



**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Financial Statements and Supplementary Schedules

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

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Independent Auditors' Report

The Board of Directors
California State University Risk Management Authority:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the California State University Risk Management Authority (the Authority), a component unit of the California State University, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements for the years then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, 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 Authority'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.

Auditors' Responsibilities 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 auditors' 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a



substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS 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 Authority'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 Authority'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.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and the claims development information in Schedule 14 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic 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 GAAS, 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 audits 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information in schedules 1 through 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 GAAS. In our opinion, the information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2022 on our consideration of the Authority'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 the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

KPMG LLP

Irvine, California
September 27, 2022

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Management's Discussion and Analysis

June 30, 2022 and 2021

The following discussion and analysis provides an overview of the financial position and performance of the California State University Risk Management Authority (the Authority) as of and for the years ended June 30, 2022 and 2021. It is designed to assist the readers in focusing on financial overview and analysis of the financial activities of the Authority. The discussion has been prepared by management and should be read in conjunction with the basic financial statements and accompanying notes, which follow this section.

Overview of the Financial Statements

The financial statements of the Authority as of and for the years ended June 30, 2022 and 2021 have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*. For reporting purposes, the Authority is considered a special-purpose government engaged in business-type activities.

The Authority’s financial statements consist of the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, Statements of Cash Flows, the notes to the financial statements, supplementary information, and required supplementary information. The Authority’s basic financial statements include the Statements of Net Position, the Statements of Revenue, Expenses, and Changes in Net Position, and the Statements of Cash Flows and the related notes to the financial statements.

Statements of Net Position

The Statement of Net Position presents the financial position of the Authority at the end of the fiscal year and includes all assets and liabilities of the Authority. The difference between total assets and total liabilities, net position, is one indicator of the current financial condition of the Authority, while the change in net position is an indicator of how the overall financial condition has fluctuated from year to year.

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June 30, 2022 and 2021

A summary of the Authority's assets, liabilities, and net position at June 30, 2022, 2021, and 2020 is as follows:

Condensed Schedules of Net Position

(In thousands)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Assets:			
Current assets	\$ 67,512	91,057	108,559
Noncurrent assets	<u>38,692</u>	<u>36,768</u>	<u>39,497</u>
Total assets	<u>\$ 106,204</u>	<u>127,825</u>	<u>148,056</u>
Liabilities:			
Current liabilities	\$ 34,268	36,111	34,893
Noncurrent liabilities	<u>38,691</u>	<u>35,271</u>	<u>37,656</u>
Total liabilities	<u>\$ 72,959</u>	<u>71,382</u>	<u>72,549</u>
Net position:			
Unrestricted	<u>\$ 33,245</u>	<u>56,443</u>	<u>75,507</u>
Total net position	<u>\$ 33,245</u>	<u>56,443</u>	<u>75,507</u>

Assets

The Authority's assets totaled \$106.20 million on June 30, 2022, a decrease of \$21.62 million or 17%, as compared to the previous year. This is mainly attributed to the decrease in investments by \$16.56 million, due to higher claims payments combined with lower membership contributions and investment income. Accounts receivable decreased by \$1.55 million due to collections of outstanding balance from construction projects enrolled in the Owner Controlled Insurance Program (OCIP).

The Authority's assets totaled \$127.83 million on June 30, 2021, a decrease of \$20.23 million or 14%, as compared to the previous year. This is mainly attributed to the decrease in investments by \$22.17 million, due to higher claims payments combined with lower membership contributions and investment income. This was offset by the increase in accounts receivable by \$1.60 million from new construction projects enrolled in OCIP.

Liabilities

The Authority's liabilities totaled \$72.96 million on June 30, 2022, a increase of \$1.58 million or 2%, as compared to the previous year. This is primarily due to \$8.48 million increase in claims liabilities for losses and loss adjustment expenses which represents 81% of the total liabilities as of June 30, 2022, while it is 71% as of previous year. Majority of the increase is in claims liability from the General Liability and Athletic Injury Medical Expense (AIME) programs which increased by \$11.89 million and \$0.55 million, respectively. This is offset by a decrease of \$3.95 million of claims liabilities from the Workers' Compensation program.

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The accounts payable decreased \$2.08 million primarily due to payment of prior year's outstanding premiums for Workers' Compensation program offset by higher unemployment claims in the last quarter of the fiscal year. In addition, SELF assessment liabilities decreased by \$1.36 million due to payments, while incurring no additional liabilities. Lastly, unearned revenues from OCIP decreased by \$3.46 million.

The Authority's liabilities totaled \$71.38 million on June 30, 2021, a decrease of \$1.17 million or 2%, as compared to the previous year. The accounts payable decreased \$1.97 million primarily due to lower unemployment claims in the fourth quarter of the fiscal year offset by increase in outstanding insurance premiums. SELF assessment liabilities decreased by \$1.36 million, while unearned revenues increased by \$1.35 million due to collections related to multi-year OCIP capital projects and increase in claims liabilities by \$821 thousand.

Net Position

Net position may serve over time as a useful indicator of the Authority's financial position. Net position represents the residual measure of assets net of liabilities. Net position fluctuates annually due to the Authority's operating results for a given fiscal year as well as changes in investment income. The Authority's net position is classified as unrestricted and may be designated for use by the Authority.

The Authority's net position totaled \$33.25 million on June 30, 2022, a decrease of \$23.20 million or 41%, as compared to the previous year. The Authority's net position totaled \$56.44 million on June 30, 2021, a decrease of \$19.06 million or 25%, as compared to fiscal year 2020. This is primarily due to higher claim losses and loss adjustments expenses and reinsurance premium, combined with lower investment income during both years. The revenues from member contributions increased by 10% in fiscal year 2022 while no increase in fiscal year 2021.

Statements of Revenues, Expenses, and Changes in Net Position

The Statement of Revenue, Expenses, and Changes in Net Position is the Authority's income statement. Revenues earned and expenses incurred during the year on an accrual basis are classified as either operating or nonoperating. It presents the results of the Authority's operations and changes in net position over the course of the fiscal year.

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June 30, 2022 and 2021

A summary of the Authority's statement of revenues, expenses, and changes in net position for the years ended June 30, 2022, 2021, and 2020 is as follows:

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

Years ended June 30, 2022, 2021, and 2020

(In thousands)

	2022	2021	2020
Operating revenues	\$ 115,542	104,510	107,022
Operating expenses	133,343	123,221	103,940
Operating income (loss)	(17,801)	(18,711)	3,082
Nonoperating revenues (expenses), net	(5,397)	(353)	7,266
Change in net position	(23,198)	(19,064)	10,348
Net position, beginning of year	56,443	75,507	65,159
Net position, end of year	\$ 33,245	56,443	75,507

Operating Revenues and Expenses

The Authority's operating revenues consist of member contributions, net of reinsurance premiums. Any increases or decreases in member contributions are primarily attributable to recommended funding for campus-covered programs calculated by an independent actuarial firm employed by the Authority.

During fiscal year 2022, operating revenues totaled \$115.54 million, a increase of \$11.03 million or 11%, which was primarily due to an increase in member contributions of \$7.76 million in General Liability coverage, \$5.33 million for Property coverage, and \$2.63 million for AORMA Unemployment Insurance coverage. This is offset by \$2.89 million decrease in revenues from OCIP.

During fiscal year 2021, operating revenues totaled \$104.51 million, a decrease of \$2.51 million or 2%, which was primarily due to increase in reinsurance premiums netted against the member contributions.

During fiscal year 2022, operating expenses totaled \$133.34 million, an increase of \$10.12 million or 8% compared to the previous year, primarily due to increase in claim losses and loss adjustment expenses, net of reinsurance and deductible recoveries, of \$8.11 million, increase in insurance premium of \$5.70 million, offset by \$3.14 million decrease in declared dividend expenses.

Claim losses and loss adjustment expenses include actual claim payments made, as well as adjustments for reserves on claims. Claim case reserves are adjusted as claims develop and mature and additional information regarding potential loss amounts are known. Reserves for claims incurred but not reported, as determined by independent actuaries, are also included in this expense category. Claims administration includes expenses incurred by the Authority for claims administrator's fees and program administrator's fees, and brokerage

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commissions. Dividend distributions represent the return of contributions to CSU campuses and Auxiliary Organization members. In providing insurance coverage and risk management services to its members, the Authority incurs general and administrative and miscellaneous services expenses that are budgeted and approved by the Board of Directors annually.

