



Mr. Charles C. Ragland, Esq.
Community Member (Alumni)
Department of Justice

Dr. Charles De Leone
Faculty Member
Professor, Physics

Dr. Cynthia Chavez Metoyer
Faculty Member, Community
Engagement-Office of
Internships

Vacant
Student Member

Dr. Graham Oberem
Designated Member
Vice President for
Academic Affairs

Mr. Jason Schreiber
Administrative Member
Dean of Students

Ms. Jennifer Williams
Designated Member
President's Designee
AVP of Campus Climate and
Chief of Staff, Office of
President Karen S. Haynes

Mr. Neal Hoss
Designated Member
Vice President for
Finance & Administrative
Services

Vacant
Student Member

Mr. Xavier Martinez
Community Member
Martinez & Associates, Inc.,
San Marcos

Annual and Regular Meeting of the Board of Directors
September 27, 2018 @ 4:00 p.m. – 5:30 p.m.
Center for Children and Families Classroom

AGENDA

- I. **Convening of Annual Meeting (*Oberem*)**
- II. **Consent Agenda (*Oberem*)**
 - A. Nomination of Extended Learning Representative to the Board of Directors
 - B. Board Member Nominations 18/19 (**Attachment A**)
 - C. Committee Membership 18/19 (**Attachment B**)
- III. **Action Item (*Oberem*)**
 - A. Board Officer Nominations 18/19 (**Attachment C**)
- IV. **Adjournment of Annual Meeting (*Oberem*)**

- I. **Convening of Regular Board Meeting (*Oberem*)**
 - A. Consideration of Minutes May 24, 2018 Regular Meeting (**Attachment D**)
- II. **Committee Reports and University Updates**
 - A. Sponsored Projects Committee (*Oberem & Beckwith*) (**Attachment E**)
 - B. Joint Audit Committee (*Martinez*)
 - C. Administration Update (*Newberg*)
 - D. Student Housing Update (*Schreiber*)
 - E. University Update (*Williams*)
- III. **Consent Agenda (*Oberem*)**
 - A. CSUSM Corporation Financial Audit Report & A-133 Compliance Report 6/30/18 (**Attachment F**)
- IV. **Action Items**
 - A. Quarterly Financial Report & Summary 6/30/18 (*Davis*) (**Attachment G**)
 - B. Revised Procurement Policy (*Newberg*) (**Attachment H**)
 - C. Campus Dining Project (*Newberg*)
 - D. Revised Resolution – QUAD Affiliation Agreement (*Newberg*) (**Attachment I**)
- V. **Adjournment of Meeting (*Oberem*)**

Next Meeting: November 15, 2018

ATTACHMENT A

Board Member Nominations 18/19

Bios for new Student Member nominations will be provided separately



California State University
SAN MARCOS

CSUSM
Corporation

Proposed BOARD MEMBER NOMINATIONS 2018/2019

Michael Schroder

New Appointment
Administrative Member
(3-year term to expire 9/21)

Conner Whitten

New Appointment
Student Member
(1-year term to expire 9/19)

Armando Zaragoza

New Appointment
Student Member
(1-year term to expire 9/19)

ATTACHMENT B

Proposed Committee Membership 18/19



Proposed BOARD COMMITTEES 2018/2019

FINANCE AND OPERATIONS COMMITTEE

Neal Hoss, Chair
Jennifer Williams, Vice Chair
Cynthia Chavez Metoyer
Charles Ragland
Mike Schroder
Bella Newberg

Staff (non-voting):

Cynthia Fenimore
Deborah Davis
Michelle Hinojosa
Trina Beckwith

JOINT AUDIT COMMITTEE:

CSUSM Corporation, CSUSM Foundation & Associated Students Inc.

CSUSM Corp Board Members (voting):

Xavier Martinez, CSUSM Corp, Chair
Armando Zaragoza, CSUSM Corp

Non-CSUSM Corp Board Members (voting):

Thomas Kenaya, CSUSM Foundation
Luanne Bas, CSUSM Foundation
Savana Doudar, ASI
Kenneth Tran, ASI

Staff (non-voting):

Bella Newberg
Cynthia Fenimore
Deborah Davis

EXECUTIVE COMMITTEE

Neal Hoss, Chair
Graham Oberem
Charles Ragland, Vice Chair
Cynthia Chavez Metoyer

Staff (non-voting):

Bella Newberg

SPONSORED PROJECTS COMMITTEE

CSUSM Corp Board Members (voting):

Neal Hoss, Chair
Graham Oberem
Chuck De Leone
Conner Whitten

Non-CSUSM Corp Board Members (voting):

Wesley Schultz, Vice Chair (Dean, Office of Graduate Studies & Research)
Katherine A. Kantardjieff (Dean, College of Math and Science)
Sean Newcomer (Associate Professor, Kinesiology)
Ana Hernandez (Associate Professor, School of Ed)
Keith Trujillo (Director, Office for Training, Research & Education in the Sciences)
Bella Newberg (Executive Director, CSUSM Corporation)

Staff (non-voting):

Michelle Hinojosa
Trina Beckwith

STUDENT HOUSING ADVISORY COMMITTEE

CSUSM Corp Board Members (voting):

Jason Schreiber, Chair
Bella Newberg, Vice Chair
Becky Calica
Armando Zaragoza

Non-CSUSM Corp Board Members (voting):

Malik Ismail

Advisory (non-voting):

Megan Stang
COCM Representative
Janelle Temnick



BOARD OF DIRECTORS

Mr. Charles C. Ragland, Esq.
Community Member (Alumni)
Department of Justice

Dr. Charles De Leone
Faculty Member
Professor, Physics

Dr. Cynthia Chavez Metoyer
Faculty Member
Community Engagement-Office of Internships

Dr. Graham Oberem
Designated Member
Provost

Mr. Jason Schreiber
Administrative Member
Dean of Students

Ms. Jennifer Williams
Designated Member
President's Designee
AVP of Campus Climate and Chief of Staff, Office of
President Karen S. Haynes

Mr. Michael Schroder
Administrative Member
Dean, Extended Learning

Mr. Neal Hoss
Designated Member
Vice President for
Finance & Administrative Services

Mr. Xavier Martinez
Community Member
Martinez & Associates, Inc.,
San Marcos

Mr. Armando Zaragoza
Student Member

Mr. Conner Whitten
Student Member

ATTACHMENT C

Proposed Board Officer Nominations 18/19



California State University
SAN MARCOS

CSUSM
Corporation

Proposed BOARD OFFICERS 2018/2019

Chair	Dr. Graham Oberem
Vice Chair	Mr. Charles C. Ragland Esq.
Secretary	Dr. Cynthia Chavez Metoyer
Treasurer	Mr. Neal Hoss

ATTACHMENT D

Minutes of May 24, 2018 Regular Meeting



Minutes of the Regular Meeting of the Board of Directors

May 24, 2018

Center for Children and Families Classroom

Attendees

Members: Graham Oberem (Chair), Neal Hoss, Chuck De Leone, Cynthia Chavez Metoyer, Jason Schreiber, Xavier Martinez, Jennifer Williams, Charles Ragland @ 4:14

Members Absent: None

Staff: Deborah Davis, Bella Newberg, Cynthia Fenimore, Michelle Hinojosa, Trina Beckwith, Eugene Grinberg, Karla Frazee, Dawn Myers

Guests: n/a

Convening of the Regular Meeting

A quorum being present, Chair Oberem called the meeting to order at 4:00 p.m. Oberem noted that the meeting agenda had been revised. Under section IV, item A was removed.

Oberem recognized Dawn Myers for her service as a student member of the CSUSM Corporation Board of Directors by presenting her with a plaque. Myers graduated in December 2017 and is no longer serving on the Board.

Minutes of the November 16, 2017 Regular Meeting

A motion was made and seconded (De Leone/Chavez Metoyer) to approve the November 16, 2017 Regular Meeting minutes. Motion carried.

Committee Reports

Administration Update

Newberg reported that the CSUSM Corporation has been busy updating policies & procedures, the website and onboarding new employees. CSUSM Corporation is undergoing an audit and Newberg reviewed the timeline. The terms of the Affiliation Agreement are currently being re-negotiated. Newberg reported that we are in talks with Sodexo regarding the new Dining Hall. Sodexo is constructing a financial proforma for the site and considering a greater financial contribution. In turn, our commissionable rate will decrease. Housing has some funds to contribute to the Dining Hall project. Upcoming CSUSM Corporation projects include a dining master plan, catering RFP, ATM RFP and a CSUSM Corporation Board retreat.

Executive Committee Update

Hoss reported that the Executive Committee met on February 9, 2018. All action items pertained to the EL Project and passed.

EL Building/P3 Project Update

Newberg reported that the EL Project is on schedule. Managing the financial obligations, planning for operationalizing the Project and group 2 purchasing is ongoing.

Investment Report Update

Fenimore reviewed the Investment Report that was provided in the agenda packet sent prior to the meeting.

Joint Audit Committee Update

Martinez reported that the Joint Audit Committee met on March 29, 2018. The Form 990 Tax Returns for all three Auxiliaries were passed to move forward to their respective Boards for approval.

Sponsored Projects Committee Update

Beckwith reported on the number of awards OSP is currently managing. Oberem reported on a comparison over the last three years regarding proposal submissions. DeLeone reported that a Grant Writing Bootcamp is underway. DeLeone noted that the bootcamp is a very well organized approach to Grant writing and will be very productive.

Student Housing Advisory Committee Update

Schreiber reported that the Student Housing Advisory Committee meets monthly, more if needed. The UVA and QUAD occupancy is at 100% with a waiting list of 212 students. The Committee continues to work on the housing master plan, discussing housing priority and housing requirements.

University Update

Williams provided the University update which included Commencement, two Trustee visits, the new Technology Strategic Plan, EL Building ground breaking, onboarding of the new Dean for College of Education, Health & Human Services and onboarding the new AVP for Student Life.

Consent Agenda

Oberem explained that a Consent Agenda was included as Item III in the meeting Agenda. He explained the purpose of the Consent Agenda. Oberem asked if anyone had any questions about the Consent Agenda process. There being none Oberem then asked if anyone wanted to move any items from the Consent Agenda to the Regular Agenda. There being none, *a motion comes moved and seconded (Chavez Metoyer/Williams) to approve the Quarterly Financial Report 12/31/17 & Summary (Attachment C), Revised FY 17/18 Operating Budget & Resolution (Attachment D), Compensation Structure Revisions (Attachment E), brought forward from the March 9, 2018 Finance and Operations Committee Meeting. The Revised Procurement Policy (Attachment F), Revised Property Control Policy (Attachment G), Revised Post Retirement Benefit Policy (Attachment H), New Cost Principle Policy (Attachment I), Compensation*

Administration Guidelines FY18/19 (Attachment J), Quarterly Financial Report 3/31/18 & Summary (Attachment K), FY 18/19 Corporation Budget & Resolution (Attachment L), brought forward from the May 15, 2018 Finance and Operations Committee Meeting and Form 990 Tax Return FY 16/17 Ratification (Attachment M) brought forward from the March 29, 2018 Joint Audit Committee Meeting. Motion carried.

Action Items

Nomination of Student Member to the Student Housing Advisory Committee (Attachment N)

Newberg referenced Becky Calica's bio that was sent prior to the meeting. Calica will not serve on the Board of Directors.

A motion was made and seconded (Hoss/DeLeone) to approve the nomination of Becky Calica to serve on the Student Housing Advisory Committee as presented. Motion carried.

Nomination of Faculty Members to the Sponsored Projects Committee (Attachment O)

Newberg referenced the bios for Dr. Hernandez and Dr. Trujillo sent prior to the meeting. The Office of Sponsored Projects would like to have more proactive engagement with the PI's. The nomination of the two additional faculty members to the Committee will help achieve this, Dr. Hernandez and Dr. Trujillo are very active PI's.

A motion was made and seconded (DeLeon/Williams) to approve the nomination of Dr. Ana Hernandez and Dr. Keith Trujillo to the Sponsored Projects Committee. Motion carried.

Proposed FY 18/19 Meeting Calendar (Attachment P)

Oberem reviewed the proposed FY 18/19 meeting calendar included in the agenda packet as Attachment P.

A motion was made and seconded (Hoss/De Leone) to approve the proposed FY 18/19 meeting calendar as presented. Motion carried.

Extension of the Campus Coffee Agreement

Newberg reported that the Campus Coffee agreement is up for renewal. Campus Coffee has been a partner for many years.

A motion was made and seconded (Chavez Metoyer/Schreiber) to approve the extension of the Campus Coffee agreement as presented. Motion carried.

Adjournment of Regular Meeting

The Regular Meeting adjourned by acclamation at 4:58 p.m.

