

University Corporation at Monterey Bay

Annual Report

**For the Years Ended
June 30, 2020 and 2019**

**University Corporation at Monterey Bay
Annual Report
For the Years Ended
June 30, 2020 and 2019**

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Independent Auditors' Report

Board of Directors
University Corporation at Monterey Bay
Seaside, California

Report on the Financial Statements

We have audited the accompanying statements of net position of University Corporation at Monterey Bay (the Corporation), a component unit of California State University, Monterey Bay, as of June 30, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University Corporation at Monterey Bay as of June 30, 2020 and 2019, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis on pages 4 through 16 be presented to supplement the basic financial statements. Such information, although not a basic part of the financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University Corporation at Monterey Bay’s basic financial statements. The accompanying supplementary information for inclusion in the financial statements of the California State University on pages 60 through 65 is presented for purposes of additional analysis as required by the California State University and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2020, on our consideration of the University Corporation at Monterey Bay's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University Corporation at Monterey Bay's internal control over financial reporting and compliance.

Glenn Burdette Attest Corporation

Glenn Burdette Attest Corporation
San Luis Obispo, California

September 11 2020

University Corporation at Monterey Bay
Management's Discussion and Analysis
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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, 2020 and 2019. We encourage readers to read the information presented here in conjunction with additional information that we have provided in the Corporation's financial statements, which follow this narrative. The Corporation's financial statements are presented here and are incorporated in the University's financial statements as a component unit.

Introduction to the Financial Statements

This annual report consists of a series of financial statements, prepared in accordance with principles issued by the Governmental Accounting Standards Board ("GASB"). The financial statements include the Statements of Net Position, Statements of Changes in Net Position and Statements of Cash Flow (on pages 18 through 24). All provide information about the Corporation's activities and present a long-term view of its finances.

These statements are prepared using the accrual basis of accounting, which recognizes expenses when incurred and revenue when earned rather than when payment is made or received. They also report on the Corporation's net position as a whole and changes in it resulting from the current year's activity. You can think of the Corporation's net position – the difference between assets (plus deferred outflows of resources) and liabilities (plus deferred inflows of resources) – as one way to measure the Corporation's financial health, or fiscal position. Over time, increases or decreases in the Corporation's net position is one indicator of whether its financial position is improving or declining.

**University Corporation at Monterey Bay
Management's Discussion and Analysis
June 30, 2020 and 2019**

Financial Highlights

- At June 30, 2020, the Corporation's total net position increased by 0.5 percent or \$384,000 from \$73.7 million to \$74.1 million.
- Housing revenue declined 8.3 percent or \$3.2 million from \$39.1 million to \$35.9 million.
- Grants and contracts revenue decreased to \$16.8 million from \$18.8 million for a 10.3 percent or \$2.0 million decrease.
- Sales and services of auxiliary enterprises decreased \$602,000 or 24.4 percent from \$2.5 million to \$1.9 million.
- Contract services increased by \$1.0 million or 14.4 percent from \$7.1 million to \$8.1 million.
- Repairs and maintenance increased by 36.0 percent or \$799,000 from \$2.2 million to \$3.0 million.
- Depreciation and amortization expense increased to \$9.6 million from \$7.6 million for a \$2.0 million or 26.8 percent increase.
- Gifts and donations, noncapital increased by 34.7 percent or \$1.4 million from \$4.0 million to \$5.4 million.
- Contributions from/to Foundation increased 635.7 percent or \$1.2 million from (\$185,000) to \$990,000.
- University support, capital decreased to \$292,000 from \$1.5 million for a change of 80.5 percent or \$1.2 million.

Condensed Comparative Financial Information

The accompanying audited financial statements as of and for the years ended June 30, 2020 and 2019 are reported in accordance with standards and requirements of the GASB as are the following schedules.

**University Corporation at Monterey Bay
Management's Discussion and Analysis
June 30, 2020 and 2019**

Table 1: Condensed Statements of Net Position as of June 30, 2020, 2019, and 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Assets			
Current assets	\$ 20,047,332	\$ 20,487,876	\$ 16,783,647
Noncurrent assets	178,080,626	180,454,051	179,229,210
Total Assets	<u>198,127,958</u>	<u>200,941,927</u>	<u>196,012,857</u>
Deferred Outflows of Resources			
Unamortized loss on refundings	1,238,176	1,402,896	1,567,616
Total Deferred Outflows of Resources	<u>1,238,176</u>	<u>1,402,896</u>	<u>1,567,616</u>
Liabilities			
Current liabilities	11,944,182	12,183,892	10,645,523
Noncurrent liabilities	113,340,979	116,464,456	121,082,597
Total Liabilities	<u>125,285,161</u>	<u>128,648,348</u>	<u>131,728,120</u>
Net Position			
Net investment in capital assets	15,486,312	7,911,328	4,530,256
Restricted for:			
Expendable	6,359,497	6,479,834	4,301,058
Unrestricted	52,235,164	59,305,313	57,021,039
Total Net Position	<u>\$ 74,080,973</u>	<u>\$ 73,696,475</u>	<u>\$ 65,852,353</u>

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

Total net position in 2018/19 increased by 11.9 percent or \$7.8 million over 2017/18. This was a result of \$7.4 million in operating income, gifts and donations, noncapital gifts of \$4.0 million, investment appreciation of \$3.2 million, contributions from Foundation of \$185,000, gains from sales of capital assets of \$143,000, offset by University support of \$2.6 million and \$4.5 million in capital related debt interest.

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

In fiscal year 2018/19, Net investment in capital assets increased by \$3.4 million or 74.6 percent from \$4.5 million to \$7.9 million. This was a result of the addition of \$7.1 million in net capital assets, depreciation and amortization of capital assets of \$7.5 million, offset by the annual debt payment of \$3.2 million, and the net amortization of deferred outflows of resources and bond premiums of \$624,000.

The Unrestricted net position category is an important measure of an organization's financial health because it comprises the part of net position that can be used to finance the day-to-day operations of the Corporation without constraints established by donor restrictions, debt covenants or other legal requirements. In 2019/20, Unrestricted net position decreased to \$52.2 million from \$59.3 million for a 11.9 percent or \$7.1 million decrease. Unrestricted net position in 2018/19 increased to \$59.3 million from \$57.0 million for a 4.0 percent or \$2.3 million increase.

Assets

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

Short-term investments decreased by 82.3 percent or \$1.2 million in 2019/20 from \$1.5 million to \$261,000. Certificates of deposit (CDs) were redeemed due to a shortage of income from student housing operations as a result of the global pandemic, Coronavirus Disease 2019 (COVID-19), that forced the campus to send students home and transition to virtual learning. In 2018-19, Short-term investments increased by 18.2 percent or \$226,000 from \$1.2 million to \$1.5 million due to a reclassification of a CD from noncurrent to current.

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

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Notes receivable is the result of loan agreements the Corporation entered into with the University. Notes receivable, net decreased \$643,000 or 21.5 percent in 2019/20 from \$3.0 million to \$2.3 million. In 2018/19, Notes receivable, net of current portion decreased by 17.6 percent or \$637,000 to \$3.0 million from \$3.6 million. For both years, the decline was a result of reclassifying the payments due within a year to current from noncurrent.

In 2019/20, Certificates of deposit decreased by \$1.7 million or 91.0 percent from \$1.8 million to \$166,000. CDs were redeemed for operational cash needs due a reduction of income brought on by the global pandemic forcing the majority of students to return home. Certificates of deposit in 2018/19 decreased 8.3 percent or \$166,000 due to a reclassification to current.

In 2019/20, Long-term investments decreased by \$3.6 million from \$49.4 million to \$45.8 million for a 7.3 percent decrease due to \$5.0 million of reserves (long-term investments) that were sold to pay for major capital improvements in East Campus combined with realized and unrealized gains of \$1.7 million. Long-term investments in 2018/19 increased from \$46.8 million to \$49.4 million for a 5.5 percent or \$2.6 million increase. This was mainly attributed to investment appreciation of \$958,000 in unrealized and realized gains, \$1.7 million in interest income, and net purchases or redemptions of certificates of deposit made up the remainder.

Capital assets, net increased in 2019/20 by \$3.6 million or 2.9 percent from \$126.0 million to \$129.6 million. The net asset additions, mostly to leasehold improvements and buildings, less deletions, of \$13.1 million offset by accumulated depreciation of \$9.6 million account for this change. In 2018/19, Capital assets, net decreased from \$126.4 million to \$126.0 million for a 0.4 percent or \$443,000 decline, due to net capital asset additions of \$5.8 million being less than accumulated depreciation and retirements combined of \$6.3 million.

Liabilities

Current liabilities or amounts owed or due within one year, consist of Accounts payable, Payable to University, Payable to Foundation, Payable to CSU, Accrued salaries and benefits payable, Unearned revenue, Capital lease obligation-current, Notes payable-current, and Other liabilities.

In 2019/20, Accounts payable increased to \$3.3 million from \$2.3 million for a \$1.0 million or 44.6 percent change. A significant, final payment to the dining contractor of \$1.8 million offset by the net decline in fourth quarter procurement card usage and expense activity due to COVID-19 causing employees to shelter-in-place and work from home, account for the difference. In 2018/19, Accounts payable decreased slightly by 6.9 percent or \$173,000 from \$2.5 million to \$2.3 million as a result of a \$166,000 increase of CSUMB payables that were reclassified to Payable to University.

