

EXHIBIT 1



FINANCIAL STATEMENTS

June 30, 2024

DRAFT

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MD&A Cover

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CALIFORNIA STATE UNIVERSITY
Management's Discussion and Analysis
June 30, 2024

The discussion and analysis below provides an overview of the financial position and performance of the California State University, including 23 campuses and the Office of the Chancellor (collectively referred to as the University), and 94 discretely presented component units as of and for the year ended June 30, 2024. The discussion has been prepared by management and should be read in conjunction with the audited financial statements and accompanying notes that follow this section. Separate financial statements for each of the discretely presented component units may be obtained from the individual campuses.

The California State University

The University promotes student success through high-quality education that prepares students to become leaders in the changing workforce, making the University a vital economic engine for California.

The University was established under the State of California Education Code as a public university to offer undergraduate and graduate instruction for professional and occupational goals in the liberal arts and sciences. As an agency of the State of California (the State), the University is also included in the State's financial statements. Responsibility for the University is vested in the Trustees of California State University (the Trustees) who, in turn, appoint the chancellor, who is the chief executive officer of the University, and the University presidents, who are the chief executive officers of the respective campuses.

The discretely presented component units of the University consist primarily of recognized auxiliary organizations. These not-for-profit organizations are separate legal entities created in support of the University to perform essential functions classified into the following categories:

- Student self-governance
- Student body center, union, and recreation center
- Externally supported research and sponsored programs
- Commercial services such as bookstores, food services, housing, or real estate development
- Philanthropic activities

Financial Statements

The financial statements of the University as of and for the year ended June 30, 2024 have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. For reporting purposes, the University is considered a special-purpose government engaged in business-type activities.

This discussion and analysis is intended to serve as an introduction to the University's basic financial statements: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The financial statements are designed to provide readers with information on the financial position of the University and the financial activity and results of its operations during the year. The University's discretely presented component units are presented in a separate column to enable the reader to distinguish between the University and these separate but related not-for-profit organizations.

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The financial statements include the following components:

The opinion of the University's independent auditor, KPMG, LLP, is an Independent Auditor's Report presenting an unmodified opinion on this year's financial statements prepared by the University. This opinion by KPMG, LLP is an expression on the fairness with which the University's financial statements present, in all material respects, the financial position, results of operations, and its cash flows in conformity with generally accepted accounting principles.

Financial Statements prepared by the University are:

The Statement of Net Position which presents the assets and deferred outflows of resources, liabilities and deferred inflows of resources and net position of the University as of June 30, 2024. This statement provides a financial snapshot of the University at year end, thus enabling readers to assess its assets available for continuing operations, obligations payable, and any deferred inflows or outflows applicable to future reporting periods. All of these taken together show the overall net position of the University.

The Statement of Revenues, Expenses, and Changes in Net position presents the University's total revenues earned and expenses incurred for operating and nonoperating activities during the fiscal year ended June 30, 2024 and indicates why the net position has changed during the fiscal year.

The Statement of Cash Flows presents the University's sources and uses of cash during the fiscal year ended June 30, 2024. This statement allows for evaluation of the University's ability to generate net cash flows and meet its obligations as they become due.

The Notes to the Financial Statements provide supplementary information to support, clarify and expand on the figures presented in the financial statements. References to these notes are included in this discussion to direct readers to details of the financial information presented.

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Financial Position

The Statement of Net Position presents the financial position of the University and its discretely presented component units. The major components of the Statement of Net Position include assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. A condensed comparative Statement of Net Position is as follows as of June 30:

	University		Discretely presented component units	
	2024	2023	2024	2023
	(In thousands)			
Assets				
Current assets	\$ 6,332,692	6,083,603	2,246,778	2,093,429
Capital assets, net	12,658,727	12,046,134	1,092,191	1,041,436
Other noncurrent assets	3,270,697	3,959,149	4,113,192	3,724,903
Total assets	22,262,116	22,088,886	7,452,161	6,859,768
Deferred outflows of resources	5,446,331	5,480,742	65,695	76,691
Liabilities				
Current liabilities	2,624,840	2,278,404	753,649	617,330
Noncurrent liabilities	33,239,676	31,618,768	1,183,664	1,168,940
Total liabilities	35,864,516	33,897,172	1,937,313	1,786,270
Deferred inflows of resources	4,636,704	5,962,940	461,439	458,730
Net position				
Net investment in capital assets	3,669,130	3,572,960	437,783	396,572
Restricted				
Nonexpendable	1,612	1,595	1,999,323	1,830,118
Expendable	146,563	131,415	1,570,019	1,457,874
Unrestricted	(16,610,078)	(15,996,454)	1,111,979	1,006,895
Total net position	\$ (12,792,773)	(12,290,484)	5,119,104	4,691,459

Current assets include those that may be used to support current operations, and consist primarily of cash and cash equivalents, short-term investments, and accounts receivable. Other noncurrent assets are primarily composed of lease receivable, notes receivable, and other long-term investments.

Current liabilities generally are due and payable within one year and include accounts payable, accrued salaries and benefits, unearned revenues, and the current portion of lease liabilities, SBITA liabilities, and long-term debt obligations. Noncurrent liabilities are primarily composed of the net pension liability, other postemployment benefits (OPEB) liability, and noncurrent portion of lease liabilities, SBITA liabilities, and long-term debt obligations.

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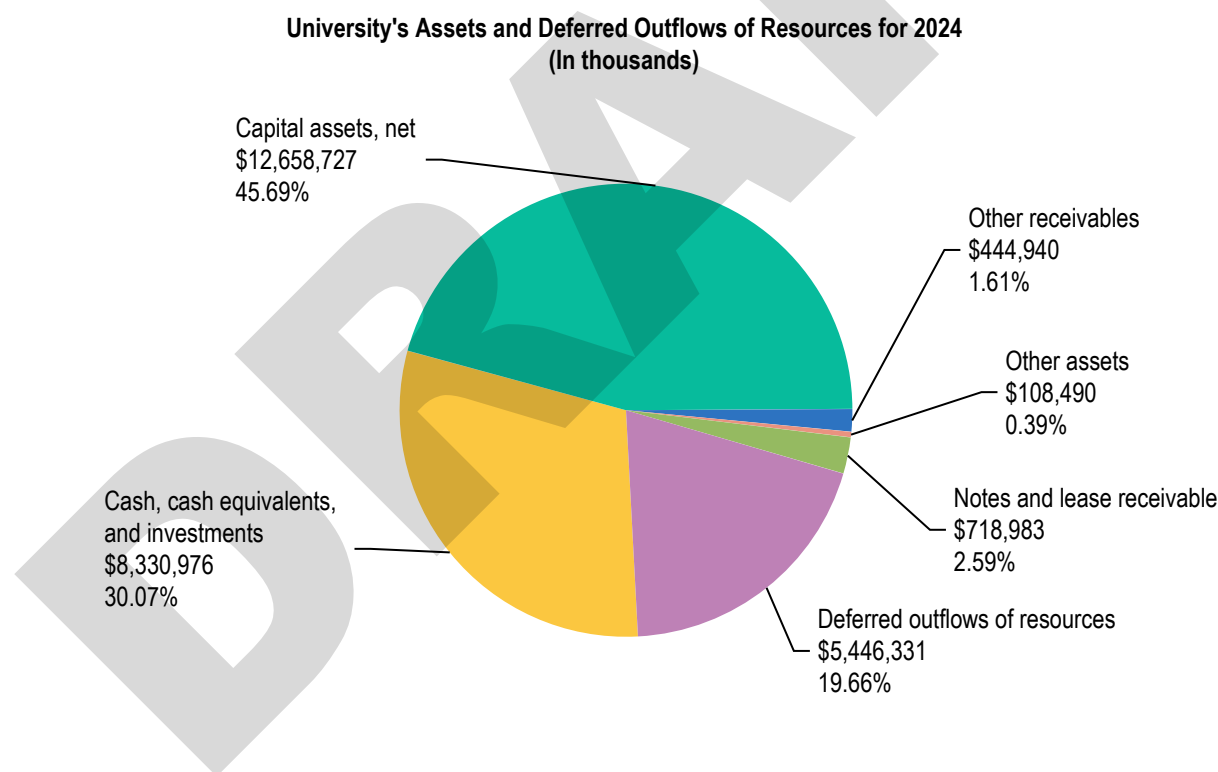
Deferred outflows of resources are a consumption of assets that are applicable to a future reporting period, which has a positive effect on the net position. Deferred outflows of resources consist of transactions related to pension, OPEB, and loss on debt refunding.

Deferred inflows of resources are an acquisition of net assets that are applicable to a future reporting period, which has a decreasing effect on the net position. Deferred inflows of resources consist of transactions related to pension, OPEB, leases, gain on debt refunding, and nonexchange transactions.

The University's Financial Position

Assets and Deferred Outflows of Resources

Total assets increased to \$22.26 billion in 2024 from \$22.09 billion in 2023. Deferred outflows of resources decreased to \$5.45 billion in 2024 from \$5.48 billion in 2023.



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Capital Assets, Net

The University's capital assets, net of accumulated depreciation and amortization, represent the largest portion of total assets. The University's net capital assets are as follows as of June 30:

	2024	2023
	(In thousands)	
Land and land improvements	\$ 430,404	420,158
Buildings and building improvements	8,660,690	8,546,666
Improvements other than buildings	325,308	267,775
Infrastructure	990,877	847,404
Equipment	245,164	229,264
Library books and materials	31,962	32,412
Works of art and historical treasures	61,410	59,085
Intangible assets	94,288	88,473
Construction work in progress	1,281,282	1,158,003
ROU assets	537,342	396,894
Total capital assets, net	<u>\$ 12,658,727</u>	<u>12,046,134</u>

The University continues to expand its campuses and renovate existing facilities to meet the needs of students, faculty, and staff. The capital spending includes constructing and renovating academic buildings, student union and recreation centers, and housing facilities. Major projects in 2024 included the Chico Butte Hall Science Replacement Building, CSU Dominguez Hills Housing/Dining, and San Diego Brawley Science and Engineering Building.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents of \$411.62 million in 2024 mainly consist of demand deposits held at the State Treasury, commercial banks, and petty cash.

The University invests its funds mainly in the Liquidity Portfolio (LP), the Intermediate Duration Portfolio (IDP), and the Total Return Portfolio (TRP), collectively referred herein as CSU Consolidated Investment Pool. The purpose of the Liquidity Portfolio is to provide sufficient and immediate liquidity to meet the operating needs of the University. The purpose of the IDP is to provide opportunity for modest, additional risk adjusted returns on University funds not needed for immediate liquidity. The investment objective for TRP is to achieve prudent return within a moderate risk level. In addition, funds are invested in Surplus Money Investment Fund (SMIF), which is managed and invested by the State Treasurer in a short-term pool. The proceeds from the sale of Systemwide Revenue Bonds (SRB) are held by the State and invested in SMIF, as required by state law.

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The investment balances are as follows as of June 30:

	2024	Percentage of total	2023	Percentage of total
	(In thousands)	%	(In thousands)	%
Liquidity portfolio (LP)	\$ 2,391,202	30.20	\$ 3,786,050	44.46
Intermediate duration portfolio (IDP)	1,299,124	16.40	1,247,580	14.65
Total return portfolio (TRP)	2,820,252	35.61	2,398,324	28.16
Surplus money investment fund (SMIF)	1,408,780	17.79	1,084,782	12.73
Total investments	<u>\$ 7,919,358</u>	<u>100.00</u>	<u>\$ 8,516,736</u>	<u>100.00</u>

Investments decreased by \$597.38 million due to capital project spending and debt service payments. This is offset by increases from unspent proceeds from the issuance of SRB series 2023A and 2023B and investment gains/earnings.

Notes and Lease Receivable

The University utilizes discretely presented component units to support a broad range of functions. In certain cases, the discretely presented component units are involved in the financing of campus facilities as well as off-campus facilities serving the needs of the campus. These facilities are mostly financed from the SRB program using either lease or loan arrangements.

Before a change in state law in 2008, ground lease agreements between campuses and discretely presented component units facilitated the debt financing. The outstanding lease receivable from discretely presented component unit financed from the SRB program decreased to \$150.83 million in 2024 from \$166.07 million in 2023. All other lease receivable have decreased to \$56.57 million in 2024 from \$56.61 million in 2023.

Subsequent to the state law change in 2008, loan arrangements are exclusively used when discretely presented component units finance facilities from the SRB program. Under the terms of the loan agreement, in return for the loan from the University, the component unit agrees to acquire, construct and/or maintain the facility and repay the loan to the University. The outstanding loan balance is carried by the University as notes receivable. Notes receivable from discretely presented component units increased to \$509.43 million in 2024 from \$451.85 million in 2023. This is due to \$111.45 million new loan agreements, reduced by \$15.72 million collection. Notes receivable unrelated to the SRB program have decreased to \$2.15 million in 2024 from \$2.48 million in 2023.

Deferred Outflows of Resources

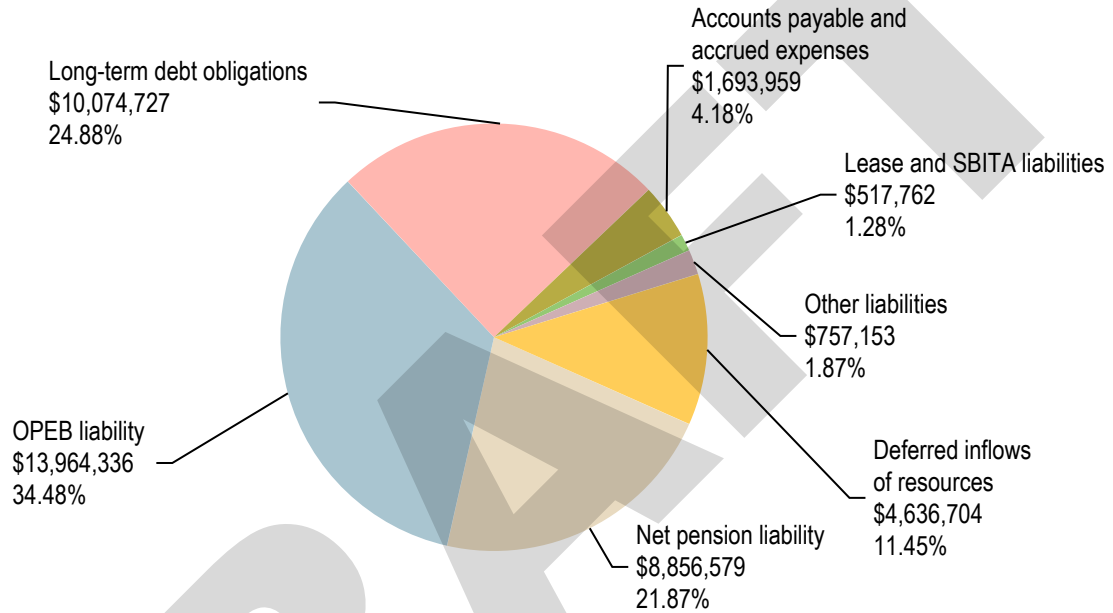
Deferred outflows of resources decreased overall by \$34.41 million in 2024. Deferred outflows related to OPEB increased \$221.44 million and those related to pension increased by \$702.92 million. Contributions made subsequent to measurement date for both plans also accounted for an increase of \$87.63 million. However, all of these amounts were offset by amortization expense of \$1.05 billion.

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Liabilities and Deferred Inflows of Resources

Total liabilities increased to \$35.86 billion in 2024 from \$33.90 billion in 2023. Deferred inflows of resources decreased to \$4.64 billion in 2024 from \$5.96 billion in 2023.

**University's Liabilities and Deferred Inflows of Resources for 2024
(In thousands)**



OPEB Liability

The State has a Retiree Health Benefits Program with California Public Employees' Retirement System (*CalPERS*) as an agent multiple-employer defined-benefit plan and CalPERS functions as the investment and administrative agent for its members. The University, as a state agency, participates in the State's Retiree Health Benefits Program. The OPEB benefits are funded on a pay-as-you-go basis as eligible participants retire and receive those benefits.

The University's liability increased to \$13.96 billion in 2024 from \$13.34 billion in 2023. The \$0.62 million increase is mostly driven by a \$1.04 million increase in service cost and interest expense reduced by employer made pay-as-you-go contributions of \$0.44 million.

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Long-Term Debt Obligations

The University's capital assets are financed using the State's capital appropriations, SRB, and reserves. Bond anticipation notes (BAN) provide short-term financing for capital assets during the construction period. The University's total long-term debt obligations increased by \$640.01 million in 2024. The University's long-term debt obligations are summarized as follows as of June 30:

	2024	2023
	(In thousands)	
Systemwide revenue bonds (SRB)	\$ 9,128,360	8,556,625
Bond anticipation notes (BAN)	171,877	151,711
State public works board (SPWB) lease revenue bond	96,805	96,805
Other long-term debt obligations	113,777	79,121
	9,510,819	8,884,262
Unamortized net bond premium	563,908	550,452
Total long-term debt obligations	10,074,727	9,434,714
Less current portion	(273,292)	(259,325)
Total long-term debt obligations, net of current portion	\$ 9,801,435	9,175,389

- Systemwide Revenue Bonds (SRB)*

The University's SRB program issues revenue bonds to finance housing, parking, health centers, student body centers, continuing education facilities, and other special projects related to the educational mission of the University. The following revenues have been pledged as a security for outstanding SRB: student tuition fees, student housing fees, student body center fees, parking fees, health center facility fees, and fees from the professional and continuing education program, as well as payments from various auxiliary organizations and special purpose government entities.

Moody's Investors Service currently provides an intrinsic rating of Aa2, with a stable outlook, for the SRB. S&P Global Ratings Services currently provides an intrinsic rating of AA-, with a stable outlook, for the SRB. All maturities in SRB Series 2007B, and 2007C are insured. Since the middle of fiscal year 2008, some providers of insurance for SRB have been downgraded to ratings below Aaa/AAA. Those bonds that are uninsured bear the intrinsic ratings of the SRB, which are Aa2 from the Moody's Investors Service and AA- from S&P Global Ratings Services.

The long-term debt obligations related to SRB increased by \$571.74 million due to issuance of SRB Series 2023A and 2023B with principal amounting to 799.36 million offset by \$227.62 million in payments of outstanding debt.

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- *Bond Anticipation Notes (BAN)*

BANs are used as short-term financing to acquire and construct capital assets. The BAN payable increased by \$20.17 million from prior year's balance of \$151.71 million, due to issuance of additional BANs amounting to \$93.47 million, offset by redemption of \$73.30 million.

- *State Public Works Board (SPWB) Lease Revenue Bonds*

The long-term debt obligation related to SPWB lease revenue bond program as of June 30, 2024 is \$96.81 million. The University has participated in the SPWB program since 1986 in connection with the construction of campus facilities and related equipment. As part of the annual budget process, the State of California augments the University's operating budget to provide additional funds for the required debt service.

- *General Obligation (GO) Bonds*

The State's GO Bond program has provided capital funding for various projects of the University. The debt related to these projects is not allocated to the University by the State and is not recorded in the University's financial statements. The total GO Bonds carried by the State related to University projects decreased to \$1.64 billion in 2024 from \$1.72 billion in 2023. As a result of the enactment of Education Code Section 89770, the University's share continues to decrease as bonds are paid by the State with no new debt issued for capital facilities.

Net Pension Liability

The State's pension plans with CalPERS are agent multiple-employer defined-benefit pension plans and CalPERS functions as the investment and administrative agent for its members. The University, as a state agency, participates in the State's pension plans. The plans act as cost-sharing, multiple-employer defined-benefit pension plans for the University. The University's share in the net pension liability, which is actuarially determined, is based on its proportionate share in the total pensionable compensation of all the participating state agencies for the measurement period.

The net pension liability increased by \$0.37 billion to \$8.86 billion in 2024 from \$8.48 billion in 2023. The increase consisted of \$2.72 billion in additional service cost and interest and administrative expenses, and \$0.23 billion for the University's increased change in proportionate share. These were reduced by \$1.72 billion in contributions and a combined \$0.86 billion net investment return and actuarial gain on plan assets.

Deferred Inflows of Resources

Deferred inflows of resources decreased by \$1.33 billion to \$4.64 billion in 2024 from \$5.96 billion in 2023. Deferred inflows related to OPEB increased \$200 million while those related to pension decreased by \$176.52 million due to changes in the University's proportionate share of the State's Pension Plan. Lease deferred inflows of resources increased by \$7.34 million. All of these were offset by amortization expense of \$1.36 billion.

Net Position

Net position may serve over time as a useful indicator of the University's financial position. Net position represents the residual interest in the University's assets and deferred outflows of resources after all liabilities and deferred inflows of resources are deducted.

