



CALIFORNIA STATE UNIVERSITY INSTITUTE
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 INSTITUTE
A Discretely Presented Component Unit of the California State University

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Independent Auditors' Report

The Board of Directors
California State University Institute:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the California State University Institute (Institute), 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 Institute'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 Institute 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 Institute 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 Institute'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 Institute'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 Institute'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 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 audit for the year ended June 30, 2022 was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Institute's basic financial statements for the year ended June 30, 2022. The supplementary information in schedules 1 through 3 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 for the year ended June 30, 2022 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2022.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2022 on our consideration of the Institute'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 Institute'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 Institute's internal control over financial reporting and compliance.

KPMG LLP

Irvine, California
September 26, 2022

CALIFORNIA STATE UNIVERSITY INSTITUTE
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 Institute (the Institute) 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 Institute. 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 Institute 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 Institute is considered a special-purpose government engaged in business-type activities. The Institute's basic financial statements are the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

Statements of Net Position

The Statement of Net Position presents the financial position of the Institute at the end of the fiscal year and includes all assets and liabilities of the Institute. The difference between total assets and total liabilities – net position – is one indicator of the current financial condition of the Institute, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year.

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

Condensed Schedule of Net Position

	June 30		
	2022	2021	2020
Assets:			
Current assets	\$ 19,800,639	66,472,603	131,193,807
Other noncurrent assets	<u>99,022,000</u>	<u>710,000</u>	<u>1,782,000</u>
Total assets	\$ 118,822,639	<u>67,182,603</u>	<u>132,975,807</u>
Liabilities:			
Current liabilities	\$ 16,569,725	62,654,087	127,447,349
Noncurrent liabilities	<u>99,022,000</u>	<u>710,000</u>	<u>1,782,000</u>
Total liabilities	\$ 115,591,725	<u>63,364,087</u>	<u>129,229,349</u>
Net position:			
Unrestricted	\$ 3,230,914	3,818,516	3,746,458
Total net position	\$ 3,230,914	<u>3,818,516</u>	<u>3,746,458</u>

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Assets

The Institute's assets totaled \$118.8 million on June 30, 2022 compared to \$67.2 million in the prior year, an increase of \$51.6 million. The increase is primarily attributed to new issuance on long-term Bond Anticipation Notes (BANs) receivable of \$114.7 million for San Luis Obispo Science and Agricultural Teaching and Research Complex Project and San Diego State Multi-Use Stadium at Mission Valley Project. The increase was offset by the \$62 million BAN redemption through the issuance of California State University's Systemwide Revenue Bond (SRB) Series 2021A (Tax-Exempt) and Series 2020B (Taxable) as well as the paydown of \$572 thousand for the Sacramento Parking V Project. Further, the investments decreased by \$587 thousand due to unfavorable market trend.

In previous year, the Institute's total assets decreased by \$65.8 million, to \$67.2 million in 2021 from \$133 million in 2020. The decrease is primarily due to BAN receivable redemption of \$242.1 million through the issuance of the SRB Series 2020C (Tax-Exempt), Series 2020D (Taxable) and Series 2020E (Taxable) as well as the paydown of \$572 thousand for the Sacramento Parking V Project. This is offset by the new issuance of BANs of \$176.9 million for various California State University (CSU) capital projects.

Liabilities

The Institute's liabilities totaled \$115.6 million on June 30, 2022 compared to \$63.4 million in the prior year, an increase of \$52.2 million. The increase is primarily due to new long-term commercial paper payable. There is a direct relationship between BANs and commercial paper payable. BANs are issued by the CSU to provide short-term financing for its various capital outlay projects. BANs are purchased by the Institute with proceeds from its issuance of commercial paper. BANs act as collateral for the Institute's commercial paper and contain terms consistent with the commercial paper issued. The proceeds from the new commercial paper were used to purchase new BANs as described above.

The Institute's liabilities totaled \$63.4 million on June 30, 2021, a decrease of \$65.8 million from previous year. The decrease was primarily due to a decrease in outstanding commercial paper.

Net Position

Net position serves as a useful indicator of the Institute's financial position representing the assets net of liabilities. Net position fluctuates annually due to the Institute's operating results as well as changes in investment income. The Institute's net position is classified as unrestricted, however, the unrestricted net position may be designated for use by the Institute.

