

Cal Poly Corporation

Audited Financial Statements and Supplementary Information

Years Ended June 30, 2023 and 2022



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Audited Financial Statements and
Supplementary Information
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Independent Auditors' Report

Board of Directors
Cal Poly Corporation
San Luis Obispo, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying statements of net position of Cal Poly Corporation (the Corporation), a component unit of the California Polytechnic State University, San Luis Obispo, as of June 30, 2023 and 2022, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Cal Poly Corporation, as of June 30, 2023 and 2022, and the changes in its net position, 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going

concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 financial statements.

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

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 16, Schedule of Changes in the Net OPEB Liability and Related Ratios on page 62, Schedule of Contributions – OPEB on page 63, Schedule of Changes in the Net Pension Liability and Related Ratios on page 64, and the Schedule of Contributions – Pension on page 65, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a basic part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of

financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. The accompanying supplementary information for inclusion in the financial statements of the California State University on pages 67 through 74 as required by the California State University and other supplementary information on pages 76 through 77 are presented for purposes of additional analysis and are not required parts of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2023, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

GLENN BURDETTE ATTEST CORPORATION

Glenn Burdette Attest Corporation
San Luis Obispo, California

September 19, 2023

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The Cal Poly Corporation ("Corporation") is an auxiliary organization of the California Polytechnic State University, San Luis Obispo ("University"). The Corporation is an IRC Section 501(c)(3) not-for-profit public benefit organization established to provide services which complement the instructional program of the University and assist the institution in achieving its educational mission.

This section of the Corporation's annual financial report presents a discussion and analysis of the financial performance of the Corporation during the fiscal years ended June 30, 2023 ("2022-23"), June 30, 2022 ("2021-22"), and June 30, 2021 ("2020-21"). This discussion has been prepared by management and should be read in conjunction with and is qualified in its entirety by the accompanying audited financial statements and notes. The financial statements presented here are incorporated into the University's financial statements as a component unit.

Introduction to the Financial Statements

This annual report consists of a series of financial statements, prepared in accordance with principles issued by the Governmental Accounting Standards Board ("GASB"). For reporting purposes, the Corporation is considered a special-purpose government engaged in business-type activities which best represent the activities of the Corporation as an auxiliary organization of the University.

The financial statements include the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows. These statements provide information about the Corporation's financial position as a whole and the results of activities on that position for each year presented. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting, which recognizes expenses when incurred and revenues when earned rather than when payment is made or received. They are supported by the Notes to Financial Statements and this section. All sections must be considered together to obtain a complete understanding of the financial picture of the Corporation.

Statements of Net Position: The Statements of Net Position include all assets, deferred outflows, liabilities, and deferred inflows of the Corporation reported at their recorded value, as of the statement date. Net position - the difference between assets plus deferred outflows and liabilities plus deferred inflows - is one way to measure the Corporation's financial health, or financial position. Over time, increases or decreases in net position can be an indicator as to whether the Corporation's financial health is improving or declining.

Statements of Revenues, Expenses, and Changes in Net Position: The Statements of Revenues, Expenses, and Changes in Net Position present the revenues earned and expenses incurred during the year.

Statements of Cash Flows: The Statements of Cash Flows present the inflows and outflows of cash for the year and are summarized by operating, noncapital financing, capital and related financing, and investing activities. The statements are prepared using the direct method of cash flows, and therefore, present gross rather than net amounts for the years' activities.

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Analytical Overview

Summary

The following discussion highlights management’s understanding of the key financial aspects of the Corporation’s financial activities for the fiscal years 2022-23, 2021-22, and 2020-21. The accompanying audited financial statements as of and for the years ended June 30, 2023 and 2022 are reported in accordance with standards and requirements of the GASB, as are the following schedules.

The Corporation experienced material operating losses for 2020-21 resulting from the economic impact of the COVID-19 pandemic (the “Pandemic”). In response to the Pandemic, the University made a decision to provide the 2020-21 academic year virtually. As a result, Corporation operations experienced material operating revenue losses. Economic conditions in the wake of the Pandemic improved in 2021-22. The Corporation experienced a recovery in operational revenues in 2021-22 and 2022-23. That said, economic conditions continue to be unstable with rising inflation in operational costs.

Condensed Statements of Net Position

	June 30,		
	2023	2022	2021
Assets:			
Current assets	\$ 106,282,712	\$ 96,646,746	\$ 95,674,793
Noncurrent assets:			
Capital assets, net	119,174,156	93,442,842	77,369,645
Other noncurrent assets	49,949,995	51,616,742	48,577,062
Total assets	<u>275,406,863</u>	<u>241,706,330</u>	<u>221,621,500</u>
Deferred Outflows of Resources	<u>11,687,404</u>	<u>3,489,911</u>	<u>5,015,650</u>
Liabilities:			
Current liabilities	41,321,791	20,836,217	19,164,860
Noncurrent liabilities	79,619,550	66,347,499	61,317,229
Total liabilities	<u>120,941,341</u>	<u>87,183,716</u>	<u>80,482,089</u>
Deferred Inflows of Resources	<u>22,360,669</u>	<u>28,219,337</u>	<u>15,962,393</u>
Net Position:			
Net investment in capital assets	54,389,979	38,957,807	37,708,825
Restricted, expendable	20,650,321	18,368,127	16,150,756
Unrestricted	68,751,957	72,467,254	76,333,087
Total net position	<u>\$ 143,792,257</u>	<u>\$ 129,793,188</u>	<u>\$ 130,192,668</u>

Net Position

Net position may serve over time as an indicator of the Corporation’s financial position. As of June 30, 2023, assets and deferred outflows exceeded liabilities and deferred inflows by \$143.8 million, resulting in an increase of \$14 million in net position from the prior year. The increase primarily represents the net result of an \$19.4 million operating loss combined with net nonoperating revenues of \$28.1 million and capital grants and gifts of \$5.3 million. For the year ended June 30, 2022, overall net position decreased \$399,000. The decrease in net position primarily represents the

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net result of a \$6.3 million operating loss combined with net nonoperating expenses of \$2.9 million and capital grants and gifts of \$8.9 million. Operating losses reflected on the Statements of Revenues, Expenses and Changes in Net Position are primarily the result of the classification of gifts as nonoperating revenues. A majority of these gifts are meant to be *University programs support* expenses, which are classified as operating expenses. Without these gifts, the related *University programs support* expenses would not occur.

Net investment in capital assets represents the Corporation's capital assets, net of accumulated depreciation and amortization, and also net of outstanding balances of related debt. The Corporation uses these capital assets in its day-to-day operations. For the year ended June 30, 2023, net investment in capital assets increased \$15.4 million or 39.6% from the prior year. During 2022-23, capital asset purchases exceeded the combination of capital asset disposals and depreciation and amortization expense on existing capital assets. Capital asset additions primarily relate to construction-in-progress for the renovation of the Corporation's central dining facility. For the year ended June 30, 2022, net investment in capital assets increased \$1.2 million or 3.3% from the prior year. During 2021-22, capital asset purchases exceeded the combination of capital asset disposals and depreciation and amortization expense on existing capital assets.

Restricted, expendable represents the portion of the Corporation's net position that is restricted by donors or by law. The following table summarizes at year end which funds are restricted, the type of restriction, and the amount:

	Year Ended June 30,		
	2023	2022	2021
Restricted, expendable:			
Research	\$ 115,863	\$ 92,214	\$ 130,050
Capital projects	259,534	533,121	374,807
Instruction	3,783,275	5,780,533	5,785,704
Academic support	552,994	623,763	787,406
Student services	8,687,048	4,054,172	4,067,568
Other	7,251,607	7,284,324	5,005,221
Total restricted, expendable	<u>\$ 20,650,321</u>	<u>\$ 18,368,127</u>	<u>\$ 16,150,756</u>

This balance can fluctuate from year to year based on the level of gift activity and expenditures. For the year ended June 30, 2023, overall restricted, expendable net position increased \$2.3 million or 12.4% from the prior year. The increase is primarily the result of a \$4.6 million increase in net position restricted for student services offset by a \$2 million decrease in net position restricted for instruction.

For the year ended June 30, 2022, overall restricted, expendable net position increased \$2.2 million or 13.7% from the prior year. The increase is primarily the result of a \$1.6 million increase in net position restricted for other purposes.

Gifts and pledges received are often restricted by their donors. Fluctuations in restricted, expendable net position are based on the timing of project expenditures in relation to the receipt of gifts and other funds.

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Unrestricted represents the portion of net position that can be used to finance day-to-day operations of the Corporation without constraints established by donor restrictions, debt covenants or other legal requirements. Although unrestricted net position is not subject to externally imposed restrictions per accounting definitions, significant portions of unrestricted net position are designated for specific programs or projects. For the year ended June 30, 2023, unrestricted net position decreased by \$3.7 million to \$68.8 million from the prior year. The decrease was driven by capital expenditures, including the renovation of the Corporation's central dining facility offset by \$5.7 million in market value gains across all Corporation investments. For the year ended June 30, 2022, unrestricted net position decreased by \$3.9 million or 5.1%. The decrease was driven by a \$3.8 million reclassification from unrestricted to restricted of net assets recorded for the newly established center with a focus on enhancing the efficacy of organic farming.

Assets

Current assets represent assets that can normally be converted to cash in less than one year, including cash and cash equivalents, short-term investments, accounts receivable, contracts and grants receivable, inventories, prepaid expenses and the current portion of pledges receivable.

Cash and cash equivalents are generally held in checking and money market accounts. All highly liquid investments with an original maturity date of three months or less are also classified as cash and cash equivalents. The total cash and cash equivalents decreased \$4.9 million or 18.7% for the year ended June 30, 2023. Please refer to the Statement of Cash Flows for more information regarding changes in cash and cash equivalents.

Investments used for current operations are classified as *Short-term investments*, which primarily includes the Corporation's Corporate Pool. Short-term investments increased \$15.1 million or 30.0% from the prior year primarily driven by \$3.4 million of investment income recorded in the Corporate Pool and the implementation of a treasury note ladder starting in September 2022. The total ladder is \$11.8 million and matures in monthly installments with immediate reinvestment, with an average yield of approximately 4.68%.

Accounts receivable, net decreased \$2.5 million or 45.2% from the prior year. During 2021-22, approximately \$15.6 million of California State University State Revenue Bonds (CSU SRB) were issued to the university on behalf of the Corporation for renovation of the Corporation's central dining facility. Funds were deposited into a University account and a corresponding receivable was recorded on the Corporation's books. These proceeds were largely spent on the renovation of the project during the fiscal year, leaving approximately \$3.3 million of unspent bond proceeds in accounts receivable, net at June 30, 2022. The remaining bond proceeds were spent in 2022-23, leaving no outstanding receivable balance.

Contracts and grants receivable, net represents revenue earned but not received from work performed under contract and grants. For the fiscal year ended June 30, 2023, contracts and grants receivable, net increased \$2.2 million or 27.6% from the prior year. Changes in contracts and grants receivable, net, are dependent on the timing of revenues earned and payments received. The total aggregate number of contracts and grants awarded or augmented at June 30, 2023 was 564 compared to 550 at June 30, 2022. In addition, overall contract and grants expenses increased during 2022-23 to \$34.2 million, compared to \$28.5 million for 2021-22.

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Noncurrent assets consist primarily of restricted cash and cash equivalents related to endowments and charitable gift annuities, pledges receivable not expected to be collected within one year, endowment and other long-term investments and capital assets, net of depreciation. Investments that are restricted for withdrawal or to be used for other than current operations, including endowments and charitable gift annuities, are classified as other long-term investments.

Note receivable, net of \$2.6 million represents draws on the line-of-credit extended from the Corporation to the College of Agriculture, Food, & Environmental Sciences for construction of the JUSTIN and J. LOHR Center for Wine and Viticulture. The line-of-credit requires quarterly interest payments, with all outstanding principal and interest due and payable on the expiration date of the agreement, June 30, 2024.

Pledges receivable, net increased \$2.5 million or 41.7% from the prior year primarily driven by the receipt of a \$2 million pledge on behalf of athletics for the construction of the new tennis pavilion. Pledge amounts expected to be collected within one year are classified as current assets. The increase because of new pledges was offset by amounts reclassified to current assets.

Investments restricted from withdrawal or designated for the acquisition or construction of capital assets are classified as *Other long-term investments*, which primarily includes securities in the Corporation's Internal Fund, OPEB Investment Pool, and charitable gift annuities held for others. Other long-term investments decreased \$2.9 million or 8% from the prior year. The decrease was primarily the result of \$5 million in liquidations from the internal investment fund and was offset by the overall investment income that was consistent across the Corporation's investment portfolio over the same period.

Capital assets, net include land, buildings, leasehold improvements, construction-in-progress, equipment and intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. The Corporation held \$63.1 million of non-depreciable assets at June 30, 2023, compared to \$36.5 million at June 30, 2022. Non-depreciable capital assets primarily consist of land and improvements and construction-in-progress. The change in non-depreciable assets during 2022-23 primarily relates to significant additions to construction in progress for the renovation of the Corporation's central dining facility.

At June 30, 2023, the Corporation held \$56.1 million in depreciable and amortizable assets, net of accumulated depreciation, as compared to \$57 million in the prior year. During 2022-23, depreciable capital asset additions of \$1.7 million are offset by depreciable capital asset disposals with a net book value of \$64,000. In addition, construction-in-progress of \$1.7 million was completed and placed in service. During 2022-23, depreciation and amortization expense on existing capital assets totaled \$4.2 million.

Deferred Outflows of Resources

Deferred Outflows of Resources at June 30, 2023 includes contributions made by the Corporation to its pension plan and OPEB plan during 2022-23. In addition, deferred outflows of resources includes changes in the net pension liability and net OPEB liability as a result of differences between actual and expected earnings on plan investments,

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along with other adjustments to actuarial measurements. Deferred outflows of resources are recognized as expense in future periods. Finally, deferred outflows of resources at June 30, 2023 includes a deferred loss on the refunding of a portion of the Cal State University (CSU) System-Wide Revenue Bonds (SRB) Series 2009A.

Liabilities

Current liabilities, or amounts owed or due within one year, consist of accounts payable, accrued salaries and benefits payable, unearned revenue, sponsored programs receipts over expenditures and other liabilities.

Accounts payable increased \$9.9 million or 230.7% from the prior year. Changes in accounts payable are dependent on the timing of expenses incurred and payment made. The June 30, 2023 balance includes accounts payable of \$8.4 million due to the University for expenses incurred for the renovation of the Corporation's central facility.

Unearned revenue includes meal plan contracts received and recorded for the upcoming academic year. As meal plans are consumed during the year, revenue is recognized and the unearned revenue balance declines. For the year ended June 30, 2023 unearned revenue increased approximately \$9 million or 118.6% from the prior year. This increase is primarily from \$7.5 million in one-time contractual payments received from the Corporation's external foodservice partner for management of its Campus Dining program, and an increase in freshman enrollment for the upcoming academic year. At June 30, 2023, there were approximately 160 more freshmen expected for the upcoming academic year as compared to June 30, 2022. In addition, Campus dining offered students the ability to keep leftover dining funds if they purchased a voluntary meal plan for the next academic year. As a result, more returning students purchased voluntary meal plans to capture leftover funds from the prior year.

Sponsored programs receipts over expenditures primarily includes revenue billed or collected in advance of when it is earned on grants and contracts. For the year ended June 30, 2023, sponsored programs receipts over expenditures increased \$1.4 million or 34.2% from the prior year. Changes in sponsored programs receipts over expenditures are dependent on the timing of grants and contracts awarded and work performed. The increase is consistent with the increase in *contracts and grants receivable, net*. As mentioned previously, the total aggregate number of contracts and grants awarded or augmented at June 30, 2023 was 564 compared to 550 at June 30, 2022. In addition, overall contract and grants expenses increased during 2022-23 to \$34.2 million, compared to \$28.5 million for 2021-22.

Noncurrent liabilities consist primarily of long-term debt, deposits held in custody for others (including endowments), the net other postemployment benefit (OPEB) liability, the net pension liability, and charitable gift annuities held for others.

The Corporation's *Long-term debt obligation* of \$42.3 million at June 30, 2023 represents a note payable to the CSU, which originated as part of the SRB Series 2009A issuance to partially fund the construction of the Technology Park. During 2016-17, the note payable was amended in connection with a partial defeasance with proceeds from the issuance of the SRB Series 2016A. On July 1, 2017, the Corporation amended the note payable a second time to partially fund the construction of the new Vista Grande dining facility with California State University Institute Commercial Paper Notes as an interim source of financing. On August 1, 2018, the Corporation entered into a third

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amendment to the note payable, which replaced the commercial paper notes with proceeds from the issuance of the SRB Series 2018A. Effective July 1, 2021, the Corporation entered into a fourth amendment to the note payable related to proceeds borrowed from the issuance of the SRB Series 2021A to partially fund the renovation of its central dining facility.

