

**THE UNIVERSITY CORPORATION, SAN FRANCISCO STATE
(COMPONENT UNIT OF SAN FRANCISCO STATE UNIVERSITY)**

FINANCIAL STATEMENTS

June 30, 2024 and 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The University Corporation, San Francisco State

Opinion

We have audited the accompanying financial statements of The University Corporation, San Francisco State (Component Unit of San Francisco State University) (the Corporation), which comprise the statements of net position as of June 30, 2024 and 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2024 and 2023, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our 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 accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis (MD&A) on pages 4-14 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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 opinions on the financial statements as a whole. The accompanying supplemental informational schedules on pages 40-56 are presented for purposes of additional analysis and are 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental informational schedules 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, 2024, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



Long Beach, California
September 27, 2024

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

**Management Discussion and Analysis
(Unaudited)**

This section of The University Corporation, San Francisco State (the Corporation) annual financial report presents management’s discussion and analysis of the financial performance of the Corporation for the fiscal year ended June 30, 2024.

The Corporation presents its financial statements for fiscal year 2024 with comparative data presented for fiscal year 2023. The emphasis of this discussion concerning these statements will be for the fiscal years ended June 30, 2024 and 2023. There are three financial statements presented: the statements of net position; the statements of revenues, expenses, and changes in net position; and the statements of cash flows.

The following discussion and analysis are intended to help readers of the Corporation’s financial statements to have a better understanding of its financial position and operating activities. It should be read in conjunction with the related financial statements and footnotes. The financial statements, footnotes, and this discussion and analysis were prepared by the Corporation and are the responsibility of its management.

The Corporation

The Corporation is a nonprofit auxiliary organization of San Francisco State University (the University) with a 501(c)(3) designation with the Internal Revenue Service. The Corporation's purpose is to support, promote, and assist the University in meeting its educational mission.

The business-type activities (BTA) reporting model has been adopted by the California State University (CSU) system for use by all of its member campuses. The CSU determined the BTA model best represents the combined activities of the CSU and its auxiliary corporations.

The Corporation’s June 30, 2024 and 2023 financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements have been met.

Highlights of Financial Operations

- Net Position

The Corporation’s net position increased during fiscal year 2024. The Corporation’s overall net position stands at \$63,288,974 at June 30, 2024, an increase of \$12,344,581 over the previous fiscal year.

- Operating Revenues and Expenses

Grants and contracts saw a significant increase over fiscal year 2024 due to receiving two large grants from Genentech Foundation supporting students pursuing certificates in Data Science and Machine Learning for Biotechnology as well as a scholar program also within the college of science and engineering.

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

**Management Discussion and Analysis – Continued
(Unaudited)**

Highlights of Financial Operations (Continued)

- Operating Revenues and Expenses (Continued)

The Corporation continued its ongoing management of the Student Organization banking program in fiscal year 2024, for which it assumed responsibility in fiscal year 2018. Student Organizations generated \$208,024 in program revenues and contributions. Student Organizations also generated \$106,273 in expenses. The Corporation's retail and commercial services locations were completely occupied with proprietors during the fiscal year, except for the vending location which officially terminated its contract the prior fiscal year. Retail and commercial operations revenues remained below pre-Covid-19 levels; however, revenues for the retail operations remained consistent in fiscal year 2024.

Expenses for vendor operations in the Cesar Chavez Student Center were \$1,010,625. The Corporation manages vending within the Cesar Chavez Student Center. Revenues from vendor operations covered expenses and UCorp administrative fees. Any remaining revenues would be donated to Associated Student (AS). For fiscal year 2024, there was no residual net income contributed to AS.

Non-Operating Revenues and Expenses

The Corporation's total non-operating revenues increased during fiscal year 2024 because of the Corporation's investments earnings and contributions increasing in fiscal year 2024. The market rebounded, though still turbulent.

Financial Position

The statements of net position present the financial position of the Corporation at the end of fiscal years 2024 and 2023. The purpose of the statement of net position is to present to the readers of the financial statements a fiscal summary of the Corporation. From the data presented, the readers of the statements of net position are able to determine the assets available to continue the operations of the Corporation. The readers are also able to determine how much the Corporation owes its vendors, and to assess other liabilities. Finally, the statements of net position provide an overview of the net position (assets, deferred outflows of resources minus liabilities, and deferred inflows of resources) and their availability for expenditure.

Net position is divided into three major categories. The first category includes those assets invested in capital assets, which present the Corporation's equity in property and equipment. The next asset category includes restricted assets, which are divided into two categories: nonexpendable and expendable.

The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted assets are available for expenditure by the Corporation but must be spent for purposes as determined by donors and/or external entities that have placed time, purpose, or legal restrictions on the use of the assets. The final category is unrestricted assets that are available to the Corporation for any lawful purpose of the Corporation.

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

**Management Discussion and Analysis – Continued
(Unaudited)**

Financial Position (Continued)

The detailed statements of net position are included with the financial statements. A condensed version is shown below:

Condensed Statements of Net Position - June 30, 2024, 2023, and 2022:

	2024	2023	2022
Assets:			
Current assets	\$ 41,024,604	\$ 36,855,613	\$ 29,966,323
Noncurrent assets	53,600,873	43,589,138	44,277,098
Total assets	94,625,477	80,844,751	74,243,421
Deferred outflows of resources	-	-	-
Total assets and deferred outflows of resources	\$ 94,625,477	\$ 80,444,751	\$ 74,243,421
Liabilities:			
Current liabilities	\$ 3,291,019	\$ 2,551,602	\$ 2,854,793
Noncurrent liabilities	8,357,409	8,390,737	8,247,254
Total liabilities	11,648,428	10,942,339	11,102,047
Deferred inflows of resources	19,688,075	18,558,019	19,919,231
Net position:			
Investment in capital assets	9,813,645	10,246,037	10,431,565
Restricted:			
Non-expendable - endowments	707,991	669,951	649,772
Expendable	53,363,231	41,835,725	33,798,211
Unrestricted	(595,893)	(1,807,320)	(1,657,405)
Total net position	63,288,974	50,944,393	43,222,143
Total liabilities, deferred inflows of resources, and net position	\$ 94,625,477	\$ 80,444,751	\$ 74,243,421

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

**Management Discussion and Analysis – Continued
(Unaudited)**

Assets

Current assets in fiscal year 2024 increased by \$4,168,991 (11%). The driving factors that contributed to the increase in current assets were primarily attributed to the increase in current investments and accounts receivable. Current investments were higher due to increase in the Corporation's LAIF account balance at June 30, 2024 due to cash received related to the endowment payout for the spending accounts housed under the Corporation.

Accounts receivable increased by \$1,003,451 (65%) in 2024. The receivables increased in fiscal year 2024 due to an increase in receivables from its related parties, which payments are expected to be received early in fiscal year 2025. A receivable existed for Associated Students regarding the transfer of space within the Cesar Chavez Student Center which the Corporation held. The Corporation remodeled the space before the Covid-19 pandemic in support of the campus for a University Club. As the campus continues to recover from the effect of the pandemic, the purpose of the space materialized. The Associated Students acquired the space for the \$750,000 from the Corporation, which was the net book value of the asset. The Associated Students was invoiced on June 27, 2024, for the fee which contributed to the increase in accounts receivable. During 2024, the Corporation and the University continued the process of invoicing more activity between the two entities to better track revenues owed. The current pledge receivables decreased significantly by \$4,340,593 (97%). The decrease in current pledges is directly related to the payoff of large multiyear grant pledges.

Current assets in fiscal year 2023 increased by \$6,889,290 (23%). The increase in current assets can be primarily attributed to an increase in current investments and cash. Current investments were higher due to an increase in the Corporation's LAIF account balance at year-end and cash received during the month.

Accounts receivable increased by \$111,154 (8%) in 2023. The receivables increased in fiscal year 2023 due to an increase in receivables from its related parties and grants at year-end, for which payments will be received early in fiscal year 2024. The Corporation continues to improve its collection process of overdue invoices greater than 90 days by following up on outstanding invoices more frequently and collaborating with vendors that have fallen behind. In fiscal year 2023, invoices outstanding of 90 days were significantly reduced. During 2023, the Corporation and the University continued the process of invoicing more activity between the two entities to better track revenues owed. The current pledges receivable decreased by \$436,522 (9%). The decrease in current pledges is directly related to nearing the end of a \$10,200,000 multi-year grant pledge which has one year remaining. The Corporation continue to receive smaller multi-year grants.

Noncurrent assets increased in fiscal year 2024, \$10,011,735 (23%) over 2023. The increase is attributable to pledge receivables increasing by \$9,019,782 as a result of receiving two multi-year grant awards totaling \$13,999,899. Lease receivables also increased \$1,534,361 (8%) due to some of the leases extending option periods through 2034. Capital assets decreased by \$432,392 (4%) due to depreciation for fiscal year 2024 increasing the Corporation's accumulated depreciation. GASB 87 requires all leases and contracts that meet the definition of a lease to be reported on the statements of net position.

Noncurrent assets decreased in fiscal year 2023, \$687,960 (2%) over 2022. The decrease was related to reclassification of long-term noncurrent lease receivables of \$675,208 to current lease under GASB 87. Noncurrent asset investments overall value increased in 2023 by \$539,780 (4%) compared to fiscal year 2022. Capital assets decreased by \$185,528 (2%) due to depreciation for fiscal year 2023 increasing the Corporation's accumulated depreciation. GASB 87 requires all leases and contracts that meet the definition of a lease to be reported on the statement of net position.

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

**Management Discussion and Analysis – Continued
(Unaudited)**

Liabilities

In fiscal year 2024, current liabilities increased \$739,417 (29%) over 2023. The increase is related primarily to increases in accounts payable of \$635,057 (62%) and payable to related parties of \$304,928 (30%). Year-end accruals increased accounts payable in fiscal year 2024 compared to fiscal year 2023 primarily due to new equipment purchased for the new science building in preparation of the building opening for the start of Fall 2024. Related-party payables increased due to payments to the University for scholarships, salary reimbursements, and other services for invoices received at year-end.

In fiscal year 2023, current liabilities decreased \$303,191 (11%) over 2022. The decrease is related primarily to a decrease in year-end accruals to the Corporation's related-party payables to the University for scholarships, salary reimbursements, and other services.

Noncurrent liabilities in fiscal year 2024 decreased slightly by \$33,328 (.4%) over 2023, which is attributable to the recognition of noncurrent lease liabilities, required under GASB 87, for the Corporation's lease obligations.

Noncurrent liabilities in fiscal year 2023 increased by \$143,483 (2%) over 2022, which is attributable to the recognition of noncurrent lease liabilities, required under GASB 87, for the Corporation's lease obligations.

Deferred inflows of resources equaled \$19,688,075 and \$18,558,019 at June 30, 2024 and 2023, respectively. Deferred inflows of resources increased due to expanding the option period for vendor leases recorded at present value. Deferred inflows of resources also include charitable annuities held by the CSU Foundation. The charitable annuities held by the Corporation decreased \$8,732 in fiscal year 2024 due to the present value of market value.

Net Position

As of June 30, 2024, the total net position is \$63,288,974, which is an increase of \$12,344,581 (24%) over fiscal year 2023. The increase is attributable to increases in grants and contracts, program revenues, and contributions. During 2024, the Corporation's investment portfolio ended fiscal year 2024 with positive returns of 8.6% compared to 2023.

As of June 30, 2023, the total net position was \$50,944,393, which was an increase of \$7,722,250 (18%) over fiscal year 2022. During 2023, the Corporation's investment portfolio ended the fiscal year 2023 with positive returns of 8.7% compared to 2022.

Results of Operations

The statements of revenues, expenses, and changes in net position present the Corporation's operating results, as well as the non-operating revenues and expenses. Operating revenues primarily include grants, contracts, retail operations, and program revenues. Gifts and investment income are classified as prescribed by GASB. Net non-operating revenues or expenses are an integral component in determining the increase or decrease in net position.

