

University Corporation at Monterey Bay

Annual Report

**For the Years Ended
June 30, 2021 and 2020**

**University Corporation at Monterey Bay
Annual Report
For the Years Ended
June 30, 2021 and 2020**

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Independent Auditors' Report

Board of Directors
University Corporation at Monterey Bay
Seaside, California

Report on the Financial Statements

We have audited the accompanying statements of net position of University Corporation at Monterey Bay (the Corporation), a component unit of California State University, Monterey Bay, as of June 30, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University Corporation at Monterey Bay as of June 30, 2021 and 2020, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 16 be presented to supplement the basic financial statements. Such information, although not a basic part of the financial statements, is required by the Government 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.

Other Information

Our audit was conducted for the purpose of forming an opinion 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 59 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.

The supplementary 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. Such 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements taken 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 September 17, 2021, 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

September 17, 2021

University Corporation at Monterey Bay
Management's Discussion and Analysis
June 30, 2021 and 2020

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, 2021 and 2020. 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 24). 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, 2021 and 2020**

Financial Highlights

- At June 30, 2021, the Corporation's total net position decreased by 7.3 percent or \$5.4 million from \$74.1 million to \$68.7 million.
- Housing revenue declined 34.0 percent or \$12.2 million from \$35.9 million to \$23.7 million.
- Sales and services of auxiliary enterprises decreased \$1.2 million or 66.6 percent from \$1.9 million to \$622,000.
- Salaries and benefits decreased to \$18.4 million from \$20.2 million for a change of \$1.8 million or 9.0 percent.
- Contract services decreased by \$1.5 million or 18.3 percent from \$8.1 million to \$6.6 million.
- Repairs and maintenance increased by 49.4 percent or \$1.5 million from \$3.0 million to \$4.5 million.
- Depreciation and amortization expense decreased to \$8.2 million from \$9.6 million for a \$1.4 million or 14.5 percent decrease.
- Other operating expenses declined by 27.0 percent or \$1.4 million from \$5.3 million to \$3.9 million.
- Gifts and donations, noncapital decreased by 32.3 percent or \$1.7 million from \$5.4 million to \$3.7 million.
- Realized and unrealized gains on investments increased to \$5.9 million from \$1.7 million for a 241.8 percent or \$4.2 million change.
- Contributions to/from Foundation decreased \$1.1 million or 107.6 percent from \$990,000 to (\$76,000).
- University support, capital increased 983.9 percent or \$2.9 million from \$292 thousand to \$3.2 million.

Condensed Comparative Financial Information

The accompanying audited financial statements as of and for the years ended June 30, 2021 and 2020 are 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, 2021 and 2020**

Table 1: Condensed Statements of Net Position as of June 30, 2021, 2020, and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Assets			
Current assets	\$ 32,878,119	\$ 20,047,332	\$ 20,487,876
Noncurrent assets	167,039,724	178,080,626	180,454,051
Total Assets	<u>199,917,843</u>	<u>198,127,958</u>	<u>200,941,927</u>
Deferred Outflows of Resources			
Unamortized loss on refundings	1,308,553	1,238,176	1,402,896
Total Deferred Outflows of Resources	<u>1,308,553</u>	<u>1,238,176</u>	<u>1,402,896</u>
Liabilities			
Current liabilities	12,118,938	11,944,182	12,183,892
Noncurrent liabilities	120,421,305	113,340,979	116,464,456
Total Liabilities	<u>132,540,243</u>	<u>125,285,161</u>	<u>128,648,348</u>
Net Position			
Net investment in capital assets	5,836,468	15,486,312	7,911,328
Restricted for:			
Expendable	7,280,647	6,359,497	6,479,834
Unrestricted	<u>55,569,038</u>	<u>52,235,164</u>	<u>59,305,313</u>
Total Net Position	<u>\$ 68,686,153</u>	<u>\$ 74,080,973</u>	<u>\$ 73,696,475</u>

Total net position decreased 7.3 percent or \$5.4 million from \$74.1 million in 2019/20 to \$68.7 million in 2020/21. This decrease is primarily due to a net operating loss of \$8.4 million, University support of \$3.8 million, and capital related debt interest of \$3.8 million offset by \$3.7 million in gifts and donations, noncapital, and investment appreciation of \$6.8 million.

In 2019/20, total net position increased slightly by 0.5 percent or \$384,000 over 2018/19. This was a result of gifts and donations, noncapital of \$5.4 million, investment appreciation of \$3.2 million, offset by University support of \$1.3 million, contributions to the Foundation of \$990,000, \$4.3 million in capital related debt interest and a \$1.7 million operating loss.

University Corporation at Monterey Bay
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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 2020/21, Net investment in capital assets declined significantly from \$15.5 million to \$5.8 million for a \$9.7 million or 62.3 percent change. The net addition of capital assets of \$6.7 million, annual debt payment of \$3.5 million, and the net amortization of deferred outflows of resources and bond premiums of \$2.8 million, offset by depreciation and amortization of capital assets of \$8.0 million, the issuance of Bond Anticipation Notes of \$11.8 million, and a partial refunding of the CSU's Systemwide Revenue Bond Series 2011A and 2012A resulting in additional debt of \$2.9 million, account for the change.

Net investment in capital assets increased in 2019/20 by \$7.6 million or 95.7 percent from \$7.9 million to \$15.5 million. This was a result of net additions to capital assets of \$13.1 million, depreciation and amortization of capital assets of \$9.6 million, offset by the annual debt payment of \$3.3 million, and the net amortization of deferred outflows of resources and bond premiums of \$624,000.

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 2020/21 increased by 6.4 percent or \$3.4 million from \$52.2 million to \$55.6 million. In 2019/20, Unrestricted net position decreased to \$52.2 million from \$59.3 million for a 11.9 percent or \$7.1 million decrease.

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, Notes receivable, current, Prepaid expenses and other assets, and Real estate held for sale.

In 2020/21, Cash and cash equivalents increased by 91.9 percent or \$5.9 million from \$6.5 million to \$12.4 million due to the liquidation of investments caused by cash flow uncertainty created by the global pandemic, Coronavirus Disease 2019 (COVID-19), that forced the campus to maintain its virtual learning and remote work position for the 2020/21 fiscal year. Cash and cash equivalents in 2019/20 increased minimally by 7.0 percent or \$426 thousand, from \$6.0 million to \$6.5 million due to the liquidation of some long-term investments to Cash and cash equivalents at year end.

In 2020/21, Receivables, net increased 76.1 percent or \$7.7 million from \$10.1 million to \$17.8 million due mostly from unpaid invoices related to the Capital Improvement Project funded by the Chancellor's Office Bond Anticipation Notes held at the State Controller's Office. Receivables, net in 2019/20 held steady with a minimal increase of 1.3 percent or \$125 thousand from \$9.9 million to \$10.1 million.

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Notes receivable, current is the result of loan agreements the Corporation entered into with the University. In 2020/21, Notes receivable, current decreased 100.0 percent or \$959 thousand due to the repayment of the outstanding receivable balance by the University. Notes receivable, current in 2019/20 increased 50.5 percent or \$322 thousand mostly as a result of an additional unpaid invoice at June 30, 2020.

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

In 2020/21, Notes receivable, net declined 100.0 percent or \$2.3 million due to the repayment of the outstanding receivable balance by the University. Notes receivable, net decreased \$643,000 or 21.5 percent in 2019/20 from \$3.0 million to \$2.3 million as a result of reclassifying the payments due within a year to current from noncurrent.

Long-term investments decreased by \$7.4 million or 16.2 percent from \$45.8 million to \$38.4 million in 2020/21, as a result of management's decision to sell investments to help finance the projected operating deficit. In 2019/20, Long-term investments decreased by \$3.6 million from \$49.4 million to \$45.8 million for a 7.3 percent decrease due to \$5.0 million of reserves (long-term investments) that were sold to pay for major capital improvements in East Campus combined with realized and unrealized gains of \$1.7 million.

In 2020/21, Capital assets, net declined by 1.0 percent or \$1.3 million from \$129.6 million to \$128.3 million due to accumulated depreciation and amortization and retirements combined of \$8.0 million exceeding net capital asset additions of \$6.7 million. Capital assets, net increased in 2019/20 by \$3.6 million or 2.9 percent from \$126.0 million to \$129.6 million. The net asset additions, mostly to leasehold improvements and buildings, less deletions, of \$13.1 million offset by accumulated depreciation of \$9.6 million accounted for this change.

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Liabilities

Noncurrent liabilities consist of Capital lease obligations, net of current portion, Notes payable, net of current portion, and Depository accounts.

The Capital lease obligation, net of current portion decreased 4.6 percent or \$2.1 million in 2020/21 as a result of a partial refunding of the CSU's Systemwide Revenue Bond Series 2011A and 2012A and the reclassification of principal payments to current portion. In 2019/20, Capital lease obligations decreased by 5.9 percent or \$2.9 million from \$49.7 million to \$46.8 million. The decline was due to the reclassification of principal payments to current portion along with current year debt payments and the amortization of bond premiums and losses on refundings. More detailed information on the Capital lease obligation can be found in Note 8 to the financial statements.

In 2020/21, Notes payable, net of current portion increased by 13.9 percent or \$9.2 million from \$66.3 million to \$75.4 million. This change is a result of the forgiveness of the 2019/20 note payable for housing and meal plans, the reclassification of principal payments to current portion, and amortization of its bond premium, offset by the addition of Bond Anticipation Notes of \$11,766,000. In 2019/20, Notes payable, net of current portion decreased slightly by \$195,000 or 0.3 percent from \$66.5 million to \$66.3 million. The decline was due to the reclassification of principal payments to current portion along with the amortization of its bond premium. However, a new note payable to CSUMB was established in 2019/20 for the balance of the refunded student housing and meal plans due to the University of \$1,165,000. More detailed information about the Notes payable can be found in Note 8 to the financial statements.