During fiscal year 2021, operating expenses totaled \$123.22 million, an increase of \$19.28 million or 19% compared to the previous year, primarily due to increase in insurance premiums, dividends expenses and claim losses and loss adjustment expenses.

Nonoperating Revenues (Expenses), Net

During fiscal year 2022, net nonoperating expenses totaled \$5.40 million, an additional of \$5.04 million of investment losses, both realized and unrealized, and lower earnings from the investment portfolio where the Authority's investments are held. In fiscal year 2021, the nonoperating expenses totaled \$353 thousand which is a \$7.62 million decrease from investment gains recognized in fiscal year 2020.

Factors Impacting Future Periods

There are no known issues that are expected to materially impact the organization with respect to the COVID-19 pandemic. However, there are trends that may influence membership and developments in the hardening commercial insurance market that warrant notice.

The Authority has a limited pool of membership consisting of CSU and its not-for-profit Auxiliary Organizations. The CSU and Auxiliary Organizations are subject to economic trends which impact funding, operations, and grants and contracts.

The California workers' compensation operating environment has stabilized despite increases in the cost of medical care and prescription drugs, combined with an aging workforce. To combat increasing costs to settle workers' compensation claims, the Authority has implemented a Workers' Compensation Claims Management and Return to Work Program, as well as an ongoing claims closure initiative. Results have been positive, however, the environment may change. The annual spend on the Workers' Compensation continues to remain essentially stable year over year.

Generally, the commercial insurance and reinsurance market is stable but we see diminished capacity, increased premiums and more narrow coverage. However, weather extremes, catastrophic losses, pandemics and investment losses are areas of concern for commercial insurance carriers and the California market has experienced catastrophic claims due to pandemic, wildfire, and excessive rainfall. Institutional size risks, such as the CSU and its Auxiliary Organizations, with large valued property locations spread throughout the state are experiencing rate increases as commercial insurers raise concerns about recent natural disasters such as floods, hurricanes, and potential wildfires.

The market for excess liability for California public entities has firmed considerably. This is largely due to a significant rise in the cost of claims, especially those involving employment practices, law enforcement, and injuries to minors. The Authority manages this risk by developing long-term underwriting relationships and attracting other insurers and risk financing schemes to the program.

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Funds are invested by the Authority to pay expected claims in the pooled programs. The valuation of claims liabilities is discounted based on assumed investment earning rates. A divergence in the rate assumed for discounting claims liabilities and investment earnings can affect the ultimate claims liability recorded in the financial statements. To guard against possible divergence, the dividend calculations utilized to return excess funds to the membership use a more conservative calculation of equity.

CSU participated in the Schools Excess Liability Fund (SELF) for excess Liability coverage from July 1, 1995 to June 30, 2010. SELF has declared assessments from various coverage years, and CSU disputes the assessments. Pending litigation will determine the amount of the assessment, if any. CSURMA and Auxiliary Organization participants also are subject to the assessments and outcome of the pending litigation. The SELF assessments were the result of CA State Assembly Bill 218 which extended the time period for the filing of certain lawsuits. It is unknown whether the time period will be further extended.

The rates charged by the Authority for member contributions for the future year increased due to claim and market trends for the liability, industrial disability/nonindustrial disability/unemployment insurance, and property programs. In the May 2022 Board of Director's meeting, the fiscal year 2023 budget was approved for operating revenues of \$124.20 million and operating expenses of \$136.55 million.

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Statements of Net Position

June 30, 2022 and 2021

(In thousands)

	2022	2021
Assets:		
Current assets:		
Cash and cash equivalents	\$ —	—
Short-term investments	49,836	69,814
Accounts receivable	9,617	11,165
Loans receivable from affiliates, current portion	1,497	—
Prepaid expenses	6,550	10,046
Reinsurance recoverable – workers’ compensation	12	32
Total current assets	67,512	91,057
Noncurrent assets:		
Loans receivable from affiliates, net of current portion	—	1,497
Other long-term investments	38,692	35,271
Total noncurrent assets	38,692	36,768
Total assets	106,204	127,825
Liabilities:		
Current liabilities:		
Accounts payable	8,469	10,549
Unearned revenues	4,105	7,563
SELF assessment liability, current portion	1,364	1,364
Claims liability for losses and loss adjustment expenses – current portion:		
Reported claims	9,094	8,509
Claims incurred but not reported	11,236	8,126
Total current liabilities	34,268	36,111
Noncurrent liabilities:		
SELF assessment liability, net of current portion	—	1,364
Claims liability for losses and loss adjustment expenses – noncurrent portion:		
Reported claims	17,307	17,344
Claims incurred but not reported	21,384	16,563
Total noncurrent liabilities	38,691	35,271
Total liabilities	72,959	71,382
Net position:		
Unrestricted	33,245	56,443
Total net position	\$ 33,245	56,443

See accompanying notes to financial statements.

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Statements of Revenues, Expenses, and Changes in Net Position

June 30, 2022 and 2021

(In thousands)

	2022	2021
Operating revenues:		
Member contributions	\$ 137,848	121,907
Reinsurance premiums	(22,306)	(17,397)
Total operating revenues	115,542	104,510
Operating expenses:		
Claim losses and loss adjustment expenses	46,428	38,314
Claims administration	11,038	11,654
Insurance premiums	63,944	58,242
Dividend distributions	8,026	11,168
General and administrative	2,121	1,939
Miscellaneous services	1,786	1,904
Total operating expenses	133,343	123,221
Operating loss	(17,801)	(18,711)
Nonoperating revenues (expenses):		
Investment loss, net	(5,418)	(371)
Interest income from loans	21	18
Total nonoperating expenses, net	(5,397)	(353)
Change in net position	(23,198)	(19,064)
Net position, beginning of year	56,443	75,507
Net position, end of year	\$ 33,245	56,443

See accompanying notes to financial statements.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Statements of Cash Flows

June 30, 2022 and 2021

(In thousands)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Receipts of member contributions	\$ 113,732	105,356
Payments to providers	(79,383)	(72,574)
Payments of claims	(36,968)	(43,581)
Dividend distributions to members	(8,541)	(11,077)
Net cash used in operating activities	<u>(11,160)</u>	<u>(21,876)</u>
Cash flows from noncapital and related financing activities:		
Loan interest income received	21	18
Net cash provided by noncapital and related financing activities	<u>21</u>	<u>18</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	253,203	351,159
Purchases of investments	(250,610)	(331,367)
Withdrawals from the CSU Consolidated Investment Pool	171,123	223,880
Deposits into the CSU Consolidated Investment Pool	(160,365)	(222,584)
Investment income (loss), net	(2,212)	708
Net cash provided by investing activities	<u>11,139</u>	<u>21,796</u>
Net change in cash and cash equivalents	—	(62)
Cash and cash equivalents at beginning of year	—	62
Cash and cash equivalents at end of year	<u>\$ —</u>	<u>—</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (17,801)	(18,711)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	1,548	(1,604)
Decrease (increase) in prepaid expenses	3,496	(436)
Decrease in reinsurance recoverable – workers' compensation	20	42
Decrease in accounts payable	(2,080)	(1,972)
(Decrease) increase in unearned revenues	(3,458)	1,347
Decrease in SELF assessment liability	(1,364)	(1,363)
Increase in claims liability for losses and loss adjustment expenses	8,479	821
Net cash used in operating activities	<u>\$ (11,160)</u>	<u>(21,876)</u>

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2022 and 2021

(In thousands)

(1) Organization

On January 1, 1997, California State University (CSU or the University) and certain auxiliary organizations of the University established the California State University Risk Management Authority (the Authority) pursuant to the provisions of Section 6500 et seq. of the California Government Code (the Code). The Code authorizes CSU and Auxiliary Organizations to establish and operate pooled coverage programs and to provide related services. The Authority provides entity risk pooling programs for workers' compensation, general liability, industrial and nonindustrial disability, unemployment insurance coverage, property, construction, and other risk-related programs for its member organizations (the Members). Members participating in the Authority's coverage programs at June 30, 2022 and 2021 are as follows:

Location	Member Organization
Bakersfield	California State University, Bakersfield
Bakersfield	Associated Students, California State University, Bakersfield, Inc.
Bakersfield	California State University, Bakersfield Auxiliary for Sponsored Programs Administration
Bakersfield	California State University, Bakersfield Foundation
Bakersfield	California State University, Bakersfield Student Union, Inc.
Chancellor's Office	Office of the Chancellor
Chancellor's Office	California State University Foundation
Chancellor's Office	California State University Institute
Channel Islands	California State University, Channel Islands
Channel Islands	Associated Students of California State University, Channel Islands, Inc.
Channel Islands	California State University Channel Islands Foundation
Channel Islands	CI University Auxiliary Services, Inc.
Channel Islands	Channel Islands Site Authority
Chico	California State University, Chico
Chico	Associated Students of California State University, Chico
Chico	Auxiliary Organization Associations
Chico	Chico State Enterprises
Chico	The University Foundation, California State University, Chico
Dominguez Hills	California State University, Dominguez Hills
Dominguez Hills	Associated Students, California State University, Dominguez Hills
Dominguez Hills	California State University, Dominguez Hills Foundation
Dominguez Hills	CSU Dominguez Hills Philanthropic Foundation
Dominguez Hills	The Donald P. and Katherine B. Loker University Student Union, Inc., California State University, Dominguez Hills

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RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Notes to Financial Statements

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(In thousands)

Location	Member Organization
East Bay	California State University, East Bay
East Bay	Associated Students Inc., California State University, East Bay
East Bay	Cal State East Bay Educational Foundation
East Bay	California State University, East Bay Foundation, Inc.
Fresno	California State University, Fresno
Fresno	Associated Students of California State University, Fresno
Fresno	California State University, Fresno Association, Inc.
Fresno	California State University, Fresno Foundation
Fresno	Fresno State Programs for Children, Inc.
Fresno	The Agricultural Foundation of California State University, Fresno
Fresno	The California State University, Fresno Athletic Corporation
Fullerton	California State University, Fullerton
Fullerton	Associated Students, California State University, Fullerton, Inc.
Fullerton	Cal State Fullerton Philanthropic Foundation
Fullerton	CSU Fullerton Auxiliary Services Corporation
Humboldt	California State Polytechnic University, Humboldt
Humboldt	Associated Students, Humboldt State University
Humboldt	Humboldt State University Foundation
Humboldt	Humboldt State University Center Board of Directors
Humboldt	Humboldt State University Sponsored Programs Foundation
Long Beach	California State University, Long Beach
Long Beach	Associated Students, California State University, Long Beach
Long Beach	California State University, Long Beach Research Foundation
Long Beach	CSULB 49er Foundation
Long Beach	Forty-Niner Shops, Inc.
Los Angeles	California State University, Los Angeles
Los Angeles	Associated Students, California State University, Los Angeles, Inc.
Los Angeles	Cal State L.A. University Auxiliary Services, Inc.
Los Angeles	California State University, Los Angeles Foundation
Los Angeles	University-Student Union at California State University, Los Angeles
Maritime Academy	California State University Maritime Academy
Maritime Academy	Cal Maritime Corporation
Maritime Academy	California Maritime Academy Foundation, Inc.

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A Discretely Presented Component Unit of the California State University

Notes to Financial Statements

June 30, 2022 and 2021

(In thousands)

Location	Member Organization
Maritime Academy	The Associated Students of the California Maritime Academy
Monterey Bay	California State University, Monterey Bay
Monterey Bay	Foundation of California State University, Monterey Bay
Monterey Bay	The University Corporation at Monterey Bay
Monterey Bay	Otter Student Union at CSU Monterey Bay
Northridge	California State University, Northridge
Northridge	Associated Students, California State University, Northridge, Inc.
Northridge	California State University, Northridge Foundation
Northridge	North Campus University Park Development Corporation
Northridge	The University Corporation, CSU Northridge
Northridge	University Student Union of California State University, Northridge
Pomona	California State Polytechnic University, Pomona
Pomona	Associated Students Inc., California State Polytechnic University, Pomona
Pomona	The Cal Poly Pomona Foundation, Inc.
Pomona	Cal Poly Pomona Philanthropic Foundation
Sacramento	California State University, Sacramento
Sacramento	Associated Students of California State University, Sacramento
Sacramento	Capital Public Radio, Inc., CSU Sacramento
Sacramento	The University Foundation at Sacramento State
Sacramento	University Enterprises, Inc., CSU Sacramento
Sacramento	University Union Operation of CSUS, Inc.
San Bernardino	California State University, San Bernardino
San Bernardino	Associated Students Inc., California State University, San Bernardino
San Bernardino	CSUSB Philanthropic Foundation
San Bernardino	Santos Manuel Student Union of California State University, San Bernardino
San Bernardino	University Enterprises Corporation at CSUSB
San Diego	San Diego State University
San Diego	Associated Students, San Diego State University
San Diego	Aztec Shops, Ltd., San Diego State University
San Diego	San Diego State University Research Foundation
San Diego	The Campanile Foundation
San Francisco	San Francisco State University
San Francisco	Associated Students, Inc., San Francisco State University

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Location	Member Organization
San Francisco	San Francisco State University Foundation
San Francisco	The University Corporation, San Francisco State
San Jose	San Jose State University
San Jose	Associated Student, San Jose State University
San Jose	San Jose State University Research Foundation
San Jose	Spartan Shops, Inc., San Jose State University
San Jose	The Student Union of San Jose State University
San Jose	The Tower Foundation, San Jose State University
San Luis Obispo	California Polytechnic State University, San Luis Obispo
San Luis Obispo	Associated Students, Inc., California Polytechnic State University at San Luis Obispo
San Luis Obispo	Cal Poly Corporation
San Luis Obispo	California Polytechnic State University Foundation
San Marcos	California State University, San Marcos
San Marcos	California State University San Marcos Corporation
San Marcos	California State University San Marcos Foundation
San Marcos	The Associated Students of California State University, San Marcos
Sonoma	Sonoma State University
Sonoma	Associated Students of Sonoma State University
Sonoma	Sonoma State Enterprises, Inc.
Sonoma	Sonoma State University Foundation
Stanislaus	California State University, Stanislaus
Stanislaus	Associated Students, Inc., California State University, Stanislaus
Stanislaus	California State University, Stanislaus Auxiliary and Business Services
Stanislaus	California State University, Stanislaus Foundation
Stanislaus	University Student Center of California State University, Stanislaus

The accompanying financial statements are also included in the CSU's financial statements as a discretely presented component unit.

The Authority is managed by a board of directors, which is composed of 30 directors appointed by the CSU Executive Vice Chancellor/Chief Financial Officer, Business and Finance, and 10 directors elected by the Auxiliary Organizations, which are members of the Authority. The Executive Vice Chancellor may also appoint alternate representatives who shall serve in the absence of the primary representatives. Directors

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elected by the Auxiliary Organizations serve subject to terms and conditions adopted by the Auxiliary Organizations for election and replacement of the same. Each director of the Authority must be an officer, director, or employee of the University or an Auxiliary Organization.

The Authority assumed the losses of the University's risk pool on January 1, 1997 (inception date) in exchange for a commitment from the University to fund incurred losses. In addition, the University has made the commitment to provide sufficient cash flows to the Authority to meet its operating needs.

All post-development costs of the Authority's programs are funded by annual premiums charged to members participating in the program each policy year and by interest earnings on the accumulated funds. Premiums are based on a cost allocation plan and rating formula developed by the Authority with the assistance of actuaries, risk management consultants, and other qualified persons. The premium for each member participating in the shared risk programs includes the member's share of expected program losses, program reinsurance costs, and program administrative costs for the year. If the Authority experiences unusually large losses in one of the aforementioned programs during a policy year, those pooled funds for the program may be exhausted before the next annual premiums are due. The Board of Directors may, upon consultation, impose assessments on all participating members in the respective program to provide adequate funds to the Authority for the payment of all incurred losses.

The Authority coordinates the claims process in conjunction with various organizations. These entities include the State of California Attorney General's Office; Sedgwick Claims Management Services, Inc. (Sedgwick); Carl Warren & Company (Carl Warren); Health Special Risk, Inc. (HSR); the CSU Office of General Counsel; Systemwide Risk Management; Alliant Insurance Services (Alliant); the CSU Office of the Chancellor; and the 23 CSU campuses. Sedgwick is the third-party administrator (TPA) for all workers' compensation claims involving campuses and Auxiliary Organizations. Carl Warren is the TPA for Auxiliary Organization liability claims. HSR is the TPA for Athletic Injury Medical Expense (AIME) and Club Sports Insurance Program (CSIP) claims. Alliant administers all entity risk pooling programs provided by the Authority.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements for the Authority have been prepared under the standards promulgated by the Governmental Accounting Standards Board (GASB) using the accrual basis of accounting and economic resources measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The financial statements include the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows. The Authority is considered a special-purpose government. The Authority records revenues primarily from fees collected from the campuses and Auxiliary Organizations and, accordingly, has chosen to present its financial statements using the reporting model for special-purpose governments engaged only in business-type activities.