The Institute's net position decreased by \$587.6 thousand, or 15% during fiscal year 2022 while it increased by \$72.1 thousand, or 2% during fiscal year 2021.

Statements of Revenues, Expenses, and Changes in Net Position

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

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A summary of the Institute's Statement of Revenues, Expenses, and Changes in Net Position is as follows:

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

	Years ended June 30		
	2022	2021	2020
Operating revenues	\$ 1,470,411	1,882,741	3,819,564
Operating expenses	<u>1,939,229</u>	<u>1,836,327</u>	<u>3,528,907</u>
Operating gain (loss)	(468,818)	46,414	290,657
Nonoperating revenues (expenses)	<u>(118,784)</u>	<u>25,644</u>	<u>114,812</u>
Change in net position	(587,602)	72,058	405,469
Net position, beginning of year	<u>3,818,516</u>	<u>3,746,458</u>	<u>3,340,989</u>
Net position, end of year	<u>\$ 3,230,914</u>	<u>3,818,516</u>	<u>3,746,458</u>

Operating Revenues and Expenses

The operating revenues totaled \$1.5 million, a decrease of \$412.3 thousand, or 22% compared to fiscal year 2021. The decrease is due to lower program support revenues from fewer BANs issuance. Similarly, in fiscal year 2021, the operating revenues totaled \$1.9 million, a decrease of \$1.9 million, or 51% compared to previous fiscal year.

The operating expenses totaled \$1.9 million, an increase of \$102.9 thousand, or 6% compared to fiscal year 2021. The increase is due to higher program costs and interest expense on outstanding commercial papers compared to fiscal year 2021. During fiscal year 2021, the operating expenses totaled \$1.8 million, a decrease of \$1.7 million, or 48% compared to previous fiscal year.

Similar to the relationship between BANs receivable and commercial paper payable, there is also a direct relationship between interest expense paid to trustee/issuing and paying agent (U.S. Bank) and interest charged to members participating in the commercial paper program. Interest charged to members typically matches interest expense.

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Long-Term Debt Obligations (Commercial Paper Program)

The Institute manages a commercial paper program for various financing activities. To minimize debt service costs during construction periods, the CSU Board of Trustees (the Board) initially finances capital improvements with proceeds of commercial paper notes. The commercial paper notes are issued by the Institute and secured by BANs, which are issued by the Board. When the commercial paper capacity reaches its maximum limit, the short-term debt is refinanced with permanent bond financing through the CSU SRB. In a few cases, financing for certain projects with shorter amortization schedules may remain in commercial paper financing rather than the traditional longer term bonds, and are amortized over shorter to medium terms using revenue derived from the projects. The Board also utilizes commercial paper issued by the Institute to internally finance certain equipment and software purchases of CSU campuses. CSU campuses enter into installment purchase obligations and make installment payments over terms consistent with the useful life of the financed equipment or software (typically 5-7 years). These installment payments are applied to repay outstanding commercial paper principal and interest, with interest adjusted annually.

Factors Impacting Future Periods

On August 3, 2022, the Institute paid off \$710 thousand tax-exempt commercial paper for Sacramento Parking Structure V project.

On September 1, 2022, the Institute rolled over, or renewed, \$7.6 million commercial paper for San Luis Obispo Science and Agricultural Teaching and Research Complex Project and \$92 million San Diego State Multi-Use Stadium at Mission Valley Project. The commercial paper was collateralized by BANs on terms consistent with the commercial paper and bears interest at the same rate as is paid on the related commercial paper.

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Statements of Net Position

June 30, 2022 and 2021

	2022	2021
Assets:		
Current assets:		
Cash and cash equivalents	\$ —	47,483
Short-Term Investments	3,306,488	3,844,466
Revenue Bond Anticipation Notes receivable, current portion	16,348,000	62,556,000
Interest receivable	124,484	2,987
Prepaid expenses	21,667	21,667
Total current assets	19,800,639	66,472,603
Noncurrent assets:		
Revenue Bond Anticipation Notes receivable, less current portion	<u>99,022,000</u>	<u>710,000</u>
Total assets	<u>\$ 118,822,639</u>	<u>67,182,603</u>
Liabilities:		
Current liabilities:		
Accounts payable	\$ 97,241	95,100
Interest payable	124,484	2,987
Commercial paper payable, current portion	16,348,000	62,556,000
Total current liabilities	16,569,725	62,654,087
Noncurrent liabilities:		
Commercial paper payable, net of current portion	<u>99,022,000</u>	<u>710,000</u>
Total liabilities	<u>\$ 115,591,725</u>	<u>63,364,087</u>
Net position:		
Unrestricted	\$ 3,230,914	3,818,516
Total net position	<u>\$ 3,230,914</u>	<u>3,818,516</u>

See accompanying notes to financial statements.