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In 2019/20, Unearned revenue declined to \$2.3 million from \$3.2 million for a \$974,000 or 30.1 percent decrease. This decline is attributed to the absence of student housing receipts paid in advance of the Fall semester of \$589,000, discontinued summer camp deposits of \$178,000, and the decline in federal and state government advances for grants and contracts of \$225,000. Unearned revenue increased in 2018/19 by 71.6 percent or \$1.3 million from \$1.9 million to \$3.2 million. This increase was mostly due to receiving \$771,000 in student receipts in advance of the Fall semester and the remainder of a \$1.0 million private award paid in advance for use by the College of Science.

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

In 2019/20, Capital lease obligations decreased by 5.9 percent or \$2.9 million from \$49.7 million to \$46.8 million. Capital lease obligations, net of current portion decreased by 5.4 percent or \$2.8 million from \$52.5 million to \$49.7 million in 2018/19. For both years, the decline was due to the reclassification of principal payments to current portion along with current year debt payments and the amortization of bond premiums and losses on refundings. More detailed information on the Capital lease obligation can be found in Note 8 to the financial statements.

In 2019/20, Notes payable, net of current portion decreased slightly by \$195,000 or 0.3 percent from \$66.5 million to \$66.3 million. Notes payable, net of current portion due to the CSU decreased in 2018/19 by 1.9 percent or \$1.3 million from \$67.8 million to \$66.5 million. For both years, the decline was due to the reclassification of principal payments to current portion along with the amortization of its bond premium. However, a new note payable to CSUMB was established in 2019/20 for the balance of the refunded student housing and meal plans due to the University of \$1,165,000. More detailed information about the Notes payable can be found in Note 8 to the financial statements.

Results of Operations

In 2019/20, the Corporation's total net position increased minimally to \$74.1 million from \$73.7 million for a 0.5 percent or \$384,000 change. The overall operations of the Corporation were hampered by COVID-19 resulting in a decline of student housing and auxiliary enterprise services revenues. The Corporation's total net position increased by 11.9 percent or \$7.8 million in 2018/19 as a result of housing operations and investment growth.

University Corporation at Monterey Bay
Management's Discussion and Analysis
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**Table 2: Condensed Summary of Changes in Net Position for
Years Ended June 30, 2020, 2019, and 2018**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating Revenues			
Housing	\$ 35,876,008	\$ 39,112,417	\$ 36,660,486
Grants and contracts	16,835,247	18,760,065	16,790,159
Sales and services of auxiliary enterprises	1,864,618	2,467,005	2,169,057
Other operating income	1,033,777	1,381,088	1,108,017
Total Operating Revenues	<u>55,609,650</u>	<u>61,720,575</u>	<u>56,727,719</u>
Operating Expenses			
Salaries and benefits	20,205,977	20,473,593	19,690,910
Contract services	8,124,106	7,104,387	6,224,033
Utilities	4,702,390	4,871,134	4,599,634
Supplies and services	1,778,449	1,899,502	1,885,390
Scholarships	2,126,008	2,373,411	2,006,613
Repairs and maintenance	3,019,726	2,220,436	1,674,974
Rental expense	955,838	995,225	989,694
Depreciation and amortization	9,581,530	7,555,938	7,326,427
Cost of real estate sold	1,454,445	1,576,691	1,285,742
Other operating expenses	5,335,846	5,251,026	6,576,932
Total Operating Expenses	<u>57,284,315</u>	<u>54,321,343</u>	<u>52,260,349</u>
Operating Income (Loss)	<u>(1,674,665)</u>	<u>7,399,232</u>	<u>4,467,370</u>
Nonoperating Revenues (Expenses)			
University support, noncapital	(1,000,000)	(1,135,119)	(575,146)
Other nonoperating revenues, net	3,335,102	3,067,690	1,065,914
Total Nonoperating Revenues (Expenses)	<u>2,335,102</u>	<u>1,932,571</u>	<u>490,768</u>
Other Changes in Net Position			
University support, capital	(291,939)	(1,494,181)	(144,458)
Special item-transfer of Foundation net assets	-	-	(1,370,320)
Other changes in net position	16,000	6,500	25,000
Total Other Changes in Net Position	<u>(275,939)</u>	<u>(1,487,681)</u>	<u>(1,489,778)</u>
Increase in Net Position	384,498	7,844,122	3,468,360
Net Position			
Net position — beginning of year	73,696,475	65,852,353	62,383,993
Net position — end of year	<u>\$ 74,080,973</u>	<u>\$ 73,696,475</u>	<u>\$ 65,852,353</u>

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Total operating revenues decreased in 2019/20 by 9.9 percent or \$6.1 million from \$61.7 million to \$55.6 million. This is attributed to the decline in Housing revenue, a decrease in state and private grants and contracts revenue and Sales and services of auxiliary enterprise revenue. In 2018/19, Total operating revenues increased to \$61.7 million from \$56.7 million for an 8.8 percent or \$5.0 million change. The increase in 2018/19 was mostly due to Housing revenue, an increase in federal and private grants revenue, and Sales and services of auxiliaries revenue.

In 2019/20, Housing revenue declined significantly from \$39.1 million to \$35.9 million for a decrease of 8.3 percent or \$3.2 million. The statewide shelter-in-place order which caused the campus to send students home due to COVID-19 resulted in student housing refunds and a decline in summer conference housing revenue. Housing revenues in 2018/19 increased by 6.7 percent or \$2.4 million from \$36.7 million to \$39.1 million. For 2018/19, there was a slight increase in faculty-staff rentals and revenues from sales of faculty-staff homes, as well as a slight increase in student housing occupancy on the main campus.

Grants and contracts revenue decreased to \$16.8 million from \$18.8 million for a \$2.0 million or 10.3 percent decline due to private and state grants and contracts expiring in the first half of 2019/20. In 2018/19, Grants and contracts revenue increased by 11.7 percent or \$2.0 million from \$16.8 million to \$18.8 million as a result of an increase in federal and private award expenditures.

In 2019/20, Sales and services of auxiliary enterprises, net decreased by \$602,000 or 24.4 percent from \$2.5 million to \$1.9 million. The statewide shelter-in-place order due to COVID-19 forced special event venues to discontinue operations, reduced commissions from commercial services and underwriting, and lease income declined as a result of restructured or expired lease agreements. Sales and services of auxiliary enterprises, net increased in 2018/19 from \$2.2 million to \$2.5 million for a \$602,000 or 24.4 percent change. A change in the meal plan pricing structure and increase in the number of plans sold, along with an increase in lease income from the National Steinbeck Center for renovations, and an increase in underwriting were the reasons for this growth.

Total operating expenses in 2019/20 increased to \$57.3 million from \$54.3 million for a 5.5 percent or \$3.0 million change. Increases of Contract services, Repairs and maintenance, and Depreciation and amortization account for this change. In 2018/19, Total operating expenses increased by 3.9 percent or \$2.1 million from \$52.2 million to \$54.3 million. Most of this change was attributed to an increase in salaries and benefits, repairs and maintenance in East Campus housing, utilities, and scholarship awards.

In 2019/20, Contract services increased 14.4 percent or \$1.0 million from \$7.1 million to \$8.1 million. Increases in student housing costs for mold remediation and mitigation, as well as the installation of new mailboxes and blinds, the increase in the general custodial contract and a net increase in grants related contracts and subawards account for the change. Contract services in 2018/19 increased to \$7.1 million from \$6.2 million for a 14.1 percent or \$880,000 change.

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Repairs and maintenance increased 36.0 percent in 2019/20 from \$2.2 million to \$3.0 million for a \$799,000 change. East campus projects including concrete, playground, and mailbox repairs along with mold remediation and increased painting of units make up most of this change. In 2018/19, Repairs and maintenance increased 32.6 percent or \$545,000 from \$1.7 million to \$2.2 million largely as a result of additional fire taping, toilet replacement, mold remediation, and energy upgrades and repairs in Frederick Park and Promontory.

In 2019/20, Depreciation and amortization increased by \$2.0 million or 26.8 percent from \$7.6 million to \$9.6 million due mostly to capitalized East Campus improvements, Salinas City Center upgrades, and dining commons renovations. Depreciation and amortization increased slightly in 2018/19 from \$7.3 million to \$7.6 million for a \$230,000 or 3.1 percent change due primarily to minor capital projects.

The Corporation's contributions in support of the University are shown as non-operating expense and other changes in net position in Table 2 (page 10). Table 3 below shows the noncapital and capital support for the last three fiscal years.

Table 3: University Support

	<u>2020</u>	<u>2019</u>	<u>2018</u>
University support, non-capital	\$ 1,000,000	\$ 1,135,119	\$ 575,146
University support, capital	291,939	1,494,181	144,458
Total University support	<u>\$ 1,291,939</u>	<u>\$ 2,629,300</u>	<u>\$ 719,604</u>

University support, non-capital, consists of 1) contributions from the Corporation to the University in support of strategic initiatives identified by the University President and Cabinet, 2) contributions to support University Masters' programs, and 3) planning costs for the new College of Science building. University support, noncapital decreased in 2019/20 by 11.9 percent or \$135,000 due to delays associated with the new College of Science building. In 2018/19, University support, non-capital increased by 97.4 percent or \$560,000 as a result of additional contributions made to support University programs.

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University support, capital, is generally a one-time expense that is earmarked for a particular project or can involve the transfer of capital assets gifted to the Corporation for the benefit of the University. In 2019/20, University support, capital decreased 80.5 percent or \$1.2 million from \$1.5 million to \$291,000 due to the expiration of the Otter Sports Center private grant from 2018/19. A private grant from a local foundation to renovate the Otter Sports Center and Complex is the reason for the increase in 2018/19.