Results of Operations

The Corporation's total net position decreased in 2020/21 from \$74.1 million to \$68.7 million for a 7.3 percent or \$5.4 million change. In 2019/20, the Corporation's total net position increased minimally to \$74.1 million from \$73.7 million for a 0.5 percent or \$384,000 change. For both years, the overall operations of the Corporation were hampered by COVID-19 and the campus closure resulting in a decline of student housing and auxiliary enterprise services revenues.

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**Table 2: Condensed Summary of Changes in Net Position for
Years Ended June 30, 2021, 2020, and 2019**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating Revenues			
Housing	\$ 23,690,039	\$ 35,876,008	\$ 39,112,417
Grants and contracts	16,603,239	16,835,247	18,760,065
Sales and services of auxiliary enterprises	622,445	1,864,618	2,467,005
Other operating income	1,415,257	1,033,777	1,381,088
Total Operating Revenues	<u>42,330,980</u>	<u>55,609,650</u>	<u>61,720,575</u>
Operating Expenses			
Salaries and benefits	18,395,545	20,205,977	20,473,593
Contract services	6,635,022	8,124,106	7,104,387
Utilities	4,176,158	4,702,390	4,871,134
Supplies and services	1,550,688	1,778,449	1,899,502
Scholarships	1,698,553	2,126,008	2,373,411
Repairs and maintenance	4,511,877	3,019,726	2,220,436
Rental expense	898,963	955,838	995,225
Depreciation and amortization	8,194,168	9,581,530	7,555,938
Cost of real estate sold	763,821	1,454,445	1,576,691
Other operating expenses	3,896,096	5,335,846	5,251,026
Total Operating Expenses	<u>50,720,891</u>	<u>57,284,315</u>	<u>54,321,343</u>
Operating Income (Loss)	<u>(8,389,911)</u>	<u>(1,674,665)</u>	<u>7,399,232</u>
Nonoperating Revenues (Expenses)			
University support, noncapital	(596,800)	(1,000,000)	(1,135,119)
Other nonoperating revenues, net	6,756,218	3,335,102	3,067,690
Total Nonoperating Revenues (Expenses)	<u>6,159,418</u>	<u>2,335,102</u>	<u>1,932,571</u>
Other Changes in Net Position			
University support, capital	(3,164,327)	(291,939)	(1,494,181)
Other changes in net position	-	16,000	6,500
Total Other Changes in Net Position	<u>(3,164,327)</u>	<u>(275,939)</u>	<u>(1,487,681)</u>
Increase (Decrease) in Net Position	<u>(5,394,820)</u>	<u>384,498</u>	<u>7,844,122</u>
Net Position			
Net position — beginning of year	74,080,973	73,696,475	65,852,353
Net position — end of year	<u>\$ 68,686,153</u>	<u>\$ 74,080,973</u>	<u>\$ 73,696,475</u>

University Corporation at Monterey Bay
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In 2020/21, Total operating revenues declined by 23.9 percent or \$13.3 million from \$55.6 million to \$42.3 million mostly due to decreases in Housing revenue and Sales and services of auxiliary enterprises. Total operating revenues decreased in 2019/20 by 9.9 percent or \$6.1 million from \$61.7 million to \$55.6 million. This was attributed to the decline in Housing revenue, a decrease in state and private grants and contracts revenue and Sales and services of auxiliary enterprise revenue.

Housing revenue in 2020/21 declined from \$35.9 million to \$23.7 million for a 34.0 percent or \$12.2 million change as a result of the California State University (CSU) systems' decision to continue virtual instruction for the 2020/21 academic year, therefore strictly limiting the on-campus student and staff population. In 2019/20, Housing revenue declined significantly from \$39.1 million to \$35.9 million for a decrease of 8.3 percent or \$3.2 million. The statewide shelter-in-place order which caused the campus to send students home due to COVID-19 resulted in student housing refunds and a decline in summer conference housing revenue.

Sales and services of auxiliary enterprises, net decreased 66.6 percent or \$1.2 million from \$1.9 million to \$622 thousand. In 2019/20, Sales and services of auxiliary enterprises, net decreased by \$602,000 or 24.4 percent from \$2.5 million to \$1.9 million. For both years, the statewide shelter-in-place order due to COVID-19 forced special event venues to discontinue operations, reduced commissions from commercial services and underwriting, and lease income declined as a result of restructured or expired lease agreements.

In 2020/21, Total operating expenses decreased 11.5 percent or \$6.6 million from \$57.3 million to \$50.7 million. Repairs and maintenance increased by \$1.5 million while all other operating expenses decreased by \$8.1 million. Total operating expenses in 2019/20 increased to \$57.3 million from \$54.3 million for a 5.5 percent or \$3.0 million change. Increases of Contract services, Repairs and maintenance, and Depreciation and amortization accounted for this change.

Salaries and benefits decreased 9.0 percent or \$1.8 million from \$20.2 million to \$18.4 million in 2020/21 as a result of the conclusion of Camp SEA Lab in summer 2020 and negative consequences from Covid-19 such as staff lay-offs in early Fall 2020, the reduction in facilities services needed for the Corporation buildings, and the absence of student workers. In 2019/20, Salaries and benefits declined minimally from \$20.5 million to \$20.2 million for a 1.3 percent or \$267 thousand change as a result of a decrease in student wages resulting from the campus closure and the students being sent home.

Contract services decreased to \$6.6 million from \$8.1 million for a \$1.5 million or 18.3 percent change in 2020/21 as a result of a reduction in services needed for buildings, dining services and other Corporation operations. In 2019/20, Contract services increased 14.4 percent or \$1.0 million from \$7.1 million to \$8.1 million. Increases in student housing costs for mold remediation and mitigation, as well as the installation of new mailboxes and blinds, the increase in the general custodial contract and a net increase in grants related contracts and subawards accounted for the change.

**University Corporation at Monterey Bay
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In 2020/21, Repairs and maintenance increased 49.4 percent or \$1.5 million from \$3.0 million to \$4.5 million mostly as a result of interior and exterior repairs, safety upgrades, carpeting and painting of Promontory buildings. Repairs and maintenance increased 36.0 percent in 2019/20 from \$2.2 million to \$3.0 million for a \$799,000 change. East campus projects including concrete, playground, and mailbox repairs along with mold remediation and increased painting of units made up most of this change.

Depreciation and amortization decreased in 2020/21 from \$9.6 million to \$8.2 million for a \$1.4 million or 14.5 percent change. This is a result of a change in asset useful lives to better reflect CSU standard lives versus the three years remaining on the operating lease with the University. In 2019/20, Depreciation and amortization increased by \$2.0 million or 26.8 percent from \$7.6 million to \$9.6 million due mostly to capitalized East Campus improvements, Salinas City Center upgrades, and dining commons renovations.

In 2020/21, Other operating expenses decreased 27.0 percent or \$1.4 million from \$5.3 million to \$3.9 million. The decrease is credited to COVID-19 restrictions intended to minimize nonessential travel and limit on-campus public gatherings. In addition, no furnishings were purchased in 2020/21 for student housing and meal concessions were not available as there was no dining vendor contract. Other operating expenses in 2019/20 increased 1.6 percent or \$85 thousand from \$5.2 million to \$5.3 million for a minimal change.

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 10). Table 3 below shows the noncapital and capital support for the last three fiscal years.

Table 3: University Support

	2021	2020	2019
University support, non-capital	\$ 596,800	\$ 1,000,000	\$ 1,135,119
University support, capital	3,164,327	291,939	1,494,181
Total University support	\$ 3,761,127	\$ 1,291,939	\$ 2,629,300

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 University Masters' programs, and 3) planning costs for the new College of Science building. In 2020/21, University support, noncapital decreased by \$403 thousand from \$1.0 million to \$597 thousand due mostly to no Corporation contribution made towards the University Masters' programs. University support, noncapital decreased in 2019/20 by 11.9 percent or \$135,000 due to delays associated with the new College of Science building.

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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. University support, capital increased 983.9 percent or \$2.9 million due to a \$3.0 million contribution to the newly constructed Otter Student Union for tenant improvements. In 2019/20, University support, capital decreased 80.5 percent or \$1.2 million from \$1.5 million to \$291,000 due to the expiration of the Otter Sports Center private grant from 2018/19.

Significant Capital Asset and Long-Term Debt Activity

Capital Assets

At June 30, 2021, the Corporation had \$206.2 million in depreciable capital assets. The Corporation's net capital assets totaled \$128.3 million at the end of the fiscal year. Depreciable capital assets consist of buildings, leasehold improvements, equipment, and intangible assets. The Corporation had \$7.2 million in non-depreciable assets as of June 30, 2021. 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. At June 30, 2021, the Corporation had \$47.2 million in capital lease obligations. More detailed information about the Corporation's Capital lease obligations is in Note 8 to the financial statements.

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.

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At June 30, 2021, the Corporation had \$76.5 million in long-term debt obligations. More detailed information about the Corporation's Long-term debt obligation is in Note 8 to the financial statements.