Cynthia Chavez Metoyer
Secretary

Date

ATTACHMENT E

Awards Report FY 17/18

Award Report

FY17-18

July 1, 2017 - June 30, 2018

PI ID	College/Center	Department	Funding Agency	Project Title	% IDC	Project Amount
Andera	CEHHS	School of Nursing	OSHPD	FNP Training Program	0%	132,000
Beecher	CEHHS	Social Work	UC Berkeley	CSUSM Masters, Social Program	10%	610,443
Boren	CEHHS	Nursing	DHHS	GAIN Program YR2	49%	337,225
Brown	CHABSS	Economics	CSU CHICO	NVUM Klamath	10%	86,500
Bufferd	CHABSS	Psychology	NIH/MIMH	Preschool Internalizing Supplement	49%	17,514
Carolin	EL	Global Education	US Dept. of State	100K Strong Americas - Peru	4%	24,997
Chen	GSR	CRESE	NSF	Cultivating STEM Teaching Identity in Noyce Teacher Scholars	49%	842,267
Clark-Ibanez	GSR	Natnl Latino Research Cntr	SANDAG	Community Based Outreach for 2019 Regional	28%	45,000
Clark-Ibanez	GSR	Natnl Latino Research Cntr	CNCS	Universidad Popular: Cultivando Liderazgo	28%	282,208
Clark-Ibanez	GSR	Natnl Latino Research Cntr	UCLA	Strengthening Organizational Capacity for Undocumented Students in Higher Education	0%	15,000
Clark-Ibanez	GSR	Natnl Latino Research Cntr	CNCS	Universidad Popular: Sabiduria	28%	150,000
D'Anna-Hernandez	CHABSS	Psychology	NSF	RUI: Fetal Programming	49%	437,161
D'Anna-Hernandez	CHABSS	Psychology	NIH/NIMH	Role of Prenatal Environment	49%	447,000
Dominguez	CSM	Physics	NSF	RUI: Resolving Astrophysical Water Formation	49%	63,743
Fierro	CSM	Dean's Office	US Dept. of ED	H.S.I. STEM Engineering	0%	1,199,868
Garcia	CSM	Biological Sciences	NIH/NIGMS	North San Diego County Bridges to the Future	8%	211,817
Garcia	OUGS		US Dept. of ED	McNair Project	8%	232,265

Award Report

FY17-18

July 1, 2017 - June 30, 2018

PI ID	College/Center	Department	Funding Agency	Project Title	% IDC	Project Amount
Gonzalez	CEHHS	Education	US Dept. of ED	CSUSM CAMP YR1	8%	425,000
Gonzalez	Academic Affairs	Provost's Office	US Dept. of ED	PASO YR3	0%	525,000
Gregory	EL	ALCI	US Dept. of State	Iraqi Young Leaders Exchange Program	0%	54,576
Hagg	Student Affairs	EMS	Grossmont-Cuyamaca Community College	Basic Skills Partnership Pilot Program	4%	140,000
Hamadani	CSM	Chemistry & Biochemistry	CSUPERB	Travel Grant	0%	1,500
Hernandez	CEHHS	Education	US Dept. of ED	ACCEPT: Aligning Common Core YR2	8%	507,367
Holub	CEHHS	Public Health	Doris A. Howell Foundation	Increasing Physical Activity through a Culturally Tailored, Community-led Intervention among Pacific Islanders	0%	15,000
Jayasinghe	CSM	Chemistry & Biochemistry	NIH	Inhibition of Protein Aggregation by the Curli Accessory Proteins CsgE and CsgF	49%	335,250
Kantardjieff	CSM	Dean's Office	UC Berkeley	Transforming College Teaching: Statewide implementation of the Faculty Learning Program to improve STEM undergraduate teaching and learning	49%	40,041
Kim	CSM	Biological Sciences	NIH	Mechanisms of Myotonic Dystrophy	49%	99,500
Mauga	Student Affiars/EMS	Outreach Programs	US Dept. of ED	Talent Search YR2	8%	246,000
Mauga	Student Affiars/EMS	Outreach Programs	US Dept. of ED	TRIO UPWARD BOUND YR1	8%	318,394
McManus	Office of Diversity, Educational Equity and Inclusion		Tariq Kahmisa Foundation	TKF Evaluation	5%	18,000
Moineau	CEHHS	Speech Language Pathology	US Dept. of ED	Y4 Eff. School-Based Practice	8%	250,000
Mothe	CSM	Biological Sciences	CIRM	CIRM Bridges to Stem Cell YR3	10%	656,150
Mothe	CSM	Biological Sciences	CIRM	CIRM Conference Grant	0%	320,000

Award Report

FY17-18

July 1, 2017 - June 30, 2018

PI ID	College/Center	Department	Funding Agency	Project Title	% IDC	Project Amount
Ng	CSM	Chemistry & Biochemistry	SDSU	I-Corps Site: A Biological Sciences Site for the California State University	0%	1,000
Northway	Student Affairs/SASS	SSS	US Dept. of ED	Student Support Srv YR3	8%	308,638
Nunez	GSR	Natnl Latino Research Cntr	ASD	One CA 2017	28%	16,200
Nunez	GSR	Natnl Latino Research Cntr	Sociological Initiatives Foundation	UndocuStudent Scholars	0%	20,000
Nunez	GSR	Natnl Latino Research Cntr	DHHS	Homie Up: Youth Empowerment	28%	425,000
Ouyang	GSR	Natnl Latino Research Cntr	NSF	Building Social Capital and Efficacy	49%	999,998
Perron	CSM	Physics	DOD	Cryogen-Free Dilution Refridge	0%	580,586
Peters	Student Affairs	SHCS	APA	APA Internship Program Accredi	0%	15,650
Pulvers	CHABSS	Psychology	NIH	Toxicant Exposure to E-Cigaret	49%	111,750
Pulvers	CHABSS	Psychology	California Youth Advocacy Network	Clear the Air Ambassador Program	0%	5,000
Pulvers	CHABSS	Psychology	UCOP	Tracking Tobacco Waste to Increase Compliance	49%	587,533
Rahn	EL	Environmental Leadership Institute	FEMA	Fire Prevention and Safety	28%	958,249
Reily	Student Affiars/SASS	Veterans Services	ONR	Veterans to Energy Careers	28%	1,000,000
Rocha	CSM	Biological Sciences	Palomar	H.S.I. Title V	0%	147,429
Romig	CEHHS	Nursing	OSHPD	ED Stipend Psychiatric Mental Health Nurse Pracitioner (PMHNP) Program (Y2)	13.5%	242,007
Schultz	CHABSS	Psychology	NSF	Developing a Measure of STEM Identity	28%	300,000

Award Report

FY17-18

July 1, 2017 - June 30, 2018

PI ID	College/Center	Department	Funding Agency	Project Title	% IDC	Project Amount
Shaw	CHABSS	Sociology	NSF	The Ethics of Archiving	28%	49,058
Sheath	CSM	Biological Sciences	State Water Board	SWAMP 7	15%	470,237
Sheath	CSM	Biological Sciences	CSU Chico Research FDN	CSU Chico Service Agreement	20%	40,120
Siyahhan	CEHHS	School of Education	UW - IMLS KidsTeam	Supporting Intergenerational Participatory Design Groups for Librarians and Youth for Design Thinking Around Digital Learning	49%	63,441
Stowell	CEHHS	School of Education	UCOP	SM Writing Project	8%	36,289
Stowell	CEHHS	School of Education	UCOP	SM Writing Project	5%	29,180
Trujillo	CHABSS	Psychology	UEI	LSAMP V YR 5	0%	10,000
Trujillo	CHABSS	Psychology	UEI	LSAMP V YR 5 Supplement	0%	40,000
Trujillo	CHABSS	Psychology	NIH	MARC	8%	302,184
Trujillo	CHABSS	Psychology	NIH	RISE	8%	656,053
Tsui	CSM	Physics	APS	MSI Collaboration Travel Grant	0%	5,000
Vourlitis	CSM	Biological Sciences	US Fish & Wildlife	Hermes Copper Butterfly	17.5%	65,000
Vourlitis	CSM	Biological Sciences	USDA	From field to lab to the classroom - Development of a research-based undergraduate course	30.0%	278,679
Zhang	CSM	Computer Science	NIH	Biom mineralization in Coccolithophores	49%	104,400
					Total 17/18 Awards \$:	16,955,467
					Total 17/18 Awards #:	63
					16/17 Total Awards (Adjusted) \$:	16,986,929
					16/17 Total Awards (Adjusted) #:	53
					15/16 Total Awards \$:	9,248,506
					15/16 Total Awards #:	48

ATTACHMENT F

**CSUSM Corporation Financial Audit Report & A-133
Compliance Report 6/30/18**

California State University San Marcos Corporation

Financial Statements and Supplemental Information

Years Ended June 30, 2018 and 2017



CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION
Financial Statements and Supplemental Information
Years Ended June 30, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
California State University San Marcos Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of California State University San Marcos Corporation, formerly University Auxiliary and Research Services Corporation, (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditors' 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 audit to obtain reasonable assurance about whether the financial statements are free from 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 California State University San Marcos Corporation as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information included on pages 20 - 40 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated **September 27, 2018**, on our consideration of the California State University San Marcos Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 California State University San Marcos Corporation's internal control over financial reporting and compliance.

San Diego, California
September 27, 2018

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION**Statements of Financial Position**

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 7,243,788	\$ 846,492
Accounts receivable	2,634,418	2,500,454
Other receivables	180,501	186,853
Due from related parties	3,682,476	928,230
Prepaid expenses	8,217	16,167
Current portion of certificates of deposits	1,963,721	491,923
Investments	4,279,900	1,640,839
Total Current Assets	19,993,021	6,610,958
Property and equipment, net of accumulated depreciation	42,819,152	8,222,198
Certificates of deposits, less current portion	2,153,261	1,227,009
Other assets	56,581	61,081
Total Assets	<u>\$ 65,022,015</u>	<u>\$ 16,121,246</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 4,654,249	\$ 804,579
Due to related parties	571,943	427,321
Current portion of deferred revenue	499,959	512,912
Accrued payroll and benefits	840,654	745,569
Accrued interest	121,754	-
Current portion of bond payable	958,576	-
Current portion of accrued postretirement benefit costs	18,312	18,805
Current portion of note payable	20,306	-
Total Current Liabilities	7,685,753	2,509,186
Bond payable, net of current portion	17,991,447	-
Deferred revenue, net of current portion	9,487,596	3,480,117
Accrued postretirement benefit costs, net of current portion	1,513,235	1,445,544
Note payable, net of current portion	15,077,985	198,291
Total Liabilities	51,756,016	7,633,138
Net Assets:		
Unrestricted:		
Board-designated:		
Operating reserves	2,588,199	1,888,719
Other program reserves	2,903,744	2,195,146
Housing reserves	3,453,712	-
Equipment	4,320,344	4,404,243
Total Net Assets	13,265,999	8,488,108
Total Liabilities and Net Assets	<u>\$ 65,022,015</u>	<u>\$ 16,121,246</u>

See accompanying notes to financial statements.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION**Statements of Activities**

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Unrestricted Revenue, Gains, and Other Support:		
Federal grants and contracts	\$ 11,638,466	\$ 11,114,724
Housing and rental income	5,458,907	-
Campus programs	2,436,997	3,920,297
Other sponsored programs	1,416,767	764,526
Ground lease income	790,698	270,660
Commissions	643,035	527,150
Child care center in-kind rental income	524,917	510,124
Housing, other fees	418,084	-
Net realized and unrealized gain on investments	38,003	84,368
Rental income	31,380	139,092
Interest and dividend income	26,694	14,339
	<u>23,423,948</u>	<u>17,345,280</u>
Total Unrestricted Revenue, Gains and Other Support	23,423,948	17,345,280
Expenses:		
Program services:		
Sponsored programs	10,409,013	9,468,760
Student housing	2,387,181	-
Campus programs	1,375,078	2,931,974
Student scholarships	895,479	903,977
Ground lease in-kind	790,698	270,660
Interest	713,170	-
Child care center in-kind rent	524,917	527,150
Residential education	244,183	-
	<u>17,339,719</u>	<u>14,102,521</u>
Total Program Services	17,339,719	14,102,521
General and administrative	<u>3,999,935</u>	<u>2,595,659</u>
Total Expenses	21,339,654	16,698,180
Transfer from UCorp (Note 1)	<u>2,693,597</u>	<u>-</u>
Increase in Net Assets	4,777,891	647,100
Unrestricted Net Assets, beginning	<u>8,488,108</u>	<u>7,841,008</u>
Unrestricted Net Assets, ending	<u>\$ 13,265,999</u>	<u>\$ 8,488,108</u>

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION**Statements of Cash Flows**

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Increase in net assets	\$ 4,777,891	\$ 647,100
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Transfer from UCorp	(2,693,597)	-
Depreciation	1,605,821	549,122
Amortization of debt premium	(24,792)	-
Net realized and unrealized gain on investments	(38,003)	(84,368)
(Gain) loss on disposals of property and equipment	(6,309)	41,038
Change in accumulated postretirement benefit obligation	67,198	147,313
Changes in operating assets and liabilities:		
Accounts receivable	(133,964)	(897,082)
Other receivables	271,107	55,420
Due from related parties	(2,754,246)	(366,482)
Prepaid expenses	22,040	3,845
Other assets	4,500	-
Accounts payable	2,502,336	481,099
Due to related parties	144,622	(3,697)
Deferred revenue	5,994,526	1,848,424
Accrued payroll and benefits	95,085	(29,700)
Accrued interest	121,754	-
Net Cash Provided by Operating Activities	9,955,969	2,392,032
Cash Flows from Investing Activities:		
Purchases of property and equipment	(17,604,316)	(1,880,747)
Purchases of investments	(3,101,060)	(283,000)
Proceeds from the sale of investments	500,000	550,000
Maturities of certificates of deposits	245,000	735,000
Purchases of certificates of deposits	(2,643,050)	(977,141)
Net Cash Used by Investing Activities	(22,603,426)	(1,855,888)
Cash Flows Used by Financing Activities:		
Proceeds from note payable	14,900,000	-
Payments on note payable	(921,918)	-
Net Increase in Cash and Cash Equivalents	1,330,625	536,144
Cash and Cash Equivalents, beginning	846,492	310,348
Cash transfer from UCorp (Note 1)	5,066,671	-
Cash and Cash Equivalents, ending	\$ <u>7,243,788</u>	\$ <u>846,492</u>

See accompanying notes to financial statements.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION
Statements of Cash Flows, Continued
Years Ended June 30, 2018 and 2017

	2018	2017
Supplemental Disclosures of Cash Flow Information:		
Cash payments for interest	\$ 749,831	\$ -
Student housing funds transferred to Corporation (Note 1)		
Cash and cash equivalents	\$ 5,066,671	\$ -
Other receivables	264,753	-
Prepaid expenses	14,090	-
Property and equipment, net of accumulated depreciation	18,592,150	-
Accounts payable	(1,347,334)	-
Bonds payable	(19,896,733)	-
Net transfer	\$ 2,693,597	\$ -

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CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

Note 1 – Organization and Summary of Significant Accounting Policies

Nature of Activities

California State University San Marcos Corporation (Corporation), formerly University Auxiliary and Research Services Corporation (UARSC), is a nonprofit California corporation and an auxiliary organization of California State University San Marcos (University), organized and operated in accordance with the California Code of Regulations and the Education Code of the State of California. The Corporation was organized in December 1989 to provide service and opportunity to the University. The Corporation accomplishes this through its focus on administering research and educational grants and contracts; human resource and payroll services, business services to other Auxiliary programs, and management of various entrepreneurial commercial enterprises. Commercial enterprises include childcare services, campus dining services, bookstore and retail services, and managing other commercial partnerships, including real estate, real property development, student housing, and summer conferences.

As of July 1, 2017, San Marcos University Corporation's (UCorp) student housing funds merged with the Corporation. Those funds are the University Village Apartments (UVA) and Residential Education (RE). Additionally, various contracts have been assumed by the Corporation. The remaining UCorp funds were transferred to the University and UCorp was dissolved.

The Corporation holds a ground and facility lease on the University Village Apartments (UVA), which provides housing and student-life activities for approximately 660 students, and contracts with Capstone On-Campus Management (Capstone), a third-party administrator for UVA operations and management. Additionally, the Corporation manages the contractual relationship between The Quad developer (a privately owned housing option for CSUSM students), the University and the Residential Education Team.