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

The Authority considers assets to be current when they can be reasonably expected, as part of its normal business operations, to be converted to cash and be available for liquidation of current liabilities within 12 months of the Statements of Net Position date. Liabilities that can be reasonably expected, as part of the Authority's normal business operations, to be liquidated within 12 months of the Statements of Net Position date are considered to be current. All other assets and liabilities are considered to be noncurrent. For classification of current and noncurrent investments, refer to note 2(d).

(c) Cash and Cash Equivalents and Statements of Cash Flows

The Authority considers all highly liquid investments with an original maturity date of three months or less to be cash and cash equivalents. The Authority considers amounts included in the Morgan Stanley Smith Barney and the CSU Consolidated Investment Pool to be investments. Certain transactions recorded as revenues or expenses in the accompanying Statements of Revenues, Expenses and Changes in Net Position include transactions between entities that are also participants in the Investment Pool. The Authority considers changes in the respective participants' equity in the CSU Consolidated Investment Pool resulting from these transactions to represent cash flows of the Authority in the accompanying Statements of Cash Flows.

(d) Investments

Investments are reflected at fair value using quoted market prices. Realized and unrealized gains and losses are included in the accompanying Statements of Revenues, Expenses, and Changes in Net Position as a component of investment income, net.

Investments that are used for current operations are classified as short-term investments. Investments that are restricted for withdrawal or use for other than current operations, designated or restricted for the liquidation of the noncurrent portion of long-term liabilities, or restricted as to the liquidity of the investments are classified as other long-term investments.

(e) Accounts Receivable

Accounts receivable represents amounts due from the Members and excess insurance carriers.

(f) Reinsurance Recoverable

Reinsurance recoverable represents estimated amounts due from reinsurers, who reinsured the CSU's workers' compensation claims liability for claims incurred during the fiscal year. The estimates are related to paid claims and claim adjustment expenses as of fiscal year-end. The estimated amounts recoverable from reinsurers that are related to the liabilities for unpaid claims and claim adjustment expenses are deducted from those claims liabilities for losses and loss adjustment expenses (LAE) (note 2(h)).

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(g) Member Contributions

The Authority reports contributions received from the Members in the Statements of Revenues, Expenses, and Changes in Net Position. Contribution calculations for both campuses and Auxiliary Organizations are based on program funding policies and procedures and various rating plans, including pro rata shares of the anticipated claims liabilities for losses and LAE based on actuary projections and loss rates. Contributions are recorded as revenue for the policy year in which coverage is provided. Contributions collected in advance of the policy year are recorded in the Statements of Net Position as unearned revenues.

(h) Claims Liability for Losses and LAE

The claims liability for losses and LAE included in the accompanying financial statements reflect the estimated cost of settling claims relating to events that have occurred as of fiscal year-end. The liability includes the estimated amount that will be required for future payments of claims that have been reported and claims related to events that have occurred but have not been reported. The liability is also reduced by estimated amounts recoverable from the reinsurer that are related to the liability for unpaid claims and claim adjustment expenses. The liability is estimated through an actuarial calculation using individual case basis valuations and statistical analyses. The liability is not discounted.

Claims liability is recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. Adjustments to claim liabilities are charged or credited to expense in the periods in which they are made.

In estimating unpaid losses and LAE, the Authority has employed methods and assumptions considered reasonable and appropriate given the information currently available. Given the inherent uncertainty in the nature of such estimates, future losses may deviate from those estimates.

(i) Dividend Distributions

The Authority reports dividends in the Statements of Revenues, Expenses, and Changes in Net Position for the return of contributions to the Members. Dividends to CSU campuses are based on a review of the funding status report by the Executive Committee and are distributed to each member by their pro rata contributions over the past five completed fiscal years. Dividends to any participating Auxiliary Organization are calculated and distributed in accordance with the Dividends and Assessment Policy. Dividend distributions are accrued as dividend expense once they are approved and declared by the Executive Committee and the Auxiliary Organizations Risk Management Alliance (AORMA) Committee.

(j) Net Position

The Authority's net position is classified as unrestricted. Unrestricted net position may be designated for use by the Authority. The Authority has adopted a policy of utilizing restricted funds, when available, prior to unrestricted funds.

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(k) Classification of Revenues and Expenses

The Authority considers operating revenues and expenses in the Statements of Revenues, Expenses, and Changes in Net Position to be those revenues and expenses that result from exchange transactions or other activities that are connected directly to the Authority's primary functions. Certain other transactions are reported as nonoperating revenues and expenses in accordance with GASB requirements. These nonoperating activities include the Authority's investment income, net, and interest income from loans.

(l) Income Taxes

The Authority was formed pursuant to the Code Section 6500 et seq. and, as a governmental entity, is not subject to federal or state income taxes under §115 of the Internal Revenue Code of 1986.

(m) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

(3) Cash and Cash Equivalents, Investments, and Investment Income, Net

The Authority's cash, cash equivalents, and investments as of June 30, 2022 and 2021 are classified in the accompanying Statements of Net Position as follows:

	2022	2021
Short-term investments	\$ 49,836	69,814
Other long-term investments	38,692	35,271
Total	\$ 88,528	105,085

(a) Cash and Cash Equivalents

Cash and cash equivalents consists of demand deposits held at a financial institution. There were no Cash and cash equivalents for the year ended June 30, 2022.

The Authority maintains centralized management for substantially all of its cash and cash equivalents. Cash in demand deposit accounts is minimized by sweeping available cash balances into the CSU Consolidated Investment Pool on a daily basis.

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(b) Investments

At June 30, 2022 and 2021, the Authority's investment portfolio consists of investments held at Morgan Stanley Smith Barney and in the CSU Consolidated Investment Pool. Separate accounting is maintained as to the amounts allocable to the various funds and programs.

(i) Investment Policy

State law and regulations require that surplus monies of the Authority must be invested. The primary objective of the Authority's investment policy is to safeguard the principal. The secondary objective is to meet the liquidity needs of the Authority. The third objective is to return an acceptable yield.

The Authority's investment policy authorizes funds held in local trust accounts under Education Code Sections 89721 and 89724 to be invested in any of the securities authorized by Government Code Sections 16430 and 53601, and Education Code Section 89724, subject to certain limitations. In general, the Authority's investment policy permits investments in obligations of the federal and California state governments, certificates of deposit, high-quality domestic corporate and fixed-income securities, and certain other investment instruments.

(ii) Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the custodian, the investments or deposits may not be returned to the Authority. Substantially all of the Authority's securities are registered in the Authority's name by the custodial bank as an agent for the Authority.

(iii) Interest Rate Risk

Interest rate risk is the risk that fluctuations in interest rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair market value to fluctuations in market interest rates. The Authority's investment guidelines measure interest rate risk by limiting an eligible investment to a maximum effective maturity and by limiting the average duration of the portfolio. The effective maturity date reflects a bond with embedded options, such as a call, put, or reset date, and prepayment speed resulting in the maturity of a bond being less than its final maturity date. Duration is a measure of the sensitivity of the price of an investment relative to fluctuations in market interest rates.

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Durations of the Authority's investment portfolio for each investment type as of June 30, 2022 are presented in the table below.

<u>Investment type</u>	<u>Fair value</u>	<u>Duration (in years)</u>
Asset-backed securities	\$ 3,366	4.19966
Corporate bonds	18,331	3.19902
Money market funds	1,801	—
Mortgage-backed securities	8,306	6.49214
Municipal bonds	3,476	4.13573
U.S. agency securities	521	6.91070
U.S. Treasury securities	36,578	4.78834
International bonds	1,077	1.16045
The CSU Consolidated Investment Pool	<u>15,072</u>	2.13679
Total investments	<u>\$ 88,528</u>	

Durations of the Authority's investment portfolio for each investment type as of June 30, 2021 are presented in the table below.