The noncurrent portion of the note payable outstanding as of June 30, 2023 includes bond premiums of \$276,000, \$3.6 million, and \$2.1 million related to the issuance of the SRB Series 2016A, 2018A, and 2021A respectively. The Corporation made aggregate principal payments in the amount of \$495,000 on this debt during 2022-23.

The *Net OPEB liability* is related to the Corporation's defined benefit postretirement plan, which provides medical benefits to retirees of the Corporation. The net OPEB liability is measured as the total OPEB liability, less the value of assets in the VEBA trust on that date. The net OPEB liability is measured as of June 30, 2022, using an actuarial valuation as of June 30, 2022. Based on the most recent actuarial report, the total OPEB liability measured as of June 30, 2023 was \$27 million and the value of assets in the VEBA trust on that date was \$25.9 million.

The *Net pension liability* is related to the Corporation's defined benefit pension plan. The net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability is measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. Based on the most recent actuarial report, the total pension liability measured as of June 30, 2023 was \$99.6 million and the pension plan's fiduciary net position on that date was \$72.9 million.

Deferred Inflows of Resources

Deferred Inflows of Resources at June 30, 2023 includes changes in the net pension liability resulting from differences between actual and expected actuarial experience. In addition, deferred outflows of resources includes changes in the net OPEB liability resulting from changes in actuarial assumptions, and differences between actual and expected actuarial experience. Deferred inflows of resources are recognized as expense in future periods.

In 2014-15, the Corporation was gifted the Bartleson Ranch and Conservatory, valued at \$11.3 million, subject to the terms of a life-interest agreement. Deferred inflows of resources of \$10.9 million are included on the Statement of Net Position at June 30, 2023, to reflect the deferral of income related to this gift until the expiration of the life-interest term.

Results of Operations

Increase in net position for 2022-23 was \$14 million as compared to a decrease in net position of \$399,000 for 2021-22. The increase for 2022-23 primarily represents the net result of an \$19.4 million operating loss combined with net nonoperating revenues of \$28.1 million and capital grants and gifts of \$5.3 million. Net nonoperating revenues include net investment income of \$5.7 million combined with noncapital gifts of \$13.1 million, interest expense of \$1.5 million, and other net nonoperating revenues of \$10.8 million. As mentioned previously, operating losses are primarily the result of the classification of gifts as nonoperating revenues. A majority of these gifts are meant to be *University programs support* expenses, which are classified as operating expenses. The decrease in net position for

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2021-22 primarily represents the net result of a \$6.4 million operating loss combined with net nonoperating expenses of \$2.9 million and capital grants and gifts of \$8.9 million. Net nonoperating revenues is comprised of net investment losses of \$10.9 million combined with noncapital gifts of \$9.8 million, interest expense of \$1.6 million and other net nonoperating expenses of \$216,000. As mentioned previously, these gifts are meant to be *University programs support* expenses, which are classified as operating expenses.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended June 30,		
	2023	2022	2021
Operating revenues:			
Grants and contracts	\$ 31,095,457	\$ 24,981,038	\$ 22,330,871
Sales and services of auxiliary enterprises	44,155,879	39,629,927	24,033,657
Fees for services	9,164,422	9,325,920	7,919,003
University programs support	5,481,495	4,229,811	2,348,092
Conference and workshop revenues	2,981,112	2,791,725	597,371
Other operating revenue	2,601,120	4,637,712	1,243,368
Total operating revenues	<u>95,479,485</u>	<u>85,596,133</u>	<u>58,472,362</u>
Operating expenses:			
Corporation administration	6,647,990	5,749,373	5,569,882
Contract and grant expense	34,234,944	28,523,891	23,636,121
Auxiliary activities cost of sales	14,599,505	12,635,841	7,049,363
Auxiliary activities expense	24,726,643	20,361,924	17,818,221
University programs support	27,867,946	18,907,730	17,280,954
Sponsored program administration	1,389,225	1,144,862	1,356,516
Depreciation and amortization	4,168,730	3,943,760	3,020,646
Other operating expenses	1,231,582	693,418	1,683,430
Total operating expense	<u>114,866,565</u>	<u>91,960,799</u>	<u>77,415,133</u>
Operating loss	<u>(19,387,080)</u>	<u>(6,364,666)</u>	<u>(18,942,771)</u>
Nonoperating revenues (expenses):			
Gifts, noncapital	13,104,686	9,790,494	5,909,117
Investment income, net	5,719,863	(10,896,359)	17,387,643
Interest expense	(1,528,460)	(1,588,387)	(1,085,863)
Other nonoperating revenues (expenses), net	10,839,085	(216,064)	2,558,197
Total nonoperating revenues (expenses)	<u>28,135,174</u>	<u>(2,910,316)</u>	<u>24,769,094</u>
Other changes in net position:			
Capital grants and gifts	<u>5,250,975</u>	<u>8,875,502</u>	<u>2,587,017</u>
Increase (decrease) in net position	<u>13,999,069</u>	<u>(399,480)</u>	<u>8,413,340</u>
Beginning net position	<u>129,793,188</u>	<u>130,192,668</u>	<u>121,779,328</u>
Ending net position	<u>\$ 143,792,257</u>	<u>\$ 129,793,188</u>	<u>\$ 130,192,668</u>

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Operating revenues increased \$9.9 million or 11.5% in 2022-23 as compared to 2021-22. The change is driven by a \$6.1 million increase in *Grants and contracts* driven by increases in sponsored project activity in the federal and state sectors.

In addition to the increase in Grants and contracts, *Sales and services of auxiliary enterprises* increased \$4.5 million or 11.4% primarily driven by a \$3.8 million increase in Campus Dining sales. *University programs support* also increased \$1.3 million or 29.6% from the prior year. This increase was primarily driven by increases in revenue of approximately \$346,000 from Center & Institutes, \$294,000 from Athletic royalties, and \$214,000 from various special activity accounts. Also, included in university programs support are ticket sales for performances presented by Cal Poly Arts which saw an increase of \$131,000 in 2022-23 over the prior year.

Offsetting the increases in operating revenues mentioned above, *Other operating revenues* decreased \$2.0 million, or 43.9% in 2022-23 as compared to 2021-22. The decrease is primarily driven by actuarial losses related to the Corporation's net OPEB and net pension liabilities. In 2021-22, the actuarial study resulted in actuarial gains related to the net OPEB and net pension liabilities, which were included in *Other operating revenues*. The 2022-23 actuarial losses are driven by differences between projected and actual earnings on plan investments and are included in *other operating expenses*.

Operating revenues increased \$27.1 million or 46.4% in 2021-22 as compared to 2020-21. The change is driven by a \$15.6 million increase in *Sales and services of auxiliary enterprises*. This increase primarily relates to Campus Dining operations, which were significantly impacted by the University's response to the Pandemic in 2020-21. In response to the Pandemic, the University made a decision to provide the 2020-21 academic year virtually. As a result, dining plan sales were significantly lower than prior years, as were sales from catering events.

In addition to the increase in sales and services of auxiliary enterprises, *Grants and Contracts* increased \$2.6 million, driven by increases in sponsored project activity in federal, state, and nongovernmental sectors. Conference and workshop revenues also increased \$2.2 million from prior year driven by the return of in-person events. All in-person conferences, seminars, workshops were cancelled during 2020-21. Further, University programs support also increased \$1.9 million or 80.1% from the prior year. Included in university programs support are ticket sales for performances presented by Cal Poly Arts. In response to the Pandemic, the University made a decision to cancel or postpone all in-person Cal Poly Arts performances for the academic year 2020-21, in accordance with State government guidelines.

Other operating revenues increased by \$3.4 million in 2021-22 as compared to 2020-21, primarily the result of an actuarial gains related to the Corporation's net OPEB and net pension liabilities. The actuarial gains were driven by significant differences between projected and actual earnings on plan investments. In 2020-21, the actuarial study resulted in net OPEB and net pension expenses, which were included in *Other Operating Expenses*.

Operating expenses increased \$22.9 million or 24.9% in 2022-23 as compared to 2021-22. The change includes a \$1.9 million increase in *Auxiliary activities cost of sales* and a \$4.4 million increase in *Auxiliary activities expense*. The

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increase in both categories primarily relates to Campus Dining operations, which follows the increase in revenues previously mentioned. In addition, *Contract and grant expense* increased \$5.7 million, which also follows the increase in *Grant and contract* revenues previously mentioned. Further, *University programs support* expense increased \$9 million or 47.4% in 2022-23 as compared to 2021-22. The increase is primarily from a \$7 million disbursement to the University for contributions towards the construction of the William and Linda Frost Center for Research and Innovation building. *Corporation administration* increased \$899,000 or 15.6% in 2022-23 as compared to prior year. The increase from 2021-22 is primarily the result of implementing the results of a comprehensive compensation study combined with a board-approved 2% general salary increase.

Operating expenses increased \$14.5 million or 18.8% in 2021-22 as compared to 2020-21. The change includes a \$5.6 million increase in *Auxiliary activities cost of sales*, \$2.2 million increase in Auxiliary activities expenses, \$4.9 million increase in Contract and grant expenses, and \$2.1 million in Conference and workshops expense. These increases are consistent with the increases in the corresponding revenues previously mentioned. In addition, Depreciation and amortization increased \$923,000, primarily the adoption of recently issued GASB standards regarding the accounting for lease agreements. As part of the adoption, assets and liabilities are included on the Statement of Net Position for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Depreciation expense recorded in 2021-22 on leased assets were \$567,000.

Other operating expenses decreased by \$990,000 in 2021-22 as compared to 2020-21, primarily the result of an actuarial gains related to the Corporation's net OPEB and net pension liabilities that are recorded to other operating revenues in 2021-22. The actuarial gains were driven by significant differences between projected and actual earnings on plan investments. In 2020-21, the actuarial study resulted in net OPEB and net pension expenses, which were included in Other Operating Expenses.

Net nonoperating revenues (expenses) consists primarily of noncapital gifts, investment income, and interest expense on CSU SRBs.

Gifts, noncapital increased \$3.3 million or 33.9% in 2022-23 as compared to 2021-22, primarily as a result of increases in pledges received on behalf of athletics. Noncapital gifts increased \$3.8 million or 65.7% in 2021-22 as compared to 2020-21 also as a result of increases in pledges received on behalf of athletics. In 2021-22, gifts were received to establish the Cal Poly Ventures Fund and to support a newly established center with a focus on enhancing the efficacy of organic farming.

Investment income, net increased \$16.6 million in 2022-23 to \$5.7 million as compared to an investment loss of \$10.9 million in 2021-22. Investment income, net is primarily the result of \$3.5 million in interest and dividends combined with \$2.7 million in market value gains, offset by \$153,000 in investment management fees. In 2021-22, net investment income was primarily the result of \$2 million in interest and dividends combined with \$12.4 million in market value losses, offset by \$189,000 in investment management fees."

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Management's Discussion and Analysis
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Interest expense represents interest recorded on the long-term debt obligation. As mentioned previously, the Corporation's total long-term debt obligation of \$43.1 million at June 30, 2023 represents a note payable, which originated as part of the SRB Series 2009A bond issuance to partially fund the construction of the Technology Park. During 2018-19, the note payable was amended in connection with the issuance of the SRB Series 2018A to partially fund the construction of the new Vista Grande dining facility. During 2021-22, the note payable was amended again in connection with the issuance of SRB Series 2021A to partially fund the renovation of the Corporation's central dining facility.

Other nonoperating revenues, net increased \$11.1 million in 2022-23 as compared to 2021-2022. During 2022-23, the Corporation received \$10.2 million in insurance proceeds from a rain event that damage the first floor of the Corporation's central dining facility. These proceeds have gone towards the on-going renovation of that facility.

Other nonoperating revenues, net decreased \$2.8 million in 2021-22 as compared to 2020-21. During 2021-22, the Corporation received \$545,000 of Coca-Cola Sponsorship funds for athletics, \$215,000 from the Cal Poly Foundation, and \$166,000 from the California Office of Emergency Services for Swanton Pacific Ranch. This was offset by fixed assets write-offs of \$1.3 million from Swanton Pacific Ranch, \$112,000 from Spanos Stadium expansion, and \$230,000 from the SARS Cov-2 Saliva testing project.

Other changes in net position consists of *capital grants and gifts*, which decreased by \$3.6 million or 40.8% in 2022-23 as compared to the prior year. In 2021-22 a property located in Mount Vernon, Washington was gifted to the Corporation with a value of \$3 million. Variances in capital grants and gifts are due to the varying nature of contribution revenue from year to year, which depends on a number of factors, both internal and external.

Currently Known Facts Impacting Future Periods

The Corporation has begun the renovation of its central facility for its campus dining operations. Renovation of this facility is expected to be completed in fiscal year 2023-24. A portion of this project is financed with proceeds from the issuance of CSU SRBs. Completion of the project will be accompanied by significant capital outlay expenditures. These expenditures are expected to have a material impact on the Corporation's unrestricted net position.

Financial Statements

Cal Poly Corporation
Statements of Net Position
June 30, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 21,449,017	\$ 26,371,417
Short-term investments	65,567,307	50,454,521
Accounts receivable, net	3,088,813	5,637,617
Contracts and grants receivable, net	10,385,809	8,141,361
Lease receivable	294,168	297,629
Pledges receivable, net	2,572,371	2,819,980
Inventories	1,613,071	1,848,244
Prepaid expenses and other current assets	1,312,156	1,075,977
Total current assets	106,282,712	96,646,746
Noncurrent assets:		
Restricted cash and cash equivalents	60,794	59,996
Accounts receivable, net	24,433	13,879
Note receivable, net	2,563,307	3,663,307
Lease receivable, net	2,245,766	2,413,651
Pledges receivable, net	8,412,641	5,936,593
Endowment investments	2,408,112	2,364,284
Other long-term investments	33,911,942	36,842,032
Capital assets, net	119,174,156	93,442,842
Other assets	323,000	323,000
Total noncurrent assets	169,124,151	145,059,584
Total assets	275,406,863	241,706,330
Deferred Outflows of Resources		
Unamortized loss on refunding	182,032	197,105
Related to net other postemployment benefit liability	2,803,638	409,178
Related to net pension liability	8,701,734	2,883,628
Total deferred outflows of resources	11,687,404	3,489,911

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

Cal Poly Corporation
Statements of Net Position
June 30, 2023 and 2022
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Liabilities

Current liabilities:

Accounts payable	\$ 14,135,763	\$ 4,273,998
Accrued salaries and benefits payable	2,771,131	2,896,239
Accrued compensated absences	929,562	785,623
Unearned revenue	16,623,321	7,604,595
Sponsored programs receipts over expenditures	5,686,478	4,238,328
Lease liability	230,998	522,437
Subscription liability	174,541	
Long-term debt obligation	750,000	495,000
Self-insurance claims liability	19,997	19,997
Total current liabilities	<u>41,321,791</u>	<u>20,836,217</u>

Noncurrent liabilities:

Accrued compensated absences, net of current		262,105
Lease liability, net	2,500,613	2,731,620
Subscription liability net	217,915	
Long-term debt obligation	42,306,854	43,295,449
Deposits held in custody for others	5,862,887	5,518,523
Net other postemployment benefit liability	1,113,608	12,763
Net pension liability	26,683,204	13,568,587
Charitable gift annuities held for others liability	934,469	958,452
Total noncurrent liabilities	<u>79,619,550</u>	<u>66,347,499</u>

Total liabilities	<u>120,941,341</u>	<u>87,183,716</u>
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Deferred Inflows of Resources

Related to life-interest in real estate	10,905,490	10,984,200
Related to leases	2,435,274	2,650,774
Related to net other postemployment benefit liability	8,340,497	6,991,676
Related to net pension liability	679,408	7,592,687
Total deferred inflows of resources	<u>22,360,669</u>	<u>28,219,337</u>

Net Position

Net investment in capital assets	54,389,979	38,957,807
Restricted for:		
Expendable:		
Research	115,863	92,214
Capital projects	259,534	533,121
Instruction	3,783,275	5,780,533
Academic support	552,994	623,763
Student services	8,687,048	4,054,172
Other	7,251,607	7,284,324
Unrestricted	<u>68,751,957</u>	<u>72,467,254</u>
Total net position	<u>\$ 143,792,257</u>	<u>\$ 129,793,188</u>

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

Cal Poly Corporation
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2023 and 2022

