

**Otter Student Union at California State University,
Monterey Bay**

Annual Report

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

**Otter Student Union at California State University, Monterey Bay
Annual Report
For the Years Ended
June 30, 2020 and 2019**

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Independent Auditors' Report

Board of Directors
Otter Student Union at California State University, Monterey Bay
Seaside, California

Report on the Financial Statements

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

Opinions

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

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 9 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 Otter Student Union at California State University, Monterey Bay’s basic financial statements. The accompanying supplementary information for inclusion in the financial statements of the California State University on pages 23 through 28 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
Otter Student Union at California State University, 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 Otter Student Union at California State University, 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 Otter Student Union at California State University, 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

**Otter Student Union at California State University, Monterey Bay
Management's Discussion and Analysis
June 30, 2020 and 2019**

The Otter Student Union at California State University, Monterey Bay (OSU) began its operations in April 2018 as an auxiliary in good standing of California State University, Monterey Bay (CSUMB or University). The OSU is an IRC Section 501(c)(3) not-for-profit public benefit corporation and its mission is to support the University campus and provide opportunities and advocacy which reflects the founding vision of the University to the surrounding communities.

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

Financial Highlights

- At June 30, 2020, the OSU had \$489,000 in total assets and \$108,000 in total liabilities for net position of \$381,000.
- Student fees transferred from the University in 2019/20 totaled \$1,293,000.
- Contract services expenses totaled \$808,000 in 2019/20.

Otter Student Union at California State University, Monterey Bay
Management's Discussion and Analysis
June 30, 2020 and 2019

Overview of the Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flow (on pages 10 through 14) all provide information about the OSU's activities and present a long-term view of its finances.

These statements are prepared using the accrual basis of accounting which recognizes expenses when incurred and revenue when earned rather than when payment is made or received and is widely used by most private sector companies. They also report the OSU's net position and change in net position. You can think of the OSU'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 OSU's financial health, or fiscal position. Over time, increases or decreases in the OSU's net position are one indicator of whether its financial health is improving or declining.

Condensed Financial Information

Net position in 2019/20 of \$381,000 as well as net position in 2018/19 of \$36,000 are both primarily a result of the net student union fees exceeding total operating expenses resulting in Operating income.

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.

**Otter Student Union at California State University, Monterey Bay
Management's Discussion and Analysis
June 30, 2020 and 2019**

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

	<u>2020</u>	<u>2019</u>
Assets		
Current assets	\$ 489,445	\$ 214,091
Total Assets	<u>489,445</u>	<u>214,091</u>
Liabilities		
Current liabilities	108,001	177,906
Total Liabilities	<u>108,001</u>	<u>177,906</u>
Net Position		
Unrestricted	381,444	36,185
Total Net Position	<u>\$ 381,444</u>	<u>\$ 36,185</u>

Assets

Current assets, or assets that can normally be converted to cash in less than one year, consist of Cash and cash equivalents, Receivables and Prepaid expenses and other assets.

Cash and cash equivalents are held in checking accounts. In 2019/20, Cash and cash equivalents increased 129.6 percent or \$272 thousand from \$210 thousand to \$482 thousand. This increase can be attributed to a full year of operations as compared to last year which only had six months. More detail on Cash and cash equivalents can be found in Note 1 to the financial statements.

Receivables increased in 2019/20 by 353.1 percent or \$55 hundred from \$15 hundred to \$7 thousand. The increase is due to a \$6 thousand procard refund due from USBank.

Liabilities

Current liabilities, amounts owed within one year, consist of Accounts payable, Payable to Corporation, and Due to University.

Payable to Corporation consists of invoices from the University Corporation for salaries and benefits paid as well as vacation accruals for OSU employees. In 2019/20, Payable to Corporation decreased by 39.9 percent or \$72 thousand from \$177 thousand to \$107 thousand. This decrease is due to less invoices owed and outstanding at year-end as compared to last year.

**Otter Student Union at California State University, Monterey Bay
Management's Discussion and Analysis
June 30, 2020 and 2019**

Results of Operations

In fiscal year 2019/20, the OSU's net position increased 954.1% or \$345 thousand as a result of Operating revenues exceeding Operating expenses.