<u>Investment type</u>	<u>Fair value</u>	<u>Duration (in years)</u>
Asset-backed securities	\$ 3,969	4.67754
Corporate bonds	15,969	2.56455
Money market funds	1,976	—
Mortgage-backed securities	8,848	4.13258
Municipal bonds	3,418	5.60861
U.S. agency securities	661	7.83506
U.S. Treasury securities	42,483	4.33367
International bonds	1,164	2.09185
The CSU Consolidated Investment Pool	<u>26,597</u>	1.17928
Total investments	<u>\$ 105,085</u>	

Another way the Authority manages its exposure to interest rate risk is by purchasing a combination of short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or nearing maturity evenly over time as necessary to provide cash flows and liquidity needed for operations.

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(iv) *Credit Risk*

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization.

By law, the Authority invests in low credit risk securities, such as U.S. government securities, securities of federally sponsored agencies, highly rated domestic corporate bonds, prime-rated commercial paper, repurchase and reverse repurchase agreements, banker's acceptances, and negotiable certificates of deposit.

Ratings of the Authority's investment portfolio for each investment type as of June 30, 2022 are presented in the table below:

Investment type	Fair value	Ratings as of year-end				
		AAA	AA	A	BBB	Not rated
Asset-backed securities	\$ 3,366	2,243	486	293	344	—
Corporate bonds	18,331	2,672	5,598	9,711	350	—
Money market funds	1,801	1,801	—	—	—	—
Mortgage-backed securities	8,306	8,306	—	—	—	—
Municipal bonds	3,476	1,078	2,064	334	—	—
U.S. agency securities	521	521	—	—	—	—
U.S. Treasury securities	36,578	36,578	—	—	—	—
International bonds	1,077	1,077	—	—	—	—
The CSU Consolidated Investment Pool	15,072	—	—	—	—	15,072
Total investments	\$ 88,528	54,276	8,148	10,338	694	15,072

Ratings of the Authority's investment portfolio for each investment type as of June 30, 2021 are presented in the table below:

Investment type	Fair value	Ratings as of year-end				
		AAA	AA	A	BBB	BB
Asset-backed securities	\$ 3,969	2,702	552	715	—	—
Corporate bonds	15,969	2,013	7,128	6,436	365	27
Money market funds	1,976	1,976	—	—	—	—
Mortgage-backed securities	8,848	8,848	—	—	—	—
Municipal bonds	3,418	1,229	1,835	354	—	—
U.S. agency securities	661	661	—	—	—	—
U.S. Treasury securities	42,483	42,483	—	—	—	—
International bonds	1,164	1,164	—	—	—	—
The CSU Consolidated Investment Pool	26,597	—	—	—	—	26,597
Total investments	\$ 105,085	61,076	9,515	7,505	365	27

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(v) *Concentration Risk*

Concentration of credit risk rises as investments become concentrated relative to a portfolio characteristic, such as issuance, issuer, market sector, counter party, or sovereign nation, and is best mitigated by diversification. The Authority's investment policy has concentration limits that provide sufficient diversification.

As of June 30, 2022, the following investments held at Morgan Stanley Smith Barney (other than U.S. Treasury securities, mutual funds, and external investment pools) represented 5% or more of the Authority's investment held at Morgan Stanley Smith Barney: Federal National Mortgage Association totaling \$5,435 or 6.92%.

As of June 30, 2021, the following investments held at Morgan Stanley Smith Barney (other than U.S. Treasury securities, mutual funds, and external investment pools) represented 5% or more of the Authority's investment held at Morgan Stanley Smith Barney: Federal National Mortgage Association totaling \$5,336 or 6.80%.

(vi) *Fair Value Measurements*

The Authority uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine the fair value disclosures. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction among market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for the Authority's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. The Authority groups its assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability. This valuation is accomplished using management's best estimate of fair value, with inputs into the determination of fair value that require significant management judgment or estimation.

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The following table presents investments that are measured at fair value on a recurring basis at June 30, 2022:

<u>Investment type</u>	<u>Fair value</u>	<u>Level 2</u>	<u>Net asset value</u>
Asset-backed securities	\$ 3,366	3,366	—
Corporate bonds	18,331	18,331	—
Money market funds	1,801	—	1,801
Mortgage-backed securities	8,306	8,306	—
Municipal bonds	3,476	3,476	—
U.S. agency securities	521	521	—
U.S. Treasury securities	36,578	36,578	—
International bonds	1,077	1,077	—
	73,456	\$ 71,655	1,801
Investments not subject to fair value hierarchy:			
Equity in the CSU Consolidated Investment Pool	15,072		
Total investments	\$ 88,528		

The following table presents investments that are measured at fair value on a recurring basis at June 30, 2021:

<u>Investment type</u>	<u>Fair value</u>	<u>Level 2</u>	<u>Net asset value</u>
Asset-backed securities	\$ 3,969	3,969	—
Corporate bonds	15,969	15,969	—
Money market funds	1,976	—	1,976
Mortgage-backed securities	8,848	8,848	—
Municipal bonds	3,418	3,418	—
U.S. agency securities	661	661	—
U.S. Treasury securities	42,483	42,483	—
International bonds	1,164	1,164	—
	78,488	\$ 76,512	1,976
Investments not subject to fair value hierarchy:			
Equity in the CSU Consolidated Investment Pool	26,597		
Total investments	\$ 105,085		

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The following discussion describes the valuation methodologies used for financial assets and liabilities measured at fair value. The techniques utilized in estimating the fair value are affected by the assumptions used.

Investments classified in Level 2 as fair value are calculated using valuations that include observable market quoted prices for similar assets or liabilities. These include observable inputs other than quoted prices such as price services or indices, estimates, appraisals, assumptions, and other methods that are reviewed by management. Changes in market conditions and economic environments may impact the net asset value (NAV) of the funds and consequently the fair value of the Authority's interests in the funds.

Money market funds are not categorized under the fair value hierarchy and are shown at NAV. These investments are measured at amortized cost when calculating NAV per share (or its equivalent) of the investment.

(c) Investment Income (Loss), Net

Investment income (loss), net, included within the Statements of Revenues, Expenses, and Changes in Net Position is comprised of unrealized losses of \$3,206 and \$1,079, realized losses of \$3,657 and \$663, and interest and dividend income of \$1,445 and \$1,371 for the years ended June 30, 2022 and 2021, respectively.

(4) Loans Receivable from Affiliates

In June 2017, the Authority entered into a loan agreement with California State Polytechnic University, Humboldt, previously as Humboldt State University in the amount of \$1,800. The loan is nonamortizing, with interest due and payable quarterly, payable 30 days following the end of each calendar quarter. The interest rate is equal to the stated CSU Consolidated Investment Pool rate of return earned by the Authority (0.070% and 0.073% at June 30, 2022 and 2021, respectively). The maturity date of the loan is October 31, 2022. The amount outstanding on the loan was \$1,497 as of June 30, 2022 and 2021.

(5) Claims Liability for Losses and Loss Adjustment Expenses

The Authority establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related loss adjustment expenses. Although considerable variability is inherent in such estimates, management believes that the liability is reasonable at June 30, 2022 and 2021.

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Changes in the Authority's claims liability for the years ended June 30, 2022 and 2021 are as follows:

Claims liability for losses and loss adjustment expenses, June 30, 2020	\$	49,721
Less current portion		<u>(14,793)</u>
Claims liability for losses and loss adjustment expenses, June 30, 2020, net of current portion		<u>34,928</u>
Incurred claims for losses and loss adjustment expenses:		
Provision for insured events of the current fiscal year		54,707
Decrease in provision for reinsured events of the current fiscal year		(14,314)
Decrease in provision for insured events of prior fiscal years		<u>(2,079)</u>
Total incurred claims for losses and loss adjustment expenses		<u>38,314</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current fiscal year		(25,628)
Claims and claim adjustment expenses attributable to recoveries from reinsured events of the current fiscal year		51,840
Claims and claim adjustment expenses attributable to insured events of prior fiscal years		<u>(63,705)</u>
Total payments		<u>(37,493)</u>
Claims liability for losses and loss adjustment expenses, June 30, 2021	\$	<u><u>50,542</u></u>