Related Parties

The Corporation is related to other auxiliaries of the University, including Associated Students, Inc. of California State University San Marcos (ASI), and California State University San Marcos Foundation (Foundation). These auxiliaries and the University, although independent, periodically provide various services to one another.

Basis of Presentation

The Corporation reports information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Corporation may spend the funds.
- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

There were no temporarily or permanently restricted net assets during the years ended June 30, 2018 and 2017.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Corporation considers all highly liquid investments with original maturity dates of three months or less to be cash equivalents.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

Note 1 – Organization and Summary of Significant Accounting Policies, continued

Income Taxes

The Corporation is a qualified nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. However, the Corporation remains subject to taxes on any net income which is derived from a trade or business regularly carried on and unrelated to its exempt purpose.

The Corporation follows accounting standards generally accepted in the United States of America related to the recognition of uncertain tax positions. The Corporation recognizes accrued interest and penalties associated with uncertain tax positions as part of the statements of activities, when applicable. Management has determined that the Corporation has no uncertain tax positions as of June 30, 2018 and 2017; therefore, no amounts have been accrued.

Receivables

The accounts receivable arise in the normal course of operations. It is the policy of management to review the outstanding accounts receivable at year end, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts. A provision for doubtful accounts has not been established as management considers all accounts to be collectible based upon a favorable history over a substantial period of time. If amounts become uncollectible, they will be charged to operations when that determination is made.

Investments

Investments in mutual funds with readily determinable fair values, based on daily share prices, are reported at fair value with gains and losses included in the statements of activities.

The investments of the Corporation are exposed to interest rate and market risk. Economic conditions can impact these risks and resulting fair values can be either positively or adversely affected. If the level of risk increases in the near term, it is possible that the investment balances and the amounts reported in the financial statements could be materially affected by market fluctuations. Although the fair value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Corporation and its beneficiaries.

Property and Equipment

The Corporation capitalizes all expenditures for property and equipment in excess of \$5,000. Equipment and improvements are recorded at cost or at estimated fair value at date of gift if donated. Expenditures for maintenance and repairs are charged against operations. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets of 3 to 30 years.

Deferred Revenue

Deferred revenue represents grant revenue received in advance and the unamortized portion of property and equipment received from unrelated third parties as part of agreements for the operation of the bookstore and campus food services.

Bond Premium

Bond premium is amortized for 19 years using the straight-line method, which approximates the effective interest method over the term of the bonds. The amortization is recorded as a reduction of interest expense.

Housing

Rental income attributed to leases is recorded when earned over time on a straight-line basis. Rental payments are due on or before the first day of the month in accordance with the residence lease agreement. If rental payments are received in advance, revenue is recognized when the related rents are earned and are realized or realizable. Other property-related income includes management and service fees, and is recognized as revenue when the related fees are earned and are realized or realizable.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

Note 1 – Organization and Summary of Significant Accounting Policies, continued

Reclassifications

Certain reclassifications have been made to the 2017 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications. For the year ended June 30, 2017, approximately \$800,000 of general and administration expense was reclassified to ground lease in-kind and child care center in-kind rent. In addition, approximately \$900,000 of sponsored programs expense was reclassified to scholarships.

Subsequent Events

The Corporation has evaluated subsequent events through [DATE], which is the date the financial statements were available to be issued.

Note 2 – Concentration of Credit Risk

The Corporation maintains cash and cash equivalents in bank deposit and investment accounts. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 and investment accounts are insured by the Securities Investor Protection Corporation (SIPC) up to a limit of \$500,000. The Corporation's account balances may, at times, exceed the limits. The Corporation has not experienced any such losses in these accounts.

Note 3 – Fair Value Measurement

Fair Value Measurements

The Corporation defines fair value as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market. The Corporation applies fair value measurements to assets and liabilities that are required to be recorded at fair value under generally accepted accounting principles. Fair value measurement techniques maximize the use of observable inputs and minimize the use of unobservable inputs, and are categorized in a fair value hierarchy based on the transparency of inputs. In addition, the Corporation reports certain investments using the net asset value per share as determined by investment managers, allowing the net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. The three levels are defined as follows:

- Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

Note 3 – Fair Value Measurement, continued

As a practical expedient, certain financial instruments may be valued using net asset value (NAV) per share. NAV is the amount of net assets attributable to each share of outstanding capital stock at the end of the period.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2018 and 2017.

Mutual funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Certificates of deposit: Reported at cost plus earned interest, which approximates market prices.

Investments and certificates of deposit at fair value according to the fair value hierarchy are as follows as of June 30, 2018:

	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Net Asset Value	Total
	Level 1	Level 2	Level 3	NAV	
Mutual funds	\$ 4,279,900	\$ -	\$ -	\$ -	\$ 4,279,900
Certificates of deposit	-	4,116,982	-	-	4,116,982
	<u>\$ 4,279,900</u>	<u>\$ 4,116,982</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,396,882</u>

Investments and certificates of deposit at fair value according to the fair value hierarchy are as follows as of June 30, 2017:

	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Net Asset Value	Total
	Level 1	Level 2	Level 3	NAV	
Mutual funds	\$ 1,640,839	\$ -	\$ -	\$ -	\$ 1,640,839
Certificates of deposit	-	1,718,932	-	-	1,718,932
	<u>\$ 1,640,839</u>	<u>\$ 1,718,932</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,359,771</u>

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

Note 4 – Property and Equipment

Property and equipment consist of the following as of June 30:

	2018	2017
Land improvements	\$ 2,475,208	\$ 1,535,469
Building and improvements	31,063,847	4,385,743
Furniture and equipment	4,738,492	2,223,700
Leasehold improvements	2,200,274	2,924,302
	40,477,821	11,069,214
Less accumulated depreciation	(16,167,117)	(4,655,439)
	24,310,704	6,413,775
Construction in progress	18,508,448	1,808,423
	\$ 42,819,152	\$ 8,222,198

The total cost of one building, UVA (Note 1), under capital lease, as of June 30, 2018 and 2017 was \$23,849,021. Accumulated depreciation associated with this asset as of June 30, 2018 and 2017 was \$8,817,950 and \$8,221,726, respectively.

Note 5 – Commitments and Contingencies

Leases

The Corporation has entered into various operating lease agreements with the University for facilities, with monthly rents totaling \$3,500 through June 30, 2018. The Corporation leased office space at 435 E. Carmel Street under a lease agreement and had monthly rent averaging \$8,675 for eight months. The lease was terminated on February 28, 2018. The Corporation moved their offices to the University in March 2018 at which time an additional \$70,000 was paid for rent. Total rent expense was approximately \$181,400 and \$170,000 for each of the years ended June 30, 2018 and 2017, respectively.

Bookstore Operating Agreement

The Corporation entered into an agreement with an unrelated third party to operate the campus bookstore. As part of the agreement, the unrelated third party relocated the bookstore to the former campus dining area and paid for the relocation and improvement costs related to the move. The cost will be depreciated and amortized over the contract term. All capital equipment or improvements not attached as fixtures to real estate are the property of the unrelated third-party. If the Corporation terminates the agreement prior to the termination date or if the unrelated third party terminates the agreement for cause, the Corporation is required to purchase any existing inventory at the time of termination at fair value according to the agreement, reimburse the unrelated third party for the book value of its capital improvements, and refund the unamortized portion of the bookstore build-out. The contract term was extended to June 30, 2025.

The contract commissions are 11.5 percent on gross revenues up to \$4,000,000 and 12.5 percent on gross revenues exceeding \$4,000,000. Under this agreement, commission revenue for the years ended June 30, 2018 and 2017 was \$337,245 and \$354,723, respectively.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

Note 5 – Commitments and Contingencies, continued

Bookstore Operating Agreement, continued

In addition, the unrelated third party placed into service \$836,241 of equipment, design and construction services for the build-out of the bookstore for the Corporation. The Corporation has ownership of the assets and has recorded a corresponding liability to deferred revenue which is amortized to revenue over the 10 remaining years of the contract. The Corporation recognized revenues of \$83,123 and \$83,351 for the years ended June 30, 2018 and 2017, respectively. In addition, the Corporation has deferred revenue of \$582,317 and \$665,440 of June 30, 2018 and 2017, respectively, related to the noncash transaction.

Child Care Center Lease Agreement

The Corporation owns and operates the Center for Children and Families and has a Child Care Center Development Agreement (Agreement) with KinderCare Education at Work LLC, a California Limited Liability Corporation, which expires on February 28, 2023. In exchange for operating, maintaining, and managing the center, the operator is not charged rent. Management estimated that the value of the Agreement was \$524,917 and \$510,124 for the years ended June 30, 2018 and 2017, respectively.

For operating the child care center, the Corporation does not pay rent under the ground lease. Management estimated that the value of the lease agreement was \$278,510 and \$270,660 for the years ended June 30, 2018 and 2017, respectively. These amounts are reflected in the statements of activities for the years ended June 30, 2018 and 2017 as property ground lease income and land leasing costs, which is included in ground lease income. As consideration for the Agreement the third party pays the Corporation an annual revenue share based on gross margin and net revenue of the center.

Beverage Distribution Rights Contract

The Corporation has granted an unrelated third party exclusive rights to campus beverage sales and distribution. The term of the agreement is a 10-year period expiring on December 31, 2021, unless terminated by either party with advance notice, as defined in the agreement. As part of the agreement, the unrelated third party will have exclusive rights for beverage sale and distribution, including the right to provide all beverages at athletic events, club activities, special events, concessions and vending locations.

As consideration for the agreement, the unrelated third party paid the Corporation an initial support fund in the amount of \$50,000 earned over the term of the agreement and payable upon signing the agreement. Additional consideration includes an annual sponsorship fee of \$20,000 and \$1,500 in marketing funds payable annually at the end of each calendar year, 35 percent commission paid quarterly on actual cash collected by vending machines plus proceeds from credit card transactions. Commission revenue included \$65,730 and \$61,677 for the years ended June 30, 2018 and 2017, respectively, under this agreement, which includes the \$20,000 sponsorship fee for the year ended June 30, 2018.

Campus Food Service Agreement

The Corporation has an agreement with an unrelated third party to operate the campus food services, including retail sales, catering and concessions. The term of the agreement is 20 years through August 5, 2032, unless terminated by either party with advance notice, as defined in the agreement. As part of the agreement, the Corporation will continue to own the equipment used to operate the food services and the unrelated third party shall purchase and own the inventories of food, beverage and supplies used in operations. In the event of a termination by the Corporation, all amounts due to the unrelated third party shall be payable immediately as defined in the agreement. The Corporation does not expect early termination. As consideration for the agreement, the unrelated third party pays the Corporation a 5 percent commission all retail sales with the exception of Panda Express and Starbucks as of July 1, 2017.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

Note 5 – Commitments and Contingencies, continued

Campus Food Service Agreement, continued

In January 2014, as part of the agreement, the unrelated third party purchased approximately \$1.4 million of equipment, design and construction services for the build-out of retail concepts for the Corporation. The Corporation has ownership of the assets and has recorded a corresponding liability to deferred revenue which is amortized to revenue over the 18 remaining years of the contract. The Corporation recognized revenues of \$73,923 and \$73,923 for the years ended June 30, 2018 and 2017, respectively. In addition, the Corporation has deferred revenue of \$1,071,878 and \$1,145,801 at June 30, 2018 and 2017, respectively, related to the noncash transaction.

Sponsored Programs

The Corporation receives significant financial assistance from numerous federal, state, and local governmental agencies in the form of grants and operating subsidies. Disbursements of funds received under these programs generally require compliance with terms and conditions specified in the agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability to the Corporation. However in the opinion of management, any such disallowed claims would not have a material adverse impact on the overall financial position of the Corporation as of June 30, 2018 and 2017.

Workers' Compensation Insurance

During the years ended June 30, 2018 and 2017, the Corporation purchased workers' compensation insurance for \$50,807 and \$46,865, respectively, through an approved self-insurance program in which the Corporation is a member, and which is administered by the California State University Risk Management Authority (CSURMA).

Involvement in alternative insurance programs such as the CSURMA's self-funded workers' compensation program is an attempt to control the increases in insurance costs, but also carry financial commitments to the liabilities of the program.

Unemployment Insurance

For the years ended June 30, 2018 and 2017, CSURMA estimated an overage in reserves for unemployment insurance from the Corporation of \$51,328 and \$84,695, respectively. The Corporation recorded a receivable of \$51,328 and \$84,695 at June 30, 2018 and 2017, respectively.

University Village Apartments (Note 1)

UCorp entered into a ground and facility lease agreement for student housing with the Board on March 1, 2005. The lease term is for 28 years, with an option to extend an additional five years. In consideration of the execution of the lease agreement, UCorp would continue to operate the student housing facility on the site as part of refinancing the student housing improvements. The Corporation assumed the agreement as of July 1, 2017.

Management Agreement (Note 1)

UCorp entered into a management agreement with Capstone On-Campus Management (Manager) to manage the operations of the student housing facilities from July 1, 2015 through September 30, 2018. The Agreement was amended on July 1, 2017 because of the Corporation merger with UCorp, assigning responsibilities to the Corporation and extending the contract to September 30, 2021. The agreement requires an annual fee, payable monthly to the Manager, consisting of a fixed fee and a fixed percentage of revenue collected at 3%. For the years ended June 30, 2018 and 2017, management fees paid were \$177,704 and \$196,648, respectively. This amount is reflected in the statements of activities within student housing expenses for the years ended June 30, 2018 and 2017.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION**Notes to Financial Statements**

Years Ended June 30, 2018 and 2017

Note 5 – Commitments and Contingencies, continuedLegal Proceedings

The Corporation may periodically be a party in litigation cases incidental to its business activities. While any litigation or investigation has an element of uncertainty, management believes that the outcome of any of these matters will not have a materially adverse effect on its financial position, results of operations or liquidity.

Note 6 – Accrued Postretirement Benefits Costs

The Corporation has a postretirement program that provides lifetime medical, dental, and vision coverage to retiring employees age 65 or older with at least 10 years of service and having been enrolled in health benefits as of December 31, 2014 as a regular employee. Medical coverage will be provided through the AOA pooled medical program. Dependent spouses of eligible retirees will also receive lifetime medical, dental, and vision coverage.

