

University Corporation at Monterey Bay

Annual Report

**For the Year Ended
June 30, 2023**

**University Corporation at Monterey Bay
Annual Report
For the Year Ended
June 30, 2023**

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Independent Auditors' Report

Board of Directors
University Corporation at Monterey Bay
Seaside, California

Opinion

We have audited the accompanying statement of net position of University Corporation at Monterey Bay (the Corporation), a component unit of California State University, Monterey Bay, as of June 30, 2023, and the related statement of revenues, expenses, and changes in net position and cash flows for the year 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of University Corporation at Monterey Bay as of June 30, 2023, and the change in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

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

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 5 through 14 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 55 through 62 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2023, on our consideration of the Corporation'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.

Board of Directors
University Corporation at Monterey Bay
Seaside, California
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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 Corporation's internal control over financial reporting and compliance.

GLENN BURDETTE ATTEST CORPORATION

Glenn Burdette Attest Corporation
San Luis Obispo, California

October 19, 2023

University Corporation at Monterey Bay
Management's Discussion and Analysis
June 30, 2023

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, 2023 and 2022. 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 16 through 23). 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, 2023**

Financial Highlights

- At June 30, 2023, the Corporation's total net position increased by 5.2 percent or \$3.5 million from \$66.8 million to \$70.2 million.
- Housing revenue increased 5.5 percent or \$2.3 million from \$41.2 million to \$43.5 million.
- Grants and contracts revenue increased to \$24 million from \$19.5 million for a 22.8 percent or \$4.5 million increase.
- Other operating income increased to \$2.3 million from \$360 thousand for a 524.9 percent or \$1.9 million increase.
- Salaries & benefits increased 15 percent or \$2.6 million from \$17.4 million to \$20 million.
- Contract services increased by \$4 million or 23.7 percent from \$17.1 million to \$21.1 million.
- Utilities increased 17.5 percent or \$950 thousand from \$5.4 million to \$6.3 million.
- Scholarships increased 25.6 percent or \$736 thousand from \$2.9 million to \$3.6 million.
- Other operating expenses increased from \$5.3 million to \$7.0 million for a \$1.7 million or 31.8 percent increase.
- Realized and unrealized gains on investments increased by 133.7 percent or \$10.1 million from a \$7.5 million loss to a \$2.5 million gain on investments.
- Other nonoperating revenues, net decreased from \$16.5 million to \$900 thousand for a 94.5 percent or \$15.6 million decrease.
- University support, capital decreased to \$598 thousand from \$11.4 million for a \$10.8 million or 94.7 percent decrease.

Condensed Financial Information

The accompanying audited financial statements as of and for the year ended June 30, 2023, is reported in accordance with standards and requirements of the GASB as are the following schedules.

**University Corporation at Monterey Bay
Management's Discussion and Analysis
June 30, 2023**

Table 1: Condensed Statements of Net Position as of June 30, 2023, and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current assets	\$ 28,157,592	\$ 27,750,742
Noncurrent assets	195,446,141	201,074,497
Total Assets	<u>223,603,733</u>	<u>228,825,239</u>
Liabilities		
Current liabilities	30,541,411	34,788,074
Noncurrent liabilities	121,426,962	126,779,416
Total Liabilities	<u>151,968,373</u>	<u>161,567,490</u>
Net Position		
Net investment in capital assets	26,529,983	27,824,230
Restricted for:		
Expendable	5,971,269	6,637,881
Unrestricted	37,744,808	32,322,828
Total Net Position	<u>\$ 70,246,060</u>	<u>\$ 66,784,939</u>

In 2022/23, total net position increased by 5.2 percent or \$3.5 million. This increase is primarily due to Other nonoperating revenues of \$4.8 million offset by University support, noncapital and capital, of \$1.3 million.

University Corporation at Monterey Bay
Management's Discussion and Analysis
June 30, 2023

Net investment in capital assets represents capital assets, net of accumulated depreciation and amortization, and net of outstanding balances of related debt. In 2022/23, Net investment in capital assets decreased from \$27.8 million to \$26.5 million for a \$1.3 million or 4.7 percent change. This change is mostly due to the implementation of GASB Statement 96 Subscription based information technology arrangements, similar to GASB 87 Leases last year, in effect reclassifying operating and capital leases to leases.

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 2022/23 increased by 16.8 percent or \$5.4 million from \$32.3 million to \$37.7 million mostly due to the change in nonoperating revenues and expenses.

Assets

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

In 2022/23, Cash and cash equivalents increased by 37.4 percent or \$2.7 million from \$7.1 million to \$9.8 million mostly due to the normal course of collections of accounts receivables for \$4.9 million offset by the decrease in accounts payables of \$4.5 million as well as a net change in long-term investments of \$694 thousand due to the sale of some investments and investment income of \$1.5 million.

In 2022/23, Receivables, net decreased by 26.7 percent or \$4.9 million from \$18.3 million to \$13.4 million. This decrease is mostly attributable to the collection of outstanding housing rents from the university and previously postponed owner distributions from the Greystar property manager.

In 2022/23, Current leases receivable increased \$296 thousand or 1391.9% from \$21 thousand to \$317 thousand as a result of a new lease which falls under the GASB 87 standards. This balance can be attributed to a lessor agreement for space leased to an educational institute at CSUMB North Salinas. More detailed information on Leases receivable can be found in Note 12 to the financial statements.

In 2022/23, Real estate held for sale increased by 123.6% or \$2.0 million from \$1.7 million to \$3.7 million. The balance is attributable to the buyback of six additional homes in 2022/23 available for sale.

University Corporation at Monterey Bay
Management's Discussion and Analysis
June 30, 2023

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

Leases receivable, net of current increased \$639 thousand or 139 percent from \$460 thousand to \$1.1 million. A new lease in 2022/23 resulted in the recording of future payments as receivables from the lessee for space located at CSUMB North Salinas. More detailed information on Leases receivable can be found in Note 12 to the financial statements.

Capital assets, net, decreased \$5.2 million or 3.5 percent from \$150.6 million to \$145.4 million. This change is due to a net increase in new assets of \$6 million offset by depreciation expense of \$11.2 million.

Liabilities

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

In 2022/23, Accounts payable decreased \$3.0 million or 41.9 percent from \$7.3 million to \$4.3 million primarily due to stabilizing the Accounts Payable team and making concerted efforts to bring the vendors' balances current.

In 2022/23, Payable to University decreased from \$12.5 million to \$11.0 million for a \$1.5 million difference or 12.2% due to the same reason as mentioned above, but also because the Corporation started making monthly payments at the end of 2022/23 for \$750 thousand to pay back the debt owed for the construction of the Otter Student Union.

Noncurrent liabilities consist of Lease liability, net of current portion, Notes payable, net of current portion and Depository accounts.

In 2022/23, Lease liability, net of current portion decreased \$3.8 million or 7.9 percent from \$47.6 million to \$43.8 million. This decline is due to the reclassification of principal payments to current portion along with current year debt payments and the amortization of bond premiums. More detailed information on Lease liabilities can be found in Note 12 to the financial statements.

Results of Operations

In 2022/23, the Corporation's total net position increased to \$70.2 million from \$66.8 million for a 5.2 percent or \$3.5 million change. This increase is primarily due to Other nonoperating revenues of \$4.8 million offset by University support, noncapital and capital, of \$1.3 million.

University Corporation at Monterey Bay
Management's Discussion and Analysis
June 30, 2023

**Table 2: Condensed Summary of Changes in Net Position for
Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Housing	\$ 43,537,149	\$ 41,258,617
Grants and contracts	24,006,098	19,546,444
Sales and services of auxiliary enterprises	8,735,328	8,311,818
Other operating income	2,251,457	360,305
Total Operating Revenues	<u>78,530,032</u>	<u>69,477,184</u>
Operating Expenses		
Salaries and benefits	20,035,033	17,420,145
Contract services	21,144,710	17,095,570
Utilities	6,347,837	5,402,343
Supplies and services	1,560,604	1,155,076
Scholarships	3,612,340	2,876,812
Repairs and maintenance	6,509,837	6,813,250
Rental expense	65,432	284,350
Information Technology	681,884	845,553
Depreciation and amortization	11,408,590	10,796,215
Cost of real estate sold	219,662	1,626,845
Other operating expenses	7,032,985	5,335,380
Total Operating Expenses	<u>78,618,914</u>	<u>69,651,539</u>
Operating Loss	<u>(88,882)</u>	<u>(174,355)</u>
Nonoperating Revenues (Expenses)		
University support, noncapital	(650,868)	(475,000)
Other nonoperating revenues, net	4,798,938	10,100,195
Total Nonoperating Revenues (Expenses)	<u>4,148,070</u>	<u>9,625,195</u>
Other Changes in Net Position		
University support, capital	(598,067)	(11,369,304)
Other changes in net position	-	17,250
Total Other Changes in Net Position	<u>(598,067)</u>	<u>(11,352,054)</u>
Increase/(Decrease) in Net Position	<u>3,461,121</u>	<u>(1,901,214)</u>
Net Position		
Net position — beginning of year	66,784,939	68,686,153
Net position — end of year	<u>\$ 70,246,060</u>	<u>\$ 66,784,939</u>

University Corporation at Monterey Bay
Management's Discussion and Analysis
June 30, 2023

Total operating revenues increased in 2022/23 by 13.0 percent or \$9.1 million from \$69.5 million to \$78.5 million. This is attributed to the increases in Housing revenue, Grants and contracts revenue, and Other operating revenues.