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Claims liability for losses and loss adjustment expenses, June 30, 2021	\$	50,542
Less current portion		<u>(16,635)</u>
Claims liability for losses and loss adjustment expenses, June 30, 2021, net of current portion		<u>33,907</u>
Incurred claims for losses and loss adjustment expenses:		
Provision for insured events of the current fiscal year		55,235
Decrease in provision for reinsured events of the current fiscal year		(25,438)
Increase in provision for insured events of prior fiscal years		<u>16,632</u>
Total incurred claims for losses and loss adjustment expenses		<u>46,429</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current fiscal year		(13,545)
Claims and claim adjustment expenses attributable to recoveries from reinsured events of the current fiscal year		13,703
Claims and claim adjustment expenses attributable to insured events of prior fiscal years		<u>(38,108)</u>
Total payments		<u>(37,950)</u>
Claims liability for losses and loss adjustment expenses, June 30, 2022		59,021
Less current portion		<u>(20,330)</u>
Claims liability for losses and loss adjustment expenses, June 30, 2022, net of current portion	\$	<u><u>38,691</u></u>

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(6) Related-Party Transactions

The following represents a summary of the accounts receivable, contributions, and dividends for the years ended June 30, 2022 and 2021, and general liability insurance deductibles for the policy period detailed by member:

June 30, 2022				
Member	Accounts receivable	Contributions	Dividends	General liability insurance deductibles per occurrence
Campuses	\$ 7,057	121,232	(7,122)	50–1,000
Auxiliary Organizations	780	16,616	(904)	25–100
	\$ 7,837	137,848	(8,026)	
June 30, 2021				
Member	Accounts receivable	Contributions	Dividends	General liability insurance deductibles per occurrence
Campuses	\$ 9,138	109,528	(9,750)	50–1,000
Auxiliary Organizations	159	12,379	(1,418)	25–100
	\$ 9,297	121,907	(11,168)	

(7) Excess Insurance and Reinsurance

(a) Excess Insurance

For the years ended June 30, 2022 and 2021, the Authority purchased excess insurance to protect the Members from catastrophic losses.

The Authority maintained excess public entity liability insurance coverage provided by School Excess Liability Fund (SELF), a joint powers authority, with coverage for individual claims above \$5,000 and up to \$45,000 per occurrence until December 2009.

The Authority maintained excess general liability insurance coverage provided by various insurers with coverage for individual claims above \$15,000 up to \$225,000 per occurrence. The Authority purchased from Safety National excess workers' compensation insurance to statutory limits in excess of the \$2,500 self-insured retention for the years ended June 30, 2022 and 2021. For the AORMA workers' compensation program, the Authority also purchased from Safety National excess workers'

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compensation insurance to statutory limits in excess of the \$750 self-insured retention for the years ended June 30, 2022 and 2021. There have been no settlements exceeding insurance limits in the past three fiscal years.

Effective January 1, 2015, the Authority joined the CSAC Excess Insurance Authority Excess Workers' Compensation Program, pursuant to the memorandum of coverage issued by the EIA. In 2020, CSAC EIA changed their name to Public Risk Innovation, Solutions and Management (PRISM.) PRISM is responsible for all covered losses within the amount of the self-insured retention layer of \$2,500 for the campus workers' compensation program and \$750 for the AORMA workers' compensation program. The estimated amounts that are recoverable from PRISM as of June 30, 2022 and 2021 were \$69,514 and \$57,459 for the campus workers' compensation program and \$3,847 and \$3,644 for the AORMA workers' compensation program, respectively.

(b) Reinsurance

For the years ended June 30, 2022 and 2021, the Authority did not enter into the CSU's workers' compensation reinsurance contract. From the years ended June 30, 2008 through June 30, 2012, the Authority entered into a reinsurance contract with the Insurance Company of the State of Pennsylvania (the Reinsurer). This transaction reinsured the CSU's workers' compensation claims liability for claims incurred within the \$2,500 self-insured retention up to aggregate limits. The estimated amounts that are recoverable from the reinsurer and that reduce the liabilities as of June 30, 2022 and 2021 were \$3,852 and \$4,864, respectively. While such losses are reinsured, the Authority will not be relieved of its primary obligations to the policyholder in these reinsurance transactions.

For the years ended June 30, 2022 and 2021, the Authority purchased reinsurance for the campus and AORMA liability programs provided by various insurers. This transaction reinsured the campus and AORMA claims liability for individual claims incurred in excess of \$500 and up to \$15,000 per occurrence. The reinsurance premiums for the years ended June 30, 2022 and 2021 were \$4,213 and \$5,218, respectively. There have been no settlements in the most recent three fiscal years that have exceeded insurance limits.

For the years ended June 30, 2022 and 2021, the Authority purchased reinsurance for the campus and AORMA property programs provided by the Public Entity Property Insurance Program (the PEPPIP). This transaction reinsured the campus and AORMA property programs for individual claims in excess of \$1,000 for the Campus program and \$100 for the AORMA program, and up to \$1,000,000 per occurrence. The reinsurance premiums for the years ended June 30, 2022 and 2021 were \$18,093 and \$12,179, respectively. The coverage terms and conditions are the same as provided by the PEPPIP in prior years.

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(8) SELF Assessment Liability

Prior to July 1, 2004, the Authority maintained excess workers' compensation insurance coverage provided by SELF, a public entity risk pool. The Authority remains liable for assessments from SELF in settlement of claims incurred prior to July 1, 2004. The assessment liabilities as of June 30, 2022 and 2021 were \$1,364 and \$2,728, respectively.

(9) Subsequent Events

Subsequent events have been evaluated through September 27, 2022, which corresponds to the date when the financial statements were issued. There are no additional subsequent events that require disclosure.

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Supplementary Information

Reconciliation of Workers' Compensation Claims Liabilities

June 30, 2022 and 2021

(In thousands)

The schedule below presents the changes in claims liabilities for the Authority's workers' compensation contract for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Claims liability for losses and loss adjustment expenses, beginning of year	\$ 14,835	19,308
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	24,426	13,933
Decrease in provision for reinsured events of current fiscal year	(23,878)	(13,227)
Decrease in provision for insured events of prior fiscal years	<u>(4,441)</u>	<u>(5,133)</u>
Total incurred claims and claim adjustment expenses	<u>(3,893)</u>	<u>(4,427)</u>
Payments:		
Claims and claim adjustment expenses attributable to recoveries from reinsured events of current fiscal year	12,898	14,084
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>(12,337)</u>	<u>(14,130)</u>
Total payments	<u>561</u>	<u>(46)</u>
Claims liability for losses and loss adjustment expenses, end of year	<u>\$ 11,503</u>	<u>14,835</u>

See accompanying independent auditors' report.

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Supplementary Information

Reconciliation of General Liability Claims Liabilities

June 30, 2022 and 2021

(In thousands)

The schedule below presents the changes in claims liabilities for the Authority's general liability contract for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Claims liability for losses and loss adjustment expenses, beginning of year	\$ 29,992	23,857
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	12,469	11,629
Increase in provision for insured events of prior fiscal years	<u>21,137</u>	<u>8,659</u>
Total incurred claims and claim adjustment expenses	<u>33,606</u>	<u>20,288</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	(67)	—
Claims and claim adjustment expenses attributable to recoveries from reinsured events of current fiscal year	—	36,839
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>(21,844)</u>	<u>(50,992)</u>
Total payments	<u>(21,911)</u>	<u>(14,153)</u>
Claims liability for losses and loss adjustment expenses, end of year	<u>\$ 41,687</u>	<u>29,992</u>

See accompanying independent auditors' report.

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Supplementary Information

Reconciliation of Industrial Disability, Nonindustrial Disability, and Unemployment
Insurance (IDL/NDI/UI) Claims Liabilities

June 30, 2022 and 2021

(In thousands)

The schedule below presents the changes in claims liabilities for the Authority's IDL/NDL/UI contracts for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Claims liability for losses and loss adjustment expenses, beginning of year	\$ —	—
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	<u>9,899</u>	<u>14,769</u>
Total incurred claims and claim adjustment expenses	<u>9,899</u>	<u>14,769</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	<u>(9,899)</u>	<u>(14,769)</u>
Total payments	<u>(9,899)</u>	<u>(14,769)</u>
Claims liability for losses and loss adjustment expenses, end of year	<u>—</u>	<u>—</u>

See accompanying independent auditors' report.