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

	<u>2020</u>	<u>2019</u>
Operating Revenues		
Student fees	\$ 1,292,954	\$ 513,084
Sales and services of auxiliary enterprises	22,916	6,868
Other operating revenues	1,251	356
Total Operating Revenues	<u>1,317,121</u>	<u>520,308</u>
Operating Expenses		
Contract services	808,354	423,977
Other operating expenses	163,508	60,146
Total Operating Expenses	<u>971,862</u>	<u>484,123</u>
Operating Income	<u>345,259</u>	<u>36,185</u>
Increase in Net Position	345,259	36,185
Net Position		
Net position — beginning of year	36,185	-
Net position — end of year	<u>\$ 381,444</u>	<u>\$ 36,185</u>

Operating revenues consist of Student fees, Sales and services of auxiliary enterprises, and Other operating revenues.

Student fees is a result of student union fees surplus for OSU operations. In 2019/20, Student fees increased \$780 thousand or 152.0 percent from \$513 thousand to \$1.3 million. This increase can be attributed to a full year of operations as compared to last year which only had six months.

**Otter Student Union at California State University, Monterey Bay
Management's Discussion and Analysis
June 30, 2020 and 2019**

Sales and services of auxiliary enterprises are from event services provided to University student organizations and departments. Sales and services of auxiliary enterprises increased in 2019/20 by \$16 thousand or 233.7 percent from \$7 thousand to \$23 thousand. This increase can be attributed to a full year of operations as compared to last year which only had six months.

Operating expenses include Contract services, Supplies and services, Travel, Professional services, Equipment, and Other operating expenses.

The Operating expenses for the OSU are made up primarily of Contract Services which mainly includes the reimbursement of salaries and benefits to the Corporation for employees that perform services for OSU and it also includes payments for event costs and performers for campus events. In 2019/20, Contract services increased \$384 thousand or 90.7 percent from \$424 thousand to \$808 thousand. This increase can be attributed to a full year of operations as compared to last year which only had six months as well as the addition of two staff and four student assistants.

Equipment in 2019/20 increased 1,696.2 percent or \$29 thousand from \$1 thousand to \$30 thousand due to the purchase of sound and lighting equipment as well as I/T hardware for additional employees.

Other operating expenses is made up primarily of fees for administrative services, advertising and other costs associated with campus events. In 2019/20, Other expenses increased \$43 thousand or 95.8 percent from \$44 thousand to \$87 thousand. This increase can be attributed to a full year of operations as compared to last year which only had six months.

Currently Known Facts, Decisions and Conditions

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

Construction of Student Union Building

The OSU began construction on its new building in August 2018 with an expected completion date in fall 2020. It will house a ballroom, meeting rooms, lounges, dining options, bookstore and other administrative support spaces to better meet the needs and demands of the growing campus.

Covid-19 Impact

The OSU'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 OSU's employees and operations as well as the students, faculty and staff served at the university. For the 2019-20 fiscal year, OSU had unrealized revenues of approximately \$8,000 due to the cancelation of events due to COVID-19 restrictions.

**Otter Student Union at California State University, Monterey Bay
Management's Discussion and Analysis
June 30, 2020 and 2019**

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. As the 2020-21 fiscal year begins with continued closure of campus facilities and a delay in the completion of the new OSU facility, the OSU's budget reflects an expectation of a reduction in student fee revenue and an inability to realize revenues from events and meetings. The total anticipated reduction in income is approximately \$400,000, some of which will be offset by reductions in student staffing and other expenses, including programming expenditures. The OSU is making great efforts to minimize or to defer operational expenditures as much as possible.

Requests for Information

This report is designed to provide an overview of the OSU'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

Otter Student Union at California State University, Monterey Bay
Financial Statements
For the Years Ended June 30, 2020 and 2019

Otter Student Union at California State University, Monterey Bay
Statement of Net Position
June 30, 2020 and 2019

	2020	2019
Assets		
Current Assets:		
Cash and cash equivalents	\$ 482,472	\$ 210,170
Receivables:		
University	675	1,539
Other	6,298	-
Prepaid expenses and other assets	-	2,382
Total Current Assets	489,445	214,091
Total Assets	489,445	214,091
Liabilities		
Current Liabilities:		
Accounts payable	98	552
Payable to Corporation	106,583	177,303
Due to University	1,320	51
Total Current Liabilities	108,001	177,906
Total Liabilities	108,001	177,906
Net Position		
Net Position:		
Unrestricted	381,444	36,185
Total Net Position	\$ 381,444	\$ 36,185

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

Otter Student Union at California State University, Monterey Bay
Statement of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2020 and 2019