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Net position by category are as follows as of June 30:

	2024	2023
	(In thousands)	
Net investment in capital assets	\$ 3,669,130	3,572,960
Restricted		
Nonexpendable	1,612	1,595
Expendable	146,563	131,415
Unrestricted	(16,610,078)	(15,996,454)
Total net position	<u>\$ (12,792,773)</u>	<u>(12,290,484)</u>

- *Net Investment in Capital Assets*

The net position category "Net investment in capital assets" represents the University's capital assets, net of accumulated depreciation and amortization, and also net of outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets and any related deferred outflows of resources. The net investment in capital assets increased to \$3.67 billion in 2024 from \$3.57 billion in 2023.

- *Restricted*

Restricted net position has constraints on its use that are either externally imposed by creditors or imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes a government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for specific purposes. Such restrictions are primarily related to endowments, scholarships and fellowships, research, loans, capital projects, and debt service funds. The restricted net position category consists of two subcategories: "Restricted nonexpendable" and "Restricted expendable."

- i. *Restricted Nonexpendable*

The restricted nonexpendable net position is made up of the permanent endowment funds, the corpus of which may not be expendable. The University's foundations, which are discretely presented component units, hold the significant majority of the University-related endowments.

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ii. Restricted Expendable

Restricted expendable net position represents resources that are subject to external restrictions on how they may be used. Such restrictions are primarily related to scholarships and fellowships, research, loans, capital projects, and debt service funds. The restricted expendable net position increased mainly due to unspent proceeds from the issuance of SRB series 2023A and 2023B.

- *Unrestricted*

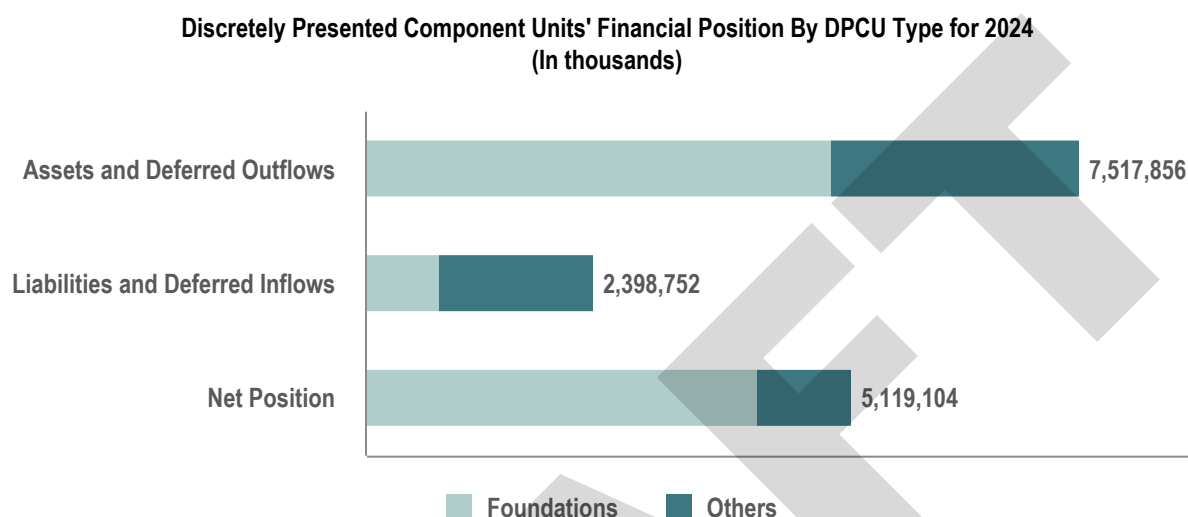
The unrestricted net position represents all other net resources available to the University for general and educational obligations. Under U.S. generally accepted accounting principles, net position that is not subject to externally imposed restrictions governing their use must be classified as unrestricted for financial reporting purposes. Although unrestricted net position is not subject to externally imposed restrictions per accounting definitions, the predominant portions of the unrestricted net position are designated by statute for specific programs or projects related to certain revenue sources. The University, an agency of the State of California, considers statutory restrictions as internally imposed restrictions rather than externally imposed restrictions.

These resources are derived from fee collections and other activities that are designated for very specific purposes and are not to be repurposed and spent on other activities. For example, students pay fees, including housing, parking, and campus activities fees, all of which are to be used for specific designated purposes as described in the State of California Education Code. The University also has certain designated resources that represent amounts pledged to support the SRB program.

On June 30, 2024, unrestricted net position reflects a deficit of \$16.61 billion due primarily to the implementation of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* during 2015, and the implementation of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* in 2018. These Statements require the University to record its share of the State's actuarially determined liabilities for pension and OPEB. Unrestricted net position decreased \$613.62 million in 2024. Operating losses associated with unrestricted activities and interest expense on capital-asset-related debt were offset by unrestricted investment income, state appropriations, and state financial aid grants. Despite the deficit, the University's current ratio, which measures its ability to pay-off short-term obligations, remains positive for both years at an average of 2.54.

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Discretely Presented Component Units' Financial Position



Assets and Deferred Outflows

Discretely presented component units managed \$7.45 billion and \$6.86 billion of assets, representing 25.08% and 23.70% of the University's combined total assets in 2024 and 2023, respectively. Foundations, which administer a variety of activities primarily consisting of sponsored programs and philanthropic gifts, managed \$4.89 billion or 65.58% of the total assets of all discretely presented component units in 2024.

The increase in assets of the discretely presented component units is primarily due to favorable market conditions increasing the market value of investments, increase in notes receivable for capital projects, and increase in capital assets, net.

Discretely presented component units' deferred outflows of resources decreased to \$65.70 million in 2024 from \$76.69 million in 2023. Deferred outflows of resources related to pension and OPEB decreased in 2024.

Liabilities and Deferred Inflows

Discretely presented component units have \$1.94 billion and \$1.79 billion of liabilities, representing 5.12% and 5.01% of the University's combined total liabilities in 2024 and 2023, respectively. The liabilities from commercial paper issued by CSU Institute, unearned revenues, and net pension liability increased in 2024.

Discretely presented component units' deferred inflows of resources is \$461.44 million in 2024 and \$458.73 million in 2023, respectively. The net change in deferred inflows of resources was driven primarily by an increase in deferred inflows related to leases of \$5.64 million and a decrease of \$2.97 million related to pension.

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Net Position

Discretely presented component units' net position is \$5.12 billion and \$4.69 billion in 2024 and 2023, respectively.

The restricted net position, expendable and nonexpendable, of the discretely presented component units was \$3.57 billion and \$3.29 billion, representing 96.01% and 96.11% of the University's total combined restricted net position in 2024 and 2023, respectively.

The combined University and discretely presented component units' net position reflects a deficit of \$7.67 billion in 2024 compared to \$7.60 billion deficit in 2023.

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Results of Operations

The Statement of Revenues, Expenses and Changes in Net Position represents the University's and its discretely presented component units' result of operations. Major components are operating revenues, operating expenses, and nonoperating revenues (expenses). A condensed comparative presentation of the results of operations follows for the years ended June 30:

	University		Discretely presented component units	
	2024	2023	2024	2023
	(In thousands)			
Operating revenues				
Student tuition and fees, net	\$ 2,335,398	2,319,592	—	—
Grants and contracts, noncapital	99,774	82,795	880,730	729,491
Sales and services of educational activities	55,784	60,459	56,355	62,446
Sales and services of auxiliary enterprises, net	806,778	752,878	469,893	421,215
Other operating revenues	368,086	306,937	664,924	676,546
Total operating revenues	3,665,820	3,522,661	2,071,902	1,889,698
Operating expenses	11,630,059	10,674,769	2,376,237	2,115,869
Operating loss	(7,964,239)	(7,152,108)	(304,335)	(226,171)
Nonoperating revenues (expenses)				
State appropriations, noncapital	4,411,363	6,223,371	—	—
Financial aid grants, noncapital	2,569,283	2,311,383	2,965	2,552
Grants and gifts, noncapital	121,241	335,461	228,803	229,689
Investment income, net	618,043	298,874	159,476	94,685
Endowment income (loss), net	58	(15)	258,782	180,901
Interest expense	(357,186)	(321,904)	(24,438)	(20,229)
Other nonoperating revenues (expenses)	21,219	(93,790)	17,141	23,025
Net nonoperating revenues	7,384,021	8,753,380	642,729	510,623
Income (loss) before other revenues (expenses)	(580,218)	1,601,272	338,394	284,452
State appropriations, capital	(55)	—	—	—
Grants and gifts, capital	77,984	71,809	31,604	43,192
Additions to permanent endowments	—	—	61,037	46,092
Change in net position	(502,289)	1,673,081	431,035	373,736
Net position – beginning of year, as restated	(12,290,484)	(13,963,565)	4,688,069	4,317,723
Net position – end of year	<u>\$ (12,792,773)</u>	<u>(12,290,484)</u>	<u>5,119,104</u>	<u>4,691,459</u>

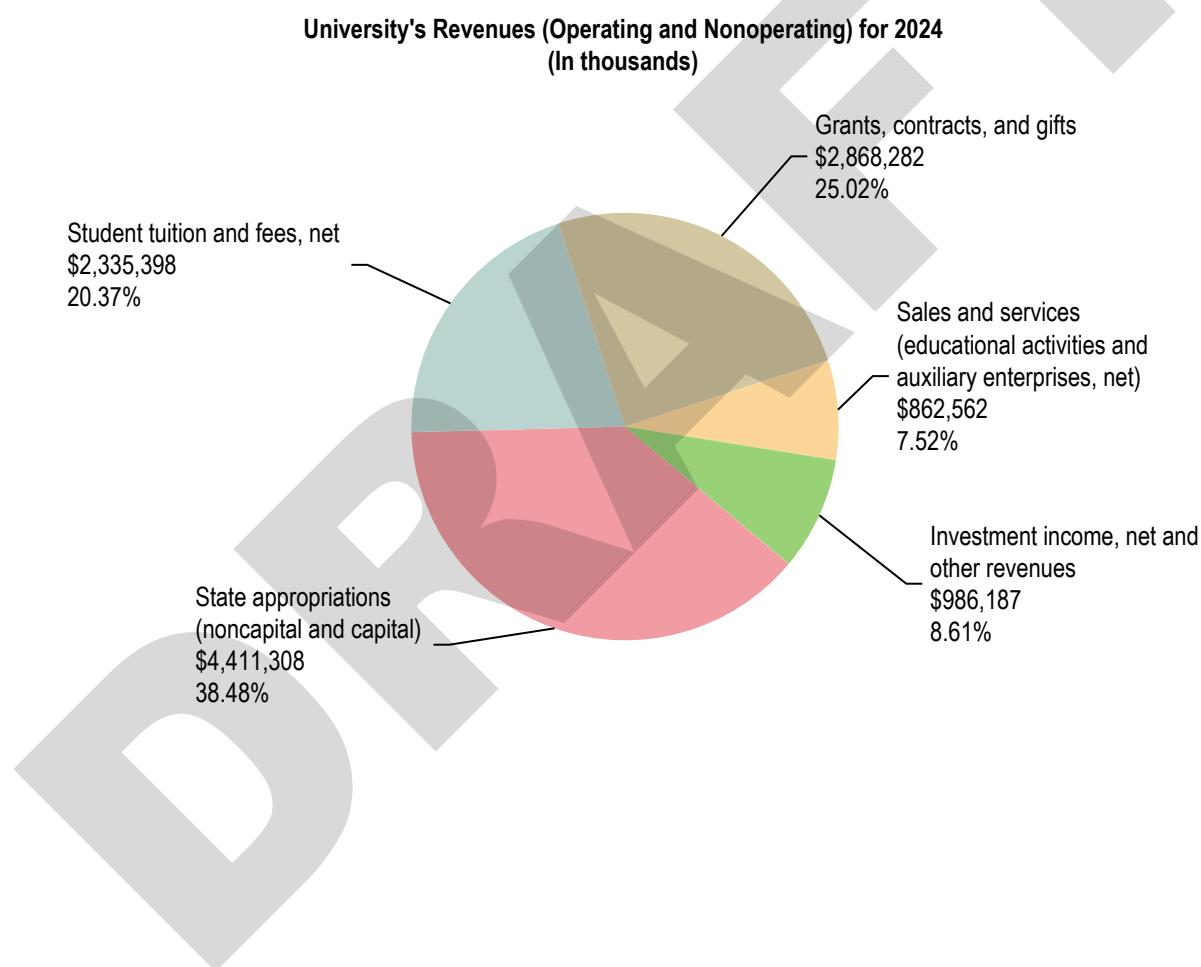
The beginning net position of the discretely presented component units of the University has been restated to reflect changes mainly due to correction of accounting errors.

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For additional information regarding the restatement of the individual discretely presented component units, refer to their separately issued financial statements.

Revenues (Operating and Nonoperating)

The University's two major sources of revenues are state appropriations and student tuition and fees, net, which accounted for a combined 58.85% and 66.93% of total revenues in 2024 and 2023, respectively. State appropriations are received for both noncapital and capital purposes. Another major source of revenues are grants, contracts, and gifts which represent 25.02% of total revenues in 2024.



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The University's total revenues consisted of the following:

	2024	Percentage of total	2023	Percentage of total
	(In thousands)	%	(In thousands)	%
State appropriations (noncapital and capital)	\$ 4,411,308	38.48	\$ 6,223,371	48.76
Student tuition and fees, net	2,335,398	20.37	2,319,592	18.17
Grants, contracts, and gifts	2,868,282	25.02	2,801,448	21.95
Sales and services (educational activities and auxiliary enterprises), net	862,562	7.52	813,337	6.37
Investment income (loss), net and other revenues	986,187	8.61	605,811	4.75
Total revenues (operating and nonoperating)	<u>\$ 11,463,737</u>	<u>100.00</u>	<u>\$ 12,763,559</u>	<u>100.00</u>

State Appropriations (Noncapital and Capital)

The University's state appropriations (noncapital and capital) consisted of the following:

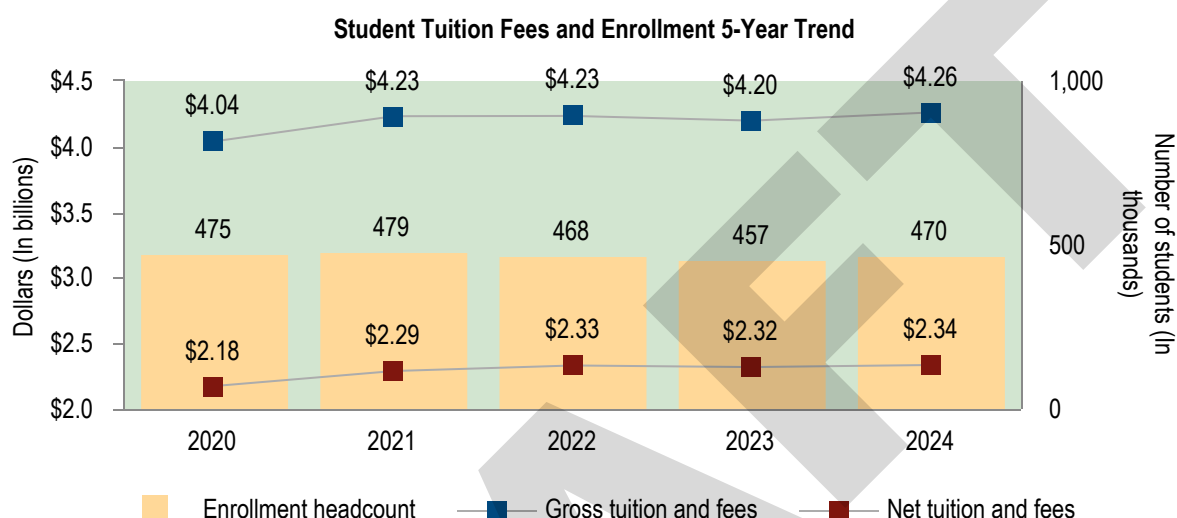
	2024	2023
	(In thousands)	(In thousands)
State appropriations, general fund	\$ 3,996,933	5,765,422
State's contribution on behalf of the University for OPEB	414,430	457,949
Total state appropriations, noncapital	4,411,363	6,223,371
State appropriations, capital	(55)	—
Total state appropriations (noncapital and capital)	<u>\$ 4,411,308</u>	<u>6,223,371</u>

State appropriations are shown as nonoperating revenues but are primarily used to fund the University's core operations. The State general fund appropriations decreased by \$1.77 billion in 2024. The decrease is mainly due to the return of \$1.03 billion in one-time state appropriation funding for capital projects of the CSU. The State provided \$99.69 million of ongoing state appropriation to support replacement of those sources of funding with SRB debt.

CALIFORNIA STATE UNIVERSITY
Management's Discussion and Analysis
June 30, 2024

Student Tuition and Fees, Net

The student tuition and fees (before scholarship allowances) amounted to \$4.26 billion in 2024. The following chart displays the five-year trend between enrollment headcount and student tuition and fees:



The University offers eligible students fee waivers and institutional grants that are applied toward student tuition and fees, in addition to federal agencies, state agencies, and nongovernmental student financial aid grants. Collectively, these are referred to as scholarship allowance, an offset to the gross student tuition and fees. The gap between the gross and net student tuition and fees reflects growth or decline in the waivers and financial aid grants made available to students. During the last five years, approximately half of student tuition and fees were paid through waivers and financial aid grants. This table provides details for the last two years of the gap are reflected in the chart:

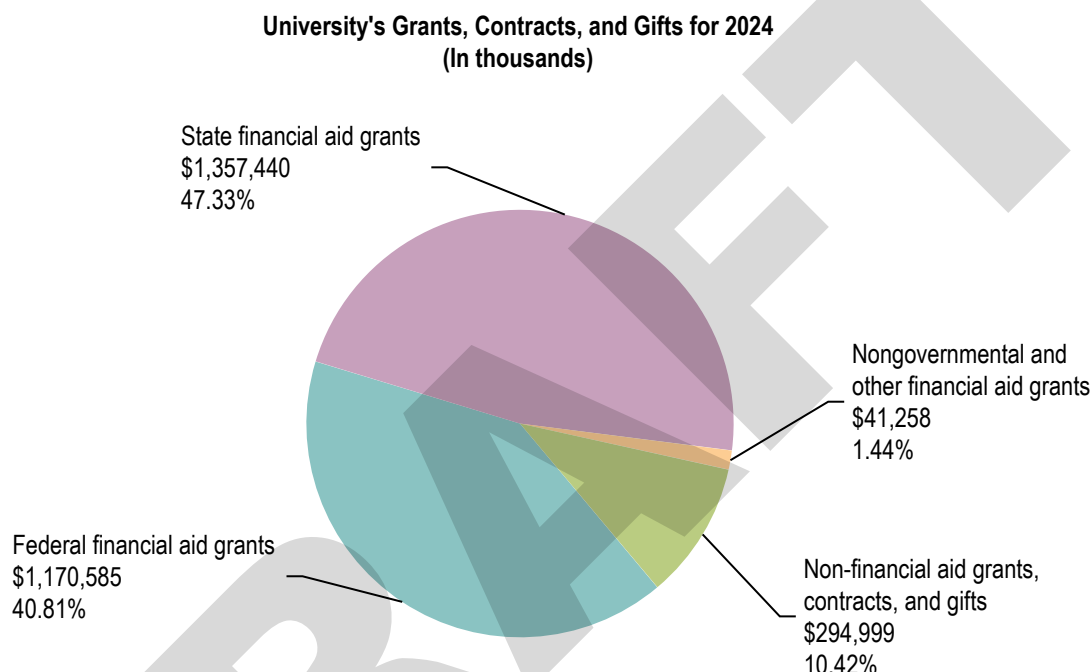
	2024	2023
	(In thousands)	
Gross student tuition and fees	\$ 4,260,455	4,197,833
Less		
Financial aid grants	(1,109,779)	(1,055,645)
Institutional grants	(815,278)	(822,596)
Total student tuition and fees, net	<u>\$ 2,335,398</u>	<u>2,319,592</u>

Scholarship allowance of \$1.11 billion from financial aid grants were comprised of \$381.20 million from Federal Pell Grant program, \$545.36 million from California Grant program, \$145.48 million from Middle Class Scholarship, and \$37.74 million from other sources. The scholarship allowance from institutional grants of \$815.28 million includes \$700.46 million from State University Grants and \$114.82 million from other sources.

CALIFORNIA STATE UNIVERSITY
Management's Discussion and Analysis
June 30, 2024

Grants, Contracts, and Gifts

Grants, contracts, and gifts revenues are derived substantially from the student financial aid grants from federal agencies, state agencies, and nongovernmental grantors. Major federal financial aid grants came from the Pell Grant, Federal Supplemental Educational Opportunity Grant, and Federal Work-Study. Major state financial aid grants came from Cal Grants and Middle Class Scholarship.