CALIFORNIA STATE UNIVERSITY INSTITUTE
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Statements of Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2022 and 2021

	2022	2021
Operating revenues:		
Program support	\$ 1,191,271	1,726,410
Interest income	279,140	156,331
Total operating revenues	<u>1,470,411</u>	<u>1,882,741</u>
Operating expenses:		
Program costs	1,660,089	1,679,996
Interest on debt	279,140	156,331
Total operating expenses	<u>1,939,229</u>	<u>1,836,327</u>
Operating gain (loss)	<u>(468,818)</u>	<u>46,414</u>
Nonoperating revenues:		
Investment income (loss), net	(119,433)	25,126
Other nonoperating revenues	649	518
Total nonoperating revenues (expenses)	<u>(118,784)</u>	<u>25,644</u>
Increase (decrease) in net position	<u>(587,602)</u>	<u>72,058</u>
Net position, beginning of year	<u>3,818,516</u>	<u>3,746,458</u>
Net position, end of year	<u>\$ 3,230,914</u>	<u>3,818,516</u>

See accompanying notes to financial statements.

CALIFORNIA STATE UNIVERSITY INSTITUTE
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Statements of Cash Flows

Years ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Program support	\$ 1,191,271	1,726,410
Expenditures and other deductions	(1,657,948)	(1,682,687)
Interest received on notes	148,516	63,331
Interest paid on commercial paper	(148,516)	(63,331)
Net cash (used in) provided by operating activities	(466,677)	43,723
Cash flows from capital and related financing activities:		
Proceeds from commercial paper	114,734,000	176,891,000
Payments of commercial paper	(572,000)	(572,000)
Net cash provided by capital and related financing activities	114,162,000	176,319,000
Cash flows from investing activities:		
Invested in Revenue Bond Anticipation Notes	(114,734,000)	(176,891,000)
Proceeds from Revenue Bond Anticipation Notes	572,000	572,000
Investment income, net	39,570	66,890
Deposits into the CSU Consolidated Investment Pool	(118,012,628)	(18,200,692)
Withdrawals from the CSU Consolidated Investment Pool	118,392,252	18,083,642
Net cash used in investing activities	(113,742,806)	(176,369,160)
Net change in cash and cash equivalents	(47,483)	(6,437)
Cash and cash equivalents at beginning of year	47,483	53,920
Cash and cash equivalents at end of year	\$ —	47,483
Reconciliation of operating (loss) gain to net cash provided by (used in) operating activities:		
Operating (loss) gain	\$ (468,818)	46,414
Adjustments to reconcile operating (loss) gain to net cash provided by (used in) operating activities:		
Changes in assets and liabilities:		
Decrease (increase) in interest receivable	(121,497)	9,571
Increase (decrease) in accounts payable	2,141	(2,691)
Increase (decrease) in interest payable	121,497	(9,571)
Net cash provided by (used in) operating activities	\$ (466,677)	43,723
Supplemental disclosures of noncash capital and related financing activities:		
Rollover of commercial paper – principal issued	\$ 179,562,000	381,632,000
Rollover of commercial paper – principal paid	(179,562,000)	(381,632,000)
BAN redemption proceeds directly paid to Commercial Paper Trustees	62,067,127	242,274,571
Commercial paper proceeds directly paid to State Treasurer's Office	(62,067,127)	(242,274,571)

See accompanying notes to financial statements.

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Notes to Financial Statements
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(1) Organization

California State University Institute (the Institute) is a nonprofit California corporation that is an auxiliary organization of the California State University (the CSU). The Institute is a discretely presented component unit of the CSU. The Institute's primary purpose is to provide financing, in the form of commercial paper, to fund projects to be undertaken at the various CSU campuses.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements for the Institute 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.

