

California State University San Marcos Corporation

Financial Statements and Supplemental Information

Years Ended June 30, 2022 and 2021



CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION
Financial Statements and Supplemental Information
Years Ended June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of California State University San Marcos Corporation, (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of California State University San Marcos Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about California State University San Marcos Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

Auditor's Responsibilities for the Audit of the Financial Statements, continued

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

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

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on pages 27-36 is presented for purposes of additional analysis and is not a required part of the financial statements. 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. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 28, 2022, 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 solely 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 the effectiveness California State University San Marcos Corporation's 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.

Aldrich CPAs + Advisors LLP

San Diego, California
September 28, 2022

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

June 30, 2022 and 2021

ASSETS	<u>2022</u>	<u>2021</u>
Current Assets:		
Cash and cash equivalents	\$ 1,857,668	\$ 3,115,684
Accounts receivable	2,102,357	2,169,466
Other receivables, net of price concession of \$23,905 (2022) and \$17,318 (2021)	382,068	255,068
Due from related parties	2,133,006	1,631,604
Prepaid expenses	20,958	28,926
Current portion of lease receivable - related party	3,495,563	3,501,727
Current portion of investments	14,477,998	13,800,346
Total Current Assets	<u>24,469,618</u>	<u>24,502,821</u>
Noncurrent Assets:		
Property and equipment, net of accumulated depreciation	23,188,404	21,932,730
Lease receivable - related party, less current portion	88,969,214	92,464,776
Other assets	102,722	102,722
Total Noncurrent Assets	<u>112,260,340</u>	<u>114,500,228</u>
Total Assets	<u>\$ 136,729,958</u>	<u>\$ 139,003,049</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 2,585,004	\$ 1,347,534
Due to related parties	1,429,279	1,048,639
Current portion of unearned capital lease income	2,273,841	2,325,582
Current portion of deferred revenue	1,108,835	1,409,890
Accrued payroll and benefits	980,787	1,044,531
Current portion of accrued postretirement benefit costs	27,207	20,338
Current portion of bond payable	1,241,682	1,079,790
Current portion of notes payable	1,005,039	976,309
Total Current Liabilities	<u>10,651,674</u>	<u>9,252,613</u>
Noncurrent Liabilities:		
Unearned capital lease income, net of current portion	33,078,308	35,352,149
Deferred revenue, net of current portion	868,965	1,026,010
Accrued postretirement benefit costs, net of current portion	1,434,398	1,490,426
Bond payable, net of current portion	13,878,868	14,810,184
Notes payable, net of current portion	58,763,130	62,153,546
Total Noncurrent Liabilities	<u>108,023,669</u>	<u>114,832,315</u>
Total Liabilities	<u>118,675,343</u>	<u>124,084,928</u>
Net Assets Without Donor Restrictions	<u>18,054,615</u>	<u>14,918,121</u>
Total Liabilities and Net Assets	<u>\$ 136,729,958</u>	<u>\$ 139,003,049</u>

See accompanying notes to financial statements.

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

Years Ended June 30, 2022 and 2021

	2022	2021
Revenue, Gains, and Other Support Without Donor Restriction:		
Federal grants and contracts	\$ 10,667,066	\$ 11,196,343
Housing programs	16,319,893	5,830,178
Other sponsored programs	3,205,124	2,332,849
Campus programs	2,732,077	2,062,223
Paycheck Protection Program loan forgiveness	796,019	-
Child care center in-kind rental income	623,080	571,109
Housing ground lease in-kind income	607,971	557,260
Child care center ground lease in-kind income	330,592	303,018
Commissions	295,144	229,195
Rental income	37,450	24,610
Total Revenue, Gains and Other Support Without Donor Restrictions	35,614,416	23,106,785
Expenses:		
Operating Expenses:		
Program Services:		
Sponsored programs	11,973,264	12,825,349
Academic and auxiliary services	429,223	184,857
Housing programs	12,934,708	4,068,074
Other programs	2,879,344	1,475,056
Total Program Services	28,216,539	18,553,336
Supporting Services:		
Management and general	3,374,622	3,213,125
Total Operating Expenses	31,591,161	21,766,461
Nonoperating revenues (expenses):		
Earned capital lease income	2,325,581	2,375,657
Interest and dividend income	2,482	5,185
Interest expense	(2,659,769)	(2,900,186)
Net realized and unrealized gain (loss) on investments	(622,099)	244,919
Postretirement benefit	67,044	77,704
Total Nonoperating Expenses	(886,761)	(196,721)
Increase in Net Assets	3,136,494	1,143,603
Net Assets Without Donor Restrictions, beginning	14,918,121	13,774,518
Net Assets Without Donor Restrictions, ending	\$ 18,054,615	\$ 14,918,121

See accompanying notes to financial statements.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Statement of Functional Expenses

Year Ended June 30, 2022

	Program Services				Total Programs	Supporting Services	Total
	Sponsored Programs	Academic and Auxiliary Services	Housing Programs	Other Programs		Management and General	
Benefits	\$ 1,189,435	\$ 23,335	\$ 209,207	\$ 369,794	\$ 1,791,771	\$ 250,969	\$ 2,042,740
Business service fees	-	-	-	-	-	338,280	338,280
Child care center ground lease in-kind	-	-	-	-	-	330,592	330,592
Child care center in-kind rental	-	-	-	-	-	623,080	623,080
Contractual services	332,167	61,715	417,941	922,009	1,733,832	439,320	2,173,152
Depreciation	263,628	-	1,022,852	14,739	1,301,219	419,228	1,720,447
Housing ground lease in-kind	-	-	607,971	-	607,971	-	607,971
Hospitality and events	43,523	-	2,953	41,856	88,332	483	88,815
Information technology	221,606	300	15,070	106,407	343,383	21,650	365,033
Insurance	43,789	26,516	85,894	321	156,520	25,114	181,634
Other expenses	156,991	183,622	265,340	27,468	633,421	297,170	930,591
Repairs and maintenance	-	11,894	251,343	18,826	282,063	-	282,063
Salaries and wages	5,139,189	48,605	625,486	1,185,741	6,999,021	601,457	7,600,478
Scholarships	1,566,339	-	-	27,037	1,593,376	-	1,593,376
Services	235,340	-	8,836,606	11,704	9,083,650	-	9,083,650
Stipends	1,723,520	-	-	41,409	1,764,929	-	1,764,929
Subrecipient	622,409	-	-	-	622,409	-	622,409
Supplies	290,044	11,235	16,721	89,321	407,321	11,267	418,588
Travel	115,774	-	11,261	12,707	139,742	-	139,742
Utilities	29,510	62,001	566,063	10,005	667,579	16,012	683,591
Total operating expenses	<u>\$ 11,973,264</u>	<u>\$ 429,223</u>	<u>\$ 12,934,708</u>	<u>\$ 2,879,344</u>	<u>\$ 28,216,539</u>	<u>\$ 3,374,622</u>	<u>\$ 31,591,161</u>

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Statement of Functional Expenses