The following tables include the postretirement healthcare benefits that are unfunded and the amounts recognized in the financial statements as of and for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Change in Benefit Obligation:		
Benefit obligation at beginning of year	\$ 1,293,713	\$ 1,354,679
Service cost	52,442	102,693
Interest cost	43,277	50,795
Amendments	-	-
Changes in plan provisions	(189,250)	-
Actuarial (gain)/loss	(268,643)	(200,524)
Benefits paid	<u>(14,094)</u>	<u>(13,930)</u>
Benefit obligation at end of year	<u>\$ 917,445</u>	<u>\$ 1,293,713</u>
	<u>2018</u>	<u>2017</u>
Funded Status:		
Unamortized prior service cost (credit)	\$ (80,875)	\$ 118,438
Unrecognized net actuarial gain	(533,227)	(289,074)
Accrued benefit cost	<u>1,531,547</u>	<u>1,464,349</u>
Benefit obligation at June 30	<u>\$ 917,445</u>	<u>\$ 1,293,713</u>
Measurement date	6/30/2018	6/30/2017
Funded status at end of year	\$ (917,445)	\$ (1,293,713)
	<u>2018</u>	<u>2017</u>
Net Periodic Benefit Cost:		
Service cost	\$ 52,442	\$ 102,693
Interest cost	43,277	50,795
Amortization of prior service cost	10,063	10,063
Amortization of net (gain)/loss	<u>(24,490)</u>	<u>(2,308)</u>
Net periodic benefit cost	<u>\$ 81,292</u>	<u>\$ 161,243</u>

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

Note 6 – Accrued Postretirement Benefits Costs, continued

The weighted-average assumptions used to determine benefit obligations are as follows for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Discount Rate	4.00%	4.00%
Expected long-term return on plan assets	N/A	N/A
Rate of compensation increase	N/A	N/A
Health care cost trend rate assumed for next year	5.50%	5.50%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00%	4.50%
Year that the rate reaches the ultimate trend rate	4 yrs	4 yrs

Expected retiree payments as of June 30, 2018 are as follows:

<u>Expected Retiree Payments Over the Next 10 Years</u>	
2018/19	\$ 18,312
2019/20	21,441
2020/21	23,978
2021/22	27,225
2022/23	30,131
Thereafter	<u>187,083</u>
	<u>\$ 308,170</u>

Note 7 – Long-Term Debt

Note Payable

The Corporation entered into a ten-year note payable with the University for \$250,000 to be used for the refurbishment and modernization of the on campus Starbucks retail store. The note was amended, during the year ended June 30, 2016, to change the payment terms and interest rate from 3.00 percent to 2.75 percent per annum and is payable in annual principal and interest installments. From this revision, the Corporation made no payments during the years ended June 30, 2018 and 2017. The note agreement matures on July 1, 2024.

Minimum future principal payments on long-term debt as of June 30, 2018 are due as follows:

<u>Year Ending June 30,</u>	
2019	\$ 20,306
2020	27,692
2021	28,442
2022	29,235
2023	30,039
Thereafter	<u>62,577</u>
	<u>\$ 198,291</u>

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

Note 7 – Long-Term Debt, continued

Student Housing (Note 1)

In March 2002, UCorp issued \$27,990,000 of Series 2002 Student Housing Revenue Bonds. The proceeds were used to finance the construction of the UVA. In March 2005, the Board of Trustees of the California State University (the Board) issued \$25,230,000 of Series 2005A Systemwide Revenue Bonds, whose proceeds were used to pay in full the Series 2002 bonds and to purchase the facility from UCorp. In August 2013, a portion of the outstanding Series 2005A bonds were refunded with proceeds from Series 2013A bond issue. The 2005A bond refund resulted in a modification of the capital lease between the University and UCorp resulting in a gain on modification of \$697,885 for the year ended June 30, 2014.

In August 2014, the Board of Trustees of the California State University issued \$8,340,000 of Series 2014A Systemwide Revenue Bonds at a net premium of \$1,365,474. The Series 2014A bond proceeds were used to refund \$9,205,000 of the Series 2005A Systemwide Revenue Bonds. The remaining portion of the series 2005A bond of \$705,000 was paid upon maturity in November 2014.

In March 2005, a ground and facility lease was signed between the Board and UCorp for a term of 28 years beginning on May 1, 2005, with an option to extend an additional 10 years. The Ground and Facility Lease agreement was amended in July 2017 due to the Ucorp and Corporation merger. The Corporation is responsible for paying a base rent equal to the relating bond obligation and additional rental payments to cover all administrative costs and other expenses in connection with the refinancing or leasing of the facility. The bonds comprise Series 2013A and Series 2014A bonds bearing annual interest of 5.0 percent (paid semiannually). Rental payments are secured by a pledge of all UCorp revenues. The lease obligation due to the Board is treated as a financing arrangement. Accounting principles generally accepted in the United States of America preclude recognition of a real estate sale where there is continuing involvement with the property on the part of the seller. If the seller-lessee has any continuing involvement other than the leaseback, sale leaseback accounting is prohibited. Additionally, if the seller is required to support operations or continue to operate the property at its own risk for an extended period of time, the transactions should be accounted for as a financing, leasing or profit-sharing arrangement. The financing method is used when the situations are generally significant enough that, in substance, the arrangement is a loan by the buyer-lessor to the seller-lessee.

Since the present value of the future lease payments on May 1, 2005 exceeded 90 percent of the fair value of the leased building, the building and the related liability under the capital leases were recorded in 2005 at the present value of the future payments due under the leases.

The balance of the liability under capital lease at June 30, 2018, in the amount of \$18,950,023, is net of the remaining \$194,388 of unamortized gain associated with the modification of the capital lease in August 2014, and represents the present value of the balance due in future years for lease rentals, discounted at 3.89 percent. The balance outstanding at June 30, 2017 was \$19,896,734, which was net of \$219,180 in unamortized gain associated with the modification of the capital lease in August 2014.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

Note 7 – Long-Term Debt, continued

Minimum future principal payments on bond payable debt as of June 30, 2018 are due as follows:

<u>Year Ending June 30,</u>	
2019	\$ 1,671,750
2020	1,674,625
2021	1,670,375
2022	1,673,875
2023	1,674,874
Thereafter	<u>16,344,125</u>
Total minimum lease payments	24,709,624
Less amount representing interest (3.89% average effective interest rate)	<u>(5,953,989)</u>
Present value of minimum lease payments	18,755,635
Less current portion	<u>(958,576)</u>
Noncurrent portion	17,797,059
Remaining gain on modification	<u>194,388</u>
	<u>\$ 17,991,447</u>

Extended Learning Building and Parking Project

See Note 10

Note 8 – Related Party Transactions

The Corporation reimburses the University for salaries and other program-related costs for personnel working on contracts, fiscal services, and providing other business and operation services.

The Corporation, as a lessor, had entered into an operating lease agreement to rent storage space to the University. The monthly rental income is approximately \$5,796 per month through December 31, 2017 at which time the lease was terminated with the University. The rental receipts for the year ending June 30, 2018 and 2017 was approximately \$34,773 and \$139,092, respectively.

The Corporation entered into payroll processing agreements with Foundation, ASI, and UCorp.

The University remits bond interest payments for the debt related to the Corporation's capital lease of student housing. The Corporation then reimburses the University for the payments.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

Note 8 – Related Party Transactions, continued

Related party transactions are as follows:

<u>Related Parties</u>	<u>Description</u>	<u>Reported in</u>	<u>2018</u>	<u>2017</u>
Expenses to:				
University	Salaries and reimbursed costs	Various expenses	\$ 4,327,673	\$ 3,305,999
University	Bond Interest	Interest expense	713,170	-
UCorp	Services, programs and other	Various expenses	-	32,233
ASI	Services, programs and other	Various expenses	6,925	8,016
Foundation	Services, programs and other	Various expenses	600	-
			<u>\$ 5,048,368</u>	<u>\$ 3,346,248</u>
Revenue from:				
University	Services and programs	Various revenue	\$ 1,387,762	\$ 3,471,015
UCorp	Payroll processing, administrative expenses and other expenses	Various revenue	-	1,610,597
ASI	Payroll processing, administrative expenses and other expenses	Various revenue	995,195	760,596
Foundation	Payroll processing, administrative expenses and other expenses	Various revenue	11,681	30,243
			<u>\$ 2,394,638</u>	<u>\$ 5,872,451</u>
Due from:				
University	Salaries, benefits, and other expenses	Due from related parties	\$ 3,397,971	\$ 363,804
UCorp	Salaries, benefits, and other expenses	Due from related parties	-	293,529
ASI	Salaries, benefits, and other expenses	Due from related parties	141,331	139,404
Foundation	Other expenses	Due from related parties	143,174	131,493
			<u>\$ 3,682,476</u>	<u>\$ 928,230</u>
Due to:				
University	Cost reimbursement	Due to related parties	\$ 571,943	\$ 426,501
University	Bond Interest	Accrued interest	121,754	-
UCorp	Cost reimbursement	Due to related parties	-	820
			<u>\$ 693,697</u>	<u>\$ 427,321</u>

Note 9 – Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

Note 10 – Extended Learning Building and Parking Project

The Extended Learning Building/Student Services Building and Parking Project (Project) is being developed through a Public/Private Partnership with North City University One (Developer). The Project includes a 135,000 gross square foot, six-story building, and a 709-parking garage on 2-acres directly across the street from campus.

The Corporation will own 120,400 gross square feet to be used for Extended Learning Programs, classrooms, class labs and support spaces, and the Developer will own 14,600 gross square feet to be used for retail. A condominium structure will be created to divide ownership of the building and land, and will provide for shared use of the common spaces. The Corporation and the Developer will commonly own the parking structure under a separate parking declaration. The Project is expected to be completed in time for the fall 2019 semester.

The Developer will fund the design and construction of a pedestrian bridge connecting the Extended Learning building to the University. The estimated cost for the bridge is \$4,500,000 and will be completed fall 2019.

The Corporation will construct, own, equip and operate the Project and act as landlord to the University. The University authorized advanced lease payments up to \$12,000,000 to fund the design, and construction of the Project. Advanced lease payments are classified as deferred revenue.

In March 2018, the Corporation received a loan from the Trustees of the California State University in the amount of \$14,900,000. Interest rates range from 1.32% to 2.9%. On August 2, 2018, the loan agreement between the Trustees of the California State University and the Corporation was amended to increase the loan amount to \$54,185,000 with a maturity date of November 1, 2048. The amended loan has deescalating principal payments of approximately \$3,000,000 to \$3,500,000.

Minimum future principal payments on long-term debt as of June 30, 2018 are due as follows:

<u>Year Ending June 30,</u>	
2019	\$ -
2020	850,000
2021	895,000
2022	935,000
2023	975,000
Thereafter	<u>11,245,000</u>
	\$ <u>14,900,000</u>

SUPPLEMENTAL INFORMATION

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California State University San Marcos Corporation
Schedule of Net Position
June 30, 2018
(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 7,243,788
Short-term investments	6,243,621
Accounts receivable, net	6,497,395
Capital lease receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	-
Prepaid expenses and other current assets	8,217
Total current assets	<u>19,993,021</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	2,153,261
Capital assets, net	42,819,152
Other assets	56,581
Total noncurrent assets	<u>45,028,994</u>
Total assets	<u>65,022,015</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	5,226,192
Accrued salaries and benefits	354,735
Accrued compensated absences, current portion	485,919
Unearned revenue	499,959
Capital lease obligations, current portion	958,576
Long-term debt obligations, current portion	20,306
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	121,754
Total current liabilities	<u>7,667,441</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	-
Unearned revenue	9,487,596
Grants refundable	-
Capital lease obligations, net of current portion	17,797,059
Long-term debt obligations, net of current portion	15,077,985
Claims liability for losses and loss adjustment expenses, net of current portion	-
Depository accounts	-
Net other postemployment benefits obligations	1,531,547
Net pension liability	-
Other liabilities	-
Total noncurrent liabilities	<u>43,894,187</u>
Total liabilities	<u>51,561,628</u>
Deferred inflows of resources:	
Service concession arrangements	-
Net pension liability	-
Net OPEB liability	-
Unamortized gain on debt refunding	194,388
Nonexchange transactions	-
Others	-
Total deferred inflows of resources	<u>194,388</u>
Net Position:	
Net investment in capital assets	4,320,344
Restricted for:	
Nonexpendable – endowments	-
Expendable:	
Scholarships and fellowships	-
Research	-
Loans	-
Capital projects	-
Debt service	-
Others	-
Unrestricted	8,945,655
Total net position	<u>\$ 13,265,999</u>

California State University San Marcos Corporation
Schedule of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2018
(for inclusion in the California State University)

Revenues:	
Operating revenues:	
Student tuition and fees, gross	\$ -
Scholarship allowances	-
Grants and contracts, noncapital:	
Federal	11,638,466
State	1,179,775
Local	75,717
Nongovernmental	161,275
Sales and services of educational activities	2,436,997
Sales and services of auxiliary enterprises, gross	7,867,021
Scholarship allowances	-
Other operating revenues	-
Total operating revenues	<u>23,359,251</u>
Expenses:	
Operating expenses:	
Instruction	2,551,788
Research	7,621,897
Public service	3,454
Academic support	453,375
Student services	3,469,743
Institutional support	1,013,765
Operation and maintenance of plant	-
Student grants and scholarships	895,479
Auxiliary enterprise expenses	3,011,162
Depreciation and amortization	1,605,821
Total operating expenses	<u>20,626,484</u>
Operating income (loss)	<u>2,732,767</u>
Nonoperating revenues (expenses):	
State appropriations, noncapital	-
Federal financial aid grants, noncapital	-
State financial aid grants, noncapital	-
Local financial aid grants, noncapital	-
Nongovernmental and other financial aid grants, noncapital	-
Other federal nonoperating grants, noncapital	-
Gifts, noncapital	-
Investment income (loss), net	64,697
Endowment income (loss), net	-
Interest expense	(713,170)
Other nonoperating revenues (expenses) - excl. interagency transfers	2,693,597
Other nonoperating revenues (expenses) - interagency transfers	-
Net nonoperating revenues (expenses)	<u>2,045,124</u>
Income (loss) before other revenues (expenses)	4,777,891
State appropriations, capital	-
Grants and gifts, capital	-
Additions (reductions) to permanent endowments	-
Increase (decrease) in net position	<u>4,777,891</u>
Net position:	
Net position at beginning of year, as previously reported	8,488,108
Restatements	-
Net position at beginning of year, as restated	<u>8,488,108</u>
Net position at end of year	<u>\$ 13,265,999</u>

California State University San Marcos Corporation
 Other Information
 June 30, 2018
 (for inclusion in the California State University)

