant and contract revenues (based on expenditures incurred) will return to the levels experienced in the 2020/21 year.

Donor Contributions

The Corporation has existing pledges that are anticipated to be received within the next five years, however, as is true for all pledges, there is a risk for exposure to the Corporation if the pledges are uncollectible.

Construction Commitments

The Corporation committed to an \$11.0 million plumbing infrastructure and bathroom renovation construction project for the 8 student residence halls located on the main campus.

**University Corporation at Monterey Bay
Management's Discussion and Analysis
June 30, 2022**

Currently Known Facts, Decisions and Conditions (Continued)

Market Conditions

Investments account for 21.8 percent of the Corporation's total assets. Of the \$49.8 million, 0.2 percent is Short-term investments and 99.8 percent is Long-term investments. The Corporation continues to manage 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 Corporation'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 Corporation'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

University Corporation at Monterey Bay
Financial Statements
For the Year Ended June 30, 2022

University Corporation at Monterey Bay
Statement of Net Position
June 30, 2022

		2022
Assets		
<u>Current Assets:</u>		
Cash and cash equivalents	\$	7,124,052
Short-term investments		110,628
Receivables:		
Grants and contracts, net		7,311,924
Property manager		4,764,995
University		3,001,223
Foundation		74,930
Otter Student Union		249,699
CSU		541,379
Housing, net		106,754
Other, net		2,294,190
Pledges receivable, net		226,059
Leases receivable		21,256
Prepaid expenses and other assets		253,363
Real estate held for sale		1,670,290
Total Current Assets		27,750,742
<u>Noncurrent Assets:</u>		
Accounts receivable, net		35,184
Pledges receivable, net		230,346
Leases receivable, net		459,739
Certificates of deposit		262,914
Long-term investments		49,438,484
Capital assets, net		150,607,830
Other noncurrent assets		40,000
Total Noncurrent Assets		201,074,497
Total Assets		228,825,239

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

University Corporation at Monterey Bay
Statement of Net Position (Continued)
June 30, 2022

		2022
Liabilities		
<u>Current Liabilities:</u>		
Accounts payable	\$	7,347,394
Payable to University		12,545,050
Payable to Foundation		48,910
Payable to Otter Student Union		199,851
Payable to CSU		544,734
Accrued salaries and benefits payable		1,625,383
Unearned revenue:		
Housing		90,178
Other		7,488,945
Capital lease obligations, current portion		-
Lease liability, current portion		3,628,801
Note payable, current portion		1,145,000
Other liabilities		123,828
Total Current Liabilities		34,788,074
<u>Noncurrent Liabilities:</u>		
Capital lease obligations, net of current portion		-
Lease liability, net of current portion		47,553,815
Notes payable, net of current portion		78,863,515
Depository accounts		362,086
Total Noncurrent Liabilities		126,779,416
Total Liabilities		161,567,490
<u>Deferred Inflows of Resources:</u>		
Leases		472,810
Total deferred inflows of resources		472,810

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

University Corporation at Monterey Bay
Statement of Net Position (Continued)
June 30, 2022

	2022
Net Position	
<u>Net Position:</u>	
Net investment in capital assets	27,824,230
Restricted for:	
Nonexpendable - endowments	
Expendable:	
Pledges receivable	456,404
Net gifts and donations	5,940,168
Net sponsored programs	44,337
Other	196,972
Unrestricted	32,322,828
 Total Net Position	 \$ 66,784,939

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

University Corporation at Monterey Bay
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2022

	2022
Operating Revenues:	
Housing	\$ 41,360,447
Grants and contracts:	
Federal	16,071,193
State	1,857,045
Local	129,814
Nongovernmental	1,488,392
Sales and services of auxiliary enterprises, net	8,209,988
Other operating revenues	360,305
Total Operating Revenues	69,477,184
 Operating Expenses:	
Salaries and benefits	20,124,864
Contract services	13,252,555
Subawards	1,147,847
Utilities	5,615,087
Supplies and services	2,014,570
Travel	400,476
Scholarships	2,876,812
Professional services	150,766
Concessions	181,659
Repairs and maintenance	6,813,250
Rental expense	284,350
Equipment	653,341
Insurance	1,444,941
Depreciation and amortization	10,796,215
Cost of real estate sold	1,626,845
Other operating costs	2,267,961
Total Operating Expenses	69,651,539
 Operating Income/(Loss)	 (174,355)

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

University Corporation at Monterey Bay
Statement of Revenues, Expenses and Changes in Net Position (Continued)
Year Ended June 30, 2022

	2022
Nonoperating Revenues (Expenses):	
Gifts and donations, noncapital	\$ 3,793,104
Investment income	1,602,514
Realized and unrealized (losses) on investments	(7,522,539)
University support, noncapital	(475,000)
Contributions to Foundation	(452,501)
Interest on capital-related debt	(3,789,035)
Other nonoperating revenues, net	16,468,652
Total Nonoperating Revenues (Expenses)	9,625,195
 Income (Loss) before other changes to Net Position	 9,450,840
 Other Changes in Net Position:	
Other Changes in Net Position:	
University support, capital	(11,369,304)
Capital grants and gifts	17,250
Total Other Changes in Net Position	(11,352,054)
Increase (Decrease) in Net Position	(1,901,214)
 Net Position:	
Net position - beginning of the year	68,686,153
Net position - end of year	\$ 66,784,939

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

University Corporation at Monterey Bay
Statement of Cash Flow
Year Ended June 30, 2022

	2022
Cash Flows from Operating Activities:	
Receipts from housing	\$ 38,871,389
Receipts from sales of houses	1,626,845
Receipts from grants and contracts	16,495,626
Receipts from sales and services of auxiliary enterprises	8,876,974
Payments to suppliers	(27,529,369)
Payments to employees	(16,354,475)
Payments to/Receipts from University, net	9,687,539
Payments to/Receipts from Foundation, net	17,534
Payments to/Receipts from OSU, net	113,389
Payments to/Receipts from CSU, net	75,767
Payments for house purchases	(1,086,222)
Other receipts	4,107,907
Net Cash Provided by (Used in) Operating Activities	34,902,904
 Cash Flows from Noncapital Financing Activities:	
Gifts and donations	3,060,976
University support	(475,000)
Foundation support	(452,501)
Other receipts	4,759
Net Cash Provided by Noncapital Financing Activities	2,138,234
 Cash Flows from Capital Related Financing Activities:	
Capital grants and gifts	17,250
University support - capital	(11,369,304)
Acquisition of capital assets	(16,653,623)
Proceeds of sale capital assets	-
Principal payments on lease liabilities and note payable	(2,979,973)
Interest paid on lease liabilities and note payable	(3,854,422)
Proceeds of note payable issuance	9,427,107
Net Cash Used by Capital Related Financing Activities	(25,412,965)

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

University Corporation at Monterey Bay
Statement of Cash Flow
Year Ended June 30, 2022

	2022
Cash Flows from Investing Activities:	
Proceeds from sale of investments	\$ (18,251)
Purchase of investments	(18,496,847)
Investment income received	1,602,514
Net Cash Provided by/(Used in) Investing Activities	(16,912,584)
Net Increase/(Decrease) in Cash	(5,284,411)
Cash and Cash Equivalents - Beginning of Year	12,408,463
Cash and Cash Equivalents - End of Year	\$ 7,124,052
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities:	
Operating income (loss)	\$ (174,355)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	10,796,215
Change in operating assets and liabilities:	
Receivables, net	11,643,357
Prepaid expenses and other assets	(39,285)
Real estate held for sale	540,623
Accounts payable	4,739,250
Payable to University	922,380
Payable to Foundation	37,605
Payable to OSU	199,851
Payable to CSU	75,767
Accrued salaries and benefits payable	290,305
Unearned revenue	5,824,935
Other liabilities	46,256
Net Cash Provided by (Used in) Operating Activities	\$ 34,902,904

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

University Corporation at Monterey Bay
Statement of Cash Flow (Continued)
Year Ended June 30, 2022

	<u>2022</u>
Supplemental Schedule of Noncash Financing and Investing Activities:	
Contributions of investments	\$ 10,511
Decrease in fair value of investments	7,522,539
Amortization of bond premium	1,308,553
Amortization of premium on long-term debt	389,977

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

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity – The University Corporation at Monterey Bay (Corporation) is a nonprofit 501(c)(3) public benefit corporation organized in July 1994 to support the academic mission of the California State University Monterey Bay (University). The Corporation is an auxiliary organization of the University and is presented in the University's financial statements as a component unit.