(b) Net Position

The Institute's net position is classified as unrestricted. Unrestricted net position may be designated for use by the Institute. The Institute has adopted a policy of utilizing restricted funds, when available, prior to unrestricted funds. There are no amounts required to be reported as restricted net position as of June 30, 2022 and 2021.

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

The Institute considers all highly liquid investments with an original maturity date of three months or less to be cash and cash equivalents. The Institute considers amounts included in the CSU Consolidated Investment Pool (the Investment Pool) to be investments. Certain transactions recorded as revenue 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 Institute considers changes in the respective participants' equity in the Investment Pool resulting from these transactions to represent cash flows of the Institute 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 acquisition or construction of noncurrent assets, designated or restricted for the liquidation of the noncurrent portion of long-term debt, or restricted as to the liquidity of the investments are classified as other long-term investments. There are no Long-term investments held at June 30, 2022.

(e) Revenues

The Institute reports collections from the participating members within program support in the Statements of Revenues, Expenses, and Changes in Net Position for revenues recognized during the period earned. The rates charged to campuses for short-term campus construction project financings

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are equal to the rates charged on the Institute's commercial paper. The rates charged to participating members for capital financings are higher than the rates charged on the Institute's commercial paper due to the administrative costs to run this program. Investment income, net is recognized during the period earned.

(f) Classification of Revenues and Expenses

The Institute 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 Institute's primary purposes. Exchange transactions include charges for services rendered and the acquisition of goods and services. Certain other transactions are reported as nonoperating revenues and expenses in accordance with GASB requirements. These nonoperating activities primarily include the Institute's net investment income.

(g) Income Taxes

The Institute is an organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code and is generally not subject to federal or state income taxes. However, the Institute is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purpose for which it is granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

(h) Use of Estimates

In preparing financial statements in conformity with U.S. generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual amounts may differ from those estimates.

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

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

	2022	2021
Cash and cash equivalents	\$ —	47,483
Short-term investments	<u>3,306,488</u>	<u>3,844,466</u>
Total cash, cash equivalents, and investments	<u>\$ 3,306,488</u>	<u>3,891,949</u>

(a) Cash and Cash Equivalents

Cash and cash equivalents consisted of demand deposits held at a financial institution.

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The Institute 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.

(i) Custodial Credit Risk for Deposits

Custodial credit risk is the risk that in the event of the failure of the custodian, deposits may not be returned to the Institute. The Institute's deposits are maintained at financial institutions that are Federal Deposit Insurance Corporation secured at \$250,000.

(b) Investments

At June 30, 2022 and 2021, the Institute's investment portfolio consisted of investments held 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 moneys of the Institute must be invested. The primary objective of the Institute's investment policy is to safeguard the principal. The secondary objective is to meet the liquidity needs of the Institute. The third objective is to return an acceptable yield.

The Institute's investment policy authorizes funds held in local trust accounts under Education Code Section 89721 and 89724 to be invested in any of the securities authorized by Government Code Section 16430 and Education Code Section 89724, subject to certain limitations. In general, the Institute'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 Institute. All of the Institute's securities are registered in the CSU's name by the custodial bank as an agent for the Institute.

(iii) *Interest Rate Risk*

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

The weighted average durations of the Institute's investment portfolio for each investment type are 2.13679 and 1.17928 for the years ended June 30, 2022 and 2021, respectively.

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Another way the Institute 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 flow and liquidity needed for operations.

(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 Institute 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.

(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 Institute's investment policy has concentration limits that provide sufficient diversification.

(vi) Fair Value Measurements

The Institute 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 between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances 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 Institute 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 with which a fair value 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 Institute 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.

CALIFORNIA STATE UNIVERSITY INSTITUTE
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Notes to Financial Statements

June 30, 2022 and 2021

As of June 30, 2022 and 2021, all investments held by the Institute are included in the CSU Consolidated Investment Pool and are not required to be disclosed within the Fair Value Hierarchy.

(c) Investment Income (Loss), Net

Investment income (loss), net, included within the Statements of Revenues, Expenses, and Changes in Net Position comprises changes in unrealized losses of \$159 thousand and \$41.8 thousand net of interest and dividend income of \$39.6 thousand and \$66.9 thousand for the years ended June 30, 2022 and 2021, respectively.