	<u>Amount</u>
2.3 Restricted current investments at June 30, 2018 related to:	
Add description	\$ -
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Total restricted current investments at June 30, 2018	<u>\$ -</u>
2.4 Restricted noncurrent investments at June 30, 2018 related to:	
Endowment investment	\$ -
Scholarships	-
Inflation reserves	-
University projects	-
Add description	-
Add description	-
Add description	-
Add description	-
Total restricted noncurrent investments at June 30, 2018	<u>\$ -</u>

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California State University San Marcos Corporation
Other Information
June 30, 2018
(for inclusion in the California State University)

2.5 Fair value hierarchy in investments at June 30, 2018:

	Total	Fair Value Measurements Using			Net Asset Value (NAV)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
State of California Surplus Money Investment Fund (SMIF)	-	-	-	-	-
State of California Local Agency Investment Fund (LAIF)	-	-	-	-	-
Corporate bonds	-	-	-	-	-
Certificates of deposit	4,116,982	-	4,116,982	-	-
Mutual funds	4,279,900	4,279,900	-	-	-
Money Market funds	-	-	-	-	-
Repurchase agreements	-	-	-	-	-
Commercial paper	-	-	-	-	-
Asset backed securities	-	-	-	-	-
Mortgage backed securities	-	-	-	-	-
Municipal bonds	-	-	-	-	-
U.S. agency securities	-	-	-	-	-
U.S. treasury securities	-	-	-	-	-
Equity securities	-	-	-	-	-
Exchange traded funds (ETFs)	-	-	-	-	-
Alternative investments:	-	-	-	-	-
Private equity (including limited partnerships)	-	-	-	-	-
Hedge funds	-	-	-	-	-
Managed futures	-	-	-	-	-
Real estate investments (including REITs)	-	-	-	-	-
Commodities	-	-	-	-	-
Derivatives	-	-	-	-	-
Other alternative investment types	-	-	-	-	-
Other external investment pools (excluding SWIFT)	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Other major investments:	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Total investments	8,396,882	4,279,900	4,116,982	-	-

California State University San Marcos Corporation
Other Information
June 30, 2018
(for inclusion in the California State University)

3.1 Composition of capital assets at June 30, 2018:

	Balance June 30, 2017	Prior period Adjustments	Reclassifications	Balance June 30, 2017 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2018
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	\$ -	-	-	-	-	-	-	-
Works of art and historical treasures	-	-	-	-	-	-	-	-
Construction work in progress (CWIP)	1,808,423	-	-	1,808,423	17,624,009	-	(923,984)	18,508,448
Intangible assets:								
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-
Internally generated intangible assets in progress	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:								
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total nondepreciable/nonamortizable capital assets	1,808,423	-	-	1,808,423	17,624,009	-	(923,984)	18,508,448
Depreciable/amortizable capital assets:								
Buildings and building improvements	4,385,743	8,642,056	-	13,027,799	17,562,140	-	473,908	31,063,847
Improvements, other than buildings	1,535,469	533,896	-	2,069,365	407,308	(1,465)	-	2,475,208
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	2,924,302	-	-	2,924,302	-	(724,028)	-	2,200,274
Personal property:								
Equipment	2,223,700	1,509,072	-	3,732,772	603,009	(47,365)	450,076	4,738,492
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:								
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total depreciable/amortizable capital assets	11,069,214	10,685,024	-	21,754,238	18,572,457	(772,858)	923,984	40,477,821
Total capital assets	12,877,637	10,685,024	-	23,562,661	36,196,466	(772,858)	-	58,986,269
Less accumulated depreciation/amortization:								
Buildings and building improvements	(941,400)	(8,642,056)	-	(9,583,456)	(951,337)	2,497	-	(10,532,296)
Improvements, other than buildings	(719,490)	(533,896)	-	(1,253,386)	(168,836)	-	-	(1,422,222)
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	(1,244,328)	-	-	(1,244,328)	(333,725)	776,670	-	(801,383)
Personal property:								
Equipment	(1,750,221)	(1,509,072)	-	(3,259,293)	(151,923)	-	-	(3,411,216)
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:								
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total accumulated depreciation/amortization	(4,655,439)	(10,685,024)	-	(15,340,463)	(1,605,821)	779,167	-	(16,167,117)
Total capital assets, net	\$ 8,222,198	-	-	8,222,198	34,590,645	6,309	-	42,819,152

3.2 Detail of depreciation and amortization expense for the year ended June 30, 2018:

Depreciation and amortization expense related to capital assets	\$ 1,605,821
Amortization expense related to other assets	-
Total depreciation and amortization	\$ 1,605,821

California State University San Marcos Corporation
Other Information
June 30, 2018
(for inclusion in the California State University)

4 Long-term liabilities activity schedule:

	Balance June 30, 2017	Prior period adjustments	Reclassifications	Balance June 30, 2017 (restated)	Additions	Reductions	Balance June 30, 2018	Current portion	Long-term portion
Accrued compensated absences	\$ 376,576	-	-	376,576	126,390	(17,047)	485,919	485,919	-
Claims liability for losses and loss adjustment expenses	-	-	-	-	-	-	-	-	-
Capitalized lease obligations:									
Gross balance	-	-	-	-	19,677,553	(921,918)	18,755,635	958,576	17,797,059
Unamortized premium / (discount) on capitalized lease obligations	-	-	-	-	-	-	-	-	-
Total capitalized lease obligations	-	-	-	-	19,677,553	(921,918)	18,755,635	958,576	17,797,059
Long-term debt obligations:									
Auxiliary revenue bonds	-	-	-	-	-	-	-	-	-
Commercial paper	-	-	-	-	-	-	-	-	-
Notes payable related to SRB	-	-	-	-	14,900,000	-	14,900,000	-	14,900,000
Others: (list by type)									
Note Payable	198,291	-	-	198,291	-	-	198,291	20,306	177,985
Add description	-	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-	-
Total long-term debt obligations	198,291	-	-	198,291	14,900,000	-	15,098,291	20,306	15,077,985
Unamortized bond premium / (discount)	-	-	-	-	-	-	-	-	-
Total long-term debt obligations, net	198,291	-	-	198,291	14,900,000	-	15,098,291	20,306	15,077,985
Total long-term liabilities	\$ 574,867	-	-	574,867	34,703,943	(938,965)	34,339,845	1,464,801	32,875,044

5 Future minimum lease payments - capitalized lease obligations:

Year ending June 30:	Capitalized lease obligations related to SRB			All other capitalized lease obligations			Total capitalized lease obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
2019	958,576	713,174	1,671,750	-	-	-	958,576	713,174	1,671,750
2020	999,628	674,997	1,674,625	-	-	-	999,628	674,997	1,674,625
2021	1,035,050	635,325	1,670,375	-	-	-	1,035,050	635,325	1,670,375
2022	1,079,790	594,085	1,673,875	-	-	-	1,079,790	594,085	1,673,875
2023	1,123,765	551,109	1,674,874	-	-	-	1,123,765	551,109	1,674,874
2024 - 2028	6,248,887	2,050,238	8,299,125	-	-	-	6,248,887	2,050,238	8,299,125
2029 - 2033	7,309,939	735,061	8,045,000	-	-	-	7,309,939	735,061	8,045,000
2034 - 2038	-	-	-	-	-	-	-	-	-
2039 - 2043	-	-	-	-	-	-	-	-	-
2044 - 2048	-	-	-	-	-	-	-	-	-
2049 - 2053	-	-	-	-	-	-	-	-	-
2054 - 2058	-	-	-	-	-	-	-	-	-
2059 - 2063	-	-	-	-	-	-	-	-	-
2064 - thereafter	-	-	-	-	-	-	-	-	-
Total minimum lease payments	18,755,635	5,953,989	24,709,624	-	-	-	18,755,635	5,953,989	24,709,624
Less amounts representing interest	-	-	-	-	-	-	-	-	(5,953,989)
Present value of future minimum lease payments	-	-	-	-	-	-	-	-	18,755,635
Unamortized net premium (discount)	-	-	-	-	-	-	-	-	-
Total capitalized lease obligations	-	-	-	-	-	-	-	-	18,755,635
Less: current portion	-	-	-	-	-	-	-	-	(958,576)
Capitalized lease obligation, net of current portion	-	-	-	-	-	-	-	-	\$ 17,797,059

California State University San Marcos Corporation
Other Information
June 30, 2018
(for inclusion in the California State University)

6 Long-term debt obligation schedule

	Auxiliary revenue bonds			All other long-term debt obligations			Total long-term debt 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:									
2019	\$ -	-	-	20,306	12,280	32,586	20,306	12,280	32,586
2020	-	-	-	877,692	4,895	882,587	877,692	4,895	882,587
2021	-	-	-	923,442	4,144	927,586	923,442	4,144	927,586
2022	-	-	-	964,235	3,351	967,586	964,235	3,351	967,586
2023	-	-	-	1,005,039	2,547	1,007,586	1,005,039	2,547	1,007,586
2024 - 2028	-	-	-	5,477,577	2,595	5,480,172	5,477,577	2,595	5,480,172
2029 - 2033	-	-	-	4,005,000	-	4,005,000	4,005,000	-	4,005,000
2034 - 2038	-	-	-	665,000	-	665,000	665,000	-	665,000
2039 - 2043	-	-	-	810,000	-	810,000	810,000	-	810,000
2044 - 2048	-	-	-	325,000	-	325,000	325,000	-	325,000
2049 - 2053	-	-	-	25,000	-	25,000	25,000	-	25,000
2054 - 2058	-	-	-	-	-	-	-	-	-
2059 - 2063	-	-	-	-	-	-	-	-	-
2064 - thereafter	-	-	-	-	-	-	-	-	-
Total minimum payments	-	-	-	15,098,291	29,812	15,128,103	15,098,291	29,812	15,128,103
Less amounts representing interest									(29,812)
Present value of future minimum payments									15,098,291
Unamortized net premium (discount)									-
Total long-term debt obligations									15,098,291
Less: current portion									(20,306)
Long-term debt obligations, net of current portion									\$ 15,077,985

California State University San Marcos Corporation
 Other Information
 June 30, 2018
 (for inclusion in the California State University)

7 Calculation of net position

7.1 Calculation of net position - net investment in capital assets

Capital assets, net of accumulated depreciation	\$ 42,819,152
Capital lease obligations, current portion	(958,576)
Capital lease obligations, net of current portion	(17,797,059)
Long-term debt obligations, current portion	(20,306)
Long-term debt obligations, net of current portion	(15,077,985)
Portion of outstanding debt that is unspent at year-end (enter as positive number)	-
Other adjustments: (please list)	
Deferred revenue	(9,632,142)
Deferred inflow from gain on refunding/lease modification	(194,388)
Accounts payable due to contractor	(3,387,407)
Due from campus	3,244,607
Cash on hand related to deferred revenue	5,264,771
Due from Chancellors Office	59,677
Add description	-
Net position - net investment in capital asset	<u>\$ 4,320,344</u>

7.2 Calculation of net position - restricted for nonexpendable - endowments

Portion of restricted cash and cash equivalents related to endowments	\$ -
Endowment investments	-
Other adjustments: (please list)	
Restricted expendable endowments	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Net position - Restricted for nonexpendable - endowments per SNP	<u>\$ -</u>

8 Transactions with related entities

	<u>Amount</u>
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 1,243,140
Payments to University for other than salaries of University personnel	2,499,656
Payments received from University for services, space, and programs	7,140,200
Gifts-in-kind to the University from discretely presented component units	-
Gifts (cash or assets) to the University from discretely presented component units	-
Accounts (payable to) University (enter as negative number)	(693,697)
Other amounts (payable to) University (enter as negative number)	(198,291)
Accounts receivable from University (enter as positive number)	153,364
Other amounts receivable from University	3,244,607

9 Other postemployment benefits obligation (OPEB)

Intentionally left blank - not required/applicable eff FY17/18

California State University San Marcos Corporation
Other Information
June 30, 2018
(for inclusion in the California State University)

10 Pollution remediation liabilities under GASB Statement No. 49:

<u>Description</u>	<u>Amount</u>
Add description	\$ -
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
 Total pollution remediation liabilities	 \$ -
Less: current portion	-
<u>Pollution remediation liabilities, net of current portion</u>	<u>-</u>

11 The nature and amount of the prior period adjustment(s) recorded to beginning net position

	<u>Net Position Class</u>	<u>Amount</u>
		Dr. (Cr.)
Net position as of June 30, 2017, as previously reported		\$ 8,488,108
Prior period adjustments:		
1 (list description of each adjustment)		-
2 (list description of each adjustment)		-
3 (list description of each adjustment)		-
4 (list description of each adjustment)		-
5 (list description of each adjustment)		-
6 (list description of each adjustment)		-
7 (list description of each adjustment)		-
8 (list description of each adjustment)		-
9 (list description of each adjustment)		-
10 (list description of each adjustment)		-
Net position as of June 30, 2017, as restated		<u>\$ 8,488,108</u>

Provide a detailed breakdown of the journal entries (at the financial statement line item level) booked to record each prior period adjustment:

	<u>Debit</u>	<u>Credit</u>
Net position class: _____		
1 (breakdown of adjusting journal entry)	\$ -	-
Net position class: _____		
2 (breakdown of adjusting journal entry)	-	-
Net position class: _____		
3 (breakdown of adjusting journal entry)	-	-
Net position class: _____		
4 (breakdown of adjusting journal entry)	-	-
Net position class: _____		
5 (breakdown of adjusting journal entry)	-	-
Net position class: _____		
6 (breakdown of adjusting journal entry)	-	-
Net position class: _____		
7 (breakdown of adjusting journal entry)	-	-
Net position class: _____		
8 (breakdown of adjusting journal entry)	-	-
Net position class: _____		
9 (breakdown of adjusting journal entry)	-	-
Net position class: _____		
10 (breakdown of adjusting journal entry)	-	-

California State University San Marcos Corporation
 Other Information
 June 30, 2018
 (for inclusion in the California State University)

12 Natural Classifications of Operating Expenses:

	<u>Salaries</u>	<u>Benefits</u>	<u>Scholarships and fellowships</u>	<u>Supplies and other services</u>	<u>Depreciation and amortization</u>	<u>Total operating expenses</u>
Instruction	\$ 1,237,200	\$ 342,459	\$ -	\$ 972,129	\$ -	\$ 2,551,788
Research	3,668,000	994,192	-	2,959,705	-	7,621,897
Public service	2,303	92	-	1,059	-	3,454
Academic support	111,587	30,583	-	311,205	-	453,375
Student services	2,176,200	672,191	-	621,352	-	3,469,743
Institutional support	22,239	4,594	-	986,932	-	1,013,765
Operation and maintenance of plant	-	-	-	-	-	-
Student grants and scholarships	-	-	895,479	-	-	895,479
Auxiliary enterprise expenses	503,673	181,125	-	2,326,364	-	3,011,162
Depreciation and amortization	-	-	-	-	1,605,821	1,605,821
Total	<u>\$ 7,721,202</u>	<u>\$ 2,225,236</u>	<u>\$ 895,479</u>	<u>\$ 8,178,746</u>	<u>\$ 1,605,821</u>	<u>\$ 20,626,484</u>

**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**

To the Board of Directors
California State University San Marcos Corporation

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 financial statements of California State University San Marcos Corporation, formerly University Auxiliary and Research Services Corporation, (nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated **September XX, 2018**.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered California State University San Marcos Corporation'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 California State University San Marcos Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the California State University San Marcos Corporation's internal control.