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

**Management Discussion and Analysis – Continued
(Unaudited)**

Results of Operations (Continued)

The detailed statements of revenues, expenses, and changes in net position for the years ended June 30, 2024 and 2023 is included in the financial statements. A condensed version is shown below:

Condensed Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2024, 2023, and 2022:

	2024	2023	2022
Operating revenues (expenses):			
Revenues	\$ 28,788,601	\$ 24,805,322	\$ 15,064,170
Expenses	(23,059,133)	(22,816,592)	(20,036,979)
Operating income (expense)	<u>5,729,468</u>	<u>1,988,730</u>	<u>(4,972,809)</u>
Non-operating revenues (expenses):			
Contributions	4,192,221	3,158,830	4,110,506
Investment return	3,174,450	2,628,747	(2,895,104)
Endowment fees	(13,531)	(12,916)	(14,203)
Other non-operating expenses	(738,027)	(41,141)	-
Total non-operating revenues (expenses)	<u>6,615,113</u>	<u>5,733,520</u>	<u>1,201,199</u>
Change in net position	<u>\$ 12,344,581</u>	<u>\$ 7,722,250</u>	<u>\$ (3,771,610)</u>

OPERATING REVENUES

Retail, Program, Grants, and Contracts Revenues

For fiscal year 2024, revenues increased over fiscal year 2023 by \$3,983,279 (16%). Grants and contracts increased significantly in fiscal year 2024 over 2023 with an increase of \$5,464,972 (62%) due to receiving two large multi-year grant pledges totaling \$13,999,999. Retail revenues remained below pre-pandemic levels; however, revenues in each location have continued to improve post-pandemic. Fiscal year 2024 saw revenues for retail locations increase for all shops. Revenues overall were down \$244,779 (17%) for retail revenues compared to the prior fiscal year due to reporting revenues from Follet being recorded as rental income instead of as commission. This change is related to the structure of the contract base changing from commission to based on space starting in fiscal year 2023.

For fiscal year 2023, revenues increased over fiscal year 2022 by \$9,741,152 (65%). Grants and contracts increased significantly in fiscal year 2023 over 2022 with an increase of \$4,790,172 (118%). Retail revenues remained below pre-pandemic levels; however, revenues in each location have continued to improve post-pandemic. The revenues in fiscal year 2023 is 56% of pre-pandemic levels. Retail revenues increased \$860,129 (146%) over fiscal year 2022. Rental income revenues decreased in fiscal year 2023 over 2022 by \$518,998 (17%). Also, the rental increase reflects rental revenues under GASB 87 for all leases held by the Corporation. The Corporation amended its vending partner's rent schedule in 2023 by using a percentage calculated based on the population and applying that against the rent noted in the contract to get the amended rent for the period.

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

**Management Discussion and Analysis – Continued
(Unaudited)**

OPERATING REVENUES (CONTINUED)

Retail, Program, Grants, and Contracts Revenues (Continued)

Program revenues are the function of the many projects administered by the Corporation as well as programs run by the Corporation, which must be self-supporting. Program revenues consist of revenues received to support campus programs and student scholarships.

Program revenues increased by \$523,578 (19%) in 2024 over 2023. A few programs which increased program revenues include:

- SNFC/Summer Operating Fund is a program which operates classes and workshops at a field campus in Sierra County. SNFC operates classes around natural sciences, land management, art, music, and culture. In fiscal year 2024, registration revenues increased by \$157,000 over fiscal year 2023. Extensive efforts have been expended to increase attendance at the campus exceeding pre-pandemic levels.
- The Family Acceptance Project is a program that provides research, education, and intervention initiatives to help families learn to support their LGBTQ+ children. Program revenues increased \$228,425 over the prior fiscal year.

Program revenues decreased by \$46,483 (2%) in 2023 over 2022. Programs which had a decrease in program revenues include:

- Commencement is an activity managed under the Corporation in which revenues are received by the campus to manage costs associated with commencement. Commencement revenues were less in fiscal year 2023 compared to fiscal year 2022 as only one commencement ceremony took place in 2023. In fiscal year 2022, the University had two commencement ceremonies, one of which was a makeup ceremony missed during Covid-19.
- The RET (Rehabilitation Engineering Technology) Project provides technology solutions for people with disabilities and injuries. RET program revenues decreased in fiscal year 2023 as the program is slowly winding down.

The Corporation's self-operated retail locations include two convenience store locations, a 24-hour automatic vending location, and a copy center which provide printing services for the campus community. Revenues for these retail locations during the fiscal year 2024 increased over fiscal year 2023 as the campus population began to stabilize post-pandemic. Though campus traffic has not returned to pre-pandemic levels, the campus population in fiscal year 2024 has established a new normal level. In 2024, the self-operated enterprises fared as follows:

- Open 24, an automated 24-hour vending machine, generated retail revenues of \$41,231 and \$74,459 in fiscal years 2024 and 2023, respectively. Open 24 ceased to be operational in fiscal year 2024 as a result of the machine being vandalized, causing it to be inoperable for over two weeks, a technical issue which slowed processing credit card sales, and lastly, increased sales in Lobby Shop and Healthy U, resulting in decreased revenues in Open 24.

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

**Management Discussion and Analysis – Continued
(Unaudited)**

OPERATING REVENUES (CONTINUED)

Retail, Program, Grants, and Contracts Revenues (Continued)

- Retail revenues for both convenience store operations were higher in 2024 over 2023. Revenues for the stores continued grow in 2024, though still lower than revenues prior to the pandemic. Healthy U revenues were \$321,602 and \$321,603 in fiscal years 2024 and 2023 respectively. The implementation of the EBT program significantly increased revenues for Healthy U during the fiscal year. The Lobby Shop revenues were \$582,265 and \$494,265 in fiscal years 2024 and 2023, respectively.
- Ctrl+P, an on-campus copy center, operated by the Corporation, had revenues of \$261,157 and \$225,835 in fiscal years 2024 and 2023, respectively. Ctrl+P is a vital resource for the campus community, providing services to the campus, college departments, and students and has continued improving and increasing services offered in fiscal year 2024.

Revenues for these retail locations during the fiscal year increased over fiscal year 2022 as foot traffic continued to increase in fiscal year 2023. Revenues for the retail operations were 56% of pre-pandemic levels during the fiscal year. In 2023, the self-operated enterprises fared as follows:

- Open 24, an automated 24-hour vending machine, continued to operate but with very limited revenues. It generated retail revenues of \$74,459 and \$55,479 in fiscal years 2024 and 2023, respectively.
- Retail revenues for both convenience store operations were higher in 2023 over 2022 due to the stores continuing to grow as foot traffic increased on campus the fiscal year. Healthy U was open during the fiscal year with revenues of \$235,369. The Lobby Shop revenues were \$494,265 and \$178,492 in fiscal years 2023 and 2022, respectively.
- Ctrl+P, an on-campus copy center, operated by the Corporation, had revenues of \$225,835 and \$130,366 in fiscal years 2023 and 2022, respectively. Ctrl+P is a vital resource for the campus community, providing services to the campus, and continued in fiscal year 2023 to expand and provide printing services to campus departments as well as the campus communications group.

Follett runs the University's campus bookstore through its contract with the Corporation. The lease payments became \$350,000 annually in fiscal year 2024 per the contract.

Related-party revenues represent revenues received from the campus or other auxiliaries on campus. The related-party revenues are largely revenues received from endowments held by the San Francisco State Foundation to provide support for campus programs (salary reimbursement, program expenses, and department chairs) and scholarships.

In 2024, related-party revenues decreased by \$2,047,421 (22%) over 2023. The decrease is related to a one-time additional payout transfer from the endowment fund in the prior year. In 2023, related-party revenues increased by \$4,564,696 (99%) over 2022. Funds received through payout from the endowments held by the San Francisco State Foundation are used to support campus programs, department chairs, and scholarships.

Indirect costs from grants, contracts, and campus programs were eliminated against revenues so as not to double count the total revenues and expenses. Indirect costs were \$492,224 and \$524,499 as of June 30, 2024 and 2023, respectively.

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

**Management Discussion and Analysis – Continued
(Unaudited)**

OPERATING REVENUES (CONTINUED)

Rental Income

The Corporation's rental income includes 21 food-vending tenants, a bank, ATMs, and construction companies leasing storage space. The campus population remained below pre-pandemic levels during fiscal year 2024. The Corporation's food vendors continue to be impacted by the change in population on campus, however population has continued to grow as the campus continues to adjust to expected enrollment levels. The Corporation discontinued rent amendments to its vendors in fiscal year 2024 and established created amendments to their contract resetting for rent going forward. The new rent makes revenues more predictable and will increase three percent per year. Chase, one of the ATM vendors, terminated their lease in December 2023. The Corporation increased its short-term leases with construction companies leasing storage space which increased revenues collected on the Corporation's Sutro site by \$12,108. Rental income increased in the fiscal year 2024 by \$233,890 (9%). The increase is related to higher rent collected with the new rent structure and recognition of rental revenues for all leases that meet the GASB 87 requirement on a straight-line basis.

The campus population remained below pre-pandemic levels during fiscal year 2023. The Corporation's food vendors continued to be impacted by the change in population on campus. The Corporation continued providing rent amendments to its vendors in response to the ongoing challenge the vendors were experiencing with a reduced campus population. The amendments were based on the calculation of a percentage of the population applied to the actual rent charged. The rental amendments did not apply to the bank, ATMs, or the construction company leasing storage space; in those instances, the Corporation continued to receive rental income based on the original agreement. Rental income decreased in fiscal year 2023 by \$518,998 (17%). The decrease is related to reduction of rent for the Corporation retail space in the Cesar Chavez Student Center. The increase is related to recognition of rental revenues for all leases that meet the GASB 87 requirement on a straight-line basis.

Other Revenues

Other revenues is a category where generally one time or non-reoccurring revenues that do not belong in the other operating revenues categories are captured.

In 2024, other revenues increased by \$53,039 (278%) over 2023. In fiscal year 2024, the Corporation received \$43,080 from an insurance claim related to snow damage in fiscal year 2023 at the SNFC. In 2023, other revenues decreased by \$1,330 (7%).

OPERATING EXPENSES

Operating expenses are tied to the use of funds from grants, contracts, donations, program revenues, retail operations, transfers, and other miscellaneous sources.

Operating expenses increased in fiscal year 2024 by \$242,541 (1%) over 2023. In fiscal year 2024, indirect costs of \$492,224 were eliminated against revenues from grants, contracts, and campus programs, so as not to double count the total revenues and expenses. Expenses related to grants and contracts increased by \$868,934 (17%) during 2024 as grants provided more student support through stipends and scholarships. Scholarship expenses increased over the prior year by \$344,033 (15%), as increased support from endowments to support direct student support through scholarships and stipends were given out to students in 2024.

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

**Management Discussion and Analysis – Continued
(Unaudited)**

OPERATING EXPENSES (CONTINUED)

Operating expenses increased in fiscal year 2023 by \$2,779,613 (14%) over 2022. In fiscal year 2023, indirect costs of \$524,499 were eliminated against revenues from grants, contracts, and campus programs, so as not to double count the total revenues and expenses. Expenses related to grants and contracts increased by \$115,094 (2%) during 2023 as grants provided more student support through stipends and scholarships. Scholarship expenses increased over the prior year by \$206,525 (10%), as increased support from endowments to support direct student support through scholarships and stipends were given out to students in 2023.

During fiscal year 2024, the Corporation's retail expenses decreased \$121,247 (7%) over 2023, for retail operations salary expenses were less in 2024. As sales increase, expenses are directly impacted by staffing and cost of goods sold. Though the level of activity for the retail locations remains below pre-pandemic levels, operations are trending in a positive direction.

During fiscal year 2023, the Corporation's retail expenses increased \$555,733 (44%) over 2022 as business operations continued seeing an uptick in on campus traffic. As sales increase, expenses are directly impacted by staffing and cost of goods sold. Though the level of activity for the retail locations remains below pre-pandemic levels, operations are trending in a positive direction.

Management and general expenses decreased in 2024 by \$1,149,004 (21%). Salary and benefits increased due to providing cost of living increases to staff members' salaries in alignment with the University.

Management and general expenses increased in 2023 by \$1,649,242 (43%) over 2022. The Corporation hired two staff members during the fiscal year, one for purchasing products for the University, and one for marketing. Salary and benefits also increased due to providing cost of living increases to staff members' salaries in alignment with the University. Overall, increased expenses for management and general occur as the campus moves closer to normal operations with more traffic on campus in such areas as utilities and building maintenance.