In 2020/21, the Note payable to CSUMB for housing and meal plans was identified as lost revenue under the Higher Education Emergency Relief Fund Lost Revenue program and therefore qualified for reimbursement. In 2019/20, the Corporation established a Note payable to CSUMB for housing and meal plan refunds for Spring 2020. The statewide shelter-in-place order forced the campus to send students home due to COVID-19 and resulted in student housing and meal plan refunds due back to the University. The original amount of the note was \$1,165,000 with an expected payoff date in Summer 2022. More detailed information about the Corporation's Long-term debt obligation is in Note 8 to the financial statements.

Currently Known Facts, Decisions and Conditions

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

Housing and Dining

Housing rates for freshmen students are guaranteed at the first-year residency rate for a maximum of five consecutive years so long as the student remains in housing, known as "rate lock". The number of years is pro-rated for first time housing residents based on their class level for first year of residency. Corporation management controls 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 capital lease obligations. The university requires freshmen and sophomores to live on campus unless they meet specific exception criteria; this rule is waived for 2020/21 and for 2021/22 due to COVID-19. Students were asked to move out of housing in mid-March 2020 due to COVID-19 and were refunded the prorated housing and meal plan payments; about 300-400 (15% of occupancy) stayed until the end of the academic year, with about the same number being housed in 2020/21.

For Fall 2021, student housing is fully open and is at near normal occupancy of 80% despite not enforcing freshman and sophomore live-on requirement. Dining services and meal plans resumed in Fall 2021, and meal plan numbers are on par with Fall 2019 pre-COVID numbers. Finding professional and student employees for dining services has been greatly impacted by actions taken by governments during Covid and the changes in potential applicants' locations and work objectives. This has impacted Dining's ability to open and keep several of the food venues staffed.

For housing and dining in 2021/22, some expenses are slightly increased to provide spaces for quarantine and isolation units and increased cleaning at times.

University Corporation at Monterey Bay
Management's Discussion and Analysis
June 30, 2021 and 2020

Currently Known Facts, Decisions and Conditions (Continued)

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 remain steady in 2020/21.

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.

Market Conditions

Investments account for 19.4 percent of the Corporation's total assets. Of the \$38.8 million, 0.4 percent is Short-term investments and 99.6 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.

Otter Student Union Commitment

In 2021/22, the Board authorized a payment to the University for approximately \$420 thousand for past accrued interest and up to \$420 thousand annually for up to 3 years for interest accruing on the University's loan to Otter Student Union.

In 2021/22, the Corporation will lease space within the Otter Student Union building for use as dining and bookstore venues. Utilities are separately metered to these spaces and the Corporation will be responsible for those costs as well.

COVID-19 Impact

The Corporation's operations for 2019/20 and 2020/21 fiscal years have been significantly affected by the COVID-19 pandemic. The effects of the pandemic and related actions by governments to mitigate its spread have impacted the Corporation's employees and operations as well as the students, faculty and staff served at the university. Approximately 45% of Corporation's revenues are derived from student housing and dining meal plans between September and May. The ending of these services for the most part ended as of mid-March 2020 and refunds were provided to most students for the late March to May time period. Other significant income is derived from faculty-staff housing rentals and grants and contracts indirect cost recovery, which was slightly impacted in 2020/21 due to almost no hiring, early retirements, and other reasons that tenants moved out of the housing.

**University Corporation at Monterey Bay
Management's Discussion and Analysis
June 30, 2021 and 2020**

Currently Known Facts, Decisions and Conditions (Continued)

Due to the pandemic, all classes went online in March 2020 and continued in that format through Summer 2021. For Fall 2021, 50% of classes are in-person, 40% are online only and 10% are hybrid. During the 2020/21 school year, only about 300 to 400 students lived on campus for Fall 2020 and Spring 2021. No dining services were offered for all of 2020/21. This resulted in a very substantial decrease in revenues for student housing and dining services for those periods. Although expenses were decreased or deferred where controllable, the buildings still required significant maintenance investment during 2020/21, resulting in the Corporation reporting a significant operating loss for the year.

As of late March 2020, and continuing through the end of 2020/21, almost all employees have also been required to work from home, changing much of the Corporation's processes of doing business but also changing how the Corporation operates in person. For 2021/22, employees are still on reduced in-person schedules as the summer-fall 2021 COVID changes impact desires to fully repopulate faculty and staff. The desire is to review the efficiency and productivity of remote working by position and to determine if all employees will be required to work full-, part- or no- time in the office, relying more and more on digital and paperless technologies.

While the possible resurgence of COVID could change academic class methods, housing and dining operations is uncertain, at this time for 2021/22, but expects that the business operations, including net revenues, earnings, and cash flows, will be slightly below normal for the Corporation, compared to a pre-COVID fiscal year.

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 Years Ended June 30, 2021 and 2020

University Corporation at Monterey Bay
Statements of Net Position
June 30, 2021 and 2020

	2021	2020
Assets		
<u>Current Assets:</u>		
Cash and cash equivalents	\$ 12,408,463	\$ 6,467,431
Short-term investments	161,119	260,541
Receivables:		
Grants and contracts, net	4,261,106	4,077,368
Property manager	1,955,715	2,547,078
University	8,178,761	87,934
Foundation	54,859	128,266
Otter Student Union	163,237	67,733
Housing, net	422,419	404,108
Other, net	2,698,118	2,757,026
Pledges receivable, net	149,331	572,751
Notes receivable, current	-	958,693
Prepaid expenses and other assets	214,078	269,696
Real estate held for sale	2,210,913	1,448,707
Total Current Assets	32,878,119	20,047,332
<u>Noncurrent Assets:</u>		
Accounts receivable, net	39,021	39,496
Pledges receivable, net	15,826	87,287
Notes receivable, net of current portion	-	2,347,859
Certificates of deposit	261,865	166,250
Long-term investments	38,396,483	45,805,126
Capital assets, net	128,286,529	129,594,608
Other noncurrent assets	40,000	40,000
Total Noncurrent Assets	167,039,724	178,080,626
Total Assets	199,917,843	198,127,958
<u>Deferred Outflows of Resources:</u>		
Unamortized loss on refundings	1,308,553	1,238,176
Total Deferred Outflows of Resources	1,308,553	1,238,176

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

University Corporation at Monterey Bay
Statements of Net Position (Continued)
June 30, 2021 and 2020

	2021	2020
Liabilities		
<u>Current Liabilities:</u>		
Accounts payable	\$ 2,608,144	\$ 3,340,003
Payable to University	1,719,571	1,067,536
Payable to Foundation	11,305	11,992
Payable to CSU	468,967	476,133
Accrued salaries and benefits payable	1,335,078	1,228,118
Unearned revenue:		
Housing	131,367	117,011
Other	2,098,888	2,143,640
Capital lease obligations, current portion	2,595,000	2,460,000
Note payable, current portion	1,090,000	1,040,000
Other liabilities	60,618	59,749
Total Current Liabilities	12,118,938	11,944,182
<u>Noncurrent Liabilities:</u>		
Capital lease obligations, net of current portion	44,624,543	46,753,543
Notes payable, net of current portion	75,449,072	66,257,929
Depository accounts	347,690	329,507
Total Noncurrent Liabilities	120,421,305	113,340,979
Total Liabilities	132,540,243	125,285,161
Net Position		
<u>Net Position:</u>		
Net investment in capital assets	5,836,468	15,486,312
Restricted for:		
Expendable:		
Pledges receivable	165,157	660,038
Net gifts and donations	6,819,788	5,440,733
Net sponsored programs	43,178	57,653
Other	252,524	201,073
Unrestricted	55,569,038	52,235,164
Total Net Position	\$ 68,686,153	\$ 74,080,973

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

University Corporation at Monterey Bay
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues:		
Housing	\$ 23,690,039	\$ 35,876,008
Grants and contracts:		
Federal	12,944,796	13,225,471
State	2,152,654	1,363,033
Local	73,469	579,391
Nongovernmental	1,432,320	1,667,352
Sales and services of auxiliary enterprises, net	622,445	1,864,618
Other operating revenues	1,415,257	1,033,777
Total Operating Revenues	<u>42,330,980</u>	<u>55,609,650</u>
Operating Expenses:		
Salaries and benefits	18,395,545	20,205,977
Contract services	5,334,821	6,736,108
Subawards	1,300,201	1,387,998
Utilities	4,176,158	4,702,390
Supplies and services	1,550,688	1,778,449
Travel	56,012	532,416
Scholarships	1,698,553	2,126,008
Professional services	179,152	211,825
Concessions	-	221,620
Repairs and maintenance	4,511,877	3,019,726
Rental expense	898,963	955,838
Equipment	832,845	1,502,626
Insurance	758,556	682,012
Depreciation and amortization	8,194,168	9,581,530
Cost of real estate sold	763,821	1,454,445
Other operating costs	2,069,531	2,185,347
Total Operating Expenses	<u>50,720,891</u>	<u>57,284,315</u>
Operating Income/(Loss)	<u>(8,389,911)</u>	<u>(1,674,665)</u>

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

University Corporation at Monterey Bay
Statements of Revenues, Expenses and Changes in Net Position (Continued)
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Nonoperating Revenues (Expenses):		
Gifts and donations, noncapital	\$ 3,683,368	\$ 5,439,391
Investment income	962,154	1,477,333
Realized and unrealized gains on investments	5,866,967	1,716,380
University support, noncapital	(596,800)	(1,000,000)
Contributions to/from Foundation	75,576	(989,856)
Interest on capital-related debt	(3,781,539)	(4,334,384)
Gain (loss) on sale of assets	(57,766)	-
Other nonoperating revenues, net	7,458	26,238
Total Nonoperating Revenues (Expenses)	<u>6,159,418</u>	<u>2,335,102</u>
 Income (Loss) before other changes to Net Position	 <u>(2,230,493)</u>	 <u>660,437</u>
 Other Changes in Net Position:		
Other Changes in Net Position:		
University support, capital	(3,164,327)	(291,939)
Capital grants and gifts	-	16,000
Total Other Changes in Net Position	<u>(3,164,327)</u>	<u>(275,939)</u>
 Increase (Decrease) in Net Position	 <u>(5,394,820)</u>	 <u>384,498</u>
 Net Position:		
Net position - beginning of the year	<u>74,080,973</u>	<u>73,696,475</u>
 Net position - end of year	 <u>\$ 68,686,153</u>	 <u>\$ 74,080,973</u>