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

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

**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, CONTINUED***

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

San Diego, California
September XX, 2018

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
California State University San Marcos Corporation

Report on Compliance for Each Major Federal Program

We have audited California State University San Marcos Corporation's, formerly University Auxiliary and Research Services Corporation, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of California State University San Marcos Corporation's major federal programs for the year ended June 30, 2018. California State University San Marcos Corporation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of California State University San Marcos Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about California State University San Marcos Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of California State University San Marcos Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, California State University San Marcos Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of California State University San Marcos Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered California State University San Marcos Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of California State University San Marcos Corporation's internal control over compliance.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, CONTINUED**

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

San Diego, California
September xx, 2018

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal/Pass-Through Grantor and Program Title	Federal CFDA Number	Agency or Pass-Through Grantor No.	Expenditures
Research and Development Cluster:			
Department of Homeland Security			
<i>Direct Programs</i>			
Hazard Mitigation Grant	97.039	N/A	\$ 231,487
Total Department of Homeland Security			<u>231,487</u>
United States Environmental Protection Agency			
<i>Pass-through from State Water Resources Control Board</i>			
Water Pollution Control State, Interstate, and Tribal Program Support	66.419	98910012	169,558
Total United States Environmental Protection Agency			<u>169,558</u>
Department of Defense			
<i>Direct Programs</i>			
Basic and Applied Scientific Research	12.300	N/A	796,518
Basic, Applied, and Advanced Research in Science and Engineering	12.630	N/A	330,287
Total Department of Defense			<u>1,126,805</u>
Department of the Interior			
<i>Direct Programs</i>			
Endangered Species Conservation – Recovery Implementation Funds	15.657	N/A	19,508
Total Department of the Interior			<u>19,508</u>
Department of Health and Human Services			
<i>Direct Programs</i>			
Family and Community Violence Prevention Program	93.910	N/A	304,321
Biomedical Research and Research Training	93.859	N/A	1,522,824
Mental Health Research Grants	93.242	N/A	217,032
Advanced Nursing Education Grant Program	93.247	N/A	123,803
Health Professions Recruitment Program for Indians	93.970	N/A	252,751
<i>Pass-through from Vista Community Clinic</i>			
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90FK0105-01-00	45,887
<i>Pass-through from University of San Diego</i>			
Family Smoking Prevention and Tobacco Control Act	93.077	5R01CA130347-03	47,454
<i>Pass-through from Vista Community Clinic</i>			
Nurse Education, Practice and Retention Grants	93.359	UD7HP26899	5,506
Total Department of Health and Human Services			<u>2,519,578</u>
Department of Agriculture			
<i>Direct Programs</i>			
Forestry Research	10.652	N/A	131,617
<i>Direct Programs</i>			
Cooperative Forestry Assistance	10.664	N/A	145,682
<i>Pass-through from California State University Chico Research Foundation</i>			
Unknown	99.999	14-CS-11052009-027	38,812
Total Department of Agriculture			<u>316,111</u>
National Aeronautical and Space Administration			
<i>Direct Programs</i>			
Science	43.001	N/A	12,868
Total National Aeronautical and Space Administration			<u>12,868</u>

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal/Pass-Through Grantor and Program Title	Federal CFDA Number	Agency or Pass-Through Grantor No.	Expenditures
Research and Development Cluster, continued:			
Corporation for National and Community Service			
<i>Direct Programs</i>			
National Service and Civic Engagement Research Competition	94.026	N/A	\$ <u>323,571</u>
Total Corporation for National and Community Service			<u>323,571</u>
National Archives and Records Administration			
<i>Direct Programs</i>			
National Historical Publications and Records Grants	89.003	N/A	<u>7,400</u>
Total National Archives and Records Administration			<u>7,400</u>
National Endowment for the Humanities			
<i>Direct Programs</i>			
Teaching and Learning Resources and Curriculum Development	45.162	N/A	<u>69</u>
Total National Archives and Records Administration			<u>69</u>
National Science Foundation			
<i>Direct Programs</i>			
Biological Sciences	47.074	N/A	473,639
Social, Behavioral, and Economic Sciences	47.075	N/A	124,426
Education and Human Resources	47.076	N/A	1,936,255
Mathematical and Physical Sciences	47.049	N/A	244,479
<i>Pass-through from American Society for Biochemistry and Molecular Biology</i>			
Education and Human Resources	47.074	1513415	<u>15,047</u>
Total National Science Foundation			<u>2,793,846</u>
Total Research and Development Cluster			<u>7,520,801</u>
TRIO Cluster:			
Department of Education			
<i>Direct Programs</i>			
Student Support Services	84.042	N/A	299,528
Talent Search	84.044	N/A	195,946
Upward Bound	84.047	N/A	294,663
McNair Postbaccalaureate Achievement Program	84.217	N/A	<u>165,689</u>
Total Department of Education			<u>955,826</u>
Total TRIO Cluster			<u>955,826</u>
Other Programs:			
Department of Education			
<i>Direct Programs</i>			
English Language Acquisition State Grants	84.365	N/A	471,339
Migrant Education College Assistance Migrant Program	84.149	N/A	397,163
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325	N/A	285,747
Higher Education Institutional Aid	84.031	N/A	1,179,848
<i>Pass-through from National Writing Project</i>			
Improving Teacher Quality State Grants	84.367	U367D150004	721
<i>Pass-through from University of California Irvine</i>			
Investing in Innovation (i3) Fund	84.411	U411B1300029	147,282
<i>Pass-Through from Valley Center Pauma Unified School District</i>			
Mathematics and Science Partnerships	84.366	S366B150005	1,017
<i>Pass-through from University of California Office of the President</i>			
Improving Teacher Quality State Grants	84.367	CN170224	27,505
Improving Teacher Quality State Grants	84.367	S367A160005	<u>285</u>
Total Department of Education			<u>2,510,907</u>

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal/Pass-Through Grantor and Program Title	Federal CFDA Number	Agency or Pass-Through Grantor No.	Expenditures
Other Programs, continued:			
Department of Defense			
<i>Direct Programs</i>			
Basic and Applied Scientific Research	97.039	N/A	\$ 15,436
Total Department of Defense			<u>15,436</u>
Department of Agriculture			
<i>Direct Programs</i>			
Agriculture and Food Research Initiative	97.039	N/A	1,980
Total Department of Defense			<u>1,980</u>
Department of Health and Human Services			
<i>Pass-through from University of California Berkeley:</i>			
Foster Care - Title IV-E	93.658	15-IA-00850	579,726
Total Department of Health and Human Services			<u>579,726</u>
Total Other Programs			<u>3,108,049</u>
Total Expenditures of Federal Awards			<u>\$ 11,584,674</u>

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CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION
Notes to Schedule of Expenditure of Federal Awards
Year Ended June 30, 2018

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of California State University San Marcos Corporation, formerly University Auxiliary and Research Services Corporation, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)

Note 2 – Summary of Significant Accounting Policies

California State University San Marcos Corporation did not elect to use the 10% de minimus cost rate as covered in the Uniform Guidance 2.CFR.200.414 Indirect costs.

Note 3 – Amounts Provided to Subrecipients

The following amounts were paid to subrecipients from the following grants:

Biomedical Research and Research Training	
Palomar College	\$ 6,151
Mira Costa College	5,676
Total Biomedical Research and Research Training	<u>11,827</u>
Education and Human Resources	
San Diego State University	154,666
Tennessee Technological University	72,855
SRI International	72,733
Horizon Research, Inc.	66,758
AZ Board of Regents for ASU	33,846
University of Maryland College	23,162
Kansas State University	14,714
Total Education and Human Resources	<u>438,734</u>
Advanced Nursing Education Grant Program	
University of California San Diego	9,009
Total Advanced Nursing Education Grant Program	<u>9,009</u>
Family and Community Violence Prevention Program	
North County Health Services	19,716
Total Family and Community Violence Prevention Program	<u>19,716</u>
Biological Sciences	
Temple University	164,164
Total Biological Sciences	<u>164,164</u>
Total amounts provided to subrecipients	<u>\$ 643,450</u>

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified
Internal control over financial reporting:
 Significant deficiency(ies) identified? None reported
 Material weakness(es) identified? No
Noncompliance material to the financial statements noted? No

Federal Awards

Internal control over major program:
 Significant deficiency(ies) identified? None reported
 Material weakness(es) identified? No
Type of auditors' report issued on compliance for major programs Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, 2 CFR Section 200.516(a)? No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
Various 84.149	Research and Development Cluster Migrant Education – College Assistance Migrant Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as a low-risk auditee under the Uniform Grant Guidance, 2 CFR Section 200.520? Yes

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION
Schedule of Prior Year Audit Findings
Year Ended June 30, 2018

Section IV – Schedule of Prior Year Findings

2017-001 Schedule of Expenditures of Federal Awards:

Condition:

During the preparation of the annual SEFA report Auxiliary Accounting identified three federal grants which were not on the 2016 schedule. During the course of the year, the Office of Sponsored Programs made the coding correction which resulted in that identification. The three grants totaled \$138,000.

Status:

There were no similar findings noted for the year ended June 30, 2018. The Organization has implemented controls to ensure proper reporting

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California State University San Marcos Corporation

Report to the Audit Committee

September 27, 2018

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To assist you in your responsibilities as a member of the Audit Committee, this section summarizes the most significant conclusions reached and issues addressed during our audit of California State University, San Marcos Corporation for the year ended June 30, 2018.

Significant Conclusions and Issues

We have completed our audit and will issue our report, dated September 27, 2018, once accepted by the Board. Based on our work performed:

- Our audit scope was in accordance with our engagement letter originally dated April 14, 2015 and amended on September 10, 2018.
- We will render an unmodified opinion on the June 30, 2018 financial statements.
- We identified no conditions which we consider to be material weaknesses in internal controls.
- Our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.
- Audit areas designated as greater than normal risk have been addressed and resolved to our satisfaction, in the context of the overall fairness of the presentation of the financial statements.
- We received the full cooperation of management and staff throughout the Corporation and were kept informed as to developments and plans affecting our audit scope.

The following report includes required communications and additional information for the benefit of the Audit Committee.

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Aldrich CPAs + Advisors LLP
7676 Hazard Center Drive, #1300
San Diego, California 92108

September 27, 2018

To the Audit Committee
California State University San Marcos Corporation

In planning and performing our audit of the financial statements of California State University San Marcos Corporation (Corporation) as of and for the year ended June 30, 2018 in accordance with auditing standards generally accepted in the United States of America, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than

This communication is intended solely for the information and use of management, Audit Committee, and others within the Corporation, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Aldrich CPAs + Advisors LLP

September 27, 2018

To the Audit Committee
California State University San Marcos Corporation

We have audited the financial statements of California State University San Marcos Corporation (Corporation) for the year ended June 30, 2018, and have issued our report thereon dated September 27, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter originally dated April 14, 2015 and amended on September 10, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Corporation are described in Note 1 to the financial statements. No significant new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2018. We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the allocation of functional expenses is based on the results of periodic time studies. We evaluated the key factors and assumptions used to develop the assumptions related to the allocation of functional expenses in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the postretirement healthcare benefit liabilities and expenses based on third party actuarial reports prepared using employee data and plan information provided by management. We evaluated the key factors and assumptions used to develop the postretirement healthcare benefit liabilities and expenses in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the depreciable lives for property and equipment is based on management's expected useful lives of those assets using IRS tables as guidelines. We evaluated the key factors and assumptions used to develop the depreciable lives for property and equipment in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the in-kind rent income and expense is based on fair market value of the rental spaces through measurements of square footage, day use fees, and other common measurements. We evaluated the key factors and assumptions used to develop the in-kind rent income and expense in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosures of fair value measurements in Notes 1 and 3 to the financial statements include a significant amount of information provided to the financial statement users regarding the Corporation's fair value measurements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not identify any misstatements that needed to be corrected during the course of our audit.

Disagreements with Management

For purposes of this letter, a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 27, 2018. A copy of the letter is included for your reference.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Corporation's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Corporation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the information to the underlying accounting records used to prepare the financial statements or to those statements themselves.