NON-OPERATING REVENUES AND EXPENSES

Contributions

Contributions are recognized as revenues when they are verifiable, measurable, probable of collection, and the Corporation has met all time and eligibility requirements. Contributions increased in fiscal year 2024 over the prior fiscal year by \$1,033,391 (33%). The Corporation received a few significant gifts in 2024 to support the chair in College of Ethnic Studies, SNFC, and scholarships that were not received in 2023.

Contributions are recognized as revenues when they are verifiable, measurable, probable of collection, and the Corporation has met all time and eligibility requirements. Contributions decreased in fiscal year 2023 over the prior fiscal year by \$951,676 (23%). The Corporation received a few large one-time gifts in 2022 that were not received in 2023. Though contributions decreased, the Corporation continued to receive steady contributions to support the overall mission of the University's programs which provided support to scholarships and faculty support.

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

**Management Discussion and Analysis – Continued
(Unaudited)**

NON-OPERATING REVENUES AND EXPENSES (CONTINUED)

Investment Return

Investment income increased in fiscal year 2024, though interest rates were still higher than projected. The Federal Reserve still has options that can be used to control inflation as it is still expected that the Federal Reserve will reduce interest rates. Investment returns for the fiscal year increased \$545,703 (21%) over the prior fiscal years' earnings. Equities and fixed income both exceeded the benchmarks. The Corporation portfolio returned 8.6% for the fiscal year with U.S. equities returning 17.3% and U.S. fixed income returned 3.7%. The Corporation's total composite for the fiscal year end was up 8.7%. The alternatives in the portfolio were down for the fiscal year end by 9.1%.

Other Non-operating Revenues (Expenses)

Other nonoperating revenues(expenses) increased in fiscal year 2024 over fiscal year 2023 by \$696,886 as a result of system changes for managing leases according to GASB 87. There were one-time reconciling adjustments which were recorded in fiscal year 2024 due to changing systems. The changes that contributed to variances were calculating leases at the beginning versus the end of the lease as well as changing from annual or quarterly to monthly calculations.

SIGNIFICANT ITEMS

The Corporation continued its commercial retail and rental programs. In 2024, the retail and rental program revenues were still below return to pre-pandemic levels; however, fiscal year 2024 was the first year since pre-pandemic where revenues saw a significant increase and stabilized. In fiscal year 2023, the Corporation retail operations ended fiscal year 2024, 17% of last year and the overall profitability of the retail operations showed clear signs of moving out of the pandemic and establishing new revenues levels and expectations. During the fiscal year, there was one vending location vacant, and all other locations were open.

During fiscal year 2024, the Corporation did not renew its line of credit with the Bank of San Francisco. The Corporation obtained a line of credit as a response to campus closures because of Covid-19 to ensure there would be no cashflow issues as revenues were significantly impacted. The Corporation maintained the line of credit for three years which during that period, did not have need to access the line of credit. With the stabilization of retail and rental income it was determined that the line of credit was no longer needed.

During fiscal year 2024, the Corporation also had a change in leadership. The Corporation's Executive Director, Jason Porth who was appointed January 2014 retired. Tammie Ridgell, the Director of Finance and Administration was appointed the interim Executive Director in March 2024. There were also two staff retirements at June 30, 2024.

The Corporation believes all other significant items have already been disclosed and they do not have a significant effect on future operations, or these effects have already been included in the current financial statements.

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

STATEMENTS OF NET POSITION

June 30,

	2024	2023
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,576,514	\$ 2,157,351
Investments, unrestricted	35,975,471	27,428,260
Pledges receivable, current	149,019	4,489,612
Accounts receivable, net	2,558,583	1,555,132
Lease receivables, current portion	701,868	1,141,564
Prepaid expenses and other assets	63,149	83,694
Total current assets	41,024,604	36,855,613
NONCURRENT ASSETS:		
Pledges receivable, net of current portion	9,620,796	601,014
Lease receivables, net of current portion	20,165,832	18,631,471
Investments:		
Unrestricted	13,292,609	13,440,665
Restricted	707,991	669,951
Capital assets, net	9,813,645	10,246,037
Total noncurrent assets	53,600,873	43,589,138
Total assets	94,625,477	80,444,751
DEFERRED OUTFLOWS OF RESOURCES	-	-
Total assets and deferred outflows of resources	\$ 94,625,477	\$ 80,444,751

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

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

STATEMENTS OF NET POSITION - CONTINUED

June 30,

	2024	2023
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,652,089	\$ 1,017,032
Accrued salaries and benefits payable	155,826	339,684
Accrued compensated absences	56,810	79,297
Payable to related parties	1,314,250	1,009,322
Unearned revenue	6,700	5,696
Lease liabilities - current portion	105,344	100,571
Total current liabilities	3,291,019	2,551,602
NONCURRENT LIABILITIES:		
Lease liabilities - noncurrent portion	8,357,409	8,390,737
Total noncurrent liabilities	8,357,409	8,390,737
Total liabilities	11,648,428	10,942,339
DEFERRED INFLOWS OF RESOURCES (NOTE 2)	19,688,075	18,558,019
NET POSITION:		
Invested in capital assets	9,813,645	10,246,037
Restricted for:		
Nonexpendable - endowments	707,991	669,951
Expendable	53,363,231	41,835,725
Unrestricted	(595,893)	(1,807,320)
Total net position	63,288,974	50,944,393
Total liabilities, deferred inflows of resources and net position	\$ 94,625,477	\$ 80,444,751

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

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years ended June 30,

	2024	2023
Operating revenues:		
Grants and contract revenue	\$ 14,322,410	\$ 8,857,438
Program revenue	3,344,773	2,821,195
Retail revenue	1,206,255	1,451,034
Programs funded by related parties	7,105,573	9,152,994
Rental income	2,737,486	2,503,596
Other revenues	72,104	19,065
	28,788,601	24,805,322
Total operating revenues		
Operating expenses:		
Grants and contracts	6,023,672	5,154,738
Campus programs	7,363,904	7,155,187
Rental expenses	275,256	269,251
Student scholarships	2,642,107	2,298,074
Management and general	4,311,738	5,460,742
Retail expenses	1,696,669	1,817,916
Depreciation	639,514	574,772
Student organization	106,273	85,912
	23,059,133	22,816,592
Total operating expenses		
Operating income	5,729,468	1,988,730
Non-operating revenues (expenses):		
Contributions	4,192,221	3,158,830
Investment return	3,174,450	2,628,747
Endowment fees	(13,531)	(12,916)
Other non-operating expenses	(738,027)	(41,141)
	6,615,113	5,733,520
Net non-operating revenues to permanent endowment		
Change in net position	12,344,581	7,722,250
Net position, beginning of the year	50,944,393	43,222,143
Net position, end of the year	\$ 63,288,974	\$ 50,944,393

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

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

STATEMENTS OF CASH FLOWS

Years ended June 30,

	2024	2023
Cash flows from operating activities:		
Receipts from programs	\$ 19,625,435	\$ 23,515,634
Rent receipts	2,737,486	2,503,596
Payments to suppliers	(10,628,846)	(14,020,011)
Payments to employees for services	(8,836,170)	(6,534,053)
Scholarships to students	(2,642,107)	(2,298,074)
Other	72,104	19,065
	<u>327,902</u>	<u>3,186,157</u>
Net cash provided by operating activities		
Cash flows from non-capital financing activities:		
Donations received	4,312,570	3,291,308
Deferred inflows of resources - financing leases	(1,089,243)	(1,363,997)
Principal payments under lease obligations	(101,789)	(78,720)
Non-operating expense - loss on early termination of lease	-	41,141
	<u>3,121,538</u>	<u>1,889,732</u>
Net cash provided by non-capital financing activities		
Cash flows from capital and related financing activities:		
Proceeds on disposal of capital assets	750,000	-
Purchase of capital assets	(941,218)	(120,735)
	<u>(191,218)</u>	<u>(120,735)</u>
Net cash used in capital and related financing activities		
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	14,403,090	17,350,045
Purchase of investments	(19,700,567)	(21,702,556)
Investment income	1,458,418	777,597
	<u>(3,839,059)</u>	<u>(3,574,914)</u>
Net cash used in investing activities		
Net change in cash and cash equivalents	(580,837)	1,380,240
Cash and cash equivalents, beginning of year	2,157,351	777,111
Cash and cash equivalents, end of year	\$ 1,576,514	\$ 2,157,351
Supplemental disclosures of cash flow activity:		
Non-cash activity:		
Right-of-use assets	\$ 73,182	\$ 268,508
Obtaining right-of-use assets in exchange for lease liabilities	\$ 73,234	\$ 268,508
Leases receivable	\$ 1,716,671	\$ -
Deferred inflows of resources - financing leases	\$ 2,400,010	\$ -

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

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

STATEMENTS OF CASH FLOWS - CONTINUED

Years ended June 30,

	2024	2023
Reconciliation of operating loss to net cash flows from operating activities:		
Operating income	\$ 5,729,468	\$ 1,988,730
Adjustments to reconcile operating income to net cash flows used by operating activities:		
Depreciation	639,514	574,772
Interest expense	(257,475)	(260,822)
Loss on disposal of asset	57,278	-
Other non-operating loss related to leases	531,474	-
Reduction of deferred inflows attributable to operations	(221,950)	-
Changes in operating assets and liabilities:		
Pledges receivable	(4,808,272)	673,833
Accounts receivable, net	(1,003,451)	(111,154)
Lease receivables, net	(1,093,873)	720,948
Prepaid expenses and other assets	20,545	(50,654)
Accounts payable	635,057	176,125
Accrued salaries and benefits payable	(183,858)	44,735
Accrued compensated absences	(22,487)	(19,849)
Payable to related parties	304,928	(519,778)
Unearned revenue	1,004	(30,729)
	(5,401,566)	1,197,427
Total adjustments		
	\$ 327,902	\$ 3,186,157
Supplemental disclosures of cash flow activity:		
Noncash activity:		
Donation of stock received	\$ 377,059	\$ 52,080
Unrealized gains	\$ 1,598,957	\$ 1,781,088

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

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 1 - ORGANIZATION

The University Corporation, San Francisco State (the Corporation), formerly the San Francisco State University Foundation, Inc., is a nonprofit, tax-exempt California corporation. The Corporation serves as an auxiliary organization of San Francisco State University. The Corporation is a component unit of San Francisco State University (the University).

The Corporation was established in 1946 for the purpose of promoting and assisting the University through administration of educational projects, university research and development projects, commercial services, and community outreach programs. The Corporation has grants and contracts, and agreements with state, local, and private agencies and organizations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The basic financial statements required by the Governmental Accounting Standards Board (GASB) Statement Nos. 34, 35, and 36 include the statements of net position as of June 30, 2024 and 2023, and the related statements of revenue, expenses, and changes in net position, and cash flows. As a component unit of a public institution, the Corporation has chosen to present its basic financial statements using the reporting model for special purpose governments engaged only in business-type activities. This model allows all financial information for the Corporation to be reported in a single column in each of the basic financial statements. In accordance with the business-type activities reporting model, the Corporation prepares its statements of cash flows using the direct method.

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), as prescribed by GASB. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Generally, grants, contributions, and similar items are recognized as revenues as soon as all eligibility requirements have been met.

The Corporation considers assets to be current that can reasonably be 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 date of the statements of net position. Liabilities that reasonably can be expected, as part of the Corporation's normal business operations, to be liquidated within 12 months of the date of the statements of net position are considered to be current. All other assets and liabilities are considered noncurrent, with the exception of those amounts that are required to be reported as deferred outflows or inflows of resources. The Corporation follows GASB 63 and 65, which provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statements of net position and related disclosures. The standard defines deferred outflows or inflows of resources as transactions that result in the consumption or acquisition of net assets in one period that are applicable to future periods.

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The Corporation's net position is classified into the following categories:

- *Invested in Capital Assets:* Capital assets, net of accumulated depreciation; and any related debt;
- *Restricted, Nonexpendable:* Net position subject to externally imposed conditions that the Corporation retains in perpetuity. Net position in this category consists of endowments;
- *Restricted, Expendable:* Net position subject to externally imposed conditions that can be fulfilled by the actions of the Corporation or by the passage of time. This category includes grants and contracts, scholarships, and fellowships;
- *Unrestricted:* All unrestricted net position that may be designated for use by management or the Board of Directors.