Student financial aid grants totaled \$2.57 billion, an increase of \$257.90 million from the previous year mainly due to the increase in the Middle Class Scholarship from the State for undergraduates and students pursuing a teaching credential.

The remainder of the grants, contracts, and gifts include non-financial aid grants, contracts, changes to permanent endowments, and gifts (capital and noncapital), which amounted to \$299.00 million, or 10.42%, of total grants, contracts, and gifts. Noncapital grants and contracts, and gifts of \$294.83 million included gifts received from discretely presented component units amounted to \$146.05 million.

Sales and Services (Educational Activities and Auxiliary Enterprise)

Sales and services of educational activities include revenues related incidentally to the conduct of instruction, research, and public service, and revenues for activities that exist to provide instructional and laboratory experience for students that incidentally create goods and services that may be sold to faculty, students, staff, and the general public. Net revenues from sales and services of educational activities amounted to \$55.78 million in 2024, a decrease from \$60.46 million in 2023.

CALIFORNIA STATE UNIVERSITY
Management's Discussion and Analysis
June 30, 2024

Auxiliary enterprises exist predominantly to furnish goods or services to students, faculty, or staff, for a fee. Net revenues from sales and services of auxiliary enterprises, primarily from student housing and parking, amounted to \$806.78 million, which is a \$53.90 million increase when compared to 2023.

Investment Income, Net and Other Revenues

Investment income, net and other revenues amounted to \$986.19 million in 2024 from \$605.81 million in 2023, an increase of \$380.38 million due to rise in unrealized investment gains during the fiscal year.

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CALIFORNIA STATE UNIVERSITY
Management's Discussion and Analysis
June 30, 2024

Expenses (Operating and Nonoperating)

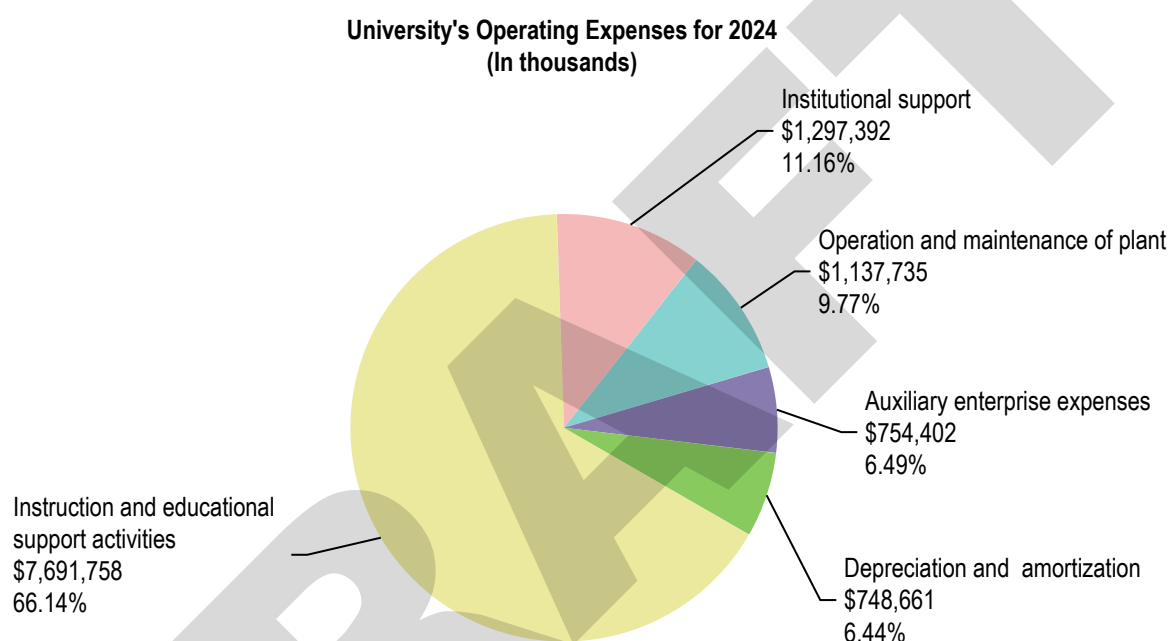
The University's total expenses of \$11.97 billion are comprised of operating expenses of \$11.63 billion, or 97.19%, and nonoperating expenses of \$0.34 billion, or 2.81%.

	2024	Percentage of total	2023	Percentage of total
	(In thousands)	%	(In thousands)	%
Instruction	\$ 3,494,058	29.20	3,554,481	32.05
Research	107,116	0.90	83,389	0.75
Public service	64,120	0.54	60,788	0.55
Academic support	1,040,883	8.70	942,584	8.50
Student services	1,535,232	12.82	1,338,054	12.06
Student grants and scholarships	1,450,349	12.12	1,243,155	11.21
Total instruction and educational support activities	7,691,758	64.28	7,222,451	65.12
Institutional support	1,297,392	10.84	1,137,254	10.25
Operation and maintenance of plant	1,137,735	9.51	955,491	8.62
Auxiliary enterprise expenses	754,402	6.30	671,578	6.06
Depreciation and amortization	748,772	6.26	687,995	6.20
Total operating expenses	11,630,059	97.19	10,674,769	96.25
Investment loss, net	\$ —	—	\$ —	—
Endowment loss, net	0	—	15	—
Interest expense	357,186	2.99	321,904	2.90
Other nonoperating expenses, net	(21,219)	(0.18)	93,790	0.85
Total nonoperating expenses	335,967	2.81	415,709	3.75
Total expenses (operating and nonoperating)	\$ 11,966,026	100.00	11,090,478	100.00

CALIFORNIA STATE UNIVERSITY
Management's Discussion and Analysis
June 30, 2024

Operating Expenses

When the mission-critical educational support activities of student services, academic support, student grants and scholarships, public service, and research are added to direct classroom instruction, the total instruction and educational support activities account for 66.14% and 67.66% of the 2024 and 2023 total operating expenses of the University, respectively.



- *Salaries*

The University's salaries expense increased to \$4.53 billion in 2024 from \$4.29 billion in 2023. Salaries have increased in instruction and educational support by \$195.45 million, institutional support by \$21.07 million, operation and maintenance of plant by \$12.60 million, and auxiliary enterprise expenses by \$10.12 million. The increases in compensation are mainly due to salary increases per collective bargaining agreements.

- *Benefits*

The University's benefits expense increased by \$370.99 million to \$2.47 billion in 2024 from \$2.10 billion in 2023. Benefits have increased in instruction and educational support by \$61.54 million, institutional support by \$166.04 million, operation and maintenance of plant by \$115.23 million and auxiliary enterprises by \$28.18 million.

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- *Supplies and Services*

The University's supplies and other services increased to \$2.43 billion in 2024 from \$2.35 billion in 2023. The increase of \$77.09 million is comprised of \$5.12 million in instruction and educational support activities, \$44.52 million in auxiliary enterprise expenses, \$54.42 million in operation and maintenance of plant, offset with \$26.97 million decrease in institutional support.

- *Scholarships and Fellowships*

The scholarship and fellowships, which represent financial aid directly paid to students, increased from \$1.24 billion in 2023 to \$1.45 billion in 2024. The increase is mainly due to the in the Middle Class Scholarship grants provided to qualifying students.

Nonoperating Expenses

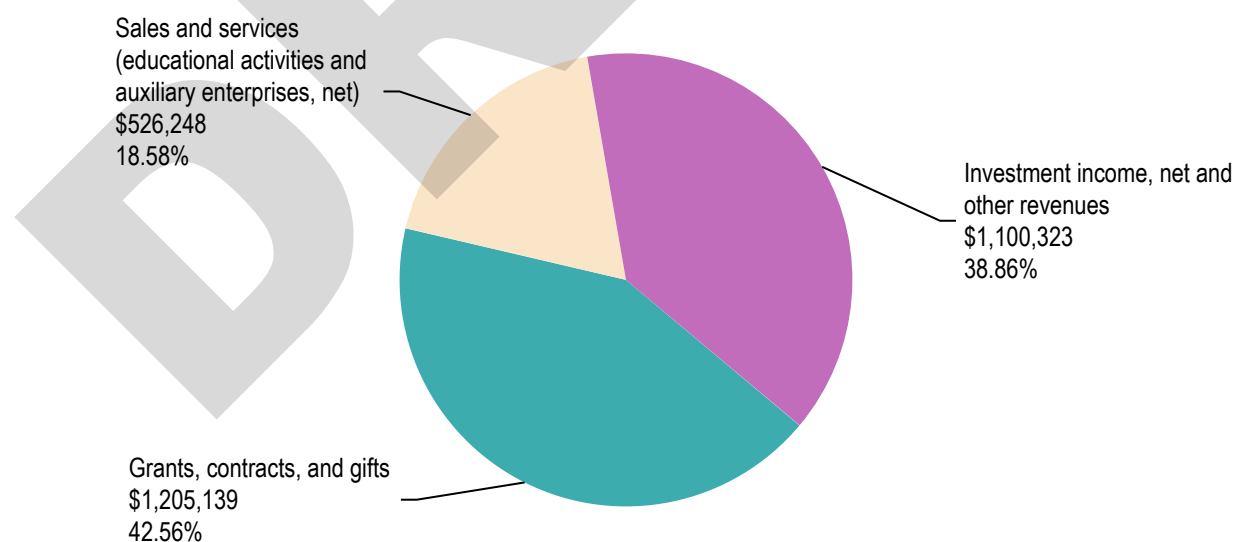
- *Interest Expense*

The University's interest expense increased to \$357.19 million in 2024 from \$321.90 million in 2023. The increase of \$35.28 million is mainly due to Systemwide Revenue Bond payments.

Discretely Presented Component Units' Results of Operations

Revenues (Operating and Nonoperating)

Discretely Presented Component Units' Revenues (Operating and Nonoperating) for 2024
(In thousands)

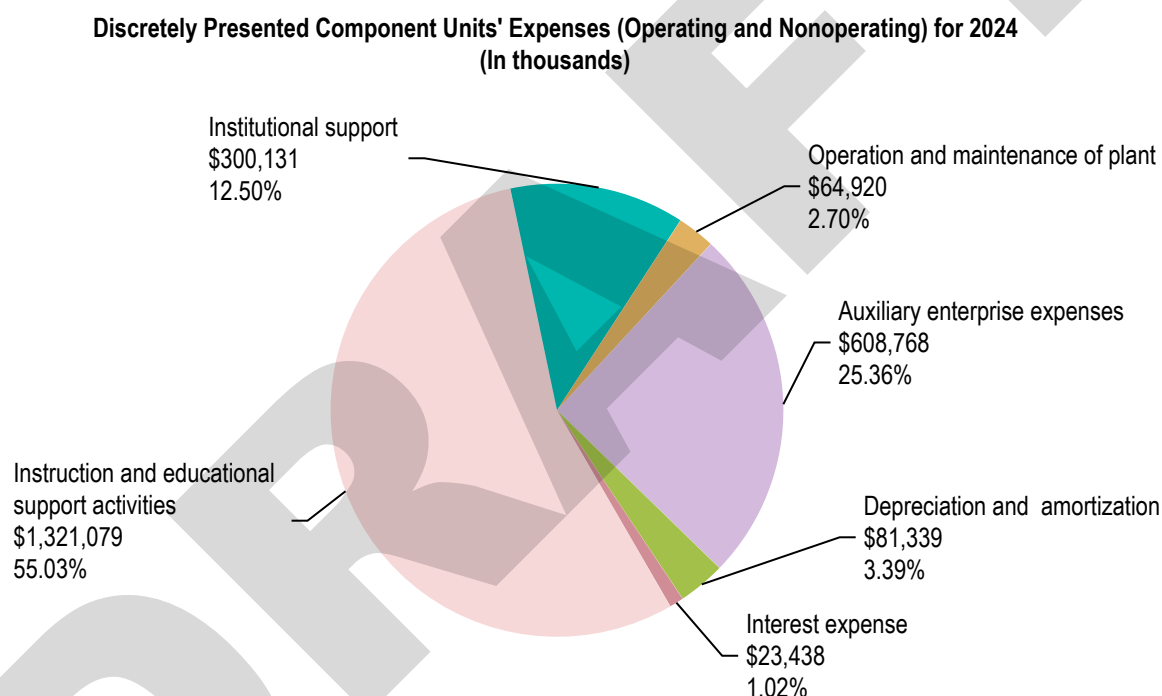


CALIFORNIA STATE UNIVERSITY
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June 30, 2024

The discretely presented component units generated \$2.83 billion of revenues, representing 19.81% of the University's \$14.30 billion combined total revenues, which is higher compared to the 16.43% in the prior year. The discretely presented component units managed \$1.21 billion grants, contracts, and gifts revenues, representing 29.59% of the University's \$4.07 billion combined total. Discretely presented component units fund many students' co-curricular activities, administer research programs, raise funds, operate student unions, offer recreational programs, coordinate commercial enterprises, and develop public-private partnerships on behalf of the University.

Investment income, net and other revenues increased by \$125.17 million primarily due to favorable market conditions. The sales and services of educational activities and auxiliary enterprise have increased by \$42.59 million.

Expenses (Operating and Nonoperating)



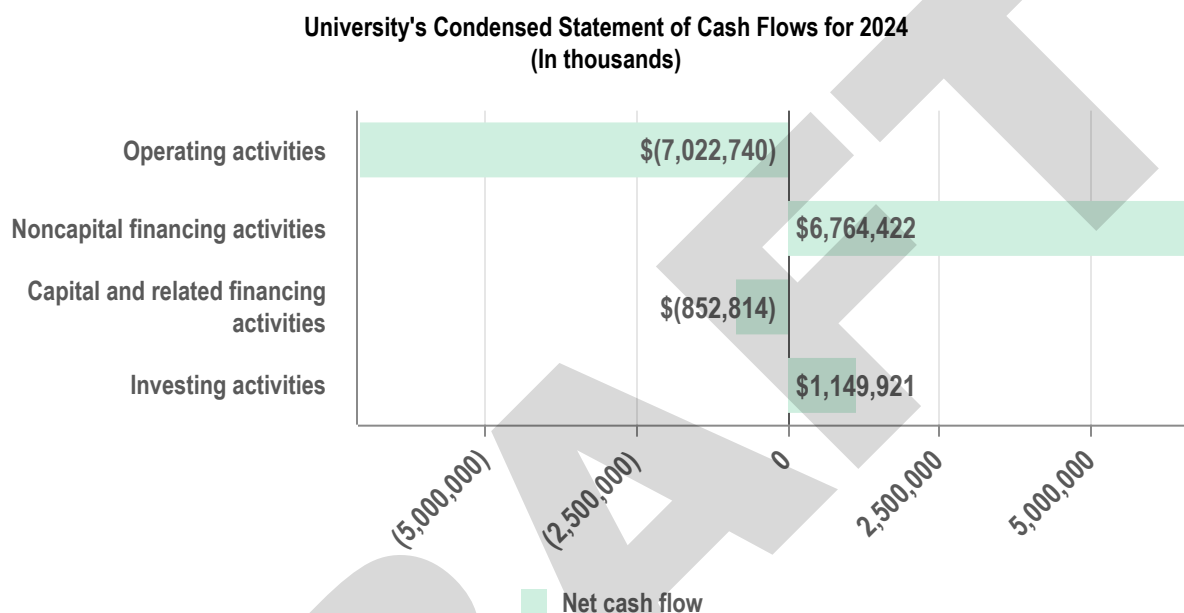
The discretely presented component units incurred \$2.38 billion of operating expenses in 2024 from \$2.12 billion in 2023. This represents 16.97% of the University's \$14.01 billion combined total operating expenses which is higher compared to the 16.54% in the prior year. Operating expenses by natural classification of the discretely presented component units is composed of the following: supplies and other services of \$1.29 billion, salaries of \$681.39 million, pension benefits expenses of \$37.19 million, OPEB expense of \$(3.86) million, scholarship and fellowships of \$113.11 million, and depreciation and amortization of \$81.34 million.

The discretely presented component unit's interest expense of \$24.44 million accounts for 6.40% of the University's combined total interest expense of \$381.62 million. Compared to 2023, the discretely presented component unit's interest expense has increased by \$4.21 million.

CALIFORNIA STATE UNIVERSITY
Management's Discussion and Analysis
June 30, 2024

Cash Flows

The Statement of Cash Flows presents cash receipts and payments during the fiscal year and assesses the University's ability to generate future net cash flows and meet its obligations as they come due. The University's summarized cash flows activity during the year is as follows:



The University's routine activities appear in the operating and noncapital financing categories. Cash provided by operating activities includes student tuition and fees and grant and contract revenues. Cash used for operating activities includes payments to suppliers, payments to employees including benefits, and payments to students for scholarships and fellowships. Noncapital financing activities include borrowing money for purposes other than to acquire, construct, or improve capital assets and repaying those amounts borrowed, including interest. The proceeds from the issuance of Systemwide Revenue Bonds (SRB) that will be passed through to the discretely presented component units for capital purposes are reported as noncapital financing activities.

Capital and related financing sources include debt proceeds, state capital appropriations, capital grants and gifts, proceeds from sale of capital assets, and principal and interest payments received on leases. Within the capital and related financing activities, the uses of funds consist of acquisition of capital assets and debt repayments. Sales and purchases of investments are part of investing activities.

The Statement of Cash Flows for the discretely presented component units is not included in the University's financial statements.

CALIFORNIA STATE UNIVERSITY
Management's Discussion and Analysis
June 30, 2024

Factors Impacting Future Periods

Certain information provided by the University may contain forward-looking statements. These statements, addressing future activities, events, or developments, are based on various factors and assumptions. Actual results may differ materially from those projected or suggested in such forward-looking information. The University does not commit to updating this forward-looking information to reflect changes in actual results or assumptions.

In 2025, the University received from the State a permanent base budget increase of \$246.22 million. In part offsetting the 2024-25 increase, the University will receive a one-time General Fund reduction of \$75 million as a part of the state's efforts to address its budget deficit. The University's operating budget for 2025 includes \$5.16 billion in state general fund.

Ongoing challenges include collective bargaining and compensation costs, effects of inflation, heightened energy costs, new commitments, and workload contained in the multi-year compact between the State and the University, and the continued work of narrowing and eliminating equity gaps through Graduation Initiative 2025.

Subsequent Events

The University issued SRB Series 2024A and 2024B in August 2024 which total \$670.92 million. The new bonds were issued to fund various capital projects and redeem maturing BANs. The University also issued various BANS for capital projects totaling \$70.21 million and redeemed BANs totaling \$1.50 million.

Basic FS Cover

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CALIFORNIA STATE UNIVERSITY

Statement of Net Position

June 30, 2024

(In thousands)

	University	Discretely presented component units	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 411,618	372,699	784,317
Short-term investments	5,381,478	1,221,603	6,603,081
Accounts receivable, net	413,676	397,355	811,031
Lease receivable, current portion	23,398	25,477	48,875
P3 receivable, current portion	—	207	207
Notes receivable, current portion	18,426	98,299	116,725
Pledge receivable, net	0	95,435	95,435
Prepaid expenses and other current assets	84,096	35,703	119,799
Total current assets	6,332,692	2,246,778	8,579,470
Noncurrent assets			
Restricted cash and cash equivalents	—	27,390	27,390
Accounts receivable, net	2,002	21,333	23,335
Lease receivable, net of current portion	184,004	476,280	660,284
P3 receivable, net of current portion	—	3,618	3,618
Notes receivable, net of current portion	493,155	124,597	617,752
Student loans receivable, net	29,262	438	29,700
Pledge receivable, net	—	130,400	130,400
Endowment investments	1,612	2,724,660	2,726,272
Other long-term investments	2,536,268	554,068	3,090,336
Capital assets, net	12,658,727	1,092,191	13,750,918
Other assets	24,394	50,408	74,802
Total noncurrent assets	15,929,424	5,205,383	21,134,807
Total assets	22,262,116	7,452,161	29,714,277
Deferred Outflows of Resources			
Deferred outflows of resources	5,446,331	65,695	5,512,026
Liabilities			
Current liabilities			
Accounts payable	473,857	162,891	636,748
Accrued salaries and benefits	899,880	39,214	939,094
Accrued compensated absences, current portion	164,221	20,042	184,263
Unearned revenues	417,838	201,787	619,625
Lease liabilities, current portion	189,264	24,277	213,541
SBITA liabilities, current portion	27,228	3,429	30,657
Long-term debt obligations, current portion	273,292	143,540	416,832
Claims liability for losses and loss adjustment expenses, current portion	—	22,895	22,895
Depository accounts	5,557	17,987	23,544
Other liabilities	173,703	117,587	291,290
Total current liabilities	2,624,840	753,649	3,378,489

CALIFORNIA STATE UNIVERSITY

Statement of Net Position

June 30, 2024

(In thousands)

	<u>University</u>	<u>Discretely presented component units</u>	<u>Total</u>
Noncurrent liabilities			
Accrued compensated absences, net of current portion	\$ 156,001	10,014	166,015
Unearned revenues	20,449	61,190	81,639
Grants refundable	21,214	8,304	29,518
Lease liabilities, net of current portion	276,484	194,149	470,633
SBITA liabilities, net of current portion	24,786	2,892	27,678
Long-term debt obligations, net of current portion	9,801,435	614,433	10,415,868
Claims liability for losses and loss adjustment expenses, net of current portion	—	47,782	47,782
Depository accounts	43	11,259	11,302
Other postemployment benefits liability	13,964,336	69,260	14,033,596
Net pension liability	8,856,579	123,621	8,980,200
Other liabilities	118,349	40,760	159,109
Total noncurrent liabilities	<u>33,239,676</u>	<u>1,183,664</u>	<u>34,423,340</u>
Total liabilities	<u>35,864,516</u>	<u>1,937,313</u>	<u>37,801,829</u>
Deferred Inflows of Resources			
Deferred inflows of resources	<u>4,636,704</u>	<u>461,439</u>	<u>5,098,143</u>
Net Position			
Net position			
Net investment in capital assets	3,669,130	437,783	4,106,913
Restricted for			
Nonexpendable – endowments	1,612	1,999,323	2,000,935
Expendable			
Scholarships and fellowships	30,626	277,559	308,185
Research	—	33,243	33,243
Loans	28,234	2,561	30,795
Capital projects	45,317	117,481	162,798
Debt service	5,067	7,013	12,080
Others	37,319	1,132,162	1,169,481
Unrestricted	<u>(16,610,078)</u>	<u>1,111,979</u>	<u>(15,498,099)</u>
Total net position	<u>\$ (12,792,773)</u>	<u>5,119,104</u>	<u>(7,673,669)</u>

See accompanying notes to financial statements.