Grants and contracts revenue increased to \$24.0 million from \$19.5 million in 2022/23 for a \$4.5 million or 22.8 percent change due mostly to additional funding received in support of the Community Health Engagement program responding to the needs of the homeless in Monterey County, DART Initiative Drone training program, and Emergency Basic Needs support program.

Other operating revenues increased in 2022/23 from \$360 thousand to \$2.2 million for a \$1.9 million or 524.9 percent change as a result of a new lease for the space at CSUMB North Salinas which falls under the GASB 87 Statement.

Total operating expenses in 2022/23 increased to \$78.6 million from \$69.7 million for a 12.9 percent or \$9.0 million change. Increases of Salaries and benefits, Contract services, Cost of real estate sold, and Other operating expenses account for most of this change.

In 2022/23, Salaries and benefits increased 15.0 percent or \$2.6 million from \$17.4 million to \$20.0 million. The increase can be attributed to the hiring of more grant-funded employees, annual and merit pay increases and an increase in the cost of health benefits.

In 2022/23, Contract services increased 23.7 percent or \$4.0 million from \$17.1 million to \$21.1 million. This increase can be attributed mostly to increased personnel hired by the Greystar property manager to take on additional maintenance duties on campus and the addition of the DART Initiative Drone training program.

Utilities increased 17.5 percent or \$950 thousand from \$5.4 million to \$6.3 million in 2022/23 primarily due to an increase utility rates.

Cost of real estate sold decreased in 2022/23 from \$1.6 million to \$220 thousand, a \$1.4 million decrease or 86.5 percent change. The change is a result of selling one home in 2022/23 versus five homes in the prior year.

In 2022/23, Other operating expenses increased 31.8 percent or \$1.7 million from \$5.3 million to \$7.0 million. The property insurance premium continues to increase significantly, approximately \$600 thousand, due to water damage caused by heavy rains and other natural disasters experienced in recent years causing severe losses in the insurance markets. Other expenses such as travel, participant support and equipment saw increases as the sponsored programs activities experienced a significant spike.

**University Corporation at Monterey Bay
Management's Discussion and Analysis
June 30, 2023**

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 two fiscal years.

Table 3: University Support

	2023	2022
University support, non-capital	\$ 650,868	\$ 475,000
University support, capital	598,067	11,369,304
Total University support	\$ 1,248,935	\$ 11,844,304

University support, non-capital, consists of contributions from the Corporation to the University in support of strategic initiatives identified by the University President and Cabinet and IT support services.

University support, capital, is generally a one-time expense that is earmarked for a particular project or can involve the transfer of capital assets gifted to the Corporation for the benefit of the University. In 2022/23, the Corporation reimbursed the University for expenses for the Monterey Bay Football Club stadium project.

Significant Capital Asset and Long-Term Debt Activity

Capital Assets

At June 30, 2023, the Corporation had \$203.7 million in depreciable capital assets. The Corporation's net capital assets totaled \$145.4 million at the end of the fiscal year. Depreciable capital assets consist of buildings, leasehold improvements, equipment, leased assets and intangible assets. The Corporation had \$4.9 million in non-depreciable assets as of June 30, 2023. 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

At June 30, 2023, the Corporation had a combined total of \$121.4 million in long-term debt obligations. More detailed information can be found in Note 8 to the financial statements.

**University Corporation at Monterey Bay
Management's Discussion and Analysis
June 30, 2023**

Currently Known Facts, Decisions and Conditions

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

Housing

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

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 continue to stay about the same or possibly decline slightly.

Donor Contributions

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

Construction Commitments

In 2022/23, the Corporation committed to an \$11.0 million plumbing infrastructure and bathroom renovation construction project for the 8 student residence halls located on the main campus. The project is partially completed and the work will be ongoing for the next year or two.

**University Corporation at Monterey Bay
Management's Discussion and Analysis
June 30, 2023**

Currently Known Facts, Decisions and Conditions (Continued)

Market Conditions

Investments account for 22.0 percent of the Corporation's total assets. Of the \$49.1 million, 0.1 percent is Short-term investments and 99.9 percent is Long-term investments. The Corporation continues to manage its investments via its Investment Committee, which works in conjunction with the investment consultant, Verus Investments. It is important to remember that the majority of the Corporation's investments participate in a long-term investment strategy and that there is a smoothing effect of returns over time. Future investment earnings will continue to fluctuate and be affected by interest rate fluctuations and uncertain market conditions.

Requests for Information

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

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

University Corporation at Monterey Bay
Financial Statements
For the Year Ended June 30, 2023

University Corporation at Monterey Bay
Statement of Net Position
June 30, 2023

		<u>2023</u>
Assets		
<u>Current Assets:</u>		
Cash and cash equivalents	\$	9,791,700
Short-term investments		373,342
Receivables:		
Grants and contracts, net		7,348,085
Property manager		2,293,169
University		871,662
Foundation		30,839
Otter Student Union		282,138
CSU		52,455
Housing, net		143,836
Other, net		2,431,892
Pledges receivable, net		254,446
Leases receivable		317,110
Prepaid expenses and other assets		232,746
Real estate held for sale		3,734,172
Total Current Assets	\$	<u>28,157,592</u>
<u>Noncurrent Assets:</u>		
Pledges receivable, net		193,973
Leases receivable, net		1,098,949
Long-term investments		48,744,466
Capital assets, net		145,368,753
Other noncurrent assets		40,000
Total Noncurrent Assets		<u>195,446,141</u>
Total Assets		<u>223,603,733</u>

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

University Corporation at Monterey Bay
Statement of Net Position (Continued)
June 30, 2023

	2023
Liabilities	
<u>Current Liabilities:</u>	
Accounts payable	\$ 4,268,107
Payable to University	11,009,376
Payable to Foundation	175,990
Payable to Otter Student Union	174,909
Payable to CSU	545,838
Accrued salaries and benefits payable	1,710,567
Unearned revenue:	
Housing	28,365
Other	6,869,656
Lease liability, current portion	4,427,218
Note payable, current portion	1,205,000
Other liabilities	126,385
Total Current Liabilities	30,541,411
<u>Noncurrent Liabilities:</u>	
Lease liability, net of current portion	43,777,007
Notes payable, net of current portion	77,262,163
Depository accounts	387,792
Total Noncurrent Liabilities	121,426,962
Total Liabilities	151,968,373
<u>Deferred Inflows of Resources:</u>	
Leases	1,389,299
Total deferred inflows of resources	1,389,299

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

University Corporation at Monterey Bay
Statement of Net Position (Continued)
June 30, 2023

	2023
Net Position	
<u>Net Position:</u>	
Net investment in capital assets	\$ 26,529,983
Restricted for:	
Expendable:	
Pledges receivable	448,419
Net gifts and donations	5,342,520
Net sponsored programs	28,536
Other	151,794
Unrestricted	37,744,808
 Total Net Position	 \$ 70,246,060

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

University Corporation at Monterey Bay
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2023

	2023
Operating Revenues:	
Housing	\$ 43,537,149
Grants and contracts:	
Federal	17,365,257
State	3,627,917
Local	113,758
Nongovernmental	2,899,166
Sales and services of auxiliary enterprises, net	8,735,328
Other operating revenues	2,251,457
Total Operating Revenues	78,530,032
 Operating Expenses:	
Salaries and benefits	20,035,033
Contract services	19,407,535
Subawards	1,737,175
Utilities	6,347,837
Supplies and services	1,560,604
Travel	599,079
Scholarships	3,612,340
Professional services	228,447
Concessions	188,031
Repairs and maintenance	6,509,837
Rental expense	65,432
Equipment	715,987
Information technology	681,884
Insurance	2,024,455
Depreciation and amortization	11,408,590
Cost of real estate sold	219,662
Other operating costs	3,276,986
Total Operating Expenses	78,618,914
 Operating Loss	 (88,882)

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

University Corporation at Monterey Bay
Statement of Revenues, Expenses and Changes in Net Position (Continued)
Year Ended June 30, 2023