	2023	2022
Operating revenues:		
Grants and contracts, noncapital:		
Federal	\$ 18,304,754	\$ 13,580,765
State	8,354,004	5,267,236
Local	471,679	620,391
Nongovernmental	3,965,020	5,512,646
Sales and services of auxiliary enterprises	44,155,879	39,629,927
Fees for services	9,164,422	9,325,920
University programs support	5,481,495	4,229,811
Conference and workshop revenues	2,981,112	2,791,725
Other operating revenues	2,601,120	4,637,712
Total operating revenues	95,479,485	85,596,133
Operating expenses:		
Corporation administration	6,647,990	5,749,373
Contract and grant expenses	34,234,944	28,523,891
Auxiliary activities cost of sales	14,599,505	12,635,841
Auxiliary activities expenses	24,726,643	20,361,924
University programs support:		
Conference and workshops expense	2,775,678	2,913,110
Public service support	8,898,987	7,978,517
Institutional support	11,349,420	2,754,774
Academic support	911,137	1,295,814
Student services	1,011,744	962,277
Other University programs	2,920,980	3,003,238
Sponsored programs administration	1,389,225	1,144,862
Depreciation and amortization	4,168,730	3,943,760
Other operating expenses	1,231,582	693,418
Total operating expenses	114,866,565	91,960,799
Operating loss	(19,387,080)	(6,364,666)
Nonoperating revenues (expenses):		
Gifts, noncapital	\$ 13,104,686	\$ 9,790,494
Investment income (loss), net	5,719,863	(10,896,359)
Interest expense	(1,528,460)	(1,588,387)
Other nonoperating revenues (expenses), net	10,839,085	(216,064)
Total nonoperating revenues (expenses)	28,135,174	(2,910,316)
Other changes in net position:		
Capital grants and gifts	5,250,975	8,875,502
Total other changes in net position	5,250,975	8,875,502
Increase (decrease) in net position	13,999,069	(399,480)
Net position - beginning of year	129,793,188	130,192,668
Net position - end of year	\$ 143,792,257	\$ 129,793,188

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

Cal Poly Corporation
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Receipts from grants and contracts	\$ 29,424,210	\$ 21,610,549
Receipts from sales and services of auxiliary enterprises	58,570,278	42,643,543
Receipts from fees for services	9,164,422	9,325,920
Receipts from University programs	5,481,495	4,229,811
Payments to vendors	(38,172,836)	(35,896,442)
Payments for employees	(41,013,720)	(37,574,758)
Payments to University, net	(42,775,268)	(12,463,793)
Payments to Foundation, net	341,157	(869,972)
Payments to VEBA Trust, net	641,443	(133,766)
Other receipts	2,758,442	2,224,925
Other payments	(236,179)	(490,936)
Net cash used in operating activities	(15,816,556)	(7,394,919)
Cash flows from noncapital financing activities:		
Cash contributions received	10,643,542	6,286,334
Cash received for charitable gift annuities held for others	10,000	150,000
Distributions to annuity beneficiaries	(107,319)	(189,645)
Fees and expenses of charitable gift annuities held for others	(5,936)	(9,593)
Foundation support	442,311	442,311
Change in depository accounts	344,364	1,156,522
Other payments	10,954,401	1,415,217
Net cash provided by noncapital financing activities	22,281,363	9,251,146
Cash flows from capital and related financing activities:		
Capital grants and gifts	5,333,635	9,821,573
Acquisition of capital assets	(8,641,879)	(4,028,462)
Interest paid on long-term debt obligation	(1,756,107)	(1,809,691)
Defeasance of long-term obligation	(495,000)	(470,000)
Net cash provided by (used in) capital and related financing activities	(5,559,351)	3,513,420
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	7,951,856	3,349,641
Purchase of investments	(17,897,712)	(5,658,133)
Investment income proceeds	3,018,798	2,059,399
Note receivable issuance	1,100,000	(2,468,646)
Net cash used in investing activities	(5,827,058)	(2,717,739)
Net increase (decrease) in cash	(4,921,602)	2,651,908
Cash and cash equivalents - beginning of year	26,431,413	23,779,505
Cash and cash equivalents - end of year	\$ 21,509,811	\$ 26,431,413

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

Cal Poly Corporation**Statements of Cash Flows****Years Ended June 30, 2023 and 2022****Page 2****Reconciliation of cash and cash equivalents to Statements of Net Position:**

Cash and cash equivalents	\$ 21,449,017	\$ 26,371,417
Restricted cash and cash equivalents	60,794	59,996
	<u>21,509,811</u>	<u>26,431,413</u>
Cash and cash equivalents - end of year	<u>\$ 21,509,811</u>	<u>\$ 26,431,413</u>

Reconciliation of operating loss to net cash used in operating activities:

Operating loss	\$ (19,387,080)	\$ (6,364,666)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	4,168,730	3,943,760
Bad debt	10,481	3,311
Other noncash expenses	344,126	259,840
Changes in operating assets and liabilities:		
Accounts receivable, net	(21,264,237)	(5,265,879)
Inventories	235,173	(632,038)
Prepaid expenses and other current assets	(236,179)	(490,934)
Accounts payable	10,775,391	(1,350,700)
Accounts payable - University	(911,531)	368,155
Accounts payable - Foundation	2,030	(7,834)
Accrued salaries and benefits payable	(125,108)	1,182,222
Accrued compensated absences	(118,166)	99,757
Self-insurance claims liability	-	(25,003)
Unearned revenue	8,803,226	3,667,375
Grants refundable	1,448,150	(63,629)
Net OPEB liability	1,100,845	(3,581,274)
Net pension liability	13,114,617	(10,297,018)
Deferred outflow and inflows	(13,777,024)	11,159,636
	<u>\$ (15,816,556)</u>	<u>\$ (7,394,919)</u>

Supplemental disclosures of cash flow information:

Contributions of investments	\$ 501,329	\$ 226,164
Other noncash contributions	1,521,034	3,995,915
Increase (decrease) in fair value of investments	2,782,050	(12,862,335)
Acquisition of capital assets from proceeds of debt	3,132,317	11,850,830
Amortization of net bond premium	238,594	232,460
Amortization of loss on debt refunding	15,073	15,073

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

Cal Poly Corporation VEBA Trust – Fiduciary Activity
Statements of Fiduciary Net Position
June 30, 2023 and 2022

	2023	2022
Assets		
Restricted cash and cash equivalents	\$ 162,455	\$ 111,353
Investments		
Equity	15,080,926	14,608,166
Fixed income	11,004,310	11,269,467
	26,085,236	25,877,633
Accounts Receivable	22	5
Total assets	26,247,713	25,988,991
Liabilities		
Accounts payable	13,988	67,392
Net position restricted for other postemployment benefits	\$ 26,233,725	\$ 25,921,599

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

Cal Poly Corporation VEBA Trust – Fiduciary Activity
Statements of Changes in Fiduciary Net Position
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Additions		
Contributions:		
Employer contributions	\$ 335,744	\$ 392,013
Total contributions	<u>335,744</u>	<u>392,013</u>
Investment income:		
Investment earnings and dividends, net of fees	714,888	597,247
Net appreciation (depreciation) in fair value of mutual fund investments	<u>697,843</u>	<u>(4,267,493)</u>
Total additions	<u>1,748,475</u>	<u>(3,278,233)</u>
Deductions		
Benefit payments	1,415,823	1,388,572
Administration expenses	20,526	19,885
Total deductions	<u>1,436,349</u>	<u>1,408,457</u>
Net increase (decrease) in net position	312,126	(4,686,690)
Net position - beginning of period	<u>25,921,599</u>	<u>30,608,289</u>
Net position - end of period	<u>\$ 26,233,725</u>	<u>\$ 25,921,599</u>

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

Cal Poly Corporation
Notes to Financial Statements
June 30, 2023 and 2022

Note 1: Organization

The Cal Poly Corporation (Corporation) is a nonprofit auxiliary organization to the California Polytechnic State University, San Luis Obispo (University). The Corporation is a self-supporting entity which provides the University with certain services and facilities that are an integral part of the educational program of the University. The University has delegated authority for these activities to the auxiliary in order to mitigate risk to the University or because the activities cannot be financially supported by the state government by law or can be more efficiently operated through the auxiliary. Essentially, all revenues, and the realization of certain assets, are dependent upon the continuation of the Corporation's status as an auxiliary organization to the University. The Corporation was originally incorporated as California Polytechnic State University Foundation and legally changed its name to Cal Poly Corporation in 2006.

In February 2012, the Corporation accepted all of the assets, liabilities and activities of Cal Poly Housing Corporation, a nonprofit auxiliary organization to the University organized to develop and maintain affordable housing and related facilities for University faculty and staff.

Note 2: Summary of Significant Accounting Policies

Financial Reporting Entity

The accompanying financial statements present the accounts of the Corporation, including the endowment and campus program accounts held for the benefit of the University and related organizations. The Corporation is a governmental organization under accounting principles generally accepted in the United States of America (GAAP) and is also a component unit of the University, a public university under the California State University (CSU) system. The Corporation has chosen to use the reporting model for special purpose governments engaged only in business-type activities consistent with guidance of the CSU.

Basis of Presentation

The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants, gifts, and similar items are recognized as soon as all eligibility requirements have been met. The Corporation complies with all applicable GASB pronouncements.

Classification of Current and Noncurrent Assets (Other than Investments) and Liabilities

The Corporation considers assets and liabilities that can reasonably be expected, as part of its normal business operations, to be converted to cash or liquidated within 12 months of the dates of the Statement of Net Position to be current. All other assets and liabilities are considered to be noncurrent.

Note 2: Summary of Significant Accounting Policies (Continued)

Reclassifications

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

Cash and Cash Equivalents

The Corporation considers all unrestricted highly-liquid investments with an initial original maturity of three months or less to be cash equivalents for purposes of the Statement of Cash Flows. Cash equivalents held by brokers at year-end pending long-term reinvestment are considered investments.

Investments

Investment securities are reported at fair value. Marketable securities' fair values are based on quoted market prices from independent sources. Investments in real estate are initially recorded at fair value established by independent appraisals. In subsequent periods, real estate is evaluated for impairment based on market conditions, market quotes or updated appraisals.

Investments that are used for current operations are classified as short-term investments. Investments that are restricted from withdrawal or use for other than current operations, designated or restricted for the acquisition or construction of noncurrent assets, designated or restricted for the liquidation of the noncurrent portion of long-term debt, and restricted as to the liquidity of the investments are classified as other long-term investments. All endowment and split-interest trust investments are classified as noncurrent regardless of maturity due to restrictions limiting the Corporation's ability to use these investments.

Investment income and endowment income consist of realized and unrealized gains and losses on investments, interest and dividends. The amounts are presented net of investment management and custodian fees.

Accounts Receivable

The Corporation has accounts receivable from the University, University organizations and students and external organizations in conjunction with the services it provides as an auxiliary organization. Accounts receivable are also recorded from contract and grant sponsors, generally federal, state and local governments, nonprofit organizations and corporate sponsors. The Corporation provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off against the valuation allowance. The Corporation maintains a minimal allowance for doubtful accounts for these

Cal Poly Corporation

Notes to Financial Statements

June 30, 2023 and 2022

Page 3

Note 2: Summary of Significant Accounting Policies (Continued)

receivables based upon management's estimate of their collectability. The allowance for doubtful accounts for accounts receivable was \$9,129 and \$8,418 at June 30, 2023 and 2022, respectively.

Pledges Receivable

Pledges receivable are unconditional promises to make future payments to the Corporation. Pledges receivable are recognized as gift revenue in the period pledged when all applicable eligibility requirements are met. Pledge payments promised to be made in future years are recorded at the present value of future cash flows net of an allowance for doubtful accounts of \$1,243,460 and \$1,140,055 at June 30, 2023 and 2022, respectively. The discount on pledges receivable is computed using the five-year Treasury note rate applicable in the year pledged. In subsequent years, this discount is accreted and recorded as additional gift revenue.

Conditional pledges, which depend on the occurrence of a specified future or uncertain event, are recognized as gift revenue when the conditions are substantially met.

Note Receivable

The Corporation has a note receivable from the University, which represents a line-of-credit extended from the Corporation to the College of Agriculture, Food, & Environmental Sciences for construction of the JUSTIN and J. LOHR Center for Wine and Viticulture. The line-of-credit requires quarterly interest payments, with all outstanding principal and interest due and payable on the expiration date of the agreement, June 30, 2024.

Lease Receivables and Lease Liabilities

The Corporation accounts for leases in accordance with GASB Statement No. 87, *Leases*, which enhances the relevance and consistency of information relating to leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. See note 10 for information on the Corporation's leasing activities and balances.

Subscription-Based Assets and Liabilities

The Corporation accounts for Subscription-Based Information Technology Arrangements ("SBITAs") in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which was implemented by the Corporation for the year ended June 30, 2023. This Statement provides guidance on accounting and financial reporting for SBITAs for government end users. A government is required to recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. See Note 11 for information on the Corporation's SBITA activities and balances for the year ended June 30, 2023. The Corporation has not recorded a restatement of beginning net position for the year ended June 30, 2022 for the implementation of this Standard, since such restatement would be immaterial in relation to the financial statements taken as a whole.

Note 2: Summary of Significant Accounting Policies (Continued)

Inventories

Inventories are valued according to various methods, which approximate the lower of cost (first-in, first-out method) or market as follows:

- Breeding stock - actual cost less accumulated depreciation
- Other livestock - unit value livestock method
- Foodstuff - moving average cost
- Other inventories - moving average cost or first-in, first-out

Endowments

The Corporation holds 9 individual endowments for others. These endowments are managed by the Corporation to be invested long-term and the related income either expended for support of University programs, including the Alumni Association and Associated Students, Inc., or related external organizations. Additions to endowments held for others (principally the return on investment of fund assets) are recorded as liabilities as opposed to revenues.

Capital Assets

Capital assets, consisting of land, buildings, leasehold improvements, construction-in-progress, equipment and intangible assets, with an estimated useful life greater than one year, are recorded at cost at the date of acquisition. Capital assets with a unit acquisition cost of less than \$5,000 are generally not capitalized. Capital assets acquired as a group with individual unit acquisition costs less than \$5,000 may be capitalized if they are considered collectively material. The cost of normal maintenance and repairs that do not add to the value of the asset, or materially extend its useful life, are expensed to operations. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets.

Estimated useful lives are generally as follows:

Buildings	30 years
Leasehold improvements	5 - 20 years
Equipment	3 - 8 years
Intangible assets	3 - 5 years

Capital assets acquired through federal and state grants and contracts where the government retains a reversionary interest are not capitalized, or depreciated, until title passes to the Corporation.

Note 2: Summary of Significant Accounting Policies (Continued)

Deferred Inflows/Outflows of Resources

The Corporation records all inflows and outflows of resources that are not assets and liabilities and are related to future periods as deferred inflows or outflows of resources.

Compensated Absences

The Corporation accrues leave for employees at rates based upon length of service and job classification. Accrued balances are categorized as current and noncurrent based upon the criteria discussed above.

Unearned Revenue

The Corporation sells dining plan contracts to University students on a prepaid basis. The amount of the dining plan contracts that has not been earned is recorded as unearned revenue. Unearned revenue also includes unearned amounts for conference deposits.

Sponsored Programs Receipts Over Expenditures

Sponsored programs receipts over expenditures primarily includes revenue billed or collected in advance of when it is earned on grants and contracts and not related to time constraints.

Actuarial Trust Liabilities and Change in Value of Charitable Gift Annuities Held for Others

Actuarial trust liabilities include charitable gift annuities held for others based on the present value of future payments calculated using IRS life expectancy tables or California Department of Insurance standard annuity tables and discounted at the Treasury note rate in effect for a comparable period of time at the date of the gift. Change in value of charitable gift annuities is recorded for any changes in actuarial assumptions.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position of the Cal Poly Corporation Retiree Welfare Benefits Plan (the Benefits Plan) and additions to/deductions from the Benefits Plan's fiduciary net position have been determined on the same basis as they are reported by the Benefits Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2: Summary of Significant Accounting Policies (Continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Corporation's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

The Corporation's net position is classified into the following categories for accounting and reporting purposes:

Net investment in capital assets:

This category includes capital assets, net of accumulated depreciation and amortization, less the outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets, including any related deferred outflows or inflows of resources.

Restricted – expendable:

This category relates to contributions restricted by donors to be expended for specific purposes in support of the University.

Unrestricted:

This category includes the portion of net position not subject to donor-imposed restrictions, which Corporation management may designate for specific purposes. The Corporation first expends restricted-expendable assets, when available, prior to utilizing unrestricted funds. A significant portion of unrestricted net position is currently designated for capital projects.