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

University Corporation at Monterey Bay
Statements of Cash Flow
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Receipts from housing	\$ 15,356,436	\$ 32,052,752
Receipts from sales of houses	763,820	1,454,445
Receipts from grants and contracts	16,419,501	17,881,369
Receipts from sales and services of auxiliary enterprises	681,353	1,402,034
Payments to vendors	(20,246,727)	(21,129,469)
Payments to employees	(15,604,928)	(17,304,040)
Payments to University	(6,182,927)	(5,631,675)
Payments to/Receipts from Foundation, net	(687)	(19,468)
Payments to CSU	(7,166)	(8,292)
Payments for house purchases	(1,526,026)	(1,667,865)
Other receipts	1,296,928	933,627
Net Cash Provided by (Used in) Operating Activities	<u>(9,050,423)</u>	<u>7,963,418</u>
Cash Flows from Noncapital Financing Activities:		
Gifts and donations	4,178,724	5,682,675
University support	(596,800)	(1,000,000)
Foundation support	75,576	(989,856)
Other receipts	7,458	26,238
Cash transferred to/from Foundation	-	11,945
Net Cash Provided by Noncapital Financing Activities	<u>3,664,958</u>	<u>3,731,002</u>
Cash Flows from Capital Related Financing Activities:		
Capital grants and gifts	-	16,000
University support - capital	142,225	29,666
Acquisition of capital assets	(6,943,855)	(13,204,536)
Principal payments on capital lease and note payable	-	(2,175,000)
Interest paid on capital lease and note payable	-	(5,610,063)
Proceeds of note payable issuance	3,872,886	-
Net Cash Used by Capital Related Financing Activities	<u>(2,928,744)</u>	<u>(20,943,933)</u>

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

University Corporation at Monterey Bay
Statements of Cash Flow (Continued)
Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Investing Activities:		
Proceeds from sale of investments	\$ 24,681,374	\$ 26,654,597
Purchase of investments	(11,388,287)	(18,456,821)
Investment income received	962,154	1,477,333
Net Cash Provided by Investing Activities	14,255,241	9,675,109
Net Increase in Cash	5,941,032	425,596
Cash and Cash Equivalents - Beginning of Year	6,467,431	6,041,835
Cash and Cash Equivalents - End of Year	\$ 12,408,463	\$ 6,467,431
 Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities:		
Operating loss	\$ (8,389,911)	\$ (1,674,665)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	8,194,168	9,581,530
Change in operating assets and liabilities:		
Receivables, net	(8,236,994)	(124,601)
Prepaid expenses and other assets	55,618	142,362
Real estate held for sale	(762,206)	(213,420)
Accounts payable	(731,859)	1,029,883
Payable to University	732,998	175,598
Payable to Foundation	(687)	(19,468)
Payable to CSU	(7,166)	(8,292)
Accrued salaries and benefits payable	106,960	35,154
Unearned revenue	(30,396)	(974,475)
Other liabilities	19,052	13,812
Net Cash Provided by (Used in) Operating Activities	\$ (9,050,423)	\$ 7,963,418

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

University Corporation at Monterey Bay
Statements of Cash Flow (Continued)
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Supplemental Schedule of Noncash Financing and Investing Activities:		
Contributions of investments	\$ 120,921	\$ 89,942
Increase in fair value of investments	5,866,967	1,716,380
Amortization of bond premium	1,994,000	468,785
Amortization of premium on long-term debt	319,858	319,858
Amortization of loss on debt refunding	70,377	164,720

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

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2021 and 2020

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, 2021 and 2020

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 federal, state, and local government and private grants, amounts due from students for housing and meal plans, amounts due from the property manager, amounts due from the University, Foundation and Otter Student Union, amounts due for commissions, amounts due from employees for payroll and travel advances, and amounts due from radio station memberships and underwriters. The receivables are shown net of the allowance for doubtful accounts of \$2,461,626 and \$2,538,904 at June 30, 2021 and 2020, respectively. 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 \$5,108 and \$20,414 at June 30, 2021 and 2020, respectively. Conditional pledges, which depend on the occurrence of a specified future or uncertain event, are recognized as gift revenue when the conditions are substantially met.

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 and intangible assets including computer software, are recorded at cost (or estimated historical cost) at the date of acquisition, or fair value at the date of donation in 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.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2021 and 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Non-depreciable 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, student fees for housing and dining services, deposits on camps, underwriting spots paid in advance, and rental of property to other than students. Unearned revenue that will not be earned within one year is classified as Noncurrent.

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, deferred outflows of resources, 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.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2021 and 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2021 and 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Facilities and administrative cost recovery amounts for the years ended June 30, are presented below:

	<u>2021</u>	<u>2020</u>
Federally sponsored programs	\$ 1,069,072	\$ 1,063,419
All other sponsors	374,884	292,016
Total	<u>\$ 1,443,956</u>	<u>\$ 1,355,435</u>

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.

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

Fair Value Measurements – As defined in GASB Statement No. 72, *Fair Value Measurement and Application*, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The 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.

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.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2021 and 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For fiscal year ended June 30, 2021, 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, 2021, 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, 2022. However, tax returns remain subject to examination by the Internal Revenue Service for fiscal years ending on or after June 30, 2018, and by the California Franchise Tax Board for fiscal years ending on or after June 30, 2017.

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

In June 2017, GASB issued Statement No. 87, *Leases*. Statement No. 87 increases the usefulness of entities' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions of Statement No. 87 are effective for fiscal years beginning after June 15, 2021. 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, 2021 and 2020

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. Management has not yet determined the impact of this Statement on its financial statements.

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

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

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

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Statement No. 93 addresses accounting and financial reporting implications that result from the replacement of the interbank offered rate. The provisions of Statement No. 93 are effective for fiscal years beginning after June 15, 2021 with earlier application encouraged. 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, 2021 and 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Subsequent Events – Events subsequent to June 30, 2021 have been evaluated through September 17, 2021, which is the date the financial statements were available to be issued. Management identified the following subsequent events requiring disclosure.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2021 and 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On July 29, 2021 the California State University issued \$124,235,000 of Systemwide Revenue Bonds Series 2021A (Tax-Exempt), \$14,325,000 of which was used to pay off the Corporation's outstanding commercial paper and to fund the remaining balance of the Capital Improvement Project's construction costs.

In 2021/22, the Board authorized a payment to the University for approximately \$420 thousand for past accrued interest and up to \$420 thousand annually for up to 3 years for interest accruing on the University's loan to Otter Student Union.

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, 2021 and 2020, the Corporation's checking, deposit and money market accounts were insured by the FDIC up to \$250,000 per financial institutional. For the years ended June 30, 2021 and 2020, the Corporation had uninsured cash deposits of \$5,701,274 and \$2,634,694, respectively.

NOTE 3. INVESTMENTS

Investments comprised the following at June 30, 2021 and 2020:

	2021	2020
	<u>Noncurrent</u>	<u>Noncurrent</u>
Mutual Funds:		
Equity Funds	\$ 21,791,461	\$ 23,271,570
Bond Funds	16,605,022	22,533,556
Total *	<u>\$ 38,396,483</u>	<u>\$ 45,805,126</u>

* Total at June 30, 2021 and 2020 excludes Money Market fund balance of \$3,077,412 and \$377,007, respectively.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2021 and 2020

NOTE 3. INVESTMENTS (Continued)

Investment Fair Values

The Corporation categorizes its fair values measurements within the fair value hierarchy established by generally accepted accounting principles. At June 30, 2021, 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.

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

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2021 and 2020

NOTE 3. INVESTMENTS (Continued)

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 \$21,791,461 or 56.8 percent of the total investments of the Corporation at June 30, 2021. 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.

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.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2021 and 2020

NOTE 3. INVESTMENTS (Continued)

The credit ratings of the Corporation's fixed income securities held in investments and money market funds at June 30, 2021, were as follows:

	<u>Fair Value</u>	<u>Rating</u>
Bond Mutual Funds:		
Vanguard Inflation-Protected Securities Adm	\$ 4,965,209	AAA
Vanguard Short-Term Bond Adm	2,437,727	(1)
Met West Total Return Bond I	4,555,782	(2)
Dodge & Cox Income	4,646,304	(3)
Money Market Fund:		
Charles Schwab Bank	3,077,412	Not Rated
Total	<u>\$ 19,682,434</u>	

(1) Credit ratings range from AAA to BBB with 87% at a rating of A or above.

(2) Credit ratings range from AAA to below CCC with 95% at rating of BBB or above.

(3) Credit ratings range from AAA to below BB with 99% at a BB 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.