Year Ended June 30, 2021

	Program Services					Supporting	Total
	Sponsored Programs	Academic and Auxiliary Services	Housing Programs	Other Programs	Total Programs	Management and General	
Benefits	\$ 1,545,829	\$ 22,047	\$ 358,147	\$ 247,312	\$ 2,173,335	\$ 222,375	\$ 2,395,710
Business service fees	-	-	-	-	-	318,861	318,861
Child care center ground lease in-kind	-	-	-	-	-	303,018	303,018
Child care center in-kind rental	-	-	-	-	-	571,109	571,109
Contractual services	419,803	5,766	239,473	21,143	686,185	324,931	1,011,116
Depreciation	195,244	-	1,041,765	11,597	1,248,606	438,656	1,687,262
Housing ground lease in-kind	-	-	557,260	-	557,260	-	557,260
Hospitality and events	12,035	-	-	3,037	15,072	104	15,176
Information technology	197,029	300	8,378	6,469	212,176	7,402	219,578
Insurance	43,176	23,491	80,519	972	148,158	32,273	180,431
Other expenses	199,223	86,385	160,010	-	445,618	416,103	861,721
Repairs and maintenance	-	-	357,361	-	357,361	-	357,361
Salaries and wages	5,951,356	38,378	769,473	1,098,266	7,857,473	564,742	8,422,215
Scholarships	975,605	-	-	-	975,605	-	975,605
Services	63,282	-	124,758	7,670	195,710	-	195,710
Stipends	1,921,534	-	-	42,250	1,963,784	-	1,963,784
Subrecipient	906,131	-	-	-	906,131	-	906,131
Supplies	356,363	2,181	15,891	8,453	382,888	5,028	387,916
Travel	14,610	-	2,082	560	17,252	-	17,252
Utilities	24,129	6,309	352,957	27,327	410,722	8,523	419,245
Total operating expenses	<u>\$ 12,825,349</u>	<u>\$ 184,857</u>	<u>\$ 4,068,074</u>	<u>\$ 1,475,056</u>	<u>\$ 18,553,336</u>	<u>\$ 3,213,125</u>	<u>\$ 21,766,461</u>

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

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Increase in net assets	\$ 3,136,494	\$ 1,143,603
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	1,720,447	1,687,262
Amortization of debt modification	126,565	(20,952)
Net realized and unrealized loss (gain) on investments	622,099	(244,919)
Loss on disposals of property and equipment	3,869	-
Change in accumulated postretirement benefit obligation	(49,159)	(60,238)
Forgiveness of PPP note payable	(796,019)	-
Changes in operating assets and liabilities:		
Accounts receivable	67,109	1,859,822
Other receivables, net	(127,000)	137,357
Due from related parties	(501,402)	(547,441)
Prepaid expenses	7,968	(23,602)
Lease receivable	3,501,726	3,505,790
Accounts payable	1,237,469	(114,516)
Due to related parties	380,641	(364,945)
Earned capital lease income	(2,325,582)	(2,375,656)
Deferred revenue	(458,100)	331,271
Accrued payroll and benefits	(63,744)	(100,626)
Net Cash Provided by Operating Activities	<u>6,483,381</u>	<u>4,812,210</u>
Cash Flows from Investing Activities:		
Purchases of property and equipment	(2,979,990)	(515,111)
Proceeds from the sale of investments	2,900,804	1,425,000
Purchases of investments	(4,200,555)	(3,527,913)
Net Cash Used by Investing Activities	<u>(4,279,741)</u>	<u>(2,618,024)</u>
Cash Flows from Financing Activities:		
Payments on notes payable	(2,565,667)	(1,238,851)
Payments on bond payable	(895,989)	(1,035,050)
Net Cash Used by Financing Activities	<u>(3,461,656)</u>	<u>(2,273,901)</u>
Net Decrease in Cash and Cash Equivalents	<u>(1,258,016)</u>	<u>(79,715)</u>
Cash and Cash Equivalents, beginning	<u>3,115,684</u>	<u>3,195,399</u>
Cash and Cash Equivalents, ending	<u>\$ 1,857,668</u>	<u>\$ 3,115,684</u>

See accompanying notes to financial statements.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Statements of Cash Flows, continued

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Supplemental Disclosures of Cash Flow Information:		
Cash payments for interest	\$ <u>2,723,469</u>	\$ <u>2,906,905</u>
Supplemental Disclosures of Noncash Investing and Financing Activities:		
Noncash recognition of capital lease:		
Earned capital lease income	\$ <u>(2,325,581)</u>	\$ <u>(2,375,657)</u>

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

Note 1 - Organization and Summary of Significant Accounting Policies

Nature of Activities

California State University San Marcos Corporation (Corporation), is a nonprofit California corporation and an auxiliary organization of California State University San Marcos (University or CSUSM), 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.

Program Services

The Corporation provides program services in the following major areas:

- Sponsored Programs – represents transactions where the Corporation serves as administrator for the University on various research and educational grants and contracts awarded by both governmental and private institutions.
- Academic and Auxiliary Services – represents net transactions for the startup and operations of the new Extended Learning Building and Parking Project, in the Corporation's role of providing real property development and management.
- Housing Programs – represents transactions related to the Corporation management of student housing. The Corporation holds a ground and facility lease on the University Village Apartments (UVA), which provides housing and student-life activities for approximately 681 students, and contracts with Capstone On-Campus Management (Capstone), a third-party administrator for UVA operations and management. Additionally, the Corporation manages the contractual affiliated relationship between The Quad developer (a privately-owned housing property for CSUSM students), the University and the Residential Education Team.
- Other Programs – represents primarily the operational expenses of Campus Program projects and activities.

New Accounting Pronouncement

In September 2020, The Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. The purpose of ASU 2020-07 is to clarify the presentation and disclosure of contributed nonfinancial assets with an intention to provide the reader of the financial statements a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized by the Corporation. During the year ended June 30, 2022, the Corporation adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*.

Management has analyzed the provisions of the FASB's ASU Topic 958, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets* and has included the necessary disclosure in Note 6.

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 financial statements of the Corporation have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the Corporation to report information regarding its financial position and activities according to the following net asset classifications:

- *Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Corporation. These net assets may be used at the discretion of the Corporation's management and the board of directors.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

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

Basis of Presentation, continued

- *Net assets with donor restrictions* – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Corporation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Corporation did not have any donor restrictions that were temporary or perpetual in nature for the years ended June 30, 2022 and 2021.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

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.

Receivables

The accounts receivable arises 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 implicit price concession. Receivables are stated at unpaid balances, less price concession. The Corporation provides for losses on receivables using the allowance method.

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.

Unearned Capital Lease Income

Unearned capital lease income represents the deferred rent revenue for payments made from the University to the Corporation for the Extended Learning Building and Parking Project.

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.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

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

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.

Revenue Recognition

- Federal grants and contracts and other sponsored programs - support received under grants and contracts is recorded as revenue when conditions are met in accordance with agreements. Any funds received in advance are recorded as deferred revenue until these conditions are met.
- Housing programs – revenue received from housing program consist of management and service fees. Management and service fees are recognized as revenue over time as the related fees are earned and are realized or realizable.
- Campus programs – revenue received from various programs offered by the Corporation. Revenue is recognized when earned for the services performed.
- Lease and rental income – revenue is recognized on a straight-line basis over the life of the lease agreement.
- Commissions – revenue is recognized as commission are earned under the various agreements with the customers.

Not Recognized Under ASC Topic 606

- Federal grants and contracts
- Other sponsored programs
- Lease and rental income
- In-kind income
- Paycheck Protection Program loan forgiveness

Recognized Under ASC Topic 606

- Housing programs - recognized over time
- Campus programs - recognized at point in time
- Commission - recognized at point in time

Future Accounting Standards

FASB has issued a substantial ASU, which will become effective in future years.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The primary change in generally accepted in the United States of America (US GAAP) addressed by ASU 2016-02 is the requirement for a lessee to recognize on the statement of financial position a liability to make lease payments (“lease liability”) and a right-of-use asset representing its right to use the underlying asset for the lease term. ASU 2016-02 also requires qualitative and quantitative disclosures to enable users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. Lessees must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The Corporation is evaluating the effect that the provisions of ASU 2016-02 will have on its financial statements and related disclosures.