Significant Capital Asset and Long-Term Debt Activity

Capital Assets

At June 30, 2020, the Corporation had \$200.2 million in depreciable capital assets. The Corporation's net capital assets totaled \$129.6 million at the end of the fiscal year. Depreciable capital assets consist of buildings, leasehold improvements, equipment, and intangible assets. The Corporation had \$6.4 million in non-depreciable assets as of June 30, 2020. Non depreciable capital assets consist of land and land improvements, construction in progress and the radio station's FCC license. More detailed information about the Corporation's Capital assets is in Note 7 to the financial statements.

Debt

The Corporation has used the CSU Systemwide Revenue Bond program to finance three projects – the Residence Hall 211 renovation in 2002, the North Quad Housing complex construction in 2003 and the refinancing of previous bond debt in 2005. Under this program, the Corporation entered into ground and facilities lease agreements with the State of California through the Board of Trustees of the CSU. At June 30, 2020, the Corporation had \$49.2 million in capital lease obligations. More detailed information about the Corporation's Capital lease obligations is in Note 8 to the financial statements.

In early 2016/17, the Corporation exercised its option to purchase the Promontory student housing building for \$68,550,000 with CSU Systemwide Revenue Bonds. The initial purchase was made with commercial paper, however, in March 2017, the bonds replaced the commercial paper and the Corporation entered into a loan agreement with the Board of Trustees of the CSU. At June 30, 2020, the Corporation had \$66.1 million in long-term debt obligations. More detailed information about the Corporation's Long-term debt obligation is in Note 8 to the financial statements.

In 2019/20, the Corporation established a Note payable to CSUMB for housing and meal plan refunds for Spring 2020. The statewide shelter-in-place order forced the campus to send students home due to COVID-19 and resulted in student housing and meal plan refunds due back to the University. The original amount of the note is \$1,165,000 with an expected payoff date in Summer 2022. More detailed information about the Corporation's Long-term debt obligation is in Note 8 to the financial statements.

**University Corporation at Monterey Bay
Management's Discussion and Analysis
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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 rate for a maximum of five consecutive years so long as the student remains in housing. The number of years is pro-rated for first time housing residents based on their class level for first year of residency. Corporation management will control the rate increase for each following year and that allows the Corporation to keep its housing rates competitive and sufficient to support the Corporation's capital lease obligations. The university requires freshmen and sophomores to live on campus unless they meet specific exception criteria; this rule is waived for 2020/21 due to COVID-19. Students were asked to move out of housing in mid-March 2020 due to COVID-19 and were refunded the prorated housing and meal plan payments; about 15% stayed until the end of the academic year. For Fall 2020, student housing is limited to about 450 apartments, with either 1 family or 1 person per unit, due to COVID-19 precautions and it is projected that these conditions will remain in place for the rest of 2020/21. In addition, dining services to support any students on campus is not available for Fall 2020 and is not projected for the remainder of 2020/21.

Grants and Contracts

Due to the unpredictability of the grant funding climate and economy, we believe grant and contract awards and revenue will decrease in 2020/21.

Donor Contributions

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

Construction Commitments

The Corporation entered into contracts with Alliance for interior and exterior repairs and renovations of the housing units in East Campus to occur over at least three (3) years, with work beginning in the last quarter of 2017/18. The work in Phase 1 for Frederick Park, Phase 1 and 2 and part of Phase 3 of Schoonover Park, and all of CEHI was completed in June 2020, with a 2- month delay due to COVID-19 restrictions and precautions, for a total cost of approximately \$5.8 million in 2019/20. Phase 2 at Frederick Park and Phase 3 at Schoonover Park will continue in 2020/21 for about \$1.3 million, with about \$3.1 million in work deferred indefinitely. As of July 2020, Alliance is now known as Greystar since Greystar Real Estate Partners bought out Alliance in 2020, maintaining all previous agreements and staff.

University Corporation at Monterey Bay
Management's Discussion and Analysis
June 30, 2020 and 2019

Currently Known Facts, Decisions and Conditions (Continued)

Market Conditions

Investments account for 23.3 percent of the Corporation's total assets. Of the \$46.2 million, 0.6 percent is Short-term investments and 99.4 percent is Long-term investments. The Corporation continues to manage its investments via its Investment Committee, which works in conjunction with the investment consultant, Verus Investments. It is important to remember that the majority of the Corporation's investments participate in a long-term investment strategy and that there is a smoothing effect of returns over time. Future investment earnings will continue to fluctuate and be affected by interest rate fluctuations and uncertain market conditions.

Otter Student Union Construction Commitment

In 2020/21, an estimated \$3 million will be needed by the Corporation to build out the food service, bookstore and convenience store areas of the Otter Student Union for the Corporation's commercial service offerings. The June 2018 approved loan by the Corporation Board to Otter Student Union for up to \$7 million, later increased to \$8.1 million, was not funded and the funds will no longer be loaned from the Corporation.

COVID-19 Impact

The Corporation's operations for 2019-20 fiscal year have been significantly affected by the COVID-19 pandemic. The effects of the pandemic and related actions by governments to mitigate its spread have impacted the Corporation's employees and operations as well as the students, faculty and staff served at the university. Approximately 45% of revenues are derived from student housing and dining meal plans between September and May, with these services ending as of mid-March and refunds provided to most students for the late March to May time period. Other significant income is derived from faculty-staff housing rentals and grants and contracts indirect cost recovery, which have not been significantly impacted in 2019/20.

The pandemic has also resulted in a projected substantial decrease in demand and revenues for student housing and dining services for the Fall 2020 semester. While the length and severity of the reduction in demand due to COVID-19 is uncertain, we expect that our business operations and results of operations, including our net revenues, earnings and cash flows, will be materially adversely impacted through the remainder of the fiscal year 2020/21.

In addition, students' classes went online in late March and are expected to continue as such for the immediate future. This affects the ability and need for some employees to provide support for the university. As of late March 2020, almost all employees have also been required to work from home, changing much of the Corporation's processes of doing business but also changing how the Corporation operates in person. This has also had positive benefits however, as such, the Corporation's business has been materially impacted by the pandemic. The Corporation is making great efforts to minimize or to defer operational expenditures as much as possible.

**University Corporation at Monterey Bay
Management's Discussion and Analysis
June 30, 2020 and 2019**

Requests for Information

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

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

University Corporation at Monterey Bay
Financial Statements
For the Years Ended June 30, 2020 and 2019

University Corporation at Monterey Bay
Statements of Net Position
June 30, 2020 and 2019

Assets	2020	2019
<u>Current Assets:</u>		
Cash and cash equivalents	\$ 6,467,431	\$ 6,041,835
Short-term investments	260,541	1,467,914
Receivables:		
Grants and contracts, net	4,077,368	5,123,490
Property manager	2,547,078	1,070,150
University	87,934	846,338
Foundation	128,266	10,575
Otter Student Union	67,733	155,355
Housing, net	404,108	444,562
Other, net	2,757,026	2,294,442
Pledges receivable, net	572,751	748,769
Notes receivable, current	958,693	637,101
Prepaid expenses and other assets	269,696	412,058
Real estate held for sale	1,448,707	1,235,287
Total Current Assets	20,047,332	20,487,876
<u>Noncurrent Assets:</u>		
Accounts receivable, net	39,496	47,702
Pledges receivable, net	87,287	146,347
Notes receivable, net of current portion	2,347,859	2,991,056
Certificates of deposit	166,250	1,839,766
Long-term investments	45,805,126	49,405,633
Capital assets, net	129,594,608	125,983,547
Other noncurrent assets	40,000	40,000
Total Noncurrent Assets	178,080,626	180,454,051
Total Assets	198,127,958	200,941,927
<u>Deferred Outflows of Resources:</u>		
Unamortized loss on refundings	1,238,176	1,402,896
Total Deferred Outflows of Resources	1,238,176	1,402,896

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

University Corporation at Monterey Bay
Statements of Net Position (Continued)
June 30, 2020 and 2019

	2020	2019
Liabilities		
<u>Current Liabilities:</u>		
Accounts payable	\$ 3,340,003	\$ 2,310,120
Payable to University	1,067,536	1,543,694
Payable to Foundation	11,992	31,460
Payable to CSU	476,133	484,425
Accrued salaries and benefits payable	1,228,118	1,192,964
Unearned revenue:		
Housing	117,011	705,647
Other	2,143,640	2,529,479
Capital lease obligations, current portion	2,460,000	2,345,000
Note payable, current portion	1,040,000	995,000
Other liabilities	59,749	46,103
Total Current Liabilities	11,944,182	12,183,892
<u>Noncurrent Liabilities:</u>		
Capital lease obligations, net of current portion	46,753,543	49,682,327
Notes payable, net of current portion	66,257,929	66,452,788
Depository accounts	329,507	329,341
Total Noncurrent Liabilities	113,340,979	116,464,456
Total Liabilities	125,285,161	128,648,348
Net Position		
<u>Net Position:</u>		
Net investment in capital assets	15,486,312	7,911,328
Restricted for:		
Expendable:		
Pledges receivable	660,038	895,116
Net gifts and donations	5,440,733	5,427,055
Net sponsored programs	57,653	40,468
Other	201,073	117,195
Unrestricted	52,235,164	59,305,313
Total Net Position	\$ 74,080,973	\$ 73,696,475