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, 2021 or 2020.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2021 and 2020

NOTE 3. INVESTMENTS (Continued)

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, 2021, were as follows:

	<u>Fair Value</u>	<u>Weighted Average</u>
Bond Mutual Funds:		
Vanguard Inflation-Protected Securities Adm	\$ 4,965,209	8.1
Vanguard Short-Term Bond Adm	2,437,727	2.9
Met West Total Return Bond I	4,555,782	8.0
Dodge & Cox Income	4,646,304	9.4
Money Market Fund:		
Charles Schwab Bank	3,077,412	0.1
Total	<u>\$ 19,682,434</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, 2021 and 2020

NOTE 3. INVESTMENTS (Continued)

The Corporation's exposure to foreign currency risk at June 30, 2021 was as follows:

<u>Currency</u>	<u>Fair Value</u>
Euro	\$ 1,946,237
Japanese Yen	1,390,074
British Pound	1,069,074
Swiss Franc	861,199
Canadian Dollar	642,014
Danish Krone	79,684
Swedish Krona	178,451
Korean Won	336,714
Brazilian Real	87,488
Mexican Peso	42,722
Argentine Peso	63,126
Taiwan Dollar	86,307
Indian Rupee	168,413
Russian Ruble	11,933
South African Rand	36,679
Australian Dollar	352,521
Chinese Yuan	156,905
Hong Kong Dollar	266,672
Other Currencies	31,259
Total International Funds Subject to Foreign Currency Risk	<u>\$ 7,807,472</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, 2021 and 2020

NOTE 4. RECEIVABLES

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

	<u>2021</u>	<u>2020</u>
A/R – University	\$ 8,178,761	\$ 87,934
A/R – Foundation	54,859	128,266
A/R – Grants & Contracts	4,376,588	4,154,201
A/R – Property Manager	1,955,715	2,547,078
A/R – Housing Rents	638,531	579,758
A/R – Other	4,710,331	4,944,800
A/R – Commissions	29,371	-
A/R – Otter Student Union	163,237	67,733
A/R – Underwriting for KAZU	88,448	98,647
Allowance for doubtful accounts	(2,461,626)	(2,538,904)
Receivables, net	<u>\$ 17,734,215</u>	<u>\$ 10,069,513</u>

NOTE 5. PLEDGES RECEIVABLE

Pledges receivable at June 30 were as follows:

	<u>2021</u>	<u>2020</u>
Campus programs support	\$ 170,850	\$ 682,852
Athletic scholarships	-	313
Subtotal	<u>170,850</u>	<u>683,165</u>
Less: Allowance for doubtful accounts	(5,108)	(20,414)
Less: Unamortized discount	(585)	(2,713)
Pledges receivable, net	<u>\$ 165,157</u>	<u>\$ 660,038</u>
Pledges due in:		
One year or less	\$ 153,950	\$ 590,465
One to five years	16,900	92,700
Total	<u>\$ 170,850</u>	<u>\$ 683,165</u>

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2021 and 2020

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, 2021, there were seven homes in inventory totaling \$2,210,913.

As of June 30, 2020, repurchased homes in inventory consisted of five homes with a value totaling \$1,448,707.

NOTE 7. CAPITAL ASSETS

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

	2021			
	Beginning Balance	Additions/ Reclassifications	Reductions/ Transfers	Ending Balance
Nondepreciable Capital Assets:				
Land and land improvements	\$ 2,000,734	\$ -	\$ -	\$ 2,000,734
Construction in progress	4,284,396	6,896,384	(6,148,919)	5,031,861
Intangible assets	148,349	-	-	148,349
Total Nondepreciable Capital Assets	<u>6,433,479</u>	<u>6,896,384</u>	<u>(6,148,919)</u>	<u>7,180,944</u>
Depreciable Capital Assets:				
Buildings	132,802,857	-	27,770	132,830,627
Leasehold improvements	62,136,845	-	6,111,611	68,248,456
Equipment	5,089,513	137,009	(297,540)	4,928,982
Intangible assets	196,631	-	-	196,631
Total Depreciable Capital Assets	<u>200,225,846</u>	<u>137,009</u>	<u>5,841,841</u>	<u>206,204,696</u>
Total Capital Assets	<u>206,659,325</u>	<u>7,033,393</u>	<u>(307,078)</u>	<u>213,385,640</u>
Less Accumulated Depreciation and Amortization:				
Buildings	38,910,230	4,641,191	-	43,551,421
Leasehold improvements	34,140,315	3,164,416	-	37,304,731
Equipment	3,859,963	365,392	(159,774)	4,065,581
Intangible assets	154,209	23,169	-	177,378
Total Accumulated Depreciation	<u>77,064,717</u>	<u>8,194,168</u>	<u>(159,774)</u>	<u>85,099,111</u>
Total Capital Assets, Net	<u>\$ 129,594,608</u>	<u>\$ (1,160,775)</u>	<u>\$ (147,304)</u>	<u>\$ 128,286,529</u>

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2021 and 2020

NOTE 7. CAPITAL ASSETS (Continued)

	2020			
	<u>Beginning Balance</u>	<u>Additions/ Reclassifications</u>	<u>Reductions/ Transfers</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land and land improvements	\$ 2,000,734	\$ -	\$ -	\$ 2,000,734
Construction in progress	6,284,048	12,890,606	(14,890,258)	4,284,396
Intangible assets	148,349	-	-	148,349
Total Nondepreciable Capital Assets	<u>8,433,131</u>	<u>12,890,606</u>	<u>(14,890,258)</u>	<u>6,433,479</u>
Depreciable Capital Assets:				
Buildings	131,405,332	38,969	1,358,556	132,802,857
Leasehold improvements	48,711,845	612	13,424,388	62,136,845
Equipment	4,791,952	369,719	(72,158)	5,089,513
Intangible assets	196,631	-	-	196,631
Total Depreciable Capital Assets	<u>185,105,760</u>	<u>409,300</u>	<u>14,710,786</u>	<u>200,225,846</u>
Total Capital Assets	<u>193,538,891</u>	<u>13,299,906</u>	<u>(179,472)</u>	<u>206,659,325</u>
Less Accumulated Depreciation and Amortization:				
Buildings	34,349,106	4,561,124	-	38,910,230
Leasehold improvements	29,514,304	4,626,011	-	34,140,315
Equipment	3,561,891	370,230	(72,158)	3,859,963
Intangible assets	130,043	24,166	-	154,209
Total Accumulated Depreciation	<u>67,555,344</u>	<u>9,581,531</u>	<u>(72,158)</u>	<u>77,064,717</u>
Total Capital Assets, Net	<u>\$ 125,983,547</u>	<u>\$ 3,718,375</u>	<u>\$ (107,314)</u>	<u>\$ 129,594,608</u>

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2021 and 2020

NOTE 8. LONG-TERM LIABILITIES

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

	2021				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital lease obligations:					
Capital lease obligations	\$ 44,985,000	\$ 30,625,000	\$ (30,160,000)	\$ 45,450,000	\$ 2,595,000
Unamortized premium					
on capital lease obligations	4,228,542	-	(2,458,999)	1,769,543	-
Total capital lease obligations	<u>49,213,542</u>	<u>30,625,000</u>	<u>(32,618,999)</u>	<u>47,219,543</u>	<u>2,595,000</u>
Long-term debt obligations:					
Note payable related to SRB	57,710,000	-	(1,040,000)	56,670,000	1,090,000
Unamortized bond premium	8,422,930	-	(319,858)	8,103,072	-
Note payable related to Bond					
Anticipation Notes	-	11,766,000	-	11,766,000	-
Note payable to CSUMB	1,165,000	-	(1,165,000)	-	-
Total long-term debt obligations	<u>67,297,930</u>	<u>11,766,000</u>	<u>(2,524,858)</u>	<u>76,539,072</u>	<u>1,090,000</u>
Total long-term liabilities	<u>\$116,511,472</u>	<u>\$ 42,391,000</u>	<u>\$ (35,143,857)</u>	<u>\$123,758,615</u>	<u>\$ 3,685,000</u>
	2020				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital lease obligations:					
Capital lease obligations	\$ 47,330,000	\$ -	\$ (2,345,000)	\$ 44,985,000	\$ 2,460,000
Unamortized premium					
on capital lease obligations	4,697,327	-	(468,785)	4,228,542	-
Total capital lease obligations	<u>52,027,327</u>	<u>-</u>	<u>(2,813,785)</u>	<u>49,213,542</u>	<u>2,460,000</u>
Long-term debt obligations:					
Note payable related to SRB	58,705,000	-	(995,000)	57,710,000	1,040,000
Unamortized bond premium	8,742,788	-	(319,858)	8,422,930	-
Note payable to CSUMB	-	1,165,000	-	1,165,000	-
Total long-term debt obligations	<u>67,447,788</u>	<u>1,165,000</u>	<u>(1,314,858)</u>	<u>67,297,930</u>	<u>1,040,000</u>
Total long-term liabilities	<u>\$119,475,115</u>	<u>\$ 1,165,000</u>	<u>\$ (4,128,643)</u>	<u>\$116,511,472</u>	<u>\$ 3,500,000</u>

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2021 and 2020

NOTE 8. LONG-TERM LIABILITIES (Continued)

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 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.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2021 and 2020

NOTE 8. LONG-TERM LIABILITIES (Continued)

Total assets under the capital leases and related accumulated amortization as of June 30, were as follows:

Depreciable Capital Assets:	<u>2021</u>	<u>2020</u>
Buildings	\$ 48,846,617	\$ 48,846,617
Leasehold improvements	29,406,513	29,406,513
Less Accumulated Amortization:		
Buildings	\$ 27,534,173	\$ 25,919,409
Leasehold improvements	21,271,861	20,335,991

Amortization of assets under capital leases was included in depreciation and amortization expense.