CALIFORNIA STATE UNIVERSITY
Statement of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2024

(in thousands)

	University	Discretely presented component units	Eliminations	Total
Revenues				
Operating revenues				
Student tuition and fees (net of scholarship allowances of \$1,925,057)	\$ 2,335,398	—	—	2,335,398
Grants and contracts, noncapital				
Federal	68,461	531,391	(164)	599,688
State	16,543	229,777	(1,200)	245,120
Local	1,832	33,119	(10)	34,941
Nongovernmental	12,938	86,443	(768)	98,613
Sales and services of educational activities	55,784	56,355	—	112,139
Sales and services of auxiliary enterprises (net of University scholarship allowances of \$186,787)	806,778	469,893	(3,784)	1,272,887
Other operating revenues	368,086	664,924	(16,427)	1,016,583
Total operating revenues	3,665,820	2,071,902	(22,353)	5,715,369
Expenses				
Operating expenses				
Instruction	3,494,058	147,760	(21,238)	3,620,580
Research	107,116	336,413	(275)	443,254
Public service	64,120	291,082	(3,708)	351,494
Academic support	1,040,883	133,866	(18,367)	1,156,382
Student services	1,535,232	298,849	(42,352)	1,791,729
Institutional support	1,297,392	300,131	(20,135)	1,577,388
Operation and maintenance of plant	1,137,735	64,920	(8,033)	1,194,622
Student grants and scholarships	1,450,349	113,109	(49,809)	1,513,649
Auxiliary enterprise expenses	754,402	608,768	(23,065)	1,340,105
Depreciation and amortization	748,772	81,339	—	830,111
Total operating expenses	11,630,059	2,376,237	(186,982)	13,819,314
Operating loss	(7,964,239)	(304,335)	164,629	(8,103,945)
Nonoperating revenues (expenses)				
State appropriations, noncapital	4,411,363	—	—	4,411,363
Federal financial aid grants, noncapital	1,170,585	2,339	—	1,172,924
State financial aid grants, noncapital	1,357,440	753	—	1,358,193
Local financial aid grants, noncapital	—	—	(532)	(532)
Nongovernmental and other financial aid grants, noncapital	41,258	(127)	(23,455)	17,676
Other federal nonoperating grants, noncapital	4,171	—	—	4,171

CALIFORNIA STATE UNIVERSITY
Statement of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2024

(in thousands)

	University	Discretely presented component units	Eliminations	Total
Nonoperating revenues (expenses), continued				
Gifts, noncapital	\$ 117,070	228,803	(98,249)	247,624
Investment income, net	618,043	159,476	—	777,519
Endowment income, net	58	258,782	—	258,840
Interest expense	(357,186)	(24,438)	—	(381,624)
Other nonoperating revenues	21,219	17,141	5,409	43,769
Net nonoperating revenues	7,384,021	642,729	(116,827)	7,909,923
Income (loss) before other revenues	(580,218)	338,394	47,802	(194,022)
State appropriations, capital	(55)	—	—	(55)
Grants and gifts, capital	77,984	31,604	(47,802)	61,786
Additions to permanent endowments	—	61,037	—	61,037
Increase (decrease) in net position	(502,289)	431,035	—	(71,254)
Net position				
Net position at beginning of year, as restated	(12,290,484)	4,688,069	—	(7,602,415)
Net position at end of year	<u>\$ (12,792,773)</u>	<u>5,119,104</u>	<u>—</u>	<u>(7,673,669)</u>

See accompanying notes to financial statements.

CALIFORNIA STATE UNIVERSITY

Statement of Cash Flows

Year ended June 30, 2024

(In thousands)

	University
Cash flows from operating activities	
Student tuition and fees	\$ 2,288,450
Federal grants and contracts	60,933
State grants and contracts	23,389
Local grants and contracts	1,499
Nongovernmental grants and contracts	16,277
Payments to suppliers	(2,374,204)
Payments to employees	(4,439,611)
Payments for benefits	(2,332,886)
Payments to students	(1,452,322)
Collections of student loans	2,040
Sales and services of educational activities	56,011
Sales and services of auxiliary enterprises	783,978
Other receipts	343,706
Net cash used in operating activities	(7,022,740)
Cash flows from noncapital financing activities	
State appropriations	3,995,808
Federal financial aid grants	1,160,420
State financial aid grants	1,352,448
Nongovernmental and other financial aid grants	41,753
Other federal nonoperating grants	6,655
Gifts and grants received for other than capital purposes	117,238
Federal loan program receipts	1,123,426
Federal loan program disbursements	(1,119,430)
Monies received on behalf of others	88,279
Monies disbursed on behalf of others	(86,477)
Proceeds from long-term debt	47,245
Principal paid on long-term debt	(23,855)
Interest paid on long-term debt	(18,298)
Issuance of notes receivable	(55,000)
Principal collections on notes receivable	55,170
Interest collections on notes receivable	18,081
Other noncapital financing activities	60,959
Net cash provided by noncapital financing activities	6,764,422

CALIFORNIA STATE UNIVERSITY

Statement of Cash Flows

Year ended June 30, 2024

(In thousands)

	University
Cash flows from capital and related financing activities	
Proceeds from capital debt	\$ 875,676
State appropriations – SPWB Lease Revenue Bond program	835
Capital grants and gifts	61,567
Proceeds from sale of capital assets	29,075
Acquisition of capital assets	(1,113,761)
Principal paid on capital debt and leases	(374,525)
Interest paid on capital debt and leases	(357,113)
Principal collection on leases receivable	20,538
Interest collection on leases receivable	4,894
Net cash used in capital and related financing activities	<u>(852,814)</u>
Cash flows from investing activities	
Proceeds from sales of investments	13,612,357
Purchases of investments	(12,754,011)
Investment income proceeds	291,575
Net cash provided by investing activities	<u>1,149,921</u>
Net increase in cash and cash equivalents	38,789
Cash and cash equivalents at beginning of year	372,829
Cash and cash equivalents at end of year	<u><u>\$ 411,618</u></u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (7,964,239)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation and amortization	748,772
Change in assets and liabilities	
Accounts receivable, net	(5,673)
Student loans receivable, net	(2,296)
Prepaid expenses and other current assets	1,613
Other assets	14,837
Deferred outflows of resources	465,514
Accounts payable	24,828
Accrued salaries and benefits	84,917
Accrued compensated absences	19,827
Unearned revenues	(27,719)
Other postemployment benefits liability	597,648
Net pension liability	371,724
Other liabilities	(20,413)
Deferred inflows of resources	<u>(1,332,080)</u>
Net cash used in operating activities	<u><u>\$ (7,022,740)</u></u>

CALIFORNIA STATE UNIVERSITY

Statement of Cash Flows

Year ended June 30, 2024

(In thousands)

	<u>University</u>	
Supplemental schedule of noncash transactions		
State's contribution for OPEB	\$	414,430
Change in unrealized gain on investments		258,999
Change in capital assets due to leases		201,968
Gifts in kind - noncapital		115,159
BAN proceeds paid directly to escrow agent by bank		56,450
Amortization of net bond premium		29,502
Change in accrued capital asset purchases		20,105

See accompanying notes to financial statements.

Notes to FS

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CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2024

(In thousands)

(1) Organization

California State University (the University) was established under the State of California Education Code as a public university to offer undergraduate and graduate instruction for professional and occupational goals emphasizing a broad liberal arts education. As an agency of the State of California (the State), the University is also included in the State's financial statements. Responsibility for the University is vested in the Trustees of California State University (the Trustees) who, in turn, appoint the chancellor, who is the chief executive officer of the University, and the University presidents, who are the chief executive officers of the respective campuses. In addition to the Office of the Chancellor, the following 23 campuses comprise the California State University at June 30, 2024:

- California State University, Bakersfield
- California State University Channel Islands
- California State University, Chico
- California State University, Dominguez Hills
- California State University, East Bay
- California State University, Fresno
- California State University, Fullerton
- California State Polytechnic University, Humboldt
- California State University, Long Beach
- California State University, Los Angeles
- California State University Maritime Academy
- California State University, Monterey Bay
- California State University, Northridge
- California State Polytechnic University, Pomona
- California State University, Sacramento
- California State University, San Bernardino
- San Diego State University
- San Francisco State University
- San José State University
- California Polytechnic State University, San Luis Obispo
- California State University San Marcos
- Sonoma State University
- California State University, Stanislaus

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The University provides instruction for baccalaureate, masters', doctorate, and certificate programs, and operates various auxiliary enterprises, such as student housing and parking facilities. In addition, the University administers a variety of financial aid programs that are funded primarily through state and federal programs.

(2) Summary of Significant Accounting Policies

(a) Financial Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*, the accompanying financial statements present the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows of the University.

In addition, the accompanying financial statements include the accounts of the 94 discretely presented component units, which are primarily University-related recognized auxiliary organizations. These discretely presented component units are legally separate entities that provide services primarily to the University and its students. Recognized auxiliary organizations include foundations, associated students, student unions, auxiliary services, university corporations, and similar organizations. Foundations, whose net position comprises approximately 80.67% of the discretely presented component unit totals, carry out a variety of campus-related activities. Such activities consist primarily of administering grants from governmental and private agencies for research, as well as soliciting and accepting donations, gifts, and bequests for University-related use. Separate financial statements for each of the discretely presented component units may be obtained from the individual campuses.

The discretely presented component units are as follows:

- California State University, Bakersfield Foundation
- Associated Students, California State University, Bakersfield, Inc.
- California State University, Bakersfield Student-centered Enterprises, Inc.
- California State University, Bakersfield, Auxiliary for Sponsored Programs Administration
- California State University Foundation
- California State University Institute
- California State University Risk Management Authority
- California State Student Association
- California State University, Channel Islands Foundation
- Associated Students of California State University Channel Islands, Inc.
- CI University Auxiliary Services, Inc.
- California State University Channel Islands Financing Authority

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- California State University Channel Islands Site Authority
- Chico State Enterprises
- The University Foundation, California State University, Chico
- Associated Students of California State University, Chico
- California State University, Dominguez Hills Toro Auxiliary Partners
- California State University, Dominguez Hills Philanthropic Foundation
- Associated Students, Inc., California State University, Dominguez Hills
- The Donald P. and Katherine B. Loker University Student Union, Inc., California State University, Dominguez Hills
- Cal State East Bay Educational Foundation, Inc.
- California State University, East Bay Foundation, Inc.
- Associated Students, Inc. of California State University, East Bay
- California State University, Fresno Foundation
- The Agricultural Foundation of California State University, Fresno
- The Bulldog Foundation (Fresno)
- Associated Students California State University, Fresno
- California State University, Fresno Athletic Corporation
- California State University, Fresno Association, Inc.
- Fresno State Programs for Children, Inc.
- Cal State Fullerton Philanthropic Foundation
- Associated Students, California State University, Fullerton, Inc.
- CSU Fullerton Auxiliary Services Corporation
- Cal Poly Humboldt Foundation
- Cal Poly Humboldt Sponsored Programs Foundation
- Associated Students of Cal Poly Humboldt
- Humboldt State University Center Board of Directors
- California State University, Long Beach Research Foundation
- CSULB 49er Foundation
- Associated Students, Inc., California State University, Long Beach
- Forty-Niner Shops, Inc. (Long Beach)

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- California State University, Los Angeles Foundation
- Associated Students of California State University, Los Angeles, Inc.
- University-Student Union at California State University, Los Angeles
- Cal State L.A. University Auxiliary Services, Inc.
- California Maritime Academy Foundation, Inc.
- Associated Students of the California Maritime Academy
- Cal Maritime Corporation
- Foundation of California State University, Monterey Bay
- University Corporation at Monterey Bay
- Otter Student Union at CSU Monterey Bay
- California State University, Northridge Foundation
- Associated Students, California State University, Northridge, Inc.
- University Student Union California State University, Northridge
- The University Corporation (Northridge)
- North Campus - University Park Development Corporation (Northridge)
- Cal Poly Pomona Foundation, Inc.
- Associated Students, Inc., California State Polytechnic University, Pomona
- Cal Poly Pomona Philanthropic Foundation
- The University Foundation at Sacramento State
- Associated Students of California State University, Sacramento
- University Union Operation of California State University, Sacramento
- University Enterprises, Inc. (Sacramento)
- Capital Public Radio, Inc. (Sacramento)
- CSUSB Philanthropic Foundation
- Associated Students, Incorporated, California State University, San Bernardino
- Santos Manuel Student Union of California State University, San Bernardino
- University Enterprises Corporation at CSUSB
- San Diego State University Research Foundation
- The Campanile Foundation (San Diego)
- Associated Students of San Diego State University

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- Aztec Shops, Ltd. (San Diego)
- SDSU Mission Valley Enterprises
- San Francisco State University Foundation
- Associated Students of San Francisco State University
- The University Corporation, San Francisco State
- San José State University Research Foundation
- Tower Foundation of San José State University
- Associated Students of San José State University
- The Student Union of San José State University
- Spartan Shops, Inc. (San José)
- California Polytechnic State University Foundation (San Luis Obispo)
- Associated Students, Inc., California Polytechnic State University, San Luis Obispo
- Cal Poly Corporation (San Luis Obispo)
- California State University San Marcos Foundation
- Associated Students, Inc. of California State University San Marcos
- California State University San Marcos Corporation
- Sonoma State University Foundation
- Associated Students of Sonoma State University
- Sonoma State Enterprises, Inc.
- California State University, Stanislaus Foundation
- Associated Students Incorporated of California State University, Stanislaus
- University Student Center of California State University, Stanislaus
- California State University, Stanislaus Auxiliary and Business Services

These component units are presented in the accompanying financial statements as discretely presented component units of the University due to the nature and significance of their relationship with the University. The relationships are such that exclusion of these organizations would render the financial statements incomplete, primarily due to their close affiliation with the University. These organizations are discretely presented to allow the financial statement users to distinguish between the University and the component units. None of the component units are considered individually significant to the total discretely presented component units. All significant nonexchange transactions between the University and discretely presented component units have been eliminated from the financial statements.

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The accompanying financial statements also include the Stockton Center Site Authority, which is included as a blended component unit. This organization primarily provides services to the University in the areas of asset management. The University is financially accountable for this organization.

(b) Change in Reporting Entity

During fiscal year 2024, the University added a discretely presented component unit SDSU Mission Valley Enterprises to the reporting entity. The component unit began operations during the fiscal year therefore had no beginning balances. There was no effect on the beginning balances due to this change in the reporting entity.

(c) Basis of Presentation

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

As a public institution, the University is considered a special-purpose government under the provisions of GASB Statements Nos. 34 and 35. The University records revenue in part from fees and other charges for services to external users and, accordingly, has chosen to present financial statements using the reporting model for special-purpose governments engaged in business-type activities. This model allows all financial information for the University to be reported in a single column in each of the financial statements, accompanied by aggregated financial information for the discretely presented component units, as discussed above. The effects of internal activities between funds or groups of funds have been eliminated from the financial statements.

(d) New Accounting Pronouncements

On July 1, 2023, the University implemented GASB Statement No. 99, *Omnibus 2022*, for provisions related to financial guarantees and the classification and reporting of derivative instruments within the scope of GASB 53. This Statement clarifies accounting and financial reporting for financial guarantees. The implementation of this standard did not have a material impact on University's financial statements.

On July 1, 2023, the University implemented GASB Statement No. 100, *Accounting Changes and Error Corrections*. This Statement is intended to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The implementation of this standard did not have a material impact on the University's financial statements.

(e) Future Accounting Pronouncements

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, which will be effective for the fiscal year ending June 30, 2025. This Statement will update the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used, and (2) leave that has been used and not yet paid cash or settled.

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through noncash means. This Statement amends the existing disclosure requirements to allow governments to disclose only the net change in the liability as long as they identify it as a net change. The University is evaluating the impact GASB Statement No. 101 will have on the financial statements.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*, which will be effective for the fiscal year ending June 30, 2025. This statement will require disclosure about risks related to the University's vulnerabilities due to certain concentrations or constraints. This statement requires the University to assess (1) whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact, and (2) whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The University is currently assessing the impact GASB Statement No. 102 will have on the financial statements.

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

The University 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 Statement of Net Position date. Liabilities that can reasonably be expected, as part of normal University business operations, to be liquidated within 12 months of the Statement of Net Position date are considered to be current. All other assets and liabilities are considered noncurrent. For classification of current and noncurrent investments, refer to note 2(g).

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(g) Cash and Cash Equivalents and Statement of Cash Flows

The University considers highly liquid investments with an original maturity date of three months or less to be cash and cash equivalents. The University considers amounts included in the California State University (CSU) Consolidated Investment Pool to be investments.

The Statement of Cash Flows does not include the cash flows of the discretely presented component units. Certain discretely presented component units are also participants in the CSU Consolidated Investment Pool. The University considers changes in the CSU Consolidated Investment Pool as cash flows from investing activities in the accompanying Statement of Cash Flows.

(h) Investments

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

Investments that are used for current operations are classified as short-term investments. Investments that are restricted from withdrawal or use for other than current operations, designated or restricted for the acquisition or construction of noncurrent assets, designated or restricted for the liquidation of the noncurrent portion of long-term debt obligations, and restricted as to the liquidity of the investments are classified as other long-term investments.

The University invests in the Surplus Money Investment Fund (SMIF), an external investment pool. The State Treasurer invests the SMIF funds through the Pooled Money Investment Account (PMIA). PMIA policy sets as primary investment objectives safety, liquidity, and yield. The Investment Division of the State Treasurer manages the PMIA under statutory authority granted by California Government Code Sections 16430 and 16480.4. The Pooled Money Investment Board governs the PMIA. The State Treasurer chairs this Board, which also includes the State Controller and the State Director of Finance.

(i) Accounts Receivable

The University maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable based on types of receivables and expectations of repayment. In establishing the required allowance, management considers one or more of the following: types of receivables, state guidelines, historical losses adjusted to take into account current market conditions, the amount of receivable in dispute, the current receivable aging, and current payment patterns. The University reviews its allowance for doubtful accounts annually. Past-due balances over 90 days and over a specified amount are reviewed individually for collectibility.

(j) Capital Assets

Capital assets are stated at cost or estimated historical cost if purchased, or, if donated, at estimated acquisition value (an entry price) at date of donation. Capital assets, including infrastructure and intangible assets, with an original value of five thousand dollars or more and with a useful life of over one year, are capitalized. Title to all University assets, whether purchased, constructed, or donated, is held by the State. Although title is not with the University for land and buildings, the University has exclusive use of these

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assets and is responsible for the maintenance of these assets, and thus has recorded the cost of these assets in the accompanying financial statements. ROU assets are stated at the present value of payments expected to be made during the lease term, less accumulated amortization. Capital assets, with the exception of land and land improvements, works of art and historical treasures, construction work in progress, and certain intangible assets, are depreciated or amortized on a straight-line basis over their estimated useful lives, which ranges from 3 to 45 years. Library books, unless considered rare collections, are capitalized and depreciated over a 10-year period. Periodicals and subscriptions are expensed as purchased. Works of art and historical treasures are valued at cost, if purchased, or the acquisition value at the date of donation, if contributed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

Depreciation and amortization expense is shown separately in the Statement of Revenues, Expenses, and Changes in Net Position rather than being allocated among other categories of operating expenses.