	2023
Nonoperating Revenues (Expenses):	
Gifts and donations, noncapital	\$ 3,991,622
Investment income	1,463,168
Realized and unrealized (losses) on investments	2,533,726
University support, noncapital	(650,868)
Contributions to Foundation	(269,464)
Interest on capital-related debt	(3,819,872)
Other nonoperating revenues, net	899,758
Total Nonoperating Revenues (Expenses)	4,148,070
 Income before other changes to Net Position Other	 4,059,188
 Changes in Net Position:	
Other Changes in Net Position:	
University support, capital	(598,067)
Total Other Changes in Net Position	(598,067)
 Increase in Net Position Net	 3,461,121
 Position:	
Net position - beginning of the year	66,784,939
Net position - end of year	\$ 70,246,060

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

University Corporation at Monterey Bay
Statement of Cash Flow
Year Ended June 30, 2023

	2023
Cash Flows from Operating Activities:	
Receipts from housing	\$ 45,935,786
Receipts from sales of houses	219,662
Receipts from grants and contracts	23,969,937
Receipts from sales and services of auxiliary enterprises	8,592,331
Payments to suppliers	(41,761,549)
Payments to employees	(15,808,160)
Payments to/Receipts from University, net	(11,862,754)
Payments to/Receipts from Foundation, net	171,171
Payments to/Receipts from OSU, net	(57,381)
Payments to/Receipts from CSU, net	27,727
Payments for house purchases	(2,283,544)
Other receipts	1,435,680
Net Cash Provided by Operating Activities	8,578,906
 Cash Flows from Noncapital Financing Activities:	
Gifts and donations	3,852,056
University support	(650,868)
Foundation support	(269,464)
Other receipts	899,758
Net Cash Provided by Noncapital Financing Activities	3,831,482
 Cash Flows from Capital Related Financing Activities:	
University support - capital	(1,533,131)
Acquisition of capital assets	(6,169,512)
Proceeds of sale on capital assets	916,489
Principal payments on lease liabilities and note payable	(4,519,743)
Interest paid on lease liabilities and note payable	(3,616,879)
Proceeds of note payable issuance	488,924
Net Cash Used in Capital Related Financing Activities	(14,433,852)

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

University Corporation at Monterey Bay
Statement of Cash Flow (Continued)
Year Ended June 30, 2023

	2023
Cash Flows from Investing Activities:	
Proceeds from sale of investments	\$ 12,473,718
Purchase of investments	(9,245,774)
Investment income received	1,463,168
Net Cash Provided by Investing Activities	4,691,112
Net Increase in Cash	2,667,648
Cash and Cash Equivalents - Beginning of Year	7,124,052
Cash and Cash Equivalents - End of Year	\$ 9,791,700
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating (loss)	\$ (88,882)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	11,408,590
Change in operating assets and liabilities:	
Receivables, net	4,402,094
Prepaid expenses and other assets	20,617
Real estate held for sale	(2,063,882)
Accounts payable	(3,079,287)
Payable to University	(1,738,667)
Payable to Foundation	127,080
Payable to Otter Student Union	(24,942)
Payable to CSU	1,104
Accrued salaries and benefits payable	85,184
Unearned revenue	(498,366)
Other liabilities	28,263
Net Cash Provided by Operating Activities	\$ 8,578,906

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

University Corporation at Monterey Bay
Statement of Cash Flow (Continued)
Year Ended June 30, 2023

	<u>2023</u>
Supplemental Schedule of Noncash Financing and Investing Activities:	
Contributions of investments	\$ 4,256
Decrease in fair value of investments	2,533,726
Amortization of loss on debt refunding	1,308,553
Amortization of premium on long-term debt	389,977

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

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2023

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, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Receivables – Receivables include amounts due from the following: federal, state and local government and private grants; the property manager; the University; Foundation; Otter Student Union; the CSU; Housing, net; employees for payroll and travel advances; radio station underwriters; and amounts due for commissions. The receivables are shown net of the allowance for doubtful accounts of \$1,608,626 at June 30, 2023. 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 \$13,869 at June 30, 2023. Conditional pledges, which depend on the occurrence of a specified future or uncertain event, are recognized as gift revenue when the conditions are substantially met.

Leases Receivable – The Corporation is acting as lessor with two telecommunications leases for antenna space and one classroom lease at CSUMB @ North Salinas under GASB Statement No. 87, *Leases*. This Statement enhances the relevance and consistency of information relating to leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Leases receivable are on the Statement of Net Position as assets and recognized as deferred inflows of resources.

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

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets – Capital assets consisting of land and land improvements, buildings, leasehold improvements, construction in progress, equipment, intangible assets including computer software and leased assets (or Right of Use assets), are recorded at cost (or estimated historical cost) at the date of acquisition, or fair value at the date of donation in 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 are 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. The Corporation has also adopted GASB Statement 96, *Subscription-Based Information Technology Arrangements*, as a result, leases previously classified as software subscriptions are now included in the Statement of Net Position.

Buildings and leasehold improvements under leases 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 and collected in advance of when it is earned on student fees for housing and dining services, deposits on camps and events, and underwriting spots paid in advance. Unearned revenue that will not be earned within one year is classified as Noncurrent.

Lease liability – In accordance with GASB Statement 87, *Leases*, lease liabilities are lease agreements where the Corporation is acting as a lessee. These are included in the Statement of Net Position and include Systemwide Revenue Bonds.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net investment in capital assets includes capital assets, net of accumulated depreciation and amortization, less the outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

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

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

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

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

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

Classification of Revenues and Expenses – The Corporation considers operating revenues and expenses in the Statements of Revenues, Expenses and Changes in Net Position to be those revenues and expenses that result from exchange transactions or from other activities that are connected directly to the Corporation’s primary functions. Exchange transactions include charges for services rendered and the acquisition of goods and services. Revenues from home sales are recognized as homes are sold, title passes, and escrow closes. Rental housing revenues are recognized as amounts are earned and coincide with the rental agreement. In accordance with GASB Statement No. 35, certain significant revenues relied upon and budgeted for fundamental operational support of the

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Facilities and administrative cost recovery for the year ended June 30, 2023 is presented below:

	<u>2023</u>
Federally sponsored programs	\$ 1,679,163
All other sponsors	665,886
Total	<u>\$ 2,345,049</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.

Change in Accounting Principle - In 2022/23, the Corporation implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition resulting in greater consistency in practice. Establishing the capitalization criteria for implementation costs will reduce diversity and improve comparability in financial reporting by governments. It requires a lessee to report a right-to-use subscription asset and a corresponding subscription liability. Previously, the two subscriptions for operating software were accounted for as revenues, but with the adoption of this standard, they are now found on the Statement of Net Position as assets and leased liabilities. See Note 7 and Note 8.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

For fiscal year ended June 30, 2023, 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, 2023, 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, 2024. However, tax returns remain subject to examination by the Internal Revenue Service for fiscal years ending on or after June 30, 2020, and by the California Franchise Tax Board for fiscal years ending on or after June 30, 2019.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Pronouncements – 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. Implementation of this Statement did not have a material impact on the Organization’s 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. Implementation of this Statement did not have a material impact on the Organization’s financial statements.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. Statement No. 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022 with earlier application encouraged. 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. Implementation of this Statement did have a material impact on the Organization’s financial statements. See Note 7 and Note 8.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

GASB 99 was partially implemented this year. Implementation of this Statement did not have a material impact on the Organization's financial statements.

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

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Subsequent Events – Events subsequent to June 30, 2023 have been evaluated through October 19, 2023, which is the date the financial statements were available to be issued. Management did not identify any subsequent events requiring disclosure.

NOTE 2. DEPOSITS

The Corporation maintains cash for operating needs in checking, deposit and money market accounts, with Federal Deposit Insurance Corporation (FDIC) insured financial institutions. At June 30, 2023, the Corporation’s checking, deposit and money market accounts were insured by the FDIC up to \$250,000 per financial institutional. For the year ended June 30, 2023, the Corporation had uninsured cash deposits of \$4,337,624.

NOTE 3. INVESTMENTS

Investments comprised the following at June 30:

	2023
	Noncurrent
Mutual Funds:	
Equity Funds	\$ 25,297,907
Bond Funds	23,446,560
Total *	\$ 48,744,467

* Total at June 30, 2023 excludes Money Market fund balance of \$2,095.

Investment Fair Values

The Corporation categorizes its fair values measurements within the fair value hierarchy established by generally accepted accounting principles. At June 30, 2023, the Corporation’s investments were valued using quoted market prices in active markets and are classified within Level 1 of the fair value hierarchy.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2023

NOTE 3. INVESTMENTS (Continued)

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 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 \$25,297,907 or 51.9 percent of the total investments of the Corporation at June 30, 2023. 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.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2023

NOTE 3. INVESTMENTS (Continued)

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.