(4) Revenue Bond Anticipation Notes Receivable

Under the Revenue Bond Anticipation Note (BAN) Resolution, BANs are issued directly by the CSU to the Institute, rather than publicly to the capital market. Thus, BANs are considered internal obligations between CSU and the Institute. The Institute purchases the BANs which act as collateral for the issuance of commercial paper to provide interim financing for campus capital projects. Each of the BANs finances a separate project and corresponds to an issue of commercial paper (note 5).

At June 30, 2022 and 2021, the Institute held \$115.4 million and \$63.3 million, respectively, in BANs in relation to various campuses' commercial paper issuances. Interest on BANs is equal to the interest on the commercial paper with maximum and minimum weighted average interest rates at June 30, 2022 and 2021 were 1.4% and 0.17%, and 0.06% and 0.06%, respectively. As of June 30, 2022, the Institute classified \$16.3 million in BANs as current assets to be consistent with the presentation of the related commercial paper as management has the intent and ability to collect these receivables in the next fiscal year. As of June 30, 2022 and 2021, BANs receivable consisted of the following:

Project names	2022	2021
CSU Sacramento Parking Structure V Project	\$ 710,000	1,282,000
San Diego State University Mission Valley Multi-Use Stadium	107,110,000	—
San Luis Obispo Science and Agriculture Teaching and Research Complex Project	7,550,000	—
CSU Monterey Bay, University Corp. at Monterey Bay Capital Improvement Project	—	11,766,000
Long Beach Hillside Los Alamitos and Los Cerritos Renovation Project	—	31,385,000
Long Beach Housing Expansion Phase 1 – Administration and Commons Building Project	—	18,833,000
Total BANs receivable	<u>\$ 115,370,000</u>	<u>63,266,000</u>

CALIFORNIA STATE UNIVERSITY INSTITUTE

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Notes to Financial Statements

June 30, 2022 and 2021

Future BAN payments due to the Institute as of June 30, 2022 are as follows:

Year:	Total
2023	\$ 16,348,000
2024	20,528,000
2025	25,436,000
2026	30,436,000
2027	17,436,000
2028	<u>5,186,000</u>
Total	\$ <u>115,370,000</u>

The carrying amount of these notes approximates fair value as of June 30, 2022 and 2021. The fair values were estimated based on quoted market rates for instruments with similar terms and remaining maturities.

(5) Commercial Paper

The Institute manages a commercial paper program, which provides for secured borrowings through issuance of Series A Tax Exempt and Series B Taxable Notes up to an authorized aggregate principal and accrued interest amount of \$500 million. The commercial paper notes are issued in denominations of \$1 thousand principal amounts each or any integral multiple thereof, and secured by BANs and other capital financing agreements (note 4). The commercial paper program is supported by a \$300 million letter of credit facility, issued on a several but not joint basis by State Street Bank and Trust Company and Wells Fargo Bank, National Association.

As of June 30, 2022 and 2021, commercial paper with a face amount of \$115.4 million and \$63.3 million, respectively, was issued and outstanding. As of June 30, 2022, the Institute classified \$16.3 million in commercial paper payable as a current liability, consistent with the presentation of the related BANs. The borrowings have variable maturity dates not to exceed 270 days with rollover provisions at maturity and bear interest at tax-exempt or, in the case of taxable commercial paper, taxable commercial paper interest rates as calculated by the commercial paper dealers as of each maturity date. The maturing commercial paper is rolled, or renewed, until such time that a Systemwide Revenue Bond is issued to pay off the portion of the outstanding commercial paper balance. The CSU has the ability to, and intends to, extend certain BANs to periods longer than one year; accordingly, the related outstanding amount of commercial paper related to these BANs at year-end has been classified as a long-term obligation. The maximum and minimum weighted average interest rates at June 30, 2022 and 2021 were 1.4% and 0.17%, and .06% and .06%, respectively.

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Notes to Financial Statements

June 30, 2022 and 2021

The commercial paper program is bound by certain agreements, including the Trust Indenture with the trustee/paying agent and the Reimbursement Agreement with the Letter of Credit (LOC) banks. Under certain provisions of the Trust Indenture, in the event of a default, the trustee/paying agent shall take actions set forth by the BAN Resolution to effect the sale of long-term bonds to refinance outstanding commercial paper notes. Upon the occurrence of certain events of default specified in the Reimbursement Agreement, the right of the Institute and the CSU to issue notes may be terminated or be suspended by the LOC banks.