(k) Leases

The University determines if an arrangement is a lease at inception of the lease contract. Lessee arrangements are included in capital assets, net and lease liabilities in the Statement of Net Position. Lease assets represent the University's right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized on a straight-line basis over the lease term. Lease liabilities represent the University's obligation to make lease payments arising from the lessee arrangement. Lease liabilities are recognized at the commencement date based on the present value of the expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term. The lease term may include options to extend or terminate the lease when it is reasonably certain that the University will exercise that option. Short-term leases with a term of 12 months or less are recognized as expense as the payments are made.

Lessor arrangements are included in lease receivable and deferred inflows of resources in the Statement of Net Position. Lease receivable represent the University's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivable are recognized at commencement date based on the present value of expected lease payments over the lease term, reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized ratably over the contract term on a straight-line basis. Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue on a straight-line basis over the lease term. Short-term leases with a term of 12 months or less are recognized as revenue as the payments are received. Lease revenues are included in other operating revenues in the Statement of Revenues, Expenses, and Changes in Net Position.

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(l) Subscription-Based Information Technology Arrangements (SBITA)

A SBITA is a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract in an exchange or exchange-like transaction for a term exceeding 12 months. The University recognizes an ROU subscription asset and a corresponding subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. ROU subscription assets are amortized on a straight-line basis over the contract term. SBITA liabilities represent the University's obligation to make contract payments arising from the SBITA. Interest expense is recognized ratably over the contract term. The SBITA term may include options to extend or terminate the contract when it is reasonably certain that the University will exercise that option. Short-term SBITAs with a term of 12 months or less are recognized as expense as the payments are made.

(m) Unearned Revenues

Unearned revenues consist primarily of fees collected in advance for summer and fall terms and professional and continuing education programs.

(n) Compensated Absences

Compensated absences are recognized, as either current or noncurrent liabilities, when the right to receive the compensation is earned by the employees from vested unpaid vacation and other paid leave programs. Unused sick leave balances are not included in the compensated absences because they do not vest to employees. Vacation is accrued on a monthly basis. The University uses the employee's current pay rate as of July 1, 2024, to calculate the liability for accrued compensated absences. The University provides vacation based on length of service and job classifications.

(o) Grants Refundable

The University periodically receives contributions from the federal government in support of its operation of the Federal Perkins and Nursing Loan programs, both Title IV Loan programs. The federal government has the ability to terminate support of these programs at any time and to request that the University return those contributions on a cumulative basis, such as the Federal Perkins Loan Program, which has expired in 2018. Accordingly, the federal contributions received and retained by the University at year-end are considered liabilities of the University and are reflected as such in the accompanying Statement of Net Position.

(p) Claims Liability for Losses and Loss Adjustment Expenses

The claims liability for losses and loss adjustment expenses included in the aggregate discretely presented component units column of the financial statements includes California State University Risk Management Authority's (CSURMA) estimated ultimate cost of settling claims relating to events that have occurred on or before June 30, 2024. The liability includes the estimated amount that will be required for future payments of claims that have been reported and claims related to events that have occurred but have not been reported. The liability is also reduced by estimated amounts recoverable from the reinsurance that is related to the liabilities for unpaid claims and claim adjustment expenses. The liability is estimated through an actuarial calculation using individual case basis valuations and statistical analyses. The liability is not discounted.

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

In the estimate of the unpaid losses and loss adjustment expenses, CSURMA and its consulting actuary have employed methods and assumptions they considered reasonable and appropriate given the information currently available. Given the inherent uncertainty in the nature of such estimates, future losses may deviate from those estimates.

(q) *Deferred Outflows of Resources and Deferred Inflows of Resources*

The University classifies losses on debt refundings as deferred outflows of resources and amortizes it as a component of interest expense over the remaining life of the old debt or the new debt, whichever is shorter.

Changes in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Deferred outflows and inflows of resources related to differences between expected and actual experience are amortized over a closed period equal to the average employees' remaining service lives. The deferred outflows and inflows of resources related to differences between projected and actual earnings on pension plan investments are netted and amortized over a closed 5-year period. Employer contributions made subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources, recognized as reduction of net pension liability in the following year.

Changes in other postemployment benefits (OPEB) liability not included in OPEB expense are reported as deferred outflows of resources or deferred inflows of resources. Deferred outflows and inflows of resources related to differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average employees' remaining service lives. Employer contributions made subsequent to the measurement date of the OPEB liability are reported as deferred outflows of resources, recognized as reduction in OPEB liability in the following year.

The defeasance of previously outstanding Systemwide Revenue Bond (SRB) debt resulting in losses or gains are recognized as deferred outflows of resources or deferred inflows of resources. These losses or gains are recognized as a component of interest over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Resources received in advance from nonexchange transactions by the University that met all eligibility requirements except for the time requirements are reported as deferred inflows of resources.

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(r) Net Position

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

- Net Investment in Capital Assets: Capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets and any related deferred outflows of resources.
- Restricted:
 - Nonexpendable: Net position subject to externally imposed conditions that the University retains in perpetuity. Net position in this category consists of endowments held by the University or its related discretely presented component units.
 - Expendable: Net position subject to externally imposed conditions that can be fulfilled by the actions of the University or by the passage of time.
- Unrestricted: All other categories of net position. In addition, unrestricted net position may have legislative or bond indenture requirements associated with their use or may be designated for use by management of the University. These requirements limit the area of operations for which expenditures of net position may be made and require that unrestricted net position be designated to support future operations in these areas. University housing programs are a primary example of operations that have unrestricted net position with designated uses.

Restricted or unrestricted resources are spent based upon a variety of factors, including funding restrictions, consideration of prior and future revenue sources, the type of expenses incurred, the University's budgetary policies surrounding the various revenue sources or whether the expense is a recurring cost. Unrestricted net position is negative due primarily to liabilities for pension and other postemployment benefits exceeding University assets available to pay such obligations.

(s) Classification of Revenues and Expenses

The University considers operating revenues and expenses in the Statement of Revenues, Expenses, and Changes in Net Position to be those revenues and expenses that result from exchange transactions and from other activities that are connected directly to the University's primary functions. Exchange transactions include charges for services rendered and the acquisition of goods and services. Certain other transactions are reported as nonoperating revenues and expenses in accordance with GASB Statement No. 35. These nonoperating activities include the University's capital and noncapital appropriations from the State, financial aid grants, net investment income, noncapital gifts, interest expense, capital grants and gifts, and changes in permanent endowments.

The State appropriates funds to the University on an annual basis. The appropriations are, in turn, allocated among the campuses by the Office of the Chancellor. Appropriations are recognized as revenue in general when authorization is received and are reported as either noncapital appropriations when used to support general operations or capital appropriations when used for capital projects.

Student tuition and fees revenue and sales and services of auxiliary enterprises, including revenues from student housing programs, are presented net of scholarships and fellowships applied to student accounts.

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Certain other scholarship and fellowships are paid directly to, or refunded to, the student and are reflected as operating expenses.

(t) Other Postemployment Benefits (OPEB) Liability

The University's OPEB liability is an actuarial accrued liability that reflects the present value of future healthcare benefits earned by employees up to June 30, 2023. The University's OPEB liability is determined by discounting the projected benefit for current active employees and retirees based on the discount rate required by GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for OPEB plans which do not have assets residing in a qualified trust. The University and the State fund their current OPEB expenses on a "pay-as-you-go" basis.

(u) Net Pension Liability

The University records a pension liability equal to the net pension liability for its proportionate share in the State's defined-benefit plans: the State's Miscellaneous Plan and the Peace Officers and Firefighters Plan (Agent Multiple-Employer Defined-Benefit Pension Plans). The net pension liability is measured as the University's proportionate share of the State's total pension liability, less the University's proportionate share of the pension plan's fiduciary net position. The fiduciary net position and changes in net position of the cost sharing defined-benefit plans has been measured consistently with the accounting policies used by the plans.

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

(v) Grant Revenues and Expenses

The University records grant revenue when all applicable grant eligibility requirements are met. Expenses are recorded as expenditures are incurred. Expenditure-driven grant revenues are recorded as the expenditures are incurred, in amounts equal to the expenditures.

(w) Internal Services Activities

Certain institutional internal service providers offer goods and services to University departments, as well as to external customers. These include activities such as copy centers, postal services, and telecommunications. All significant internal service activities provided to University departments have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the internal service sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the fiscal year.

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(x) Income Taxes

The University is an agency of the State and is treated as a governmental entity for tax purposes. As such, the University is generally not subject to federal or state income taxes. The component units are either exempt governmental entities or not-for-profit organizations exempt under IRC Section 501(c)(3). However, the University and its component units remain subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded. If there is net income from any unrelated trade or business, such provision, in the opinion of management, is not material to the financial statements taken as a whole.

(y) Eliminations

All significant nonexchange transactions between the University and its discretely presented component units have been eliminated from the total column and are separately presented in the eliminations column in the accompanying Statement of Revenues, Expenses, and Changes in Net Position.

(z) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts in the accompanying financial statements. Actual results could differ from those estimates.

(aa) Risk and Uncertainties

Although the impacts of COVID-19 have lessened, the University remain in a period of uncertainty due to high rates of inflation, increasing labor costs, and supply chain disruptions. Because of these and other uncertainties regarding the stability of the economy, the pandemic may continue to adversely affect operations and financial condition, including, among other things: the University's ability to conduct its operations, the cost of its operations, governmental and non-governmental funding, and financial markets impacting investments valuation and interest rates, and such effects could be consequential to the University.

(3) Cash, Cash Equivalents, and Investments

The University's cash and cash equivalents and investments as of June 30, 2024, are classified in the accompanying Statement of Net Position as follows:

Cash and cash equivalents	\$	411,618
Investments		
Short-term investments		5,381,478
Endowment investments		1,612
Other long-term investments		2,536,268
Total investments		7,919,358
Total cash and cash equivalents and investments	\$	8,330,976

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(In thousands)

(a) Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits held at the State Treasury, commercial banks, and petty cash. Total cash and cash equivalents amounted to \$411,618 on June 30, 2024.

Cash in demand deposit accounts is minimized by sweeping available cash balances into the CSU Consolidated Investment Pool on a daily basis.

Custodial Credit Risk for Deposits

Custodial credit risk for deposits is the risk that in the event of the failure of the custodian, the deposits may not be returned to the University. The University deposits are maintained at financial institutions that are Federal Deposit Insurance Corporation secured. As a result, custodial credit risk for deposits is remote.

(b) Investments

The University's investment portfolio consists primarily of investments in the CSU Consolidated Investment Pool and SMIF. Separate accounting is maintained as to the amounts allocable to the various University funds and programs.

(i) Investment Policy

State law and regulations require that surplus monies of the University be invested. The objectives of the University's investment policy are to safeguard the principal, to meet liquidity needs of the University, and to obtain the best possible return commensurate with the degree of risk the University is willing to assume in obtaining such return. These objectives may be weighted or prioritized differently for individual portfolios depending on the purpose of the portfolio.

The University's investment policy authorizes funds held in local trust accounts under Education Code Sections 89721 and 89724 to be invested in any of the securities authorized by Government Code Section 16430, and Education Code Sections 89724 and 89725, subject to certain limitations.

In general, the University's investment policies for the Liquidity Portfolio (LP) and Intermediate Duration Portfolio (IDP) permit investments in obligations of the Federal and California state governments, certificates of deposit, high-quality domestic corporate fixed-income securities, and certain other investment instruments.

Per the Education and Government Code of the State, permitted investments within the Total Return Portfolio (TRP) include: mutual funds, including equity mutual funds, subject to registration by, and under the regulatory authority of the United States Securities and Exchange Commission (SEC); publicly traded real estate investment trusts registered with the SEC; institutional commingled funds, including commingled trust funds and collective trust funds, offered by investment advisors registered with, and under the regulatory authority of the SEC; and exchange-traded funds subject to registration by, and under the regulatory authority of the SEC. Under State law, investment of funds in the TRP is subject to the University meeting certain conditions regarding investment oversight, reporting, and use of earnings, and may not exceed 65.00% of eligible investments. TRP investments amounted to \$2,820,252 as of June 30, 2024. Additional earnings from TRP investments shall be used only for capital outlay or maintenance and shall not be used for ongoing operations.

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(ii) Interest Rate Risk

Interest rate risk is the risk that fluctuations in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The University's investment guidelines for the Liquidity Portfolio manage its interest rate risk by limiting an eligible investment to maximum effective maturity and by limiting the average duration of the portfolio. The University's investment guidelines for the IDP manage its interest rate risk by generally maintaining the IDP's effective duration to plus or minus 25.00% of the effective duration of the benchmark for the IDP. There are no restrictions on the duration for the investments in the TRP. The effective maturity date reflects a bond with embedded options such as a call, put, or reset date, and prepayment speed resulting in the maturity of a bond being less than the final maturity date. Duration is a measure of the sensitivity of the price of an investment relative to fluctuations in market interest rates.

Durations of the University's investment portfolio for each investment type, except for SMIF in which weighted average life is used, as of June 30, 2024, are presented in the following table:

Investment type	Fair value	Duration
Money market funds	\$ —	—
Short term investment funds	69,552	—
Certificates of deposit	—	—
U.S. agency securities	24,790	3.10930
U.S. Treasury securities	1,471,349	1.71255
Municipal bonds	17,367	7.16193
Corporate bonds	1,383,193	2.41571
Asset-backed securities	33,158	6.99799
Mortgage-backed securities	446,832	5.24596
Commercial paper	243,090	0.02877
Supranational	995	2.44548
Mutual funds		
Fixed income	1,098,752	5.26719
Equity and real assets	1,721,499	N/A
SMIF	1,408,780	0.59452
Total investments	<u>\$ 7,919,357</u>	

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

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(iii) Credit Risk

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

The University, except for investments in the TRP, invests in low credit risk securities such as U.S. government securities, securities of federally sponsored agencies, highly rated domestic corporate bonds, prime-rated commercial paper, repurchase and reverse repurchase agreements, banker's acceptance, and negotiable certificates of deposit. Therefore, the credit risk is low and occurrence of default risk is remote.

Investments in the TRP include SEC registered mutual funds invested per a target asset allocation which includes investment grade bonds, higher credit risk bonds (i.e. high yield bonds, bank loans, and emerging market bonds), equities and real assets. Risk for the TRP is viewed holistically and in the context of the overall CSU Consolidated Investment Pool, incorporating quantitative and qualitative assessments into oversight of the TRP. The University accepts a level of risk commensurate with the long-term investment goals of the TRP. The mutual fund investment managers are responsible for assessing the credit risk of the individual securities held in the mutual funds for the TRP. Moreover, certain passive index funds in the TRP will seek to replicate the credit risk of the underlying indices to which the index funds are benchmarked.

Ratings of the University's investment portfolio for each investment type as of June 30, 2024 are presented in the following table:

Investment type	Fair value	AAA	AA	A	BBB	BB	B	CCC	Not rated
Money market funds	\$ —	—	—	—	—	—	—	—	—
Short term investment funds	69,552	—	—	69,552	—	—	—	—	—
Certificates of deposit	—	—	—	—	—	—	—	—	—
U.S. agency securities	24,790	—	24,790	—	—	—	—	—	—
U.S. Treasury securities	1,471,349	102,945	1,368,404	—	—	—	—	—	—
Municipal bonds	17,367	—	15,544	1,823	—	—	—	—	—
Corporate bonds	1,383,193	12,827	244,131	1,120,330	5,905	—	—	—	—
Asset-backed securities	33,158	—	33,158	—	—	—	—	—	—
Mortgage-backed securities	446,832	1,844	444,988	—	—	—	—	—	—
Commercial paper	243,090	45,210	—	197,880	—	—	—	—	—
Supranational	995	995	—	—	—	—	—	—	—
Mutual funds									
Fixed income	1,098,753	140,705	618,499	—	—	84,540	238,087	16,922	—
Equity and real assets	1,721,499	—	—	—	—	—	—	—	1,721,499
SMIF	1,408,780	—	—	—	—	—	—	—	1,408,780
Total investments	<u>\$7,919,358</u>	<u>304,526</u>	<u>2,749,514</u>	<u>1,389,585</u>	<u>5,905</u>	<u>84,540</u>	<u>238,087</u>	<u>16,922</u>	<u>3,130,279</u>

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The mutual funds credit ratings are based on average credit ratings of the underlying mutual funds. Credit ratings for mutual funds related to equity and real assets are not applicable.

By law, the SMIF only invests in U.S. government securities, securities of federally sponsored agencies, domestic corporate bonds, interest-bearing time deposits in California banks, savings and loan associations and credit unions, prime-rated commercial paper, repurchase and reverse repurchase agreements, security loans, banker's acceptances, negotiable certificates of deposit, and loans to various bond funds.

(iv) Concentration Risk

Concentration risk rises as investments become concentrated relative to a portfolio characteristic such as issuance, issuer, market sector, counterparty, or sovereign nation, and is best mitigated by diversification. The University's investment policy has concentration limits that provide sufficient diversification. As such, the concentration risk is remote.

As of June 30, 2024, there were no investments (excluding U.S. Treasury securities, mutual funds, and external investment pools) that represented 5.00% or more of the University's investment portfolio.

(v) Risk and Uncertainties

The University may invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that the changes could materially affect the amounts reported in the Statement of Net Position.

The University, through the CSU Consolidated Investment Pool, invests in securities with contractual cash flows, such as asset-backed securities and mortgage-backed securities. The value, liquidity, and related income of these securities are sensitive to changes in economic conditions, including real estate values, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

(vi) Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the custodian, the investments may not be returned to the University. Substantially all of the University's securities are registered in the University's name by the custodial bank as an agent for the University. As a result, custodial credit risk for such investments is remote.

(vii) Fair Value Measurements

The University uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine the fair value disclosures. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash

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flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. The University groups its assets and liabilities measured at fair value in three levels, based on markets in which the asset and liabilities are traded, and the reliability of the assumptions used to determine fair value. The level in the fair value hierarchy with which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are as follows:

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

The following table presents investments that are measured at fair value on a recurring basis at June 30, 2024:

Investment type	Fair value	Level 2	NAV	Not required to be leveled
Money market funds	\$ —	—	—	—
Short term investment funds	69,552	—	69,552	—
Certificates of deposit	—	—	—	—
U.S. agency securities	24,790	24,790	—	—
U.S. Treasury securities	1,471,349	1,471,349	—	—
Municipal bonds	17,367	17,367	—	—
Corporate bonds	1,383,193	1,383,193	—	—
Asset-backed securities	33,158	33,158	—	—
Mortgage-backed securities	446,832	446,832	—	—
Commercial paper	243,090	243,090	—	—
Supranational	995	995	—	—
Mutual funds				
Fixed income	1,098,753	1,098,753	—	—
Equity and real asset	1,721,499	1,721,499	—	—
SMIF	1,408,780	—	—	1,408,780
Total investments	<u>\$ 7,919,358</u>	<u>6,441,026</u>	<u>69,552</u>	<u>1,408,780</u>

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

Investments are classified in Level 1 as fair value is obtained at the last sale price on the last business day of the current fiscal year, as quoted on a recognized exchange or an industry

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standard pricing, when available. Investments for which no sale was reported as of the close of the last business day of the current fiscal year are valued at the quoted bid price provided by the University's external investment managers or their custodians. There were no investments classified in Level 1.

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

There were no assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

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

(viii) Foreign Currency Risk

Foreign currency risk, also known as exchange rate risk, is the risk arising from fluctuations in the value of a base currency (U.S. dollar) against foreign currencies related to the underlying currency denomination of securities held for investment.

The majority of the Consolidated Investment Pool is invested in U.S. dollar denominated securities without foreign currency risk.

However, the TRP includes allocations to non-U.S. equities and non-dollar-denominated bonds in the underlying mutual funds for the TRP. The TRP Investment Policy includes an asset allocation policy with targets and acceptable ranges for each asset class, including non-U.S. equity and emerging markets bonds. Additionally, mutual funds utilized in other asset classes within the TRP may also have some foreign currency exposure. However, all mutual funds in the TRP are denominated in U.S. dollars.