The credit ratings of the Corporation's fixed income securities held in investments and money market funds at June 30, 2023, were as follows:

	<u>Fair Value</u>	<u>Rating</u>
Bond Mutual Funds:		
Vanguard Inflation-Protected Securities Adm	\$ 7,022,455	AAA
Vanguard Short-Term Bond Adm	4,630,001	(1)
Met West Total Return Bond I	5,892,948	(2)
Dodge & Cox Income	5,901,156	(3)
Money Market Fund:		
Charles Schwab Bank	2,094	Not Rated
Total	<u>\$ 23,448,654</u>	

- (1) Credit ratings range from AAA to below B with 63% at a rating of A or above.
(2) Credit ratings range from AAA to below CCC with 93% at rating of BBB or above.
(3) Credit ratings range from AAA to below B with 99% at a BBB rating or above.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2023

NOTE 3. INVESTMENTS (Continued)

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, 2023.

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, 2023, were as follows:

	<u>Fair Value</u>	<u>Weighted Average</u>
Bond Mutual Funds:		
Vanguard Inflation-Protected Securities Adm	\$ 7,022,455	7.2
Vanguard Short-Term Bond Adm	4,630,001	2.8
Met West Total Return Bond I	5,892,948	7.8
Dodge & Cox Income	5,901,156	10.3
Money Market Fund:		
Charles Schwab Bank	2,094	0.1
Total	<u>\$ 23,448,654</u>	

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2023

NOTE 3. INVESTMENTS (Continued)

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.

The Corporation's exposure to foreign currency risk at June 30, 2023 was as follows:

<u>Currency</u>	<u>Fair Value</u>
Euro	\$ 2,639,123
Japanese Yen	1,733,502
British Pound	1,214,396
Swiss Franc	792,015
Canadian Dollar	669,417
Danish Krone	229,227
Swedish Krona	217,608
Korean Won	389,177
Brazilian Real	83,346
Mexican Peso	13,083
Taiwan Dollar	17,444
Indian Rupee	176,706
Australian Dollar	299,584
Chinese Yuan	157,409
Hong Kong Dollar	145,310
Other Currencies	937,761
Total International Funds Subject to Foreign Currency Risk	<u>\$ 9,715,108</u>

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

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2023

NOTE 4. RECEIVABLES

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

	<u>2023</u>
A/R – University	\$ 871,662
A/R – Foundation	30,839
A/R – Otter Student Union	282,138
A/R – CSU	52,455
A/R – Grants & Contracts	7,348,085
A/R – Property Manager	2,293,169
A/R – Housing Rents	143,836
A/R – Other	4,076,465
A/R – Commissions	16,394
A/R – Underwriting for KAZU	115,660
Allowance for doubtful accounts	<u>(1,776,627)</u>
Receivables, net	<u>\$ 13,454,076</u>

NOTE 5. PLEDGES RECEIVABLE

Pledges receivable at June 30 were as follows:

	<u>2023</u>
Campus programs support	\$ 473,500
Less: Allowance for doubtful accounts	(13,869)
Less: Unamortized discount	<u>(11,212)</u>
Pledges receivable, net	<u>\$ 448,419</u>
Pledges due in:	
One year or less	\$ 260,500
One to five years	<u>213,000</u>
Total	<u>\$ 473,500</u>

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2023

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, 2023, there were eleven homes in inventory totaling \$3,734,172.

NOTE 7. CAPITAL ASSETS

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

	2023			
	Beginning Balance	Additions/ Reclassifications	Reductions/ Transfers	Ending Balance
Nondepreciable Capital Assets:				
Land and land improvements	\$ 2,000,734	\$ -	\$ -	\$ 2,000,734
Construction in progress	5,138,130	5,000,635	(7,350,184)	2,788,581
Intangible assets	148,349	-	-	148,349
Total Nondepreciable Capital Assets	<u>7,287,213</u>	<u>5,000,635</u>	<u>(7,350,184)</u>	<u>4,937,664</u>
Depreciable Capital Assets:				
Buildings	86,425,890	-	-	86,425,890
Leasehold improvements	43,796,329	7,222,156	-	51,018,485
Equipment	5,284,109	311,366	(110,433)	5,485,042
Leased land and land improvements	14,629	-	-	14,629
Leased buildings	54,133,109	397,010	-	54,530,119
Leased infrastructure	483,864	-	-	483,864
Leased equipment	50,196	365,537	(50,196)	365,537
Intangible assets	196,631	-	-	196,631
Leased Software Arrangements	-	222,993	-	222,993
Total Depreciable Capital Assets	<u>190,384,757</u>	<u>8,519,062</u>	<u>(160,629)</u>	<u>198,743,190</u>
Total Capital Assets	<u>197,671,970</u>	<u>13,519,697</u>	<u>(7,510,813)</u>	<u>203,680,854</u>
Less Accumulated Depreciation and Amortization:				
Buildings	19,275,403	3,185,623	-	22,461,026
Leasehold improvements	18,491,854	2,905,244	-	21,397,098
Equipment	4,401,336	356,681	(110,433)	4,647,584
Leased assets	4,702,750	4,876,664	(50,196)	9,529,218
Intangible assets	192,797	3,834	-	196,631
Leased Software Arrangements	-	80,544	-	80,544
Total Accumulated Depreciation	<u>47,064,140</u>	<u>11,408,590</u>	<u>(160,629)</u>	<u>58,312,101</u>
Total Capital Assets, Net	<u>\$ 150,607,830</u>	<u>\$ 2,111,107</u>	<u>\$ (7,350,184)</u>	<u>\$ 145,368,753</u>

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2023

NOTE 7. CAPITAL ASSETS (Continued)

The Corporation implemented GASB No 96: *Subscription-Based Information Technology Arrangements*, in Fiscal Year 2023. The Corporation has two software arrangements that require recognition under GASB No 96. The software amortization expense is included on the Statement of Revenues, Expenses and Changes in Net Position related to the Corporation's intangible asset of two software systems, which is included in the above table as Leased Software Arrangements. The Corporation now recognizes a subscription-based information technology arrangement (SBITA) liability and an intangible right-to use asset for the Point of Sale (POS) software used in commercial services and Auxiliary Operations Management Software used in Accounting.

The POS software arrangement is a 38-month agreement, initiated in fiscal year 2022/23 with an annual payment of \$42,945. The Corporation has used a 3.61% Incremental Borrowing Rate for this arrangement. No options exist to extend this arrangement.

The Auxiliary Operations Management software arrangement is a 28-month agreement, initiated in fiscal year 2022/23 with an annual payment of \$39,460. The Corporation has used a 3.58% Incremental Borrowing Rate for this arrangement. No options exist to extend this arrangement.

NOTE 8. LONG-TERM LIABILITIES

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

	2023				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term debt obligations:					
Notes payable related to SRB's	\$ 69,905,000	\$ -	\$ (1,145,000)	\$ 68,760,000	\$ 1,205,000
Unamortized bond premium	10,103,515	-	(396,352)	9,707,163	-
Total long-term debt obligations	<u>80,008,515</u>	<u>-</u>	<u>(1,541,352)</u>	<u>78,467,163</u>	<u>1,205,000</u>
 Total long-term liabilities	 <u>\$ 80,008,515</u>	 <u>\$ -</u>	 <u>\$ (1,541,352)</u>	 <u>\$ 78,467,163</u>	 <u>\$ 1,205,000</u>

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.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2023

NOTE 8. LONG-TERM LIABILITIES (Continued)

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.

2016 Current Refunding of 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

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2023

NOTE 8. LONG-TERM LIABILITIES (Continued)

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 Lease Obligations

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

At June 30, 2023, the future minimum lease payments were as follows:

	Lease liabilities related to SRB		
	Principal Only	Interest Only	Principal and Interest
<u>For the Years Ending June 30,</u>			
2024	\$ 3,629,661	\$ 808,870	\$ 4,438,531
2025	3,665,541	728,686	4,394,227
2026	3,677,184	646,254	4,323,438
2027	3,771,159	558,070	4,329,229
2028	3,854,828	476,228	4,331,056
2029 - 2033	17,177,661	1,181,916	18,359,577
2034 - 2038	4,923,760	83,364	5,007,124
Total minimum lease payments	<u>\$ 40,699,794</u>	<u>\$ 4,483,388</u>	<u>\$ 45,183,182</u>

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2023

NOTE 8. LONG-TERM LIABILITIES (Continued)

Notes Payable

On August 31, 2016, the Trustees of CSU issued \$68,915,000 of Series A Tax-Exempt Commercial Paper notes to provide short-term financing for the Promontory Student Housing Acquisition project. Promontory was a privately-owned student housing complex on 8.27-acres of land adjacent to the California State University, Monterey Bay campus comprised of three four-story buildings totaling approximately 274,000 gross square feet, with a total of 174 apartment units, each having from one to four bedrooms. The commercial paper notes were used as interim financing until bond financing was available. In March 2017, the Trustees of CSU issued SRB Series 2017A and the proceeds were used to pay off the outstanding commercial paper notes. The CSU SRB Series 2017A bears interest at rates graduating from 3.00 percent to 5.00 percent and are due in semiannual principal and interest payments beginning in November 2017 through May 2047. The bonds were purchased at a premium of \$9,489,122 with an underwriter's discount of \$164,426, and a cost of issuance expense of \$69,693. The premium is being amortized over the life of the loan using the straight-line method and cost of issuance and underwriter's discount were expensed to interest expense. For year ended June 30, 2023, the amount of bond premium amortized is \$389,977.