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

University Corporation at Monterey Bay
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Housing	\$ 35,876,008	\$ 39,112,417
Grants and contracts:		
Federal	13,225,471	13,563,723
State	1,363,033	1,886,978
Local	579,391	498,567
Nongovernmental	1,667,352	2,810,797
Sales and services of auxiliary enterprises, net	1,864,618	2,467,005
Other operating revenues	1,033,777	1,381,088
Total Operating Revenues	<u>55,609,650</u>	<u>61,720,575</u>
Operating Expenses:		
Salaries and benefits	20,205,977	20,473,593
Contract services	6,736,108	6,070,147
Subawards	1,387,998	1,034,240
Utilities	4,702,390	4,871,134
Supplies and services	1,778,449	1,899,502
Travel	532,416	735,883
Scholarships	2,126,008	2,373,411
Professional services	211,825	203,094
Concessions	221,620	206,514
Repairs and maintenance	3,019,726	2,220,436
Rental expense	955,838	995,225
Equipment	1,502,626	918,376
Insurance	682,012	718,979
Depreciation and amortization	9,581,530	7,555,938
Cost of real estate sold	1,454,445	1,576,691
Other operating costs	2,185,347	2,468,180
Total Operating Expenses	<u>57,284,315</u>	<u>54,321,343</u>
Operating Income/(Loss)	<u>(1,674,665)</u>	<u>7,399,232</u>

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

University Corporation at Monterey Bay
Statements of Revenues, Expenses and Changes in Net Position (Continued)
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Nonoperating Revenues (Expenses):		
Gifts and donations, noncapital	\$ 5,439,391	\$ 4,036,784
Investment income	1,477,333	1,748,118
Realized and unrealized gains on investments	1,716,380	1,444,578
University support, noncapital	(1,000,000)	(1,135,119)
Contributions to/from Foundation	(989,856)	184,762
Interest on capital-related debt	(4,334,384)	(4,522,128)
Gain (loss) on sale of assets	-	142,854
Other nonoperating revenues, net	26,238	32,722
Total Nonoperating Revenues (Expenses)	<u>2,335,102</u>	<u>1,932,571</u>
 Income before other changes to Net Position	 <u>660,437</u>	 <u>9,331,803</u>
 Other Changes in Net Position:		
Other Changes in Net Position:		
University support, capital	(291,939)	(1,494,181)
Capital grants and gifts	16,000	6,500
Total Other Changes in Net Position	<u>(275,939)</u>	<u>(1,487,681)</u>
 Increase in Net Position	 384,498	 7,844,122
 Net Position:		
Net position - beginning of the year	<u>73,696,475</u>	<u>65,852,353</u>
 Net position - end of year	 <u>\$ 74,080,973</u>	 <u>\$ 73,696,475</u>

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

University Corporation at Monterey Bay
Statements of Cash Flow
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Receipts from housing	\$ 32,052,752	\$ 38,685,978
Receipts from sales of houses	1,454,445	1,576,692
Receipts from grants and contracts	17,881,369	17,727,880
Receipts from sales and services of auxiliary enterprises	1,402,034	3,148,096
Payments to vendors	(21,129,469)	(20,801,647)
Payments to employees	(17,304,040)	(17,868,275)
Payments to University	(5,631,675)	(6,117,077)
Payments to/Receipts from Foundation, net	(19,468)	322
Payments to CSU	(8,292)	(7,875)
Payments for house purchases	(1,667,865)	(2,403,063)
Other receipts	933,627	1,874,237
Net Cash Provided by Operating Activities	<u>7,963,418</u>	<u>15,815,268</u>
Cash Flows from Noncapital Financing Activities:		
Gifts and donations	5,682,675	3,531,716
University support	(1,000,000)	(1,135,119)
Foundation support	(989,856)	184,762
Other receipts	26,238	32,722
Cash transferred to/from Foundation	11,945	11,945
Net Cash Provided by Noncapital Financing Activities	<u>3,731,002</u>	<u>2,626,026</u>
Cash Flows from Capital Related Financing Activities:		
Capital grants and gifts	16,000	6,500
University support - capital	29,666	(1,118,643)
Acquisition of capital assets	(13,204,536)	(6,982,178)
Principal payments on capital lease and note payable	(2,175,000)	(3,200,000)
Interest paid on capital lease and note payable	(5,610,063)	(5,791,182)
Net Cash Used by Capital Related Financing Activities	<u>(20,943,933)</u>	<u>(17,085,503)</u>

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

University Corporation at Monterey Bay
Statements of Cash Flow
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Investing Activities:		
Proceeds from sale of investments	\$ 26,654,597	\$ 486,278
Purchase of investments	(18,456,821)	(1,666,893)
Investment income received	1,477,333	1,748,118
Net Cash Provided by Investing Activities	<u>9,675,109</u>	<u>567,503</u>
Net Increase in Cash	425,596	1,923,294
Cash and Cash Equivalents - Beginning of Year	<u>6,041,835</u>	<u>4,118,541</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 6,467,431</u></u>	<u><u>\$ 6,041,835</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating income (loss)	\$ (1,674,665)	\$ 7,399,232
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	9,581,530	7,555,938
Change in operating assets and liabilities:		
Receivables, net	(124,601)	125,377
Prepaid expenses and other assets	142,362	7,090
Real estate held for sale	(213,420)	(826,371)
Accounts payable	1,029,883	(172,508)
Payable to University	175,598	903,897
Payable to Foundation	(19,468)	322
Payable to CSU	(8,292)	(7,875)
Accrued salaries and benefits payable	35,154	(18,488)
Unearned revenue	(974,475)	1,349,346
Other liabilities	13,812	(500,692)
Net Cash Provided by Operating Activities	<u><u>\$ 7,963,418</u></u>	<u><u>\$ 15,815,268</u></u>

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

University Corporation at Monterey Bay
Statements of Cash Flow (Continued)
Years Ended June 30, 2020 and 2019

	2020	2019
Supplemental Schedule of Noncash Financing and Investing Activities:		
Contributions of investments	\$ 89,942	\$ 10,787
Increase in fair value of investments	1,716,380	1,444,578
Amortization of bond premium	468,785	468,785
Amortization of premium on long-term debt	319,858	319,858
Amortization of loss on debt refunding	164,720	164,720

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

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2020 and 2019

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, 2020 and 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Receivables – Receivables include federal, state and local government and private grants, amounts due from students for housing and meal plans, amounts due from the property manager, amounts due from the University, Foundation and Otter Student Union, amounts due for commissions, amounts due from employees for payroll and travel advances, and amounts due from radio station memberships and underwriters. The receivables are shown net of the allowance for doubtful accounts of \$2,538,904 and \$1,842,684 at June 30, 2020 and 2019, respectively. The Corporation uses the allowance method to account for uncollectible accounts receivable. The allowance for doubtful accounts is based on prior experience and management’s analysis of possible bad debts.

Pledges Receivable – Pledges are unconditional promises to make future payments to the Corporation. Pledges receivable are recognized as gift revenue in the period pledged when all applicable eligibility requirements are met. Multi-year pledges are recorded at the discounted net present value of expected future cash flows shown net of the allowance for doubtful accounts of \$20,414 and \$27,684 at June 30, 2020 and 2019, respectively. Conditional pledges, which depend on the occurrence of a specified future or uncertain event, are recognized as gift revenue when the conditions are substantially met.

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

Capital Assets – Capital assets consisting of land and land improvements, buildings, leasehold improvements, construction in progress, equipment and intangible assets including computer software, are recorded at cost (or estimated historical cost) at the date of acquisition, or fair value at the date of donation in the case of gifts. Assets with a value of less than \$5,000 are not capitalized. Renovations made to University-owned facilities which are not under leasehold are considered an expense of the Corporation. The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend its useful life, are expensed to operations. Related depreciation and amortization expense is shown in the Statements of Revenues, Expenses and Changes in Net Position.

Depreciation for equipment and computer software is calculated using the straight-line method using the half-year convention over the estimated useful life of the asset.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Estimated useful lives are generally as follows:

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

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

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

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

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

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

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

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

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Classification of Revenues and Expenses – The Corporation considers operating revenues and expenses in the Statements of Revenues, Expenses and Changes in Net Position to be those revenues and expenses that result from exchange transactions or from other activities that are connected directly to the Corporation's primary functions. Exchange transactions include charges for services rendered and the acquisition of goods and services. Revenues from home sales are recognized as homes are sold, title passes, and escrow closes. Rental housing revenues are recognized as amounts are earned and coincide with the rental agreement.

In accordance with GASB Statement No. 35, certain significant revenues relied upon and budgeted for fundamental operational support of the core mission of the Corporation are mandated to be recorded as nonoperating revenues. Nonoperating revenues and expenses include the Corporation's net investment income and interest expense on capital related debt. Capital grants and gifts and extraordinary and nonrecurring events are classified as other changes in net position.

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

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	<u>2020</u>	<u>2019</u>
Federally sponsored programs	\$ 1,063,419	\$ 1,060,270
All other sponsors	292,016	288,117
Total	<u>\$ 1,355,435</u>	<u>\$ 1,348,387</u>

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

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

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

Fair Value Measurements – As defined in GASB Statement No. 72, *Fair Value Measurement and Application*, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Corporation uses valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

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

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

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

Level 3 – Unobservable inputs for the asset or liability.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For fiscal year ended June 30, 2020, 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, 2020, 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, 2021. However, tax returns remain subject to examination by the Internal Revenue Service for fiscal years ending on or after June 30, 2017, and by the California Franchise Tax Board for fiscal years ending on or after June 30, 2016.