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(In thousands)

(ix) Discretely Presented Component Units' Investments

Investments of the discretely presented component units at fair value consisted of the following at June 30, 2024:

Investment type	Current	Noncurrent	Total
Money market funds	\$ 81,644	7,701	89,345
Short term investment funds	1,432	34	1,466
Certificates of deposit	6,636	7,360	13,996
U.S. agency securities	1,377	18,603	19,980
U.S. Treasury securities	240,448	146,348	386,796
Municipal bonds	1,981	7,296	9,277
Corporate bonds	150,250	186,258	336,508
Asset-backed securities	1,102	954	2,056
Mortgage-backed securities	14,060	36,350	50,410
Commercial paper	5,006	118	5,124
Supranational	21	—	21
Mutual funds	217,568	1,131,735	1,349,303
Exchange-traded funds	65,371	588,485	653,856
Equity securities	124,510	460,773	585,283
Alternative investments			
Private equity (including limited partnerships)	7,278	276,981	284,259
Hedge funds	8,626	134,210	142,836
Real estate investments (including real estate investment trust)	1,812	52,853	54,665
Commodities	—	29,073	29,073
Other alternative investments	3,704	105,863	109,567
Other external investment pools	—	43,437	43,437
Local Agency Investment Fund (LAIF)	288,088	16,646	304,734
SMIF	1	—	1
Other investments	688	27,648	28,336
Total investments	\$ 1,221,603	3,278,726	4,500,329

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(In thousands)

The following table presents investments of the discretely presented component units that are measured at fair value on a recurring basis at June 30, 2024:

Investment type	Fair value	Level 1	Level 2	Level 3	NAV
Money market funds	\$ 89,345	58,816	28,391	—	2,138
Short term investment funds	1,466	—	—	—	1,466
Certificates of deposit	13,996	295	13,701	—	—
U.S. agency securities	19,980	2,309	17,671	—	—
U.S. Treasury securities	386,797	242,284	140,259	—	4254
Municipal bonds	9,277	1,506	7,771	—	—
Corporate bonds	336,508	180,522	154,284	—	1,702
Asset-backed securities	2,056	—	2,056	—	—
Mortgage-backed securities	50,410	7,779	40,079	—	2,552
Commercial paper	5,124	—	5,124	—	—
Supranational	21	—	21	—	—
Mutual funds	1,349,304	1,261,535	45,955	—	41,814
Exchange-traded funds	653,856	649,582	4,264	—	10
Equity securities	585,283	522,558	36,800	1,361	24,564
Alternative investments					
Private equity (including limited partnerships)	284,260	—	—	64,996	219,264
Hedge funds	142,836	4,598	18,443	11,467	108,328
Real estate investments (including real estate investment trust)	54,666	389	3,948	24,082	26,247
Commodities	29,073	14,699	—	566	13,808
Other alternative investments	109,567	796	—	—	108,771
Other external investment pools	43,437	—	—	43,437	—
LAIF	304,734	—	—	—	304,734
SMIF	1	—	—	—	1
Other investments	28,336	20,373	214	725	7,024
Total investments	\$ 4,500,333	2,968,041	518,981	146,634	866,677

For additional information regarding the investments and investment policies of the individual discretely presented component units, refer to the separately issued financial statements.

Investments reported by the University of \$53,788 are invested under contractual agreements on behalf of the discretely presented component units of the University.

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Notes to Financial Statements

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(In thousands)

(4) Accounts Receivable

Accounts receivable of the University at June 30, 2024 consisted of the following:

	Current	Noncurrent	Total
State appropriations	\$ 1,717	—	1,717
State appropriations – Systemwide Public Works Board (SPWB) lease revenue bond program	—	—	—
Discretely presented component units	111,487	1,855	113,342
Student accounts	176,259	—	176,259
Government grants and contracts	43,358	—	43,358
Others	147,299	147	147,446
	480,120	2,002	482,122
Less allowance for doubtful accounts	(66,444)	—	(66,444)
Total accounts receivable, net	\$ 413,676	2,002	415,678

(5) Lease Receivable

The University leases building and ground space to its discretely presented component units or external parties. The leases expire at various dates through 2083 and provide renewal options ranging from one year to fifteen years. The University recognizes lease receivable and deferred inflows of resources based on the present value of expected receipts over the term of the respective leases. The expected receipts are discounted using implicit rate or the University's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. The University recognized revenues related to lease agreements totaling \$21,491 for the year ended June 30, 2024, reported in other operating revenues in the Statements of Revenues, Expenses and Changes in Net Position.

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(In thousands)

Future minimum lease payments to be received under lessor arrangements as of June 30, 2024, are as follows:

	Principal	Interest	Total
Fiscal year ending June 30:			
2025	\$ 23,398	5,190	28,588
2026	17,309	4,465	21,774
2027	17,689	4,046	21,735
2028	16,984	3,579	20,563
2029	16,640	3,137	19,777
2030 - 2034	72,989	9,397	82,386
2035 - 2039	24,765	3,485	28,250
2040 - 2044	6,496	1,890	8,386
2045 - 2049	4,233	1,254	5,487
2050 - 2054	1,072	959	2,031
Thereafter	5,827	2,938	8,765
Total	<u>\$ 207,402</u>	<u>40,340</u>	<u>247,742</u>

(6) Notes Receivable

The University has entered into note agreements primarily with certain discretely presented component units to finance its existing and newly constructed facilities. Notes receivable from discretely presented component units amounted to \$509,428. Interest rates range from 0.35% to 6.48%. Note payments are due twice a year, on May 1 and November 1.

Under the agreements, payments are due to the University as follows:

	Principal	Interest	Total
Fiscal year ending June 30:			
2025	\$ 18,426	17,553	35,979
2026	20,302	16,909	37,211
2027	20,810	16,226	37,036
2028	21,398	15,497	36,895
2029	21,996	14,742	36,738
2030 - 2034	108,750	61,706	170,456
2035 - 2039	98,875	42,492	141,367
2040 - 2044	76,754	26,254	103,008
2045 - 2049	71,835	11,839	83,674
2050 - 2054	42,905	2,684	45,589
Thereafter	9,528	—	9,528
Total	<u>\$ 511,579</u>	<u>225,902</u>	<u>737,481</u>

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(In thousands)

(7) Capital Assets

Capital assets activity for the University for the year ended June 30, 2024, consisted of the following:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending balance</u>
Nondepreciable/nonamortizable capital assets					
Land and land improvements	\$ 420,158	10,246	—	—	430,404
Works of art and historical treasures	59,085	3,073	(748)	—	61,410
Construction work in progress	1,158,003	963,512	(28,687)	(811,546)	1,281,282
Intangible assets	73,839	14,149	(3,598)	(71,514)	12,876
Total nondepreciable/nonamortizable capital assets	<u>1,711,085</u>	<u>990,980</u>	<u>(33,033)</u>	<u>(883,060)</u>	<u>1,785,972</u>
Depreciable/amortizable capital assets					
Buildings and building improvements	16,516,618	73,862	(1,986)	526,681	17,115,175
Improvements other than buildings	919,324	11,542	(1,681)	81,453	1,010,638
Infrastructure	1,530,757	11,255	(6,383)	181,996	1,717,625
Personal property					
Equipment	1,037,070	57,954	(49,747)	21,416	1,066,693
Library books and materials	400,639	5,897	(3,380)	—	403,156
Intangible assets	281,286	3,569	(4,821)	71,514	351,548
Total depreciable/amortizable capital assets	<u>20,685,694</u>	<u>164,079</u>	<u>(67,998)</u>	<u>883,060</u>	<u>21,664,835</u>
Total cost	<u>22,396,779</u>	<u>1,155,059</u>	<u>(101,031)</u>	<u>—</u>	<u>23,450,807</u>
Less accumulated depreciation/amortization					
Buildings and building improvements	(7,969,952)	(485,154)	621	—	(8,454,485)
Improvements other than buildings	(651,549)	(35,284)	1,503	—	(685,330)
Infrastructure	(683,353)	(49,532)	6,137	—	(726,748)
Personal property					
Equipment	(807,806)	(62,036)	48,313	—	(821,529)
Library books and materials	(368,227)	(6,293)	3,326	—	(371,194)
Intangible assets	(266,652)	(8,256)	4,772	—	(270,136)
Total accumulated depreciation/amortization	<u>(10,747,539)</u>	<u>(646,555)</u>	<u>64,672</u>	<u>—</u>	<u>(11,329,422)</u>
Total capital assets, net excluding ROU assets	<u>\$ 11,649,240</u>	<u>508,504</u>	<u>(36,359)</u>	<u>—</u>	<u>12,121,385</u>
ROU assets, net					<u>537,342</u>
Total capital assets, net					<u>\$ 12,658,727</u>

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(In thousands)

The University's ROU lease assets and related accumulated amortization for the year ended June 30, 2024 are as follows:

	Beginning balance	Additions	Remeasurements	Reductions	Transfers	Ending balance
Amortizable lease assets						
Land and land improvements	\$ 7,081	129	—	(50)	(3,642)	3,518
Buildings and building improvements	360,493	193,832	4,138	(1,812)	3,642	560,293
Improvements other than buildings	807	1	—	(483)	—	325
Infrastructure	217	18	—	—	—	235
Personal property						
Equipment	10,074	3,919	1	(1,057)	—	12,937
Total amortizable right-to-use lease assets	378,672	197,899	4,139	(3,402)	—	577,308
Less accumulated amortization						
Land and land improvements	(996)	(338)	—	50	477	(807)
Buildings and building improvements	(62,604)	(39,365)	—	1,812	(477)	(100,634)
Improvements other than buildings	(525)	(84)	—	483	—	(126)
Infrastructure	(40)	(38)	—	—	—	(78)
Personal property						
Equipment	(4,498)	(3,809)	—	1,057	—	(7,250)
Total accumulated amortization	(68,663)	(43,634)	—	3,402	—	(108,895)
Total ROU lease assets, net	<u>\$ 310,009</u>	<u>154,265</u>	<u>4,139</u>	<u>—</u>	<u>—</u>	<u>468,413</u>

The University's ROU subscription assets and related accumulated amortization for the year ended June 30, 2024 are as follows:

	Beginning balance	Additions	Remeasurements	Reductions	Ending balance
Subscription assets	\$ 126,547	37,549	7,065	(12,176)	158,985
Less accumulated amortization	(39,662)	(62,570)	—	12,176	(90,056)
Total ROU subscription assets, net	<u>\$ 86,885</u>	<u>(25,021)</u>	<u>7,065</u>	<u>—</u>	<u>68,929</u>

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(In thousands)

Capital assets activity of the discretely presented component units of the University for the year ended June 30, 2024 consisted of the following:

	Beginning balance	Additions	Retirements	Transfers	Ending balance
Nondepreciable/nonamortizable capital assets					
Land and land improvements	\$ 145,494	9,722	(7,228)	11,194	159,182
Works of art and historical treasures	12,623	207	—	—	12,830
Construction work in progress	116,606	142,345	(726)	(188,351)	69,874
Intangible assets	2,304	34	(2,149)	—	189
Total nondepreciable/nonamortizable capital assets	277,027	152,308	(10,103)	(177,157)	242,075
Depreciable/amortizable capital assets					
Buildings and building improvements	661,902	5,747	(69,086)	149,527	748,090
Improvements other than buildings	199,980	9,071	(9,877)	10,968	210,142
Infrastructure	8,717	—	—	—	8,717
Personal property					
Equipment	266,458	23,970	(17,590)	16,662	289,500
Intangible assets	5,337	170	(633)	—	4,874
Total depreciable/amortizable capital assets	1,142,394	38,958	(97,186)	177,157	1,261,323
Total cost	1,419,421	191,266	(107,289)	—	1,503,398
Less accumulated depreciation/amortization					
Buildings and building improvements	(293,891)	(27,158)	21,200	—	(299,849)
Improvements other than buildings	(108,077)	(10,585)	6,487	—	(112,175)
Infrastructure	(3,238)	(218)	—	—	(3,456)
Personal property					
Equipment	(202,964)	(21,166)	13,332	—	(210,798)
Intangible assets	(4,855)	(185)	612	—	(4,428)
Total accumulated depreciation/amortization	(613,025)	(59,312)	41,631	—	(630,706)
Total capital assets, net excluding ROU asset	\$ 806,396	131,954	(65,658)	—	872,692
ROU assets, net					219,499
Total capital assets, net					\$ 1,092,191

For additional information regarding the capital assets, net of the individual discretely presented component units of the University, refer to the separately issued financial statements.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2024

(In thousands)

The University's discretely presented component units' ROU lease assets and related accumulated amortization for the year ended June 30, 2024 are as follows:

	Beginning balance	Additions	Remeasurements	Reductions	Ending balance
Amortizable lease assets					
Land and land improvements	\$ 10,861	73	—	—	10,934
Buildings and building improvements	268,199	8,544	23	(7,921)	268,845
Improvements other than buildings	38,373	—	—	—	38,373
Infrastructure	484	—	—	—	484
Personal property					
Equipment	4,794	2,996	7	(1,231)	6,566
Total amortizable right-to-use lease assets	322,711	11,613	30	(9,152)	325,202
Less accumulated amortization					
Land and land improvements	(301)	(139)	—	(18)	(458)
Buildings and building improvements	(87,675)	(17,426)	690	828	(103,583)
Improvements other than buildings	(4,514)	(2,257)	—	—	(6,771)
Infrastructure	(72)	(36)	—	—	(108)
Personal property					
Equipment	(1,601)	(228)	—	(687)	(2,516)
Total accumulated amortization	(94,163)	(20,086)	690	123	(113,436)
Total ROU lease assets, net	\$ 228,548	(8,473)	720	(9,029)	211,766

The University's discretely presented component units' ROU subscription assets and related accumulated amortization for the year ended June 30, 2024 are as follows:

	Beginning balance	Additions	Remeasurements	Reductions	Ending balance
ROU subscription assets	\$ 8,595	4,655	—	—	13,250
Less accumulated amortization	(2,102)	(3,408)	—	—	(5,510)
Total ROU subscription assets, net	\$ 6,493	1,247	—	—	7,740

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

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(In thousands)

(8) Lease Liabilities

The University leases land, building space, and equipment for various terms under long-term, noncancellable lease agreements. The leases expire at various dates through 2098 and provide for renewal options ranging from one year to ten years. In accordance with GASB Statement No. 87, the University records ROU assets and lease liabilities based on the present value of expected payments over the lease term of the respective leases. The expected payments are discounted using the explicit rate or the University's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. The University does not have any leases subject to a residual value guarantee.

Lease liabilities activity of the University for the year ended June 30, 2024 are as follows:

	Beginning balance	Additions	Remeasurements	Reductions	Ending balance	Current portion
Lease liabilities	303,548	198,144	4,325	(40,269)	465,748	189,264

Future minimum lease payments of the University under lessee arrangements as of June 30, 2024 are as follows:

	Principal	Interest	Total
Fiscal year ending June 30:			
2025	\$ 189,264	9,076	198,340
2026	24,306	8,711	33,017
2027	20,612	8,009	28,621
2028	18,032	7,296	25,328
2029	17,265	6,807	24,072
2030 - 2034	73,259	27,174	100,433
2035 - 2039	55,973	17,330	73,303
2040 - 2044	34,845	9,824	44,669
2045 - 2049	22,185	4,981	27,166
2050 - 2054	7,604	1,753	9,357
Thereafter	2,403	962	3,365
Total	\$ 465,748	101,923	567,671

The University's discretely presented component units' lease liabilities activity as of June 30, 2024 are as follows:

	Beginning balance	Additions	Remeasurements	Reductions	Ending balance	Current portion
Lease liabilities	\$ 235,829	6,716	(176)	(23,943)	218,426	24,277

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June 30, 2024

(In thousands)

Future minimum lease payments of the University's discretely presented component units under lessee arrangements as of June 30, 2024 are as follows:

	Principal	Interest	Total
Fiscal year ending June 30:			
2025	\$ 24,277	5,814	30,091
2026	21,293	5,088	26,381
2027	21,274	4,464	25,738
2028	19,096	3,888	22,984
2029	17,889	3,383	21,272
2030 - 2034	76,223	9,698	85,921
2035 - 2039	24,832	3,271	28,103
2040 - 2044	2,931	1,833	4,764
2045 - 2049	2,510	1,561	4,071
2050 - 2054	811	1,392	2,203
Thereafter	7,290	3,822	11,112
Total	<u>\$ 218,426</u>	<u>44,214</u>	<u>262,640</u>

(9) Subscription-Based Information Technology Arrangements (SBITA) Liabilities

The University enters into subscription-based arrangements which expire at various dates through 2030. In accordance with GASB Statement No. 96, the University recognizes a right-to-use subscription asset and a corresponding subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. Similar to leases, the expected future subscription payments are discounted using the explicit rate or the University's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. SBITA liabilities activity of the University for the year ended June 30, 2024 are as follows:

	Beginning balance*	Additions	Remeasurements	Reductions	Ending balance	Current portion
SBITA liabilities	\$ 61,459	37,262	1,479	(48,186)	52,014	27,228

CALIFORNIA STATE UNIVERSITY

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June 30, 2024

(In thousands)

Future annual subscription payments of the University under subscription-based arrangements as of June 30, 2024 are as follows:

	Principal	Interest	Total
Fiscal year ending June 30			
2025	\$ 27,228	2,226	29,454
2026	15,912	1,107	17,019
2027	3,761	388	4,149
2028	2,692	220	2,912
2029	1,450	104	1,554
2029 - 2030	971	41	1,012
Total	\$ 52,014	4,086	56,100

The University's discretely presented component units' SBITA liabilities as of June 30, 2024 are as follows:

	Beginning balance*	Additions	Remeasurements	Reductions	Ending balance	Current portion
SBITA liabilities	\$ 5,204	3,728	—	(2,611)	6,321	3,429

Future annual subscription payments of the University' discretely presented component units under subscription-based arrangements as of June 30, 2024 are as follows:

	Principal	Interest	Total
Fiscal year ending June 30:			
2025	\$ 3,429	253	3,682
2026	1,145	126	1,271
2027	923	78	1,001
2028	735	37	772
2029	27	4	31
2029 - 2032	62	4	66
Total	\$ 6,321	502	6,823

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2024

(In thousands)

(10) Long-Term Debt Obligations

(a) *State's General Obligation (GO) Bond Program*

The GO Bond program of the State has provided capital outlay funds for the three segments of California Higher Education through voter-approved bonds. Each of the approved bond programs provides a pool of available funds, which is allocated on a project-by-project basis among the University, the University of California, and the community colleges. Financing provided to the University through the GO Bonds is not allocated to the University by the State. This debt remains as obligation of the State and is funded by state tax revenues. Accordingly, such debt is not reflected in the accompanying financial statements. The total GO Bonds carried by the State related to the University projects is approximately \$1,636,856 as of June 30, 2024.

(b) *Systemwide Revenue Bond (SRB) Program*

The State University Revenue Bond Act of 1947, Sections 90010 through 90091 of the Education Code of the State of California (the Bond Act) authorizes the Trustee to issue revenue bonds to finance projects that support the University's educational mission. The University's financing program, referred to as the SRB Program, is designed to provide lower cost debt and greater flexibility to finance projects at the University than would be possible if projects were financed separately. Rather than relying on specific pledged revenues to support specific debt obligations, the SRB program pools multiple sources of revenue as the security for the debt. The University's total outstanding balance of revenue bond indebtedness under the SRB program was \$9,128,360 at June 30, 2024. Under the Bond Act authority, the University has constructed or acquired facilities located at its 23 campuses and the Office of the Chancellor.

In 2014, the State enacted legislation that granted additional capital financing authorities to the University, leading to the SRB program expanding to allow the financing of academic facilities and energy conservation projects. Allowable academic projects include constructing and equipping of new and existing academic facilities; infrastructure; deferred maintenance; and refunding of SPWB lease revenue bonds (which funded the construction of certain academic facilities of the University).

SRBs are not secured by mortgages on the facilities constructed or acquired and therefore the facilities do not act as security for the debt. Revenues pledged under the SRB program include program fees from professional and continuing education, health center facilities, housing, parking, and student union; student tuition and fees; and designated auxiliary revenues, net of maintenance and operation expenses before extraordinary items (net income available for debt service), to repay the bonds.

The SRB Indenture (the Indenture) contains provisions that define events of default related to punctuality of the payment of the outstanding principal and interest. Additionally, the Indenture describes the process for which other events of default by the Board related to covenants, agreements, or conditions of the Indenture occur for a period of 60 days after written notice by bondholders of not less than 25.00% in aggregate principal amount of the bonds outstanding requiring remediation. Further, the Indenture specifies the process which the Trustees may undertake, at the request of the majority of the bondholders, to declare the principal of all of the bonds then outstanding and the interest accrued to be immediately due and payable.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2024

(In thousands)

(c) Bond Anticipation Note (BAN)

The Trustees have authorized the issuance of BANs to provide short-term financing to the University for certain projects. The BANs are purchased by CSU Institute with proceeds from the commercial paper issued by the Institute. The BANs are generally issued for periods of up to three years in anticipation of issuing permanent revenue bonds at a future date. State law was amended in 2008 to allow BAN maturities to extend beyond three years and the maturity date for the issuance of BANs to be determined by the Trustees. BAN interest is variable and changes based upon the cost of the CSU Institute's commercial paper program. The maximum and minimum weighted average interest rates for the year ended June 30, 2024 were 5.51% and 5.39%, respectively. The University's BAN totaled \$171,877 at June 30, 2024. The authorized amounts totaled \$542,765, of which \$370,888 has not been issued.