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, 2022 and 2021; therefore, no amounts have been accrued.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

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

Subsequent Events

The Corporation has evaluated subsequent events through September 28, 2022, 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 - Financial Assets and Liquidity Resources

Board Designations

Net assets without donor restrictions consists of the following for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 7,974,796	\$ 7,172,983
Board designation:		
Reserved for working capital and current operations	7,200,206	4,109,289
Reserved for capital replacement	2,050,000	2,050,000
Reserved for venture capital/opportunity	<u>829,613</u>	<u>1,585,849</u>
Total board designation	<u>10,079,819</u>	<u>7,745,138</u>
	<u>\$ 18,054,615</u>	<u>\$ 14,918,121</u>

Liquidity

The following reflects the Corporation's financial assets as of June 30, 2022 and 2021, reduced by amounts not available for general use because of board designated or contractual restrictions within one year of the statement of financial position date. Amounts not available include board designated amounts set aside for working and operating capital, capital replacement, and venture capital opportunities. In the event of an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash, the board can approve adjustments to move net assets from board designated net assets to undesignated net assets.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

Note 3 - Financial Assets and Liquidity Resources, continued

Liquidity, continued

	<u>2022</u>	<u>2021</u>
Financial assets available to be used within one year:		
Cash and cash equivalents	\$ 1,857,668	\$ 3,115,684
Accounts receivable	2,102,357	2,169,466
Other receivables, net	382,068	255,068
Due from related parties	2,133,006	1,631,604
Current portion of lease receivable	3,495,563	3,501,727
Investments	<u>14,477,998</u>	<u>13,800,346</u>
Total financial assets	24,448,660	24,473,895
Less amounts not available for general use within one year:		
Board designated - Reserved for capital replacement	(2,050,000)	(2,050,000)
Board designated - Reserved for venture capital/opportunity	<u>(829,613)</u>	<u>(1,585,849)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 21,569,047</u>	<u>\$ 20,838,046</u>

Note 4 - Fair Value Measurement

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.

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, 2022 and 2021.

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.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

Note 4 - Fair Value Measurement, continued

Investments and certificates of deposit at fair value according to the fair value hierarchy are as follows as of June 30, 2022:

	Quoted Prices in Active Markets for Identical Assets		Significant Other Observable Inputs		Significant Unobservable Inputs		Total
	Level 1		Level 2		Level 3		
Mutual funds:							
Domestic Nontraditional Bond	\$	2,678,322	\$	-	\$	-	\$ 2,678,322
Domestic Short-Term Bond		10,600,609		-		-	10,600,609
Certificates of deposits:							
Current		-		1,199,067		-	1,199,067
	\$	<u>13,278,931</u>	\$	<u>1,199,067</u>	\$	<u>-</u>	<u>\$ 14,477,998</u>

Investments and certificates of deposit at fair value according to the fair value hierarchy are as follows as of June 30, 2021:

	Quoted Prices in Active Markets for Identical Assets		Significant Other Observable Inputs		Significant Unobservable Inputs		Total
	Level 1		Level 2		Level 3		
Mutual funds:							
Domestic Nontraditional Bond	\$	2,637,881	\$	-	\$	-	\$ 2,637,881
Domestic Short-Term Bond		10,037,422		-		-	10,037,422
Domestic Ultra short bond		1,125,043		-		-	1,125,043
	\$	<u>13,800,346</u>	\$	<u>-</u>	\$	<u>-</u>	<u>\$ 13,800,346</u>

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

Note 5 - Property and Equipment

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

	2022	2021
Land improvements	\$ 2,639,656	\$ 2,634,601
Building and improvements	31,967,731	31,923,948
Furniture and equipment	6,594,116	6,146,085
Leasehold improvements	2,200,274	2,200,274
	43,401,777	42,904,908
Less accumulated depreciation	(22,939,700)	(21,306,770)
	20,462,077	21,598,138
Construction in progress	2,726,327	334,592
	<u>\$ 23,188,404</u>	<u>\$ 21,932,730</u>

The total cost of one building, UVA (Note 10), under capital lease, as of June 30, 2022 and 2021 was \$27,581,993 and \$27,538,210, respectively. Accumulated depreciation associated with this asset as of June 30, 2022 and 2021 was \$12,890,813 and \$10,606,627, respectively.

Note 6 - Contracts With Customers

Accounts receivable from contracts with customers and contract liabilities from contracts with customers were as follows:

	Accounts Receivable, net		Contract Liabilities - Deferred Revenue	
	2022	2021	2022	2021
Beginning of year	\$ 434,478	\$ 471,175	\$ 1,228,353	\$ 1,388,547
End of year	\$ 376,465	\$ 434,478	\$ 1,067,642	\$ 1,228,353

Significant Judgments

The Corporation analyzes revenue recognition on a portfolio approach under ASC Topic 606. Significant judgment is utilized in determining the appropriate portfolios to assess for meeting the criteria to recognize revenue under ASC Topic 606. The Corporation has determined that, for each distinct revenue stream identified, all contracts can be grouped into one portfolio. Based on past experience, customers within each distinct stream all behave similarly, contracts contain similar terms, and policies are the same across all contracts. The Corporation does not expect that revenue earned for the portfolio is significantly different as compared to revenue that would be earned if they were to assess each contract separately.

Note 7 - Commitments and Contingencies

Leases

The Corporation has entered into various operating lease agreements with the University for facilities, with monthly rents totaling \$3,150 through June 30, 2022. Total rent expense were approximately \$37,800 and \$37,500 for each of the years ended June 30, 2022 and 2021, respectively.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

Note 7 - Commitments and Contingencies, continued

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, 2022 and 2021 was \$208,221 and \$201,074, respectively.

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 contract liabilities - deferred revenues which is amortized to revenue over the 10 remaining years of the contract. The Corporation recognized revenues of \$83,123 and \$83,123 for the years ended June 30, 2022 and 2021, respectively. In addition, the Corporation has contract liabilities - deferred revenues of \$249,825 and \$332,948 of June 30, 2022 and 2021, 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 \$623,080 and \$571,109 for the years ended June 30, 2022 and 2021, respectively. The Corporation records this as contributed nonfinancial assets as child care center in-kind rental income and child care center in-kind rental expense shown within supporting services and management and general expenses on the statement of activities. Contributed nonfinancial assets are valued at the estimated fair market value for similar facilities.

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 \$330,592 and \$303,018 for the years ended June 30, 2022 and 2021, respectively. These amounts are reflected in the statements of activities for the years ended June 30, 2022 and 2021 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 net revenue of the center. The Corporation records this as contributed nonfinancial assets as child care center ground lease in-kind income and ground lease in-kind expense shown within the supporting services and management and general expenses on the statement of activities. Contributed nonfinancial assets are valued at the estimated fair market value for similar facilities.

CSUSM Lease Agreement

In August 2019, the Corporation entered into a lease (as Lessor) with University (as Lessee) for use of space for Extended Learning and University programs in the building and adjoining parking garage. The lease has a term through March 2048 and calls for semi-annual rent payments corresponding to the Extended Learning debt obligation, as well as quarterly payments for operating expenses and capital fee for the facilities.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

Note 7 - Commitments and Contingencies, continued

Beverage Distribution Rights Contract

The Corporation has granted an unrelated third-party exclusive right to campus beverage sales and distribution. The initial term of the agreement was a 10-year period which expired on December 31, 2021. 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 which was earned over the term of the agreement and payable upon signing the agreement. Additional consideration included 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 and sponsorship fee revenue received under this agreement included \$26,956 and \$4,408 for the years ended June 30, 2022 and 2021, respectively.

The Corporation is actively engaged in negotiating with the unrelated third party to amend the distribution rights agreement, including the extension of the agreement term retroactive to the end of the prior agreement term. Unrelated third party has continued to provide service during period of negotiation.

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.

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 contract liabilities - deferred revenues 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, 2022 and 2021, respectively. In addition, the Corporation has contract liabilities - deferred revenues of \$776,186 and \$850,108 at June 30, 2022 and 2021 respectively, related to the noncash transaction.