This information is intended solely for the use of the Audit Committee and management of California State University San Marcos Corporation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Aldrich CPAs + Advisors LLP

TREND AND RATIO ANALYSIS



A summary of key financial statement information is presented below:

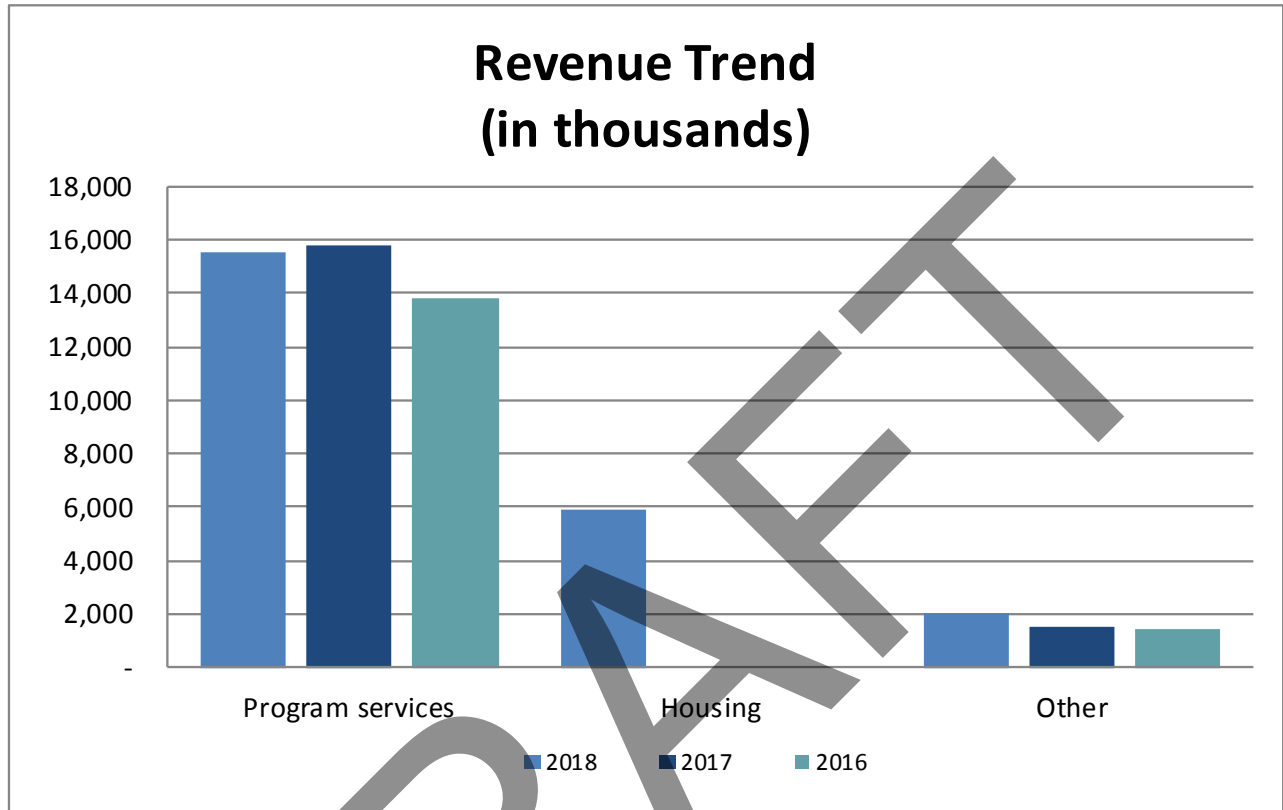
Summary of Statements of Financial Position

	<u>2018</u>		<u>2017</u>		<u>2016</u>	
ASSETS						
Cash	\$ 7,243,788	11%	\$ 846,492	5%	\$ 310,348	2%
Property and equipment, net	42,819,152	66%	8,222,198	51%	6,931,611	54%
Investments	8,396,882	13%	3,359,771	21%	3,300,262	25%
Due from related parties	3,682,476	6%	928,230	6%	561,748	4%
Other assets	2,879,717	4%	2,764,555	17%	1,926,738	16%
Total Assets	<u>\$ 65,022,015</u>	<u>100%</u>	<u>\$ 16,121,246</u>	<u>100%</u>	<u>\$ 13,030,707</u>	<u>100%</u>
LIABILITIES AND NET ASSETS						
Current liabilities	\$ 7,113,810	11%	\$ 2,081,865	13%	\$ 1,409,614	11%
Due to related parties	571,943	1%	427,321	3%	431,018	3%
Long-term liabilities	42,557,028	64%	3,678,408	22%	2,045,948	16%
Accrued postretirement benefit costs, net of current portion	1,513,235	2%	1,445,544	9%	1,303,119	10%
Net Assets	<u>13,265,999</u>	<u>20%</u>	<u>8,488,108</u>	<u>53%</u>	<u>7,841,008</u>	<u>60%</u>
Liabilities and Net Assets	<u>\$ 65,022,015</u>	<u>100%</u>	<u>\$ 16,121,246</u>	<u>100%</u>	<u>\$ 13,030,707</u>	<u>100%</u>

Summary of Statements of Activities

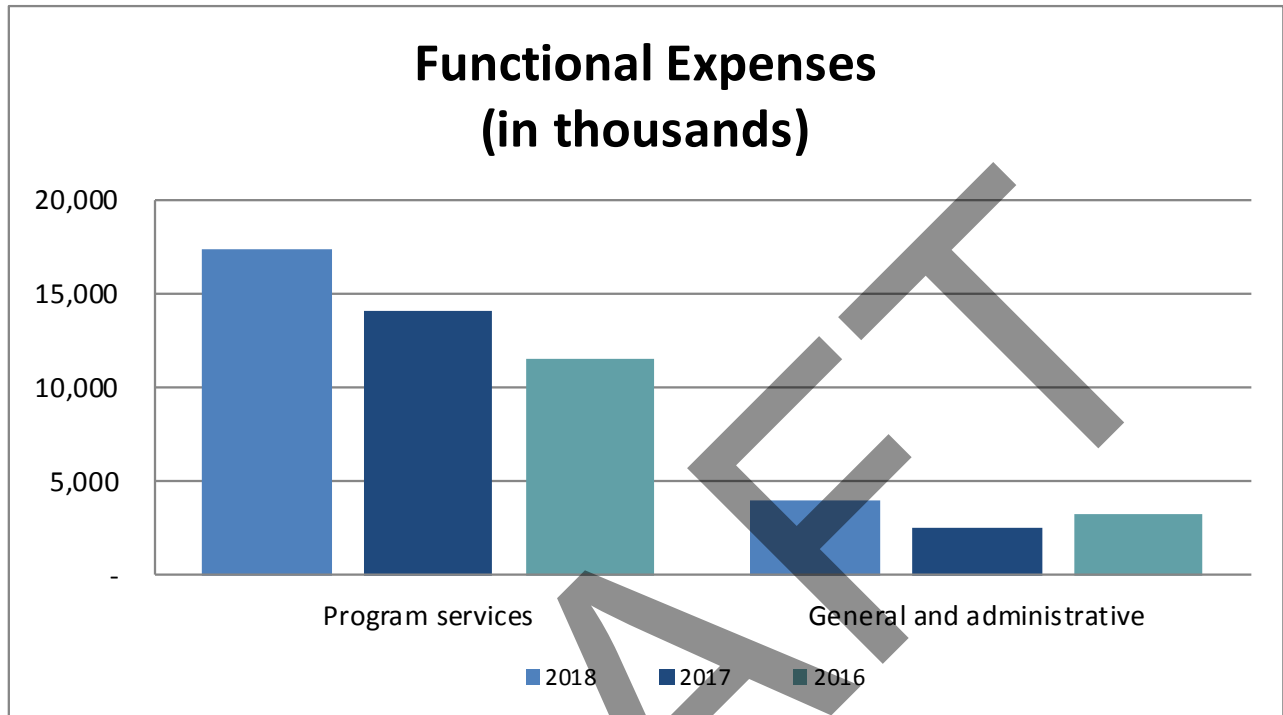
	<u>2018</u>		<u>2017</u>		<u>2016</u>	
REVENUES						
Program services	\$ 15,492,230	66%	\$ 15,799,547	91%	\$ 13,853,725	91%
Housing	5,876,991	25%	-	-	-	-
Other	2,054,727	9%	1,545,733	9%	1,409,325	9%
Total revenues	23,423,948	100%	17,345,280	100%	15,263,050	100%
EXPENSES						
Program services	17,339,719	81%	14,102,521	84%	11,598,634	78%
General and administrative	3,999,935	19%	2,595,659	16%	3,312,561	22%
Total expenses	21,339,654	100%	16,698,180	100%	14,911,195	100%
Transfer from Ucorp	<u>2,693,597</u>		<u>-</u>		<u>-</u>	
Change in Net Assets	<u>\$ 4,777,891</u>		<u>\$ 647,100</u>		<u>\$ 351,855</u>	

Summary Revenue Trend



DRY

Summary of Functional Expenses



CSUSM Corp Letterhead

September 27, 2018

Aldrich CPAs+ Advisors LLP
7676 Hazard Center Drive, Suite 1300
San Diego, CA 92108

This representation letter is provided in connection with your audit of the financial statements of California State University San Marcos Corporation (Corporation), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of September 27, 2018, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter originally dated April 14, 2015 and amended September 10, 2018, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- 8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 9) Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the Corporation is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.
 - a) Cash and cash equivalents – The Corporation maintains cash and cash equivalents in bank deposit and investment accounts. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 and investment accounts are insured by the Securities Investor protection Corporation (SIPC) up to a limit of \$500,000. The Corporation's account balances may, at times, exceed the limits.

Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the Corporation from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the Corporation and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the Corporation's financial statements communicated by employees, former employees, grantors, regulators, or others.
- 16) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- 17) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 18) We have disclosed to you the identity of the Corporation's related parties and all the related party relationships and transactions of which we are aware.
- 19) The Corporation has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 20) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
- 21) California State University San Marcos Corporation is an exempt Organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Corporation's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
- 22) With respect to federal award programs:
 - a) We are responsible for understanding and complying with, and have complied with, the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards.
 - b) We acknowledge our responsibility for preparing and presenting the schedule of expenditures of federal awards (SEFA) and related notes in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period, and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
 - c) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.

- d) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- e) We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.
- f) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- g) We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- h) We have received no requests from a federal agency to audit one or more specific programs as a major program.
- i) We have complied with the direct and material compliance requirements, including, when applicable, those set forth in the *OMB Compliance Supplement*, relating to federal awards and confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards.
- j) We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- k) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E).
- m) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- o) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- q) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.
- r) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.

- s) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
 - t) We have monitored subrecipients, as necessary, to determine that they have expended subawards in compliance with federal statutes, regulations, and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.
 - u) We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.
 - v) We have charged costs to federal awards in accordance with applicable cost principles.
 - w) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
 - x) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
 - y) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
- 23) We acknowledge our responsibility for presenting the supplemental information in accordance with U.S. GAAP, and we believe the supplemental information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplemental information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- 24) We have analyzed the accounting and reporting requirements and the Corporation is required to follow FASB (Financial Accounting Standards Board) standards.
- 25) In regard to the nonattest services performed by you, we have:
- a) Assumed all management responsibilities.
 - b) Designated an individual (within senior management) with suitable skill, knowledge, or experience to oversee the services.
 - c) Evaluated the adequacy and results of the services performed.
 - d) Accepted responsibility for the results of the services.

Signed: _____
Bella Newberg

Title: Executive Director, CSUSM Corporation

Signed: _____
Clint Roberts

Title: Associate Vice President, Business and Financial Services

Signed: _____
Deborah Davis

Title: Manager, Auxiliary Financial Operations

ATTACHMENT G

Quarterly Financial Report & Summary 6/30/18

California State University San Marcos Corporation
Statement of Financial Position
June 30, 2018

	Balance 6/30/2018	Balance 3/31/2018	Quarter Increase/ (Decrease)
Assets			
Cash and Short-Term Investments	\$ 15,621,947	\$ 10,913,652	\$ 4,708,295
Accounts Receivable-Sponsored Programs	2,634,418	2,354,416	280,002
Other Receivable	3,881,700	919,008	2,962,692
Other Assets	64,798	280,332	(215,534)
Housing Building & Equipment (Net)	18,874,145	18,353,147	520,998
Extended Learning Building	17,696,299	7,398,098	10,298,201
CCF Building & Fixtures (Net)	4,053,131	4,124,381	(71,250)
Property & Equipment (Net)	2,195,577	2,248,797	(53,220)
Total Assets	\$ 65,022,015	\$ 46,591,831	\$ 18,430,184
Liabilities & Net Assets			
Liabilities:			
Accounts Payable and Accrued Expenses	\$ 6,188,600	\$ 1,516,043	\$ 4,672,557
Deferred Revenue	9,987,555	10,618,181	(630,626)
Bond Payable - Housing	18,950,023	19,044,325	\$ (94,302)
Post-Retiree Health Benefit Accrual	1,531,547	1,525,318	6,229
Note Payable - Extended Learning Building	14,900,000	-	14,900,000
Note Payable - Starbucks	198,291	198,291	-
Total Liabilities	\$ 51,756,016	\$ 32,902,158	\$ 18,853,858
Net Assets:			
Unrestricted:			
Operating Reserves	\$ 2,072,104	\$ 2,072,104	\$ -
Campus/Designated Programs	2,903,744	2,646,351	257,393
Administrative Current Year Net Activity	516,095	403,900	112,195
Housing	3,453,712	4,085,830	(632,118)
CCF-Bldg & Fixtures	4,053,131	4,124,381	(71,250)
Property & Equipment	267,213	357,107	(89,894)
Total Net Assets	\$ 13,265,999	\$ 13,689,673	\$ (423,674)
Total Liabilities & Net Assets	\$ 65,022,015	\$ 46,591,831	\$ 18,430,184

California State University San Marcos Corporation
Administrative Operating Summary
7/1/17 to 6/30/18

	Annual Budget FY 17/18	Quarter 4 4/1/18 to 6/30/18			Fiscal Year To Date 7/1/17 to 6/30/18			Comparison of Prior FYTD Actual to Current FYTD Actual		
		Budget	Actual	Variance	Budget	Actual	Variance	Prior FYTD 6/30/17	Current FYTD 6/30/18	% Increase (Decrease)
		Revenue								
Net Grant/Contract Admin Fees	\$ 898,449	\$ 224,612	\$ 296,359	\$ 71,746	\$ 898,449	\$ 970,195	\$ 71,746	\$ 1,229,951	\$ 970,195	-21%
Admin Fees - Campus Programs	135,000	33,750	34,681	931	135,000	118,963	(16,037)	247,275	118,963	-52%
Follett-Bookstore Commission	333,000	33,300	36,870	3,570	333,000	337,245	4,245	354,723	337,245	-5%
Sodexo Commission	100,000	25,000	61,855	36,855	100,000	146,531	46,531	-	146,531	-
Other Commercial Services Revenues	158,160	39,540	27,415	(12,125)	158,160	159,259	1,099	172,427	159,259	-8%
Housing	498,000	124,500	124,500	-	498,000	498,000	-	-	498,000	-
Summer Conferences	150,710	-	-	-	150,710	150,710	-	-	150,710	-
Investment Income	30,000	7,500	15,226	7,726	30,000	52,521	22,521	98,707	52,521	-47%
Exchange of Value - CSUSM	243,552	60,888	60,888	-	243,552	243,552	-	445,000	243,552	-45%
Space Rental	31,380	-	-	-	31,380	31,380	-	139,092	31,380	-77%
Other Revenue	189,385	47,346	17,818	(29,528)	189,385	201,852	12,467	56,317	201,852	258%
Total Revenue	\$ 2,767,636	\$ 596,437	\$ 675,612	\$ 79,175	\$ 2,767,636	\$ 2,910,209	\$ 142,572	\$ 2,743,492	\$ 2,910,209	6%
Post-Retirement	\$ 81,292	\$ 20,323	\$ 20,372	\$ (49)	\$ 81,292	81,341	\$ (49)	\$ 161,242	81,341	-50%
Expenses: Admin Operations	2,394,448	598,612	543,045	55,567	2,394,448	2,312,773	81,675	1,902,321	2,312,773	22%
Net Operating Revenues	\$ 291,896	\$ (22,499)	\$ 112,195	\$ 134,693	\$ 291,896	\$ 516,095	\$ 224,198	\$ 679,929	\$ 516,095	-24%

ATTACHMENT H

Revised Procurement Policy



PROCUREMENT POLICY

PURPOSE:

The purpose of this policy is to establish requirements for the procurement of materials, equipment, supplies, and services provided by California State University San Marcos Corporation (CSUSM Corporation).