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Supplementary Information
Reconciliation of Property Claims Liabilities
June 30, 2022 and 2021
(In thousands)

The schedule below presents the changes in claims liabilities for the Authority's property contract for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Claims liability for losses and loss adjustment expenses, beginning of year	\$ —	—
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	563	4,182
Decrease in provision for insured events of prior fiscal years	—	(4,375)
Total incurred claims and claim adjustment expenses	<u>563</u>	<u>(193)</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	(563)	(4,182)
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	—	4,375
Total payments	<u>(563)</u>	<u>193</u>
Claims liability for losses and loss adjustment expenses, end of year	<u>\$ —</u>	<u>—</u>

See accompanying independent auditors' report.

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Supplementary Information

Reconciliation of Athletic Injury Medical Expense (AIME) Claims Liabilities

June 30, 2022 and 2021

(In thousands)

The schedule below presents the changes in claims liabilities for the Authority's AIME contract for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Claims liability for losses and loss adjustment expenses, beginning of year	\$ 1,887	2,545
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	3,613	2,039
Increase (decrease) in provision for insured events of prior fiscal years	<u>63</u>	<u>(335)</u>
Total incurred claims and claim adjustment expenses	<u>3,676</u>	<u>1,704</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	(1,497)	(609)
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>(1,629)</u>	<u>(1,753)</u>
Total payments	<u>(3,126)</u>	<u>(2,362)</u>
Claims liability for losses and loss adjustment expenses, end of year	\$ <u>2,437</u>	<u>1,887</u>

See accompanying independent auditors' report.

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Supplementary Information

Reconciliation of Club Sports Claims Liabilities

June 30, 2022 and 2021

(In thousands)

The schedule below presents the changes in claims liabilities for the Authority's club sports contract for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Claims liability for losses and loss adjustment expenses, beginning of year	\$ —	—
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	<u>20</u>	<u>19</u>
Total incurred claims and claim adjustment expenses	<u>20</u>	<u>19</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	<u>(20)</u>	<u>(19)</u>
Total payments	<u>(20)</u>	<u>(19)</u>
Claims liability for losses and loss adjustment expenses, end of year	<u>\$ —</u>	<u>—</u>

See accompanying independent auditors' report.

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Supplementary Information

Reconciliation of AORMA Workers' Compensation Claims Liabilities

June 30, 2022 and 2021

(In thousands)

The schedule below presents the changes in claims liabilities for the AORMA workers' compensation contract for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Claims liability for losses and loss adjustment expenses, beginning of year	\$ 1,416	1,671
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	1,604	1,154
Decrease in provision for reinsured events of current fiscal year	(1,560)	(1,087)
Decrease in provision for insured events of prior fiscal years	<u>(502)</u>	<u>(92)</u>
Total incurred claims and claim adjustment expenses	<u>(458)</u>	<u>(25)</u>
Payments:		
Claims and claim adjustment expenses attributable to recoveries from reinsured events of current fiscal year	805	917
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>(965)</u>	<u>(1,147)</u>
Total payments	<u>(160)</u>	<u>(230)</u>
Claims liability for losses and loss adjustment expenses, end of year	\$ <u>798</u>	<u>1,416</u>

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Supplementary Information

June 30, 2022 and 2021

Reconciliation of AORMA General Liability Claims Liabilities

(In thousands)

The schedule below presents the changes in claims liabilities for the AORMA general liability contract for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Claims liability for losses and loss adjustment expenses, beginning of year	\$ 2,412	2,340
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	1,267	963
Increase (decrease) in provision for insured events of prior fiscal years	<u>375</u>	<u>(803)</u>
Total incurred claims and claim adjustment expenses	<u>1,642</u>	<u>160</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	(125)	(30)
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>(1,333)</u>	<u>(58)</u>
Total payments	<u>(1,458)</u>	<u>(88)</u>
Claims liability for losses and loss adjustment expenses, end of year	\$ <u><u>2,596</u></u>	<u><u>2,412</u></u>

See accompanying independent auditors' report.

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Supplementary Information

Reconciliation of AORMA Property Claims Liabilities

June 30, 2022 and 2021

(In thousands)

The schedule below presents the changes in claims liabilities for the AORMA property contract for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Claims liability for losses and loss adjustment expenses, beginning of year	\$ —	—
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	<u>217</u>	<u>300</u>
Total incurred claims and claim adjustment expenses	<u>217</u>	<u>300</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	<u>(217)</u>	<u>(300)</u>
Total payments	<u>(217)</u>	<u>(300)</u>
Claims liability for losses and loss adjustment expenses, end of year	<u>\$ —</u>	<u>—</u>

See accompanying independent auditors' report.

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Supplementary Information

Reconciliation of AORMA Unemployment Insurance Program (UIP) Claims Liabilities

June 30, 2022 and 2021

(In thousands)

The schedule below presents the changes in claims liabilities for the AORMA UIP contract for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Claims liability for losses and loss adjustment expenses, beginning of year	\$ —	—
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	<u>1,157</u>	<u>5,700</u>
Total incurred claims and claim adjustment expenses	<u>1,157</u>	<u>5,700</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	<u>(1,157)</u>	<u>(5,700)</u>
Total payments	<u>(1,157)</u>	<u>(5,700)</u>
Claims liability for losses and loss adjustment expenses, end of year	<u>\$ —</u>	<u>—</u>

See accompanying independent auditors' report.

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Schedule of Net Position

June 30, 2022

(For inclusion in the California State University Basic Financial Statements)

Assets:	
Current assets:	
Cash and cash equivalents	\$ —
Short-term investments	49,835,978
Accounts receivable, net	9,629,279
Notes receivable, current portion	1,497,091
Prepaid expenses and other assets	6,549,801
Total current assets	<u>67,512,149</u>
Noncurrent assets:	
Other long-term investments	<u>38,692,278</u>
Total noncurrent assets	<u>38,692,278</u>
Total assets	<u>106,204,427</u>
Liabilities:	
Current liabilities:	
Accounts payable	9,832,918
Unearned revenues	4,104,564
Claims liability for losses and loss adjustment expenses, current portion	20,330,076
Total current liabilities	<u>34,267,558</u>
Noncurrent liabilities:	
Claims liability for losses and loss adjustment expenses, net of current portion	<u>38,691,795</u>
Total noncurrent liabilities	<u>38,691,795</u>
Total liabilities	<u>72,959,353</u>
Net position:	
Unrestricted	<u>33,245,074</u>
Total net position	<u>\$ 33,245,074</u>

See accompanying independent auditors' report.

**CALIFORNIA STATE UNIVERSITY
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Schedule of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2022

(For inclusion in the California State University Basic Financial Statements)

Revenues:		
Operating revenues:		
Other operating revenues	\$	<u>115,542,359</u>
Total operating revenues		<u>115,542,359</u>
Expenses:		
Operating expenses:		
Instruction		4,185,568
Research		55,393
Public service		42,066
Academic support		896,085
Student services		965,251
Institutional support		118,471,563
Operation and maintenance of plant		555,460
Student grants and scholarships		—
Auxiliary enterprise expenses		145,625
Depreciation and amortization		—
Total operating expenses		<u>125,317,011</u>
Operating loss		<u>(9,774,652)</u>
Nonoperating revenues (expenses):		
Investment income, net		(5,397,083)
Other nonoperating expenses		<u>(8,026,088)</u>
Net nonoperating expenses		<u>(13,423,171)</u>
Decrease in net position		(23,197,823)
Net position:		
Net position, beginning of year		<u>56,442,897</u>
Net position, end of year	\$	<u><u>33,245,074</u></u>

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Other Information

June 30, 2022

(For inclusion in the California State University Financial Statements)

1 Cash and cash equivalents: Not applicable

2.1 Composition of investments:

	<u>Current</u>	<u>Noncurrent</u>	<u>Fair market value</u>
Money market funds	\$ 852,099	948,384	1,800,483
Repurchase agreements	—	—	—
Certificates of deposit	—	—	—
U.S. agency securities	246,784	274,670	521,454
U.S. Treasury securities	17,311,057	19,267,179	36,578,236
Municipal bonds	1,645,196	1,831,101	3,476,297
Corporate bonds	8,675,557	9,655,881	18,331,438
Asset backed securities	1,592,547	1,772,503	3,365,050
Mortgage-backed securities	3,930,994	4,375,192	8,306,186
Commercial paper	—	—	—
Mutual funds	—	—	—
Exchange traded funds	—	—	—
Equity securities	—	—	—
Alternative investments:			
Private equity (including limited partnerships)	—	—	—
Hedge funds	—	—	—
Managed futures	—	—	—
Real estate investments (including REITs)	—	—	—
Commodities	—	—	—
Derivatives	—	—	—
Other alternative investment	—	—	—
Other external investment pools	—	—	—
CSU Consolidated Investment Pool (formerly SWIFT)	15,071,978	—	15,071,978
State of California Local Agency Investment Fund (LAIF)	—	—	—
State of California Surplus Money Investment Fund (SMIF)	—	—	—
Other investments:			
International bonds	509,766	567,368	1,077,134
Total other investments	<u>509,766</u>	<u>567,368</u>	<u>1,077,134</u>
Total investments	49,835,978	38,692,278	88,528,256
Less endowment investments (enter as negative number)	—	—	—
Total investments, net of endowments	<u>\$ 49,835,978</u>	<u>38,692,278</u>	<u>88,528,256</u>