In October 2019, the Corporation and the unrelated third party amended their agreement to add a Residential Meal Program, with a minimum participation and tiered commission based upon sales, to serve students in CSUSM housing. Due to COVID-19, the program was delayed to an unspecified time. The term of the agreement was amended to go through June 2032.

In September 2020, the Corporation and unrelated third party amended their agreement to reflect a suspension period effective September 1, 2020 through June 30, 2021 where unrelated third party would not be obligated to manage and operate campus food services due to temporary closure of campus as a result of COVID 19 and California State University and County mandate.

The agreement was further amended effective July 1, 2021 through June 30, 2022 to temporarily modify the terms to address changes required by the overall impact of COVID-19, by converting the food service which was under a profit and loss model to a cost of operations model, with the Corporation reimbursing unrelated third party for operating expenses incurred for the food services provided.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

Note 7 - Commitments and Contingencies, continued

Campus Food Service Agreement

In October 2019, the Corporation entered into a lease agreement with the developer of The Quad affiliate housing facility (Landlord), to utilize space in the building for the planned residential dining program. Under the original terms of this agreement, lease payments were to commence in Fall 2020. Given the aforementioned delay of the residential meal program due to COVID-19, the Landlord has not charged rent for the space.

The parties entered into an amendment to the lease in May 2022 which identified Landlord responsibility to construct tenant improvements in the premises, at the expense of the Corporation (Tenant), pursuant to plans, specifications and a guaranteed maximum price contract of \$4,200,000, inclusive of a construction supervision fee of \$150,000. Amendment calls for Tenant to pay Landlord for the initial \$2,500,000 of tenant improvement costs plus full construction fee, with the Landlord advancing remaining payments through completion. Tenant payment of funds advanced by Landlord, along with rent for space is to commence upon substantial completion of construction and Tenant receipt of temporary or permanent certificate of occupancy, which is scheduled for Fall of 2022.

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, 2022 and 2021.

Workers' Compensation Insurance

During the years ended June 30, 2022 and 2021, the Corporation purchased workers' compensation insurance for \$14,353 and \$35,295, 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.

University Village Apartments

San Marcos University Corporation (UCorp) entered into a ground and facility lease agreement for student housing with the Board of Trustees of the California State University (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.

For operating the housing program, the Corporation does not pay rent under the ground lease. Management estimated that the value of the lease agreement was \$607,971 and \$557,260 for the years ended June 30, 2022 and 2021, respectively. These amounts are reflected in the statements of activities for the years ended June 30, 2022 and 2021 as housing ground lease income. As consideration for the Agreement the third party pays the Corporation an annual revenue share based on net revenue of the housing program. The Corporation records this as contributed nonfinancial assets as housing ground lease income and housing ground lease in-kind expense shown within housing program on the statement of activities. Contributed nonfinancial assets are valued at the estimated fair market value for similar facilities.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

Note 7 - Commitments and Contingencies, continued

Management Agreement

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 was further amended on October 1, 2021 to extend the term to September 20, 2024. 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, 2022 and 2021, management fees paid were \$189,663 and \$89,054, respectively. This amount is reflected in the statements of activities within student housing expenses for the years ended June 30, 2022 and 2021.

Affiliation Agreement

The Corporation is party to an affiliation agreement with the University and the developer of the Quad affiliate housing facility, QUAD SM III, LLC and QUAD Housing, LLC. In May 2019 an amendment to the agreement was completed which established an end date of May 2040 and addressed summer use of the Quad facility and related revenue participation, as well as Right of First Offer.

Legal 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 8 - Deferred Revenue

Deferred revenue are as follows as of June 30, 2022:

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Bookstore	\$ 83,123	\$ 166,702	\$ 249,825
Campus food service	73,923	702,263	776,186
Housing	41,631	-	41,631
Other	910,158	-	910,158
Total	<u>\$ 1,108,835</u>	<u>\$ 868,965</u>	<u>\$ 1,977,800</u>

Deferred revenue are as follows as of June 30, 2021:

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Bookstore	\$ 83,123	\$ 249,825	\$ 332,948
Campus food service	73,923	776,185	850,108
Housing	44,397	-	44,397
Other	1,208,447	-	1,208,447
Total	<u>\$ 1,409,890</u>	<u>\$ 1,026,010</u>	<u>\$ 2,435,900</u>

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

Note 9 - 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>2022</u>	<u>2021</u>
Change in Benefit Obligation:		
Benefit obligation at beginning of year	\$ 783,521	\$ 767,820
Service cost	30,927	31,070
Interest cost	20,747	19,027
Actuarial (gain)/loss	(154,967)	(20,792)
Benefits paid	<u>(13,042)</u>	<u>(13,604)</u>
Benefit obligation at end of year	<u>\$ 667,186</u>	<u>\$ 783,521</u>
	<u>2022</u>	<u>2021</u>
Funded Status:		
Unamortized prior service cost (credit)	\$ (43,071)	\$ (52,522)
Unrecognized net actuarial gain	(751,348)	(674,721)
Accrued benefit cost	<u>1,461,605</u>	<u>1,510,764</u>
Benefit obligation at June 30	<u>\$ 667,186</u>	<u>\$ 783,521</u>
Measurement date	6/30/2022	6/30/2021
Funded status at end of year	\$ (667,186)	\$ (783,521)
	<u>2022</u>	<u>2021</u>
Net Periodic Benefit Cost:		
Service cost	\$ 30,927	\$ 31,070
Interest cost	20,747	19,027
Amortization of prior service cost	(9,451)	(9,451)
Amortization of net (gain)/loss	<u>(78,340)</u>	<u>(87,280)</u>
Net periodic benefit cost	<u>\$ (36,117)</u>	<u>\$ (46,634)</u>

The accrued postretirement benefit costs listed at the statement of financial position includes the unamortized prior service credit of \$43,071 and unrecognized net actuarial gain of \$751,348. Gains are a result of prior year changes in plan eligibility requirements and decreases in future premium liabilities, which were adjusted annually by changes in discount rates and coverage assumptions.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

Note 9 - Accrued Postretirement Benefits Costs, continued

The components of net periodic postretirement benefit cost other than the service cost component are included in the line item "Postretirement benefit" in the statements of activities.

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

	2022	2021
Discount Rate	2.67%	2.50%
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	4.00%	4.00%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.00%	4.00%

Expected retiree payments as of June 30, 2022 are as follows:

Expected Retiree Payments Over the Next 10 Years	
2022/23	\$ 21,046
2023/24	27,207
2024/25	28,615
2025/26	29,853
2026/27	31,042
2027-31	211,284

Note 10 - Long-Term Debt

Housing Program

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.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

Note 10 - Long-Term Debt, continued

Housing Program, continued

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 Corporation 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, 2022, in the amount of \$15,120,550, is net of the remaining \$756,338 of unamortized loss associated with the modification of the capital lease in July 2021, and represents the present value of the balance due in future years for lease rentals, discounted at 1.61 percent. The balance outstanding at June 30, 2021 was \$15,889,974, which was net of \$126,565 in unamortized gain associated with the modification of the capital lease in August 2014.

Extended Learning Building and Parking Project

The Extended Learning Building/Student Services Building and Parking Project (Project) was 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 entered into a Purchase and Sale Agreement (PSA) with the Developer (North City University One, Inc.) to manager the design, construction, and final closeout of the Project.

The Corporation owns 120,400 gross square feet which is used for Extended Learning Programs, classrooms, class labs, student support centers, lab and research facilities, select CSUSM departments, CSUSM Corporation Administrative Offices, and CSUSM Corporation Innovation. The Developer owns 14,600 gross square feet which is to be used for retail. A condominium structure was created to divide ownership of the building and land and provides for shared use of the common spaces in the building. The Corporation and Developer commonly own the parking structure under a separate parking declaration. The Developer and CSUSM Corporation developed Covenants, Conditions and Restrictions (CCR&Rs) for the building and parking structure. The Project was completed August 2019.