Recent Pronouncements – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The provisions of Statement No. 83 are effective for fiscal years beginning after June 15, 2018. Implementation of this Statement did not have a material impact on the Organization's financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. Activities meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the entity to disburse fiduciary resources. The provisions of Statement No. 84 are effective for fiscal years beginning after December 15, 2019. 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, 2020 and 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Statement No. 88 is meant to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements. The provisions of Statement No. 88 are effective for fiscal years beginning after June 15, 2018. Implementation of this Statement did not have a material impact on the Organization's financial statements.

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

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

In May 2019, GASB issued Statement No 91, *Conduit Debt Obligations*. Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The provisions of Statement No. 91 are effective for fiscal years beginning

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

after December 15, 2021 with earlier application encouraged. Management has not yet determined the impact of this Statement on its financial statements.

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

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Statement No. 93 addresses accounting and financial reporting implications that result from the replacement of the interbank offered rate. The provisions of Statement No. 93 are effective for fiscal years beginning after June 15, 2021 with earlier application encouraged. Management has not yet determined the impact of this Statement on its financial statements.

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

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

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

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Subsequent Events – Events subsequent to June 30, 2020 have been evaluated through September 11, 2020, which is the date the financial statements were available to be issued. Management identified the following subsequent event requiring disclosure.

The Corporation has committed to and is in the process of refunding \$4.97 million in callable bonds with original maturity dates ranging from 2022 to 2024. In addition, \$22.7 million of 2012 bonds are also in the process of being refunded. The majority of the debt service savings is expected to be generated on the 2012 bonds. The refunding was priced on August 26, 2020 and is scheduled to close by September 17, 2020.

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, 2020 and 2019, the Corporation's checking, deposit and money market accounts were insured by the FDIC up to \$250,000 per financial institutional. For the years ended June 30, 2020 and 2019, the Corporation had uninsured cash deposits of \$2,634,694 and \$1,946,410, respectively.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 3. INVESTMENTS

Investments comprised the following at June 30, 2020 and 2019:

	2020	2019
	<u>Noncurrent</u>	<u>Noncurrent</u>
Mutual Funds:		
Equity Funds	\$ 23,271,570	\$ 15,908,395
Bond Funds	22,533,556	28,557,187
All Asset Fund	-	4,940,051
Total *	<u>\$ 45,805,126</u>	<u>\$ 49,405,633</u>

* Total at June 30, 2020 and 2019 excludes Money Market fund balance of \$377,007 and \$3,317, respectively.

Investment Fair Values

The Corporation categorizes its fair values measurements within the fair value hierarchy established by generally accepted accounting principles. At June 30, 2020, the Corporation's investments were valued using quoted market prices in active markets and are classified within Level 1 of the fair value hierarchy.

Investment Policies

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

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

The fixed income portion of the investments may include both domestic and international securities, along with common bond substitutes. Investment guidelines establish set ranges for the percentage of the total bond portfolio that can be invested in U.S.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 3. INVESTMENTS (Continued)

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 \$23,271,570 or 50.8 percent of the total investments of the Corporation at June 30, 2020. Equities are subject to both unsystematic and systematic risk. Unsystematic risk is the risk of a price change due to the unique circumstances of a specific security or group of related securities.

The Corporation addresses unsystematic risk by investing in widely diversified equity mutual funds. Equity securities are also subject to systematic risk or market risk. Systematic risk recognizes that equity securities, as an asset class, can change in value as a result of such factors as inflation, exchange rates, political instability, war, economic conditions, and interest rates. This type of risk is not specific to a particular company or industry and cannot be substantially mitigated by diversification.

Credit Risk

Fixed income securities are subject to credit risk, which is the chance that a bond issue will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. The following schedule of credit risk profile of Corporation investments summarizes the fair value of the fixed income securities subject to credit risk. The Corporation maintains policies to manage credit risk which include requiring minimum credit ratings issued by nationally recognized statistical rating organizations, including Standard and Poor's or Moody's Investor Services, for certain investments. For investments in securities rated below investment grade, the Corporation and their investment advisor monitor the

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 3. INVESTMENTS (Continued)

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, 2020, were as follows:

	<u>Fair Value</u>	<u>Rating</u>
Bond Mutual Funds:		
Vanguard Inflation-Protected Securities Adm	\$ 6,629,044	AAA
Vanguard Short-Term Bond Adm	4,423,228	(1)
Met West Total Return Bond I	5,739,953	(2)
Dodge & Cox Income	5,741,332	(3)
Money Market Fund:		
Charles Schwab Bank	377,007	Not Rated
Total	<u>\$ 22,910,564</u>	

(1) Credit ratings range from AAA to BBB with 86% 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 BB with 99% at a BB rating or above.

Custodial Credit Risk

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

Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers; thereby exposing the organization to greater risks resulting from adverse conditions or developments. GASB requires disclosure of investments in any one individual issuer that represent 5% or more of total investments. The Corporation had no investments that exceeded this threshold at June 30, 2020 or 2019.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 3. INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk is the risk that fixed income securities will decline because of rising interest rates. The Corporation measures interest rate risk using the weighted average maturity method. The weighted average maturities of the Corporation's fixed income securities and money market funds at June 30, 2020, were as follows:

	<u>Fair Value</u>	<u>Weighted Average</u>
Bond Mutual Funds:		
Vanguard Inflation-Protected Securities Adm	\$ 6,629,044	8.2
Vanguard Short-Term Bond Adm	4,423,228	2.9
Met West Total Return Bond I	5,739,953	7.6
Dodge & Cox Income	5,741,332	9.5
Money Market Fund:		
Charles Schwab Bank	377,007	0.1
Total	<u>\$ 22,910,564</u>	

Foreign Currency Risk

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

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 3. INVESTMENTS (Continued)

The Corporation's exposure to foreign currency risk at June 30, 2020 was as follows:

<u>Currency</u>	<u>Fair Value</u>
Euro	\$ 2,488,802
Japanese Yen	1,553,362
British Pound	1,249,955
Swiss Franc	835,083
Korean Won	387,617
Mexican Peso	86,034
Taiwan Dollar	87,118
Indian Rupee	143,086
Russian Ruble	28,316
South African Rand	54,346
Chinese Yuan	273,281
Other Currencies	2,010,892
Total International Funds Subject to Foreign Currency Risk	<u>\$ 9,197,892</u>

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

NOTE 4. RECEIVABLES

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

	<u>2020</u>	<u>2019</u>
A/R – University	\$ 87,934	\$ 846,338
A/R – Foundation	128,266	10,575
A/R – Grants & Contracts, net	4,154,201	5,214,031
A/R – Property Manager	2,547,078	1,070,150
A/R – Housing Rents, net	579,758	587,971
A/R – Other, net	4,944,800	3,696,559
A/R – Commissions	-	93,594
A/R – Otter Student Union	67,733	155,355
A/R – Underwriting for KAZU	98,647	113,023
Allowance for doubtful accounts	(2,538,904)	(1,842,684)
Receivables, net	<u>\$ 10,069,513</u>	<u>\$ 9,944,912</u>

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 5. PLEDGES RECEIVABLE

Pledges receivable at June 30 were as follows:

	<u>2020</u>	<u>2019</u>
Campus programs support	\$ 682,852	\$ 922,364
Athletic scholarships	313	4,063
Subtotal	<u>683,165</u>	<u>926,427</u>
Less: Allowance for doubtful accounts	(20,414)	(27,684)
Less: Unamortized discount	(2,713)	(3,627)
Pledges receivable, net	<u>\$ 660,038</u>	<u>\$ 895,116</u>
Pledges due in:		
One year or less	\$ 590,465	\$ 771,927
One to five years	92,700	154,500
Total	<u>\$ 683,165</u>	<u>\$ 926,427</u>

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, 2020, there were five homes in inventory totaling \$1,448,707.

As of June 30, 2019, there were four homes in inventory totaling \$1,235,287.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 7. CAPITAL ASSETS

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

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

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 7. CAPITAL ASSETS (Continued)

	2019			
	Beginning Balance	Additions/ Reclassifications	Reductions/ Transfers	Ending Balance
Nondepreciable Capital Assets:				
Land and land improvements	\$ 2,000,734	\$ -	\$ -	\$ 2,000,734
Construction in progress	712,115	6,749,487	(1,177,554)	6,284,048
Intangible assets	148,349	-	-	148,349
Total Nondepreciable Capital Assets	<u>2,861,198</u>	<u>6,749,487</u>	<u>(1,177,554)</u>	<u>8,433,131</u>
Depreciable Capital Assets:				
Buildings	131,262,525	40,230	102,577	131,405,332
Leasehold improvements	47,636,868	-	1,074,977	48,711,845
Equipment	5,770,491	551,516	(1,530,055)	4,791,952
Intangible assets	196,631	-	-	196,631
Total Depreciable Capital Assets	<u>184,866,515</u>	<u>591,746</u>	<u>(352,501)</u>	<u>185,105,760</u>
Total Capital Assets	<u>187,727,713</u>	<u>7,341,233</u>	<u>(1,530,055)</u>	<u>193,538,891</u>
Less Accumulated Depreciation and Amortization:				
Buildings	29,911,016	4,438,090	-	34,349,106
Leasehold improvements	26,772,111	2,742,193	-	29,514,304
Equipment	4,517,040	346,760	(1,301,909)	3,561,891
Intangible assets	101,148	28,895	-	130,043
Total Accumulated Depreciation	<u>61,301,315</u>	<u>7,555,938</u>	<u>(1,301,909)</u>	<u>67,555,344</u>
Total Capital Assets, Net	<u>\$ 126,426,398</u>	<u>\$ (214,705)</u>	<u>\$ (228,146)</u>	<u>\$ 125,983,547</u>