Classification of Revenues and Expenses

The Corporation considers operating revenues and expenses in the Statement of Revenues, Expenses, and Changes in Net Position to be those revenues and expenses that result from exchange transactions or from other activities that are connected directly to the Corporation's primary functions. Exchange transactions include charges for services rendered and the acquisition of goods and services.

In accordance with GASB Statement No. 35, certain significant revenues relied upon and budgeted for fundamental operational support of the core mission of the Corporation are mandated to be recorded as nonoperating revenues. Nonoperating revenues and expenses include the Corporation's net investment income, private gifts for other than

Cal Poly Corporation

Notes to Financial Statements

June 30, 2023 and 2022

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Note 2: Summary of Significant Accounting Policies (Continued)

capital purposes, interest expense on capital related debt and gain or loss on disposal of capital assets. Capital grants and gifts and extraordinary and nonrecurring events are classified as other changes in net position.

Donated Assets

Donated materials, livestock, property and equipment, and other noncash donations of greater than \$5,000 and all marketable securities are recorded as contributions at their estimated fair values at the date of donation.

Donated Services

The Corporation records the amount of contributed services, specialized skills that would typically be purchased if not provided by donation, as revenue in the period received. For the Years Ended June 30, 2023 and 2022, grants and contracts revenue included \$874,949 and \$736,075, respectively, of assigned time of project directors paid by the University.

Donated Collection Items

The Corporation maintains an art collection acquired by donation which has not been recorded in the financial statements, as the collection is held for public exhibition or education; the collection is protected, kept unencumbered, cared for, and preserved. The value of the collection was estimated at \$1,400,000 at June 30, 2023 and 2022.

Fair Value Measurements

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

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

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

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

Level 3 — Unobservable inputs for the asset or liability.

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Note 2: Summary of Significant Accounting Policies (Continued)

For fiscal years ended June 30, 2023 and 2022, the application of valuation techniques applied to the Corporation's financial statements has been consistent.

Income Tax Status

The Corporation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Corporation's tax-exempt purpose is subject to taxation as unrelated business income. No liability for income taxes has been recorded since the amount is not expected to be significant. In addition, the Corporation qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(iv) and has been classified as an organization that is not a private foundation under Section 509(a)(3).

The Corporation follows accounting standards generally accepted in the United States of America, which requires, among other things, the recognition and measurement of tax positions based on a "more likely than not" (likelihood greater than 50%) approach. As of June 30, 2023, management has considered its tax positions and believes that the Corporation did not maintain any tax positions that did not meet the "more likely than not" threshold.

The Corporation does not expect any material changes through June 30, 2024. As noted above, the Corporation does not currently pay income taxes. However, the Corporation remains subject to taxes on any net income that is derived from a trade or business, regularly carried on, and unrelated to its exempt purpose. No income taxes have been recorded in the accompanying financial statements since management believes the Corporation has no taxable unrelated business income.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures as of the date of the financial statements and revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Recent Pronouncements

In June 2017, GASB issued Statement No. 87, *Leases*. Statement No. 87 increases the usefulness of entities' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions of Statement No. 87 are effective for fiscal years beginning after June 15, 2021. Management began applying the provisions of Statement No. 87 for the Corporation's

Cal Poly Corporation

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Note 2: Summary of Significant Accounting Policies (Continued)

June 30, 2022 financial statements. A corresponding lease receivable and lease payable have been included on the Statements of Net Position as of June 30, 2023 and 2022. See Footnote 10 for further details.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The provisions of Statement No. 91 are effective for reporting periods beginning after December 15, 2021, with earlier application encouraged. Implementation of this Statement did not have a material impact on the Corporation's financial statements.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. Statement No. 92 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The provisions of Statement No. 92 are generally effective for reporting periods beginning after June 15, 2021, with earlier application encouraged. Implementation of this Statement did not have a material impact on the Corporation's financial statements.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. Statement No. 93 addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate. The provisions of Statement No. 93 are generally effective for fiscal years beginning after June 15, 2021, with earlier application encouraged. Implementation of this Statement did not have a material impact on the Corporation's financial statements.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. Statement No. 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements, as well as availability payment arrangements. The provisions of Statement No. 94 are generally effective for fiscal years beginning after June 15, 2022, with earlier application encouraged. Implementation of this Statement did not have a material impact on the Corporation's financial statements.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The provisions of Statement No. 96 are generally effective for fiscal years beginning after June 15, 2022, with earlier application encouraged. Management began applying the provisions of Statement No. 96 for the Corporation's June 30, 2023 financial statements. A corresponding subscription-based asset

Note 2: Summary of Significant Accounting Policies (Continued)

and liability have been included on the Statement of Net Position as of June 30, 2023. See Footnote 11 for further details.

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

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

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. Statement No. 99 enhances comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Certain statement requirements are effective for fiscal years beginning after June 15, 2022. Requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023. Management has not yet determined the impact of this Statement on the financial statements.

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

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. Statement No. 101 updates the recognition and measurement guidance for compensated absences. The Statement aligns the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this

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Notes to Financial Statements

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Note 2: Summary of Significant Accounting Policies (Continued)

guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, with earlier adoption encouraged. Management has not yet determined the impact of this Statement on the financial statements.

Note 3: Cash and Cash Equivalents

The Corporation maintains cash balances at several financial institutions located in California. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per account title. With a portion of their funds, the Corporation also participates in a deposit-placement money market program designed to allocate funds amongst member institutions in such a way that no one bank holds more than \$250,000 in Corporation assets, meaning that all the assets placed with a particular program are fully FDIC insured. At June 30, 2023, the Corporation had uninsured cash deposits totaling \$9,187,770 held principally at Wells Fargo Bank.

At June 30, 2023 and 2022, a portion of cash and cash equivalents was restricted according to donor stipulations as follows:

	<u>2023</u>	<u>2022</u>
Endowments	\$ 8,598	\$ 8,925
Split interest trusts	52,196	51,071
Total restricted cash and cash equivalents	<u>\$ 60,794</u>	<u>\$ 59,996</u>

Note 4: Investments

At June 30, 2023 and 2022, investments were classified in the accompanying financial statements as follows:

	<u>2023</u>	<u>2022</u>
Short-term investments	\$ 65,567,307	\$ 50,454,521
Endowment investments	2,408,112	2,364,284
Other long-term investments	33,911,942	36,842,032
Total investments	<u>\$ 101,887,361</u>	<u>\$ 89,660,837</u>

At June 30, 2023 and 2022, other long-term investments included \$2,111,075 and \$2,076,712, respectively, representing assets held for charitable gift annuities held for others.

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Note 4: Investments (Continued)

At June 30, 2023, investments comprised the following:

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Equity securities	\$ 421,590	\$	\$ 421,590
Fixed income securities	11,837,858	403,534	12,241,392
Real estate		80,000	80,000
Mutual funds:			
Equity funds	38,111,192	11,398,507	49,509,699
Bond funds	14,821,391	24,383,131	39,204,522
Exchange traded funds	39,351		39,351
Other investments:			
Cash and interest receivable pending long-term investment	335,925	50,659	386,584
Agriculture related retains		4,223	4,223
Total investments	<u>\$ 65,567,307</u>	<u>\$ 36,320,054</u>	<u>\$ 101,887,361</u>

At June 30, 2022, investments comprised the following:

	<u>2022</u>		
	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Equity securities	\$ 417,113	\$	\$ 417,113
Fixed income securities		421,151	421,151
Real estate		80,000	80,000
Mutual funds:			
Equity funds	35,019,087	10,325,190	45,344,277
Bond funds	14,674,895	28,326,556	43,001,451
Exchange traded funds	36,749		36,749
Other investments:			
Cash and interest receivable pending long-term investment	306,677	49,196	355,873
Agriculture related retains		4,223	4,223
Total investments	<u>\$ 50,454,521</u>	<u>\$ 39,206,316</u>	<u>\$ 89,660,837</u>

Investment Policies

The Corporation's Board of Directors (Board) oversees the management of its investments and establishes investment policy. The Board has delegated the implementation of the investment policy to staff with the concurrence of its Investment Advisory Committee. The Investment Advisory Committee advises on investment guidelines and selection of investment managers. The Corporation prohibits investments that jeopardize the safety of principal concept or non-profit status of the Corporation. The Board of Trustees of the CSU adopted a resolution urging auxiliary boards

Cal Poly Corporation

Notes to Financial Statements

June 30, 2023 and 2022

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Note 4: Investments (Continued)

that make corporate investments to issue statements of social responsibility and to follow those precepts in examining past and considering future investments. The Corporation's Board recognizes and accepts its social responsibility with respect to the investment of funds.

The Corporation manages investments consistent with the designation and use of the assets. Investments recommended by the Investment Advisory Committee include high quality, readily marketable securities.

The goal of the fixed income securities is to limit risk while outperforming what would otherwise be available in cash or money market products. The fixed income portion of the investments may include both domestic and international securities, along with common bond substitutes. Investment guidelines establish set ranges for the percentage of the total bond portfolio that can be invested in U.S. government, investment grade, non-investment grade and foreign bonds. The fixed income portfolio is measured against the Barclays Capital Intermediate U.S. Government/Credit, Merrill Lynch 1 – 3 Year U.S. Treasuries, Citi 3-Month Treasury Bill and Citi 1-Month CD.

The equity portion of the investments may include both domestic and international equities, including foreign currency denominated, common and preferred stocks and actively managed and passive (index) strategies. The equity portion is measured against the Standard & Poor's 500 (S&P 500), S&P 500 Developed--Excluding U.S. BMI Property, Russell 2000, MSCI Europe, Australasia, and Far East (EAFE), MSCI EAFE Small Cap, MSCI EAFE Emerging Markets, FTSE NAREIT Equity and Dow Jones UBS Commodity Index.

Investment Risk Factors

There are many factors that can affect the value of investments. Some, such as custodial credit risk, concentration of credit risk, and foreign currency risk may affect both the equity and fixed income securities. Equity securities respond to such investment behavioral factors as economic conditions, individual company earnings, performance and market liquidity, while fixed income securities are sensitive to credit risks and changes in interest rates.

Equity Securities Risk:

Equity securities held by the Corporation through mutual funds or the Student Investment Management Portfolio comprised \$49,970,640, or 49%, of the total investments of the Corporation at June 30, 2023. Equities are subject to both unsystematic and systematic risk. Unsystematic risk is the risk of a price change due to the unique circumstances of a specific security or group of related securities. The Corporation addresses unsystematic risk by investing in widely diversified equity mutual funds. Equity securities are also subject to systematic risk or market risk. Systematic risk recognizes that equity securities, as an asset class, can change in value as a result of such factors as inflation, exchange rates, political instability, war, economic conditions and interest rates. This type of risk is not specific to a particular company or industry and cannot be substantially mitigated by diversification.

Note 4: Investments (Continued)

Credit Risk:

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

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

	<u>Fair Value</u>	<u>Rating</u>
Bond mutual funds:		
DFA Intermediate Government Bond	\$ 6,720,378	AAA
Loomis Sayles Bond Fund - Institutional	3,400,434	A
PIMCO Total Return Fund - Institutional	5,943,236	AA
PIMCO Foreign Bond Fund - Institutional	4,152,931	AA
PIMCO High Yield Fund - Institutional	1,483,664	BB
PIMCO Short Term - Institutional	9,033,468	AA
PIMCO Low Duration Fund	8,470,411	AA
U.S. government:		
U.S. Treasury bills	12,237,647	AA+
Money market funds:		
Wells Fargo Cash Investment Money Market - Institutional	463,853	Unrated
Schwab One Fund	427,211	Unrated
Schwab Government Money Fund	4,760	Unrated
	<u> </u>	
Total fixed income and debt securities subject to credit risk	<u>\$ 52,337,993</u>	

Custodial Risk:

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

Concentration of Credit Risk:

Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers; thereby exposing the organization to greater risks resulting from adverse conditions or developments. GASB requires disclosure of investments in any one individual issuer that represent 5% or more of total investments. At June 30, 2023, the Corporation had no investments that exceeded this threshold.

Note 4: Investments (Continued)

Interest Rate Risk:

Interest rate risk is the risk that fixed income securities will decline because of rising interest rates. The Corporation measures interest rate risk using the weighted average duration method. The weighted average duration of the Corporation's fixed income securities and money market funds at June 30, 2023 was as follows:

	<u>Fair Value</u>	<u>Weighted Average Duration (in years)</u>
Bond mutual funds:		
DFA Intermediate Government Bond	\$ 6,720,378	6.1
Loomis Sayles Bond Fund - Institutional	3,400,434	6.2
PIMCO Total Return Fund - Institutional	5,943,236	5.9
PIMCO Foreign Bond Fund - Institutional	4,152,931	6.1
PIMCO High Yield Fund - Institutional	1,483,664	3.4
PIMCO Short Term - Institutional	9,033,468	0.2
PIMCO Low Duration Fund	8,470,411	1.5
U.S. government:		
U.S. Treasury bills	12,237,647	0.5
Money market funds	895,824	0.0
Total fixed income and debt securities subject to interest rate risk	<u>\$ 52,337,993</u>	2.8

Foreign Currency Risk:

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

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Note 4: Investments (Continued)

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

	Fair Value
Euro	\$ 4,473,335
Japanese Yen	3,112,002
British Pounds	2,555,298
Chinese Yen	1,017,132
Australian Dollar	783,554
New Taiwan Dollar	771,476
Swiss Francs	696,012
Indian Rupee	669,079
Hong Kong Dollars	646,578
Canadian Dollar	618,693
South Korean Won	617,839
Singapore Dollar	475,913
Swedish Krona	437,122
Danish Krone	374,679
Brazilian Reals	256,198
Saudi Riyal	150,171
South African Rand	149,066
Norwegian Krona	135,256
Thai Baht	111,702
Mexican Peso	107,300
Other	423,916
	<hr/>
Total investments subject to foreign currency risk	<u><u>\$ 18,582,321</u></u>

Other currencies are individually less than 1% of the Corporation's investments. The foreign currency risk by investment type at June 30, 2023 was as follows:

Equity mutual funds	\$ 18,358,962
Bond mutual funds	223,359
	<hr/>
Total investments subject to foreign currency risk	<u><u>\$ 18,582,321</u></u>

Investment Fair Values:

The Corporation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. With the exception of the following, all of the Corporation investments are classified in Level 1 of the fair value hierarchy:

- Level 2 – Preferred stock equity positions in privately-held companies
- Level 3 – Agriculture related retains and real estate

Note 4: Investments (Continued)

Securities classified in Level 2 of the fair value hierarchy are valued at their historical cost and are consistent with stock certificates provided by the underlying companies and were valued at \$49,997 at June 30, 2023 and 2022. Agriculture related retains classified in Level 3 are partnership interests based on values provided by the partnership and were valued at \$4,223 at June 30, 2023 and 2022. Real estate classified in Level 3 consists of gifted assets based on fair values at the time of donation and were valued at \$80,000 at June 30, 2023 and 2022.