Cash and Cash Equivalents

Cash and cash equivalents consist of unrestricted cash, checking accounts, savings accounts, and money market funds held outside of investment brokerage accounts with an original maturity date of three months or less.

Custodial Credit Risk - In the case of bank deposits, this is the risk that in the event of a bank failure, the Corporation's deposits may not be returned. The Corporation does not have a formal policy addressing custodial credit risk for its bank deposits. Although the Corporation is not a government agency, the financial institutions, in which the Corporation makes its deposits, have collateralized the deposits in accordance with section 53601 et. Seq. of the California Government Code. Wells Fargo is a financial institution whereby the Federal Deposit Insurance Corporation (FDIC) insures deposits. Deposits of more than the \$250,000 insured amount would be collateralized by the bank by pledging identifiable collateral according to statute. Periodically, throughout the years ended June 30, 2024 and 2023, the Corporation maintained balances in excess of the federally insured limits.

Accounts Receivable, Net

Accounts receivable include amounts due from special projects, business services, contracts, and other receivables from the University. Accounts receivable of \$2,558,583 and \$1,555,132 as of June 30, 2024, and 2023, respectively, are shown net of an allowance for uncollectible accounts of \$1,669 and \$10,000, respectively.

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable, Net

Pledges receivable are unconditional promises of private gifts to the Corporation. Pledges meeting the requirements specified by GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions* (GASB 33), are included in the financial statements as pledges receivable and recognized as revenues in the period pledged. Pledges extending beyond one year are discounted to recognize the present value of the future cash flows.

Pledges receivable as of June 30,	2024	2023
One year	\$ 149,019	\$ 4,489,612
Two to five	9,620,796	601,014
Total	\$ 9,769,815	\$ 5,090,626

In subsequent years, this discount is accreted and recorded as additional contribution revenues in accordance with donor-imposed restrictions. The allowance for uncollectible pledges is determined by management. At June 30, 2024 and 2023, management determined that there were no uncollectible pledges. Discounts are computed using risk-adjusted market rates. Amortization of the discounts is included in grants and contracts revenues. The discount rate used to calculate the present value of pledges is 8.50% and 8.25% for the fiscal years 2024 and 2023, respectively. The total discounts were \$2,074,389 and \$54,446 at June 30, 2024 and 2023, respectively. Conditional promises and intentions to pledge are recognized as receivables and revenues when the specific condition and/or eligibility and recognition requirement is met.

The pledges receivable balance also includes annuities, which are held by the CSU Foundation on behalf of the Corporation, which serves as the designated entity for the University to collect and administer current use gifts. The annuities have been recorded at present value of the total annuity. The annuity recorded was \$103,460 and \$112,192 as of June 30, 2024 and 2023, respectively.

Investments

Investments are stated at fair value. The Corporation pools available resources into savings, management, and investment accounts. Interest and dividends earned are allocated to the respective endowment funds, net of fees, based on the ratio of a fund's invested resources to the total amount invested.

Investments in alternative investments are based upon the Corporation's net asset value (NAV) of the fair value of underlying assets as reported by the entities in their financial statements or as determined by the fund manager. In some cases, the underlying assets are marketable securities with quoted market prices. In other situations, the underlying assets are not marketable, and the fund managers determine valuations. Due to the inherent uncertainty of valuation of non-marketable and restricted investments, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material. Additionally, these investments may have liquidity constraints, including lock-up periods of a quarter or longer.

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Investments

Investments made from donor-restricted endowments are pooled with the Corporation's other investments. Any appreciation of such investments is tracked separately and recorded in unrestricted net assets as long as the donor has not restricted those earnings. The Uniform Prudent Management of Institutional Funds Act (UPMIFA), passed in July 2006 and adopted by California in 2008, authorizes an institution to spend the amount it deems prudent considering the donor's intent, the purposes of the fund, and relevant economic factors. According to the Corporation's policy, up to 4% of the earnings may be distributed each year. Earnings available for distribution are identified as interest, dividends, and realized gains and losses and are calculated quarterly based on the average daily balance of the portfolio.

The Corporation invests these funds to produce current income to meet spending needs and to preserve the real value of the endowment principal. The payout policy objective is interlinked with the investment objectives for the total fund and has been formulated in the context of the overarching goal for prudent management of endowments: to optimize the balance between preserving the real (after inflation) long-term purchasing power of the endowment principal with the need to make annual distributions to campus beneficiaries.

Capital Assets

Capital assets, which include property, leasehold improvements, and equipment, are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from five to ten years for equipment and ten to thirty years for buildings and amortization of related improvements over the lesser of the lease term or useful life. Property and equipment with a value of less than \$5,000 is not capitalized. Annually, the Corporation transfers ownership of the capital assets belonging to closed projects to the University, where appropriate. In addition, the Corporation also transfers capital assets purchased by Corporation projects when those assets are requested to be transferred to the University. There was no net book value of transfers made to the University during the fiscal years ended June 30, 2024 and 2023.

As a result of the GASB 87 presentation, leased assets which include land improvement and leased equipment are disclosed separately from other capital assets.

Compensated Absences

Employees accrue annual vacation leave based on length of service and job classification.

Revenues and Expenses

The Corporation classifies operating revenues into six categories: program revenues, grants and contracts, programs funded by related parties, retail revenues, rental income and other revenues. Program revenues, grants and contracts, and programs funded by related parties are derived from program-specific grants and contracts and contributions arising from exchange transactions with federal, state, local, and private foundations and individual contributions restricted for a particular program. Programs funded by related parties primarily represent revenues transferred from the San Francisco State University Foundation (the Foundation) for scholarships and campus programs.

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues and Expenses (Continued)

Retail revenues and expenses include revenues from the operation of two convenience stores, the 24-hour automated vending machine, and a copy center. The balance relates to commission revenues from the operator of the University's bookstore.

Rental income is comprised of revenues generated from food vendors and commercial space leased to various corporations.

Other revenues are revenues that are not required to be reported under program revenues or rental income.

The non-operating revenues and expenses category includes revenues from restricted and unrestricted contributions where the restrictions have been met and transferred. This category also includes investment returns, which are net of administrative fees charged per the investment policy (such as interest, dividends, and net realized and unrealized gains and losses). During the fiscal year 2024, there was a one-time reconciling adjustment of \$696,886 non-operating expenses related to system changes for managing leases according to GASB 87.

Use of Estimates

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

Income Taxes

The Corporation is a not-for-profit corporation and is exempt from federal and state income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code and the California Tax Code. Continuance of such exemption is subject to compliance with laws and regulations of the taxing authorities. Certain activities considered unrelated to the tax-exempt purposes of the Corporation may generate income that is taxable. No provision has been recorded for income taxes, as the net income from unrelated business in the opinion of management is not material to the basic financial statements taken as a whole. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

Fair Value Measurement

The GASB issued Statement No. 72, *Fair Value Measurement and Application (February 2015)*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (Continued)

The following represents the fair value hierarchy model applicable under the standard:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.

Level 2 - Inputs (other than quoted market prices included within level 1) that are observable for the asset/liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset/liability; used to the extent that observable inputs are not available.

NAV - the fair value of underlying assets as reported by the entities in their financial statements or as determined by the fund manager. In some cases, the underlying assets are marketable securities with quoted market prices. In other situations, the underlying assets are not marketable, and the fund managers determine valuations. Due to the inherent uncertainty of valuation of non-marketable and restricted investments, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material. Additionally, these investments may have liquidity constraints, including lock-up periods of a quarter or longer.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and would only be recognized as an inflow of resources (revenue) at that time. The Corporation has two items that qualifies for reporting in this category as of June 30, 2024: 1) deferred inflows from charitable gift annuities held at California State University Foundation for \$103,460 and 2) \$19,584,615 deferred inflows of resources related to lease arrangements that are recognized on a straight line-basis over the life of the arrangements.

Lease Revenues and Expense

The Corporation recognizes lease revenues on a straight-line basis over the term of the respective lease on the statements of revenues, expenses, and changes in net position. In 2022, with the implementation of GASB 87, a lessor is required to recognize a lease receivable and a deferred inflow of resources on the statements of net position.

The Corporation recognizes lease expense on a straight-line basis over the term of the respective lease on the statements of revenues, expenses, and changes in net position. In 2022, with the implementation of GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset on the statements of net position.

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 3 – INVESTMENTS

Investments consist of the following as of June 30, 2024:

	Fair Value	Investment Maturities (Years)				
		< 1	1 – 5	6 – 10	10+	Other
Local Agency Investment Fund	\$ 15,966,650	\$ 15,966,650	\$ -	\$ -	\$ -	\$ -
Broker Money Market Funds	595,115	595,115	-	-	-	-
Treasury Bonds	2,686,843	665,341	1,069,480	952,022	-	-
Agency Securities	480,296	72,988	147,319	259,989	-	-
Corporate Debt Securities	2,531,239	613,456	1,465,850	451,933	-	-
Municipal Bonds	393,689	72,820	290,913	29,956	-	-
Mortgage Backed	611,211	-	9,625	61,056	540,530	-
Mutual Funds	6,683,719	6,683,719	-	-	-	-
CMO & Asset-backed Securities	463,807	33,498	399,570	30,739	-	-
REIT	263,250	263,250	-	-	-	-
Equity Securities	15,589,331	11,008,634	-	-	-	4,580,697
Alternative Investments	3,710,921	-	-	-	-	3,710,921
	<u>\$ 49,976,071</u>	<u>\$ 35,975,471</u>	<u>\$ 3,382,757</u>	<u>\$ 1,785,695</u>	<u>\$ 540,530</u>	<u>\$ 8,291,618</u>

Investments consist of the following as of June 30, 2023:

	Fair Value	Investment Maturities (Years)				
		< 1	1 – 5	6 – 10	10+	Other
Local Agency Investment Fund	\$ 10,070,555	\$ 10,070,555	\$ -	\$ -	\$ -	\$ -
Broker Money Market Funds	451,603	451,603	-	-	-	-
Treasury Bonds	2,427,391	301,111	1,393,552	732,728	-	-
Agency Securities	371,331	-	161,779	209,552	-	-
Corporate Debt Securities	2,726,768	535,171	1,651,617	512,991	26,989	-
Municipal Bonds	379,526	39,598	300,404	39,524	-	-
Mortgage Backed	437,475	44,297	13,028	33,852	346,298	-
Mutual Funds	6,130,461	6,130,461	-	-	-	-
CMO & Asset-backed Securities	394,199	20,836	342,396	30,967	-	-
REIT	220,252	220,252	-	-	-	-
Equity Securities	13,856,181	9,614,376	-	-	-	4,241,805
Alternative Investments	4,073,134	-	-	-	-	4,073,134
	<u>\$ 41,538,876</u>	<u>\$ 27,428,260</u>	<u>\$ 3,862,776</u>	<u>\$ 1,559,614</u>	<u>\$ 373,287</u>	<u>\$ 8,314,939</u>

**The University Corporation, San Francisco State
(Component Unit of San Francisco State University)**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 3 – INVESTMENTS (CONTINUED)

Investment return for the years ended June 30, 2024 and 2023 consists of the following:

	2024	2023
Interest and Dividends	\$ 1,382,779	\$ 853,341
Realized and Unrealized Gain	1,981,214	1,936,894
Management Fees	(189,543)	(161,488)
	\$ 3,174,450	\$ 2,628,747

Interest Rate Risk - The Corporation mitigates its interest rate risk using professional money managers that use their judgment on the selection of debt securities. The Corporation does not currently have a formal policy on future maturity limitations.

Credit Risk - The Corporation's investment policy provides that all investments must be rated at least investment grade by one nationally recognized ratings agency. In the event that an investment falls below investment grade, the manager must notify the Corporation of the downgrade and provide a recommended course of action. Securities rated BBB are limited to 10% of the managers' bond portfolio, and the maximum exposure to an issuer rated BBB is limited to 3% of the Corporation's fixed income holdings.

Concentration of Credit Risk - Securities held by any one issuer are limited to 10% of a particular money manager's bond portfolio and 3% of the Corporation's total fixed income holdings. Individual equities are also mandated to be no more than 5% of the stock portfolio. As a result, no one issuer exceeds 5% of the Corporation's total investments.