The Corporation is governed by a Board of Directors (Board), which is comprised of the University President (Corporation President), the Provost (Corporation Secretary/Treasurer), the Vice President for Administration and Finance, the Vice President for University Development, the Vice President for Students Affairs, a faculty member, a staff member, a student, and one community member.

The activities administered by the Corporation include the following:

- Housing for students and employees living off-campus and Residential Life programs for students living on campus.
- Support for faculty research, grants, and contracts.
- Fund development, fundraising activities, private giving, fund management, public relations and community outreach programs.
- Business enterprises, including retail and food services, radio station (KAZU 90.3 FM), leasing, and other projects with revenue-producing potential.

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 Corporation 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.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments – Investments are reported at fair value using quoted market prices 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 include amounts due from the following: federal, state and local government and private grants; the property manager; the University; Foundation; Otter Student Union; the CSU; Housing, net; employees for payroll and travel advances; radio station underwriters; and amounts due for commissions. The receivables are shown net of the allowance for doubtful accounts of \$1,460,348 at June 30, 2022. The Corporation uses the allowance method to account for uncollectible accounts receivable. The allowance for doubtful accounts is based on prior experience and management's analysis of possible bad debts.

Pledges Receivable – Pledges are unconditional promises to make future payments to the Corporation. 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 \$14,116 at June 30, 2022. 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.

Leases Receivable – These include lease agreements where the Corporation is acting as lessor. In 2021/22, the Corporation implemented GASB Statement No. 87, *Leases*. This Statement enhances the relevance and consistency of information relating to leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Previously, the two telecommunications operating leases for antenna space were accounted for as revenues, but with the adoption of this standard, they are now found on the Statement of Net Position as assets and recognized as deferred inflows of resources.

Real Estate Held for Sale – Includes houses repurchased and awaiting resale. The houses are stated at cost, which is not in excess of net realizable value. Capital improvements made to prepare the units for sale are stated at cost. The underlying land is subject to a long-term lease with the Board of Trustees of the CSU.

Capital Assets – Capital assets consisting of land and land improvements, buildings, leasehold improvements, construction in progress, equipment, intangible assets including computer software and leases assets (or Right of Use assets), are recorded at cost (or estimated historical cost) at the date of acquisition, or fair value at the date of donation in

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

the case of gifts. Assets with a value of less than \$5,000 are not capitalized. Renovations made to University-owned facilities which are not under leasehold are considered an expense of the Corporation. The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend its useful life, are expensed to operations. Related depreciation and amortization expense is shown in the Statements of Revenues, Expenses and Changes in Net Position. Depreciation for equipment and computer software is calculated using the straight-line method using the half-year convention over the estimated useful life of the asset.

Buildings and leasehold improvements under capital lease are amortized using the straight-line method over the shorter life of the applicable lease or the economic life of the asset.

Estimated useful lives are generally as follows:

Buildings	30 years
Leasehold improvements	10 – 30 years
Equipment	3 – 10 years
Computer software	5 years

Capital assets acquired through federal and state grants and contracts where the government retains a reversionary interest are not capitalized, or depreciated, until title passes to the Corporation. Nondepreciable intangible assets are comprised of the Federal Communications Commission (FCC) license held by the radio station KAZU 90.3 FM. The FCC license is inexhaustible and is therefore not amortized.

Compensated Absences – Compensated absences accrued are included in accrued salaries and benefits. The Corporation accrues annual leave for employees at rates based upon length of service and job classification.

Unearned Revenue – Unearned revenue primarily includes revenue billed or collected in advance of when it is earned on grants and contracts and collected in advance of when it is earned on student fees for housing and dining services, deposits on camps and events, and underwriting spots paid in advance.. Unearned revenue that will not be earned within one year is classified as Noncurrent.

Lease liability – These include lease agreements where the Corporation is acting as a lessee. As mentioned earlier, the Corporation adopted GASB Statement 87, *Leases*, and as a result, leases previously classified as operating leases are now included in the Statement of Net Position. Capital lease obligations related to Systemwide Revenue Bonds now function as lease liabilities.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position – The Corporation’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, less the outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted, nonexpendable consists of net position subject to externally imposed restrictions that they must be retained in perpetuity. The Corporation does not have any assets in this category.

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

Unrestricted consists of all other categories of net position. Unrestricted net position may be designated for use by management of the Corporation or have bond indenture requirements associated with its use. These requirements limit the area of operations for which expenditures of net position may be made and require that unrestricted net position be designated to support future operations in these areas.

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

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

Classification of Revenues and Expenses – The Corporation 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 Corporation’s primary functions. Exchange transactions include charges for services rendered and the acquisition of goods and services. Revenues from home sales are recognized as homes are sold, title passes, and escrow closes. Rental housing revenues are recognized as amounts are earned and coincide with the rental agreement.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2022

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 Corporation are mandated to be recorded as nonoperating revenues. Nonoperating revenues and expenses include the Corporation’s net investment income and interest expense on capital related debt. Capital grants and gifts and extraordinary and nonrecurring events are classified as other changes in net position.

Grant and Contract Revenue – Grant and contract revenue is received by the Corporation from governmental and private sources. Revenues associated with the direct costs of sponsored programs are recognized as the related expenditures are incurred. Recovery of facilities and administrative cost of federal and state sponsored programs is at cost reimbursement rates negotiated with the specific agency.

Facilities and administrative cost recovery for the year ended June 30, 2022 is presented below:

	2022
Federally sponsored programs	\$ 1,472,704
All other sponsors	268,022
Total	\$ 1,740,726

Contributions to California State University, Monterey Bay – The Corporation periodically makes contributions to the University at the discretion of the Board of the Corporation.

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.

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 Corporation 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.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Corporation's financial statements has been consistent.

Income Taxes – The Corporation 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 Corporation's tax-exempt purpose is subject to taxation as unrelated business income. No liability for income taxes has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole. In addition, the Corporation qualifies for the charitable 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 Corporation 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, 2019, and by the California Franchise Tax Board for fiscal years ending on or after June 30, 2018.

Recent Pronouncements – 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 have a material impact on the Organization's financial statements. See Note 12.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2022

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 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.

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

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. Statement No. 98 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. Implementation of this Statement did not have a material impact on the Organization's financial statements.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2022

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 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 provisions of Statement 100 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.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events – Events subsequent to June 30, 2022 have been evaluated through October 13, 2022, which is the date the financial statements were available to be issued. Management did not identify any subsequent events requiring disclosure.

NOTE 2. DEPOSITS

The Corporation 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, the Corporation’s checking, deposit and money market accounts were insured by the FDIC up to \$250,000 per financial institutional. For the year ended June 30, 2022, the Corporation had uninsured cash deposits of \$3,806,018.

NOTE 3. INVESTMENTS

Investments comprised the following at June 30:

	2022
	<u>Noncurrent</u>
Mutual Funds:	
Equity Funds	\$ 24,174,044
Bond Funds	<u>25,264,440</u>
Total *	<u><u>\$ 49,438,484</u></u>

* Total at June 30, 2022 excludes Money Market fund balance of \$77,139.