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 8. LONG-TERM LIABILITIES

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

	2020				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital lease obligations:					
Capital lease obligations	\$ 47,330,000	\$ -	\$ (2,345,000)	\$ 44,985,000	\$ 2,460,000
Unamortized premium				-	
on capital lease obligations	4,697,327	-	(468,785)	4,228,542	-
Total capital lease obligations	<u>52,027,327</u>	<u>-</u>	<u>(2,813,785)</u>	<u>49,213,542</u>	<u>2,460,000</u>
Long-term debt obligations:					
Note payable related to SRB	58,705,000	-	(995,000)	57,710,000	1,040,000
Unamortized bond premium	8,742,788	-	(319,858)	8,422,930	-
Note payable to CSUMB	-	1,165,000	-	1,165,000	-
Total long-term debt obligations	<u>67,447,788</u>	<u>1,165,000</u>	<u>(1,314,858)</u>	<u>67,297,930</u>	<u>1,040,000</u>
Total long-term liabilities	<u>\$ 119,475,115</u>	<u>\$ 1,165,000</u>	<u>\$ (4,128,643)</u>	<u>\$ 116,511,472</u>	<u>\$ 3,500,000</u>
	2019				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital lease obligations:					
Capital lease obligations	\$ 49,585,000	\$ -	\$ (2,255,000)	\$ 47,330,000	\$ 2,345,000
Unamortized premium					
on capital lease obligations	5,166,112	-	(468,785)	4,697,327	-
Total capital lease obligations	<u>54,751,112</u>	<u>-</u>	<u>(2,723,785)</u>	<u>52,027,327</u>	<u>2,345,000</u>
Long-term debt obligations:					
Note payable related to SRB	59,650,000	-	(945,000)	58,705,000	995,000
Unamortized bond premium	9,062,646	-	(319,858)	8,742,788	-
Total long-term debt obligations	<u>68,712,646</u>	<u>-</u>	<u>(1,264,858)</u>	<u>67,447,788</u>	<u>995,000</u>
Total long-term liabilities	<u>\$ 123,463,758</u>	<u>\$ -</u>	<u>\$ (3,988,643)</u>	<u>\$ 119,475,115</u>	<u>\$ 3,340,000</u>

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 8. LONG-TERM LIABILITIES (Continued)

Capital Lease Obligations:

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

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

In January 2003, the Corporation entered into a second ground and facilities lease agreement with the State of California, acting through the Board of Trustees of the CSU, for the purpose of providing housing services and related ancillary services to the University through the construction of the residence halls known as North Quad. The term of the lease commenced on January 7, 2003 with the first lease payment on May 1, 2005. The term ends on November 1, 2034.

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

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

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

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 8. LONG-TERM LIABILITIES (Continued)

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

Depreciable Capital Assets:	<u>2020</u>	<u>2019</u>
Buildings	\$ 48,846,617	\$ 48,846,617
Leasehold improvements	29,406,513	29,406,513
Less Accumulated Amortization:		
Buildings	\$ 25,919,409	\$ 24,304,644
Leasehold improvements	20,335,991	19,397,128

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

At June 30, 2020, the future minimum lease payments were as follows:

<u>For the Years Ending June 30,</u>	<u>Total Payments</u>
2021	\$ 4,479,469
2022	4,488,094
2023	4,485,094
2024	4,485,344
2025	4,434,719
2026 through 2030	22,406,786
2031 through 2035	15,466,100
Total minimum lease payments	<u>60,245,606</u>
Less amounts representing interest	(15,260,606)
Present value of future minimum lease payments	<u>44,985,000</u>
Unamortized premium	4,228,543
Total long-term capital lease obligation	<u>49,213,543</u>
Less current portion	<u>(2,460,000)</u>
Long-Term Capital Lease Obligation, Net of Current Portion	<u><u>\$ 46,753,543</u></u>

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 8. LONG-TERM LIABILITIES (Continued)

2016 Current Refunding of Capital Lease Obligations

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

The unamortized loss on refundings are classified as Deferred Outflows of Resources on the Statements of Financial Position and were \$1,238,176 and \$1,402,896 for the years ended June 30, 2020 and 2019, respectively.

For the years ended June 30, 2020 and 2019, the amounts amortized for all SRB premiums were \$468,785 and the amounts amortized for the loss on refundings were \$164,720.

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 both years ended June 30, 2020 and 2019, the amount of bond premium amortized is \$319,858.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 8. LONG-TERM LIABILITIES (Continued)

At June 30, 2020, the future minimum payments were as follows:

<u>For the Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,040,000	\$ 2,835,300	\$ 3,875,300
2022	1,090,000	2,786,550	3,876,550
2023	1,145,000	2,730,675	3,875,675
2024	1,205,000	2,671,925	3,876,925
2025	1,265,000	2,610,175	3,875,175
2026 through 2030	7,375,000	12,007,875	19,382,875
2031 through 2035	9,475,000	9,911,875	19,386,875
2036 through 2040	12,160,000	7,220,750	19,380,750
2041 through 2045	15,570,000	3,818,250	19,388,250
2046 through 2047	7,385,000	373,875	7,758,875
Total	<u>\$ 57,710,000</u>	<u>\$ 46,967,250</u>	<u>\$ 104,677,250</u>

In June 2020, the Corporation established a new note payable to the University for the balance of refunded housing and meal plans due to the University of \$1,165,000. The note payable interest rate is 0.0 percent and matures on July 31, 2022. At June 30, 2020, the semi-annual future payments were as follows:

<u>For the Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	\$ -	\$ -
2022	582,500	-	582,500
2023	582,500	-	582,500
Total	<u>\$ 1,165,000</u>	<u>\$ -</u>	<u>\$ 1,165,000</u>

NOTE 9. NET POSITION

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

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

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 9. NET POSITION (Continued)

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

	<u>2020</u>	<u>2019</u>
Current operations reserve	\$ 11,612,316	\$ 9,350,000
Audit disallowance reserve	400,000	400,000
Capital replacement reserve	14,050,000	12,550,000
Future operations reserve	8,000,000	3,000,000
Total	<u>\$ 34,062,316</u>	<u>\$ 25,300,000</u>

NOTE 10. PENSION PLAN

The Corporation participates in a defined contribution multi-employer pension plan for employees and contributed 10% of an eligible employee's salary to the Plan for the years ended June 30, 2020 and 2019. Eligible employees are defined as all regular full-time and regular part-time employees who have reached 21 years of age and completed six months of service. There is immediate vesting upon eligibility. Contributions were invested in the Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF), at the option of the covered employee. Corporation contributions for the years ended June 30, 2020 and 2019 were \$764,708 and \$784,363, respectively. Employee contributions for the years ended June 30, 2020 and 2019 were \$486,699 and \$526,992, respectively.

In 2014/15, the Corporation added a 457 Vacation Conversion Plan. The Plan is administered by Public Agency Retirement Services (PARS). Eligible employees can defer a portion of their unused vacation into the Plan and contributions are then invested in investment options through John Hancock Retirement Services. Eligible employees are defined as all regular full-time and regular part-time employees having completed four years of service who have in excess of 160 vacation hours and have taken 40 vacation hours over the previous twelve months. Employee contributions for the years ended June 30, 2020 and 2019 were \$18,781 and \$13,160, respectively.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 11. COMMITMENTS AND CONTINGENCIES

Sponsored Programs Contingency

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

NOTE 12. OPERATING LEASES

As Lessee

CSU Facilities

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

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

Laundry Equipment

The Corporation entered into a rental agreement on March 22, 2010 with WASH Multifamily Laundry Systems, to install and maintain washers and dryers for the residents in the on-campus dormitories. This agreement had an initial term of seven years ending on July 31, 2017 and was extended for an additional five years beginning August 1, 2017 through July 31, 2022.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 12. OPERATING LEASES (Continued)

At June 30, 2020, the minimum rental payments for the laundry equipment were as follows:

<u>For the Year Ending June 30,</u>		
	2021	\$ 46,410
	2022	46,410
	2023	<u>3,867</u>
	Total	<u><u>\$ 96,687</u></u>

Rental payments to WASH Multifamily Laundry Systems were \$42,543 and \$45,741 for the years ended June 30, 2020 and 2019, respectively.

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.

At June 30, 2020, the minimum lease payments for the tower facilities were as follows:

<u>For the Year Ending June 30,</u>		
	2021	\$ 41,220
	2022	42,540
	2023	43,860
	2024	45,240
	2025	<u>46,680</u>
	Total	<u><u>\$ 219,540</u></u>

The payments remitted to HH Tower were \$44,261 and \$48,292 for the years ended June 30, 2020 and 2019, respectively. Of these amounts, \$36,680 and \$38,520 were for tower lease payments for the years ended June 30, 2020 and 2019, respectively, and the balance of the payments were for utility expenses.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 12. OPERATING LEASES (Continued)

KAZU Radio Transmitters

In June 2017, KAZU entered into an agreement with Lloyd Jones with the intent to lease antenna space for a radio transmitter. The initial term of the lease covers the period from July 1, 2017 to July 1, 2020, with an option to renew for two additional three-year terms. In August 2020, KAZU exercised its second three-year term for the period July 1, 2020 to July 1, 2023. Payments of \$1,500 will be paid semi-annually and will include the cost of electricity to operate the equipment.