The carrying amounts of the Institute's commercial paper payable are as follows:

	2022	2021
Commercial paper payable, current portion	\$ 16,348,000	62,556,000
Commercial paper payable, net of current portion	<u>99,022,000</u>	<u>710,000</u>
Total commercial paper payable	<u>\$ 115,370,000</u>	<u>63,266,000</u>

The changes in outstanding debt during fiscal years 2022 and 2021, which include the rollover of commercial paper, are as follows:

	2022	2021
Commercial paper, beginning balance	\$ 63,266,000	129,119,000
Commercial paper issued, including rollovers – principal	294,296,000	558,523,000
Commercial paper paid, including rollovers – principal	<u>(242,192,000)</u>	<u>(624,376,000)</u>
Commercial paper, ending balance	<u>\$ 115,370,000</u>	<u>63,266,000</u>

The carrying amounts of commercial paper payable approximate their fair values as of June 30, 2022 and 2021. The fair values of commercial paper payable were estimated based on quoted market rates for instruments with similar terms and remaining maturities.

(6) Related Party Transactions

The Institute provides funding to the CSU Chancellor's Office for administrative services. The administrative services totaled \$401 thousand annually for fiscal year 2022 and 2021.

The Institute provides financing to CSU campuses to support construction projects and certain capital needs (note 4). The Institute received revenue for program support from the CSU campuses totaling \$1.2 million and \$1.7 million at June 30, 2022 and 2021, respectively. Additionally, interest income received by the Institute from CSU campuses was \$279.1 thousand and \$156.3 thousand for the years ended June 30, 2022 and 2021, respectively.

(7) Subsequent Events

Subsequent events have been evaluated through September 26, 2022, which corresponds to the date when the financial statements were issued. There are no subsequent events that require disclosure.

Schedule 1

CALIFORNIA STATE UNIVERSITY INSTITUTE
A Discretely Presented Component Unit of the California State University

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		3,306,488
Accounts receivable, net		124,484
Lease receivables, current portion		—
Notes receivable, current portion		16,348,000
Pledges receivable, net		—
Prepaid expenses and other current assets		<u>21,667</u>
Total current assets		<u>19,800,639</u>
Noncurrent assets:		
Restricted cash and cash equivalents		—
Accounts receivable, net		—
Lease receivables, net of current portion		—
Notes receivable, net of current portion		99,022,000
Student loans receivable, net		—
Pledges receivable, net		—
Endowment investments		—
Other long-term investments		—
Capital assets, net		—
Other assets		—
Total noncurrent assets		<u>99,022,000</u>
Total assets	\$	<u>118,822,639</u>

Deferred outflows of resources:

Unamortized loss on debt refunding	\$	—
Net pension liability		—
Net OPEB liability		—
Leases		—
Others		—
Total deferred outflows of resources	\$	<u>—</u>

Liabilities:

Current liabilities:		
Accounts payable	\$	97,241
Accrued salaries and benefits		—
Accrued compensated absences, current portion		—
Unearned revenues		—
Lease liabilities, current portion		—
Long-term debt obligations, current portion		16,348,000
Claims liability for losses and loss adjustment expenses, current portion		—
Depository accounts		—
Other liabilities		<u>124,484</u>
Total current liabilities		<u>16,569,725</u>

Schedule 1

CALIFORNIA STATE UNIVERSITY INSTITUTE
A Discretely Presented Component Unit of the California State University

Schedule of Net Position

June 30, 2022

(for inclusion in the California State University basic financial statements)

Noncurrent liabilities:		
Accrued compensated absences, net of current portion	\$	—
Unearned revenues		—
Grants refundable		—
Lease liabilities, net of current portion		—
Long-term debt obligations, net of current portion		99,022,000
Claims liability for losses and loss adjustment expenses, net of current portion		—
Depository accounts		—
Net other postemployment benefits liability		—
Net pension liability		—
Other liabilities		—
Total noncurrent liabilities		99,022,000
Total liabilities	\$	115,591,725
Deferred inflows of resources:		
Service concession arrangements	\$	—
Net pension liability		—
Net OPEB liability		—
Unamortized gain on debt refunding		—
Nonexchange transactions		—
Lease		—
Others		—
Total deferred inflows of resources	\$	—
Net position:		
Net investment in capital assets	\$	—
Restricted for:		
Nonexpendable – endowments		—
Expendable:		
Scholarships and fellowships		—
Research		—
Loans		—
Capital projects		—
Debt service		—
Others		—
Unrestricted		3,230,914
Total net position	\$	3,230,914

See accompanying independent auditor's report.