At June 30, 2021, the future minimum lease payments were as follows:

<u>For the Years Ending June 30,</u>	<u>Total Payments</u>
2022	\$ 3,662,872
2023	3,896,150
2024	4,438,531
2025	4,394,227
2026	4,323,437
2027 through 2031	21,631,224
2032 through 2035	10,395,760
Total minimum lease payments	<u>52,742,201</u>
Less amounts representing interest	<u>(7,292,201)</u>
Present value of future minimum lease payments	45,450,000
Unamortized premium	<u>1,769,543</u>
Total long-term capital lease obligation	47,219,543
Less current portion	<u>(2,595,000)</u>
Long-Term Capital Lease Obligation, Net of Current Portion	<u><u>\$ 44,624,543</u></u>

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2021 and 2020

NOTE 8. LONG-TERM LIABILITIES (Continued)

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.

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.

The unamortized loss on refundings is classified as Deferred Outflows of Resources on the Statements of Financial Position and were \$1,308,553 and \$1,238,176 for the years ended June 30, 2021 and 2020, respectively.

For the years ended June 30, 2021 and 2020, the amounts amortized for all SRB premiums were \$361,871 and the amounts amortized for the loss on refundings were \$194,188.

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

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2021 and 2020

NOTE 8. LONG-TERM LIABILITIES (Continued)

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 both years ended June 30, 2021 and 2020, 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 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. As of June 30, 2021, expenditures incurred on the Capital Improvement Project were \$9,758,872 with an unexpended note payable balance of \$2,007,128.

At June 30, 2021, the future minimum payments were as follows:

<u>For the Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,090,000	\$ 2,786,550	\$ 3,876,550
2023	1,145,000	2,730,675	3,875,675
2024	1,205,000	2,671,925	3,876,925
2025	1,525,000	2,610,175	4,135,175
2026	1,605,000	2,545,300	4,150,300
2027 through 2031	9,350,000	11,629,625	20,979,625
2032 through 2036	12,000,000	9,426,000	21,426,000
2037 through 2041	15,260,000	6,597,125	21,857,125
2042 through 2046	19,220,000	3,039,950	22,259,950
2047	6,036,000	94,625	6,130,625
Total	<u>\$ 68,436,000</u>	<u>\$ 44,131,950</u>	<u>\$ 112,567,950</u>

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2021 and 2020

NOTE 9. NET POSITION

As shown in the Statements 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:

	<u>2021</u>	<u>2020</u>
Current operations reserve	\$ 12,276,244	\$ 11,612,316
Audit disallowance reserve	473,000	400,000
Capital replacement reserve	10,550,000	14,050,000
Future operations reserve	8,000,000	8,000,000
Contributed capital reserve	100,000	-
Total	<u>\$ 31,399,244</u>	<u>\$ 34,062,316</u>

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 years ended June 30, 2021 and 2020. 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 years ended June 30, 2021 and 2020 were \$733,940 and \$764,708, respectively. Employee contributions for the years ended June 30, 2021 and 2020 were \$486,690 and \$486,699, respectively.

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 years ended June 30, 2021 and 2020 were \$50,990 and \$18,781, respectively.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2021 and 2020

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. OPERATING LEASES

As Lessee

CSU Facilities

The Corporation entered into an operating 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 operating lease.

Laundry Equipment

The Corporation entered into a rental 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.

At June 30, 2021, the minimum rental payments for the laundry equipment were as follows:

For the Year Ending June 30,

	2022	\$	46,410
	2023		3,867
	Total		\$ 50,277

Rental payments to WASH Multifamily Laundry Systems were \$46,410 and \$42,543 for the years ended June 30, 2021 and 2020, respectively.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2021 and 2020

NOTE 12. OPERATING LEASES (Continued)

KAZU Tower Facilities

In December 2019, KAZU entered into a new tower facility 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.

At June 30, 2021, the minimum lease payments for the tower facilities were as follows:

For the Year Ending June 30,

2022		\$	41,280
2023			41,760
2024			42,240
2025			21,240
Total			\$ 146,520

The payments remitted to HH Tower were \$53,760 and \$44,261 for the years ended June 30, 2021 and 2020, respectively. Of these amounts, \$44,220 and \$36,680 were for tower lease payments for the years ended June 30, 2021 and 2020, respectively, and the balance of the payments were for utility expenses.

KAZU Radio Transmitters

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 covered the period from July 1, 2017 to July 1, 2020, with an option to renew for two additional three-year terms. In August 2020, KAZU exercised its second three-year term for the period July 1, 2020 to July 1, 2023. Payments of \$1,500 will be paid semi-annually and will include the cost of electricity to operate the equipment.

In October 2017, KAZU entered into a lease with the City of Santa Cruz for an area located on the Santa Cruz Municipal Wharf. The lease was for placement and operation of a second radio transmitter. The initial term of the lease is October 1, 2017 to October 1, 2022, with an option to renew for another five-year term. The yearly payment of \$700 will increase at the end of the five-year period. KAZU will be responsible for all utilities.

At June 30, 2021, the future minimum lease payments were as follows:

For the Years Ending June 30,

2022		\$	700
Total			\$ 700

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2021 and 2020

NOTE 12. OPERATING LEASES (Continued)

The lease payments were \$4,400 and \$2,400 for the years ended June 30, 2021 and 2020, respectively.

Golden Gate University

On August 1, 2011, the Corporation entered into an agreement with Golden Gate University for the lease of several buildings and common areas located around the University. The agreement has an initial term of five years with an option to extend for two consecutive five-year periods. In July 2016, the Corporation exercised its option to extend the term for the first five-year extension period through July 2021. In February 2021, the Corporation began discussions related to the property for possible purchase, as a result, both parties agreed to extend the deadline for the Corporation to exercise its option to extend the lease through December 31, 2021. At June 30, 2021, the future minimum lease payments were \$66,002. The lease payments were \$118,708 and \$126,500 for the years ended June 30, 2021 and 2020, respectively.

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 April 29, 2016 and on June 30, 2016 and February 10, 2020. The lease agreement expires on July 31, 2032.

At June 30, 2021, the future minimum lease payments were as follows:

<u>For the Year Ending June 30,</u>	
2022	\$ 682,930
2023	696,588
2024	710,521
2025	724,730
2026	739,226
Thereafter through 2033	4,825,847
	<u><u>\$ 8,379,842</u></u>

Lease and utility payments were \$570,649 and \$686,578 for the years ended June 30, 2021 and 2020, respectively.

As Lessor

Homeowner Land Subleases

The Corporation sells housing units and subleases the underlying land to the homeowners under long-term operating leases. The term of these subleases extends to the year 2097.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2021 and 2020

NOTE 12. OPERATING LEASES (Continued)

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, 2021 as follows:

<u>For the Year Ending June 30,</u>	
2022	\$ 143,880
2023	152,736
2024	158,844
2025	159,804
2026	160,536
Thereafter through 2097	<u>10,861,200</u>
	<u><u>\$ 11,637,000</u></u>

Included in Housing revenue is \$101,452 and \$99,596 related to these land rents for the years ended June 30, 2021 and 2020, respectively.

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 was \$10,442,433 and \$10,506,433 for the years ended June 30, 2021 and 2020, respectively. The annual rental income collected for Frederick Park was \$4,246,839 and \$5,981,449 for the years ended June 30, 2021 and 2020, respectively.

Child Development Center Sublease

The Child Development Center (CDC) was managed by Early Development Services (EDS) for the years ended June 30, 2021 and 2020. 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 from July 1, 2020 through June 30, 2021 and can be renewed by mutual consent by both parties for subsequent periods of one (1) year. Effective July 1, 2021, the agreement was extended through June 30, 2024. No services were provided to families in 2020/21 as a result of COVID-19.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2021 and 2020

NOTE 12. OPERATING LEASES (Continued)

Payments for salary reimbursement to EDS for the years ended June 30, 2021 and 2020, were \$2,841 and \$30,731, respectively.

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 multipurpose 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 \$64,879 and \$215,436 for the years ended June 30, 2021 and 2020, respectively.

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 Markel Global Reinsurance Company (50%) and Great American Insurance (50%) (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 Argonaut (AM Best Rating: A-, XIV Rating) and \$10,000,000 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.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2021 and 2020

NOTE 13. RISK MANAGEMENT (Continued)

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

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, 2021 are expected to be minimal. Likewise, no amounts have been paid to CSURMA/AORMA by June 30, 2021, related to the Corporation's estimated future funding for claims liability.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2021 and 2020

NOTE 14. PROPERTY MANAGEMENT

Effective January 1, 2006, 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. In July 2021, the Corporation negotiated an extension of the management agreement through June 30, 2022, with an option to extend one additional year.

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 amounts paid to the property manager for the years ended June 30, 2021 and 2020, were \$453,678 and \$476,688, respectively, and are 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, 2021 and 2020, the accounts receivable from the property manager amounted to \$1,955,715 and \$2,547,078, respectively.