	2020	2019
Operating Revenues:		
Student fees	\$ 1,292,954	\$ 513,084
Sales and services of auxiliary enterprises	22,916	6,868
Other operating revenues	1,251	356
Total Operating Revenues	1,317,121	520,308
Operating Expenses:		
Contract services	808,354	423,977
Utilities	-	489
Supplies and services	20,761	4,003
Travel	14,443	7,355
Professional services	10,950	2,200
Equipment	30,391	1,692
Other operating expenses	86,963	44,407
Total Operating Expenses	971,862	484,123
Operating Income	345,259	36,185
Increase in Net Position	345,259	36,185
Net Position:		
Net position - beginning of year	36,185	-
Net position - end of year	\$ 381,444	\$ 36,185

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

Otter Student Union at California State University, Monterey Bay
Statement of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities:		
Receipts from sales and services of auxiliary enterprises \$	1,316,734	\$ 518,413
Payments to suppliers	(56,030)	(56,841)
Payments to Corporation	(901,063)	(201,282)
Payments to University	(4,009)	(3,687)
Other receipts	1,251	356
Other payments	(84,581)	(46,789)
Net Cash Provided by Operating Activities	272,302	210,170
 Net Increase in Cash	 272,302	 210,170
 Cash and Cash Equivalents - Beginning of year	 210,170	 -
 Cash and Cash Equivalents - End of year	 \$ 482,472	 \$ 210,170
 Reconciliation of Cash and Cash Equivalents to Statements of Net Position:		
Cash and cash equivalents	\$ 482,472	\$ -
 Cash and Cash Equivalents - End of Year	 \$ 482,472	 \$ -

The accompanying notes are an integral part of these financial statements

Otter Student Union at California State University, Monterey Bay
Statement of Cash Flows (Continued)
Years Ended June 30, 2020 and 2019

	2020	2019
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ 345,259	\$ 36,185
Adjustments to reconcile operating income to net cash provided by operating activities:		
Change in assets and liabilities:		
Receivables	(5,434)	(1,539)
Prepaid expenses and other assets	2,382	(2,382)
Accounts payable	(454)	552
Payable to Corporation	(70,720)	177,303
Due to University	1,269	51
Net Cash Provided by Operating Activities	\$ 272,302	\$ 210,170

The accompanying notes are an integral part of these financial statements

Otter Student Union at California State University, Monterey Bay
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity

The Otter Student Union at California State University, Monterey Bay (OSU), a nonprofit 501(c)(3) public benefit corporation, began operations in April 2018. The OSU is an auxiliary organization of the University and is presented in the University's financial statements as a component unit.

The mission of the OSU is to be the heartbeat of the campus and a bridge to surrounding communities providing spaces, opportunities, and advocacy that cultivate belonging reflective of CSUMB's founding vision. OSU's core values are fostering communities, valuing voice, cultivating social justice, and rooted in care.

The OSU began operating as a separate business unit, with financial services provided by the University Corporation at Monterey Bay, on January 1, 2019. The OSU engages in the following authorized functions per its agreement with the Office of the Chancellor: student union programs, operation of a student union facility; and acquisition, development, sale, and transfer of real and personal property including financing transactions related to these activities.

The OSU is governed by a Board of Directors, which is comprised of students, an alumni member, community members, a faculty member, and administrators.

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 OSU 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.

Otter Student Union at California State University, Monterey Bay
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables – Receivables consist of monies due from the University and a one-time credit from the procard issuer, USBank. No allowance for doubtful accounts is calculated as management believes these receivables are collectible.

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

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

Restricted, nonexpendable consists of net position subject to externally imposed restrictions that they must be retained in perpetuity. Net position in this category does not apply to OSU.

Restricted, expendable consists of net position subject to externally imposed restrictions that can be fulfilled by the actions of the OSU pursuant to those restrictions or that expire by the passage of time. Net position in this category does not apply to OSU.

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

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

Classification of Revenues and Expenses – The OSU 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 OSU's primary functions. Exchange transactions include charges for services rendered and the acquisition of goods and services.

Otter Student Union at California State University, Monterey Bay
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Income Taxes – The OSU 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 OSU's tax-exempt purpose is subject to taxation as unrelated business income. No liability for income taxes has been recorded since the amount is not expected to be significant. In addition, the OSU qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(viii) and has been classified as an organization that is not a private foundation under Section 509(a)(3).

The OSU 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 and by the California Franchise Tax Board for fiscal years ending on or after June 30, 2017.

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.