SCOPE:

This policy applies to all CSUSM Corporation purchases. Procedures are further defined in the CSUSM Corporation's Procurement Guide.

POLICY:

- I. All purchases must be approved by the CSUSM Corporation prior to order commitment. Procurements shall be made in a manner that supports and facilitates the competitive bidding process and provides best value consistent with quality, specifications, service and product availability.
 - a) Sustainable and/or recycled products shall be considered for procurement in place of non-sustainable/recycled products set forth in the grantor's contract/agreement and the approved budget.
 - b) Procurement of goods or services for projects that receive external, federal funding, shall comply with the Office of Management and Budget (OMB) Uniform Guidance (2 CFR 200.317 through 200.326) sponsoring agency policies, and award terms and conditions, as applicable.
 - c) Procurement of goods or services for campus programs shall be procured according to this policy, approved by the authorized signer and comply with all CSUSM Corporation policies and procedures.
 - d) Procurement shall follow what is customary in the market place for a particular commodity or product and be consummated in such a manner so as to constitute a reasonably prudent and documented business transaction.
 - e) System-wide, volume purchase agreements and State Purchasing contracts shall be utilized when deemed to be advantageous to CSUSM Corporation.
 - f) Purchases must comply with the letter and spirit of all laws applicable to CSUSM Corporation's business and interest including contract law, and anti-trust laws which prohibit price fixing resulting in the elimination of free competition. Purchases must also adhere to the requirements set forth in the grant or contract agreements.

PROCUREMENT POLICY

- g) No Corporation Board member, employee or CSU employee, by virtue of their position will violate the Corporation's Conflict of Interest Policy by deriving any benefit, gain or receive preferential treatment from the purchase of materials, supplies, equipment or services.
- h) Violation of this policy or the Corporation's Conflict of Interest Policy may be cause for disciplinary action.
- i) Execution of purchase orders, agreements, MOU and all binding contracts shall be consistent with signature authority resolution approved by the CSUSM Corporation Board of Directors.
- j) The CSUSM Corporation Executive Director is charged with responsibility of implementing this policy.

II. Sole Source Purchases

Sole source purchases exceeding \$10,000, on a non-competitive basis will require written justification and approval by the CSUSM Corporation Executive Director or designee. Written justification must include the following:

- a. Description of unique requirements and/or performance factors of the product.
- b. Why unique performance requirements/factors are required.
- c. What other products have been evaluated, and rejected, and the rationale for the rejection.
- d. Special circumstances requiring immediate action.

III. Methods of Procurement

All purchases must be approved by the appropriate approving authority.

Purchases under \$10,000: Price quotations are not required to be submitted.

Purchases between \$10,000 and \$49,999: must include two or more informal quotations provided in written or electronic form from the suppliers. Price quotations are required to be submitted.

Purchases between \$50,000 and 149,999: must include three or more formal quotations provided in written or electronic form from the suppliers. Formal Price quotations are required and must be approved by the Executive Director or designee.

Purchases greater than \$150,000: requires a formal Request for Proposal (RFP) or Request for Quotation (RFQ) be issued. Alternatively a system-wide or publically bid contract; or sole source may be used.

Retention of service contractors on an hourly time and material basis are excluded from this process.

EXCEPTIONS:

The Following are Exceptions to this Policy: Investment management services, insurance services, employee travel, legal services, artists, lecturers, speakers, caterers and real estate activity.

PROCUREMENT POLICY

REFERENCES:

Federal Regulations 2 CFR 200.317-.326 [2 CFR 200 -- Procurement Standards](#)

[Uniform Guidance Frequently Asked Questions](#)

Public Relations Policy

https://www.csusm.edu/corp/businesssrvcesandfinance/policies_proc_forms/pol_busserv_fin_ac/c/publicrelationsfundspolicy.pdf

Conflict of Interest

https://www.csusm.edu/corp/businesssrvcesandfinance/policies_proc_forms/pol_hrpr/corp202coi/boardandemployeepolicy.pdf



PROCUREMENT POLICY

PURPOSE:

The purpose of this policy is to establish requirements for the procurement of materials, equipment, supplies, and services provided by California State University San Marcos Corporation (CSUSM Corporation).

SCOPE:

This policy applies to all CSUSM Corporation purchases. Procedures are further defined in the CSUSM Corporation's Procurement Guide.

POLICY:

- I. All purchases must be approved by the CSUSM Corporation prior to order commitment. Procurements shall be made in a manner that supports and facilitates the competitive bidding process and provides best value consistent with quality, specifications, service and product availability.
 - a) Sustainable and/or recycled products shall be considered for procurement in place of non-sustainable/recycled products set forth in the grantor's contract/agreement and the approved budget.
 - b) Procurement of goods or services for projects that receive external, federal funding, shall comply with the Office of Management and Budget (OMB) Uniform Guidance (2 CFR 200.317 through 200.326) sponsoring agency policies, and award terms and conditions, as applicable.
 - c) Procurement of goods or services for campus programs shall be procured according to this policy, approved by the authorized signer and comply with all CSUSM Corporation policies and procedures.
 - d) Procurement shall follow what is customary in the market place for a particular commodity or product and be consummated in such a manner so as to constitute a reasonably prudent and documented business transaction.
 - e) System-wide, volume purchase agreements and State Purchasing contracts shall be utilized when deemed to be advantageous to CSUSM Corporation.
 - f) Purchases must comply with the letter and spirit of all laws applicable to CSUSM Corporation's business and interest including contract law, and anti-trust laws which prohibit price fixing resulting in the elimination of free competition. Purchases must also adhere to the requirements set forth in the grant or contract agreements.

PROCUREMENT POLICY

- g) No Corporation Board member, employee or CSU employee, by virtue of their position will violate the Corporation's ~~Code of Conduct~~Conflict of Interest Policy by deriving any benefit, gain or receive preferential treatment from the purchase of materials, supplies, equipment or services.
- h) Violation of this policy or the Corporation's ~~Code of Conduct~~Conflict of Interest Policy may be cause for disciplinary action.
- i) Execution of purchase orders, agreements, MOU and all binding contracts shall be consistent with signature authority resolution approved by the CSUSM Corporation Board of Directors.
- j) The CSUSM Corporation Executive Director is charged with responsibility of implementing this policy.

II. Sole Source Purchases

Sole source purchases exceeding ~~\$10,000~~\$50,000, on a non-competitive basis will require written justification and approval by the CSUSM Corporation Executive Director or designee. Written justification must include the following:

- a. Description of unique requirements and/or performance factors of the product.
- b. Why unique performance requirements/factors are required.
- c. What other products have been evaluated, and rejected, and the rational for the rejection.
- d. Special circumstances requiring immediate action.

III. Methods of Procurement

All purchases must be approved by the appropriate approving authority.

Purchases under \$510,000: ~~may be approved by the appropriate approving authority.~~ Price quotations are not required to be submitted.

Purchases between \$510,000 and \$49,999: must ~~be approved by the appropriate approving authority and~~ include ~~three~~two or more informal quotations provided in written or electronic form from the suppliers. Price quotations are required to be submitted.

Purchases between \$50,000 and ~~100,000~~149,999: must ~~be approved by the appropriate approving authority and~~ include three or more formal quotations provided in written or electronic form from the suppliers. Formal Price quotations are required and must be approved by the Executive Director or designee.

Purchases greater than ~~\$100,001~~150,000: ~~must be approved by the appropriate approving authority and~~ requires a formal Request for Proposal (RFP) or Request for Quotation (RFQ) be issued. Alternatively a system-wide or publically bid contract; or sole source may be used.

Retention of service contractors on an hourly time and material basis are excluded from this process.

PROCUREMENT POLICY

EXCEPTIONS:

The Following are Exceptions to this Policy: Investment management services, insurance services, employee travel, legal services, artists, lecturers, speakers, caterers and real estate activity.

RESOURCES:REFERENCES:

Federal Regulations 2 CFR 200.317-.326 [2 CFR 200 -- Procurement Standards](#)

[Uniform Guidance Frequently Asked Questions](#)

Public Relations Policy

https://www.csusm.edu/corp/businesssrvcesandfinance/policies_proc_forms/pol_busserv_fin_ac/c/publicrelationsfundspolicy.pdf

Conflict of Interest

https://www.csusm.edu/corp/businesssrvcesandfinance/policies_proc_forms/pol_hrpr/corp202coi/boardandemployeespolicy.pdf

ATTACHMENT I

Revised Resolution-QUAD Affiliation Agreement

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
UNIVERSITY AUXILIARY AND RESEARCH SERVICES CORPORATION
AUTHORIZING PARTICIPATION AS A PARTY TO RENEGOTIATION OF
THE QUAD STUDENT AFFILIATED HOUSING RELATIONSHIPS**

WHEREAS, the San Marcos University Corporation (SMCOR), an authorized auxiliary organization, entered into an Affiliation Agreement in 2010 with Urban Villages San Marcos QUAD, LLC (UVSM) to develop, construct and provide affiliated residential housing (the QUAD) for California State University San Marcos (University) students; and;

WHEREAS, by separate agreement, the University provides specific support services to the QUAD; and

WHEREAS, SMCOR and UVSM contracted with Capstone On Campus Management Company (Capstone) for the QUAD property management services; and

WHEREAS, under the Affiliation Agreement's priority-licensing period ending in the Fall 2016; and

WHEREAS, all present parties involved with the QUAD facilities seek to renegotiate relationships to better reflect University student housing needs and requirements, while monetizing the UVSM investment in a mutually equitable manner; and

California State University San Marcos Corporation (CSUSM Corp), as an authorized auxiliary organization, functions in exclusive support of the educational mission of the University; and

WHEREAS, the University has requested that CSUSM Corp be a party to a renegotiated Affiliation Agreement and related relationships; and

WHEREAS, the parties have set a goal to have a renegotiated framework by November 1, 2018 that will address specific major terms, including –

- UVSM allows a Master Lease of the QUAD to be managed by CSUSM Corp and Capstone, or self-operate Property management,
- UVSM responsibility for QUAD operating, maintenance and building expenses,
- UVSM provides direct sharing in revenue from Summer Conference and Summer Residence,
- QUAD property renovations to better serve University student residents,
- University-provided police, IT and student affairs services in support of the QUAD residents;
- Term: End on or before January 2040
- CSUSM Corp has Right of First Offer

- UVSM provides Student Housing Master Plan and Demand Study gift-in-kind work to include on and off campus options,
- Termination for default or two consecutive years of 80% occupancy at the QUAD property,

NOW, THEREFORE, THE CSUSM CORP BOARD OF DIRECTORS OF THE RESOLVE AS FOLLOWS:

1. That CSUSM Corp participation as a party to a renegotiated QUAD Affiliation Agreement and related relationships is approved.

2. The Executive Director is hereby authorized to execute appropriate Project legal agreements and related instruments with Project parties relating to said participation.

3. The Executive Director is charged with timely reports to the Board fully on Project developments and CSUSM Corp obligations.

Duly adopted by the Board of Directors on September 27, 2018.

Cynthia Chavez Metoyer
Secretary

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
UNIVERSITY AUXILIARY AND RESEARCH SERVICES CORPORATION
AUTHORIZING PARTICIPATION AS A PARTY TO RENEGOTIATION OF
THE QUAD STUDENT AFFILIATED HOUSING RELATIONSHIPS**

WHEREAS, the San Marcos University Corporation (SMCOR), an authorized auxiliary organization, entered into an Affiliation Agreement in 2010 with Urban Villages San Marcos QUAD, LLC (UVSM) to develop, construct and provide affiliated residential housing (the QUAD) for California State University San Marcos (University) students; and;

WHEREAS, by separate agreement, the University provides specific support services to the QUAD; and

WHEREAS, SMCOR and UVSM contracted with Capstone On Campus Management Company (Capstone) for the QUAD property management services; and

WHEREAS, under the Affiliation Agreement's priority-licensing period ending in the Fall 2016; and

WHEREAS, all present parties involved with the QUAD facilities seek to renegotiate relationships to better reflect University student housing needs and requirements, while monetizing the UVSM investment in a mutually equitable manner; and

California State University San Marcos Corporation (CSUSM Corp) University Auxiliary and Research Services Corporation (UARSC), as an authorized auxiliary organization, functions in exclusive support of the educational mission of the University; and

WHEREAS, the University has requested that CSUSM Corp UARSC be a party to a renegotiated Affiliation Agreement and related relationships; and

WHEREAS, the parties have set a goal to have a renegotiated framework by November 1, 2018 March 31, 2017 that will address specific major terms, including –

- UVSM allows a Master Lease of the QUAD to be managed by CSUSM Corp UARSC and Capstone, or self-operate Property management,
- UVSM responsibility for QUAD operating, maintenance and building expenses,
- UVSM provides direct sharing in revenue from Summer Conference and Summer Residence,
- ~~UVSM allows UARSC the right to use up to 10,000 sq. feet of retail space for student dining,~~
- QUAD property renovations to better serve University student residents, and

- University-provided police, IT and student affairs services in support of the QUAD residents;
- Term: End on or before January 2040
- CSUSM Corp has Right of First Offer
- UVSM provides Student Housing Master Plan and Demand Study gift-in-kind work to include on and off campus options,
- Termination for default or two consecutive years of 80% occupancy at the QUAD property,

NOW, THEREFORE, THE CSUSM Corp UARSC BOARD OF DIRECTORS OF THE RESOLVE AS FOLLOWS:

1. That CSUSM Corporation UARSC participation as a party to a renegotiated QUAD Affiliation Agreement and related relationships is approved.

2. The Executive Director is hereby authorized to execute appropriate Project legal agreements and related instruments with Project parties relating to said participation. That the Board's Executive Committee is authorized to negotiate, approve and authorize the Chair and corporate Secretary to execute agreements and related instruments with parties relating to said participation.

3. The Executive Director is charged with timely reports to the Board fully on Project developments and CSUSM Corp obligations. That the Executive Committee shall keep the Board fully informed and apprised of participation developments and UARSC obligations.

Duly adopted by the Board of Directors on September 27, 2018.

Cynthia Chavez Metoyer
Secretary