NOTE 15. CONTRACTED SERVICES REVENUE

Effective July 1, 2020, the Corporation terminated its agreement with A'viands, dining contractor, due to forecasting no need of food service on campus for at least the rest of 2020 due to the pandemic. However, in anticipation of the campus repopulation for Fall 2021, 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.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2021 and 2020

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 years ended June 30, 2021 and 2020 were \$85,456 and \$121,719, respectively.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2021 and 2020

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 years then ended are summarized below:

	<u>2021</u>	<u>2020</u>
University:		
Corporation receivable from the University	\$ 8,178,761	\$ 87,934
Note receivable from the University	-	3,306,552
Corporation payable to the University	1,719,571	1,067,536
Note payable to the University	-	1,165,000
Payments for salaries of University personnel working on contracts, grants, and other programs	2,772,236	3,339,096
Payments for other than salaries of University personnel	2,968,489	6,194,733
Interest to University under capital lease obligations	1,027,202	2,122,503
Principal to University under capital lease obligations	2,460,000	2,345,000
Gifts, grants, or capital contributions to the University	6,528,044	4,333,456
Grants and contracts from University	229,582	259,046
CSU Foundation:		
Charitable gift annuities held by CSU Foundation	\$ 39,021	\$ 39,496
Foundation:		
Corporation receivable from the Foundation	\$ 54,859	\$ 128,266
Corporation payable to the Foundation	11,305	11,992
Expense reimbursements from Foundation	-	696
Endowment distribution from Foundation	177,117	223,322
Net Contributions to Foundation	101,541	1,213,178
CSU:		
Corporation payable to CSU	\$ 468,967	\$ 476,133
Interest to CSU under note payable	2,835,300	2,863,637
Principal to CSU under note payable	1,040,000	995,000
OSU:		
Corporation receivable from the Otter Student Union	\$ 163,237	\$ 67,733
Expense reimbursements from the Otter Student Union	699,693	776,693

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2021 and 2020

NOTE 17. COVID-19 PANDEMIC

As noted in Management's Discussion and Analysis, the Corporation has been impacted by the recent COVID-19 pandemic. Due to the uncertainty surrounding the pandemic, the length and severity of the outbreak, and the volatility in the world investment markets, there is uncertainty as to how these events will affect results of operations and student housing and dining services income in the future. At this time for 2021/22, the expectation is that the business operations, including net revenues, earnings, and cash flows, will be slightly below normal for the Corporation.

Supplemental Information

University Corporation at Monterey Bay
Schedule of Net Position
June 30, 2021
(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 12,408,463
Short-term investments	161,119
Accounts receivable, net	17,734,215
Capital lease receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	149,331
Prepaid expenses and other current assets	2,424,991
Total current assets	<u>32,878,119</u>
Noncurrent assets:	
Restricted cash and cash equivalents	-
Accounts receivable, net	39,021
Capital lease receivable, net of current portion	-
Notes receivable, net of current portion	-
Student loans receivable, net	-
Pledges receivable, net	15,826
Endowment investments	-
Other long-term investments	38,658,348
Capital assets, net	128,286,529
Other assets	40,000
Total noncurrent assets	<u>167,039,724</u>
Total assets	<u>199,917,843</u>
Deferred outflows of resources:	
Unamortized loss on debt refunding	1,308,553
Net pension liability	-
Net OPEB liability	-
Others	-
Total deferred outflows of resources	<u>1,308,553</u>
Liabilities:	
Current liabilities:	
Accounts payable	4,807,987
Accrued salaries and benefits	719,956
Accrued compensated absences, current portion	615,122
Unearned revenues	2,230,255
Capital lease obligations, current portion	2,595,000
Long-term debt obligations, current portion	1,090,000
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	60,618
Total current liabilities	<u>12,118,938</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	-
Unearned revenues	-
Grants refundable	-
Capital lease obligations, net of current portion	44,624,543
Long-term debt obligations, net of current portion	75,449,072
Claims liability for losses and loss adjustment expenses, net of current portion	-
Depository accounts	347,690
Net other postemployment benefits liability	-
Net pension liability	-
Other liabilities	-
Total noncurrent liabilities	<u>120,421,305</u>
Total liabilities	<u>132,540,243</u>
Deferred inflows of resources:	
Service concession arrangements	-
Net pension liability	-
Net OPEB liability	-
Unamortized gain on debt refunding	-
Nonexchange transactions	-
Others	-
Total deferred inflows of resources	<u>-</u>
Net position:	
Net investment in capital assets	5,836,468
Restricted for:	
Nonexpendable – endowments	-
Expendable:	
Scholarships and fellowships	-
Research	45,379
Loans	-
Capital projects	-
Debt service	-
Others	7,235,268
Unrestricted	55,569,038
Total net position	<u>\$ 68,686,153</u>

University Corporation at Monterey Bay
Schedule of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2021
(for inclusion in the California State University)

Revenues:

Operating revenues:

Student tuition and fees, gross	\$ -
Scholarship allowances (enter as negative)	-

Grants and contracts, noncapital:

Federal	12,944,796
State	2,152,654
Local	73,469
Nongovernmental	1,432,320
Sales and services of educational activities	-
Sales and services of auxiliary enterprises, gross	16,949,982
Scholarship allowances (enter as negative)	-
Other operating revenues	8,777,759
Total operating revenues	<u>42,330,980</u>

Expenses:

Operating expenses:

Instruction	119,609
Research	4,888,840
Public service	6,975,434
Academic support	4,521,593
Student services	620,992
Institutional support	5,067,637
Operation and maintenance of plant	-
Student grants and scholarships	1,698,553
Auxiliary enterprise expenses	18,634,065
Depreciation and amortization	8,194,168
Total operating expenses	<u>50,720,891</u>
Operating income (loss)	<u>(8,389,911)</u>

Nonoperating revenues (expenses):

State appropriations, noncapital	-
Federal financial aid grants, noncapital	-
State financial aid grants, noncapital	-
Local financial aid grants, noncapital	-
Nongovernmental and other financial aid grants, noncapital	-
Other federal nonoperating grants, noncapital	-
Gifts, noncapital	3,162,144
Investment income (loss), net	962,154
Endowment income (loss), net	-
Interest expense	(3,781,539)
Other nonoperating revenues (expenses) - excl. interagency transfers	5,816,659
Net nonoperating revenues (expenses)	<u>6,159,418</u>
Income (loss) before other revenues (expenses)	<u>(2,230,493)</u>

State appropriations, capital	-
Grants and gifts, capital	(3,164,327)
Additions (reductions) to permanent endowments	-
Increase (decrease) in net position	<u>(5,394,820)</u>
Net position:	
Net position at beginning of year, as previously reported	74,080,973
Restatements	-
Net position at beginning of year, as restated	<u>74,080,973</u>
Net position at end of year	<u>\$ 68,686,153</u>

University Corporation at Monterey Bay
Other Information
June 30, 2021
(for inclusion in the California State University)

1 Cash and cash equivalents:

Portion of restricted cash and cash equivalents related to endowments	\$	-
All other restricted cash and cash equivalents		-
Noncurrent restricted cash and cash equivalents		-
Current cash and cash equivalents		12,408,463
Total	\$	12,408,463

2.1 Composition of investments:

Investment Type	Current	Noncurrent	Total
Money market funds	\$	-	-
Repurchase agreements		-	-
Certificates of deposit		261,865	261,865
U.S. agency securities		-	-
U.S. treasury securities		-	-
Municipal bonds		-	-
Corporate bonds		-	-
Asset backed securities		-	-
Mortgage backed securities		-	-
Commercial paper		-	-
Mutual funds		38,396,483	38,396,483
Exchange traded funds	161,119	-	161,119
Equity securities		-	-
Alternative investments:		-	-
Private equity (including limited partnerships)		-	-
Hedge funds		-	-
Managed futures		-	-
Real estate investments (including REITs)		-	-
Commodities		-	-
Derivatives		-	-
Other alternative investment		-	-
Other external investment pools		-	-
CSU Consolidated Investment Pool (formerly SWIFT)		-	-
State of California Local Agency Investment Fund (LAIF)		-	-
State of California Surplus Money Investment Fund (SMIF)		-	-
Other investments:		-	-
Total Other investments		-	-
Total investments	161,119	38,658,348	38,819,467
Less endowment investments (enter as negative number)		-	-
Total investments, net of endowments	\$ 161,119	38,658,348	38,819,467

2.2 Fair value hierarchy in investments:

Investment Type	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Money market funds	\$	-	-	-	-
Repurchase agreements		-	-	-	-
Certificates of deposit	261,865	261,865	-	-	-
U.S. agency securities		-	-	-	-
U.S. treasury securities		-	-	-	-
Municipal bonds		-	-	-	-
Corporate bonds		-	-	-	-
Asset backed securities		-	-	-	-
Mortgage backed securities		-	-	-	-
Commercial paper		-	-	-	-
Mutual funds	38,396,483	38,396,483	-	-	-
Exchange traded funds	161,119	161,119	-	-	-
Equity securities		-	-	-	-
Alternative investments:		-	-	-	-
Private equity (including limited partnerships)		-	-	-	-
Hedge funds		-	-	-	-
Managed futures		-	-	-	-
Real estate investments (including REITs)		-	-	-	-
Commodities		-	-	-	-
Derivatives		-	-	-	-
Other alternative investment		-	-	-	-
Other external investment pools		-	-	-	-
CSU Consolidated Investment Pool (formerly SWIFT)		-	-	-	-
State of California Local Agency Investment Fund (LAIF)		-	-	-	-
State of California Surplus Money Investment Fund (SMIF)		-	-	-	-
Other investments:		-	-	-	-
Total Other investments	\$	-	-	-	-
Total investments	38,819,467	38,819,467	-	-	-