Note 5: Pledges Receivable

At June 30, 2023 and 2022, pledges receivable comprised the following:

	2023	2022
Athletic programs	\$ 7,538,975	\$ 4,879,404
College-specific facilities	5,702,973	5,812,946
Stadium suites	2,720	12,290
Subtotal	<u>13,244,668</u>	<u>10,704,640</u>
Less allowance for uncollectible accounts	(1,243,460)	(1,140,055)
Less unamortized discount	<u>(1,016,196)</u>	<u>(808,012)</u>
Pledges receivable, net	<u>\$ 10,985,012</u>	<u>\$ 8,756,573</u>
Amounts due in:		
One year or less	\$ 2,882,830	\$ 3,127,834
One to five years	4,396,838	2,076,806
More than five years	<u>5,965,000</u>	<u>5,500,000</u>
Total amounts due	<u>\$ 13,244,668</u>	<u>\$ 10,704,640</u>

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Note 6: Capital Assets

At June 30, 2023, capital assets comprised the following:

	Balance June 30, 2022	Additions	Reductions	Transfers of Completed CIP	Balance June 30, 2023
Nondepreciable capital assets:					
Land and improvements	\$ 19,864,793	\$	\$	\$	\$ 19,864,793
Works of art and historical treasures	198,000				198,000
Construction in progress	16,415,412	28,811,860	(493,169)	(1,728,081)	43,006,022
Total nondepreciable capital assets	<u>36,478,205</u>	<u>28,811,860</u>	<u>(493,169)</u>	<u>(1,728,081)</u>	<u>63,068,815</u>
Depreciable and amortizable capital assets:					
Buildings and building improvements	54,330,514	301,256	(26,389)	687,300	55,292,681
Leasehold improvements	11,915,539	8,720	(350,314)	362,561	11,936,506
Equipment	12,467,556	714,951	(597,864)	678,220	13,262,863
Leased buildings	3,681,530		(149,600)		3,531,930
Leased equipment	88,110		(1,710)		86,400
Intangible assets:					
Software and websites	798,537		(8,774)		789,763
Licenses and permits	492,005		(49,512)		442,493
SBITA S/W		699,592			699,592
Total depreciable and amortizable capital assets	<u>83,773,791</u>	<u>1,724,519</u>	<u>(1,184,163)</u>	<u>1,728,081</u>	<u>86,042,228</u>
Less accumulated depreciation and amortization:					
Buildings and building improvements	(8,565,834)	(1,823,419)	26,389		(10,362,864)
Leasehold improvements	(8,652,671)	(495,994)	334,122		(8,814,543)
Equipment	(7,910,066)	(1,171,657)	576,627		(8,505,096)
Leased assets	(566,997)	(530,431)	124,281		(973,147)
Intangible assets:					
Software and websites	(653,331)	(45,039)	8,774		(689,596)
Licenses and permits	(460,255)	(6,000)	49,512		(416,743)
SBITA S/W Amort		(174,898)			(174,898)
Total accumulated depreciation and amortization	<u>(26,809,154)</u>	<u>(4,247,438)</u>	<u>1,119,705</u>		<u>(29,936,887)</u>
Total capital assets, net	<u>\$ 93,442,842</u>	<u>\$ 26,288,941</u>	<u>\$ (557,627)</u>	<u>\$ -</u>	<u>\$ 119,174,156</u>

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Note 6: Capital Assets (Continued)

At June 30, 2022, capital assets comprised the following:

	Balance June 30, 2021	Additions	Reductions	Transfers of Completed CIP	Balance June 30, 2022
Nondepreciable capital assets:					
Land and improvements	\$ 18,692,425	\$ 1,172,368	\$	\$	\$ 19,864,793
Works of art and historical treasures	198,000				198,000
Construction in progress	4,906,246	15,038,688	(1,459,343)	(2,070,179)	16,415,412
Total nondepreciable capital assets	<u>23,796,671</u>	<u>16,211,056</u>	<u>(1,459,343)</u>	<u>(2,070,179)</u>	<u>36,478,205</u>
Depreciable and amortizable capital assets:					
Buildings and building improvements	51,768,634	1,836,780	(425,666)	1,150,766	54,330,514
Leasehold improvements	11,634,709	40,287		240,543	11,915,539
Equipment	11,932,255	248,128	(391,697)	678,870	12,467,556
Leased buildings		3,681,530			3,681,530
Leased equipment		88,110			88,110
Intangible assets:					
Software and websites	776,080	27,457	(5,000)		798,537
Licenses and permits	492,005				492,005
Total depreciable and amortizable capital assets	<u>76,603,683</u>	<u>5,922,292</u>	<u>(822,363)</u>	<u>2,070,179</u>	<u>83,773,791</u>
Less accumulated depreciation and amortization:					
Buildings and building improvements	(6,827,567)	(1,779,651)	41,384		(8,565,834)
Leasehold improvements	(8,132,265)	(520,406)	-		(8,652,671)
Equipment	(7,002,767)	(1,069,029)	161,730		(7,910,066)
Leased assets		(566,997)			(566,997)
Intangible assets:					
Software and websites	(613,855)	(44,476)	5,000		(653,331)
Licenses and permits	(454,255)	(6,000)	-		(460,255)
Total accumulated depreciation and amortization	<u>(23,030,709)</u>	<u>(3,986,559)</u>	<u>208,114</u>		<u>(26,809,154)</u>
Total capital assets, net	<u>\$ 77,369,645</u>	<u>\$ 18,146,789</u>	<u>\$ (2,073,592)</u>	<u>\$ -</u>	<u>\$ 93,442,842</u>

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Note 7: Long-Term Debt Obligation

For the year ended June 30, 2023, the long-term debt obligation activity was as follows:

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
Note payable, State-Wide:					
Revenue Bond Series 2016A	\$ 1,850,000	\$	\$ (95,000)	\$ 1,755,000	\$ 100,000
Revenue Bond Series 2018A	22,315,000		(400,000)	21,915,000	420,000
Revenue Bond Series 2021A	13,420,000			13,420,000	230,000
	<u>37,585,000</u>	<u>-</u>	<u>(495,000)</u>	<u>37,090,000</u>	<u>750,000</u>
Unamortized bond premium					
Revenue Bond Series 2016A	298,377		(22,662)	275,715	
Revenue Bond Series 2018A	3,747,645		(142,315)	3,605,330	
Revenue Bond Series 2021A	2,159,426		(73,617)	2,085,809	
	<u>5,205,448</u>		<u>(238,594)</u>	<u>4,966,854</u>	
Total	<u>\$ 43,790,448</u>	<u>\$ -</u>	<u>\$ (733,594)</u>	<u>\$ 43,056,854</u>	<u>\$ 750,000</u>

At June 30, 2023, future maturities of the long-term debt obligation balance were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2024	\$ 750,000	\$ 1,641,650	\$ 2,391,650
2025	785,000	1,603,275	2,388,275
2026	825,000	1,563,025	2,388,025
2027	870,000	1,520,650	2,390,650
2028	920,000	1,475,900	2,395,900
2029-2033	5,325,000	6,031,800	11,356,800
2034-2038	6,385,000	5,329,800	11,714,800
2039-2043	7,350,000	3,850,150	11,200,150
2044-2048	9,155,000	2,097,100	11,252,100
2049-2053	4,725,000	372,150	5,097,150
Total future maturities	<u>\$ 37,090,000</u>	<u>\$ 25,485,500</u>	<u>\$ 62,575,500</u>

At June 30, 2023 and 2022, the long-term debt obligation represents a note payable originally related to the CSU System-Wide Revenue Bonds (SRB) Series 2009A bond issuance to partially fund the construction of the Technology Park (Tech Park). The note payable was amended on March 1, 2016 in connection with a partial defeasance with proceeds from the issuance of the SRB Series 2016A.

On July 1, 2017, the Corporation entered into a second amendment to the note payable to partially fund the construction of the Vista Grande Replacement Building Project. The amendment increased the Corporation net borrowings by \$26,581,000 through the issuance of California State University Institute Commercial Paper Notes.

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Note 7: Long-Term Debt Obligation (Continued)

On August 1, 2018, the Corporation entered into a third amendment to the note payable, which replaced the commercial paper notes with proceeds from the issuance of the SRB Series 2018A. The note payable related to the SRB Series 2018A is for \$23,400,000 with a premium of \$4,305,049 that will be amortized over the life of the loan, which are included in long-term debt obligation on the Statement of Net Position. Amortization of the bond premium for the years ended June 30, 2023 and 2022 was \$142,316.

On July 1, 2021, the Corporation entered into a fourth amendment to the note payable related to proceeds borrowed from the issuance of CSU System-Wide Revenue Bonds to partially fund the renovation of its central dining facility. The amendment increases the Corporation's principal borrowings by \$13,420,000 through the issuance of SRB Series 2021A. Bonds proceeds borrowed were issued at a premium of \$2,226,908 that will be amortized over the life of the loan and is included in long-term debt obligation on the Statement of Net Position. Amortization of the bond premium was \$73,617 and \$67,482, for the years ended June 30, 2023 and 2022, respectively.

Principal payments on the note payable began in 2012 and continue until the final payment in November 2052. The note is secured by pledged revenues, including indirect cost recovery payments. The Corporation cannot incur, assume, guarantee, or obligate itself for any debt senior to this unless it meets certain income tests and notifies the Board of Trustees of the CSU of such issuance.

The SRB Series 2016A refunding resulted in a loss of \$293,195, which was included in deferred outflows of resources in the Statement of Net Position. The loss on debt refunding is being amortized over the life of the latest refunding debt. The unamortized loss on debt refunding, included in deferred outflows of resources in the Statement of Net Position, was \$182,032 and \$197,105 as of June 30, 2023 and 2022, respectively.

The SRB Series 2016A refunding also resulted in a bond premium of \$442,847 that is being amortized over the life of the latest refunding debt. Amortization of the bond premium for the years ended June 30, 2023 and 2022 were \$22,662.

The all-in true interest rate is 5.28% for the SRB Series 2009A, 2.78% for the SRB Series 2016A, 3.63% for the SRB Series 2018A, and 2.23% for the SRB Series 2021A. Payments on the note are made each May and November.

Note 8: Other Postemployment Benefit Plan

General Information about the OPEB Plan

Plan Description and Benefits Provided

The Corporation sponsors a defined benefit postretirement plan, the Cal Poly Corporation Retiree Welfare Benefits Plan (the Benefit Plan) that covers both salaried and non-salaried employees. The Benefit Plan is a single employer defined OPEB plan administered through the Cal Poly Corporation Voluntary Employees' Beneficiary Association

Note 8: Other Postemployment Benefit Plan (Continued)

(VEBA) Trust. The Cal Poly Corporation VEBA Trust (Trust) is administered by the Cal Poly Corporation Benefits Committee (Trust Administrator). Members of the Cal Poly Corporation Benefits Committee are approved by the Corporation Executive Director and the Chair of the Corporation’s Board of Directors. The Trust is intended to hold assets sufficient to cover, at a minimum, the calculated future healthcare benefits associated with current retirees and active, vested employees. The Corporation holds assets to cover future healthcare benefits associated with active, non-vested employees in its board designated OPEB investment pool.

The Benefit Plan provides an extension of medical benefits provided while under employment to the plan participants. For employees hired prior to December 1, 2011, vesting occurs after five years credited service with CalPERS and attainment of age fifty. Employees hired as of December 1, 2011 and thereafter are subject to an alternative vesting schedule based on years of service and age. Under this revised schedule, an employee is eligible for 50% of the benefits after ten years credited service with CalPERS (five of which must be with the Corporation) and attainment of age fifty, and is eligible for 100% after twenty years of service and attainment of age fifty.

Employees Covered by Benefit Terms

At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	142
Active employees	210
	<hr/>
Total	352
	<hr/> <hr/>

Contributions

Contributions to the Trust are intended to maintain Trust assets sufficient to cover, at a minimum, the calculated future healthcare benefits associated with current retirees and active, vested employees. Annual contribution rates are based on the results of the actuarial report. Employees are not required to contribute to the Trust. Medical premium payments for retirees are contributory, with retiree contributions adjusted annually for the difference between the total medical premium cost and the Corporation contribution rate. Retirees pay their portion of medical premiums directly to CalPERS and are therefore not recorded in the accompanying financial statements.

Net OPEB Liability

The Corporation’s net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022.

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Note 8: Other Postemployment Benefit Plan (Continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.26 percent
Salary increases	2.80 percent
Investment rate of return	6.50 percent
Healthcare cost trend rates (pre-65)	7.60 percent for 2023, decreasing 0.20 percent per year to an ultimate rate of 4.80 percent for 2037 and later years
Healthcare cost trend rates (post-65)	6.20 percent for 2023, decreasing to an ultimate rate of 4.80 percent for 2030 and later years

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Mortality rates used in the valuation are those used in the most recent CalPERS valuations (CalPERS 2021 Mortality pre-retirement and post-retirement with Scale MP-2021).

The long-term expected rate of return on Trust investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for hypothetical investment portfolio allocation of 50% equity, and 50% fixed income. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. As of June 30, 2022, the best estimates of long-term expected rates of return for each major investment class in the Trust's portfolio are as follows:

Asset Class	Long-Term Expected Real Rate of Return
Domestic Large Cap	9.8%
Domestic Small Cap	10.8%
Intl Large Cap	9.8%
Intl Small Cap	10.8%
Emerging Markets	11.3%
Domestic REITs	9.8%
Intl REITs	9.8%
Domestic Fixed Income - High Quality	1.8%
Domestic Fixed Income - Investment Grad	2.4%
Intl Fixed Income	1.0%
High Yield Bonds	4.8%
Cash	0.0%

Note 8: Other Postemployment Benefit Plan (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 6.5 percent. This single discount rate was based on the long-term expected real rate of return of assets.

Changes in the Net OPEB Liability

The changes in the Net OPEB Liability for the Benefit Plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2022	\$ 30,649,651	\$ 30,636,888	\$ 12,763
Changes in the year:			
Service cost	1,009,391		1,009,391
Interest on total OPEB liability	2,013,419		2,013,419
Differences between actual and expected experience	(1,453,342)		(1,453,342)
Changes in assumptions	(3,795,339)		(3,795,339)
Changes in benefit terms			
Contribution - employer		392,013	(392,013)
Net investment income		(3,686,763)	3,686,763
Benefit payments	(1,388,572)	(1,388,572)	
Administrative expense		(31,966)	31,966
Net changes	<u>(3,614,443)</u>	<u>(4,715,288)</u>	<u>1,100,845</u>
Balance at June 30, 2023	<u>\$ 27,035,208</u>	<u>\$ 25,921,600</u>	<u>\$ 1,113,608</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Benefit Plan, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current discount rate:

	Discount Rate - 1% (5.5%)	Current Discount Rate (6.5%)	Discount Rate + 1% (7.5%)
Net OPEB liability	\$ 5,212,563	\$ 1,113,608	\$ (2,187,963)

Note 8: Other Postemployment Benefit Plan (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Benefit Plan, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Net OPEB liability	\$ (1,418,685)	\$ 1,113,608	\$ 4,009,661

OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Trust financial statements. Copies of the Trust annual financial report may be obtained from the Cal Poly Corporation Business Office at One Grand Avenue, San Luis Obispo, CA 93407.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the Corporation recognized an OPEB expense of \$390,949. At June 30, 2023, the Corporation reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 335,744	\$
Differences between expected and actual experiences in the measurement of the total OPEB liability	14,799	(2,108,892)
Changes in assumptions		(6,231,605)
Net difference between projected and actual earnings on plan investments	<u>2,453,095</u>	
Total	<u>\$ 2,803,638</u>	<u>\$ (8,340,497)</u>

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Note 8: Other Postemployment Benefit Plan (Continued)

Deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. All other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>For the Year Ending June 30,</u>	
2024	\$ 739,678
2025	778,152
2026	1,017,504
2027	157,405
2028	1,261,557
Thereafter	1,918,307
Total	<u>\$ 5,872,603</u>

Note 9: Transactions with Related Parties

As discussed in Note 1, the Corporation is an auxiliary organization of the University. Services are provided by the Corporation to the University with billings rendered for services provided. The University also bills the Corporation for services it provides. The following were transactions with the University as of and for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Accounts receivable	\$ 1,371,074	\$ 755,899
Accounts payable	1,154,973	1,207,485
Reimbursements to University for salaries and benefits of University personnel	4,672,661	3,809,144
Reimbursements to University for other than salaries of University personnel	9,884,690	8,178,478
Payments received from University for services, space and programs	8,207,929	6,211,712
Cash gifts to the University	4,962,316	3,925,498
Noncash gifts to the University	443,722	471,439
Notes receivable	2,563,307	3,663,307

The Corporation provides information technology and other services to the Cal Poly Foundation (Foundation) under a Business Support Services Agreement, effective July 1, 2015. The following were transactions with the Foundation as of and for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Current accounts receivable	\$ 64,127	\$ 591,025
Deposit with Corporation	323,000	323,000
Accounts payable	3,530	1,500
Payments from Foundation under BSSA/ASA	10,000	10,000
Cash contributions to Foundation	187,771	368,844
Cash contributions from Foundation	2,761,395	3,858,643

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Note 10: Leases

Change in Accounting Principle

The Corporation implemented GASB Statement No. 87, *Leases*, for the year ended June 30, 2022. This Statement enhances the relevance and consistency of information relating to leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

For the years ended June 30, 2023 and 2022, lease activity was as follows:

	2023	2022
Lease receivable	\$ 2,539,934	\$ 2,711,280
Deferred inflows	2,435,274	2,650,774
Related income	44,153	60,506
Net book value for the right to use leased asset	2,645,183	3,202,643
Lease liability	2,731,611	3,254,057
Related expenses	35,013	51,414

The Corporation's right to use leased buildings and equipment is included in capital assets on the Statement of Net Position. See Note 6.

Lessor

The Corporation is allowed the use of campus land at nominal amounts based on ground leases with the University. Subsequently, the Corporation subleases a portion of this campus land to an unrelated research organization. This sublease had an initial term ending March 30, 2023 and is anticipated to be renewed for one-year terms automatically through March 30, 2026. The total rental income received from this lease for the years ended June 30, 2023 and 2022 were \$10,250 and \$10,000, respectively.