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

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

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2023

NOTE 8. LONG-TERM LIABILITIES (Continued)

At June 30, 2023, the future minimum payments were as follows:

<u>For the Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,205,000	\$ 3,181,025	\$ 4,386,025
2025	1,525,000	3,112,775	4,637,775
2026	1,605,000	3,034,525	4,639,525
2027	1,690,000	2,952,150	4,642,150
2028	1,770,000	2,937,400	4,707,400
2029 - 2033	10,340,000	12,866,000	23,206,000
2034 - 2038	13,230,000	9,970,025	23,200,025
2039 - 2043	16,745,000	6,451,475	23,196,475
2044 - 2048	17,115,000	2,215,025	19,330,025
2049 - 2053	3,535,000	271,575	3,806,575
Total	<u>\$ 68,760,000</u>	<u>\$46,991,975</u>	<u>\$ 115,751,975</u>

SBITA Liability

\$222,993 has been recorded as leased software arrangements in capital assets. Due to the implementation of GASB Statement No. 96, these arrangements for POS software and Auxiliary Operations Management software met the criteria of a SBITA; thus, requiring it to be recorded by the Corporation as intangible assets and a SBITA liability. These assets will be amortized over the lease terms. There are no residual value guarantees in the arrangement provisions. The POS software arrangement will end in 2024 and the Auxiliary Operations Management software will end in 2025.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2023

NOTE 8. LONG-TERM LIABILITIES (Continued)

A summary of the principal and interest amounts for the remaining arrangements includes the following principal and interest payments:

POS software arrangement			
<u>For the Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 39,958	\$ 2,987	\$ 42,945
2025	41,424	1,520	42,944
Total	<u>\$ 81,382</u>	<u>\$ 4,507</u>	<u>\$ 85,889</u>

Auxiliary Operations Management software arrangement			
<u>For the Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 38,074	\$ 1,386	\$ 39,460
Total	<u>\$ 38,074</u>	<u>\$ 1,386</u>	<u>\$ 39,460</u>

Total SBITA Payments to Maturity			
<u>For the Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 78,032	\$ 4,373	\$ 82,405
2025	41,424	1,520	42,944
Total	<u>\$ 119,456</u>	<u>\$ 5,893</u>	<u>\$ 125,349</u>

NOTE 9. NET POSITION

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

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

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2023

NOTE 9. NET POSITION (Continued)

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

	2023
Current operations reserve	\$ 27,515,200
Audit disallowance reserve	417,297
Capital replacement reserve	8,350,244
Future operations reserve	10,000,000
CEHI reserve	100,000
Total	\$ 46,382,741

NOTE 10. PENSION PLAN

The Corporation participates in a defined contribution multi-employer pension plan for employees and contributed 10% of an eligible employee's salary to the Plan for the year ended June 30, 2023. Eligible employees are defined as all regular full-time and regular part-time employees who have reached 21 years of age and completed six months of service. There is immediate vesting upon eligibility. Contributions were invested in the Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF), at the option of the covered employee. Corporation contributions for the year ended June 30, 2023 were \$958,018. Employee contributions for the year ended June 30, 2023 were \$576,522.

In 2014/15, the Corporation added a 457 Vacation Conversion Plan. The Plan is administered by Public Agency Retirement Services (PARS). Eligible employees can defer a portion of their unused vacation into the Plan and contributions are then invested in investment options through John Hancock Retirement Services. Eligible employees are defined as all regular full-time and regular part-time employees having completed four years of service who have in excess of 160 vacation hours and have taken 40 vacation hours over the previous twelve months. Employee contributions for the year ended June 30, 2023 were \$42,931.

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.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2023

NOTE 12. LEASES

As Lessee

CSU Facilities

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

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

OSU Facilities

The Corporation entered into a lease with the Otter Student Union on July 1, 2022 with a term end date of June 30, 2023. It describes the exclusive use and common areas to be utilized for commercial operations. On June 27, 2023, the lease agreement was modified to include two (2) automatic two-year lease extensions. Lease and utilities payments for the year ended June 30, 2023, were \$137,121 and \$65,283 respectively.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2023

NOTE 12. LEASES (Continued)

Laundry Equipment

The Corporation entered into a lease agreement on March 22, 2010 with WASH Multifamily Laundry Systems, to install and maintain washers and dryers for the residents in the on-campus dormitories. This agreement had an initial term of seven years ending on July 31, 2017 and was extended for an additional five years beginning August 1, 2017 through July 31, 2022. The Corporation entered into a new lease agreement on June 6, 2022 with WASH Multifamily Laundry systems. This agreement had an initial term of seven years commencing on August 1, 2022 and ending on July 31, 2029. Rental payments to WASH Multifamily Laundry Systems were \$59,355 for the year ended June 30, 2023.

KAZU Tower Facilities

In December 2019, KAZU entered into a new tower facilities lease with HH Tower. The initial term of the lease covers the period from January 1, 2020 to December 31, 2024 and can be extended twice through December 31, 2034. Rental payments are subject to annual consumer price index adjustments not to exceed 4.0 percent from the previous minimum monthly rent. For the year ended June 30, 2023, payments for tower rent and utilities remitted to HH Tower were \$52,818 and \$11,905, respectively.

KAZU Radio Transmitter

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

CSUMB @ North Salinas

On January 21, 2016, the Corporation entered into an agreement with 100 East Alvin Drive, LLC for the lease of classroom buildings, administrative offices and the associated common area. The lease agreement was subsequently amended on three occasions, the last being on February 10, 2020. The last amendment extended the lease term to July 31, 2032. Lease and common area maintenance payments for the year ended June 30, 2023 were \$743,744.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2023

NOTE 12. LEASES (Continued)

At June 30, 2023, future maturities of the lease liability balance were as follows:

<u>For the Years Ending June 30,</u>	<u>Principal Only</u>	<u>Interest Only</u>	<u>Principal and Interest</u>
2024	\$ 4,386,944	\$ 941,163	\$ 5,328,107
2025	4,506,489	853,089	5,359,578
2026	4,414,715	751,447	5,166,162
2027	4,535,415	648,323	5,183,738
2028	4,649,677	550,967	5,200,644
2029 - 2033	20,607,206	1,324,741	21,931,947
2034 - 2038	4,984,323	84,361	5,068,684
Total future maturities	<u>\$ 48,084,769</u>	<u>\$ 5,154,091</u>	<u>\$ 53,238,860</u>

As Lessor

The Corporation leases building exterior space at Ryan Ranch to two telecommunication companies. The lease agreement with Nextel Sprint was inherited with the purchase of the Ryan Ranch property and the Corporation was notified in May 2022 that the agreement was to be terminated effective August 31, 2022. Lease income through June 30, 2023 was \$2,281. The second agreement with Verizon has an initial lease term of five years expiring March 2023 and was extended an additional five years beginning April 1, 2023 through March 31, 2028 with the option to renew for an additional two 5-year terms. Rental income for the year ended June 30, 2023 was \$22,495.

The Corporation leases classroom space at CSUMB @ North Salinas to Legacy Education with an initial lease term of six months commencing January 1, 2023, and expiring June 30, 2023. Effective July 1, 2023 a new lease was entered into for a period of three years ending June 30, 2026. No renewal options were included in the lease agreement. Rental income for the year ended June 30, 2023 was \$156,685.

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. 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, 2023 as follows:

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2023

NOTE 12. LEASES (Continued)

<u>For the Year Ending June 30,</u>	
2024	\$ 154,584
2025	156,748
2026	158,942
2027	161,167
2028	163,424
Thereafter through 2097	<u>10,775,556</u>
	<u>\$ 11,570,421</u>

Included in Housing revenue is \$101,317 related to these land rents for the year ended June 30, 2023.