Investment Fair Values

The Corporation categorizes its fair values measurements within the fair value hierarchy established by generally accepted accounting principles. At June 30, 2022, the Corporation’s investments were valued using quoted market prices in active markets and are classified within Level 1 of the fair value hierarchy.

Investment Policies

The Corporation’s Board of Directors oversees the management of its investments and establishes 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 Corporation prohibits investments that jeopardize the safety of principal concept or non-profit status of the Corporation. The Corporation has developed and implemented a socially responsible investing policy.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2022

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, MSCI Europe, Australasia, and Far East (EAFE) and MSCI All Country World Index (ACWI) ex US.

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, Barclays Capital US TIPS and Barclays 1-5 year credit indices.

The All Asset Fund 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 HFRI Fund of Funds index.

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 Corporation through mutual funds comprised \$24,174,044 or 48.5 percent of the total investments of the Corporation at June 30, 2022. 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 Corporation 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.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2022

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 Corporation investments summarizes the fair value of the fixed income securities subject to credit risk. The Corporation 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 Corporation and their investment advisor monitor the investments and fund manager to determine if the portfolio is managed according to the stated guidelines. Although money market fund shares are unrated, they are primarily invested in Tier 1 securities. A security's tier can be established either by an independent rating organization or by a determination of the investment advisor.

The credit ratings of the Corporation's fixed income securities held in investments and money market funds at June 30, 2022, were as follows:

	<u>Fair Value</u>	<u>Rating</u>
Bond Mutual Funds:		
Vanguard Inflation-Protected Securities Adm	\$ 7,485,376	AAA
Vanguard Short-Term Bond Adm	5,274,674	(1)
Met West Total Return Bond I	6,197,193	(2)
Dodge & Cox Income	6,307,197	(3)
Money Market Fund:		
Charles Schwab Bank	77,139	Not Rated
Total	<u>\$ 25,341,579</u>	

- (1) Credit ratings range from AAA to below B with 63% at a rating of A or above.
(2) Credit ratings range from AAA to below CCC with 93% at rating of BBB or above.
(3) Credit ratings range from AAA to below B with 99% 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 Corporation's investments are issued, registered or held in the name of the Corporation 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.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2022

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. GASB requires disclosure of investments in any one individual issuer that represent 5% or more of total investments. The Corporation had no investments that exceeded this threshold at June 30, 2022.

Interest Rate Risk

Interest rate risk is the risk that fixed income securities will decline because of rising interest rates. The Corporation measures interest rate risk using the weighted average maturity method. The weighted average maturities of the Corporation's fixed income securities and money market funds at June 30, 2022, were as follows:

	<u>Fair Value</u>	<u>Weighted Average</u>
Bond Mutual Funds:		
Vanguard Inflation-Protected Securities Adm	\$ 7,485,376	7.2
Vanguard Short-Term Bond Adm	5,274,674	2.9
Met West Total Return Bond I	6,197,193	9.0
Dodge & Cox Income	6,307,197	9.8
Money Market Fund:		
Charles Schwab Bank	77,139	0.1
Total	<u>\$ 25,341,579</u>	

Foreign Currency Risk

Exposure from foreign currency risk results from investments in foreign currency denominated equity or fixed income investments. The Corporation 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 fund managers but hedging is not permitted for speculation or to create leverage.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2022

NOTE 3. INVESTMENTS (Continued)

The Corporation's exposure to foreign currency risk at June 30, 2022 was as follows:

<u>Currency</u>	<u>Fair Value</u>
Euro	\$ 2,260,928
Japanese Yen	1,715,265
British Pound	1,080,130
Swiss Franc	944,512
Canadian Dollar	701,895
Danish Krone	211,373
Swedish Krona	92,582
Korean Won	335,362
Brazilian Real	75,314
Mexican Peso	24,020
Taiwan Dollar	105,535
Indian Rupee	105,090
Australian Dollar	344,599
Chinese Yuan	296,226
Hong Kong Dollar	197,429
Other Currencies	<u>417,873</u>
Total International Funds Subject to Foreign Currency Risk	<u>\$ 8,908,133</u>

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

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2022

NOTE 4. RECEIVABLES

Receivables and the allowances for doubtful accounts at June 30 were as follows:

	<u>2022</u>
A/R – University	\$ 3,001,223
A/R – Foundation	74,930
A/R – Otter Student Union	249,699
A/R – CSU	541,379
A/R – Grants & Contracts	7,433,442
A/R – Property Manager	4,764,995
A/R – Housing Rents	110,056
A/R – Other	3,497,664
A/R – Commissions	16,394
A/R – Underwriting for KAZU	115,660
Allowance for doubtful accounts	(1,460,348)
Receivables, net	<u>\$ 18,345,094</u>

NOTE 5. PLEDGES RECEIVABLE

Pledges receivable at June 30 were as follows:

	<u>2022</u>
Campus programs support	\$ 474,550
Less: Allowance for doubtful accounts	(14,116)
Less: Unamortized discount	(4,030)
Pledges receivable, net	<u>\$ 456,404</u>
Pledges due in:	
One year or less	\$ 233,050
One to five years	241,500
Total	<u>\$ 474,550</u>

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2022

NOTE 6. REAL ESTATE HELD FOR SALE

Real estate held for sale is stated at cost, which is not in excess of net realizable value. As of June 30, 2022, there were five homes in inventory totaling \$1,670,290.

NOTE 7. CAPITAL ASSETS

Capital asset activity consisted of the following for the years ended June 30:

	2022			Ending Balance
	Beginning Balance	Additions/ Reclassifications	Reductions/ Transfers	
Nondepreciable Capital Assets:				
Land and land improvements	\$ 2,000,734	\$ -	\$ -	\$ 2,000,734
Construction in progress	5,031,861	7,518,045	(7,411,776)	5,138,130
Intangible assets	148,349	-	-	148,349
Total Nondepreciable Capital Assets	<u>7,180,944</u>	<u>7,518,045</u>	<u>(7,411,776)</u>	<u>7,287,213</u>
Depreciable Capital Assets:				
Buildings	132,830,627	3,239	(46,407,976)	86,425,890
Leasehold improvements	68,248,456	16,983	(24,469,110)	43,796,329
Equipment	4,928,982	380,278	(25,151)	5,284,109
Leased land and land improvements	-	14,629	-	14,629
Leased buildings	-	54,133,109	-	54,133,109
Leased infrastructure	-	483,864	-	483,864
Leased equipment	-	50,196	-	50,196
Intangible assets	196,631	-	-	196,631
Total Depreciable Capital Assets	<u>206,204,696</u>	<u>55,082,298</u>	<u>(70,902,237)</u>	<u>190,384,757</u>
Total Capital Assets	<u>213,385,640</u>	<u>62,600,343</u>	<u>(78,314,013)</u>	<u>197,671,970</u>
Less Accumulated Depreciation and Amortization:				
Buildings	43,551,421	3,258,155	(27,534,173)	19,275,403
Leasehold improvements	37,304,731	2,458,985	(21,271,862)	18,491,854
Equipment	4,065,581	360,906	(25,151)	4,401,336
Leased assets	-	4,702,750	-	4,702,750
Intangible assets	177,378	15,419	-	192,797
Total Accumulated Depreciation	<u>85,099,111</u>	<u>10,796,215</u>	<u>(48,831,186)</u>	<u>47,064,140</u>
Total Capital Assets, Net	<u>\$ 128,286,529</u>	<u>\$ 51,804,128</u>	<u>\$ (29,482,827)</u>	<u>\$ 150,607,830</u>

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2022

NOTE 8. LONG-TERM LIABILITIES

Long-term liabilities consisted of the following activities for the years ended June 30:

	2022				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Capital lease obligations:					
Capital lease obligations	\$ 45,450,000	\$ -	\$ (45,450,000)	\$ -	\$ -
Unamortized premium					
on capital lease obligations	1,769,543	-	(1,769,543)	-	-
Total capital lease obligations	<u>47,219,543</u>	<u>-</u>	<u>(47,219,543)</u>	<u>-</u>	<u>-</u>
Long-term debt obligations:					
Notes payable related to SRB's	56,670,000	14,325,000	(1,090,000)	69,905,000	1,145,000
Unamortized bond premium	8,103,072	2,390,420	(389,977)	10,103,515	-
Note payable related to Bond					
Anticipation Notes	11,766,000	-	(11,766,000)	-	-
Total long-term debt obligations	<u>76,539,072</u>	<u>16,715,420</u>	<u>(13,245,977)</u>	<u>80,008,515</u>	<u>1,145,000</u>
Total long-term liabilities	<u>\$ 123,758,615</u>	<u>\$ 16,715,420</u>	<u>\$ (60,465,520)</u>	<u>\$ 80,008,515</u>	<u>\$ 1,145,000</u>

Capital Lease Obligations:

In October 2002, the Corporation entered into a ground and facilities lease agreement with the State of California, acting through the Board of Trustees of the CSU, for the purpose of providing housing services and related ancillary services to the University through the renovation of the residence hall known as Student Housing Building 211. The term of the lease commenced on October 15, 2002 with the first lease payment on May 1, 2004. The term ends on November 1, 2033.

Subsequently, in September 2011, the lease was amended for the purpose of modifying the Base Rental Payment Schedule, in connection with the refunding of certain Systemwide Revenue Bonds (SRB). No other terms of this lease were modified. In September 2012, a second amendment was issued to modify the Base Rental Payment Schedule associated with the August 2012 refunding of certain SRBs. There were no other changes to the terms of the lease.

In January 2003, the Corporation entered into a second ground and facilities lease agreement with the State of California, acting through the Board of Trustees of the CSU, for the purpose of providing housing services and related ancillary services to the

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2022

NOTE 8. LONG-TERM LIABILITIES (Continued)

University through the construction of the residence halls known as North Quad. The term of the lease commenced on January 7, 2003 with the first lease payment on May 1, 2005. The term ends on November 1, 2034.

Subsequently, in September 2011, the lease was amended for the purpose of modifying the Base Rental Payment Schedule, in connection with the refunding of certain SRBs. No other terms of this lease were modified. In September 2012, a second amendment was issued to modify the Base Rental Payment Schedule associated with the August 2012 refunding of certain SRBs. There were no other changes to the terms of the lease.

In October 2005, the Corporation entered into a third ground and facilities lease agreement with the State of California, acting through the Board of Trustees of the CSU for the purpose of providing repayment for the bond proceeds used for the advance refunding of the Corporation's previously outstanding Series 1998, 1999, and 2001 bonds. The term of the lease commenced on October 13, 2005 with the first lease payment on May 1, 2006. The term ends on November 1, 2030.

Subsequently, in August 2015, the lease was amended for the purpose of modifying the Base Rental Payment Schedule, in connection with the refunding of certain SRBs. No other terms of this lease were modified.

2016 Current Refunding of Capital Lease Obligations

On August 5, 2015, the Trustees of the California State University issued \$1,034,370,000 Systemwide Revenue Bonds (SRB) Series 2015A, a portion of which was used to refund certain outstanding SRB Series 2005C, which was previously issued to defease and refund the Corporation's auxiliary organization bonds series 1998, 1999, and 2001 ("Prior Bonds"). Proceeds from SRB Series 2015A allocable to the Corporation's bond refunding totaling \$18,320,000, along with \$2,598,289 bond premium, were applied towards fully funding an escrow account in the total amount sufficient for the redemption of \$20,345,000 total outstanding principal plus \$509,450 interest accrued on the Prior Bonds on November 1, 2015 (the "Redemption Date") and \$63,839 in bond underwriter's discount and cost of issuance. The partial refunding resulted in a net present value savings of \$3,281,066. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete the refunding is \$4,124,879. The bond maturities refunded increased the unamortized premium and loss on refunding balances by \$2,598,289 and \$443,681 respectively.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2022

NOTE 8. LONG-TERM LIABILITIES (Continued)

2020 Refunding of Capital Lease Obligations

On September 17, 2020, the Trustees of the California State University issued \$528,575,000 Systemwide Revenue Bonds (SRB) Series 2020D (Taxable), a portion of which was used to refund certain SRB Series 2011A and all of 2012A. Proceeds from SRB Series 2020D allocable to the Corporation's bond refunding totaling \$30,625,000, were applied towards fully funding an escrow account in the total amount sufficient for the redemption of \$27,700,000 total outstanding principal plus \$2,920,000 interest accrued on the Prior Bonds on November 1, 2020 (the "Redemption Date") and \$78,832 in bond underwriter's discount and cost of issuance. The refunding resulted in a net present value savings of \$3,684,836. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete the refunding is \$4,016,201. The bond maturities refunded increased the unamortized loss on refunding balance by \$1,014,864.

At June 30, 2022, the future minimum lease payments were as follows:

<u>For the Years Ending June 30,</u>	Lease liabilities related to SRB		
	Principal Only	Interest Only	Principal and Interest
2023	\$ 3,017,573	\$ 878,578	\$ 3,896,151
2024	3,629,661	808,870	4,438,531
2025	3,665,541	728,686	4,394,227
2026	3,677,184	646,254	4,323,438
2027	3,771,159	558,070	4,329,229
2028 - 2032	18,449,953	1,549,385	19,999,338
2033 - 2037	7,506,295	192,123	7,698,418
Total minimum lease payments	\$ 43,717,366	\$ 5,361,966	\$ 49,079,332

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2022

NOTE 8. LONG-TERM LIABILITIES (Continued)

Notes Payable

On August 31, 2016, the Trustees of CSU issued \$68,915,000 of Series A Tax-Exempt Commercial Paper notes to provide short-term financing for the Promontory Student Housing Acquisition project. Promontory was a privately-owned student housing complex on 8.27-acres of land adjacent to the California State University, Monterey Bay campus comprised of three four-story buildings totaling approximately 274,000 gross square feet, with a total of 174 apartment units, each having from one to four bedrooms. The commercial paper notes were used as interim financing until bond financing was available. In March 2017, the Trustees of CSU issued SRB Series 2017A and the proceeds were used to pay off the outstanding commercial paper notes. The CSU SRB Series 2017A bears interest at rates graduating from 3.00 percent to 5.00 percent and are due in semiannual principal and interest payments beginning in November 2017 through May 2047. The bonds were purchased at a premium of \$9,489,122 with an underwriter's discount of \$164,426, and a cost of issuance expense of \$69,693. The premium is being amortized over the life of the loan using the straight-line method and cost of issuance and underwriter's discount were expensed to interest expense. For year ended June 30, 2022, the amount of bond premium amortized is \$319,858.

On February 3, 2021 the California State University through the CSU Institute issued \$11,766,000 in tax-exempt commercial paper as interim financing to fund the construction costs for the Corporation's Capital Improvement Project (CIP) which includes capital improvements and repairs to several facilities, including student housing, faculty and staff housing, and dining, for purposes of upgrading to building code and life safety requirements.