Schedule 2

CALIFORNIA STATE UNIVERSITY INSTITUTE
A Discretely Presented Component Unit of the California State University

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:

Student tuition and fees, gross	\$ —
Scholarship allowances	—
Grants and contracts, noncapital:	—
Federal	—
State	—
Local	—
Nongovernmental	—
Sales and services of educational activities	—
Sales and services of auxiliary enterprises, gross	—
Scholarship allowances	—
Other operating revenues	1,470,411
Total operating revenues	1,470,411

Expenses:

Operating expenses:

Instruction	—
Research	—
Public service	—
Academic support	—
Student services	—
Institutional support	—
Operation and maintenance of plant	—
Student grants and scholarships	—
Auxiliary enterprise expenses	1,939,229
Depreciation and amortization	—
Total operating expenses	1,939,229
Operating loss	(468,818)

Nonoperating revenues:

State appropriations, noncapital	—
Federal financial aid grants, noncapital	—
State financial aid grants, noncapital	—
Local financial aid grants, noncapital	—
Nongovernmental and other financial aid grants, noncapital	—
Other federal nonoperating grants, noncapital	—
Gifts, noncapital	—
Investment income (loss), net	(119,433)
Endowment income (loss), net	—
Interest expense	—
Other nonoperating revenues (expenses)	649
Net nonoperating revenues (expenses)	(118,784)
Income (loss) before other revenues (expenses)	(587,602)

Schedule 2

CALIFORNIA STATE UNIVERSITY INSTITUTE
A Discretely Presented Component Unit of the California State University
Schedule of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2022
(for inclusion in the California State University basic financial statements)

State appropriations, capital	\$	—
Grants and gifts, capital		—
Additions (reductions) to permanent endowments		—
Decrease in net position		<u>(587,602)</u>
Net position:		
Net position at beginning of year, as previously reported		3,818,516
Restatements		—
Net position at beginning of year, as restated		<u>3,818,516</u>
Net position at end of year	\$	<u>3,230,914</u>

See accompanying independent auditor's report.

Schedule 3

CALIFORNIA STATE UNIVERSITY INSTITUTE
A Discretely Presented Component Unit of the California State University
Other Information
June 30, 2022
(for inclusion in the California State University basic financial statements)

1. Cash and cash equivalent

Portion of restricted cash and cash equivalents related to endowments	\$	—
All other restricted cash and cash equivalents		—
Noncurrent restricted cash and cash equivalents		—
Current cash and cash equivalents		—
Total	\$	—

2. Composition of investments:

	Current	Noncurrent	Total
Money market funds	\$ —	—	—
Repurchase agreements	—	—	—
Certificates of deposit	—	—	—
U.S. agency securities	—	—	—
U.S. treasury securities	—	—	—
Municipal bonds	—	—	—
Corporate bonds	—	—	—
Asset-backed securities	—	—	—
Mortgage-backed securities	—	—	—
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 types	—	—	—

Schedule 3

CALIFORNIA STATE UNIVERSITY INSTITUTE
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Other Information
June 30, 2022
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	Current	Noncurrent	Total
Other external investment pools	\$ —	—	—
CSU Consolidated Investment Pool (formerly SWIFT)	3,306,488	—	3,306,488
State of California Local Agency Investment Fund (LAIF)	—	—	—
State of California Surplus Money Investment Fund (SMIF)	—	—	—
Other investments	—	—	—
Total other investments	<u>3,306,488</u>	<u>—</u>	<u>3,306,488</u>
Total investments	3,306,488	—	3,306,488
Less endowment investments (enter as negative number)	—	—	—
Total investments, net of endowments	<u>\$ 3,306,488</u>	<u>—</u>	<u>3,306,488</u>

Schedule 3

CALIFORNIA STATE UNIVERSITY INSTITUTE
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(for inclusion in the California State University basic financial statements)