Month-to-Month Rentals

In addition to the above homeowner rents received, the Corporation also rents, on a month to month basis, 736 housing units in Schoonover Park and 892 bed spaces in Frederick Park. The annual rental income collected for Schoonover Park and Frederick Park for the year ended June 30, 2023 was \$11,626,778 and \$7,210,139, respectively.

Child Development Center Sublease

The Child Development Center (CDC) was managed by Early Development Services (EDS) for the year ended June 30, 2023. EDS provides a fully licensed, comprehensive, and quality childcare program at the CDC in return for use of the facility and play yard area with no rental fee. The Corporation also pays the costs associated with disposal collection, water, utilities, custodial services, and grounds and building maintenance and repair. The agreement with EDS was extended through June 30, 2024.

National Steinbeck Center

In September 2015, the National Steinbeck Center (NSC) entered into a lease agreement with the Corporation for the use of office space to include a common area and multi-purpose room for its ongoing operations. The base rent to be paid by NSC is one dollar annually. As additional rent, the lessee is responsible for paying a proportionate share (46.90 percent) of operating costs throughout the year. The lease is set to expire on December 31, 2047, however, the NSC has the option to extend the term for one additional forty-nine-year period. The amounts received as additional rent were \$162,693 for the year ended June 30, 2023.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2023

NOTE 13. RISK MANAGEMENT

The Corporation manages its risk through the purchase of insurance through California State University Risk Management Authority (CSURMA)/Auxiliaries Organization Risk Management Alliance (AORMA), a joint powers public entity risk pool, for coverage of workers’ compensation, general liability, professional liability, property, and general organizational risk exposures. The Auxiliary Organization Risk Management Alliance (AORMA) Self Insured Retention (SIR) liability fund provides coverage for the first \$5,000,000 of each General Liability, Automobile Liability, Products and Completed Operations, Professional Liability including Directors & Officers Liability and Employment Practices Liability claim. Reinsurance insurance for AORMA’s \$5,000,000 layer is purchased from Great American Insurance (AM Best Rating: A, XV Rating; A+ XV) in the amount of \$4,500,000 each occurrence. AORMA also purchases \$5,000,000 excess of \$5,000,000 from Continental Indemnity (AM Best Rating: A, XV Rating), Upland (AM Best Rating: A-, VIII), and Sirius Bermuda (AM Best Rating: A+, XV) and \$5,000,000 excess of \$10,000,000 from Everest Re (AM Best Rating: A+, XV Rating).

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

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

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

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2023

NOTE 13. RISK MANAGEMENT (Continued)

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

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

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

The University Corporation Insurance coverages meet the requirement of the CSURMA and, as such, present no significant inadequacies in coverage. The California State University Board of Trustees has been named as an additional insured as respects the activities of the Auxiliary Organization. CSURMA/AORMA provides self-insured risk with purchase of excess insurance. The Corporation maintains general liability insurance coverage for individual claims up to \$20,000,000 per occurrence. Errors and omission claims under \$25,000 are self-insured. The Corporation also maintains excess property insurance coverage to limits of \$1,000,000,000. The Corporation maintains workers' compensation insurance for individual claims up to the State's statutory limits. There have been no settlements in the past three years that have exceeded insurance limits. There are no self-insurance claims liabilities recorded in the accompanying financial statements because any amounts at June 30, 2023 are expected to be minimal. Likewise, no amounts have been paid to CSURMA/AORMA by June 30, 2023, related to the Corporation's estimated future funding for claims liability.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2023

NOTE 14. PROPERTY MANAGEMENT

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

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

The amount paid to the property manager for the year ended June 30, 2023 was \$907,245. and was included in rental housing operations expense. In connection with the agreement, the Corporation receives, on a monthly basis, the excess of revenues over expenses, adjusted for any anticipated cash flow needs, from the property manager. As of June 30, 2023, the accounts receivable from the property manager amounted to \$2,293,169.

NOTE 15. CONTRACTED SERVICES REVENUE

Compass Group USA, Inc, by and through its Chartwells Division (Chartwells), became the dining contractor effective July 1, 2021. The agreement with Chartwells will remain in force until June 30, 2031 unless sooner terminated by either party in writing, sixty (60 days) prior to the proposed termination date. The Corporation will provide all utilities, office space and equipment, along with other maintenance related services throughout the term of the contract. Chartwells will provide voluntary and mandatory meal plans, catering, and conference meals with agreed upon rates prior to the academic year. In addition, the dining contractor will fund an investment not to exceed of \$5,984,604 designated to capital improvements of dining venues. Commission payments for the year ended June 30, 2023 were \$444,104.

In June 2017, the Corporation entered into an agreement with Follett Higher Education Group, Inc. to operate the University Bookstore. The initial term of the agreement commenced on June 22, 2017 and terminates on June 30, 2027. Commission payments based on gross sales will be paid on the last day of the month for business transacted during the previous month. Commission payments for the year ended June 30, 2023 were \$154,190.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2023

NOTE 16. RELATED PARTY TRANSACTIONS

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

	2023
University:	
Corporation receivable from the University	\$ 871,662
Corporation payable to the University	11,009,376
Payments for salaries of University personnel working on contracts, grants, and other programs	2,038,654
Payments for other than salaries of University personnel	4,391,913
Interest to University under lease obligations Principal to University under lease obligations	868,647
Gifts, grants, or capital contributions to the University	3,017,573
Grants and contracts from University	6,935,180
	481,069
Foundation:	
Corporation receivable from the Foundation	\$ 30,839
Corporation payable to the Foundation	175,990
Endowment distribution from Foundation	171,716
Net Contributions to Foundation	254,465
CSU:	
Corporation payable to CSU	\$ 545,838
Corporation receivable from CSU	65,398
Interest to CSU under note payable	2,721,609
Principal to CSU under note payable	1,145,000
OSU:	
Corporation receivable from the Otter Student Union	\$ 282,138
Corporation payable to the Otter Student Union	174,909
Expense reimbursements from the Otter Student Union	989,887

Supplemental Information

University Corporation at Monterey Bay
Schedule of Net Position
June 30, 2023
(for inclusion in the California State University Financial Statements)

Assets:

Current assets:

Cash and cash equivalents	\$ 9,791,700
Short-term investments	373,342
Accounts receivable, net	13,454,076
Lease receivable, current portion	317,110
P3 receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	254,446
Prepaid expenses and other current assets	3,966,918
Total current assets	28,157,592

Noncurrent assets:

Restricted cash and cash equivalents	-
Accounts receivable, net	-
Lease receivable, net of current portion	1,098,949
P3 receivable, net of current portion	-
Notes receivable, net of current portion	-
Student loans receivable, net	-
Pledges receivable, net	193,973
Endowment investments	-
Other long-term investments	48,744,466
Capital assets, net	145,368,753
Other assets	40,000
Total noncurrent assets	195,446,141
Total assets	223,603,733

Deferred outflows of resources:

Unamortized loss on debt refunding	-
Net pension liability	-
Net OPEB liability	-
Leases	-
P3	-
Others	-
Total deferred outflows of resources	-

Liabilities:

Current liabilities:

Accounts payable	16,174,220
Accrued salaries and benefits	1,032,229
Accrued compensated absences, current portion	678,338
Unearned revenues	6,898,021
Lease liabilities, current portion	4,386,944
SBITA liabilities - current portion	78,032
P3 liabilities - current portion	-
Long-term debt obligations, current portion	1,205,000
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	126,385
Total current liabilities	30,579,169

Noncurrent liabilities:

Accrued compensated absences, net of current portion	-
Unearned revenues	-
Grants refundable	-
Lease liabilities, net of current portion	43,697,825
SBITA liabilities, net of current portion	41,424
P3 liabilities, net of current portion	-
Long-term debt obligations, net of current portion	77,262,163
Claims liability for losses and loss adjustment expenses, net of current portion	-
Depository accounts	387,792
Net other postemployment benefits liability	-
Net pension liability	-
Other liabilities	-
Total noncurrent liabilities	121,389,204
Total liabilities	151,968,373

Deferred inflows of resources:

P3 service concession arrangements	-
Net pension liability	-
Net OPEB liability	-
Unamortized gain on debt refunding	-

University Corporation at Monterey Bay
Schedule of Net Position
June 30, 2023
(for inclusion in the California State University Financial Statements)

Nonexchange transactions	-
Lease	1,389,299
P3	-
Others	-
Total deferred inflows of resources	1,389,299
Net position:	
Net investment in capital assets	26,529,983
Restricted for:	
Nonexpendable – endowments	-
Expendable:	
Scholarships and fellowships	-
Research	29,913
Loans	-
Capital projects	-
Debt service	-
Others	5,941,356
Unrestricted	37,744,809
Total net position	\$ 70,246,061

University Corporation at Monterey Bay
Schedule of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2023
(for inclusion in the California State University Financial Statements)