In July 2021, the Trustees of the CSU completed the sale of SRB Series 2021A, of which \$14,325,000 of the proceeds were used to pay off the outstanding tax-exempt commercial paper/bond anticipation notes used as interim financing. After the initial capitalized interest period to May 1, 2023, the bonds are due in semiannual principal and interest payments beginning in November 2024 with final maturity in November 2052. The SRB Series 2021A bonds were purchased at a premium of \$2,390,420 with an underwriter's discount of \$39,347, a cost of issuance expenses of \$12,180, and capitalized interest of \$1,072,986. The premium is being amortized over the life of the loan using the straight-line method; cost of issuance and underwriter's discount were expensed to interest expense.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2022

NOTE 8. LONG-TERM LIABILITIES (Continued)

As of June 30, 2022, expenditures incurred on the Capital Improvement Project were \$13,989,099 with an unexpended note payable balance of \$1,604,829.

At June 30, 2022, the future minimum payments were as follows:

<u>For the Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,145,000	\$ 2,730,675	\$ 3,875,675
2024	1,205,000	3,181,025	4,386,025
2025	1,525,000	3,112,775	4,637,775
2026	1,605,000	3,034,525	4,639,525
2027	1,690,000	2,952,150	4,642,150
2028 - 2032	9,830,000	13,370,250	23,200,250
2033 - 2037	12,605,000	10,597,750	23,202,750
2038 - 2042	15,990,000	7,208,250	23,198,250
2043 - 2047	20,130,000	3,076,200	23,206,200
2048 - 2052	3,430,000	376,050	3,806,050
2053 - 2057	750,000	11,250	761,250
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 69,905,000</u>	<u>\$49,650,900</u>	<u>\$ 119,555,900</u>

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2022

NOTE 9. NET POSITION

As shown in the Statement of Net Position, portions of net position are restricted. See Note 1 for information concerning those restrictions. The remainder of net position is unrestricted.

On January 12, 2006, the Corporation’s Board adopted a resolution authorizing the creation of designated reserve accounts that coincide with the reserves required by the Corporation’s Reserve Policy.

At June 30, the balances of the reserve accounts that are included in unrestricted net position were:

	2022
Current operations reserve	\$ 23,149,448
Audit disallowance reserve	417,297
Capital replacement reserve	13,350,244
Future operations reserve	10,000,000
Contributed capital reserve	100,000
Total	\$ 47,016,989

NOTE 10. PENSION PLAN

The Corporation participates in a defined contribution multi-employer pension plan for employees and contributed 10% of an eligible employee’s salary to the Plan for the year ended June 30, 2022. Eligible employees are defined as all regular full-time and regular part-time employees who have reached 21 years of age and completed six months of service. There is immediate vesting upon eligibility. Contributions were invested in the Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF), at the option of the covered employee. Corporation contributions for the year ended June 30, 2022 were \$825,178. Employee contributions for the year ended June 30, 2022 were \$575,687.

In 2014/15, the Corporation added a 457 Vacation Conversion Plan. The Plan is administered by Public Agency Retirement Services (PARS). Eligible employees can defer a portion of their unused vacation into the Plan and contributions are then invested in investment options through John Hancock Retirement Services. Eligible employees are defined as all regular full-time and regular part-time employees having completed four years of service who have in excess of 160 vacation hours and have taken 40 vacation hours over the previous twelve months. Employee contributions for the year ended June 30, 2022 were \$17,653.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2022

NOTE 11. COMMITMENTS AND CONTINGENCIES

Sponsored Programs Contingency

The Corporation manages all sponsored programs for the University including federal, state, and local government programs as well as private and other assisted programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the program agencies cannot be determined, although the Corporation does not expect such amounts, if any, to be material.

NOTE 12. LEASES

Change in Accounting Principle

The Corporation implemented GASB Statement No. 87, *Leases*, for the year ended June 30, 2022. This Statement enhances the relevance and consistency of information relating to leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Due to the implementation of this Statement, the Corporation recognized and recorded \$480,995 of lease receivables at June 30, 2022, along with \$472,810 of related deferred inflows, and \$8,185 of related income, net. Additionally, the Corporation recognized and recorded \$49,979,048 of net book value for the right to use leased land, buildings, infrastructure and equipment, along with \$51,182,616 of related lease liability, \$1,363,076 of related expenses, net, and one-time nonoperating revenue of \$16,463,893. The Corporation's right to use leased buildings and equipment is included in capital assets on the Statement of Net Position. See note 7.

As Lessee

CSU Facilities

The Corporation entered into an lease with the Board of Trustees of the CSU on September 13, 1995 with a term end date of June 1, 2024. It describes the primary functions of the auxiliary, along with a list of buildings and space the Corporation will be utilizing for housing and other auxiliary services or campus support operations.

The Trustees of the CSU lease these facilities in consideration for the Corporation's agreement to sustain any financial losses associated with managing and operating these facilities without seeking reparation or compensation from the University campus. No amounts are paid to the Board of Trustees of the CSU under this lease.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2022

NOTE 12. LEASES (Continued)

Laundry Equipment

The Corporation entered into a lease agreement on March 22, 2010 with WASH Multifamily Laundry Systems, to install and maintain washers and dryers for the residents in the on-campus dormitories. This agreement had an initial term of seven years ending on July 31, 2017 and was extended for an additional five years beginning August 1, 2017 through July 31, 2022. Rental payments to WASH Multifamily Laundry Systems were \$38,675 for the year ended June 30, 2022.

KAZU Tower Facilities

In December 2019, KAZU entered into a new tower facilities lease with HH Tower. The initial term of the lease covers the period from January 1, 2020 to December 31, 2024 and can be extended twice through December 31, 2034. Rental payments are subject to annual consumer price index adjustments not to exceed 4.0 percent from the previous minimum monthly rent. For the year ended June 30, 2022, payments for tower rent and utilities remitted to HH Tower were \$45,500 and \$10,283, respectively.

KAZU Radio Transmitter

In June 2017, KAZU entered into an agreement with Lloyd Jones with the intent to lease antenna space for a radio transmitter. The initial term of the lease covers the period from July 1, 2017 to July 1, 2021, with an option to renew for two additional three-year terms. In August 2021, KAZU exercised its second three-year term for the period July 1, 2021 to July 1, 2023. Payments of \$1,500 were paid semi-annually for a total of \$3,000 and included the cost of electricity to operate the equipment.

CSUMB @ North Salinas

On January 21, 2016, the Corporation entered into an agreement with 100 East Alvin Drive, LLC for the lease of classroom buildings, administrative offices and the associated common area. The lease agreement was subsequently amended on three occasions, the last being on February 10, 2020. The last amendment extended the lease term to July 31, 2032 and included the revised payment schedule. Lease and common area maintenance payments for the year ended June 30, 2022 were \$731,203.

Golden Gate University

On August 1, 2011, the Corporation entered into an agreement with Golden Gate University (GGU) for the lease of several buildings and common areas located around the University. In December 2021, the option to purchase GGU was exercised and payment of \$2,001,305 was made. Lease payments preceding the purchase totaled \$63,306.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2022

NOTE 12. LEASES (Continued)

At June 30, 2022, future maturities of the lease liability balance were as follows:

<u>For the Years Ending June 30,</u>	<u>Principal Only</u>	<u>Interest Only</u>	<u>Principal and Interest</u>
2023	\$ 3,628,801	\$ 1,011,841	\$ 4,640,642
2024	4,262,408	930,679	5,193,087
2025	4,324,427	838,566	5,162,993
2026	4,362,982	743,716	5,106,698
2027	4,481,655	642,619	5,124,274
2028 - 2032	22,446,760	1,760,126	24,206,886
2033 - 2037	7,675,583	194,922	7,870,505
Total future maturities	<u>\$ 51,182,616</u>	<u>\$ 6,122,469</u>	<u>\$ 57,305,085</u>

As Lessor

The Corporation leases building exterior space at Ryan Ranch to two telecommunication companies. The lease agreement with Nextel Sprint was inherited with the purchase of the Ryan Ranch property and the Corporation was notified in May 2022 that the agreement was to be terminated effective August 31, 2022. Lease income through June 30, 2022 was \$12,314. The second agreement with Verizon has an initial lease term of five years and is expiring in March 2023 with the option to renew for an additional three 5-year terms. Rental income for the year ended June 30, 2022 was \$20,044.