Custodial Credit Risk - Custodial credit risk represents the risk that, in the event of failure of counterparty, the Corporation will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Charles Schwab & Co., Inc. (including those held by clients of investment advisors with Schwab Institutional) are insured by Securities Investor Protection Corporation (SIPC) for securities and cash in the event of broker-dealer failure. SIPC provides up to \$500,000 of protection for brokerage accounts held in each separate capacity (e.g., joint tenant or sole owner), with a limit of \$250,000 for claims of uninvested cash balances. Additional brokerage insurance-in addition to SIPC protection- is provided to Charles Schwab & Co., Inc. accounts through underwriters in London. Schwab's coverage with Lloyd's of London and other London insurers, combined with SIPC coverage, provides protection of securities and cash up to an aggregate of \$600 million, and is limited to a combined return to any customer from a Trustee, SIPC, and London insurers of \$150 million, including cash of up to \$1,150,000. This additional protection becomes available in the event that SIPC limits are exhausted. The Corporation does not have a formal policy covering custodial credit risk for its investments.

Local Agency Investment Fund (LAIF)

Under federal law, the state of California cannot declare bankruptcy, thereby allowing the Government Code Section 16429.3 to stand. This section states that "moneys placed with the Treasurer for deposit in the LAIF by cities, counties, special districts, nonprofit corporations, or qualified quasi-governmental agencies shall not be subject to either of the following: (a) transfer or loan pursuant to Sections 16310, 16312, or 16313, or (b) impoundment or seizure by any state official or state agency."

**The University Corporation, San Francisco State
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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 3 – INVESTMENTS (CONTINUED)

Local Agency Investment Fund (LAIF)

During the 2002 legislative session, California Government Code Section 16429.4 was added to the LAIF's enabling legislation. The section states that "the right of a city, county, city and county, special district, nonprofit corporation, or qualified quasi-governmental agency to withdraw its deposited moneys from the LAIF, upon demand, may not be altered, impaired, or denied in any way, by any state official or state agency based upon the state's failure to adopt a State Budget by July 1 of each new fiscal year.

NOTE 4 - FAIR VALUE MEASUREMENT

At June 30, 2024 and 2023, the Corporation's investments consist of the following assets, which are classified by level within the valuation hierarchy on a recurring basis at June 30:

	2024				
	Level 1	Level 2	Level 3	NAV	Total
Local Agency Investment Fund	\$ -	\$ -	\$ -	\$ 15,966,650	\$ 15,966,650
Broker Money Market Funds	595,115	-	-	-	595,115
Treasury Bonds	2,686,843	-	-	-	2,686,843
Agency Securities	-	480,296	-	-	480,296
Corporate Debt Securities	-	2,531,239	-	-	2,531,239
Municipal Bonds	-	393,689	-	-	393,689
Mortgage Backed	-	611,211	-	-	611,211
Mutual Funds	6,683,719	-	-	-	6,683,719
CMO & Asset-Backed Securities	-	463,807	-	-	463,807
REIT	263,250	-	-	-	263,250
Equity Securities	11,008,634	-	-	4,580,697	15,589,331
Alternative Investments	-	-	-	3,710,921	3,710,921
	<u>\$ 21,237,561</u>	<u>\$ 4,480,242</u>	<u>\$ -</u>	<u>\$ 24,258,268</u>	<u>\$ 49,976,071</u>
	2023				
	Level 1	Level 2	Level 3	NAV	Total
Local Agency Investment Fund	\$ -	\$ -	\$ -	\$ 10,070,555	\$ 10,070,555
Broker Money Market Funds	451,603	-	-	-	451,603
Treasury Bonds	2,427,391	-	-	-	2,427,391
Agency Securities	-	371,331	-	-	371,331
Corporate Debt Securities	-	2,726,768	-	-	2,726,768
Municipal Bonds	-	379,526	-	-	379,526
Mortgage Backed	-	437,475	-	-	437,475
Mutual Funds	6,130,461	-	-	-	6,130,461
CMO & Asset-Backed Securities	-	394,199	-	-	394,199
REIT	220,252	-	-	-	220,252
Equity Securities	9,614,376	-	-	4,241,805	13,856,181
Alternative Investments	-	-	-	4,073,134	4,073,134
	<u>\$ 18,844,083</u>	<u>\$ 4,309,299</u>	<u>\$ -</u>	<u>\$ 18,385,494</u>	<u>\$ 41,538,876</u>

**The University Corporation, San Francisco State
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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 4 - FAIR VALUE MEASUREMENT (CONTINUED)

Alternative Investments Measured at NAV

	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Multi-Strategy Hedge Funds				
(1) Real Estate Funds	\$ 3,112,788	\$ -	Quarterly	90 days
(2) Private Credit	598,133	-	Quarterly	90 days
(3) Commingled Fund	4,580,697	-	Monthly	10 days
Total alternative investments measured at the NAV	<u>\$ 8,291,618</u>			

1. Real estate funds. This type includes three real estate funds that invest primarily in U.S. multi-family low-income properties. These real estate funds purchase, own, and manage affordable housing including manufactured housing, senior housing, student housing, and commercial real estate. The fair values of the investments in this type have been determined using the NAV per share of the Corporation's ownership interest in partners' capital.

One investment can be redeemed after a lock-up period lasting a) two years after initial closing or b) to the extent the fund does not obtain at least \$300 million in capital contributions, five years after the initial closing. Following the lock-up period, liquidity is offered quarterly with 90-day advance notice. There is a 20% gate such that no more than 20% of the total fund's outstanding units can be liquidated in any given calendar year. The Corporation has invested \$1,633,624 in this fund at June 30, 2024. The second investment has a seven-year lockup after raising \$300 million. The Corporation has invested \$927,865 in this fund at June 30, 2024. The third investment has a seven-year lockup after raising \$200 million. The Corporation has invested \$551,299 in this at June 30, 2024.

2. Private credit. This type includes a real estate finance company, which has acquisitions of credit-oriented real estate investments in the lower middle market. It is an open-ended fund to invest in fixed income and similar investments. 60% of the portfolio is in senior secured mortgages, 20% in real properties and 20% in other fixed return instruments. The fund has a 90-day advance notice for any withdrawal of any quarter-end date. The Corporation has \$598,133 in the fund at June 30, 2024.
3. Commingled fund. This type includes one fund that invests primarily in developed markets investing in international and global equities with a long-term focus. The fair value of the investment in this type has been determined using the NAV per share.

**The University Corporation, San Francisco State
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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 5 – ENDOWMENTS

Endowments held and administered by the Corporation are as follows at June 30:

	2024	2023
Restricted Net Assets - Nonexpendable Endowments	\$ 707,991	\$ 669,951

The Corporation's investment policy during fiscal years 2024 and 2023 allowed a 4% annual payout based on the quarterly average daily balance of the fund. The 4% annual payout was not changed during the years, and disbursements were allowed.

NOTE 6 – CAPITAL ASSETS

The following is a roll forward schedule of capital assets for the year ended June 30, 2024:

	Balance June 30, 2023	Additions	Reductions	Transfers	Balance June 30, 2024
Capital assets not being depreciated:					
Construction in progress	\$ 226,471	\$ -	\$ -	\$ (226,471)	\$ -
Capital assets being depreciated:					
Leasehold improvements	4,904,251	89,164	(1,875,334)	226,471	3,344,552
Equipment, furniture, and fixtures	1,818,891	852,054	(274,393)	-	2,396,552
Total capital assets	6,949,613	941,218	(2,149,727)	-	5,741,104
Other capital assets					
Leased land improvements	8,342,883	73,182	-	-	8,416,065
Leased equipment	268,509	-	-	-	268,509
Total other capital assets	8,611,392	73,182	-	-	8,684,574
Less accumulated depreciation:					
Leasehold improvements	(2,603,538)	(265,414)	1,068,056	-	(1,800,896)
Equipment, furniture, and fixtures	(2,396,808)	(188,760)	274,393	-	(2,311,175)
Leased assets	(314,622)	(185,340)	-	-	(499,962)
Total accumulated depreciation	(5,314,968)	(639,514)	1,342,449	-	(4,612,033)
Net capital assets	\$ 10,246,037	\$ 374,886	\$ (807,278)	\$ -	\$ 9,813,645

Total depreciation expense for the year ended June 30, 2024 was \$639,514.

**The University Corporation, San Francisco State
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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 6 – CAPITAL ASSETS (CONTINUED)

The following is a roll forward schedule of capital assets for the year ended June 30, 2023:

	Balance June 30, 2022	Additions	Reductions	Transfers	Balance June 30, 2023
Capital assets not being depreciated:					
Construction in progress	\$ 286,311	\$ 18,487	\$ -	\$ (78,327)	\$ 226,471
Capital assets being depreciated:					
Leasehold improvements	4,825,924	-	-	78,327	4,904,251
Equipment, furniture, and fixtures	1,731,196	102,248	(14,553)	-	1,818,891
Total capital assets	6,843,431	120,735	(14,553)	-	6,949,613
Other capital assets					
Leased land improvements	8,342,883	-	-	-	8,342,883
Leased equipment	40,097	268,509	(40,097)	-	268,509
Total other capital assets	8,382,980	268,509	(40,097)	-	8,611,392
Less accumulated depreciation:					
Leasehold improvements	(2,357,808)	(245,730)	-	-	(2,603,538)
Equipment, furniture, and fixtures	(2,268,106)	(143,255)	14,553	-	(2,396,808)
Leased assets	(168,932)	(185,787)	40,097	-	(314,622)
Total accumulated depreciation	(4,794,846)	(574,772)	54,650	-	(5,314,968)
Net capital assets	\$ 10,431,565	\$ (185,528)	\$ -	\$ -	\$ 10,246,037

Total depreciation expense for the year ended June 30, 2023 was \$574,772.

NOTE 7 – REVOLVING LINE OF CREDIT

The Corporation had a \$3,000,000 line of credit with a financial institution which expired during the fiscal year ended June 30, 2024. The Corporation had no borrowings on the line of credit and opted not to renew the line of credit.

**The University Corporation, San Francisco State
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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 8 – TRANSACTIONS WITH RELATED ENTITIES

The Corporation is an auxiliary organization affiliated with the University and the California State University (CSU) System statewide. The Corporation is also affiliated with the San Francisco State University Foundation (“Foundation”) and Associated Students of San Francisco State University (“Associated Students”). Both related entities are auxiliary organizations of the University and CSU. The accompanying financial statements include transactions with related parties as of and for the years ended June 30, 2024 and 2023, as follows:

	2024	2023
Payments to the University for salaries of University personnel working on contracts, grants, and other programs	\$ 4,033,901	\$ 4,179,031
Payments to the University for other than salaries of University personnel	\$ 4,922,106	\$ 5,469,583
Payments to the Foundation and Associated Students for reimbursements	\$ 684,526	\$ 1,176,408
Payments received from University for services, spaces, and programs	\$ 1,739,124	\$ 1,616,231
Payments received from the Foundation for reimbursements and services	\$ 7,627,558	\$ 10,534,309
Payments received from Associated Students for student support, reimbursements, and accounting services	\$ 963,369	\$ 515,698
Gifts (cash or assets) to the University from discretely presented component units	\$ 2,531,945	\$ 2,871,696
Amounts payable to the University	\$ 1,293,075	\$ 844,685
Amounts due to other CSU auxiliaries	\$ 21,174	\$ 164,638
Amounts due from other CSU auxiliaries	\$ 1,023,671	\$ 177,800
Accounts receivable from the University	\$ 125,229	\$ 74,999

Effective July 1, 2014, the Corporation entered into an operating agreement and lease (“Master Lease”) with the Board of Trustees of the California State University (“Trustees”) for the facilities and space that it utilizes in the Cesar Chavez Student Center (“the Student Center”). The term of the Master Lease was extended with a term from July 1, 2019 to June 30, 2029. The Corporation shares usage of the facility with Associated Students of San Francisco State University (“ASI”). For lease costs, the Corporation is required to pay its share of common area and facilities upkeep costs. For the years ended June 30, 2024 and 2023, the Corporation incurred \$904,025 and \$1,138,672, respectively, for its 54% share of maintenance of the Student Center.

As part of the Master Lease agreement with the University, the Corporation agreed to donate any residual net rental income to ASI to support student-related programs and activities it assumed from the Student Center. The Corporation did not contribute rental income to ASI for the years ended June 30, 2024 and 2023.