The Corporation leases office space to various tenants in the Tech Park with original lease terms of one to six years. The leases require tenants to pay their pro-rata share of common area maintenance (CAM) expenses. Rental income and CAM charges for the years ended June 30, 2023 and 2022 were \$362,774 and \$305,800, respectively. These amounts include rental payments collected under short-term leases of twelve months or less, which were \$73,380 and \$85,476, respectively. During the fiscal year ended June 30, 2023, two Tech Park tenants ended their leases earlier than anticipated, resulting in a total gain on lease termination/modification in the amount of \$4,153, with corresponding reductions in deferred inflows and lease receivable in the amounts of \$64,042 and \$68,161, respectively.

The Corporation also leases residential space located adjacent to campus to an unrelated educational organization. The lease expires in 2025. Rental income for the years ended June 30, 2023 and 2022 were \$36,614 and \$37,721, respectively.

Note 10: Leases (Continued)

During fiscal year 2021-22, land was gifted to the Corporation located in Mount Vernon, Washington. An existing lease was assigned to the Corporation as lessor. The lease is with an unrelated third party for commercial use with an initial term through 2032. Rental income for the years ended June 30, 2023 and 2022 were \$128,412 and \$81,033.

During fiscal year 2022-23, the Corporation assumed a lease unrelated third party for property management services at the Bartleson Ranch, located in Arroyo Grande, California. The initial term of the lease expires on May 31, 2024, but the lessee is expected to exercise both of its 5-year options. Rental income for the year ended June 30, 2023 was \$35,000.

Lessee

In exchange for services provided to the University, the Corporation has entered into certain long-term operating lease agreements with the University which allow the Corporation the use of campus land and facilities at nominal amounts through June 30, 2023. In addition, the Corporation has operating lease agreements with the University and its auxiliaries for certain facilities. Rental payments are due through July 31, 2029 and are subject to annual rent adjustments of up to 4%. The total rent expense paid on these leases for the years ended June 30, 2023 and 2022 were \$322,648 and \$313,555, respectively.

The Corporation also has a lease with an unrelated third party for Cal Poly Downtown. Monthly rental payments for the existing lease began November 1, 2016 at a monthly base amount of \$13,650 and are subject to biennial rent adjustments based on CPI indices for a term of 10 years. On May 6, 2020, the lease agreement was amended to reduce monthly rental payments through October 31, 2021 and remove biennial rent adjustments through November 1, 2022. The total rent expense paid on the leases for the years ended June 30, 2023 and 2022 were \$171,987 and \$166,255.

In conjunction with the Bella Montaña development, the Corporation holds a ground lease with the University which expires April 2104. The lease requires the homes to be sold under a University faculty and staff housing eligibility priority system which requires the homeowner to reside there as principal place of residence and restricts resale to eligible buyers. Each home is subject to a ground sublease. Under the ground lease agreement, the Corporation is to pay the University annually all ground rents received under the subleases less costs of administration, operating expenses and reserves. Total ground rents received for the years ended June 30, 2023 and 2022 were \$50,938 and \$48,535, respectively. Administrative costs and operating expenses exceeded ground rents received; therefore, no amounts were paid to the University.

Effective May 1, 2018, the Corporation entered into a lease for its Center for Innovation and Entrepreneurship (CIE) with an unrelated third party for commercial space in the city of San Luis Obispo, CA. Monthly rental payments for the lease began May 1, 2018 at a monthly base amount of \$6,150. The original lease term was three years, with two options each to extend for an additional year. In December 2020, CIE exercised its first option to extend the lease through April 30, 2022. In October 2021, CIE exercised its second option to extend the lease through April 30, 2023.

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Note 10: Leases (Continued)

In November 2022, CIE entered into an early termination agreement and terminated the lease effective December 31, 2022. The total rent expense paid on the lease for the years ended June 30, 2023 and 2022 were \$41,538 and \$74,335. Additionally, the Corporation recognized a loss on lease termination in the amount of \$470 and a corresponding reduction in lease liability in the amount of \$27,659 for the year ended June 30, 2023.

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

<u>For the Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 230,998	\$ 53,904	\$ 284,902
2025	244,571	49,479	294,050
2026	255,791	44,770	300,561
2027	251,031	39,949	290,980
2028	255,311	35,116	290,427
2029-2033	914,262	111,356	1,025,618
2034-2038	579,647	22,318	601,965
Total future maturities	<u>\$ 2,731,611</u>	<u>\$ 356,892</u>	<u>\$ 3,088,503</u>

Note 11: Subscription-Based Information Technology Arrangements

Change in Accounting Principle

The Corporation implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. This Statement provides guidance on accounting and financial reporting for Subscription-Based Information Technology Arrangements (“SBITAs”) for government end users. A SBITA is defined as a contract that conveys control of the right to use another party’s (a SBITA vendor’s) information technology (IT) software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. Due to the implementation of this Statement, the Corporation recognized and recorded \$524,694 as a right-to-use subscription asset, along with \$392,456 as a related subscription liability, and \$132,238 of related expenses as of June 30, 2023. The subscription liability is measured at the present value of the subscription payments expected to be made during the subscription term. Future payments are discounted using an incremental borrowing rate of 3.66%, as provided by the CSU Chancellor’s Office. The Corporation’s right-to-use SBITAs is included in capital assets on the Statement of Net Position. See Note 6.

SBITAs

As of June 26, 2019, the Corporation entered into a subscription-based information technology arrangement with an unrelated thirty-party software vendor for its campus dining cloud-based point-of-sale system. The system went live prior to the implementation of GASB 96. The contract, also known as a Software as a Service (“SaaS”) agreement, automatically renews on an annual basis. It is anticipated to be renewed through June 30, 2026, with an annual increase of 5%.

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Note 11: Subscription-Based Information Technology Arrangements (Continued)

The Corporation paid vendor fees for the current year and upcoming year during the year ended June 30, 2023, in the amounts of \$153,837 and \$165,899, respectively. The capitalizable portions of the fees were \$139,374 and \$151,575, respectively.

The initial right-of-use subscription asset and subscription liability recognized for the fiscal year ended June 30, 2023, were \$585,917 each. For the year ended June 30, 2023, there was a principal reduction of \$277,141, resulting in a subscription liability balance of \$308,776 at fiscal year-end. As of June 30, 2023, the net SBITA right-to-use intangible asset was reported in the amount of \$439,438.

As of May 4, 2011, the Corporation entered into a subscription-based information technology arrangement with an unrelated thirty-party software vendor for its campus dining meal plan portal and credit card processing system. The system was implemented at the time of the original agreement. The contract, also known as a Software as a Service (“SaaS”) agreement, automatically renews on an annual basis. It is anticipated to be renewed through April 30, 2026.

The Corporation paid subscription renewal fees for the current year during the year ended June 30, 2023, in the amount of \$29,995. The entire amount was subject to capitalization under GASB 96.

The initial right-of-use subscription asset and subscription liability recognized for the fiscal year ended June 30, 2023, were \$113,675 each. For the year ended June 30, 2023, there was a principal reduction of \$29,995, resulting in a subscription liability balance of \$83,680 at fiscal year-end. As of June 30, 2023, the net SBITA right-to-use intangible asset was reported in the amount of \$85,256.

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

<u>For the Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 174,541	\$ 14,607	\$ 189,148
2025	188,996	8,111	197,107
2026	28,919	1,076	29,995
Total future maturities	<u>\$ 392,456</u>	<u>\$ 23,794</u>	<u>\$ 416,250</u>

Note 12: Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description and Benefits Provided

Substantially all full-time employees of the Corporation participate in CalPERS (the Plan), an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California.

Employees hired for the first time by the Corporation on or after January 1, 2013 (Tier 3) who are eligible for retirement at the age of 62 are entitled to a monthly benefit of 2% of final compensation for each year of service credit. Employees hired for the first time on or after May 14, 2005 but before January 1, 2013 (Tier 2) may become eligible for the 2% benefit at age 60. Employees hired for the first time prior to May 14, 2005 (Tier 1) may become eligible for the 2% benefit at age 55. Retirement compensation is reduced if the plan is coordinated with social security. Retirement may begin at age 50 (Tiers 1 and 2) or 52 (Tier 3) with a reduced benefit rate. The Plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the Corporation, members' accumulated contributions are refundable with interest credited through the date of separation. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Employees Covered

At June 30, 2023, the following employees were covered by the benefit terms for the Plan:

Inactive employees or beneficiaries currently receiving benefits	405
Inactive employees entitled to but not yet receiving benefits	777
Active employees	240
Total	1,422

Net Pension Liability

The Corporation's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Note 12: Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

The total pension liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	(1)
Investment Rate of Return	7.00% (2)
Mortality	(3)

(1) Depending on entry age, service and type of employment

(2) Net of pension plan investment and administrative expenses, including inflation

(3) The probabilities of mortality are based on the 2017 CalPERS
Experience Study for the period from 1997 to 2015

All other actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period 1997 to 2015, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 6.9%. To determine whether the municipal bond rate should be used in the calculation of a discount rate, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 6.9% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 6.9% is applied to all plans in the Public Employees Retirement Fund.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were

Note 12: Defined Benefit Pension Plan (Continued)

calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Real Return (a),(b)
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity - Non-Cap-Weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
Total	<u>100.00%</u>	

(a) An expected inflation of 2.30% used for this period.

(b) Figures based on the 2021 Asset Liability Management study.

Note 12: Defined Benefit Pension Plan (Continued)

Changes in the Net Pension Liability

The changes in the Net Pension Liability for the Plan follow:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2022	\$ 94,021,233	\$ 80,452,646	\$ 13,568,587
Changes in the year:			
Service cost	2,085,614		2,085,614
Interest on total pension liability	6,527,030		6,527,030
Differences between actual and expected experience	(1,245,175)		(1,245,175)
Changes in assumptions	3,357,054		3,357,054
Changes in benefit terms			
Contribution - employer		2,876,749	(2,876,749)
Contribution - employee		860,962	(860,962)
Net investment income		(6,077,688)	6,077,688
Benefit payments, including refunds of employee contributions	(5,162,576)	(5,162,576)	
Administrative expense		(50,117)	50,117
Net changes	<u>5,561,947</u>	<u>(7,552,670)</u>	<u>13,114,617</u>
Balance at June 30, 2023	<u>\$ 99,583,180</u>	<u>\$ 72,899,976</u>	<u>\$ 26,683,204</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan, calculated using the discount rate of 6.9%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Plan's Net Pension Liability	\$ 40,225,217	\$ 26,683,204	\$ 15,614,449

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Note 12: Defined Benefit Pension Plan (Continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2023, the Corporation recognized pension expense of \$3,636,191. At June 30, 2023, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,242,738	\$ -
Changes of assumptions	1,758,457	
Differences between expected and actual experiences		(679,408)
Net difference between projected and actual earnings on plan investments	<u>3,700,539</u>	
Total	<u>\$ 8,701,734</u>	<u>\$ (679,408)</u>

Deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. All other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in future pension expense as follows:

<u>For the Year Ending June 30,</u>	
2023	\$ 1,578,690
2024	632,186
2025	253,886
2026	2,314,826
Total	<u>\$ 4,779,588</u>

Payable to the Pension Plan

At June 30, 2023 and 2022, the Corporation reported a payable of \$53,719 and \$43,090, respectively, for the outstanding amount of contributions to the pension plan required for the year then ended.

Note 13: Risk Management

The Corporation manages its risk through the purchase of insurance through California State University Risk Management Authority (CSURMA), a public entity risk pool, for coverage of liability, property and general organizational risk. CSURMA provides self-insured risk with purchase of excess insurance. The Corporation maintains general liability insurance coverage for individual claims up to \$15 million per occurrence. Unfair employment practices liability claims under \$25,000 are self-insured. The Corporation also maintains excess property insurance coverage to limits of \$100 million in excess of \$5,000 self-insured limits.

Note 14: Subsequent Events

Events subsequent to June 30, 2023 have been evaluated through September 19, 2023, which is the date the financial statements were available to be issued.

On September 19, 2023, the Corporation executed the purchase of a commercial property in located in the city of San Luis Obispo, California. The property is approximately 48,000 square feet and is valued at \$16,800,000. The acquisition was financed with proceeds from the issuance of CSU Institute Commercial Paper Notes. It is anticipated that the commercial paper notes will be replaced with proceeds from the issuance of the CSU SRBs during fiscal year 2023-24. In connection with the acquisition of the building, it is anticipated that the Corporation will enter into a long-term lease with the University for use of the entire building. Term of the lease will cover annual debt service and operating expenses related to the building.

Required Supplementary Information

Cal Poly Corporation
Schedule of Changes in the Net OPEB Liability and Related Ratios
Last 10 Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability						
Service cost	\$ 1,009,391	\$ 961,325	\$ 1,005,266	\$ 957,397	\$ 1,141,018	\$ 1,086,684
Interest	2,013,419	1,918,691	1,966,797	1,876,206	2,032,225	1,923,754
Differences between expected and actual experience	(1,453,342)	(60,281)	(226,327)	24,239	(1,012,510)	(269,900)
Changes in assumptions	(3,795,339)	-	(1,974,894)	-	(2,904,595)	-
Benefit payments	(1,388,572)	(1,431,612)	(1,501,317)	(1,522,318)	(1,424,857)	(1,119,651)
Net change in total OPEB liability	<u>(3,614,443)</u>	<u>1,388,123</u>	<u>(730,475)</u>	<u>1,335,524</u>	<u>(2,168,719)</u>	<u>1,620,887</u>
Total OPEB liability - beginning	<u>\$ 30,649,651</u>	<u>\$ 29,261,528</u>	<u>\$ 29,992,003</u>	<u>\$ 28,656,479</u>	<u>\$ 30,825,198</u>	<u>\$ 29,204,311</u>
Total OPEB liability - ending (a)	<u>\$ 27,035,208</u>	<u>\$ 30,649,651</u>	<u>\$ 29,261,528</u>	<u>\$ 29,992,003</u>	<u>\$ 28,656,479</u>	<u>\$ 30,825,198</u>
Plan fiduciary net position						
Contributions - employer	\$ 392,013	\$ 478,753	\$ 451,320	\$ 594,645	\$ 492,280	\$ 296,314
Net investment income	(3,686,763)	5,937,894	514,291	1,486,549	1,469,561	2,405,355
Benefit payments	(1,388,572)	(1,431,612)	(1,501,317)	(1,522,318)	(1,424,857)	(1,119,651)
Administrative expense	(31,966)	(15,638)	(8,903)	(12,540)	(12,965)	(12,743)
Net change in plan fiduciary net position	<u>(4,715,288)</u>	<u>4,969,397</u>	<u>(544,609)</u>	<u>546,336</u>	<u>524,019</u>	<u>1,569,275</u>
Plan fiduciary net position - beginning	<u>30,636,888</u>	<u>25,667,491</u>	<u>26,212,100</u>	<u>25,665,764</u>	<u>25,141,745</u>	<u>23,572,470</u>
Plan fiduciary net position - ending (b)	<u>\$ 25,921,600</u>	<u>\$ 30,636,888</u>	<u>\$ 25,667,491</u>	<u>\$ 26,212,100</u>	<u>\$ 25,665,764</u>	<u>\$ 25,141,745</u>
Net OPEB liability - ending (a)-(b)	<u>\$ 1,113,608</u>	<u>\$ 12,763</u>	<u>\$ 3,594,037</u>	<u>\$ 3,779,903</u>	<u>\$ 2,990,715</u>	<u>\$ 5,683,453</u>
Plan fiduciary net position as a percentage of the total OPEB liability	95.9%	100.0%	87.7%	87.4%	89.6%	81.6%
Covered employee payroll	\$ 12,757,999	\$ 12,302,135	\$ 13,055,768	\$ 12,615,771	\$ 11,941,343	\$ 12,085,567
Net OPEB liability as a percentage of covered employee payroll	8.7%	0.1%	27.5%	30.0%	25.0%	47.0%

* Fiscal year 2018 was the first year of implementation, therefore only six years are shown.

Notes to Schedule:

Benefit Changes: There have been no changes to benefit terms since June 30, 2017.

Changes of Assumptions: The mortality, retirement, and withdrawal rates were updated to reflect the most recent experience study published by CalPERS.

The average per capita claims cost was updated to reflect actual 2020 and 2021 premiums and caps and the health care cost trend rate was updated to reflect 2018 industry survey data. The population for curving and morbidity factors have also been updated to the 2017 CalPERS study.

There have been no other changes in the assumptions since the last measurement date.