The Corporation owns and operates the Project and act as landlord to the University. In August 2019, Corporation entered into a lease with CSUSM for use of space for Extended Learning and University programs. When the asset was placed in service during the year ended June 30, 2020, it was determined that the lease was a capital lease (Note 11). All advanced lease payments were incorporated into the capital lease.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

Note 10 - Long-Term Debt, continued

Extended Learning Building and Parking Project, continued

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 \$63,590,905 with a maturity date of November 1, 2048. The amended loan has deescalating principal payments of approximately \$3,000,000 to \$3,500,000.

Paycheck Protection Program Loan

On May 5, 2020, The Corporation was granted a loan (Loan) from US Bank in the aggregate amount of \$2,082,042, pursuant to the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief and Economic Security Act (CARES Act). Under this program, the loans and accrued interest were forgivable as long as the borrower maintained its payroll levels and uses the loan proceeds for eligible purposes, including payroll, specific benefits, rent and utilities over a twenty-four-week period. The amount of loan forgiveness was to be reduced if the borrower terminated employees or reduced salaries during the twenty-four-week period.

The Loan, which was in the form of a Note dated May 5, 2020 had a maturity of May 5, 2025 and was bearing interest at a rate of 1% per annum, with payments on the unforgiven portion payable monthly commencing no later than ten months following the end of the twenty-four-week period. The Loan allowed prepayment by the Corporation at any time prior to maturity with no prepayment penalty.

The Corporation applied for and received on August 6, 2021 forgiveness from the Small Business Association (SBA) for the portion of the PPP loan proceeds which was used for eligible purposes. The SBA forgave \$796,019 in principal and \$10,127 in interest. These amounts were recognized as income during the fiscal year ending June 30, 2022. The balance of the loan proceeds was repaid in full to US Bank in October 2021.

Starbucks

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 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. The note agreement matures on July 1, 2024.

Summary of long-term debt as of June 30, 2022, are as follows:

	Bond Payable		Notes Payable		
	Housing Program	Extended Learning Building	Starbucks	Total Notes Payable	Total
June 30,					
2023	\$ 1,241,682	\$ 975,000	\$ 30,039	\$ 1,005,039	\$ 2,246,721
2024	1,263,065	1,030,000	30,866	1,060,866	2,323,931
2025	1,266,209	1,075,000	31,712	1,106,712	2,372,921
2026	1,481,331	1,135,000	-	1,135,000	2,616,331
2027	1,498,271	1,185,000	-	1,185,000	2,683,271
Thereafter	9,126,330	46,105,000	-	46,105,000	55,231,330
	15,876,888	51,505,000	92,617	51,597,617	67,474,505
Unamortized Premium Balance	-	8,170,552	-	8,170,552	8,170,552
Remaining Loss on Modification	(756,338)	-	-	-	(756,338)
	15,120,550	59,675,552	92,617	59,768,169	74,888,719
Less current portion	(1,241,682)	(975,000)	(30,039)	(1,005,039)	(2,246,721)
Noncurrent portion	\$ 13,878,868	\$ 58,700,552	\$ 62,578	\$ 58,763,130	\$ 72,641,998

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

Note 11 - Direct Financing Lease

In August 2019, Corporation entered into a lease (as Lessor) with University (as Lessee) for use of space for Extended Learning and University programs in the building and adjoining parking garage. The lease payments mirror the principal and interest payments required to pay the Extended Learning Building loan. Lease payments are payable on or before May 1 and November 1 in each year, through November 1, 2048.

Future minimum lease payments to be received and unearned capital lease income from direct financing lease as of June 30, 2022, are as follows:

June 30,	Lease Receivable	Unearned Capital Lease Income	Net Investment in Direct Financing Lease
2023	\$ 3,495,563	\$ (2,273,841)	\$ 1,221,722
2024	3,501,979	(2,220,163)	1,281,816
2025	3,495,852	(2,164,478)	1,331,374
2026	3,502,047	(2,106,712)	1,395,335
2027	3,495,430	(2,046,799)	1,448,631
Thereafter	74,973,906	(24,540,156)	50,433,750
Total	\$ 92,464,777	\$ (35,352,149)	\$ 57,112,628

Note 12 - 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 entered into a payroll processing agreement with ASI.

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, 2022 and 2021

Note 12 - Related Party Transactions, continued

Related party transactions are as follows:

<u>Related Parties</u>	<u>Description</u>	<u>Reported in</u>	<u>2022</u>	<u>2021</u>
Expenses to:				
University	Salaries and reimbursed costs	Various expenses	\$ 3,922,021	\$ 5,181,087
University	Bond Interest	Interest expense	393,649	607,655
ASI	Services, programs and other	Various expenses	3,662	2,500
Foundation	Services, programs and other	Various expenses	58,694	21,306
			<u>\$ 4,378,026</u>	<u>\$ 5,812,548</u>
Revenue from:				
University	Services and programs	Revenue	\$ 12,822,370	\$ 6,303,635
ASI	Payroll processing, administrative expenses and other expenses	Revenue	991,663	885,235
Foundation	Services and cost reimbursement	Revenue	140,331	17,710
			<u>\$ 13,954,364</u>	<u>\$ 7,206,580</u>
Assets:				
University	Salaries, benefits, and other expenses	Due from related parties	\$ 1,451,531	\$ 915,967
University	Lease receivable (Note 11)	Lease receivable	92,464,777	95,966,503
CSU Chancellor's Office	Other expenses	Due from related parties	410,237	407,782
ASI	Salaries, benefits, and other expenses	Due from related parties	143,240	171,106
Foundation	Other expenses	Due from related parties	127,998	136,749
			<u>\$ 94,597,783</u>	<u>\$ 97,598,107</u>
Liabilities:				
University	Cost reimbursement	Due to related parties	\$ 966,252	\$ 513,399
CSU Chancellor's Office	Other expenses	Due to related parties	424,027	431,549
University	Bond Interest (Note 10)	Due to related parties	38,623	102,323
University	Starbucks loan (Note 10)	Notes payable	92,617	121,852
Foundation	Various liabilities	Due to related parties	378	367
ASI	Cost reimbursement	Due to related parties	-	1,000
			<u>\$ 1,521,897</u>	<u>\$ 1,170,490</u>

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2022 and 2021

Note 13 - 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. The expenses that are allocated include depreciation, which is allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates and time and effort.

SUPPLEMENTAL INFORMATION

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Schedule of Net Position

June 30, 2022

(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 1,857,668
Short-term investments	14,477,998
Accounts receivable, net	4,617,431
Capital lease receivable, current portion	3,495,563
Notes receivable, current portion	-
Pledges receivable, net	-
Prepaid expenses and other current assets	20,958
Total current assets	<u>24,469,618</u>
Noncurrent assets:	
Restricted cash and cash equivalents	-
Accounts receivable, net	-
Capital lease receivable, net of current portion	88,969,214
Notes receivable, net of current portion	-
Student loans receivable, net	-
Pledges receivable, net	-
Endowment investments	-
Other long-term investments	-
Capital assets, net	23,188,404
Other assets	102,722
Total noncurrent assets	<u>112,260,340</u>
Total assets	<u>136,729,958</u>
Deferred outflows of resources:	
Unamortized loss on debt refunding	756,338
Net pension liability	-
Net OPEB liability	-
Others	-
Total deferred outflows of resources	<u>756,338</u>
Liabilities:	
Current liabilities:	
Accounts payable	4,014,283
Accrued salaries and benefits	337,635
Accrued compensated absences, current portion	643,152
Unearned revenue, current portion	3,382,676
Capital lease obligations, current portion	1,241,682
Long-term debt obligations, current portion	1,005,039
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	-
Total current liabilities	<u>10,624,467</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	-
Unearned revenue, net of current portion	33,947,273
Grants refundable	-
Capital lease obligations, net of current portion	14,635,206
Long-term debt obligations, net of current portion	58,763,130
Claims liability for losses and loss adjustment expenses, net of current portion	-
Depository accounts	-
Net other postemployment benefits obligations	1,461,605
Net pension liability	-
Other liabilities	-
Total noncurrent liabilities	<u>108,807,214</u>
Total liabilities	<u>119,431,681</u>
Deferred inflows of resources:	
Service concession arrangements	-
Net pension liability	-
Net OPEB liability	-
Unamortized gain on debt refunding	-
Nonexchange transactions	-
Others	-
Total deferred inflows of resources	<u>-</u>
Net Position:	
Net investment in capital assets	3,800,913
Restricted for:	
Nonexpendable – endowments	-
Expendable:	
Scholarships and fellowships	-
Research	-
Loans	-
Capital projects	-
Debt service	-
Others	-
Unrestricted	<u>14,253,702</u>
Total net position	<u>\$ 18,054,615</u>