On June 30, 2024, the Corporation transferred the capitalized leasehold improvement to Associated Students for \$750,000.

**The University Corporation, San Francisco State
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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 9 – STUDENT CENTER LEASE OPERATIONS

On June 5, 2014, the Board of Directors of the Student Center approved the merger of the Student Center with ASI, a related party. The Student Center ceased its operations on June 30, 2014. Beginning July 1, 2014, all student-related programs, activities, and transactions of the Student Center transferred to ASI with the exception of the lease operations, which were assumed by the Corporation.

On June 30, 2014, all rental agreements and contracts between the concessionaries and the Student Center terminated. Effective July 1, 2014, those rental activities were assumed by the Corporation on behalf of the University and were converted to month-to-month lease agreements. As of June 30, 2024, total rental receipts, including recharges, amounted to \$925,437 and total expenses were \$1,010,625. As of June 30, 2023, total rental receipts, including recharges, amounted to \$1,001,952 and total expenses were \$1,001,952.

During fiscal year 2024, the Corporation amended its sublease arrangements with many of its vendors in the Student Center. The effective date for those subleases commenced September 1, 2023, and all are set to terminate on June 30, 2029. Base rents ranged from \$8,500 - \$22,000 annually depending on the specific vendor and increased 3% in each year of the contract, with the first increase occurring July 1, 2024, for all subleases and with subsequent 3% increases on July 1 each year thereafter. Each sublessee had the opportunity to opt for a second five-year term, which extended from July 1, 2029 to June 30, 2034. All vendors have executed subleases in place.

NOTE 10 – ADMINISTRATION FEES

The Corporation charges the following administrative fees:

- The Corporation charges a one-time administrative fee of 5% when a gift is accepted, unless the gift is for scholarships in which case, no fees are charged. Gifts are funds received from donor contributions, and fundraising revenues that projects receive for their respective programs and overall campus fundraising efforts;
- The Corporation charges a one-time administrative fee of 10% when campus programs generate revenues. The Corporation defines program revenues as earned revenues for which a tax deduction would not qualify. Membership fees, conferences and meetings, fees for service, sale of goods, and special events are highlighted examples of program revenues;
- The Corporation may charge an administrative fee for activity under various business partnerships with the campus or other auxiliaries such as the Corporation providing administration of commencement. Fees earned are based on the fees negotiated per each agreement; and
- Grants and contracts are charged an administrative fee based on the rate provided by the granting agency and are calculated as a percentage of grant expense or salaries and wages. Indirect costs and administrative fees from grants and contracts and campus programs were eliminated against revenues as not to double count the total revenues and expenses.

Administrative fees of \$505,630 and \$537,415 were charged by the Corporation during the years ended June 30, 2024 and 2023, respectively.

**The University Corporation, San Francisco State
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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 11 – RISK FINANCING ACTIVITIES

The Corporation is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Corporation carries commercial insurance. The Corporation has not had any significant reduction in insurance coverage, and there have been no claims in excess of coverage in any of the past three years.

NOTE 12 – LITIGATION

From time to time, the Corporation is subject to various claims and legal proceedings covering a range of matters that arise in the ordinary course of its business activities. The Corporation does not have any active litigation pending. In the opinion of management, although the outcome of any legal proceedings cannot be predicted with certainty, the ultimate liability of the Corporation in connection with its legal proceedings is not expected to have a material adverse effect on the Corporation's financial position and activities.

NOTE 13 – RETIREMENT PLAN

The Corporation adopted a 403(b) retirement and savings plan, which matches 50% of employee contributions up to 5% of each employee's eligible compensation. The Corporation's contributions for the plan years ended June 30, 2024 and 2023 were \$14,276 and \$23,616, respectively.

NOTE 14 – LEASES

As Lessor

The Corporation is the sub-lessor in twenty-five (25) property lease arrangements. Space lease terms range from two (2) to sixteen (16) years and require tenants to pay a pro-rata share of common area maintenance. The Corporation also has a ground sub-lease through June 2083.

In estimating the present value of these lease receivable balances, the Corporation estimated the discount rate based on their estimates for risk free rates of returns over comparable periods. The interest rates used in their calculations ranged from 0.440% to 2.990%.

**The University Corporation, San Francisco State
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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 14 – LEASES (CONTINUED)

As Lessor (Continued)

The following is a schedule by years of future minimum rents receivable under noncancellable operating leases that have initial or remaining lease terms in excess of one year as of June 30, 2024:

Year Ending June 30,	Principal	Interest
2025	\$ 701,868	\$ 536,728
2026	356,693	531,475
2027	360,015	528,086
2028	376,177	524,568
2029	393,055	520,877
2030-2034	2,178,871	2,543,735
2035-2039	795,122	2,446,798
2040-2044	940,854	2,309,146
2045-2049	1,092,367	2,157,633
2050-2054	1,268,279	1,981,721
Thereafter	12,404,399	6,445,603
	\$ 20,867,700	\$ 20,526,370

Rental income was \$2,737,486 and \$2,503,596 for the years ended June 30, 2024 and 2023, respectively. Included in lease receivables, current portion on the statements of net position is \$5,914 of interest earned and not yet received.

The Corporation has deferred inflows of resources related to these lease arrangements that are recognized on a straight line-basis over the life of the arrangements. The Corporation will recognize into revenues an average of \$768,372 per year through June 30, 2029, \$667,512 per year through June 30, 2034, and \$253,167 per year through June 30, 2083.

As Lessee

Equipment Lease

The Corporation entered two (2) sixty-six (66) months and sixty (60) months financing equipment leases with lease commencement dates in July 2022 and January 2023, respectively. During the fiscal year, one of the financing equipment leases was amended from variable to fixed maintenance fee with a new forty-six (46) months term effective July 2024.

In estimating the present value of these lease liabilities, the Corporation estimated the discount rate based on their estimates for the incremental borrowing rate pursuant to the terms of the lease agreements. The interest rates used in their calculations ranged from 3.745% to 4.980%.

Rental expenses were \$59,265 and \$33,803 for the years ended June 30, 2024 and 2023, respectively.

**The University Corporation, San Francisco State
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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 14 – LEASES (CONTINUED)

Land Improvement Lease

The Corporation has a ground lease with the University with rent expense of \$300,000 for the years ended June 30, 2024 and 2023. See Footnote 15 for the lease arrangement.

The following is a schedule of future minimum rental payments required under financing leases that have initial or remaining noncancellable lease terms in excess of one year at June 30, 2024:

Year Ending June 30,	Principal	Interest
2025	\$ 105,344	\$ 252,920
2026	109,027	250,238
2027	112,842	246,423
2028	86,918	242,714
2029	59,346	240,654
2030-2034	324,433	1,175,567
2035-2039	375,924	1,124,076
2040-2044	435,588	1,064,412
2045-2049	504,721	995,279
2050-2054	584,826	915,174
Thereafter	5,763,784	2,936,216
	\$ 8,462,753	\$ 9,443,673

NOTE 15 - HOLLOWAY AVENUE REVITALIZATION PROJECT (MANZANITA SQUARE)

The Corporation, as a business partner of the University, has entered into a ground lease with the University, dated January 2018 for Block Six, a one-acre parcel. The Corporation entered into the lease with the purpose of subleasing the premises to a third party, Holloway Avenue Partners, LLC (the “LLC”), which will own and operate a one-building facility consisting of approximately 230,000 - 280,000 gross square feet with (a) approximately 167 apartment-style student housing units with kitchens comprising a total of approximately 542 beds on levels 3-8; (b) approximately 20,000 - 70,000 gross square feet of ground floor and plaza level space, including 20,000 - 45,000 net leasable square footage of retail space and the balance of the ground floor and plaza level space consisting of residential support and “back-of-house” space; and (c) approximately 20-50 parking spaces. The ground sublease was amended effective October 2, 2018 to include American Campus Communities Operating Partnership LP; a Maryland limited partnership (“ACC”, collectively with the LLC, the “Tenants”). The lease and sublease terms are for 65 years ending June 30, 2083 unless terminated or extended pursuant to the terms of the respective leases. Construction began October 2018. Once construction commenced, the Tenants were required to pay construction period rent, which is defined as the rent payable during the construction period in an amount equal to \$320,000 per annum. The Corporation collects the rent from ACC in all amounts set out in the sublease. Annual base rent on the sublease will begin upon project opening and continue through the end of the term. The annual base rent is equal to the greater of minimum lease year rent or the percentage rent. Minimum lease rent is set at \$650,000. Annual base rent for years subsequent to year one shall increase at a percentage equal to the percentage increase in the effective gross residential revenues on the project in such lease year compared to the effective gross residential revenues in the preceding lease year.

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 15 - HOLLOWAY AVENUE REVITALIZATION PROJECT (MANZANITA SQUARE) (CONTINUED)

The Corporation will collect rent from the Tenants and will remit to the University all revenues derived after first deducting a management fee of ten percent (10%) of the gross revenues and, thereafter, deducting any related project cost incurred by the Corporation. During fiscal year 2021, the Corporation executed agreements with ACC to address temporary changes to the 2020-2021 academic year because of Covid-19 and the University's remote operations. These changes reduced the expected operating revenues for the project. The revenues loss for the 2020-2021 academic year will be offset by ACC against annual base rent an amount equal to 50% of the revenues loss for the 2020-2021 academic year. ACC commenced the rent offset in fiscal year 2020-2021. Because of the rent offset, ACC will pay \$400,000 per year towards annual base rent until the rent offset has been fully applied.

The total cumulative costs incurred through June 30, 2024 by the Corporation was \$535,032. The Corporation has recorded these costs as expenses and will discuss with related parties about the potential for reimbursement in future periods.

As of June 30, 2024 and 2023, the Corporation has a lease liability of \$8,269,270 and \$8,247,254 to the University, respectively, related to the ground lease as a result of GASB 87 implementation.

NOTE 16 – SUBSEQUENT EVENTS

The Corporation has reviewed its financial statements for all subsequent events through September 27, 2024, the date the financial statements were issued. Since that date, the University has continued to face some significant challenges, and while these most directly impact the University, the close ties between it and the Corporation ultimately expose the Corporation to ancillary impacts.

Notably, university enrollment has continued to decline year over year for several years—a trend that has significantly altered the size of the campus population. This development ultimately influences nearly all the Corporation's activities. A smaller campus population has led to less foot traffic, fewer people eating on campus or shopping in the Corporation's shops, and less overall activity.

Additionally, the CSU has begun the process of reallocating resources based on enrollment; the University has been allocated state-support based on its target enrollment, rather than its actual enrollment. This has led to funding the University for students it does not have. As these resources are reallocated to other CSU campuses over the course of the next several years, the University will experience a decline in funding. This will ultimately have repercussions across campus, including for the Corporation. The University will be smaller, which will impact all our revenues sources.

The CSU is currently in negotiations with several of its labor unions. While the outcome of the discussions is uncertain at this time, management anticipates that any compensation increases provided to CSU employees will require a reevaluation and likely a restatement of the Corporation's annual budget for the current year.

Over the course of the summer, management has been working with Associated Students to evaluate the operations and space allocations within with the Student Center, which is co-leased by the two auxiliaries from the University. Management expects to reallocate several spaces to Associated Students, which will lessen the Corporation's financial burden and provide much-needed space to students on campus.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
The University Corporation, San Francisco State

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The University Corporation, San Francisco State (Component Unit of San Francisco State University) (the Corporation), which comprise the statements of net position as of June 30, 2024 and 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated September 27, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits, we did not identify any deficiencies in the Corporation's internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Windes, Inc.".

Long Beach, California
September 27, 2024

The University Corporation, San Francisco State
(Component Unit of San Francisco State University)

Schedule of Findings
For the Year Ended June 30, 2024

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

The independent auditors’ report expressed an unmodified opinion on whether the financial statements of The University Corporation, San Francisco State were prepared in accordance with generally accepted accounting principles.