Homeowner Land Subleases

The Corporation sells housing units and subleases the underlying land to the homeowners under long-term leases. The term of these subleases extends to the year 2097. Base rents and rate increases using a percentage of the land value are built in as follows: after three years, a 5% increase and after four years, a 7% increase. The sublease agreements require deferred rent payments to be made if the sublease is assigned or terminated before expiration. In addition, the homeowners are required to pay fixed monthly amounts to assist in the common area maintenance. Due to the varying amounts for the 67 sublease agreements, future minimum sublease rents are estimated based on budgeted rents for the year ended June 30, 2022 as follows:

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2022

NOTE 12. LEASES (Continued)

<u>For the Year Ending June 30,</u>	
2023	\$ 152,184
2024	154,488
2025	157,488
2026	158,448
2027	159,180
Thereafter through 2097	<u>10,788,633</u>
	<u>\$ 11,570,421</u>

Included in Housing revenue is \$103,291 related to these land rents for the year ended June 30, 2022.

Month-to-Month Rentals

In addition to the above homeowner rents received, the Corporation also rents, on a month to month basis, 687 housing units in Schoonover Park and 1,135 bed spaces in Frederick Park. The annual rental income collected for Schoonover Park and Frederick Park for the year ended was \$10,692,736 and \$7,181,312, respectively.

Child Development Center Sublease

The Child Development Center (CDC) was managed by Early Development Services (EDS) for the year ended June 30, 2022. EDS provides a fully licensed, comprehensive, and quality childcare program at the CDC in return for use of the facility and play yard area with no rental fee. The Corporation also pays the costs associated with disposal collection, water, utilities, custodial services, and grounds and building maintenance and repair. The agreement with EDS was extended through June 30, 2024.

National Steinbeck Center

In September 2015, the National Steinbeck Center (NSC) entered into a lease agreement with the Corporation for the use of office space to include a common area and multi-purpose room for its ongoing operations. The base rent to be paid by NSC is one dollar annually. As additional rent, the lessee is responsible for paying a proportionate share (46.90 percent) of operating costs throughout the year. The lease is set to expire on December 31, 2047, however, the NSC has the option to extend the term for one additional forty-nine-year period. The amounts received as additional rent were \$86,430 for the year ended June 30, 2022.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2022

NOTE 13. RISK MANAGEMENT

The Corporation 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 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

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2022

NOTE 13. RISK MANAGEMENT (Continued)

The AORMA Workers' Compensation self-insurance fund provides coverage as required by California law. The AORMA Workers' Compensation program is self-insured for the first \$750,000 of each occurrence. Excess insurance is purchased from Safety National Casualty Corporation to provide statutory limits excess of the \$750,000 self-insured limit for Workers' Compensation, and to \$5,000,000 per occurrence for Employers' Liability.

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

The University Corporation Insurance coverages meet the requirement of the CSURMA and, as such, present no significant inadequacies in coverage. The California State University Board of Trustees has been named as an additional insured as respects the activities of the Auxiliary Organization. CSURMA/AORMA provides self-insured risk with purchase of excess insurance. The Corporation maintains general liability insurance coverage for individual claims up to \$20,000,000 per occurrence. Errors and omission claims under \$25,000 are self-insured. The Corporation also maintains excess property insurance coverage to limits of \$1,000,000,000. The Corporation maintains workers' compensation insurance for individual claims up to the State's statutory limits. There have been no settlements in the past three years that have exceeded insurance limits. There are no self-insurance claims liabilities recorded in the accompanying financial statements because any amounts at June 30, 2022 are expected to be minimal. Likewise, no amounts have been paid to CSURMA/AORMA by June 30, 2022, related to the Corporation's estimated future funding for claims liability.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2022

NOTE 14. PROPERTY MANAGEMENT

Effective June 1, 2022, the Corporation renewed an existing agreement with a third- party property manager to provide property management functions of student and employee housing and common areas. The property management functions include the operation, direction, management, and supervision of the Schoonover Park, Frederick Park, and Homeowners' properties.

The Corporation pays a management fee to the property manager of 2.25% of the gross receipts for both Schoonover and Frederick Park properties for each month. In addition, \$2,500 per month is paid for the management of the homeowners' properties. The property manager is eligible to earn an incentive fee payable each year at the conclusion of the fiscal year. The total incentive fee payable shall not exceed .75% of gross receipts for that fiscal year. Corporation management will evaluate the property manager's performance based on written criteria.

The amount paid to the property manager for the year ended June 30, 2022 was \$578,634. and was included in rental housing operations expense. In connection with the agreement, the Corporation receives, on a monthly basis, the excess of revenues over expenses, adjusted for any anticipated cash flow needs, from the property manager. As of June 30, 2022, the accounts receivable from the property manager amounted to \$4,764,995.

NOTE 15. CONTRACTED SERVICES REVENUE

Compass Group USA, Inc, by and through its Chartwells Division (Chartwells), became the dining contractor effective July 1, 2021. The agreement with Chartwells will remain in force until June 30, 2031 unless sooner terminated by either party in writing, sixty (60 days) prior to the proposed termination date. The Corporation will provide all utilities, office space and equipment, along with other maintenance related services throughout the term of the contract. Chartwells will provide voluntary and mandatory meal plans, catering, and conference meals with agreed upon rates prior to the academic year. In addition, the dining contractor will fund an investment not to exceed of \$5,984,604 designated to capital improvements of dining venues. Commission payments for the year ended June 30, 2022 were \$278,567.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2022

NOTE 15. CONTRACTED SERVICES REVENUE (Continued)

In June 2017, the Corporation entered into an agreement with Follett Higher Education Group, Inc. to operate the University Bookstore. The initial term of the agreement commenced on June 22, 2017 and terminates on June 30, 2027. Commission payments based on gross sales will be paid on the last day of the month for business transacted during the previous month. Commission payments for the year ended June 30, 2022 were \$159,043.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2022

NOTE 16. RELATED PARTY TRANSACTIONS

The Corporation is involved in transactions with the CSU, the CSU Foundation, the University, Otter Student Union, and the Foundation. Amounts at June 30, and transactions for the year ended are summarized below:

	2022
University:	
Corporation receivable from the University	\$ 3,001,223
Corporation payable to the University	12,545,050
Payments for salaries of University personnel working on contracts, grants, and other programs	1,400,646
Payments for other than salaries of University personnel	3,427,126
Interest to University under capital lease obligations	1,067,872
Principal to University under capital lease obligations	2,595,000
Gifts, grants, or capital contributions to the University	5,806,579
Grants and contracts from University	398,167
 CSU Foundation:	
Charitable gift annuities held by CSU Foundation	\$ 35,184
 Foundation:	
Corporation receivable from the Foundation	\$ 74,930
Corporation payable to the Foundation	48,910
Endowment distribution from Foundation	165,632
Net Contributions to Foundation	678,132
 CSU:	
Corporation payable to CSU	\$ 544,734
Interest to CSU under note payable	2,786,550
Principal to CSU under note payable	1,090,000
 OSU:	
Corporation receivable from the Otter Student Union	\$ 249,699
Corporation payable to the Otter Student Union	199,851
Expense reimbursements from the Otter Student Union	653,970

Supplemental Information

University Corporation at 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	7,124,052
Short-term investments	110,628
Accounts receivable, net	18,345,094
Lease receivables, current portion	21,256
Notes receivable, current portion	-
Pledges receivable, net	226,059
Prepaid expenses and other current assets	1,923,653
Total current assets	27,750,742

Noncurrent assets:

Restricted cash and cash equivalents	-
Accounts receivable, net	35,184
Lease receivables, net of current portion	459,739
Notes receivable, net of current portion	-
Student loans receivable, net	-
Pledges receivable, net	230,346
Endowment investments	-
Other long-term investments	49,701,398
Capital assets, net	150,607,830
Other assets	40,000
Total noncurrent assets	201,074,497

Total assets

228,825,239

Deferred outflows of resources:

Unamortized loss on debt refunding	-
Net pension liability	-
Net OPEB liability	-
Leases	-
Others	-
Total deferred outflows of resources	-

Liabilities:

Current liabilities:

Accounts payable	20,685,939
Accrued salaries and benefits	982,809
Accrued compensated absences, current portion	642,574
Unearned revenues	7,579,123
Lease liabilities, current portion	3,628,801
Long-term debt obligations, current portion	1,145,000
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	123,828
Total current liabilities	34,788,074

Noncurrent liabilities:

Accrued compensated absences, net of current portion	-
Unearned revenues	-
Grants refundable	-
Lease liabilities, net of current portion	47,553,815
Long-term debt obligations, net of current portion	78,863,515
Claims liability for losses and loss adjustment expenses, net of current portion	-
Depository accounts	362,086
Net other postemployment benefits liability	-
Net pension liability	-
Other liabilities	-
Total noncurrent liabilities	126,779,416
Total liabilities	161,567,490

See accompanying auditor's report

Deferred inflows of resources:	
Service concession arrangements	-
Net pension liability	-
Net OPEB liability	-
Unamortized gain on debt refunding	-
Nonexchange transactions	-
Lease	472,810
Others	-
Total deferred inflows of resources	<u>472,810</u>
Net position:	
Net investment in capital assets	27,824,230
Restricted for:	
Nonexpendable – endowments	-
Expendable:	
Scholarships and fellowships	-
Research	35,824
Loans	-
Capital projects	-
Debt service	-
Others	6,602,057
Unrestricted	32,322,828
Total net position	<u><u>66,784,939</u></u>

See accompanying auditor's report

University Corporation at 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	16,071,193
State	1,857,045
Local	129,814
Nongovernmental	1,488,392
Sales and services of educational activities	-
Sales and services of auxiliary enterprises, gross	1,489,509
Scholarship allowances (enter as negative)	-
Other operating revenues	48,441,231
Total operating revenues	69,477,184

Expenses:

Operating expenses:

Instruction	134,107
Research	5,711,922
Public service	8,685,249
Academic support	3,308,126
Student services	1,171,917
Institutional support	5,273,849
Operation and maintenance of plant	156,786
Student grants and scholarships	2,876,812
Auxiliary enterprise expenses	31,536,556
Depreciation and amortization	10,796,215
Total operating expenses	69,651,539
Operating income (loss)	(174,355)

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	2,865,603
Investment income (loss), net	(5,920,025)
Endowment income (loss), net	-
Interest expense	(3,789,035)
Other nonoperating revenues (expenses)	16,468,652
Net nonoperating revenues (expenses)	9,625,195
Income (loss) before other revenues (expenses)	9,450,840

State appropriations, capital	-
Grants and gifts, capital	(11,352,054)
Additions (reductions) to permanent endowments	-
Increase (decrease) in net position	(1,901,214)
Net position:	
Net position at beginning of year, as previously reported	68,686,153
Restatements	-
Net position at beginning of year, as restated	68,686,153
Net position at end of year	66,784,939

See accompanying auditor's report

University Corporation at Monterey Bay
Other Information
June 30, 2022
(for inclusion in the California State University Financial Statements)

Total Other investments	\$	-	-	-	-
Total investments		49,812,026	49,812,026	-	-

2.3 Investments held by the University under contractual agreements: N/A

	Current	Noncurrent	Total
Investments held by the University under contractual agreements e.g. - CSU Consolidated Investment Pool (formerly SWIFT):		\$	-

3.1 Composition of capital assets:

	Balance June 30, 2021	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2021 (Restated)	Additions	Retirements	Transfer of completed CWIP/PWIP	Balance June 30, 2022
Non-depreciable/Non-amortizable capital assets:									
Land and land improvements	\$ 2,000,734				\$ 2,000,734				\$ 2,000,734
Works of art and historical treasures					-				-
Construction work in progress (CWIP)	5,031,861				5,031,861	7,518,045	(35,732)	(7,376,044)	5,138,130
Intangible assets:									
Rights and easements					-				-
Patents, copyrights and trademarks					-				-
Intangible assets in progress (PWIP)					-				-
Licenses and permits	148,349				148,349				148,349
Other intangible assets:									
					-				-
					-				-
					-				-
					-				-
Total Other intangible assets					-				-
Total intangible assets	148,349				148,349				148,349
Total non-depreciable/non-amortizable capital assets	\$ 7,180,944				\$ 7,180,944	7,518,045	(35,732)	(7,376,044)	\$ 7,287,213
Depreciable/Amortizable capital assets:									
Buildings and building improvements	132,830,627				132,830,627	3,239	(48,846,617)	2,438,641	86,425,890
Improvements, other than buildings					-				-
Infrastructure					-				-
Leasehold improvements	68,248,456				68,248,456	16,983	(29,406,513)	4,937,403	43,796,329
Personal property:									
Equipment	4,928,982				4,928,982	380,278	(25,151)		5,284,109
Library books and materials					-				-
Intangible assets:									
Software and websites	196,631				196,631				196,631
Rights and easements					-				-
Patents, copyrights and trademarks					-				-
Licenses and permits					-				-
Other intangible assets:									
					-				-
					-				-
					-				-
					-				-
Total Other intangible assets:					-				-
Total intangible assets	196,631				196,631				196,631
Total depreciable/amortizable capital assets	206,204,696				206,204,696	400,500	(78,278,281)	7,376,044	135,702,959
Total capital assets	\$ 213,385,640				\$ 213,385,640	7,918,545.0	(78,314,013.0)		\$ 142,990,172

Less accumulated depreciation/amortization: (enter as negative number, except for reductions enter as positive number)

Buildings and building improvements	(43,551,420)				(43,551,420)	(3,258,156)	27,534,173		(19,275,403)
Improvements, other than buildings					-				-
Infrastructure					-				-
Leasehold improvements	(37,304,732)				(37,304,732)	(2,458,984)	21,271,862		(18,491,854)
Personal property:									
Equipment	(4,065,581)				(4,065,581)	(360,906)	25,151		(4,401,336)
Library books and materials					-				-
Intangible assets:									
Software and websites	(177,378)				(177,378)	(15,419)			(192,797)
Rights and easements					-				-
Patents, copyrights and trademarks					-				-
Licenses and permits					-				-
Other intangible assets:									

See accompanying auditors' report.