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

At June 30, 2020, the future minimum lease payments were as follows:

<u>For the Years Ending June 30,</u>		
2021	\$	700
2022		700
Total	\$	<u>1,400</u>

The lease payments were \$2,400 and \$3,100 for the years ended June 30, 2020 and 2019, respectively.

Golden Gate University

On August 1, 2011, the Corporation entered into an agreement with Golden Gate University for the lease of several buildings and common areas located around the University. The agreement has an initial term of five years with an option to extend for two consecutive five-year periods. In July 2016, the Corporation exercised its option to extend the term for the first five-year extension period through July 2021.

At June 30, 2020, the future minimum lease payments were as follows:

<u>For the Year Ending June 30,</u>		
2021	\$	129,250
2022		10,792
Total	\$	<u>140,042</u>

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 12. OPERATING LEASES (Continued)

The lease payments were \$126,500 and \$123,250 for the years ended June 30, 2020 and 2019, respectively.

CSUMB @ North Salinas

On January 21, 2016, the Corporation entered into an agreement with 100 East Alvin Drive, LLC for the lease of classroom buildings, administrative offices and the associated common area. The lease agreement was subsequently amended on April 29, 2016 and on June 30, 2016 and February 10, 2020. The lease agreement expires on July 31, 2032.

At June 30, 2020, the future minimum lease payments were as follows:

<u>For the Year Ending June 30,</u>	
2021	\$ 613,650
2022	682,930
2023	696,588
2024	710,521
2025	724,730
Thereafter through 2033	<u>5,565,073</u>
	<u><u>\$ 8,993,492</u></u>

Lease and utility payments were \$686,578 and \$741,573 for the years ended June 30, 2020 and 2019, respectively.

As Lessor

Homeowner Land Subleases

The Corporation sells housing units and subleases the underlying land to the homeowners under long-term operating leases. The term of these subleases extends to the year 2097. 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, 2020 as follows:

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 12. OPERATING LEASES (Continued)

<u>For the Year Ending June 30,</u>	
2021	\$ 138,624
2022	149,780
2023	155,436
2024	158,400
2025	159,744
Thereafter through 2097	10,972,569
	<u>\$ 11,734,553</u>

Included in Housing revenue is \$99,596 and \$112,911 related to these land rents for the years ended June 30, 2020 and 2019, respectively.

Month-to-Month Rentals

In addition to the above homeowner rents received, the Corporation also rents, on a month to month basis, 687 housing units in Schoonover Park and 1,135 bed spaces in Frederick Park. The annual rental income collected for Schoonover Park was \$10,506,433 and \$10,176,835 for the years ended June 30, 2020 and 2019, respectively. The annual rental income collected for Frederick Park was \$5,981,449 and \$6,055,731 for the years ended June 30, 2020 and 2019, respectively.

Child Development Center Sublease

The Child Development Center (CDC) was managed by Early Development Services (EDS) for the years ended June 30, 2020 and 2019. 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. As part of the agreement, the Corporation reimburses EDS for the salary of one teacher above and beyond the licensing ratio requirements. The agreement extends to June 30, 2020. Effective July 1, 2020, a new agreement is in effect for an additional year.

Payments for salary reimbursement to EDS for the years ended June 30, 2020 and 2019, were \$30,731 and \$33,829, respectively.

National Steinbeck Center

In September 2015, the National Steinbeck Center (NSC) entered into a lease agreement with the Corporation for the use of office space to include a common area and 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

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 12. OPERATING LEASES (Continued)

(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 \$215,436 and \$310,833 for the years ended June 30, 2020 and 2019, respectively.

Youth Orchestra Salinas

The Corporation entered into a facility use agreement with Youth Orchestra Salinas (YOSAL) for classroom and office space located in Pod F at 1450 North Main Street. The term of this agreement commenced on September 1, 2016 and terminated on June 30, 2018. An amendment to the original lease was made and YOSAL remained as a tenant on a month to month basis through May 31, 2019. A facility usage fee of \$6,000 was paid by YOSAL on a monthly basis. Payments of \$60,000 were received for the year ended June 30, 2019.

NOTE 13. RISK MANAGEMENT

The Corporation manages its risk through the purchase of insurance through California State University Risk Management Authority (CSURMA)/Auxiliaries Organization Risk Management Alliance (AORMA), a joint powers public entity risk pool, for coverage of workers' compensation, general liability, professional liability, property and general organizational risk exposures. The Auxiliary Organization Risk Management Alliance (AORMA) Self Insured Retention (SIR) liability fund provides coverage for the first \$5,000,000 of each General Liability, Automobile Liability, Products and Completed Operations, Professional Liability including Directors & Officers Liability and Employment Practices Liability claim. Reinsurance insurance for AORMA's \$5,000,000 layer is purchased from Markel Global Reinsurance Company (50%) and Great American Insurance (50%) (AM Best Rating: A, XV Rating; A+ XV) in the amount of \$4,500,000 each occurrence. AORMA also purchases \$5,000,000 excess of \$5,000,000 from Ironshore Indemnity (AM Best Rating: A, XV Rating) and \$10,000,000 excess of \$10,000,000 from Argonaut (AM Best Rating: A, XIII 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

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 13. RISK MANAGEMENT (Continued)

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

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, 2020 are expected to be minimal. Likewise, no amounts have been paid to CSURMA/AORMA by June 30, 2020, related to the Corporation's estimated future funding for claims liability.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 14. PROPERTY MANAGEMENT

Effective January 1, 2006, the Corporation renewed an existing agreement with a third-party property manager to provide property management functions of student and employee housing and common areas. The property management functions include the operation, direction, management, and supervision of the Schoonover Park, Frederick Park, and Homeowners' properties. In July 2020, the Corporation negotiated an extension of the management agreement through June 30, 2021, with an option to extend one additional year.

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

The amounts paid to the property manager for the years ended June 30, 2020 and 2019, were \$476,688 and \$483,201, respectively, and are included in rental housing operations expense. In connection with the agreement, the Corporation receives, on a monthly basis, the excess of revenues over expenses, adjusted for any anticipated cash flow needs, from the property manager. As of June 30, 2020 and 2019, the accounts receivable from the property manager amounted to \$2,547,078 and \$1,070,150, respectively.

NOTE 15. CONTRACTED SERVICES REVENUE

In June 2018, the Corporation entered into an agreement with A'viands, LLC to be the exclusive food services provider for the campus. The agreement commenced on June 1, 2018 with an effective date through May 31, 2028. Financial arrangements include an 8.0 percent override on all meal plans, 10.0 percent commission on all other transactions, scholarship assistance, and a \$2.6 million capital contribution for dining facilities renovation. For the years ended June 30, 2020 and 2019, override on meal plans of \$356,190 and \$598,227 and commissions of \$149,221 and \$220,842 were recognized as revenue, respectively. As of March 14, 2020, due to COVID-19 and moving most students off of the campus, the agreement was amended to a cost-plus management agreement through May 16, 2020. Effective July 1, 2020, the Corporation terminated the agreement due to forecasting no need of food service on campus for at least the rest of 2020 due to the pandemic.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 15. CONTRACTED SERVICES REVENUE (Continued)

In June 2017, the Corporation entered into an agreement with Follett Higher Education Group, Inc. to operate the University Bookstore. The initial term of the agreement commenced on June 22, 2017 and terminates on June 30, 2027. Commission payments based on gross sales will be paid on the last day of the month for business transacted during the previous month. Commission payments for the years ended June 30, 2020 and 2019 were \$121,719 and \$171,776, respectively.

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 16. RELATED PARTY TRANSACTIONS

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

	2020	2019
University:		
Corporation receivable from the University	\$ 87,934	\$ 846,338
Note receivable from the University	3,306,552	3,628,157
Corporation payable to the University	1,067,536	1,543,694
Note payable to the University	1,165,000	-
Payments for salaries of University personnel working on contracts, grants, and other programs	3,339,096	2,878,801
Payments for other than salaries of University personnel	6,194,733	7,873,871
Interest to University under capital lease obligations	2,122,503	2,237,084
Principal to University under capital lease obligations	2,345,000	2,255,000
Gifts, grants, or capital contributions to the University	4,333,456	5,539,208
Grants and contracts from University	259,046	159,154
CSU Foundation:		
Charitable gift annuities held by CSU Foundation	\$ 39,496	\$ 47,702
Foundation:		
Corporation receivable from the Foundation	\$ 128,266	\$ 10,575
Corporation payable to the Foundation	11,992	31,460
Expense reimbursements from Foundation	696	1,320
Endowment distribution from Foundation	223,322	192,951
Net Contributions to Foundation	1,213,178	8,189
CSU:		
Corporation payable to CSU	\$ 476,133	\$ 484,425
Interest to CSU under note payable	2,863,637	2,930,175
Principal to CSU under note payable	995,000	945,000
OSU:		
Corporation receivable from the Otter Student Union	\$ 67,732	\$ 155,355
Expense reimbursements from the Otter Student Union	776,693	246,627

University Corporation at Monterey Bay
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 17. COVID-19 PANDEMIC

As noted in Management's Discussion and Analysis, the Corporation has been impacted by the recent Covid-19 pandemic. Due to the uncertainty surrounding the pandemic, the length and severity of the outbreak, and the volatility in the world investment markets, there is uncertainty as to how these events will affect results of operations and student housing and dining services income in the future. A limited number of students reside in east campus housing only and no dining services are available. At this time, the Corporation does not know when full capacity will be reached for housing or dining services but expects the current limitations to remain in effect through the remainder of fiscal year 2020/21.