Cal Poly Corporation
Schedule of Contributions -- OPEB
Last 10 Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the actuarially determined contributions	\$ 392,013	\$ 478,753	\$ 451,320	\$ 594,645	\$ 492,280	\$ 296,314
Contribution deficiency (excess)	N/A	N/A	N/A	N/A	N/A	N/A
Employer contributions to the VEBA Trust	\$ 153,065	\$ 222,778	\$ 235,568	\$ 345,550	\$ 234,262	\$ 296,314
Active implicit rate subsidy transferred to VEBA Trust	238,948	255,975	215,752	249,095	258,018	
Total employer contributions	<u>\$ 392,013</u>	<u>\$ 478,753</u>	<u>\$ 451,320</u>	<u>\$ 594,645</u>	<u>\$ 492,280</u>	<u>\$ 296,314</u>
Covered employee payroll	\$ 12,757,999	\$ 12,302,135	\$ 13,055,768	\$ 12,615,771	\$ 11,941,343	\$ 12,085,567
Contributions as a percentage of covered employee payroll	3.1%	3.9%	3.5%	4.7%	4.1%	2.5%

* Fiscal year 2018 was the first year of implementation, therefore only six years are shown.

Notes to Schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Straight-line method
Asset Valuation Method	Market value of assets as of the measurement date
Inflation	2.26 percent
Healthcare cost trend rates (pre-65)	7.60 percent for 2023, decreasing 0.20 percent per year to an ultimate rate of 4.80 percent for 2037 and later years
Healthcare cost trend rates (post-65)	6.20 percent for 2023, decreasing to an ultimate rate of 4.80 percent for 2030 and later years
Salary Increases	2.80 percent
Investment rate of return	6.50 percent
Retirement Age	Retirement rates used in the valuation are those used in the most recent CalPERS valuation, CalPERS 2017 Public Agency Miscellaneous 2% @ 55 and 2% @ 60 for actives hired before January 1, 2013, and 2% @ 62 for actives hired on or after January 1, 2013.
Mortality	Mortality rates used in the valuation are those used in the most recent CalPERS valuations (CalPERS 2017 Mortality pre-retirement and post-retirement with Scale MP-2017).

Cal Poly Corporation
Schedule of Changes in the Net Pension Liability and Related Ratios
Last 10 Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability									
Service cost	\$ 2,085,614	\$ 2,023,659	\$ 1,931,420	\$ 1,829,285	\$ 1,921,554	\$ 1,914,269	\$ 1,565,548	\$ 1,403,277	\$ 1,402,348
Interest on total pension liability	6,527,030	6,365,651	6,143,985	5,901,425	5,614,238	5,348,446	5,128,834	4,920,633	4,760,420
Differences between expected and actual experience	(1,245,175)	(298,927)	188,089	802,201	800,963	159,480	(207,770)	(888,401)	
Changes in assumptions	3,357,054				(437,649)	4,427,253		(1,192,843)	
Benefit payments, including refunds of employee contributions	(5,162,576)	(4,772,650)	(4,672,135)	(4,482,684)	(4,067,814)	(3,756,787)	(3,634,440)	(3,316,952)	(3,147,576)
Net change in total pension liability	5,561,947	3,317,733	3,591,359	4,050,227	3,831,292	8,092,661	2,852,172	925,714	3,015,192
Total pension liability - beginning	94,021,233	90,703,500	87,112,141	83,061,914	79,230,622	71,137,961	68,285,789	67,360,075	64,344,883
Total pension liability - ending (a)	<u>\$ 99,583,180</u>	<u>\$ 94,021,233</u>	<u>\$ 90,703,500</u>	<u>\$ 87,112,141</u>	<u>\$ 83,061,914</u>	<u>\$ 79,230,622</u>	<u>\$ 71,137,961</u>	<u>\$ 68,285,789</u>	<u>\$ 67,360,075</u>
Plan fiduciary net position									
Contributions - employer	\$ 2,876,749	\$ 2,601,762	\$ 2,487,230	\$ 2,144,821	\$ 1,789,867	\$ 1,760,624	\$ 1,570,071	\$ 1,438,515	\$ 1,281,507
Contributions - employee	860,962	823,786	814,326	756,141	673,081	683,416	636,058	561,411	461,197
Net investment income	(6,077,688)	15,028,620	3,208,171	4,072,390	4,966,867	6,042,407	280,275	1,227,805	8,470,353
Benefit payments	(5,162,576)	(4,772,650)	(4,672,135)	(4,482,684)	(4,067,814)	(3,756,787)	(3,634,440)	(3,316,952)	(3,147,576)
Administrative expense	(50,117)	(66,767)	(91,764)	(44,559)	(269,175)	(81,063)	(34,182)	(63,120)	
Net change in plan fiduciary net position	(7,552,670)	13,614,751	1,745,828	2,446,109	3,092,826	4,648,597	(1,182,218)	(152,341)	7,065,481
Plan fiduciary net position - beginning	80,452,646	66,837,895	65,092,067	62,645,958	59,553,132	54,904,535	56,086,753	56,239,094	49,173,613
Plan fiduciary net position - ending (b)	<u>\$ 72,899,976</u>	<u>\$ 80,452,646</u>	<u>\$ 66,837,895</u>	<u>\$ 65,092,067</u>	<u>\$ 62,645,958</u>	<u>\$ 59,553,132</u>	<u>\$ 54,904,535</u>	<u>\$ 56,086,753</u>	<u>\$ 56,239,094</u>
Net pension liability - ending (a)-(b)	<u>\$ 26,683,204</u>	<u>\$ 13,568,587</u>	<u>\$ 23,865,605</u>	<u>\$ 22,020,074</u>	<u>\$ 20,415,956</u>	<u>\$ 19,677,490</u>	<u>\$ 16,233,426</u>	<u>\$ 12,199,036</u>	<u>\$ 11,120,981</u>
Plan fiduciary net position as a percentage of the total pension liability	73.2%	85.6%	73.7%	74.7%	75.4%	75.2%	77.2%	82.1%	83.5%
Covered employee payroll	\$12,451,424	\$13,654,919	\$12,997,443	\$12,352,523	\$ 12,844,611	\$ 12,705,045	\$ 11,885,419	\$ 10,733,343	\$ 10,427,158
Net pension liability as a percentage of covered employee payroll	214.3%	99.4%	183.6%	178.3%	158.9%	154.9%	136.6%	113.7%	106.7%

* Fiscal year 2015 was the first year of implementation, therefore only nine years are shown.

Notes to Schedule:

Benefit Changes: The figures above include any liability impact that may have resulted from voluntary benefit changes that occurred after the June 30, 2021 valuation. However, offers of Two Years Additional Service Credit (a.k.a. Golde that occurred after the June 30, 2021 valuation date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

Changes of Assumptions: Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took in long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long-term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates 2017 through 2021, 7.64% for measurement dates 2015 through 2016, and 7.50% for measurement date 2014.

Cal Poly Corporation
Schedule of Contributions -- Pension
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 2,876,749	\$ 2,601,762	\$ 2,487,230	\$ 2,144,821	\$ 1,789,867	\$ 1,760,624	\$ 1,570,071	\$ 1,438,515	\$ 1,281,507
Contributions in relation to the actuarially determined contributions	<u>2,876,749</u>	<u>2,601,762</u>	<u>2,487,230</u>	<u>2,144,821</u>	<u>1,789,867</u>	<u>1,760,624</u>	<u>1,570,071</u>	<u>1,438,515</u>	<u>1,281,507</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 12,451,424	\$ 13,654,919	\$ 12,997,443	\$ 12,352,523	\$ 12,844,611	\$ 12,705,045	\$ 11,885,419	\$ 10,733,343	\$ 10,427,158
Contributions as a percentage of covered-employee payroll	23.1%	19.1%	19.1%	17.4%	13.9%	13.9%	13.2%	13.4%	12.3%

* Fiscal year 2015 was the first year of implementation, therefore only nine years are shown.

**Supplementary Information for Inclusion in the
Financial Statements of the California State University**

Cal Poly Corporation (San Luis Obispo)

Schedule of Net Position

June 30, 2023

(for inclusion in the California State University Financial Statements)

Assets:

Current assets:

Cash and cash equivalents	\$	21,449,017
Short-term investments		65,567,307
Accounts receivable, net		13,474,622
Lease receivable, current portion		294,168
P3 receivable, current portion		-
Notes receivable, current portion		-
Pledges receivable, net		2,572,371
Prepaid expenses and other current assets		2,925,227

Total current assets		106,282,712
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Noncurrent assets:

Restricted cash and cash equivalents		60,794
Accounts receivable, net		24,433
Lease receivable, net of current portion		2,245,766
P3 receivable, net of current portion		-
Notes receivable, net of current portion		2,563,307
Student loans receivable, net		-
Pledges receivable, net		8,412,641
Endowment investments		2,408,112
Other long-term investments		33,911,942
Capital assets, net		119,174,156
Other assets		323,000

Total noncurrent assets		169,124,151
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Total assets		275,406,863
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Deferred outflows of resources:

Unamortized loss on debt refunding		182,032
Net pension liability		8,701,734
Net OPEB liability		2,803,638
Leases		-
P3		-
Others		-

Total deferred outflows of resources		11,687,404
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Liabilities:

Current liabilities:

Accounts payable		14,135,763
Accrued salaries and benefits		2,771,131
Accrued compensated absences, current portion		929,562
Unearned revenues		22,309,799
Lease liabilities, current portion		230,998
SBITA liabilities - current portion		174,541
P3 liabilities - current portion		-
Long-term debt obligations, current portion		750,000
Claims liability for losses and loss adjustment expenses, current portion		19,997
Depository accounts		-
Other liabilities		-

Total current liabilities		41,321,791
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Noncurrent liabilities:

Accrued compensated absences, net of current portion		-
Unearned revenues		-
Grants refundable		-
Lease liabilities, net of current portion		2,500,613
SBITA liabilities, net of current portion		217,915
P3 liabilities, net of current portion		-
Long-term debt obligations, net of current portion		42,306,854
Claims liability for losses and loss adjustment expenses, net of current portion		-
Depository accounts		5,862,887
Net other postemployment benefits liability		1,113,608
Net pension liability		26,683,204
Other liabilities		934,469

Total noncurrent liabilities		79,619,550
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Total liabilities		120,941,341
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Deferred inflows of resources:	
P3 service concession arrangements	-
Net pension liability	679,408
Net OPEB liability	8,340,497
Unamortized gain on debt refunding	-
Nonexchange transactions	-
Lease	2,435,274
P3	-
Others	10,905,490
	<hr/>
Total deferred inflows of resources	22,360,669
	<hr/>
Net position:	
Net investment in capital assets	54,389,979
Restricted for:	
Nonexpendable – endowments	-
Expendable:	
Scholarships and fellowships	-
Research	115,863
Loans	-
Capital projects	259,534
Debt service	-
Others	20,274,924
Unrestricted	68,751,957
	<hr/>
Total net position	\$ 143,792,257
	<hr/> <hr/>

Cal Poly Corporation (San Luis Obispo)
Schedule of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2023
(for inclusion in the California State University Financial Statements)

Revenues:	
Operating revenues:	
Student tuition and fees, gross	-
Scholarship allowances (enter as negative)	-
Grants and contracts, noncapital:	
Federal	18,304,754
State	8,354,004
Local	471,679
Nongovernmental	3,965,020
Sales and services of educational activities	-
Sales and services of auxiliary enterprises, gross	44,155,879
Scholarship allowances (enter as negative)	-
Other operating revenues	20,228,149
	<hr/>
Total operating revenues	95,479,485
<hr/>	
Expenses:	
Operating expenses:	
Instruction	290,886
Research	26,537,939
Public service	19,329,704
Academic support	911,137
Student services	1,127,467
Institutional support	19,482,836
Operation and maintenance of plant	2,996,822
Student grants and scholarships	384,372
Auxiliary enterprise expenses	39,636,672
Depreciation and amortization	4,168,730
	<hr/>
Total operating expenses	114,866,565
<hr/>	
Operating income (loss)	(19,387,080)
<hr/>	
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	13,104,686
Investment income (loss), net	5,719,863
Endowment income (loss), net	-
Interest expense	(1,528,460)
Other nonoperating revenues (expenses)	10,839,085
	<hr/>
Net nonoperating revenues (expenses)	28,135,174
<hr/>	
Income (loss) before other revenues (expenses)	8,748,094
<hr/>	
State appropriations, capital	-
Grants and gifts, capital	5,250,975
Additions (reductions) to permanent endowments	-
	<hr/>
Increase (decrease) in net position	13,999,069
<hr/>	
Net position:	
Net position at beginning of year, as previously reported	129,793,188
Restatements	-
	<hr/>
Net position at beginning of year, as restated	129,793,188
<hr/>	
Net position at end of year	143,792,257
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Cal Poly Corporation (San Luis Obispo)
Other Information
June 30, 2023
(for inclusion in the California State University Financial Statements)

1 Cash and cash equivalents:

Portion of restricted cash and cash equivalents related to endowments	\$ 8,598
All other restricted cash and cash equivalents	52,196
Noncurrent restricted cash and cash equivalents	60,794
Current cash and cash equivalents	21,449,017
Total	21,509,811

2.1 Composition of investments:

Investment Type	Current	Noncurrent	Total
Money market funds	\$ -	-	-
Repurchase agreements	-	-	-
Certificates of deposit	-	-	-
U.S. agency securities	-	-	-
U.S. treasury securities	11,837,858	403,534	12,241,392
Municipal bonds	-	-	-
Corporate bonds	-	-	-
Asset-backed securities	-	-	-
Mortgage-backed securities	-	-	-
Commercial paper	-	-	-
Supranational	-	-	-
Mutual funds	52,932,583	35,781,638	88,714,221
Exchange-traded funds	39,351	-	39,351
Equity securities	421,590	-	421,590
Alternative investments:			
Private equity (including limited partnerships)	-	-	-
Hedge funds	-	-	-
Managed futures	-	-	-
Real estate investments (including REITs)	-	80,000	80,000
Commodities	-	-	-
Derivatives	-	-	-
Other alternative investments	-	-	-
Other external investment pools	-	-	-
CSU Consolidated Investment Pool (formerly SWIFT)	-	-	-
State of California Local Agency Investment Fund (LAIF)	-	-	-
State of California Surplus Money Investment Fund (SMIF)	-	-	-
Other investments:			
Cash and interest receivable pending long-term investment	335,925	50,659	386,584
Agriculture related retains	-	4,223	4,223
	-	-	-
	-	-	-
Total other investments	335,925	54,882	390,807
Total investments	65,567,307	36,320,054	101,887,361
Less endowment investments (enter as negative number)	-	(2,408,112)	(2,408,112)
Total investments, net of endowments	\$ 65,567,307	\$ 33,911,942	\$ 99,479,249

2.2 Fair value hierarchy in investments:

Investment Type	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	-	-	-	-	-
U.S. agency securities	-	-	-	-	-
U.S. treasury securities	12,241,392	12,241,392	-	-	-
Municipal bonds	-	-	-	-	-
Corporate bonds	-	-	-	-	-
Asset-backed securities	-	-	-	-	-
Mortgage-backed securities	-	-	-	-	-
Commercial paper	-	-	-	-	-
Supranational	-	-	-	-	-
Mutual funds	88,714,221	88,714,221	-	-	-
Exchange-traded funds	39,351	-	-	-	-
Equity securities	421,590	421,590	-	-	-
Alternative investments:					
Private equity (including limited partnerships)	-	-	-	-	-
Hedge funds	-	-	-	-	-
Managed futures	-	-	-	-	-
Real estate investments (including REITs)	80,000	-	-	-	80,000
Commodities	-	-	-	-	-
Derivatives	-	-	-	-	-
Other alternative investments	-	-	-	-	-
Other external investment pools	-	-	-	-	-
CSU Consolidated Investment Pool (formerly SWIFT)	-	-	-	-	-
State of California Local Agency Investment Fund (LAIF)	-	-	-	-	-
State of California Surplus Money Investment Fund (SMIF)	-	-	-	-	-
Other investments:					
Cash and interest receivable pending long-term investment	386,584	386,584	-	-	-
Agriculture related retains	4,223	-	-	4,223	-
	-	-	-	-	-
	-	-	-	-	-
Total other investments	390,807	386,584	-	4,223	-
Total investments	\$ 101,887,361	\$ 101,803,138	\$ -	\$ 4,223	\$ 80,000

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 Investment Pool (formerly SWIFT):	-	-	\$ -

3.1 Capital Assets, excluding ROU assets:

Composition of capital assets, excluding ROU assets:	Balance June 30, 2022	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2022 (Restated)	Additions	Retirements	Transfer of completed CWIP/PWIP	Balance June 30, 2023
Non-depreciable/Non-amortizable capital assets:									