Otter Student Union at California State University, 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

Otter Student Union at California State University, 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.

Otter Student Union at California State University, 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 did not identify any subsequent events that required disclosure.

NOTE 2. DEPOSITS

Deposits – The OSU maintains cash for operating needs in checking accounts with Federal Deposit Insurance Corporation (FDIC) insured financial institutions.

At June 30, 2020 and 2019, the OSU’s checking account was insured by the FDIC up to \$250,000. At June 30, 2020 and 2019, the OSU had \$233,282 and \$0 respectively, in uninsured cash deposits.

NOTE 3. OPERATING AGREEMENTS

CSU

The OSU entered into a new operating agreement with the Trustees of the CSU on July 1, 2017 with a term end date of June 30, 2027. It describes the terms and conditions under which the OSU may operate as an auxiliary organization within the CSU. No amounts are paid to the Trustees of the CSU under this agreement.

Corporation

On July 1, 2017 the OSU entered into an agreement with the Corporation for accounting and financial reporting services. This agreement will renew automatically in 12-month increments unless terminated by choice by either party. The Corporation charges the OSU \$59,669 annually and receives these payments semi-annually. Cost for services may be reviewed and adjusted annually during the budget process.

Otter Student Union at California State University, Monterey Bay
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 4. RISK MANAGEMENT

The OSU manages its risk through the purchase of insurance through California State University Risk Management Authority (CSURMA)/Auxiliaries Organization Risk Management Authority Alliance (AORMA), a joint powers public entity risk pool, for coverage of liability and general organizational risk. CSURMA/AORMA provides self-insured omission claims under \$25,000.

There have been no settlements in the past year 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 OSU's estimated future funding for claims liability.

NOTE 5. RELATED PARTY TRANSACTIONS

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

	<u>2020</u>	<u>2019</u>
University:		
Otter Student Union receivable from the University	\$ 675	\$ 1,539
Otter Student Union payable to the University	1,320	51
Payments for other than salaries of University personnel	4,208	11,844
Corporation:		
Otter Student Union payable to the Corporation	\$ 106,583	\$ 177,303
Expense reimbursements to Corporation	776,693	246,627

NOTE 6. COVID-19 PADEMIC

As noted in Management's Discussion and Analysis, OSU 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 in the future. A limited number of students reside in east campus housing; however, OSU facilities have remained closed. At this time, it is unknown when facilities will be operational and OSU expects this to impact operating revenues going forward.

Supplemental Information

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

Assets:	
Current assets:	
Cash and cash equivalents	\$ 482,472
Short-term investments	-
Accounts receivable, net	6,973
Capital lease receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	-
Prepaid expenses and other current assets	-
Total current assets	<u>489,445</u>
Noncurrent assets:	
Restricted cash and cash equivalents	-
Accounts receivable, net	-
Capital lease receivable, net of current portion	-
Notes receivable, net of current portion	-
Student loans receivable, net	-
Pledges receivable, net	-
Endowment investments	-
Other long-term investments	-
Capital assets, net	-
Other assets	-
Total noncurrent assets	<u>-</u>
Total assets	<u>489,445</u>
Deferred outflows of resources:	
Unamortized loss on debt refunding	-
Net pension liability	-
Net OPEB liability	-
Others	-
Total deferred outflows of resources	<u>-</u>
Liabilities:	
Current liabilities:	
Accounts payable	108,001
Accrued salaries and benefits	-
Accrued compensated absences, current portion	-
Unearned revenues	-
Capital lease obligations, current portion	-
Long-term debt obligations, current portion	-
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	-
Total current liabilities	<u>108,001</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	-
Unearned revenues	-
Grants refundable	-
Capital lease obligations, net of current portion	-
Long-term debt obligations, net of current portion	-
Claims liability for losses and loss adjustment expenses, net of current	-
Depository accounts	-
Net other postemployment benefits liability	-
Net pension liability	-
Other liabilities	-
Total noncurrent liabilities	<u>-</u>
Total liabilities	<u>108,001</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	-
Restricted for:	
Nonexpendable – endowments	-
Expendable:	
Scholarships and fellowships	-
Research	-
Loans	-
Capital projects	-
Debt service	-
Others	-
Unrestricted	381,444
Total net position	<u>\$ 381,444</u>

Otter Student Union at CSU 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	\$	1,292,954
Scholarship allowances (enter as negative)		-

Grants and contracts, noncapital:

Federal		-
State		-
Local		-
Nongovernmental		-
Sales and services of educational activities		-
Sales and services of auxiliary enterprises, gross		22,916
Scholarship allowances (enter as negative)		-
Other operating revenues		1,251

Total operating revenues		<u>1,317,121</u>
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Expenses:

Operating expenses:

Instruction		-
Research		-
Public service		-
Academic support		-
Student services		-
Institutional support		831,075
Operation and maintenance of plant		-
Student grants and scholarships		-
Auxiliary enterprise expenses		140,787
Depreciation and amortization		-

Total operating expenses		<u>971,862</u>
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Operating income (loss)		<u>345,259</u>
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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		-
Investment income (loss), net		-
Endowment income (loss), net		-
Interest expense		-
Other nonoperating revenues (expenses) - excl. interagency transfers		-

Net nonoperating revenues (expenses)		<u>-</u>
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Income (loss) before other revenues (expenses)		<u>345,259</u>
---	--	----------------

State appropriations, capital		-
Grants and gifts, capital		-
Additions (reductions) to permanent endowments		-

Increase (decrease) in net position		<u>345,259</u>
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Net position:

Net position at beginning of year, as previously reported		36,185
Restatements		-

Net position at beginning of year, as restated		<u>36,185</u>
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Net position at end of year		<u>\$ 381,444</u>
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Otter Student Union at CSU Monterey Bay
Other Information
June 30, 2020
(for inclusion in the California State University)

2.3 Investments held by the University under contractual agreements:

N/A

Investments held by the University under contractual agreements

Current	Noncurrent	Total
-	-	-

3.1 Composition of capital assets:

	N/A Balance	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance	Additions	Retirements	Transfer of completed	Balance
Non-depreciable/Non-amortizable capital assets:									
Land and land improvements				\$	-			\$	-
Works of art and historical treasures					-				-
Construction work in progress (CWIP)					-				-
Intangible assets:									
Rights and easements					-				-
Patents, copyrights and trademarks					-				-
Intangible assets in progress (PWIP)					-				-
Licenses and permits					-				-
Other intangible assets:					-				-
					-				-
					-				-
					-				-
					-				-
					-				-
					-				-
					-				-
					-				-
Total Other intangible assets					-				-
Total intangible assets					-				-
Total non-depreciable/non-amortizable capital assets					-				-
					-				-
Depreciable/Amortizable capital assets:									
Buildings and building improvements					-				-
Improvements, other than buildings					-				-
Infrastructure					-				-
Leasehold improvements					-				-
Personal property:					-				-
Equipment					-				-
Library books and materials					-				-
Intangible assets:					-				-
Software and websites					-				-
Rights and easements					-				-
Patents, copyrights and trademarks					-				-
Licenses and permits					-				-
Other intangible assets:					-				-
					-				-
					-				-
					-				-
					-				-
					-				-
					-				-
					-				-
					-				-
Total Other intangible assets					-				-
Total intangible assets					-				-
Total depreciable/amortizable capital assets					-				-
Total capital assets					-				-
					-				-
Less accumulated depreciation/amortization: (enter as negative)									
Buildings and building improvements					-				-
Improvements, other than buildings					-				-
Infrastructure					-				-
Leasehold improvements					-				-
Personal property:					-				-
Equipment					-				-
Library books and materials					-				-
Intangible assets:					-				-
Software and websites					-				-
Rights and easements					-				-
Patents, copyrights and trademarks					-				-
Licenses and permits					-				-
Other intangible assets:					-				-
					-				-
					-				-
					-				-
					-				-
					-				-
					-				-
					-				-
					-				-
Total Other intangible assets					-				-
Total intangible assets					-				-
Total accumulated depreciation/amortization					-				-
Total capital assets, net					-				-

3.2 Detail of depreciation and amortization expense:

N/A

Depreciation and amortization expense related to capital assets
Amortization expense related to other assets
Total depreciation and amortization

\$	-
\$	-

4 Long-term liabilities:

N/A

	Balance	Prior Period	Balance	Additions	Reductions	Balance	Current Portion	Noncurrent Portion
1. Accrued compensated absences						\$		-
2. Claims liability for losses and loss adjustment expenses								-

Otter Student Union at CSU Monterey Bay
Other Information
June 30, 2020
(for inclusion in the California State University)