Internal control over financial reporting

1. Material weakness(es) identified? – None reported
2. Significant deficiencies identified? – None reported
3. Noncompliance material to financial statements noted? – No

SECTION II – FINDINGS - FINANCIAL STATEMENTS AUDIT

None reported

SECTION III – STATUS OF CORRECTIVE ACTION ON PRIOR-YEAR FINDINGS

None reported

THE UNIVERSITY CORPORATION, SAN FRANCISCO STATE

SUPPLEMENTARY FINANCIAL INFORMATION

SCHEDULE OF NET POSITION

JUNE 30, 2024

(for inclusion in the California State University Financial Statements)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 1,576,514
Short-term investments	35,975,471
Accounts receivable, net	2,558,583
Lease receivables, current portion	701,868
P3 receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	149,019
Prepaid expenses and other current assets	63,149
Total current assets	<u>41,024,604</u>
Noncurrent assets:	
Restricted cash and cash equivalents	-
Accounts receivable, net	-
Lease receivables, net of current portion	20,165,832
P3 receivable, net of current portion	-
Notes receivable, net of current portion	-
Student loans receivable, net	-
Pledges receivable, net	9,620,796
Endowment investments	707,991
Other long-term investments	13,292,609
Capital assets, net	1,629,033
Capital assets, net - lease ROU	8,184,612
Capital assets, net - SBITA ROU	-
Capital assets, net - P3 ROU	-
Other assets	-
Total noncurrent assets	<u>53,600,873</u>
Total assets	<u>94,625,477</u>
Deferred outflows of resources:	
Unamortized loss on debt refunding	-
Net pension liability	-
Net OPEB liability	-
P3	-
Leases	-
Others	-
Total deferred outflows of resources	<u>-</u>

See Independent Auditors' Report

THE UNIVERSITY CORPORATION, SAN FRANCISCO STATE

SUPPLEMENTARY FINANCIAL INFORMATION

SCHEDULE OF NET POSITION

JUNE 30, 2024

(for inclusion in the California State University Financial Statements)

(Continued)

Liabilities:	
Current liabilities:	
Accounts payable	2,966,339
Accrued salaries and benefits	155,826
Accrued compensated absences, current portion	56,810
Unearned revenues	6,700
Lease liabilities, current portion	105,344
SBITA liabilities - current portion	-
P3 liabilities - current portion	-
Long-term debt obligations, current portion	-
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	-
Total current liabilities	<u>3,291,019</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	-
Unearned revenues	-
Grants refundable	-
Lease liabilities, net of current portion	8,357,409
SBITA liabilities, net of current portion	-
P3 liabilities, net of current portion	-
Long-term debt obligations, net of current portion	-
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	<u>8,357,409</u>
Total liabilities	<u>11,648,428</u>
Deferred inflows of resources:	
P3 concession arrangements	-
Net pension liability	-
Net OPEB liability	-
Unamortized gain on debt refunding	-
Nonexchange transactions	103,460
Leases	19,584,615
P3	-
Others	-
Total deferred inflows of resources	<u>19,688,075</u>
Net position:	
Net investment in capital assets	9,813,645
Restricted for:	
Nonexpendable – endowments	707,991
Expendable:	
Scholarships and fellowships	53,363,231
Research	-
Loans	-
Capital projects	-
Debt service	-
P3	-
Others	-
Unrestricted	<u>(595,893)</u>
Total net position	<u>\$ 63,288,974</u>

See Independent Auditors' Report

THE UNIVERSITY CORPORATION, SAN FRANCISCO STATE

SUPPLEMENTARY FINANCIAL INFORMATION
 SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 JUNE 30, 2024
 (for inclusion in the California State University Financial Statements)

Revenues:		
Operating revenues:		
Student tuition and fees, gross	\$	-
Scholarship allowances (enter as negative)		-
Grants and contracts, noncapital:		
Federal		-
State		-
Local		-
Nongovernmental		14,322,410
Sales and services of educational activities		-
Sales and services of auxiliary enterprises, gross		13,304,844
Scholarship allowances (enter as negative)		-
Lease other operating revenues		1,089,243
P3 other operating revenues		-
Other operating revenues		<u>72,104</u>
Total operating revenues		<u>28,788,601</u>
Expenses:		
Operating expenses:		
Instruction		2,062,990
Research		549,094
Public service		267,754
Academic support		6,662,987
Student services		906,188
Institutional support		1,454,823
Operation and maintenance of plant		254,604
Student grants and scholarships		5,222,405
Auxiliary enterprise expenses		5,038,774
Depreciation and amortization		<u>639,514</u>
Total operating expenses		<u>23,059,133</u>
Operating income		<u>5,729,468</u>

See Independent Auditors' Report

THE UNIVERSITY CORPORATION, SAN FRANCISCO STATE

SUPPLEMENTARY FINANCIAL INFORMATION
 SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 JUNE 30, 2024
 (for inclusion in the California State University Financial Statements)
 (Continued)

Nonoperating revenues (expenses):	
State appropriations, noncapital	-
Federal financial aid grants, noncapital	-
State financial aid grants, noncapital	-
Local financial aid grants, noncapital	-
Nongovernmental and other financial aid grants, noncapital	-
Other federal nonoperating grants, noncapital	-
Gifts, noncapital	4,192,221
Investment income, net	3,122,879
Endowment income, net	38,040
Interest expense	-
Interest expense - Leases	-
Interest expense - SBITAs	-
Interest expense - P3	-
Other nonoperating expenses - excl. interagency transfers	<u>(738,027)</u>
Net nonoperating revenues (expenses)	<u>6,615,113</u>
Income before other revenues (expenses)	<u>12,344,581</u>
State appropriations, capital	-
Grants and gifts, capital	-
Additions to permanent endowments	-
Increase in net position	<u>12,344,581</u>
Net position:	
Net position at beginning of year	<u>50,944,393</u>
Net position at end of year	<u>\$ 63,288,974</u>

THE UNIVERSITY CORPORATION, SAN FRANCISCO STATE

SUPPLEMENTARY FINANCIAL INFORMATION

OTHER INFORMATION

JUNE 30, 2024

(for inclusion in the California State University Financial Statements)

1. CASH AND CASH EQUIVALENTS:

Portion of restricted cash and cash equivalents related to endowments	\$	-
All other restricted cash and cash equivalents		-
Noncurrent restricted cash and cash equivalents		-
Current cash and cash equivalents		<u>1,576,514</u>
Total		<u>\$ 1,576,514</u>

2.1. COMPOSITION OF INVESTMENTS:

Investment Type	Current	Noncurrent	Total
Money market funds	\$ 595,115	\$ -	\$ 595,115
Repurchase agreements	-	-	-
Certificates of deposit	-	-	-
U.S. agency securities	72,988	407,308	480,296
U.S. treasury securities	665,341	2,021,502	2,686,843
Municipal bonds	72,820	320,869	393,689
Corporate bonds	613,456	1,917,783	2,531,239
Asset-backed securities	33,498	430,309	463,807
Mortgage-backed securities	-	611,211	611,211
Commercial paper	-	-	-
Mutual funds	6,683,719	-	6,683,719
Exchange-traded funds	-	-	-
Equity securities	11,008,634	4,580,697	15,589,331
Alternative investments:			
Private equity (including limited partnerships)	-	-	-
Hedge funds	-	-	-
Managed futures	-	-	-
Real estate investments (including REITs)	263,250	3,112,788	3,376,038
Commodities	-	-	-
Derivatives	-	-	-
Other alternative investment types	-	598,133	598,133
Other external investment pools	-	-	-
CSU Consolidated Investment Pool (formerly SWIFT)	-	-	-
State of California Local Agency Investment Fund (LAIF)	15,966,650	-	15,966,650
State of California Surplus Money Investment Fund (SMIF)	-	-	-
Other investments	-	-	-
Total investments	<u>35,975,471</u>	<u>14,000,600</u>	<u>49,976,071</u>
Less endowment investments	<u>-</u>	<u>(707,991)</u>	<u>(707,991)</u>
Total investments, net of endowments	<u>\$ 35,975,471</u>	<u>\$ 13,292,609</u>	<u>\$ 49,268,080</u>

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THE UNIVERSITY CORPORATION, SAN FRANCISCO STATE

SUPPLEMENTARY FINANCIAL INFORMATION

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JUNE 30, 2024

(for inclusion in the California State University Financial Statements)

(Continued)

2.2 FAIR VALUE HIERARCHY IN INVESTMENTS:

Investment Type	Total	FAIR VALUE MEASUREMENTS USING			Net Asset Value (NAV)
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)	
Money market funds	\$ 595,115	\$ 595,115	\$ -	\$ -	\$ -
Repurchase agreements	-	-	-	-	-
Certificates of deposit	-	-	-	-	-
U.S. agency securities	480,296	-	480,296	-	-
U.S. treasury securities	2,686,843	2,686,843	-	-	-
Municipal bonds	393,689	-	393,689	-	-
Corporate bonds	2,531,239	-	2,531,239	-	-
Asset-backed securities	463,807	-	463,807	-	-
Mortgage-backed securities	611,211	-	611,211	-	-
Commercial paper	-	-	-	-	-
Mutual funds	6,683,719	6,683,719	-	-	-
Exchange-traded funds	-	-	-	-	-
Equity securities	15,589,331	11,008,634	-	-	4,580,697
Alternative investments:					
Private equity (including limited partnerships)	-	-	-	-	-
Hedge funds	-	-	-	-	-
Managed futures	-	-	-	-	-
Real estate investments (including REITs)	3,376,038	263,250	-	-	3,112,788
Commodities	-	-	-	-	-
Derivatives	-	-	-	-	-
Other alternative investment types	598,133	-	-	-	598,133
Other external investment pools	-	-	-	-	-
CSU consolidated investment pool (formerly SWIFT)	-	-	-	-	-
State of California Local Agency Investment Fund (LAIF)	15,966,650	-	-	-	15,966,650
State of California Surplus Money Investment Fund (SMIF)	-	-	-	-	-
Other investments	-	-	-	-	-
Total investments	\$ 49,976,071	\$ 21,237,561	\$ 4,480,242	\$ -	\$ 24,258,268

2.3 INVESTMENTS HELD BY THE UNIVERSITY UNDER CONTRACTUAL AGREEMENTS:

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

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THE UNIVERSITY CORPORATION, SAN FRANCISCO STATE

SUPPLEMENTARY FINANCIAL INFORMATION

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JUNE 30, 2024

(for inclusion in the California State University Financial Statements)

(Continued)

3.1. COMPOSITION OF CAPITAL ASSETS:

	Balance June 30, 2023	Reclassifications	Prior-Period Adjustments	Balance June 30, 2023 (Restated)	Additions	Retirements	Transfers of Completed CWIP/PWIP	Balance June 30, 2024
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Works of art and historical treasures	-	-	-	-	-	-	-	-
Construction work in progress (CWIP)	226,471	-	-	226,471	-	-	(226,471)	-
Intangible assets:								
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyrights, and trademarks	-	-	-	-	-	-	-	-
Intangible assets in progress (PWIP)	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total nondepreciable/nonamortizable capital assets	226,471	-	-	226,471	-	-	(226,471)	-
Depreciable/amortizable capital assets:								
Buildings and building improvements	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	4,904,251	-	-	4,904,251	89,164	(1,875,334)	226,471	3,344,552
Personal property:								
Equipment	1,818,891	-	-	1,818,891	852,054	(274,393)	-	2,396,552
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyrights, and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total depreciable/amortizable capital assets	6,723,142	-	-	6,723,142	941,218	(2,149,727)	226,471	5,741,104
Total capital assets	6,949,613	-	-	6,949,613	941,218	(2,149,727)	-	5,741,104
Less accumulated depreciation/amortization:								
Buildings and building improvements	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	(2,603,538)	-	-	(2,603,538)	(265,414)	1,068,056	-	(1,800,896)
Personal property:								
Equipment	(2,396,808)	-	-	(2,396,808)	(188,760)	274,393	-	(2,311,175)
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright, and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total accumulated depreciation/amortization	(5,000,346)	-	-	(5,000,346)	(454,174)	1,342,449	-	(4,112,071)
Total capital assets, net excluding lease assets	\$ 1,949,267	\$ -	\$ -	\$ 1,949,267	\$ 487,044	\$ (807,278)	\$ -	\$ 1,629,033

See Independent Auditors' Report

THE UNIVERSITY CORPORATION, SAN FRANCISCO STATE

SUPPLEMENTARY FINANCIAL INFORMATION

OTHER INFORMATION

JUNE 30, 2024

(for inclusion in the California State University Financial Statements)

(Continued)

3.1. COMPOSITION OF CAPITAL ASSETS (CONTINUED):

Composition of capital assets - Lease ROU, net:

	Balance June 30, 2023	Additions	Remeasurements	Reductions	Balance June 30, 2024
Non-depreciable/Non-amortizable lease assets:					
Land and improvements	\$ -	\$ -	\$ -	\$ -	\$ -
Total non-depreciable/non-amortizable lease assets	-	-	-	-	-
Depreciable/amortizable capital assets:					
Land and improvements	8,342,883	73,182	-	-	8,416,065
Buildings and building improvements	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-
Infrastructure	-	-	-	-	-
Personal property:					
Equipment	268,509	-	-	-	268,509
Total depreciable/amortizable lease assets	8,611,392	73,182	-	-	8,684,574
Less accumulated depreciation/amortization:					
Land and improvements					
Buildings and building improvements	(269,126)	(135,782)	-	-	(404,908)
Improvements, other than buildings	-	-	-	-	-
Infrastructure	-	-	-	-	-
Personal property:					
Equipment	(45,496)	(49,558)	-	-	(95,054)
Total accumulated depreciation/amortization	(314,622)	(185,340)	-	-	(499,962)
Total capital assets - lease ROU, net	\$ 8,296,770	\$ (112,158)	\$ -	\$ -	\$ 8,184,612

	Balance June 30, 2023	Additions	Remeasurements	Reductions	Balance June 30, 2024
Composition of capital assets - SBITA ROU, net					
Depreciable/Amortizable SBITA assets:					
Software	-	-	-	-	-
Total depreciable/amortizable SBITA assets	-	-	-	-	-
Less accumulated depreciation/amortization:					
Software	-	-	-	-	-
Total accumulated depreciation/amortization	-	-	-	-	-
Total capital assets - SBITA ROU, net	\$ -	\$ -	\$ -	\$ -	\$ -

See Independent Auditors' Report

THE UNIVERSITY CORPORATION, SAN FRANCISCO STATE

SUPPLEMENTARY FINANCIAL INFORMATION

OTHER INFORMATION

JUNE 30, 2024

(for inclusion in the California State University Financial Statements)

(Continued)

3.1. COMPOSITION OF CAPITAL ASSETS (CONTINUED):

Composition of capital assets - P3 ROU, net:

	Balance June 30, 2023	Additions	Remeasurements	Reductions	Balance June 30, 2024
Depreciable/Amortizable P3 assets:					
Land and land improvements	\$ -	\$ -	\$ -	\$ -	\$ -
Buildings and building improvements	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-
Infrastructure	-	-	-	-	-
Personal property:					
Equipment	-	-	-	-	-
Total depreciable/amortizable P3 assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less accumulated depreciation/amortization:					
Land and land improvements	-	-	-	-	-
Buildings and building improvements	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-
Infrastructure	-	-	-	-	-
Personal property:					
Equipment	-	-	-	-	-
Total accumulated depreciation/amortization	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets - P3 ROU, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total capital assets, net including ROU assets					<u>\$ 9,813,645</u>

THE UNIVERSITY CORPORATION, SAN FRANCISCO STATE

SUPPLEMENTARY FINANCIAL INFORMATION

OTHER INFORMATION

JUNE 30, 2024

(for inclusion in the California State University Financial Statements)

(Continued)

3.2 DETAIL OF DEPRECIATION AND AMORTIZATION EXPENSE:

	Amount
Depreciation and amortization expense - capital assets, excluding ROU assets	\$ 454,174
Amortization expense - Leases ROU	185,340
Amortization expense - SBITA ROU	-
Amortization expense - P3 ROU	-
Depreciation and amortization expense - Others	-
Amortization expense related to other assets	-
Total depreciation and amortization	\$ 639,514

4. LONG-TERM LIABILITIES:

	Balance		Prior-Period			Balance		Current	Noncurrent
	June 30, 2023	June 30, 2023	Adjustments	Balance	Balance	June 30, 2024	Portion		
			Reclassifications	(Restated)	Additions	Reductions			
1. Accrued compensated absences	\$ 79,297	\$ -	-	\$ 79,297	\$ 50,574	\$ (73,061)	\$ 56,810	\$ 56,810	\$ -
2. Claims liability for losses and loss:									
Adjustment expenses	-	-	-	-	-	-	-	-	-
3. Capitalized lease obligations:									
Gross balance	-	-	-	-	-	-	-	-	-
Unamortized premium/(discount)	-	-	-	-	-	-	-	-	-
Total capitalized lease obligations	-	-	-	-	-	-	-	-	-
4. Long-term debt obligations:									
4.1 Auxiliary revenue bonds (non-SRB related)	-	-	-	-	-	-	-	-	-
4.2 Commercial paper	-	-	-	-	-	-	-	-	-
4.3 Note payable (SRB related)	-	-	-	-	-	-	-	-	-
4.4 Finance purchase of capital assets	-	-	-	-	-	-	-	-	-
4.5 Others:	-	-	-	-	-	-	-	-	-
Total others	-	-	-	-	-	-	-	-	-
Subtotal long-term debt obligations	-	-	-	-	-	-	-	-	-
4.6 Unamortized net bond premium/(discount)	-	-	-	-	-	-	-	-	-
Total long-term debt obligations	-	-	-	-	-	-	-	-	-
5. Lease, SBITA, P3 liabilities:									
	Balance	Prior-Period	Balance	Balance	Balance	Balance	Current	Noncurrent	
	June 30, 2023	Adjustments	June 30, 2023	Additions	Remeasurements	Reductions	June 30, 2024	Portion	Portion
		Reclassifications							
Lease liabilities	\$ 8,491,308	\$ -	\$ 73,234	\$ -	\$ -	\$ (101,789)	\$ 8,462,753	\$ 105,344	\$ 8,357,409
SBITA liabilities	-	-	-	-	-	-	-	-	-
P3 liabilities - SCA	-	-	-	-	-	-	-	-	-
P3 liabilities - non-SCA	-	-	-	-	-	-	-	-	-
Total Lease, SBITA, P3 liabilities	\$ 8,491,308	\$ -	\$ 73,234	\$ -	\$ -	\$ (101,789)	\$ 8,462,753	\$ 105,344	\$ 8,357,409
Total long-term liabilities							\$ 8,519,563	\$ 162,154	\$ 8,357,409

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5. FUTURE MINIMUM PAYMENTS SCHEDULE - LEASES, SBITA, P3:

Year Ending June 30,	Lease Liabilities			SBITA liabilities			Public-Private or Public-Public Partnerships (P3)		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
2025	\$ 105,344	\$ 252,920	\$ 358,264	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2026	109,027	250,238	359,265	-	-	-	-	-	-
2027	112,842	246,423	359,265	-	-	-	-	-	-
2028	86,918	242,714	329,632	-	-	-	-	-	-
2029	59,346	240,654	300,000	-	-	-	-	-	-
2030 - 2034	324,433	1,175,567	1,500,000	-	-	-	-	-	-
2035 - 2039	375,924	1,124,076	1,500,000	-	-	-	-	-	-
2040 - 2044	435,588	1,064,412	1,500,000	-	-	-	-	-	-
2045 - 2049	504,721	995,279	1,500,000	-	-	-	-	-	-
2050 - 2054	584,826	915,174	1,500,000	-	-	-	-	-	-
Thereafter	5,763,784	2,936,216	8,700,000	-	-	-	-	-	-
Total Minimum Lease Payment	\$ 8,462,753	\$ 9,443,673	\$ 17,906,426	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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<u>Total Leases, SBITA, P3 liabilities</u>		
<u>Principal Only</u>	<u>Interest Only</u>	<u>Principal and Interest</u>
\$ 105,344	\$ 252,920	\$ 358,264
109,027	250,238	359,265
112,842	246,423	359,265
86,918	242,714	329,632
59,346	240,654	300,000
324,433	1,175,567	1,500,000
375,924	1,124,076	1,500,000
435,588	1,064,412	1,500,000
504,721	995,279	1,500,000
584,826	915,174	1,500,000
<u>5,763,784</u>	<u>2,936,216</u>	<u>8,700,000</u>
<u>\$ 8,462,753</u>	<u>\$ 9,443,673</u>	<u>\$ 17,906,426</u>
Less: amounts representing interest		<u>(9,443,673)</u>
Present value of future minimum lease payments		<u>8,462,753</u>
Total Leases, SBITA, P3 liabilities		8,462,753
Less: current portion		<u>(105,344)</u>
Leases, SBITA, P3 liabilities, net		<u>\$ 8,357,409</u>

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6. FUTURE MINIMUM PAYMENTS SCHEDULE - LONG-TERM DEBT OBLIGATIONS:

Year Ending June 30,	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
2023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2024	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-	-
2028-2032	-	-	-	-	-	-	-	-	-
2033-2037	-	-	-	-	-	-	-	-	-
2038-2042	-	-	-	-	-	-	-	-	-
2043-2047	-	-	-	-	-	-	-	-	-
2048-2052	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-
Total Minimum Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less amounts representing interest									-
Present value of future minimum payments									-
Unamortized net premium (discount)									-
Total long-term debt obligations									-
Less current portion									-
Long-term debt obligations, net of current portion									\$ -

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7. TRANSACTIONS WITH RELATED ENTITIES

	<u>Amount</u>
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 4,033,901
Payments to University for other than salaries of University personnel	\$ 4,922,106
Payments received from University for services, space, and programs	\$ 1,739,124
Gifts-in-kind to the University from discretely presented component units	\$ 2,531,945
Gifts (cash or assets) to the University from discretely presented component units	\$ -
Accounts (payable to) University	\$ (1,293,075)
Other amounts (payable to) University	\$ -
Accounts receivable from University	\$ 125,229
Other amounts receivable from University	\$ -

8. RESTATEMENTS/PRIOR-PERIOD ADJUSTMENTS

Intentionally left blank - no restatements/prior period adjustments.

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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	\$ 1,353,467	\$ 335,635	\$ -	\$ -	\$ -	\$ 373,888	\$ -	\$ 2,062,990
Research	340,434	23,809	-	-	-	184,851	-	549,094
Public service	46,610	8,799	-	-	-	212,345	-	267,754
Academic support	1,910,784	601,412	-	-	-	4,150,791	-	6,662,987
Student services	142,845	10,619	-	-	-	752,724	-	906,188
Institutional support	430,120	234,867	-	-	-	789,836	-	1,454,823
Operation and maintenance of plant	4,975	505	-	-	-	249,124	-	254,604
Student grants and scholarships	-	-	-	-	5,222,405	-	-	5,222,405
Auxiliary enterprise expenses	2,032,743	872,600	-	-	-	2,133,431	-	5,038,774
Depreciation and amortization	-	-	-	-	-	-	639,514	639,514
Total Operating Expenses	\$ 6,261,978	\$ 2,088,246	\$ -	\$ -	\$ 5,222,405	\$ 8,846,990	\$ 639,514	\$ 23,059,133

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10. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

1. Deferred outflows of resources

Deferred outflows - unamortized loss on refunding(s)	\$	-
Deferred outflows - net pension liability		-
Deferred outflows - net OPEB liability		-
Deferred outflows - leases		-
Deferred outflows - P3		-
Deferred outflows - others		-
Sales/intra-entity transfers of future revenues		-
Gain/loss on sale leaseback		-
Loan origination fees and costs		-
Change in fair value of hedging derivative instrument		-
Irrevocable split-interest agreements		-
Total deferred outflows - others		-

Total deferred outflows of resources **\$ -**

2. Deferred inflows of resources

Deferred inflows - P3 concession arrangements	\$	-
Deferred inflows - net pension liability		-
Deferred inflows - net OPEB liability		-
Deferred inflows - unamortized gain on debt refunding(s)		-
Deferred inflows - nonexchange transactions		103,460
Deferred inflows - leases		19,584,615
Deferred inflows - P3		-
Deferred inflows - others:		
Gain/loss on sale leaseback		-
Loan origination fees and costs		-
Change in fair value of hedging derivative instrument		-
Irrevocable split-interest agreements		-
Total deferred inflows - others		-

Total deferred inflows of resources **\$ 19,688,075**

11. OTHER NONOPERATING REVENUES (EXPENSE)

Other nonoperating revenues	\$	750,000
Other nonoperating (expenses)		(1,488,027)

Total other nonoperating revenues (expenses) **\$ (738,027)**

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