Revenues:	
Operating revenues:	
Student tuition and fees, gross	-
Scholarship allowances (enter as negative)	-
Grants and contracts, noncapital:	
Federal	17,365,257
State	3,627,917
Local	113,758
Nongovernmental	2,899,166
Sales and services of educational activities	-
Sales and services of auxiliary enterprises, gross	1,284,163
Scholarship allowances (enter as negative)	-
Other operating revenues	53,239,771
Total operating revenues	78,530,032
Expenses:	
Operating expenses:	
Instruction	157,801
Research	7,358,857
Public service	9,786,681
Academic support	4,346,283
Student services	2,274,208
Institutional support	4,992,014
Operation and maintenance of plant	7,658
Student grants and scholarships	3,612,340
Auxiliary enterprise expenses	34,674,482
Depreciation and amortization	11,408,590
Total operating expenses	78,618,914
Operating income (loss)	(88,882)
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	3,071,290
Investment income (loss), net	3,996,894
Endowment income (loss), net	-
Interest expense	(3,819,872)
Other nonoperating revenues (expenses)	899,758
Net nonoperating revenues (expenses)	4,148,070
Income (loss) before other revenues (expenses)	4,059,188
State appropriations, capital	-
Grants and gifts, capital	(598,067)
Additions (reductions) to permanent endowments	-
Increase (decrease) in net position	3,461,121
Net position:	
Net position at beginning of year, as previously reported	66,784,940
Restatements	-
Net position at beginning of year, as restated	66,784,940
Net position at end of year	\$ 70,246,061

University Corporation at Monterey Bay
Other Information
June 30, 2023
(for inclusion in the California State University Financial Statements)

3.1 Capital Assets, excluding ROU assets:

<u>Composition of capital assets, excluding ROU assets:</u>	Balance June 30, 2022	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2022 (Restated)	Additions	Retirements	Transfer of completed CWIP/PWIP	Balance June 30, 2023
Non-depreciable/Non-amortizable capital assets:									
Land and land improvements	\$ 2,000,734				\$ 2,000,734				2,000,734
Works of art and historical treasures									
Construction work in progress (CWIP)	5,138,130				5,138,130	5,000,635	(128,028)	(7,222,156)	2,788,581
Intangible assets:									
Rights and easements									
Patents, copyrights and trademarks									
Intangible assets in progress (PWIP)									
Licenses and permits	148,349				148,349				148,349
Other intangible assets:									
Total Other intangible assets									
Total intangible assets	148,349				148,349				148,349
Total non-depreciable/non-amortizable capital assets	\$ 7,287,213				\$ 7,287,213	5,000,635	(128,028)	(7,222,156)	4,937,664
Depreciable/Amortizable capital assets:									
Buildings and building improvements	86,425,890				86,425,890				86,425,890
Improvements, other than buildings									
Infrastructure									
Leasehold improvements	43,796,329				43,796,329			7,222,156	51,018,485
Personal property:									
Equipment									
Library books and materials	5,284,109				5,284,109	311,366	(110,433)		5,485,042
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 depreciable/amortizable capital assets	135,702,959				135,702,959	311,366	(110,433)	7,222,156	143,126,048
Total capital assets	\$ 142,990,172				\$ 142,990,172	5,312,001	(238,461)		148,063,712
Less accumulated depreciation/amortization:									
Buildings and building improvements	\$ (19,275,403)				\$ (19,275,403)	(3,185,623)			(22,461,026)
Improvements, other than buildings									
Infrastructure									
Leasehold improvements	(18,491,854)				(18,491,854)	(2,905,244)			(21,397,098)
Personal property:									
Equipment									
Library books and materials	(4,401,336)				(4,401,336)	(356,681)	110,433		(4,647,584)
Intangible assets:									
Software and websites	(192,797)				(192,797)	(3,834)			(196,631)
Rights and easements									
Patents, copyrights and trademarks									
Licenses and permits									
Other intangible assets:									
Total Other intangible assets:									
Total intangible assets	(192,797)				(192,797)	(3,834)			(196,631)
Total accumulated depreciation/amortization	(42,361,390)				(42,361,390)	(6,451,382)	110,433		(48,702,339)
Total capital assets, net excluding ROU assets	\$ 100,628,782				\$ 100,628,782	(1,139,381)	(128,028)		99,361,373

Capital Assets, Right of Use

<u>Composition of capital assets - Lease ROU, net:</u>	Balance June 30, 2022	Prior Period Reclassifications	Prior Period Additions	Prior Period Reductions	Balance June 30, 2022 (Restated)	Additions	Remeasurements	Reductions	Balance June 30, 2023
Non-depreciable/Non-amortizable lease assets:									
Land and land improvements									
Total non-depreciable/non-amortizable lease assets									
Depreciable/Amortizable lease assets:									
Land and land improvements	14,629				14,629				14,629
Buildings and building improvements	54,133,109				54,133,109	397,010			54,530,119
Improvements, other than buildings									
Infrastructure	483,864				483,864				483,864
Personal property:									
Equipment	50,196				50,196	365,537		(50,196)	365,537
Total depreciable/amortizable lease assets	54,681,798				54,681,798	762,547		(50,196)	55,394,149

University Corporation at Monterey Bay
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Less accumulated depreciation/amortization:								
Land and land improvements	(2,926)		(2,926)		(2,926)			(5,852)
Buildings and building improvements	(4,617,647)		(4,617,647)		(4,786,167)			(9,403,814)
Improvements, other than buildings								-
Infrastructure	(35,842)		(35,842)		(35,842)			(71,684)
Personal property:								
Equipment	(46,335)		(46,335)		(51,729)		50,196	(47,868)
Total accumulated depreciation/amortization	(4,702,750)				(4,702,750)		50,196	(9,529,218)
Total capital assets - lease ROU, net	49,979,048				49,979,048			45,864,931

Composition of capital assets - SBITA ROU, net	Balance June 30, 2022	Reclassifications	Prior Period Additions	Prior Period Reductions	Balance June 30, 2022 (Restated)	Additions	Remeasurements	Reductions	Balance June 30, 2023
Depreciable/Amortizable SBITA assets:									
Software						222,993			222,993
Total depreciable/amortizable SBITA assets						222,993			222,993
Less accumulated depreciation/amortization:									
Software						(80,544)			(80,544)
Total accumulated depreciation/amortization						(80,544)			(80,544)
Total capital assets - SBITA ROU, net						142,449			142,449

Composition of capital assets - P3 ROU, net:	Balance June 30, 2022	Reclassifications	Prior Period Additions	Prior Period Reductions	Balance June 30, 2022 (Restated)	Additions	Remeasurements	Reductions	Balance June 30, 2023
Non-depreciable/Non-amortizable P3 assets:									
Land and land improvements									
Total non-depreciable/non-amortizable P3 assets									
Depreciable/Amortizable P3 assets:									
Land and land improvements									
Buildings and building improvements									
Improvements, other than buildings									
Infrastructure									
Personal property:									
Equipment									
Total depreciable/amortizable P3 assets									
Less accumulated depreciation/amortization:									
Land and land improvements									
Buildings and building improvements									
Improvements, other than buildings									
Infrastructure									
Personal property:									
Equipment									
Total accumulated depreciation/amortization									
Total capital assets - P3 ROU, net									

Total capital assets, net including ROU assets

\$ 145,368,753

3.2 Detail of depreciation and amortization expense:

Depreciation and amortization expense - capital assets, excluding ROU assets	\$ 6,451,382
Amortization expense - Leases ROU	4,876,664
Amortization expense - SBITA ROU	80,544
Amortization expense - P3 ROU	-
Depreciation and Amortization expense - Others	-
Total depreciation and amortization	\$ 11,408,590

4 Long-term liabilities:

	Balance June 30, 2022	Prior Period Adjustments/Reclassifications	Balance June 30, 2022 (Restated)	Additions	Reductions	Balance June 30, 2023	Current Portion	Noncurrent Portion
1. Accrued compensated absences	\$ 642,574		642,574	600,467	(564,703)	678,338	678,338	-
2. Claims liability for losses and loss adjustment expenses	-		-			-		-
3. Lease obligations (pre-ASC 842):								
Gross balance	-		-			-		-
Unamortized net premium/(discount)	-		-			-		-
4. Long-term debt obligations:								
4.1 Auxiliary revenue bonds (non-SRB related)	-		-			-		-
4.2 Commercial paper	-		-			-		-
4.3 Notes payable (SRB related)	69,905,000		69,905,000		(1,145,000)	68,760,000	1,205,000	67,555,000
4.4 Finance purchase of capital assets	-		-			-		-