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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, 2020	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2020 (Restated)	Additions	Retirements	Transfer of completed CWIP/PWIP	Balance June 30, 2021
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)	4,284,396				4,284,396	6,896,384	(9,538)	(6,139,381)	5,031,861
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	\$ 6,433,479				\$ 6,433,479	6,896,384	(9,538)	(6,139,381)	\$ 7,180,944
Depreciable/Amortizable capital assets:									
Buildings and building improvements	132,802,857				132,802,857			27,770	132,830,627
Improvements, other than buildings									
Infrastructure									
Leasehold improvements	62,136,845				62,136,845			6,111,611	68,248,456
Personal property:									
Equipment	5,089,513				5,089,513	137,009	(297,540)		4,928,982
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	200,225,846				200,225,846	137,009	(297,540)	6,139,381	206,204,696
Total capital assets	\$ 206,659,325				\$ 206,659,325	7,033,393	(307,078)		\$ 213,385,640
Less accumulated depreciation/amortization: (enter as negative number, except for reductions enter as positive number)									
Buildings and building improvements	(38,910,230)				(38,910,230)	(4,641,190)			(43,551,420)
Improvements, other than buildings									
Infrastructure									
Leasehold improvements	(34,140,315)				(34,140,315)	(3,164,417)			(37,304,732)
Personal property:									
Equipment	(3,859,963)				(3,859,963)	(365,392)	159,774		(4,065,581)
Library books and materials									
Intangible assets:									
Software and websites	(154,209)				(154,209)	(23,169)			(177,378)
Rights and easements									
Patents, copyrights and trademarks									
Licenses and permits									
Other intangible assets:									
Total Other intangible assets:									
Total intangible assets	(154,209)				(154,209)	(23,169)			(177,378)
Total accumulated depreciation/amortization	(77,064,717)				(77,064,717)	(8,194,168)	159,774		(85,099,111)
Total capital assets, net	\$ 129,594,608				\$ 129,594,608	(1,160,775)	(147,304)		128,286,529

3.2 Detail of depreciation and amortization expense:

Depreciation and amortization expense related to capital assets	\$ 8,194,168
Amortization expense related to other assets	
Total depreciation and amortization	\$ 8,194,168

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4 Long-term liabilities:

	Balance June 30, 2020	Prior Period Adjustments/Reclassifications	Balance June 30, 2020 (Restated)	Additions	Reductions	Balance June 30, 2021	Current Portion	Noncurrent Portion
1. Accrued compensated absences	\$ 568,028		568,028	479,527	(432,433)	\$ 615,122	\$ 615,122	\$ -
2. Claims liability for losses and loss adjustment expenses	-		-			-	-	-
3. Capital lease obligations:								
Gross balance	44,985,000		44,985,000	30,625,000	(30,160,000)	45,450,000	2,595,000	42,855,000
Unamortized net premium/(discount)	4,228,543		4,228,543		(2,459,000)	1,769,543	-	1,769,543
Total capital lease obligations	\$ 49,213,543	-	49,213,543	30,625,000	(32,619,000)	47,219,543	2,595,000	44,624,543
4. Long-term debt obligations:								
4.1 Auxiliary revenue bonds (non-SRB related)	\$ -		-			\$ -	-	-
4.2 Commercial paper	-		-			-	-	-
4.3 Notes payable (SRB related)	57,710,000		57,710,000	11,766,000	(1,040,000)	68,436,000	1,090,000	67,346,000
4.4 Others:								
Note Payable to CSU Monterey Bay	1,165,000		1,165,000		(1,165,000)	-	-	-
Total others	1,165,000	-	1,165,000	-	(1,165,000)	-	-	-
Sub-total long-term debt	\$ 58,875,000	-	58,875,000	11,766,000	(2,205,000)	\$ 68,436,000	1,090,000	67,346,000
4.5 Unamortized net bond premium/(discount)	8,422,929		8,422,929		(319,857)	8,103,072	-	8,103,072
Total long-term debt obligations	67,297,929	-	67,297,929	11,766,000	(2,524,857)	76,539,072	1,090,000	75,449,072
Total long-term liabilities	\$ 117,079,500	-	117,079,500	42,870,527	(35,576,290)	\$ 124,373,737	4,300,122	\$ 120,073,615

5 Capital lease obligations schedule:

	Capital lease obligations related to SRB			All other capital lease obligations			Total capital lease obligations		
	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:									
2022	2,595,000	1,067,872	3,662,872	-	-	-	2,595,000	1,067,872	3,662,872
2023	2,925,000	971,150	3,896,150	-	-	-	2,925,000	971,150	3,896,150
2024	3,535,000	903,531	4,438,531	-	-	-	3,535,000	903,531	4,438,531
2025	3,565,000	829,227	4,394,227	-	-	-	3,565,000	829,227	4,394,227
2026	3,575,000	748,437	4,323,437	-	-	-	3,575,000	748,437	4,323,437
2027 - 2031	19,290,000	2,341,224	21,631,224	-	-	-	19,290,000	2,341,224	21,631,224
2032 - 2036	9,965,000	430,760	10,395,760	-	-	-	9,965,000	430,760	10,395,760
2037 - 2041	-	-	-	-	-	-	-	-	-
2042 - 2046	-	-	-	-	-	-	-	-	-
2047 - 2051	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-
Total minimum lease payments	\$ 45,450,000	7,292,201	52,742,201	-	-	-	45,450,000	7,292,201	52,742,201
Less: amounts representing interest									(7,292,201)
Present value of future minimum lease payments									45,450,000
Unamortized net premium/(discount)									1,769,543
Total capital lease obligations									47,219,543
Less: current portion									(2,595,000)
Capital lease obligations, net of current portion									\$ 44,624,543

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:									
2022	-	-	-	1,090,000	2,786,550	3,876,550	1,090,000	2,786,550	3,876,550
2023	-	-	-	1,145,000	2,730,675	3,875,675	1,145,000	2,730,675	3,875,675
2024	-	-	-	1,205,000	2,671,925	3,876,925	1,205,000	2,671,925	3,876,925
2025	-	-	-	1,525,000	2,610,175	4,135,175	1,525,000	2,610,175	4,135,175
2026	-	-	-	1,605,000	2,545,300	4,150,300	1,605,000	2,545,300	4,150,300
2027 - 2031	-	-	-	9,350,000	11,629,625	20,979,625	9,350,000	11,629,625	20,979,625
2032 - 2036	-	-	-	12,000,000	9,426,000	21,426,000	12,000,000	9,426,000	21,426,000
2037 - 2041	-	-	-	15,260,000	6,597,125	21,857,125	15,260,000	6,597,125	21,857,125
2042 - 2046	-	-	-	19,220,000	3,039,950	22,259,950	19,220,000	3,039,950	22,259,950
2047 - 2051	-	-	-	6,036,000	94,625	6,130,625	6,036,000	94,625	6,130,625
Thereafter	-	-	-	-	-	-	-	-	-
Total minimum payments	\$ -	-	-	68,436,000	44,131,950	112,567,950	68,436,000	44,131,950	112,567,950
Less: amounts representing interest									(44,131,950)
Present value of future minimum payments									68,436,000
Unamortized net premium/(discount)									8,103,072
Total long-term debt obligations									76,539,072
Less: current portion									(1,090,000)
Long-term debt obligations, net of current portion									75,449,072

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7 Transactions with related entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs	2,772,236
Payments to University for other than salaries of University personnel	2,968,489
Payments received from University for services, space, and programs	
Gifts-in-kind to the University from discretely presented component units	756,589
Gifts (cash or assets) to the University from discretely presented component units	5,771,455
Accounts (payable to) University	(1,719,571)
Other amounts (payable to) University	-
Accounts receivable from University	6,320,704
Other amounts receivable from University	1,858,056

8 Restatements: N/A

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

	Debit/(Credit)
Restatement #1	-
Restatement #2	-

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	87,208	13,405	-	-		18,996		119,609
Research	2,222,728	578,431	110,748	-		1,976,933		4,888,840
Public service	3,363,831	1,161,854	211,166	-		2,238,583		6,975,434
Academic support	1,677,321	387,659	75,558	-		2,381,055		4,521,593
Student services	348,537	139,061	26,926	-		106,468		620,992
Institutional support	3,483,435	784,444	171,907	-		627,851		5,067,637
Operation and maintenance of plant	-	-	-	-		-		-
Student grants and scholarships					1,698,553			1,698,553
Auxiliary enterprise expenses	2,937,162	499,261	114,903	-		15,082,739		18,634,065
Depreciation and amortization							8,194,168	8,194,168
Total operating expenses	\$ 14,120,222	3,564,115	711,208	-	1,698,553	22,432,625	8,194,168	50,720,891

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10 Deferred outflows/inflows of resources:	
1. Deferred Outflows of Resources	
Deferred outflows - unamortized loss on refunding(s)	1,308,553
Deferred outflows - net pension liability	
Deferred outflows - net OPEB liability	
Deferred outflows - others:	
Sales/intra-entity transfers of future revenues	
Gain/loss on sale leaseback	
Loan origination fees and costs	
Change in fair value of hedging derivative instrument	
Irrevocable split-interest agreements	
	<u> -</u>
Total deferred outflows - others	<u> -</u>
Total deferred outflows of resources	<u>\$ 1,308,553</u>
2. Deferred Inflows of Resources	
Deferred inflows - service concession arrangements	
Deferred inflows - net pension liability	
Deferred inflows - net OPEB liability	
Deferred inflows - unamortized gain on debt refunding(s)	
Deferred inflows - nonexchange transactions	
Deferred inflows - others:	
Sales/intra-entity transfers of future revenues	
Gain/loss on sale leaseback	
Loan origination fees and costs	
Change in fair value of hedging derivative instrument	
Irrevocable split-interest agreements	
	<u> -</u>
Total deferred inflows - others	<u> -</u>
Total deferred inflows of resources	<u>\$ -</u>
11 Other nonoperating revenues (expenses)	
Other nonoperating revenues	5,874,425
Other nonoperating (expenses)	(57,766)
Total other nonoperating revenues (expenses)	<u>\$ 5,816,659</u>