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Schedule of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2022

(for inclusion in the California State University)

Revenues:		
Operating revenues:		
Student tuition and fees, gross	\$	-
Scholarship allowances		-
Grants and contracts, noncapital:		
Federal		10,667,066
State		3,015,289
Local		42,769
Nongovernmental		147,066
Sales and services of educational activities		2,732,077
Sales and services of auxiliary enterprises, gross		19,010,149
Scholarship allowances		-
Other operating revenues		-
Total operating revenues		<u>35,614,416</u>
Expenses:		
Operating expenses:		
Instruction		2,513,506
Research		4,602,050
Public service		75,999
Academic support		1,426,611
Student services		3,413,261
Institutional support		1,472,469
Operation and maintenance of plant		-
Student grants and scholarships		1,593,376
Auxiliary enterprise expenses		14,706,398
Depreciation and amortization		1,720,447
Total operating expenses		<u>31,524,117</u>
Operating income (loss)		<u>4,090,299</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		1,705,964
Endowment income (loss), net		-
Interest expense		(2,659,769)
Other nonoperating revenues (expenses) - excl. interagency transfers		-
Net nonoperating revenues (expenses)		<u>(953,805)</u>
Income (loss) before other revenues (expenses)		<u>3,136,494</u>
State appropriations, capital		-
Grants and gifts, capital		-
Additions (reductions) to permanent endowments		-
Increase (decrease) in net position		<u>3,136,494</u>
Net position:		
Net position at beginning of year, as previously reported		14,918,121
Restatements		-
Net position at beginning of year, as restated		<u>14,918,121</u>
Net position at end of year	\$	<u>18,054,615</u>

See independent auditor's report.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Other Information

June 30, 2022

(for inclusion in the California State University)

1	Cash and cash equivalents:			
	Portion of restricted cash and cash equivalents related to endowments		-	
	All other restricted cash and cash equivalents		-	
	Noncurrent restricted cash and cash equivalents	-		
	Current cash and cash equivalents	1,857,668		
	Total	\$ 1,857,668		
2.1	Composition of investments:			
		Current	Noncurrent	Total
	Money Market funds	\$ -	\$ -	\$ -
	Repurchase agreements	-	-	-
	Certificates of deposit	1,199,067	-	1,199,067
	U.S. agency securities	-	-	-
	U.S. treasury securities	-	-	-
	Municipal bonds	-	-	-
	Corporate bonds	-	-	-
	Asset backed securities	-	-	-
	Mortgage backed securities	-	-	-
	Commercial paper	-	-	-
	Mutual funds	13,278,931	-	13,278,931
	Exchange traded funds (ETFs)	-	-	-
	Equity securities	-	-	-
	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)	-	-	-
	CSU Consolidated Investment Pool (formerly SWIFT)	-	-	-
	State of California Local Agency Investment Fund (LAIF)	-	-	-
	State of California Surplus Money Investment Fund (SMIF)	-	-	-
	Other investments:			
	Total Other investments	-	-	-
	Total investments	14,477,998	-	14,477,998
	Less endowment investments	-	-	-
	Total investments, net of endowments	\$ 14,477,998	\$ -	\$ 14,477,998

See independent auditor's report.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Other Information, continued

June 30, 2022

(for inclusion in the California State University)

2.2 Fair value hierarchy in investments:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Money market funds	\$ -	\$ -	\$ -	\$ -	-
Repurchase agreements	-	-	-	-	-
Certificates of deposit	1,199,067	-	1,199,067	-	-
U.S. agency securities	-	-	-	-	-
U.S. treasury securities	-	-	-	-	-
Municipal bonds	-	-	-	-	-
Corporate bonds	-	-	-	-	-
Asset backed securities	-	-	-	-	-
Mortgage backed securities	-	-	-	-	-
Commercial paper	-	-	-	-	-
Mutual funds	13,278,931	13,278,931	-	-	-
Exchange traded funds	-	-	-	-	-
Equity securities	-	-	-	-	-
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)	-	-	-	-	-
CSU Consolidated Investment Pool (formerly SWIFT)	-	-	-	-	-
State of California Surplus Money Investment Fund (SMIF)	-	-	-	-	-
State of California Local Agency Investment Fund (LAIF)	-	-	-	-	-
Other Investments	-	-	-	-	-
Total investments	\$ 14,477,998	\$ 13,278,931	\$ 1,199,067	\$ -	-

2.3 Investments held by the University under contractual agreements:

	Current	Noncurrent	Total
Investments held by the University under contractual agreements (e.g CSU Consolidated SWIFT Inv pool):	\$ -	\$ -	\$ -

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Other Information, continued

June 30, 2022

(for inclusion in the California State University)

3.1 Composition of capital assets:

	Balance June 30, 2021	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2021 (Restated)	Additions	Retirements	Transfer of completed CWIP	Balance June 30, 2022
Non-depreciable/Non-amortizable capital assets:									
Works of art and historical treasures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Construction work in progress (CWIP)	334,592	-	-	-	334,592	2,417,782	-	(26,047)	2,726,327
Intangible assets:									
Rights and easements	-	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-	-
Intangible assets in progress (PWIP)	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Other intangible assets:									
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
Total Other intangible assets	-	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-	-
Total non-depreciable/non-amortizable capital assets	334,592	-	-	-	334,592	2,417,782	-	(26,047)	2,726,327
Depreciable/Amortizable capital assets:									
Buildings and building improvements	31,923,948	-	-	-	31,923,948	30,648	-	13,135	31,967,731
Improvements, other than buildings	2,634,601	-	-	-	2,634,601	11,245	(6,190)	-	2,639,656
Infrastructure	-	-	-	-	-	-	-	-	-
Leasehold improvements	2,200,274	-	-	-	2,200,274	-	-	-	2,200,274
Personal property:									
Equipment	6,146,085	-	-	-	6,146,085	520,315	(85,196)	12,912	6,594,116
Library books and materials	-	-	-	-	-	-	-	-	-
Intangible assets:									
Software and websites	-	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Other intangible assets:									
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
Total Other intangible assets	-	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-	-
Total depreciable/amortizable capital assets	42,904,908	-	-	-	42,904,908	562,208	(91,386)	26,047	43,401,777
Total capital assets	43,239,500	-	-	-	43,239,500	2,979,990	(91,386)	-	46,128,104
Less accumulated depreciation/amortization:									
Buildings and building improvements	(13,602,489)	-	-	-	(13,602,489)	(960,677)	-	-	(14,563,166)
Improvements, other than buildings	(1,843,078)	-	-	-	(1,843,078)	(177,294)	2,992	-	(2,017,380)
Infrastructure	-	-	-	-	-	-	-	-	-
Leasehold improvements	(1,155,769)	-	-	-	(1,155,769)	(157,170)	-	-	(1,312,939)
Personal property:									
Equipment	(4,705,434)	-	-	-	(4,705,434)	(425,306)	84,525	-	(5,046,215)
Library books and materials	-	-	-	-	-	-	-	-	-
Intangible assets:									
Software and websites	-	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Other intangible assets:									
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
Total Other intangible assets	-	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-	-
Total accumulated depreciation/amortization	(21,306,770)	-	-	-	(21,306,770)	(1,720,447)	87,517	-	(22,939,700)
Total capital assets, net	\$ 21,932,730	\$ -	\$ -	\$ -	\$ 21,932,730	\$ 1,259,543	\$ (3,869)	\$ -	\$ 23,188,404
Lease assets, net									
									\$ 23,188,404