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June 30, 2022

(for inclusion in the California State University Basic Financial Statements)

2.2 Fair value hierarchy in investments:

	Fair value measurements using				Net Asset Value (NAV)
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Money market funds	\$ 1,800,483	—	—	—	1,800,483
Repurchase agreements	—	—	—	—	—
Certificates of deposit	—	—	—	—	—
U.S. agency securities	521,454	—	521,454	—	—
U.S. Treasury securities	36,578,236	—	36,578,236	—	—
Municipal bonds	3,476,297	—	3,476,297	—	—
Corporate bonds	18,331,438	—	18,331,438	—	—
Asset backed securities	3,365,050	—	3,365,050	—	—
Mortgage-backed securities	8,306,186	—	8,306,186	—	—
Commercial paper	—	—	—	—	—
Mutual funds	—	—	—	—	—
Exchange traded funds	—	—	—	—	—
Equity securities	—	—	—	—	—
Alternative investments:					
Private equity (including limited partnerships)	—	—	—	—	—
Hedge funds	—	—	—	—	—
Managed futures	—	—	—	—	—
Real estate investments (including REITs)	—	—	—	—	—
Commodities	—	—	—	—	—
Derivatives	—	—	—	—	—
Other alternative investment	—	—	—	—	—
Other external investment pools	—	—	—	—	—
CSU Consolidated Investment Pool (formerly SWIFT)	15,071,978	—	—	—	15,071,978
State of California Local Agency Investment Fund (LAIF)	—	—	—	—	—
State of California Surplus Money Investment Fund (SMIF)	—	—	—	—	—
Other investments:					
International bonds	1,077,134	—	1,077,134	—	—
Total other investments	1,077,134	—	1,077,134	—	—
Total investments	\$ 88,528,256	—	71,655,795	—	16,872,461

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Other Information

June 30, 2022

(for inclusion in the California State University Basic Financial Statements)

2.3 Investments held by the University under contractual agreements: Not applicable

3.1 Composition of capital assets: Not applicable

3.1 Composition of lease assets: Not applicable

3.2 Detail of depreciation and amortization expense: Not applicable

4 Long-term liabilities:

	<u>Balance June 30, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2022</u>	<u>Current portion</u>	<u>Noncurrent portion</u>
Claims liability for losses and loss adjustment expenses	\$ 50,542,362	46,428,482	(37,948,973)	59,021,871	20,330,076	38,691,795
Total long-term liabilities	\$ <u>50,542,362</u>	<u>46,428,482</u>	<u>(37,948,973)</u>	<u>59,021,871</u>	<u>20,330,076</u>	<u>38,691,795</u>

5 Lease liabilities schedule: Not applicable

6 Long-term debt obligations schedule: Not applicable

7 Transactions with related entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 2,253,114
Payments to University for other than salaries of University personnel	12,133
Payments received from University for services, space, and programs	—
Gifts-in-kind to the University from discretely presented component units	—
Gifts (cash or assets) to the University from discretely presented component units	—
Accounts (payable to) University	—
Other amounts (payable to) University	—
Accounts receivable from University	2,426
Other amounts receivable from University	—

8 Restatements: Not applicable

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June 30, 2022

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9 Natural classifications of operating expenses:

	Salaries	Benefits - other	Benefits - pension	Benefits - OPEB	Scholarships and fellowships	Supplies and other services	Total operating expenses
Instruction	\$ —	4,185,568	—	—	—	—	4,185,568
Research	—	55,393	—	—	—	—	55,393
Public service	—	42,066	—	—	—	—	42,066
Academic support	—	896,085	—	—	—	—	896,085
Student services	—	965,251	—	—	—	—	965,251
Institutional support	—	970,404	—	—	—	117,501,159	118,471,563
Operation and maintenance of plant	—	555,460	—	—	—	—	555,460
Student grants and scholarships	—	—	—	—	—	—	—
Auxiliary enterprise expenses	—	145,625	—	—	—	—	145,625
Depreciation and amortization	—	—	—	—	—	—	—
Total operating expenses	\$ <u>—</u>	<u>7,815,852</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>117,501,159</u>	<u>125,317,011</u>

10 Deferred outflows/inflows of resources: Not applicable

11 Other nonoperating revenues (expenses):

Other nonoperating revenues	\$ —
Other nonoperating (expenses)	<u>(8,026,088)</u>
Total other nonoperating revenues (expenses)	\$ <u>(8,026,088)</u>

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

Claims Development Information

(In thousands)

(Unaudited)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Net earned required contribution and investment revenues:										
Earned	\$ 91,560	93,935	96,997	104,997	102,346	101,752	113,265	127,701	121,554	132,451
Ceded	3,005	11,626	6,872	6,886	9,441	9,812	11,219	13,413	17,397	22,306
Net earned	\$ 88,555	82,309	90,125	98,111	92,905	91,940	102,046	114,288	104,157	110,145
Unallocated expenses	\$ 41,755	30,116	44,878	60,194	80,309	71,150	69,756	76,439	—	—
Estimated incurred claims and expenses, end of policy year:										
Incurred	\$ 59,095	59,313	60,386	56,800	60,246	63,078	67,753	62,713	54,708	55,234
Ceded	—	—	14,527	24,959	26,653	29,282	30,120	22,606	14,314	25,438
Net incurred	\$ 59,095	59,313	45,859	31,841	33,593	33,796	37,633	40,107	40,394	29,796
Paid (cumulative) as of:										
End of policy year	\$ 11,400	13,019	14,300	9,658	7,058	5,830	3,533	8,912	(26,212)	(159)
One year later	28,965	27,549	24,260	21,005	23,554	23,227	22,540	28,539	28,146	—
Two years later	35,942	32,559	26,281	24,800	25,923	24,406	28,490	35,970	—	—
Three years later	38,432	41,718	27,674	32,329	27,174	25,971	30,457	—	—	—
Four years later	40,302	43,576	28,625	32,772	28,477	29,086	—	—	—	—
Five years later	45,884	45,763	29,329	32,772	30,311	—	—	—	—	—
Six years later	49,815	47,240	30,271	32,882	—	—	—	—	—	—
Seven years later	50,100	47,649	31,490	—	—	—	—	—	—	—
Eight years later	50,443	48,310	—	—	—	—	—	—	—	—
Nine years later	50,797	—	—	—	—	—	—	—	—	—
Re-estimated ceded claims and expenses	\$ —	—	14,527	24,959	26,653	29,282	30,120	22,606	14,314	25,438
Re-estimated incurred claims and expenses:										
End of policy year	\$ 59,095	59,313	45,859	31,841	33,593	33,796	37,633	40,107	40,394	29,796
One year later	50,697	48,463	36,014	31,206	28,940	30,941	31,785	39,187	38,687	—
Two years later	50,636	49,235	33,781	29,356	28,377	27,913	33,524	44,068	—	—
Three years later	31,868	53,080	33,386	32,892	28,012	27,638	35,844	—	—	—
Four years later	37,005	53,946	32,341	33,207	29,754	32,465	—	—	—	—
Five years later	55,576	52,531	31,714	33,640	31,706	—	—	—	—	—
Six years later	54,124	51,849	32,541	33,249	—	—	—	—	—	—
Seven years later	53,504	50,283	33,492	—	—	—	—	—	—	—
Eight years later	53,673	51,130	—	—	—	—	—	—	—	—
Nine years later	52,178	—	—	—	—	—	—	—	—	—
Increase (decrease) in estimated incurred claims and expenses from end of policy year	\$ (6,917)	(8,183)	(12,367)	1,408	(1,887)	(1,331)	(1,789)	3,961	(1,707)	—

See accompanying independent auditors' report.