University Corporation at Monterey Bay
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4.5 Others:	-	-	-	-	-	-	-
Total others	-	-	-	-	-	-	-
Sub-total long-term debt	69,905,000	69,905,000	-	(1,145,000)	68,760,000	1,205,000	67,555,000
4.6 Unamortized net bond premium/(discount)	10,103,515	10,103,515	-	(396,352)	9,707,163	-	9,707,163
Total long-term debt obligations	\$ 80,008,515	80,008,515	-	(1,541,352)	\$ 78,467,163	1,205,000	77,262,163

5. Lease, SBITA, P3 liabilities:	Balance June 30, 2022	Prior Period Adjustments/Reclassifications	Additions	Remeasurements	Reductions	Balance June 30, 2023	Current Portion	Noncurrent Portion
Lease liabilities	51,182,616	-	449,500	-	(3,547,347)	48,084,769	4,386,944	43,697,825
SBITA liabilities	-	-	200,198	-	(80,742)	119,456	78,032	41,424
P3 liabilities - SCA	-	-	-	-	-	-	-	-
P3 liabilities - non-SCA	-	-	-	-	-	-	-	-
Sub-total P3 liabilities	-	-	-	-	-	-	-	-
Total Lease, SBITA, P3 liabilities	\$ 51,182,616	\$ -	649,698	-	(3,628,089)	48,204,225	4,464,976	43,739,249
Total long-term liabilities	\$ 127,349,726						6,348,314	121,001,412

5 Future minimum payments schedule - leases, SBITA, P3:

Year ending June 30:	Lease Liabilities			SBITA liabilities			Public-Private or Public-Public Partnerships (P3)			Total Leases, SBITA, P3 liabilities		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal Only	Interest Only	Principal and Interest
2024	4,386,944	941,163	5,328,107	78,032	4,373	82,405	-	-	-	4,464,976	945,536	5,410,512
2025	4,506,489	853,089	5,359,578	41,424	1,520	42,944	-	-	-	4,547,913	854,609	5,402,522
2026	4,414,715	751,447	5,166,162	-	-	-	-	-	-	4,414,715	751,447	5,166,162
2027	4,535,415	648,323	5,183,738	-	-	-	-	-	-	4,535,415	648,323	5,183,738
2028	4,649,677	550,967	5,200,644	-	-	-	-	-	-	4,649,677	550,967	5,200,644
2029 - 2033	20,607,206	1,324,741	21,931,947	-	-	-	-	-	-	20,607,206	1,324,741	21,931,947
2034 - 2038	4,984,323	84,361	5,068,684	-	-	-	-	-	-	4,984,323	84,361	5,068,684
2039 - 2043	-	-	-	-	-	-	-	-	-	-	-	-
2044 - 2048	-	-	-	-	-	-	-	-	-	-	-	-
2049 - 2053	-	-	-	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-	-	-	-
Total minimum payments	\$ 48,084,769	5,154,091	53,238,860	119,456	5,893	125,349	-	-	-	48,204,225	5,159,984	53,364,209
Less: amounts representing interest	-	-	-	-	-	-	-	-	-	-	-	(5,159,984)
Present value of future minimum payments	-	-	-	-	-	-	-	-	-	-	-	48,204,225
Total Leases, SBITA, P3 liabilities	-	-	-	-	-	-	-	-	-	-	-	48,204,225
Less: current portion	-	-	-	-	-	-	-	-	-	-	-	(4,464,976)
Leases, SBITA, P3 liabilities, net of current portion	-	-	-	-	-	-	-	-	-	-	-	\$ 43,739,249

6 Future minimum payments schedule - Long-term debt obligations:

Year ending June 30:	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
2024	-	-	-	1,205,000	3,181,025	4,386,025	1,205,000	3,181,025	4,386,025
2025	-	-	-	1,525,000	3,112,775	4,637,775	1,525,000	3,112,775	4,637,775
2026	-	-	-	1,605,000	3,034,525	4,639,525	1,605,000	3,034,525	4,639,525
2027	-	-	-	1,690,000	2,952,150	4,642,150	1,690,000	2,952,150	4,642,150
2028	-	-	-	1,770,000	2,865,650	4,635,650	1,770,000	2,865,650	4,635,650
2029 - 2033	-	-	-	10,340,000	12,866,000	23,206,000	10,340,000	12,866,000	23,206,000
2034 - 2038	-	-	-	13,230,000	9,970,025	23,200,025	13,230,000	9,970,025	23,200,025
2039 - 2043	-	-	-	16,745,000	6,451,475	23,196,475	16,745,000	6,451,475	23,196,475
2044 - 2048	-	-	-	17,115,000	2,215,025	19,330,025	17,115,000	2,215,025	19,330,025
2049 - 2053	-	-	-	3,535,000	271,575	3,806,575	3,535,000	271,575	3,806,575
Thereafter	-	-	-	-	-	-	-	-	-
Total minimum payments	\$ -	-	-	68,760,000	46,920,225	115,680,225	68,760,000	46,920,225	115,680,225
Less: amounts representing interest	-	-	-	-	-	-	-	-	(46,920,225)
Present value of future minimum payments	-	-	-	-	-	-	-	-	68,760,000
Unamortized net premium/(discount)	-	-	-	-	-	-	-	-	9,707,163
Total long-term debt obligations	-	-	-	-	-	-	-	-	78,467,163
Less: current portion	-	-	-	-	-	-	-	-	(1,205,000)
Long-term debt obligations, net of current portion	-	-	-	-	-	-	-	-	\$ 77,262,163

7 Transactions with related entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 2,038,654
Payments to University for other than salaries of University personnel	4,391,913
Payments received from University for services, space, and programs	-
Gifts-in-kind to the University from discretely presented component units	834,570
Gifts (cash or assets) to the University from discretely presented component units	6,100,610
Accounts payable to University	(11,009,376)
Other amounts payable to University	-
Accounts receivable from University	871,662
Other amounts receivable from University	-

8 Restatements: N/A

Restatement	Enter transaction description	Debit/(Credit)

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Restatement \$ -

\$ -

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	\$ 102,265	13,831	-	-	-	41,705	-	157,801
Research	2,899,481	697,561	126,429	-	-	3,633,386	-	7,358,857
Public service	4,516,576	1,347,368	258,354	-	-	3,664,383	-	9,786,681
Academic support	1,876,609	490,524	75,476	-	-	1,903,674	-	4,346,283
Student services	1,082,043	410,015	78,443	-	-	703,707	-	2,274,208
Institutional support	2,436,690	937,169	220,745	-	-	1,397,410	-	4,992,014
Operation and maintenance of plant	-	-	-	-	-	7,658	-	7,658
Student grants and scholarships	-	-	-	-	3,612,340	-	-	3,612,340
Auxiliary enterprise expenses	1,734,922	598,497	132,035	-	-	32,209,028	-	34,674,482
Depreciation and amortization	-	-	-	-	-	-	11,408,590	11,408,590
Total operating expenses	\$ 14,648,586	4,494,965	891,482	-	3,612,340	43,562,951	11,408,590	\$ 78,618,914

Select type of pension plan >>

Defined Contribution Plan

10 Deferred outflows/inflows of resources: N/A

1. Deferred Outflows of Resources

Deferred outflows - unamortized loss on refunding(s)
Deferred outflows - net pension liability
Deferred outflows - net OPEB liability
Deferred outflows - leases
Deferred outflows - P3
Deferred outflows - others:
Sales/intra-entity transfers of future revenues
Gain/loss on sale leaseback
Loan origination fees and costs
Change in fair value of hedging derivative instrument
Irrevocable split-interest agreements

Total deferred outflows - others -
Total deferred outflows of resources \$ -

2. Deferred Inflows of Resources

Deferred inflows - P3 service concession arrangements
Deferred inflows - net pension liability
Deferred inflows - net OPEB liability
Deferred inflows - unamortized gain on debt refunding(s)
Deferred inflows - nonexchange transactions
Deferred inflows - leases
Deferred inflows - P3
Deferred inflows - others:
Sales/intra-entity transfers of future revenues
Gain/loss on sale leaseback
Loan origination fees and costs
Change in fair value of hedging derivative instrument
Irrevocable split-interest agreements

Total deferred inflows - others -
Total deferred inflows of resources \$ 1,389,299

11 Other nonoperating revenues (expenses)

Other nonoperating revenues \$ 899,758
Other nonoperating (expenses) -
Total other nonoperating revenues (expenses) \$ 899,758

**Independent Auditors' Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Directors
University Corporation at Monterey Bay
Seaside, California

We have audited, 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, the statement of net position and related statements of revenues, expenses and changes in net position and cash flows of University Corporation at Monterey Bay (the Corporation), a component unit of California State University, Monterey Bay, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated October 19, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of Directors
University Corporation at Monterey Bay
Seaside, California
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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Glenn Burdette Attest Corporation
San Luis Obispo, California

October 19, 2023