Supplemental Information

University Corporation at Monterey Bay
Schedule of Net Position
June 30, 2020
(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 6,467,431
Short-term investments	260,541
Accounts receivable, net	10,069,513
Capital lease receivable, current portion	-
Notes receivable, current portion	958,693
Pledges receivable, net	572,751
Prepaid expenses and other current assets	1,718,403
Total current assets	<u>20,047,332</u>
Noncurrent assets:	
Restricted cash and cash equivalents	-
Accounts receivable, net	39,496
Capital lease receivable, net of current portion	-
Notes receivable, net of current portion	2,347,859
Student loans receivable, net	-
Pledges receivable, net	87,287
Endowment investments	-
Other long-term investments	45,971,376
Capital assets, net	129,594,608
Other assets	40,000
Total noncurrent assets	<u>178,080,626</u>
Total assets	<u>198,127,958</u>
Deferred outflows of resources:	
Unamortized loss on debt refunding	1,238,176
Net pension liability	-
Net OPEB liability	-
Others	-
Total deferred outflows of resources	<u>1,238,176</u>
Liabilities:	
Current liabilities:	
Accounts payable	4,895,664
Accrued salaries and benefits	660,090
Accrued compensated absences, current portion	568,028
Unearned revenues	2,260,651
Capital lease obligations, current portion	2,460,000
Long-term debt obligations, current portion	1,040,000
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	59,749
Total current liabilities	<u>11,944,182</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	-
Unearned revenues	-
Grants refundable	-
Capital lease obligations, net of current portion	46,753,543
Long-term debt obligations, net of current portion	66,257,929
Claims liability for losses and loss adjustment expenses, net of current portion	-
Depository accounts	329,507
Net other postemployment benefits liability	-
Net pension liability	-
Other liabilities	-
Total noncurrent liabilities	<u>113,340,979</u>
Total liabilities	<u>125,285,161</u>
Deferred inflows of resources:	
Service concession arrangements	-
Net pension liability	-
Net OPEB liability	-
Unamortized gain on debt refunding	-
Nonexchange transactions	-
Others	-
Total deferred inflows of resources	<u>-</u>
Net position:	
Net investment in capital assets	15,486,312
Restricted for:	
Nonexpendable – endowments	-
Expendable:	
Scholarships and fellowships	2,344
Research	26,466
Loans	-
Capital projects	-
Debt service	-
Others	6,330,687
Unrestricted	52,235,164
Total net position	<u>\$ 74,080,973</u>

University Corporation at Monterey Bay
Schedule of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2020
(for inclusion in the California State University)

Revenues:

Operating revenues:

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

Grants and contracts, noncapital:

Federal		13,225,471
State		1,363,033
Local		579,391
Nongovernmental		1,667,352
Sales and services of educational activities		-
Sales and services of auxiliary enterprises, gross		37,740,626
Scholarship allowances (enter as negative)		-
Other operating revenues		1,033,777

Total operating revenues		55,609,650
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Expenses:

Operating expenses:

Instruction		45,251
Research		4,900,152
Public service		4,335,301
Academic support		3,265,324
Student services		5,383,065
Institutional support		8,572,253
Operation and maintenance of plant		-
Student grants and scholarships		2,126,008
Auxiliary enterprise expenses		19,075,431
Depreciation and amortization		9,581,530

Total operating expenses		57,284,315
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Operating income (loss)		(1,674,665)
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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		3,449,535
Investment income (loss), net		1,477,333
Endowment income (loss), net		-
Interest expense		(4,334,384)
Other nonoperating revenues (expenses) - excl. interagency transfers		1,742,618

Net nonoperating revenues (expenses)		2,335,102
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Income (loss) before other revenues (expenses)		660,437
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State appropriations, capital		-
Grants and gifts, capital		(275,939)
Additions (reductions) to permanent endowments		-

Increase (decrease) in net position		384,498
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Net position:

Net position at beginning of year, as previously reported		73,696,475
Restatements		-

Net position at beginning of year, as restated		73,696,475
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Net position at end of year		\$ 74,080,973
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University Corporation at Monterey Bay
Other Information
June 30, 2020
(for inclusion in the California State University

3.2 Detail of depreciation and amortization expense:

Depreciation and amortization expense related to capital assets	\$ 9,581,530
Amortization expense related to other assets	-
Total depreciation and amortization	\$ 9,581,530

4 Long-term liabilities:

	Balance	Prior Period	Balance	Additions	Reductions	Balance	Current Portion	Noncurrent Portion
1. Accrued compensated absences	\$ 470,607	-	470,607	473,721	(376,300)	\$ 568,028	\$ 568,028	\$ -
2. Claims liability for losses and loss adjustment expenses	-	-	-	-	-	-	-	-
3. Capital lease obligations:								
Gross balance	47,330,000	-	47,330,000	-	(2,345,000)	44,985,000	2,460,000	42,525,000
Unamortized net premium/(discount)	4,697,327	-	4,697,327	-	(468,784)	4,228,543	-	4,228,543
Total capital lease obligations	\$ 52,027,327	-	\$ 52,027,327	-	(2,813,784)	49,213,543	2,460,000	46,753,543
4. Long-term debt obligations:								
4.1 Auxiliary revenue bonds (non-SRB related)	\$ -	-	-	-	-	-	-	-
4.2 Commercial paper	-	-	-	-	-	-	-	-
4.3 Notes payable (SRB related)	58,705,000	-	58,705,000	-	(995,000)	57,710,000	1,040,000	56,670,000
4.4 Others:								
Note payable to CSU Monterey Bay	-	-	-	1,165,000	-	1,165,000	-	1,165,000
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total others	-	-	-	1,165,000	-	1,165,000	-	1,165,000
Sub-total long-term debt	\$ 58,705,000	-	\$ 58,705,000	1,165,000	(995,000)	58,875,000	1,040,000	57,835,000
4.5 Unamortized net bond premium/(discount)	8,742,788	-	8,742,788	-	(319,859)	8,422,929	-	8,422,929
Total long-term debt obligations	67,447,788	-	67,447,788	1,165,000	(1,314,859)	67,297,929	1,040,000	66,257,929
Total long-term liabilities	\$ 119,945,722	-	\$ 119,945,722	1,638,721	(4,504,943)	\$ 117,079,500	4,068,028	\$ 113,011,472

5 Capital lease obligations schedule:

	Capital lease obligations related to SRB			All other capital lease obligations			Total capital lease obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2021	2,460,000	2,019,469	4,479,469	-	-	-	2,460,000	2,019,469	4,479,469
2022	2,595,000	1,893,094	4,488,094	-	-	-	2,595,000	1,893,094	4,488,094
2023	2,725,000	1,760,094	4,485,094	-	-	-	2,725,000	1,760,094	4,485,094
2024	2,865,000	1,620,344	4,485,344	-	-	-	2,865,000	1,620,344	4,485,344
2025	2,960,000	1,474,719	4,434,719	-	-	-	2,960,000	1,474,719	4,434,719
2026 - 2030	17,405,000	5,001,786	22,406,786	-	-	-	17,405,000	5,001,786	22,406,786
2031 - 2035	13,975,000	1,491,100	15,466,100	-	-	-	13,975,000	1,491,100	15,466,100
2036 - 2040	-	-	-	-	-	-	-	-	-
2041 - 2045	-	-	-	-	-	-	-	-	-
2046 - 2050	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-
Total minimum lease payments	\$ 44,985,000	15,260,606	60,245,606	-	-	-	44,985,000	15,260,606	60,245,606
Less: amounts representing interest									(15,260,606)
Present value of future minimum lease payments									44,985,000
Unamortized net premium/(discount)									4,228,543
Total capital lease obligations									49,213,543
Less: current portion									(2,460,000)
Capital lease obligations, net of current portion									\$ 46,753,543

6 Long-term debt obligations schedule:

	Auxiliary revenue bonds (non-SRB related)			All other long-term debt obligations			Total long-term debt obligations		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
Year ending June 30:									
2021	-	-	-	1,040,000	2,835,300	3,875,300	1,040,000	2,835,300	3,875,300
2022	-	-	-	1,672,500	2,786,550	4,459,050	1,672,500	2,786,550	4,459,050
2023	-	-	-	1,727,500	2,730,675	4,458,175	1,727,500	2,730,675	4,458,175
2024	-	-	-	1,205,000	2,671,925	3,876,925	1,205,000	2,671,925	3,876,925
2025	-	-	-	1,265,000	2,610,175	3,875,175	1,265,000	2,610,175	3,875,175
2026 - 2030	-	-	-	7,375,000	12,007,875	19,382,875	7,375,000	12,007,875	19,382,875
2031 - 2035	-	-	-	9,475,000	9,911,875	19,386,875	9,475,000	9,911,875	19,386,875
2036 - 2040	-	-	-	12,160,000	7,220,750	19,380,750	12,160,000	7,220,750	19,380,750
2041 - 2045	-	-	-	15,570,000	3,818,250	19,388,250	15,570,000	3,818,250	19,388,250
2046 - 2050	-	-	-	7,385,000	373,875	7,758,875	7,385,000	373,875	7,758,875
Thereafter	-	-	-	-	-	-	-	-	-
Total minimum payments	\$ -	-	-	58,875,000	46,967,250	105,842,250	58,875,000	46,967,250	105,842,250
Less: amounts representing interest									(46,967,250)
Present value of future minimum payments									58,875,000
Unamortized net premium/(discount)									8,422,929
Total long-term debt obligations									67,297,929
Less: current portion									(1,040,000)
Long-term debt obligations, net of current portion									66,257,929