CSU Institute, a discretely presented component unit of the University, manages the commercial paper program. The commercial paper program is bound by certain agreements, including the Trust Indenture with the Trustee/paying agent and the Reimbursement Agreement with the letter of credit banks. Under certain provision of the Trust Indenture, in the event of a default, the Trustees shall take actions set forth by the BAN Resolution to effect the sale of long-term bonds to refinance outstanding BANs. Upon the occurrence of certain events of default specified in the Reimbursement Agreement, the right of the CSU Institute and the University to issue notes may be terminated or be suspended by the banks.

(d) State Public Works Board (SPWB) Lease Revenue Bond

The University participates in the State's SPWB lease revenue bond program since 1986 in connection with the construction of campus facilities and related equipment. As part of the annual budget process, the State of California Department of Finance augments the University's operating budget to provide additional funds for the required debt payments. The long-term debt obligation related to SPWB as of June 30, 2024 is \$96,805.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2024

(In thousands)

Long-term debt obligations of the University as of June 30, 2024 consisted of the following:

Description	Interest rate (%)	Final maturity date	Original issue amount	Amount outstanding
SRB				
Series 2007-B	5.45-5.55	2037/38	\$ 13,165	6,775
Series 2007-C	5.00	2028/29	63,275	8,320
Series 2010-B	5.55-6.48	2041/42	205,145	200,575
Series 2012-B	4.17	2036/37	16,700	12,060
Series 2013-A	3.00-5.00	2023/24	222,340	—
Series 2014-A	3.00-5.00	2026/27	106,270	13,045
Series 2015-A	2.25-5.00	2047/48	1,032,920	799,780
Series 2015-B	3.31-4.41	2035/36	29,305	8,710
Series 2016-A	2.50-5.00	2045/46	1,133,105	1,016,760
Series 2016B-1	1.60	2047/48	50,000	50,000
Series 2016B-2	0.55	2049/50	100,000	100,000
Series 2016B-3	4.00	2051/52	100,000	100,000
Series 2017-A	3.00-5.00	2047/48	812,030	698,505
Series 2017-B	2.58-3.90	2047/48	335,155	328,335
Series 2017-C	3.25-5.00	2037/38	49,175	37,750
Series 2018-A	5.00	2050/51	492,690	456,535
Series 2018-B	3.20-4.25	2050/51	171,000	160,890
Series 2019-A	4.00-5.00	2051/52	449,430	426,045
Series 2019-B	2.08-3.59	2051/52	81,335	71,130
Series 2020-A	5.00	2031/32	65,240	32,100
Series 2020-B	1.56-3.07	2051/52	829,425	806,540
Series 2020-C	2.25 - 5.00	2051/52	314,030	311,055
Series 2020-D	0.48 - 2.82	2042/43	528,575	466,170
Series 2020-E	0.48 - 3.27	2060/61	466,010	460,635
Series 2021-A	3.00-5.00	2052/53	124,235	101,805
Series 2021-B	0.35-2.94	2052/53	1,664,085	1,655,485
Series 2023A	5.00-5.25	2053/54	337,155	337,155
Series 2023B	4.6-5.2	2053/54	462,200	462,200
			<u>\$ 10,253,995</u>	<u>9,128,360</u>
BAN	Various			171,877
SPWB lease revenue bond	Various			96,805
Others	Various			113,777
Total				<u>9,510,819</u>
Unamortized net bond premium				<u>563,908</u>
Total long-term debt obligations				<u>10,074,727</u>
Less current portion				<u>(273,292)</u>
Total long-term debt obligations, net of current portion				<u>\$ 9,801,435</u>

CALIFORNIA STATE UNIVERSITY

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June 30, 2024

(In thousands)

Long-term debt principal and interest are payable in the following fiscal years:

	Principal	Interest	Total
Fiscal year ending June 30:			
2025	\$ 273,292	354,625	627,917
2026	311,348	345,299	656,647
2027	311,117	337,436	648,553
2028	304,764	328,898	633,662
2029	313,878	320,935	634,813
2030 - 2034	1,642,321	1,405,060	3,047,381
2035 - 2039	1,568,529	1,079,166	2,647,695
2040 - 2044	1,796,256	738,143	2,534,399
2045 - 2049	1,765,819	380,464	2,146,283
2050 - 2054	1,116,995	94,206	1,211,201
Thereafter	106,500	10,991	117,491
Total	<u>\$ 9,510,819</u>	<u>5,395,223</u>	<u>14,906,042</u>

Long-term debt obligations of the discretely presented component units have been issued to purchase or construct facilities for University-related uses. For additional information regarding long-term debt obligations of the individual discretely presented component units, refer to the separately issued financial statements.

The Board of Trustees does not have a specified debt limit or debt margin, as noted in the University's Policy for Financing Activities. However, the Board finds it appropriate to establish the lowest cost debt financing programs for the University, and to use the limited debt capacity in the most prudent manner.

As of June 30, 2024, the Board had approved SRB and BANs that were authorized but unissued in the aggregate principal amount of \$1,182,202 for projects including academic, infrastructure, housing, and parking facilities. As of June 30, 2024, there are approximately \$96,805 of remaining authorized and unissued debt for the purpose of refunding certain bonds of the State's State Public Works Board (SPWB) Lease Revenue Bond not previously refunded. The Board may issue all or a portion of these authorized bonds as well as other additional bonds for other new money projects or refunding purposes. The Board expects to authorize the issuance of additional Systemwide Revenue Bonds from time to time in the future. There is no limit on the amount of SRB that the Board may authorize.

The University participated in the SPWB Lease Revenue Bond program since 1986 in connection with the construction of campus facilities and related equipment. As part of the annual budget process, the State of California Department of Finance augments the University's operating budget to provide additional funds for the required debt payments. The long-term debt due to SPWB is to be repaid by fiscal year 2035.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2024

(In thousands)

(11) Long-Term Liabilities Activity

Long-term liabilities activity of the University for the year ended June 30, 2024 are as follows:

	Beginning balance	Additions	Reductions	Ending balance	Current portion
Accrued compensated absences	\$ 300,395	205,438	(185,611)	320,222	164,221
Long-term debt obligations (note 10):					
SRB	8,556,625	799,355	(227,620)	9,128,360	242,375
BAN	151,711	93,469	(73,303)	171,877	20,528
SPWB lease revenue bond	96,805	—	—	96,805	—
Other	79,121	45,374	(10,717)	113,777	10,389
	8,884,262	938,198	(311,640)	9,510,819	273,292
Unamortized net bond premium	550,452	42,958	(29,503)	563,907	—
Total long-term debt obligations	9,434,714	981,156	(341,143)	10,074,726	273,292
Total long-term liabilities, excluding lease and SBITA liabilities	<u>\$ 9,735,109</u>	<u>1,186,594</u>	<u>(526,754)</u>	10,394,948	437,513
Lease liabilities				465,748	189,264
SBITA liabilities				52,014	27,228
Total long-term liabilities				<u>\$ 10,912,710</u>	<u>654,005</u>

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Notes to Financial Statements

June 30, 2024

(In thousands)

Long-term liabilities activity of the aggregated discretely presented component units of the University for the year ended June 30, 2024, are as follows:

	Beginning balance	Additions	Reductions	Ending balance	Current portion
Accrued compensated absences	\$ 23,378	17,328	(10,650)	30,056	20,042
Claims liability for losses and loss adjustment expenses	67,705	51,734	(48,762)	70,677	22,895
Long-term debt obligations					
Revenue bonds	15,575	—	(1,200)	14,375	1,260
Commercial paper, including principal rollovers	189,776	655,120	(673,019)	171,877	95,278
Notes payable	362,715	111,326	(13,315)	460,726	38,890
Other	72,240	5,919	(5,262)	72,897	8,112
	640,306	772,365	(692,796)	719,875	143,540
Unamortized net bond premium	33,476	7,383	(2,761)	38,098	—
Total long-term debt obligations	673,782	779,748	(695,557)	757,973	143,540
Total long-term liabilities, excluding lease and SBITA liabilities	\$ 764,865	848,810	(754,969)	858,706	186,477
Lease liabilities				218,427	24,277
SBITA liabilities				6,321	3,429
Total long-term liabilities				\$ 1,083,454	214,183

The University has entered into agreements with certain discretely presented component units to finance existing and newly constructed facilities using proceeds from issuance of SRB and BANs, of which \$460,726 is included in notes payable and \$48,670 in other long-term debt obligations as of June 30, 2024.

For additional information regarding the long-term liabilities of the individual discretely presented component units of the University, refer to the separately issued financial statements.

(12) Pension Plan

(a) Pension Plan Description

The University participates in the State's Public Employee's Retirement Fund A (PERF A). PERF A is comprised of agent multiple-employer plans, in which CalPERS acts as an investment and administrative agent for participating employers. State employees served by PERF A include the University's Miscellaneous Tier 1 employees and Peace Officers and Firefighters.

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(In thousands)

(b) Benefits Provided

The plan also provides survivor, death, and disability benefits. Eligible employees are covered by the Public Employees' Medical and Hospital Care Act (PEMHCA) for medical benefits. The benefit provisions are established by the Public Employee's Retirement Law (PERL) and the Public Employees' Pension Reform Act of 2013 (PEPRA).

A full description of the pension plans regarding numbers of employees covered, benefit provision, assumptions, and membership information are listed in the June 30, 2022, Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report.

In general, retirement benefits are based on a formula using member's years of service credit, age at retirement, and final compensation (average salary for a defined period of employment). Retirement formulas vary based on:

- Classification (e.g., miscellaneous or peace officers and firefighters)
- Membership category (pre-PEPRA and post-PEPRA); and
- Specific provisions in employees' contracts.

CalPERS issues a publicly available Actuarial Valuation Report and Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. Copies of the CalPERS Actuarial Valuation Report and ACFR may be obtained at www.CalPERS.ca.gov or from the California Public Employees' Retirement System Executive Office, 400 P Street, Sacramento, CA 95814.

(c) Pensionable Compensation

For the University, the plan acts as cost sharing multiple-employer defined-benefit pension plan, which provides a defined-benefit pension and postretirement program for substantially all eligible University employees. The University's proportion of the State's net pension liability was calculated based on its proportionate share of the State's pensionable compensation. The pensionable compensation has a measurement period of July 1, 2022 through June 30, 2023.

(d) Contributions

Section 20814(c) of the PERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

For the measurement period ended June 30, 2023, the average State's active employee contribution rates for State Miscellaneous and Peace Officer and Firefighters Plans are 7.47% and 11.86% of annual payroll, respectively. For the measurement period ended June 30, 2023, the State's contribution rates for State

CALIFORNIA STATE UNIVERSITY

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(In thousands)

Miscellaneous and Peace Officer and Firefighters Plans are 30.81% and 48.86% of annual payroll, respectively.

State Miscellaneous Plan members of the University are required to contribute 5.00% of their annual earnings in excess of \$513 per month to CalPERS. Effective January 1, 2013, all new University employees that are considered "new members" to CalPERS are required to contribute 50.00% of the normal cost for their category (e.g., State Miscellaneous Plan members contribute 8.00% of their annual earnings per month to CalPERS). The University is required to contribute at an actuarially determined rate.

State Peace Officers and Firefighters Plan members of the University are required to contribute 8.00% of their annual earnings in excess of \$238 per month to CalPERS. Effective January 1, 2013, all new University employees that are considered "new members" to CalPERS are required to contribute 50.00% of the normal cost for their category (e.g., State Peace Officers and Firefighters Plan members contribute 13.25% of their annual earnings per month to CalPERS). The University is required to contribute at an actuarially determined rate.

The contribution requirements of the plan members are established and may be amended by CalPERS. The contractual maximum contribution required for the University is determined by the annual CalPERS compensation limit(s), which are based on provisions of Assembly Bill (AB) 340 and the IRC 401(a) 17 limits. The University's contributions to CalPERS for the most recent three fiscal years ended June 30 were equal to the required contributions and are as follows:

	Contributions	
Fiscal year ended June 30:		
2024	\$	1,208,556
2023		1,132,533
2022		963,723

In 2018, the State made a supplemental pension contribution of \$876.84 million to CalPERS on behalf of the University as authorized by Government Code Section 20825. The University shall repay \$156.28 million of the amount contributed through June 30, 2030, while the remainder was recognized as State appropriations, noncapital in 2018. As of June 30, 2024, the outstanding amount to be repaid by the University is \$10.03 million.

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Notes to Financial Statements

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(In thousands)

(e) Actuarial Methods and Assumptions

The total pension liability was measured as of June 30, 2023 (measurement date), by rolling forward the total pension liability determined by the June 30, 2022 actuarial valuation (valuation date), based on the following actuarial methods and assumptions:

Valuation date	June 30, 2022
Actuarial cost method	Entry age normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions	
Discount rate	6.90%
Inflation	2.30%
Salary increases	Varies by entry age and service
Investment rate of return	6.90%
Mortality rate of return	Derived using CalPERS' membership data for all funds
Postretirement benefit increase	The lesser of contract cost of living allowance or 2.30% until purchasing power protection allowance floor on purchasing power applies, 2.30% thereafter

The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80.00% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

(f) Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(g) Investment Rate of Return

The long-term expected rate of return on pension plan investments of 6.90% was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the PERF's asset classes, expected compound (geometric returns) were calculated over the next 20 years using a building-block approach. The expected real rates of return by asset class are as follows:

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June 30, 2024

(In thousands)

Asset class	Assumed asset allocation	Real return ^{1,2}
	%	%
Global equity - Cap weighted	30.00	4.54
Global equity - Non-Cap weighted	12.00	3.84
Private Equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed Securities	5.00	0.50
Investment Grade Corporates	10.00	1.56
High Yield	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real Assets	15.00	3.21
Leverage	(5.00)	(0.59)
Total	100.00	

¹An expected inflation of 2.30% used for this period

²Figures are based on the 2021 Asset Liability Management study

(h) **Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the University's proportionate share of net pension liability of the State Miscellaneous and Peace Officers and Firefighters Plans (collectively the Plans) as of the measurement date, calculated using the discount rate of 6.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (5.90%) or one-percentage point higher (7.90%) than the current rate:

Plan	Discount rate -1%	Current discount rate	Discount rate +1%
Miscellaneous Plan	\$ 12,592,128	8,678,414	5,410,896
Peace Officers and Firefighters Plan	271,259	178,165	102,067
Total net pension liability	\$ 12,863,387	8,856,579	5,512,963

(i) **Changes in Net Pension Liability**

The University reported a liability of \$8,856,579 for its proportionate share of the State's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined based on an actuarial valuation as of June 30, 2022 rolled forward to the measurement date. The University's portion of the State's net pension liability was calculated based on its proportionate share of the State's pensionable compensation. The State considered this a practical, systematic, and rational approach. At the measurement date of June 30, 2023, the University's

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proportionate share of the total State net pension liability for the State Miscellaneous and Peace Officers and Firefighters Plans was 22.5847% and 1.0632%, respectively.

	State Miscellaneous Plan	State Peace Officers and Firefighters Plan	Total
Balance at June 30, 2022 (measurement date)	\$ 8,321,003	163,852	8,484,855
Changes in proportionate share	217,384	12,038	229,422
Balance at June 30, 2022, adjusted	8,538,387	175,890	8,714,277
Changes recognized for the measurement period			
Service cost	579,711	13,206	592,917
Interest on total pension liability	2,070,149	43,725	2,113,874
Changes of assumptions	—	—	—
Recognized difference between expected and actual experience	475,594	14,692	490,286
Plan to plan resource movement	418	(10)	408
Employer contributions	(1,416,433)	(35,849)	(1,452,282)
Employee contributions	(258,473)	(5,218)	(263,691)
Projected earnings on pension plan assets	(1,483,631)	(31,494)	(1,515,125)
Investment earnings greater than projected earnings	156,843	2,889	159,732
Administrative expenses	15,849	333	16,182
Beginning of year adjustment	—	—	—
Net changes	140,027	2,274	142,301
Balance at June 30, 2023 (measurement date)	<u>\$ 8,678,414</u>	<u>178,164</u>	<u>8,856,578</u>

Pension Plan Fiduciary Net Position

The plan fiduciary net position disclosed in the GASB Statement No. 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. For example, for the accounting valuations, CalPERS must keep items such as deficiency reserves and fiduciary self-insurance included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation.

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(j) Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pension

The University recognized pension expense of \$1,109,358 for the State Miscellaneous Plan and State Peace Officers and Firefighters Plan, which were reported as benefits expense.

The following table presents deferred outflows and inflows of resources as of June 30, 2024 related to pension.

	Deferred outflows of resources	Deferred inflows of resources
University's retirement contributions subsequent to the measurement date	\$ 1,208,556	—
Net differences between projected and actual earnings on pension plan investments	1,072,259	—
Differences due to changes in assumptions	463,842	—
Differences due to changes in proportionate share	1,343	216,388
Differences between expected and actual experience	430,163	139,688
Total	<u>\$ 3,176,163</u>	<u>356,076</u>

Deferred outflows of resources recognized for the University's retirement contributions made subsequent to the measurement date of June 30, 2023, will be recognized as a reduction of the net pension liability in the next measurement date.

The deferred outflows of resources will be recognized as pension expense as follows:

Measurement period ended June 30	Initial differences*	Recognition period (year)	Increase (Decrease) in pension expense arising from the recognition of the differences between projected and actual earnings on pension plan investments (measurement dates)					
			2024	2025	2026	2027	Total	
Miscellaneous Plan								
2020	\$ 410,047	5.0	\$ 82,009	—	—	—	82,009	
2021	(2,970,008)	5.0	(594,002)	(594,002)	—	—	(1,188,004)	
2022	3,385,246	5.0	677,049	677,049	677,049	—	2,031,147	
2023	156,843	5.0	31,369	31,369	31,369	31,369	125,476	
Peace Officers and Firefighters Plan								
2020	(8,034)	5.0	1,607	—	—	—	1,607	
2021	62,616	5.0	(12,523)	(12,523)	—	—	(25,046)	
2022	(71,264)	5.0	14,253	14,253	14,253	—	42,759	
2023	2,889	5.0	578	578	578	578	2,312	
Increase (Decrease) in pension expense			\$ 200,340	116,724	723,249	31,947	1,072,260	

*Adjusted for any changes in University's proportionate share

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Measurement Period ended June 30	Initial differences*	Recognition period (year)	Increase in pension expense arising from the recognition of the effects of changes in assumptions (measurement dates)				
			2024	2025	2026	2027	Total
Miscellaneous Plan							
2022	\$ 842,176	4.3	\$ 195,855	195,855	58,756	—	450,466
Peace Officers and Firefighters Plan							
2022	23,284	4.7	4,954	4,954	3,468	—	13,376
Increase in pension expense			\$ 200,809	200,809	62,224	—	463,842

* Adjusted for any changes in University's proportionate share

Measurement Period ended June 30	Initial differences*	Recognition period (year)	Increase in pension expense arising from the recognition of the effects of differences between expected and actual experience (measurement date)				
			2024	2025	2026	2027	Total
Miscellaneous Plan							
2020	167,687	4.2	7,985	—	—	—	7,985
2021	141,909	4.3	33,002	9,901	—	—	42,903
2023	475,594	4.3	110,603	110,603	110,603	33,181	364,990
Peace Officers and Firefighters Plan							
2020	1,831	4.80	305	—	—	—	305
2021	6,227	4.90	1,271	1,144	—	—	2,415
2023	14,692	4.90	3,126	3,126	3,126	2,188	11,566
Increase in pension expense			\$ 156,292	124,774	113,729	35,369	430,164

* Adjusted for any changes in University's proportionate share

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The deferred inflows of resources will be recognized as pension expense as follows:

			Increase (Decrease) in pension expense arising from the recognition of the effects of changes in proportionate share (measurement dates)				
Measurement period ended June 30	Initial differences	Recognition period (year)	2024	2025	2026	2027	Total
Miscellaneous Plan							
2021	\$ 312,344	4.3	\$ 72,638	21,791	—	—	94,429
2022	(830,870)	4.3	(193,225)	(193,225)	(57,968)	—	(444,418)
2023	174,086	4.3	40,485	40,485	40,485	12,146	133,601
Peace Officers and Firefighters Plan							
2021	5,640	5.1	1,151	1,036	—	—	2,187
2022	(14,172)	4.7	(3,015)	(3,015)	(2,111)	—	(8,141)
2023	9,270	4.7	1,972	1,972	1,972	1,382	7,298
Increase/(Decrease) in pension expense			<u>\$ (79,994)</u>	<u>\$ (130,956)</u>	<u>\$ (17,622)</u>	<u>\$ 13,528</u>	<u>\$ (215,044)</u>
			Decrease in pension expense arising from the recognition of the effects of differences between expected and actual experience (measurement dates)				
Measurement period ended June 30	Initial differences*	Recognition period (year)	2024	2025	2026	2027	Total
Miscellaneous Plan							
2022	\$ 251,964	4.3	\$ 58,596	58,596	17,579	—	134,771
Peace Officers and Firefighters Plan							
2022	\$ 8,559	4.7	1,821	1,821	1,278	—	4,920
Decrease in pension expense			<u>\$ 60,417</u>	<u>60,417</u>	<u>18,857</u>	<u>—</u>	<u>139,691</u>

* Adjusted for any changes in University's proportionate share

(13) Other Postemployment Benefits (OPEB)

(a) OPEB Plan Description

The State provides retiree health and dental benefits to annuitants of retirement systems through an agent multiple-employer defined benefit plan which operates as a single-employer defined benefit plan for the University. The design of health and dental benefit plans can be amended by CalPERS Board of Administration. To be eligible, employees must retire within 120 days of separation from employment and have met the health and dental vesting period to be eligible to receive these benefits.