University Corporation at Monterey Bay
Other Information
June 30, 2022
(for inclusion in the California State University Financial Statements)

Total Other intangible assets:	-	-	-	-	-	-	-	-
Total intangible assets	(177,378)	-	-	-	(177,378)	(15,419)	-	(192,797)
Total accumulated depreciation/amortization	(85,099,111)	-	-	-	(85,099,111)	(6,093,465)	48,831,186	(42,361,390)
Total capital assets, net excluding lease assets	\$ 128,286,529	-	-	-	\$ 128,286,529	1,825,080	(29,482,827)	100,628,782

Lease assets, net
Total capital assets, net

Composition of lease assets:

	Balance June 30, 2021	Additions	Remeasurements	Reductions	Balance June 30, 2022
Non-depreciable/Non-amortizable lease assets:					\$ -
Land and land improvement:					-
Total non-depreciable/non-amortizable lease assets	-	-	-	-	- \$ -
Depreciable/Amortizable lease assets:					
Land and land improvement:		14,629			14,629
Buildings and building improvement:		54,133,109			54,133,109
Improvements, other than building:					-
Infrastructure:		483,864			483,864
Personal property:					
Equipment:		50,196			50,196
Total depreciable/amortizable lease assets	-	54,681,798	-	-	54,681,798
Less accumulated depreciation/amortization: (enter as negative number, except for reductions enter as positive number)					
Land and land improvements:		(2,926)			(2,926)
Buildings and building improvements:		(4,617,647)			(4,617,647)
Improvements, other than buildings:					-
Infrastructure:		(35,842)			(35,842)
Personal property:					
Equipment:		(46,335)			(46,335)
Total accumulated depreciation/amortization	-	(4,702,750)	-	-	(4,702,750)
Total lease assets, net	\$ -	49,979,048	-	-	\$ 49,979,048

3.2 Detail of depreciation and amortization expense:

Depreciation and amortization expense related to capital assets	\$ 10,796,215
Amortization expense related to other assets	
Total depreciation and amortization	\$ 10,796,215

4 Long-term liabilities:

	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	\$ 615,122		615,122	565,415	(537,963)	\$ 642,574	\$ 642,574	\$ -
2. Claims liability for losses and loss adjustment expenses	-		-			-		-
3. Capital lease obligations:								
Gross balance	45,450,000		45,450,000		(45,450,000)	-	-	-
Unamortized net premium/(discount)	1,769,543		1,769,543		(1,769,543)	-	-	-
Total capital lease obligations	\$ 47,219,543	-	47,219,543	-	(47,219,543)	-	-	-
4. Long-term debt obligations:								
4.1 Auxiliary revenue bonds (non-SRB related)	\$ -		-			\$ -	-	-
4.2 Commercial paper	-	11,766,000	11,766,000		(11,766,000)	-	-	-
4.3 Notes payable (SRB related)	68,436,000	(11,766,000)	56,670,000	14,325,000	(1,090,000)	69,905,000	1,145,000	68,760,000
4.4 Others:	-		-			-	-	-
	-		-			-	-	-
	-		-			-	-	-
	-		-			-	-	-
Total others	-	-	-	-	-	-	-	-
Sub-total long-term debt	\$ 68,436,000	-	68,436,000	14,325,000	(12,856,000)	\$ 69,905,000	1,145,000	68,760,000
4.5 Unamortized net bond premium/(discount)	8,103,072		8,103,072	2,390,420	(389,977)	10,103,515	-	10,103,515

See accompanying auditors' report.

University Corporation at Monterey Bay
Other Information
June 30, 2022

(for inclusion in the California State University Financial Statements)

Total long-term debt obligations	76,539,072	-	76,539,072	16,715,420	(13,245,977)	80,008,515	1,145,000	78,863,515
						51,182,616	3,628,801	47,553,815
						131,191,131	4,773,801	126,417,330
5. Lease Liabilities								
Total long-term liabilities								
Lease liabilities	Balance	Additions	Remeasurements	Reductions	June 30, 2022	Current Portion	Noncurrent Portion	
		54,681,798		(3,499,182)	51,182,616	3,628,801	47,553,815	
Total	\$	54,681,798	-	(3,499,182)	51,182,616	\$ 3,628,801	47,553,815	

5 Lease Liabilities schedule:

	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	3,017,573	878,578	3,896,151	611,228	133,263	744,491	3,628,801	1,011,841	4,640,642
2024	3,629,661	808,870	4,438,531	632,747	121,809	754,556	4,262,408	930,679	5,193,087
2025	3,665,541	728,686	4,394,227	658,886	109,880	768,766	4,324,427	838,566	5,162,993
2026	3,677,184	646,254	4,323,438	685,798	97,462	783,260	4,362,982	743,716	5,106,698
2027	3,771,159	558,070	4,329,229	710,496	84,549	795,045	4,481,655	642,619	5,124,274
2028 - 2032	18,449,953	1,549,385	19,999,338	3,996,807	210,741	4,207,548	22,446,760	1,760,126	24,206,886
2033 - 2037	7,506,295	192,123	7,698,418	169,288	2,799	172,087	7,675,583	194,922	7,870,505
2038 - 2042	-	-	-	-	-	-	-	-	-
2043 - 2047	-	-	-	-	-	-	-	-	-
2048 - 2052	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-
Total minimum lease payments	\$ 43,717,366	5,361,966	49,079,332	7,465,250	760,503	8,225,753	51,182,616	6,122,469	57,305,085
Less: amounts representing interest									(6,122,469)
Present value of future minimum lease payments									51,182,616
Total lease liabilities									51,182,616
Less: current portion									(3,628,801)
Lease liabilities, net of current portion									\$ 47,553,815

6 Long-term debt obligations schedule:

	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	-	-	-	1,145,000	2,730,675	3,875,675	1,145,000	2,730,675	3,875,675
2024	-	-	-	1,205,000	3,181,025	4,386,025	1,205,000	3,181,025	4,386,025
2025	-	-	-	1,525,000	3,112,775	4,637,775	1,525,000	3,112,775	4,637,775
2026	-	-	-	1,605,000	3,034,525	4,639,525	1,605,000	3,034,525	4,639,525
2027	-	-	-	1,690,000	2,952,150	4,642,150	1,690,000	2,952,150	4,642,150
2028 - 2032	-	-	-	9,830,000	13,370,250	23,200,250	9,830,000	13,370,250	23,200,250
2033 - 2037	-	-	-	12,605,000	10,597,750	23,202,750	12,605,000	10,597,750	23,202,750
2038 - 2042	-	-	-	15,990,000	7,208,250	23,198,250	15,990,000	7,208,250	23,198,250
2043 - 2047	-	-	-	20,130,000	3,076,200	23,206,200	20,130,000	3,076,200	23,206,200
2048 - 2052	-	-	-	3,430,000	376,050	3,806,050	3,430,000	376,050	3,806,050
Thereafter	-	-	-	750,000	11,250	761,250	750,000	11,250	761,250
Total minimum payments	\$ -	-	-	69,905,000	49,650,900	119,555,900	69,905,000	49,650,900	119,555,900
Less: amounts representing interest									(49,650,900)
Present value of future minimum payments									69,905,000
Unamortized net premium/(discount)									10,103,515
Total long-term debt obligations									80,008,515
Less: current portion									(1,145,000)
Long-term debt obligations, net of current portion									78,863,515

7 Transactions with related entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs	1,400,646
Payments to University for other than salaries of University personnel	3,427,126
Payments received from University for services, space, and programs	793,141
Gifts-in-kind to the University from discretely presented component units	5,013,438
Gifts (cash or assets) to the University from discretely presented component units	(12,545,050)
Accounts (payable to) University	(43,717,366)
Other amounts (payable to) University	1,396,394
Accounts receivable from University	1,604,829
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: See accompanying auditors' report.

University Corporation at Monterey Bay
Other Information
June 30, 2022
(for inclusion in the California State University Financial Statements)

		Debit/(Credit)
Restatement #1	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	95,928	14,869	-	-		23,310		134,107
Research	2,491,695	599,433	115,467	-		2,505,327		5,711,922
Public service	4,341,340	1,412,005	227,627	-		2,704,277		8,685,249
Academic support	1,542,663	346,747	70,829	-		1,347,887		3,308,126
Student services	625,944	241,457	43,608	-		260,908		1,171,917
Institutional support	3,557,112	876,147	192,300	-		648,290		5,273,849
Operation and maintenance of plant	-	-	-	-		156,786		156,786
Student grants and scholarships					2,876,812			2,876,812
Auxiliary enterprise expenses	2,670,120	546,252	113,321	-		28,206,863		31,536,556
Depreciation and amortization							10,796,215	10,796,215
Total operating expenses	\$ 15,324,802	4,036,910	763,152	-	2,876,812	35,853,648	10,796,215	69,651,539