Cal Poly Corporation (San Luis Obispo)
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Land and land improvements	\$	19,864,793		\$	19,864,793		\$	19,864,793	
Works of art and historical treasures		198,000			198,000			198,000	
Construction work in progress (CWIP)		16,415,412			16,415,412	28,811,860	(493,169)	(1,728,081)	43,006,022
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	\$	36,478,205		\$	36,478,205	\$ 28,811,860	\$ (493,169)	\$ (1,728,081)	\$ 63,068,815
Depreciable/Amortizable capital assets:									
Buildings and building improvements	\$	54,330,514		\$	54,330,514	\$ 301,256	\$ (26,389)	\$ 687,300	\$ 55,292,681
Improvements, other than buildings		-			-				-
Infrastructure		-			-				-
Leasehold improvements		11,915,539			11,915,539	8,720	(350,314)	362,561	11,936,506
Personal property:									
Equipment		12,467,556			12,467,556	714,951	(597,864)	678,220	13,262,863
Library books and materials		-			-				-
Intangible assets:									
Software and websites		798,537			798,537		(8,774)		789,763
Rights and easements		-			-				-
Patents, copyrights and trademarks		-			-				-
Licenses and permits		492,005			492,005		(49,512)		442,493
Other intangible assets:		-			-				-
		-			-				-
		-			-				-
		-			-				-
		-			-				-
Total Other intangible assets:		-			-				-
Total intangible assets		1,290,542			1,290,542		(58,286)		1,232,256
Total depreciable/amortizable capital assets		80,004,151			80,004,151	1,024,927	(1,032,853)	1,728,081	81,724,306
Total capital assets	\$	116,482,356		\$	116,482,356	\$ 29,836,787	\$ (1,526,022)	\$ -	\$ 144,793,121
Less accumulated depreciation/amortization:									
Buildings and building improvements	\$	(8,565,834)		\$	(8,565,834)	\$ (1,823,419)	\$ 26,389	\$ -	\$ (10,362,864)
Improvements, other than buildings		-			-				-
Infrastructure		-			-				-
Leasehold improvements		(8,652,671)			(8,652,671)	(495,994)	334,122		(8,814,543)
Personal property:									
Equipment		(7,910,066)			(7,910,066)	(1,171,657)	576,627		(8,505,096)
Library books and materials		-			-				-
Intangible assets:									
Software and websites		(653,331)			(653,331)	(45,039)	8,774		(689,596)
Rights and easements		-			-				-
Patents, copyrights and trademarks		-			-				-
Licenses and permits		(460,255)			(460,255)	(6,000)	49,512		(416,743)
Other intangible assets:		-			-				-
		-			-				-
		-			-				-
		-			-				-
		-			-				-
Total Other intangible assets:		-			-				-
Total intangible assets		(1,113,586)			(1,113,586)	(51,039)	58,286		(1,106,339)
Total accumulated depreciation/amortization		(26,242,157)			(26,242,157)	(3,542,109)	995,424		(28,788,842)
Total capital assets, net excluding ROU assets	\$	90,240,199		\$	90,240,199	\$ 26,294,678	\$ (530,598)		\$ 116,004,279

Capital Assets, Right of Use

<u>Composition of capital assets - Lease ROU, net:</u>	Balance				Balance June 30, 2022 (Restated)	Additions	Remeasurements	Reductions	Balance June 30, 2023
	June 30, 2022	Prior Period Reclassifications	Prior Period Additions	Prior Period Reductions					
Non-depreciable/Non-amortizable lease assets:									
Land and land improvements									-
Total non-depreciable/non-amortizable lease assets									-
Depreciable/Amortizable lease assets:									
Land and land improvements									-
Buildings and building improvements		3,681,530			3,681,530		(149,600)		3,531,930
Improvements, other than buildings		-			-				-
Infrastructure		-			-				-
Personal property:									
Equipment		88,110			88,110		(1,710)		86,400
Total depreciable/amortizable lease assets		3,769,640			3,769,640		(151,310)		3,618,330
Less accumulated depreciation/amortization:									
Land and land improvements		-			-				-
Buildings and building improvements		-			-				-
Improvements, other than buildings		-			-				-
Infrastructure		-			-				-
Personal property:									
Equipment		(566,997)			(566,997)	(530,431)	124,281		(973,147)
Total accumulated depreciation/amortization		(566,997)			(566,997)	(530,431)	124,281		(973,147)
Total capital assets - lease ROU, net	\$	3,202,643	\$ -	\$ -	\$ 3,202,643	\$ (530,431)	\$ (27,029)	\$ -	\$ 2,645,183

Cal Poly Corporation (San Luis Obispo)
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Composition of capital assets - SBITA ROU, net	Balance June 30, 2022	Reclassifications	Prior Period Additions	Prior Period Reductions	Balance June 30, 2022 (Restated)	Additions	Remeasurements	Reductions	Balance June 30, 2023
Depreciable/Amortizable SBITA assets:									
Software	\$ -				\$ -	699,592			\$ 699,592
Total depreciable/amortizable SBITA assets	-				-	699,592			699,592
Less accumulated depreciation/amortization:									
Software	-				-	(174,898)			(174,898)
Total accumulated depreciation/amortization	-				-	(174,898)			(174,898)
Total capital assets - SBITA ROU, net	\$ -				\$ -	524,694			\$ 524,694

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

Total capital assets, net including ROU assets

\$ 119,174,156

3.2 Detail of depreciation and amortization expense:

Depreciation and amortization expense - capital assets, excluding ROU assets	\$ 3,542,109
Amortization expense - Leases ROU	530,431
Amortization expense - SBITA ROU	174,898
Amortization expense - P3 ROU	-
Depreciation and Amortization expense - Others	(78,708)
Total depreciation and amortization	\$ 4,168,730

4 Long-term liabilities:

	Balance June 30, 2022	Prior Period Adjustments/Reclassifications	Balance June 30, 2022 (Restated)	Additions	Reductions	Balance June 30, 2023	Current Portion	Noncurrent Portion
1. Accrued compensated absences	\$ 1,047,728		\$ 1,047,728	1,024,968	(1,143,134)	\$ 929,562	\$ 929,562	-
2. Claims liability for losses and loss adjustment expenses	19,997		19,997			19,997	19,997	-
3. Capital lease obligations (pre-ASC 842):								
Gross balance	-		-			-	-	-
Unamortized net premium/(discount)	-		-			-	-	-
Total capital lease obligations (pre ASC 842)	-		-			-	-	-
4. Long-term debt obligations:								
4.1 Auxiliary revenue bonds (non-SRB related)	-		-			-	-	-
4.2 Commercial paper	-		-			-	-	-
4.3 Notes payable (SRB related)	37,585,000		37,585,000		(495,000)	37,090,000	750,000	36,340,000
4.4 Finance purchase of capital assets	-		-			-	-	-
4.5 Others:	-		-			-	-	-
Total others	-		-			-	-	-
Sub-total long-term debt	37,585,000		37,585,000		(495,000)	37,090,000	750,000	36,340,000
4.6 Unamortized net bond premium/(discount)	6,205,449		6,205,449		(238,595)	5,966,854		5,966,854
Total long-term debt obligations	\$ 43,790,449		\$ 43,790,449		\$ (733,595)	\$ 43,056,854	\$ 750,000	\$ 42,306,854

5. Lease, SBITA, P3 liabilities:

	Balance June 30, 2022	Prior Period Adjustments/Reclassifications	Additions	Remeasurements	Reductions	Balance June 30, 2023	Current Portion	Noncurrent Portion
Lease liabilities	\$ 3,254,057				\$ (522,446)	\$ 2,731,611	\$ 230,998	\$ 2,500,613
SBITA liabilities	-		392,456			392,456	174,541	217,915

Cal Poly Corporation (San Luis Obispo)
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P3 liabilities - SCA	-	-	-	-	-	-	-	-
P3 liabilities - non-SCA	-	-	-	-	-	-	-	-
Sub-total P3 liabilities	-	-	-	-	-	-	-	-
Total Lease, SBITA, P3 liabilities	\$ 3,254,057	\$ -	\$ 392,456	\$ -	\$ (522,446)	\$ 3,124,067	\$ 405,539	\$ 2,718,528
Total long-term liabilities						\$ 47,130,480	\$ 2,105,098	\$ 45,025,382

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

	Lease Liabilities			SBITA liabilities			Public-Private or Public-Public Partnerships (P3)			Total Leases, SBITA, P3 liabilities		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:												
2024	\$ 230,998	\$ 53,904	\$ 284,902	\$ 174,541	\$ 14,607	\$ 189,148	\$ -	\$ -	\$ -	\$ 405,539	\$ 68,511	\$ 474,050
2025	244,571	49,479	294,050	188,996	8,111	197,107	-	-	-	433,567	57,590	491,157
2026	255,791	44,770	300,561	28,919	1,076	29,995	-	-	-	284,710	45,846	330,556
2027	251,031	39,949	290,980	-	-	-	-	-	-	251,031	39,949	290,980
2028	255,311	35,116	290,427	-	-	-	-	-	-	255,311	35,116	290,427
2029 - 2033	914,262	111,356	1,025,618	-	-	-	-	-	-	914,262	111,356	1,025,618
2034 - 2038	579,647	22,318	601,965	-	-	-	-	-	-	579,647	22,318	601,965
2039 - 2043	-	-	-	-	-	-	-	-	-	-	-	-
2044 - 2048	-	-	-	-	-	-	-	-	-	-	-	-
2049 - 2053	-	-	-	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-	-	-	-
Total minimum payments	\$ 2,731,611	\$ 356,892	\$ 3,088,503	\$ 392,456	\$ 23,794	\$ 416,250	\$ -	\$ -	\$ -	\$ 3,124,067	\$ 380,686	\$ 3,504,753
Less: amounts representing interest												(380,686)
Present value of future minimum payments												3,124,067
Total Leases, SBITA, P3 liabilities												3,124,067
Less: current portion												(405,539)
Leases, SBITA, P3 liabilities, net of current portion												\$ 2,718,528

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

	Auxiliary revenue bonds (non-SRB related)			All other long-term debt obligations			Total long-term debt obligations		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
Year ending June 30:									
2024	-	-	\$ -	\$ 750,000	\$ 1,641,650	\$ 2,391,650	\$ 750,000	\$ 1,641,650	\$ 2,391,650
2025	-	-	-	785,000	1,603,275	2,388,275	785,000	1,603,275	2,388,275
2026	-	-	-	825,000	1,563,025	2,388,025	825,000	1,563,025	2,388,025
2027	-	-	-	870,000	1,520,650	2,390,650	870,000	1,520,650	2,390,650
2028	-	-	-	920,000	1,475,900	2,395,900	920,000	1,475,900	2,395,900
2029 - 2033	-	-	-	5,325,000	6,031,800	11,356,800	5,325,000	6,031,800	11,356,800
2034 - 2038	-	-	-	6,385,000	5,329,800	11,714,800	6,385,000	5,329,800	11,714,800
2039 - 2043	-	-	-	7,350,000	3,850,150	11,200,150	7,350,000	3,850,150	11,200,150
2044 - 2048	-	-	-	9,155,000	2,097,100	11,252,100	9,155,000	2,097,100	11,252,100
2049 - 2053	-	-	-	4,725,000	372,150	5,097,150	4,725,000	372,150	5,097,150
Thereafter	-	-	-	-	-	-	-	-	-
Total minimum payments	\$ -	\$ -	\$ -	\$ 37,090,000	\$ 25,485,500	\$ 62,575,500	\$ 37,090,000	\$ 25,485,500	\$ 62,575,500
Less: amounts representing interest									(25,485,500)
Present value of future minimum payments									37,090,000
Unamortized net premium (discount)									5,966,854
Total long-term debt obligations									43,056,854
Less: current portion									(750,000)
Long-term debt obligations, net of current portion									\$ 42,306,854

7 Transactions with related entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 4,672,661
Payments to University for other than salaries of University personnel	9,884,690
Payments received from University for services, space, and programs	8,207,929
Gifts-in-kind to the University from discretely presented component units	443,722
Gifts (cash or assets) to the University from discretely presented component units	4,962,316
Accounts payable to University	(1,329,721)
Other amounts payable to University	(174,748)
Accounts receivable from University	1,371,074
Other amounts receivable from University	2,563,307

8 Restatements

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

9 Natural classifications of operating expenses:

	Salaries	Benefits - Other	Benefits - Pension	Benefits - OPEB	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total operating expenses
Instruction	\$ 53,460	\$ -	\$ 6,545	\$ 704	\$ -	\$ 230,177	\$ -	\$ 290,886
Research	8,762,691	1,993,729	1,072,752	115,338	-	14,593,429	-	26,537,939
Public service	5,886,026	1,695,014	720,583	77,474	-	10,950,607	-	19,329,704

Cal Poly Corporation (San Luis Obispo)
Other Information
June 30, 2023
(for inclusion in the California State University Financial Statements)

Academic support	88,845	45,851	10,877	1,169		764,395		911,137
Student services	100,536	29,517	12,308	1,323		983,783		1,127,467
Institutional support	4,655,875	2,027,322	569,985	61,283		12,168,371		19,482,836
Operation and maintenance of plant	82,213	38,061	-	-		2,876,548		2,996,822
Student grants and scholarships					384,372			384,372
Auxiliary enterprise expenses	10,072,273	1,800,790	1,233,075	132,576		26,397,958		39,636,672
Depreciation and amortization							4,168,730	4,168,730
Total operating expenses	\$ 29,701,919	\$ 7,630,284	\$ 3,626,125	\$ 389,867	\$ 384,372	\$ 68,965,268	\$ 4,168,730	\$ 114,866,565

Select type of pension plan >>

Defined Benefit Plan

10 Deferred outflows/inflows of resources:

1. Deferred Outflows of Resources

Deferred outflows - unamortized loss on refunding(s)	\$	182,032
Deferred outflows - net pension liability		8,701,734
Deferred outflows - net OPEB liability		2,803,638
Deferred outflows - leases		
Deferred outflows - P3		
Deferred outflows - others:		
Sales/intra-entity transfers of future revenues		
Gain/loss on sale leaseback		
Loan origination fees and costs		
Change in fair value of hedging derivative instrument		
Irrevocable split-interest agreements		

Total deferred outflows - others -
Total deferred outflows of resources **\$ 11,687,404**

2. Deferred Inflows of Resources

Deferred inflows - P3 service concession arrangements	\$	679,408
Deferred inflows - net pension liability		8,340,497
Deferred inflows - unamortized gain on debt refunding(s)		
Deferred inflows - nonexchange transactions		
Deferred inflows - leases		2,435,274
Deferred inflows - P3		
Deferred inflows - others:		
Sales/intra-entity transfers of future revenues		
Gain/loss on sale leaseback		
Loan origination fees and costs		
Change in fair value of hedging derivative instrument		
Irrevocable split-interest agreements		10,905,490

Total deferred inflows - others 10,905,490
Total deferred inflows of resources **\$ 22,360,669**

11 Other nonoperating revenues (expenses)

Other nonoperating revenues	\$	10,839,085
Other nonoperating (expenses)		
Total other nonoperating revenues (expenses)	\$	10,839,085

Other Supplementary Information

Cal Poly Corporation
Statements of Financial Position of the California State
University – San Luis Obispo Alumni Association
June 30, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 95,054	\$ 113,598
Certificates of deposit	34,552	34,548
Accounts receivable	249,108	271,783
Inventories	-	-
Prepaid expenses and other assets	-	4,463
Total current assets	378,714	424,392
Other assets:		
Investments	617,011	606,543
Fixed assets, net	3,443	4,658
Total assets	\$ 999,168	\$ 1,035,593
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 135	\$ 1,512
Total current liabilities	135	1,512
Net assets:		
Unrestricted:		
Undesignated	999,033	1,034,081
Total unrestricted net assets	999,033	1,034,081
Total liabilities and net assets	\$ 999,168	\$ 1,035,593

See accompanying independent auditor's report.

Cal Poly Corporation
Statements of Activities of the California State
University – San Luis Obispo Alumni Association
Years Ended June 30, 2023 and 2022

	2023	2022
Unrestricted revenue and support:		
Donations and grants	\$ 19,494	\$ 15,860
Travel and promotion	25,771	18,457
Homecoming		
Investment gain	40,836	(105,849)
External activities	31,807	58,001
Total unrestricted revenue and support	117,908	(13,531)
Expenses:		
Program services:		
Salaries and wages		
Cost of goods sold		856
Postage	165	26
Tax preparation	2,400	2,400
Travel	1,536	
Office expense	17,598	26,968
Accounting services	8,726	3,610
Hosting special events	59,883	17,750
External activities	41,894	26,678
Scholarships	6,387	1,600
Depreciation	1,215	203
Other	13,152	70
Total expenses	152,956	80,161
Change in unrestricted net assets	(35,048)	(93,692)
Unrestricted net assets - beginning of year	1,034,081	1,127,773
Unrestricted net assets - end of year	\$ 999,033	\$ 1,034,081

See accompanying independent auditor's report.