3. Capital lease obligations:								
Gross balance	-	-	-	-	-	-	-	-
Unamortized net premium/(discount)	-	-	-	-	-	-	-	-
Total capital lease obligations	\$ -	-	-	-	-	-	-	-
4. Long-term debt obligations:								
4.1 Auxiliary revenue bonds (non-SRB related)	\$ -	-	-	\$ -	-	-	-	-
4.2 Commercial paper	-	-	-	-	-	-	-	-
4.3 Notes payable (SRB related)	-	-	-	-	-	-	-	-
4.4 Others:								
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total others	-	-	-	-	-	-	-	-
Sub-total long-term debt	\$ -	-	-	\$ -	-	-	-	-
4.5 Unamortized net bond premium/(discount)	-	-	-	-	-	-	-	-
Total long-term debt obligations	-	-	-	-	-	-	-	-
Total long-term liabilities	\$ -	-	-	\$ -	-	-	\$ -	-

5 Capital lease obligations schedule:

	N/A								
	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	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-
2026 - 2030	-	-	-	-	-	-	-	-	-
2031 - 2035	-	-	-	-	-	-	-	-	-
2036 - 2040	-	-	-	-	-	-	-	-	-
2041 - 2045	-	-	-	-	-	-	-	-	-
2046 - 2050	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-
Total minimum lease payments	\$ -	-	-	-	-	-	-	-	-
Less: amounts representing interest									-
Present value of future minimum lease payments									-
Unamortized net premium (discount)									-
Total capital lease obligations									-
Less: current portion									-
Capital lease obligations, net of current portion									\$ -

6 Long-term debt obligations schedule:

	N/A								
	Auxiliary revenue bonds (non-SRB related)			All other long-term debt obligations			Total long-term debt obligations		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
Year ending June 30:									
2021	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-
2026 - 2030	-	-	-	-	-	-	-	-	-
2031 - 2035	-	-	-	-	-	-	-	-	-
2036 - 2040	-	-	-	-	-	-	-	-	-
2041 - 2045	-	-	-	-	-	-	-	-	-
2046 - 2050	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-
Total minimum payments	\$ -	-	-	-	-	-	-	-	-
Less: amounts representing interest									-
Present value of future minimum payments									-
Unamortized net premium/(discount)									-
Total long-term debt obligations									-
Less: current portion									-
Long-term debt obligations, net of current portion									-

7 Transactions with related entities:

Payments to University for salaries of University personnel working on	
Payments to University for other than salaries of University personnel	4,208
Payments received from University for services, space, and programs	
Gifts-in-kind to the University from discretely presented component units	
Gifts (cash or assets) to the University from discretely presented component	
Accounts (payable to) University	(1,320)
Other amounts (payable to) University	
Accounts receivable from University	675
Other amounts receivable from University	

Otter Student Union at CSU Monterey Bay
Other Information
June 30, 2020
(for inclusion in the California State University)

8 Restatements

N/A

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

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

9 Natural classifications of operating expenses:

	Salaries	Benefits - Other	Benefits - Pension	Benefits - OPEB	Scholarships and	Supplies and other services	Depreciation and	Total operating expenses
Instruction	-	-	-	-	-	-	-	-
Research	-	-	-	-	-	-	-	-
Public service	-	-	-	-	-	-	-	-
Academic support	-	-	-	-	-	-	-	-
Student services	-	-	-	-	-	-	-	-
Institutional support	-	-	-	-	-	831,075	-	831,075
Operation and maintenance of plant	-	-	-	-	-	-	-	-
Student grants and scholarships	-	-	-	-	-	-	-	-
Auxiliary enterprise expenses	-	-	-	-	-	140,787	-	140,787
Depreciation and amortization	-	-	-	-	-	-	-	-
Total operating expenses	\$ -	-	-	-	-	971,862	-	971,862

10 Deferred outflows/inflows of resources:

N/A

1. Deferred Outflows of Resources

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

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

2. Deferred Inflows of Resources

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

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



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

Board of Directors
Otter Student Union at California State University, Monterey Bay
Seaside, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of net position and related statement of revenues, expenses and changes in net position and cash flows of Otter Student Union at California State University, Monterey Bay (OSU), a component unit of California State University, Monterey Bay, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the OSU's basic financial statements, and have issued our report thereon dated September 11, 2020.

Internal Control Over Financial Reporting

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

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

Board of Directors
Otter Student Union at California State University, Monterey Bay
Seaside, California
Page 2

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

Compliance and Other Matters

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

Purpose of this Report

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



Glenn Burdette Attest Corporation
San Luis Obispo, California

September 11, 2020