See independent auditor's report.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Other Information, continued

June 30, 2022

(for inclusion in the California State University)

Composition of lease assets:

	Balance June 30, 2021	Additions	Remeasurements	Reductions	Balance June 30, 2022
Non-depreciable/Non-amortizable lease assets:					
Land and land improvements	\$ -	\$ -	\$ -	\$ -	\$ -
Total non-depreciable/non-amortizable lease assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Depreciable/Amortizable lease assets:					
Land and land improvements					
Buildings and building improvements	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-
Infrastructure	-	-	-	-	-
Personal property:					
Equipment	-	-	-	-	-
Total depreciable/amortizable lease assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less accumulated depreciation/amortization: (enter as negative number, except for reductions enter as positive number)					
Land and land improvements					
Buildings and building improvements	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-
Infrastructure	-	-	-	-	-
Personal property:					
Equipment	-	-	-	-	-
Total accumulated depreciation/amortization	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total lease assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

3.2 Detail of depreciation and amortization expense:

Depreciation and amortization expense related to capital assets	\$ 1,720,447
Amortization expense related to other assets	-
Total depreciation and amortization	<u>\$ 1,720,447</u>

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Other Information, continued

June 30, 2022

(for inclusion in the California State University)

4 Long-term liabilities:

	Balance June 30, 2021	Prior Period Adjustments/ Reclassifications	Balance June 30, 2021 (Restated)	Additions	Reductions	Balance June 30, 2022	Current Portion	Noncurrent Portion
1. Accrued compensated absences	\$ 731,955	\$ -	\$ 731,955	\$ 125,907	\$ (214,710)	\$ 643,152	\$ 643,152	\$ -
2. Claims liability for losses and loss adjustment expenses	-	-	-	-	-	-	-	-
3. Capital lease obligations:								
Gross balance	15,762,381	-	15,762,381	1,010,496	(895,989)	15,876,888	1,241,682	14,635,206
Unamortized net premium/(discount)	-	-	-	-	-	-	-	-
Total capital lease obligations	15,762,381	-	15,762,381	1,010,496	(895,989)	15,876,888	1,241,682	14,635,206
4. Long-term debt obligations:								
4.1 Auxiliary revenue bonds (non-SRB related)	-	-	-	-	-	-	-	-
4.2 Commercial paper	-	-	-	-	-	-	-	-
4.3 Notes payable (SRB related)	52,440,000	-	52,440,000	-	(935,000)	51,505,000	975,000	50,530,000
4.4 Others:								
Note Payable	121,852	-	121,852	-	(29,235)	92,617	30,039	62,578
Note Payable	2,082,042	-	2,082,042	-	(2,082,042)	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
Total others	2,203,894	-	2,203,894	-	(2,111,277)	92,617	30,039	62,578
Sub-total long-term debt	54,643,894	-	54,643,894	-	(3,046,277)	51,597,617	1,005,039	50,592,578
4.5 Unamortized net bond premium/(discount)	8,485,961	-	8,485,961	-	(315,409)	8,170,552	-	8,170,552
Total long-term debt obligations	63,129,855	-	63,129,855	-	(3,361,686)	59,768,169	1,005,039	58,763,130

5. Lease Liabilities

Total long-term liabilities

59,768,169 1,005,039 58,763,130

Lease liabilities

Total

Balance	Additions	Remeasurements	Reductions	Balance	Current Portion	Noncurrent Portion
\$ -	-	-	-	-	\$ -	-

5. Lease Liabilities schedule:

	Lease Liabilities related to SRB			All other liabilities			Total lease liabilities		
	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:									
2023	\$ 1,241,682	\$ 222,785	1,464,467	-	-	-	1,241,682	222,785	1,464,467
2024	1,263,065	204,379	1,467,444	-	-	-	1,263,065	204,379	1,467,444
2025	1,266,209	185,962	1,452,171	-	-	-	1,266,209	185,962	1,452,171
2026	1,481,331	165,943	1,647,274	-	-	-	1,481,331	165,943	1,647,274
2027	1,498,271	144,216	1,642,487	-	-	-	1,498,271	144,216	1,642,487
2028 - 2032	7,552,165	394,180	7,946,345	-	-	-	7,552,165	394,180	7,946,345
2033 - 2037	1,574,165	11,488	1,585,653	-	-	-	1,574,165	11,488	1,585,653
2038 - 2042	-	-	-	-	-	-	-	-	-
2043 - 2047	-	-	-	-	-	-	-	-	-
2048 - 2052	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-
Total minimum lease payments	\$ 15,876,888	\$ 1,328,953	\$ 17,205,841	\$ -	\$ -	\$ -	\$ 15,876,888	\$ 1,328,953	\$ 17,205,841
Less: amounts representing interest									(1,328,953)
Present value of future minimum lease payments									15,876,888
Total lease liabilities									15,876,888
Less: current portion									(1,241,682)
Lease liabilities, net of current portion									\$ 14,635,206

See independent auditor's report.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Other Information, continued

June 30, 2022

(for inclusion in the California State University)

6 Long-term debt obligations schedule:

	Auxiliary revenue bonds (non-SRB related)			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:									
2023	\$ -	\$ -	\$ -	\$ 1,005,039	\$ 2,523,110	\$ 3,528,149	\$ 1,005,039	\$ 2,523,110	\$ 3,528,149
2024	-	-	-	1,060,866	2,473,700	3,534,566	1,060,866	2,473,700	3,534,566
2025	-	-	-	1,106,712	2,421,726	3,528,438	1,106,712	2,421,726	3,528,438
2026	-	-	-	1,135,000	2,367,047	3,502,047	1,135,000	2,367,047	3,502,047
2027	-	-	-	1,185,000	2,310,430	3,495,430	1,185,000	2,310,430	3,495,430
2028 - 2032	-	-	-	6,910,000	10,594,708	17,504,708	6,910,000	10,594,708	17,504,708
2033 - 2037	-	-	-	8,840,000	8,668,353	17,508,353	8,840,000	8,668,353	17,508,353
2038 - 2042	-	-	-	11,305,000	6,195,906	17,500,906	11,305,000	6,195,906	17,500,906
2043 - 2047	-	-	-	13,165,000	3,112,665	16,277,665	13,165,000	3,112,665	16,277,665
2048 - 2052	-	-	-	5,885,000	297,273	6,182,273	5,885,000	297,273	6,182,273
Thereafter	-	-	-	-	-	-	-	-	-
Total minimum payments	\$ -	\$ -	\$ -	\$ 51,597,617	\$ 40,964,918	\$ 92,562,535	\$ 51,597,617	\$ 40,964,918	\$ 92,562,535
Less: amounts representing interest									(40,964,918)
Present value of future minimum payments									51,597,617
Unamortized net premium/(discount)									8,170,552
Total long-term debt obligations									59,768,169
Less: current portion									(1,005,039)
Long-term debt obligations, net of current portion									\$ 58,763,130