2.2 Fair value hierarchy in investments:

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Net asset value (NAV)
Money market funds	\$ —	—	—	—	—
Repurchase agreements	\$ —	—	—	—	—
Certificates of deposit	\$ —	—	—	—	—
U.S. agency securities	\$ —	—	—	—	—
U.S. treasury securities	\$ —	—	—	—	—
Municipal bonds	\$ —	—	—	—	—
Corporate bonds	\$ —	—	—	—	—
Asset-backed securities	\$ —	—	—	—	—
Mortgage-backed securities	\$ —	—	—	—	—
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 types	\$ —	—	—	—	—
Other external investment pools	\$ —	—	—	—	—
State of California Local Agency Investment Fund (LAIF)	\$ —	—	—	—	—
State of California Surplus Money Investment Fund (SMIF)	\$ —	—	—	—	—
	\$ —	—	—	—	—
Equity in CSU Consolidated Investment Pool	\$ 3,306,488	—	—	—	—
Total investments	<u>\$ 3,306,488</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Schedule 3

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Other Information
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(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

3.2 Detail of depreciation and amortization expense: Not Applicable

4. Long-term liabilities:

Long-term debt obligations:

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Current portion	Noncurrent portion
Commercial paper	\$ 63,266,000	294,296,000	(242,192,000)	115,370,000	16,348,000	99,022,000
Total long-term liabilities	\$ —	—	—	—	—	—

5. Lease liabilities schedule: Not Applicable

6. Long-term debt obligations schedule:

	Auxiliary revenue bonds (non-SRB related)			All other long-term debt obligations		Total long-term debt obligations			
	Principal only	Interest only	Principal and interest	Principal only	Interest only	Principal and interest	Principal only	Interest only	Principal and interest
<i>Year ending June 30:</i>									
2023	\$ —	—	—	16,348,000	—	16,348,000	16,348,000	—	16,348,000
2024	—	—	—	20,528,000	—	20,528,000	20,528,000	—	20,528,000
2025	—	—	—	25,436,000	—	25,436,000	25,436,000	—	25,436,000
2026	—	—	—	30,436,000	—	30,436,000	30,436,000	—	30,436,000
2027	—	—	—	17,436,000	—	17,436,000	17,436,000	—	17,436,000
2028–2032	—	—	—	5,186,000	—	5,186,000	5,186,000	—	5,186,000
Total minimum payments	\$ —	—	—	115,370,000	—	115,370,000	115,370,000	—	115,370,000
Less amounts representing interest								—	—
Present value of future minimum payments								115,370,000	
Unamortized net premium/(discount)								—	—
Total long-term debt obligations								115,370,000	
Less current portion								(16,348,000)	
Long-term debt obligations, net of current portion								\$ 99,022,000	

Schedule 3

CALIFORNIA STATE UNIVERSITY INSTITUTE
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Other Information
June 30, 2022
(for inclusion in the California State University basic financial statements)

7. Transactions with related entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 400,970
Payments to University for other than salaries of University personnel	—
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 (enter as negative number)	—
Other amounts (payable to) University (enter as negative number)	—
Accounts receivable from University (enter as positive number)	—
Other amounts receivable from University (enter as positive number)	—

8. Restatements:

Not Applicable

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	\$ —	—	—	—	—	—	—	—
Research	—	—	—	—	—	—	—	—
Public service	—	—	—	—	—	—	—	—
Academic support	—	—	—	—	—	—	—	—
Student services	—	—	—	—	—	—	—	—
Institutional support	—	—	—	—	—	—	—	—
Operation and maintenance of plant	—	—	—	—	—	—	—	—
Student grants and scholarships	—	—	—	—	—	—	—	—
Auxiliary enterprise expenses	—	—	—	—	—	1,939,229	—	1,939,229
Depreciation and amortization	—	—	—	—	—	—	—	—
 Total operating expenses	 \$ —	 —	 —	 —	 —	 1,939,229	 —	 1,939,229

10. Deferred outflows/inflows of resources:

Not Applicable

11. Other nonoperating revenues (expenses)

Other nonoperating revenues	\$ 649
Other nonoperating (expenses)	—
 Total other nonoperating revenues (expenses)	 \$ <u>649</u>