7 Transactions with related entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 224,290
Payments to University for other than salaries of University personnel	2,544,586
Payments received from University for services, space, and programs	12,822,370
Gifts-in-kind to the University from discretely presented component units	-
Gifts (cash or assets) to the University from discretely presented component units	1,153,145
Accounts (payable to) University	(966,252)
Other amounts (payable to) University	(131,240)
Accounts receivable from University	1,451,531
Other amounts receivable from University	92,464,777

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Other Information, continued

June 30, 2022

(for inclusion in the California State University)

10 Deferred outflows/inflows of resources:

1. Deferred Outflows of Resources

Deferred outflows - unamortized loss on refunding(s)	756,338
Deferred outflows - net pension liability	-
Deferred outflows - net OPEB liability	-
Deferred outflows - others:	
Sales/intra-entity transfers of future revenues	-
Gain/loss on sale leaseback	-
Loan origination fees and costs	-
Change in fair value of hedging derivative instrument	-
Irrevocable split-interest agreements	-
Total deferred outflows - others	-
Total deferred outflows of resources	\$ 756,338

2. Deferred Inflows of Resources

Deferred inflows - service concession arrangements	-
Deferred inflows - net pension liability	-
Deferred inflows - net OPEB liability	-
Deferred inflows - unamortized gain on debt refunding(s)	-
Deferred inflows - nonexchange transactions	-
Deferred inflows - others:	
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Total deferred inflows - others	-
Total deferred inflows of resources	\$ -

11 Other nonoperating revenues (expenses)

Other nonoperating revenues	-
Other nonoperating (expenses)	-
Total other nonoperating revenues (expenses)	\$ -

**INDEPENDENT AUDITOR'S 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, (nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 28, 2022.

Report on 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.

Report on 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 AUDITOR'S 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.

Aldrich CPAs + Advisors LLP

San Diego, California
September 28, 2022

**INDEPENDENT AUDITOR'S 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

Opinion on Each Major Federal Program

We have audited California State University San Marcos Corporation's compliance with the types of compliance requirements identified as subject to audit 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, 2022. California State University San Marcos Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of California State University San Marcos Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of California State University San Marcos Corporation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to California State University San Marcos Corporation's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on California State University San Marcos Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would

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

influence the judgment made by a reasonable user of the report on compliance about California State University San Marcos Corporation's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding California State University San Marcos Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of California State University San Marcos Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 California State University San Marcos Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Aldrich CPAs + Advisors LLP

San Diego, California
September 28, 2022

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

Federal/Pass-Through Grantor and Program Title	Assistance Listing Number	Agency or Pass-Through Grantor No.	Expenditures	Subrecipients
Research and Development Cluster:				
Department of Defense				
<i>Direct Programs</i>				
Basic and Applied Scientific Research	12.300	N/A	\$ 1,604,222	\$ -
Total Department of Defense			<u>1,604,222</u>	<u>-</u>
Department of Education				
<i>Direct Programs</i>				
Higher Education Institutional Aid	84.031	N/A	1,253,129	-
Minority Science and Engineering Improvement	84.120	N/A	280,309	-
Education Stabilization Fund	84.425	N/A	18,546	-
Total Department of Education			<u>1,551,984</u>	<u>-</u>
Department of Health and Human Services				
<i>Direct Programs</i>				
Family and Community Violence Prevention Program	93.910	N/A	68,035	-
Biomedical Research and Research Training	93.859	N/A	1,466,837	55,954
Allergy and Infectious Diseases Research	93.855	N/A	8,022	-
Mental Health Research Grants	93.242	N/A	85,970	-
Trans-NIH Research Support	93.310	N/A	291,744	142,571
Environmental Health	93.113	N/A	55,694	-
Minority Health and Health Disparities Research	93.307	N/A	13,766	-
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	N/A	73,355	-
Total Department of Health and Human Services			<u>2,063,423</u>	<u>198,525</u>
Department of Agriculture				
<i>Direct Programs</i>				
Agriculture and Food Research Initiative	10.310	N/A	21,749	-
Total Department of Agriculture			<u>21,749</u>	<u>-</u>
National Aeronautical and Space Administration				
<i>Direct Programs</i>				
Science	43.001	N/A	275,001	144,337
Office of Inspector General	43.011	N/A	88,789	-
Total National Aeronautical and Space Administration			<u>363,790</u>	<u>144,337</u>
Corporation for National and Community Service				
<i>Direct Programs</i>				
National Service and Civic Engagement Research Competition	94.026	N/A	24,765	-
Total Corporation for National and Community Service			<u>24,765</u>	<u>-</u>
National Endowment for the Humanities				
<i>Direct Programs</i>				
National Leadership Grants	45.312	N/A	57,052	-
Total National Endowment for the Humanities			<u>57,052</u>	<u>-</u>
National Science Foundation				
<i>Direct Programs</i>				
Engineering	47.041	N/A	8,120	-
Computer and Information Science and Engineering	47.070	N/A	128,232	-
Biological Sciences	47.074	N/A	172,821	-
Education and Human Resources	47.076	N/A	1,779,401	249,389
Social, Behavioral, and Economic Sciences	47.075	N/A	47,558	-
Mathematical and Physical Sciences	47.049	N/A	15,550	-
Geosciences	47.050	N/A	6,806	-
Total National Science Foundation			<u>2,158,488</u>	<u>249,389</u>
Total Research and Development Cluster			<u>7,845,473</u>	<u>592,251</u>

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

Federal/Pass-Through Grantor and Program Title	Assistance Listing Number	Agency or Pass-Through Grantor No.	Expenditures	Subrecipients
TRIO Cluster:				
Department of Education				
<i>Direct Programs</i>				
Student Support Services	84.042	N/A	\$ 333,442	\$ -
Talent Search	84.044	N/A	304,475	-
Upward Bound	84.047	N/A	444,200	-
McNair Postbaccalaureate Achievement Program	84.217	N/A	250,648	-
Total Department of Education			<u>1,332,765</u>	<u>-</u>
Total TRIO Cluster			<u>1,332,765</u>	<u>-</u>
Other Programs:				
Department of Commerce				
<i>Pass-through from University of San Diego</i>				
Cluster Grants	11.020	ED19HDQ020	8,507	-
		0025	<u>8,507</u>	<u>-</u>
Total Department of Commerce				
Department of State				
<i>Direct Programs</i>				
Professional and Cultural Exchange Programs - Citizen Exchanges	19.415	N/A	4,974	-
Total Department of State			<u>4,974</u>	<u>-</u>
Department of Education				
<i>Direct Programs</i>				
English Language Acquisition State Grants	84.365	N/A	269,894	-
Migrant Education College Assistance Migrant Program	84.149	N/A	401,513	-
Total Department of Education			<u>671,407</u>	<u>-</u>
Department of Energy				
<i>Direct Programs</i>				
2022 Marine Energy Collegiate	81.DE-AC36-08GO28308	N/A	4,792	-
Total Department of Energy			<u>4,792</u>	<u>-</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	737,790	-
Total Department of Health and Human Services			<u>737,790</u>	<u>-</u>
National Endowment for the Humanities				
<i>Direct Programs</i>				
Promotion of the Humanities Federal/State Partnership	45.129	N/A	27,500	-
Promotion of the Humanities Teaching and Learning Resources and Curriculum Development	45.162	N/A	33,858	-
Total National Endowment for the Humanities			<u>61,358</u>	<u>-</u>
Total Other Programs			<u>1,488,828</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 10,667,066</u>	<u>\$ 592,251</u>

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of _____ 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

_____ did not elect to use the 10% de minimus cost rate as covered in the Uniform Guidance 2.CFR.200.414 Indirect costs.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's 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 auditor's 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>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
Various	Research and Development Cluster
Various	TRIO Cluster

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

Section IV - Schedule of Prior Year Findings

None reported.