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(b) *Benefits Provided*

For healthcare benefits, CalPERS offers Preferred Provider Organizations (PPOs), Health Maintenance Organizations (HMOs), and Exclusive Provider Organizations (EPOs) (limited to members in certain California counties). For dental benefits, a Dental Maintenance Organization (DMO) and dental indemnity plans are offered to the University's retirees. Health plans offered, covered benefits, monthly rates, and co-payments are determined by the CalPERS Board of Administration, who reviews health plan contracts annually. At measurement date, the count of retired and active employees covered by the benefit terms were:

	Headcount
Retirees elected to receive healthcare benefits	34,122
Active employees	50,882
Total headcount	85,004

(c) *Contributions*

The contribution requirements of retirees and the State are established and may be amended by the State legislature. For healthcare benefits, the State makes a contribution toward the retiree's monthly health premiums, with the retirees covering the difference between the State's contribution and the actual healthcare premium amount. The State contribution is normally established through collective bargaining agreements. No retiree contribution is required for dental benefits.

For healthcare benefits, responsibility for funding the cost of the employer share of premiums is apportioned between the State and the University based on "billable" and "nonbillable" accounts. Billable accounts have special revenue sources such as fees, licenses, penalties, assessments, and interest, which offset the costs incurred by a State department during the year. The University reimburses the State for retiree's health benefit costs allocated to billable accounts but not for costs allocated to nonbillable accounts. The University is responsible for funding the costs of the billable accounts on a pay-as-you-go basis as part of the statewide general administrative costs charged to the University. The State is responsible for funding the cost of the employer share of healthcare premiums of retirees for all nonbillable accounts. Historically, the State has funded approximately 95% of the cost of the benefits.

The University is responsible for paying the cost of dental benefits for all University retirees using funds provided by the State through general fund appropriations. The University makes payments directly to Delta Dental for the retiree's monthly dental premiums. The University is paying these benefits on a pay-as-you-go basis. The State's contribution to the retirees' health benefits are recorded as State appropriations, noncapital.

In addition to the explicit University contribution provided to retirees, there is an "implicit rate subsidy" The gross premium for retired members not eligible for Medicare who are charged a premium based on the experience of both active and retired members will be receiving a subsidy because the average healthcare costs of retired members is generally higher than the blended average costs of a group comprised of both active and retired members. The subsidy is referred to as the implicit rate subsidy. The implicit subsidy

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associated with the retiree health costs paid during the past year is also considered to be a contribution from the University.

(d) **Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used are consistent with a long-term perspective and involve estimates of the value of reported benefits and assumptions about the probability of occurrence of events far into the future.

Significant actuarial methods and assumptions used to calculate the University's total OPEB liability were:

Valuation date	June 30, 2023
Actuarial cost method	Entry Age Normal Actuarial Cost Method and the blended discount rates in accordance with the requirements of GASB Statement Nos. 74 and 75.
Actuarial assumptions	
Discount rate	3.86%
Price inflation	2.30%
Wage inflation	2.80%
Healthcare-related	Assumptions were based on healthcare census information, claims experience data and actuarial valuations for the period from July 1, 2018 to June 30, 2022. The actuarial assumptions determined by this study were first used for the actuarial valuations effective as of June 30, 2023.
Healthcare trend	
Pre-Medicare cost trend rate	Select and ultimate trend rates were set at actual increases for 2024, 7.00% in 2025 grading down to 4.50% in 2030, 4.50% from 2030 to 2038, and 4.25% on and after 2039.
Post-Medicare cost trend rate	Medicare trend rates are higher than non-Medicare trend rates because Medicare costs include a higher proportion of prescription benefits which are assumed to experience higher trend rates than medical benefits. Trend rates for post Medicare plans reflect adjustments for the Employer Group Waiver Plan ("EWGP") and the Inflation Reduction Act ("IRA")
Participation	On average approximately 95% of all eligible retirees elect healthcare coverage.
Per capita claim costs	Costs were developed for pre-Medicare and post-Medicare coverage at each respective age and gender, using overall average costs adjusted for morbidity.
Pension-related	Assumptions were based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions and were first adopted beginning with the actuarial valuation as of June 30, 2021. Key assumptions include: salary increase rates, termination rates, disability rates, retirement rates, and mortality rates.
Mortality	Assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board in November 2021. The pre-retirement and postretirement mortality assumptions include generational mortality improvement and the rates are projected using 80% of scale MP-2020 published by the Society of Actuaries.

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(e) *Sensitivity of the University's Total OPEB Liability to Changes in the Healthcare Cost Trend Rate*

One of the key assumptions influencing costs is the assumed growth or trend in healthcare costs. The healthcare trend assumption for OPEB actuarial valuations spans over the lifetime of a covered retiree, which could extend to over 30 years. This is in contrast to the short-term healthcare inflation used to develop premiums for the next fiscal year. This long-term healthcare assumption is by far the most difficult to set.

The following table presents the University's total OPEB liability as of the measurement date, calculated using the healthcare cost trend rate (7.00% decreasing to 4.50%), as well as what the total OPEB liability would be if it were calculated using the healthcare cost trend rate that are one-percentage-point lower (6.00% decreasing to 3.50%) and one-percentage-point higher (8.00% decreasing to 5.50%) than the current healthcare cost trend rate:

	Trend rate -1%	Current trend rate	Trend rate +1%
OPEB liability	\$ 12,442,158	13,964,336	15,885,288

(f) *Discount Rate*

The discount rate used to estimate the total OPEB liability as of measurement dates June 30, 2023 and 2022 was 3.86% and 3.69%, respectively. The discount rates were based on Fidelity's 20-Year Municipal GO AA Index since the University has no plan assets sufficient to make benefit payments.

(g) *Sensitivity of the University's Total OPEB Liability to Changes in the Discount Rate*

The following table presents the University's total OPEB liability as of the measurement date, calculated using the discount rate of 3.86%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower (2.86%) or one-percentage point higher (4.86%) than the current rate:

	Discount rate -1%	Current discount rate	Discount rate +1%
OPEB liability	\$ 16,140,539	13,964,336	12,191,197

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(h) Changes in Total OPEB Liability

The following table presents the changes in total OPEB liability of the University recognized over the measurement period:

Balance at June 30, 2022 (measurement date)	\$	13,342,974
Changes recognized for the measurement period:		
Service cost		533,911
Interest on total OPEB liability		504,047
Recognized changes of assumptions		221,440
Differences between expected and actual experience (non-investment)		(199,908)
Benefit payments		(438,128)
Net changes		621,362
Balance at June 30, 2023 (measurement date)	\$	13,964,336

(i) OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

The University recognized OPEB expense of \$257,821 which was reported as benefits expense. The following table summarizes the deferred outflows and inflows of resources related to OPEB liabilities.

	Deferred outflows of resources	Deferred inflows of resources
University's contributions subsequent to the measurement date	\$ 473,448	—
Differences due to changes in assumptions	948,198	2,849,572
Differences between expected and actual experience (non-investment)	768,049	1,225,482
Total	\$ 2,189,695	4,075,054

The University's contributions subsequent to the measurement date includes \$438,144 contributed by the State on behalf of the University as authorized by Government Code Section 22871. The State's contributions are recognized as State appropriations, noncapital.

The deferred outflows of resources related to the University's contributions made subsequent to the measurement date of June 30, 2023 will be recognized as a reduction of total OPEB liability on the subsequent measurement date, and are not amortized to OPEB expense.

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The deferred outflows of resources to be recognized as OPEB expense are as follows:

Measurement period ended June 30	Initial difference	Recognition period (year)	Increase in OPEB expense from changes of assumptions (measurement dates)							Total
			2024	2025	2026	2027	2028	2029	2030	
2019	\$ 751,688	7.25	103,631	103,631	26,270	—	—	—	—	233,532
2020	585,190	7.30	80,110	80,110	80,110	24,420	—	—	—	264,750
2021	437,934	7.31	59,934	59,934	59,934	59,934	18,396	—	—	258,132
2023	221,440	7.47	29,657	29,657	29,657	29,657	29,657	29,657	13,841	191,783
Increase in OPEB expense			<u>\$273,332</u>	<u>273,332</u>	<u>195,971</u>	<u>114,011</u>	<u>48,053</u>	<u>29,657</u>	<u>13,841</u>	<u>948,197</u>

Measurement period ended June 30	Initial difference	Recognition period (year)	Increase in OPEB expense arising from differences between expected and actual experience (non investment) (measurement dates)							Total
			2024	2025	2026	2027	2028	2029	2030	
2022	\$1,049,961	7.45	\$ 140,956	140,956	140,956	140,956	140,956	63,269	—	768,049
Increase in OPEB expense			<u>\$ 140,956</u>	<u>140,956</u>	<u>140,956</u>	<u>140,956</u>	<u>140,956</u>	<u>63,269</u>	<u>—</u>	<u>768,049</u>

The deferred inflows of resources to be recognized as OPEB expense are as follows:

Measurement period ended June 30	Initial difference	Recognition period (year)	Decrease in OPEB expense arising from changes in assumptions (measurement dates)							Total
			2024	2025	2026	2027	2028	2029	2030	
2018	519,714	7.17	72,477	12,375	—	—	—	—	—	84,852
2022	3,779,507	7.45	507,394	507,394	507,394	507,394	507,394	227,749	—	2,764,719
Decrease in OPEB expense			<u>\$579,871</u>	<u>519,769</u>	<u>507,394</u>	<u>507,394</u>	<u>507,394</u>	<u>227,749</u>	<u>—</u>	<u>2,849,571</u>

Measurement period ended June 30	Initial difference	Recognition period (year)	Decrease in OPEB expense arising from differences between expected and actual experience (non investment) (measurement dates)							Total
			2024	2025	2026	2027	2028	2029	2030	
2018	\$1,111,239	7.17	\$ 154,968	26,463	—	—	—	—	—	181,431
2019	94,145	7.25	12,979	12,979	3,292	—	—	—	—	29,250
2020	471,337	7.30	64,524	64,524	64,524	19,669	—	—	—	213,241
2021	1,066,155	7.31	145,910	145,910	145,910	145,910	44,785	—	—	628,425
2023	199,908	7.47	26,773	26,773	26,773	26,773	26,773	26,773	12,497	173,135
Decrease in OPEB expense			<u>\$405,154</u>	<u>\$276,649</u>	<u>\$240,499</u>	<u>\$192,352</u>	<u>\$ 71,558</u>	<u>\$ 26,773</u>	<u>\$ 12,497</u>	<u>\$1,225,482</u>

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(14) Deferred Outflows and Inflows of Resources

The composition of deferred outflows and inflows of resources at June 30, 2024 is summarized as follows:

	Deferred outflows of resources	Deferred inflows of resources
Related to:		
Net pension liability (note 12)	\$ 3,176,163	356,076
Other postemployment benefits liability (note 13)	2,189,695	4,075,054
Unamortized loss on SRB debt refunding	80,465	—
Leases	—	201,706
Unamortized gain on SRB debt refunding	—	3,077
Nonexchange transactions	—	791
Others	8	—
Total	<u>\$ 5,446,331</u>	<u>4,636,704</u>

(15) Claims Liability for Losses and Loss Adjustment Expenses

The University and certain auxiliary organizations have established the CSURMA, a discretely presented component unit of the University, to centrally manage workers' compensation, general liability, industrial and nonindustrial disability, unemployment insurance coverage, and other risk-related programs. The claims liability included in the discretely presented component unit column reflects the estimated ultimate cost of settling claims related to events that have occurred on or before June 30, 2024. The liability includes estimated amounts that will be required for future payments of claims that have been reported and claims related to events that have occurred but have not yet been reported. The liability is also reduced by estimated amounts recoverable from the reinsurer that are related to the liabilities for unpaid claims and claim adjustment expenses. The liability is estimated through an actuarial calculation using individual case basis valuations and statistical analyses. Although considerable variability is inherent in such estimates, management believes that the liability is a reasonable estimate at June 30, 2024.

The information of the change in claims liability for losses and loss adjustment expenses may be obtained from the separate financial statements issued for CSURMA.

(16) Commitments and Contingencies

The University is a defendant in multiple lawsuits involving matters not covered by the CSURMA as discussed in note 15. Management of the University is of the opinion that the liabilities, if any, arising from litigation will not have a material effect on the financial position of the University.

Federal grant programs are subject to review by the grantor agencies, which could result in requests for reimbursement to grantor agencies for disallowed expenditures. Management believes that it has adhered to the terms of its grants and that any disallowed expenditures resulting from such reviews would not have a material effect on the financial position of the University.

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Authorized but unexpended costs for construction projects as of June 30, 2024 totaled \$967,866. These expenditures will be funded primarily by state appropriations and bond proceeds.

In order to secure access to electricity used for normal operation, the University participates in forward purchase contracts of electricity operated by Shell Energy North America. The University's obligations under these special purchase arrangements require it to purchase an estimated total of \$24,583 of electricity at fixed prices through December 2025. The University estimates that the special purchase contract in place represent approximately 18.48% of its total annual electricity expenses.

(17) Classification of Operating Expenses

The University has elected to report operating expenses by functional classification in the Statement of Revenues, Expenses, and Changes in Net Position, and to provide the natural classification of those expenses as an additional disclosure. Operating expenses by natural classification consisted of the following for the year ended June 30, 2024:

	Salaries	Benefits	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total operating expenses
Instruction	\$ 2,322,820	959,087	—	212,151	—	3,494,058
Research	53,951	17,441	—	35,724	—	107,116
Public service	26,328	13,667	—	24,125	—	64,120
Academic support	524,986	307,713	—	208,184	—	1,040,883
Student services	600,849	416,260	—	518,123	—	1,535,232
Institutional support	569,991	396,156	—	331,245	—	1,297,392
Operation and maintenance of plant	311,026	268,397	—	558,312	—	1,137,735
Student grants and scholarships	—	—	1,450,349	—	—	1,450,349
Auxiliary enterprise expenses	120,412	92,385	—	541,605	—	754,402
Depreciation and amortization	—	—	—	—	748,772	748,772
Total operating expenses	<u>\$ 4,530,363</u>	<u>2,471,106</u>	<u>1,450,349</u>	<u>2,429,469</u>	<u>748,772</u>	<u>11,630,059</u>

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(18) Transactions with Related Entities

The University is an agency of the State and receives approximately 38.48% of total revenues through state appropriations. State appropriations allocated to the University aggregated \$4,411,308 for the year ended June 30, 2024. State appropriations receivable is \$1,717 at June 30, 2024.

State appropriations allocated to the University for the year ended June 30, 2024 are as follows:

State appropriations, general fund	\$	3,996,933
State's contribution on behalf of the University for OPEB		414,430
State appropriation, noncapital		4,411,363
State appropriations, capital		(55)
Total state appropriations	\$	<u>4,411,308</u>

(19) Subsequent Events

The following information describes significant events that occurred subsequent to June 30, 2024, but prior to the date of the auditors' report.

- SRB Issuance*

In August 2024, the University issued \$659.33 million of SRB Series 2024A (Tax Exempt) and \$11.59 million of SRB Series 2024B (Taxable). The new bonds were issued to fund various capital projects and redeem maturing BANs.

- BAN Issuance and Redemption*

The University issued BANs for the following capital projects:

SLO Harvest Lofts Faculty and Staff Housing Acquisition	\$	44,365
SLO John Madden Football Center Project		25,840
Total BAN issuance	\$	<u>70,205</u>

The University redeemed BANs for the following capital projects:

SDSU Mission Valley Multi-Use Stadium	\$	1,500
Total BAN redemption	\$	<u>1,500</u>

- Integration of Cal Maritime and Cal Poly*

In November 2024, the Board approved the integration of California Polytechnic State University, San Luis Obispo and California State University Maritime Academy. Effective July 1, 2025, the two institutions will function as a single university known formally as "California Polytechnic State University, San Luis Obispo." At the completion of the integration, the location comprising all activities on the current maritime campus will be known as "Cal Poly, Solano Campus." Beginning at the start of the 2026-27 college year, all students of the integrated institution will be enrolled as California Polytechnic State University, San Luis Obispo students.

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CALIFORNIA STATE UNIVERSITY

Schedule of University's Proportionate Share of the Net Pension Liability and Related Ratios

June 30, 2024

(In thousands)

Last Ten Fiscal Years¹

	2023 ²	2022 ²	2021 ²	2020 ²	2019 ²	2018 ²	2017 ²	2016 ²	2015 ²	2014 ²
State of California Miscellaneous Plan										
University's proportion of the net pension liability	22.58470 %	22.00970	24.75083	23.79119	23.85065	24.09757	23.87558	22.87662	22.84970	22.72891
University's proportionate share of the net pension liability	\$8,678,414	8,321,003	5,516,848	8,270,213	8,022,235	7,570,178	8,723,068	7,575,326	6,453,200	5,411,439
University's proportionate share of covered payroll	\$3,380,240	3,103,947	3,441,594	3,152,983	3,002,439	2,900,140	2,780,552	2,567,251	2,407,821	2,209,786
University's proportionate share of the net pension liability as percentage of covered payroll	256.73956 %	268.07811	160.29919	262.29809	267.19061	261.02796	313.71711	295.07539	268.00996	244.88521
Plan fiduciary net position as percentage of total pension liability	72.45593 %	71.62525	82.39493	71.51054	71.34328	71.82994	66.41644	66.81100	70.68274	74.17418
State of California Peace Officers and Firefighters Plan										
University's proportion of the net pension liability	1.06316 %	0.99039	1.10385	1.05879	1.14289	1.17223	1.15890	1.15882	1.07094	1.00623
University's proportionate share of the net pension liability	\$ 178,165	163,852	101,834	149,099	168,535	163,074	176,894	158,600	124,994	102,216
University's proportionate share of covered payroll	\$ 43,643	37,769	43,493	39,417	41,367	41,153	38,632	37,528	33,341	30,160
University's proportionate share of the net pension liability as percentage of covered payroll	408.22958 %	433.82178	234.14147	378.26477	407.41440	396.26687	457.89066	422.61507	374.89140	338.91247
Plan fiduciary net position as percentage of total pension liability	73.34111 %	71.99753	83.34760	73.18576	70.56276	70.53476	65.89199	66.09678	69.61241	72.18915

¹ The University implemented GASB Statement No. 68 effective July 1, 2014, therefore, no information is available for the measurement periods prior to June 30, 2014.² The date in the column heading represents the end of the measurement period of the net pension liability, which is one year prior to the reporting period.

See accompanying independent auditors' report.

CALIFORNIA STATE UNIVERSITY
Schedule of Employer Contributions Related to Pension
Year ended June 30, 2024

(In thousands)

Last Ten Fiscal Years¹

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
State of California Miscellaneous Plan										
Actuarially determined contribution	\$1,158,216	1,074,129	943,908	1,014,772	1,000,772	902,330	836,450	737,766	641,710	588,353
Contributions in relation to the actuarially determined contributions	\$(1,184,606)	(1,110,522)	(950,453)	(936,487)	(992,004)	(909,834)	(839,367)	(740,571)	(644,679)	(589,385)
Contribution deficiency (excess)	\$(26,390)	(36,393)	(6,545)	78,285	8,768	(7,504)	(2,917)	(2,805)	(2,969)	(1,032)
University's covered payroll	3,751,916	3,497,651	3,241,442	3,195,126	3,230,694	3,079,834	2,953,043	2,768,770	2,559,878	2,431,410
Contributions as a percentage of covered payroll	31.57336%	31.75051	29.32192	29.30986	30.70560	29.54166	28.42380	26.74729	25.18397	24.24046
State of California Peace Officers and Firefighters Plan										
Actuarially determined contribution	\$22,289	20,824	12,465	19,601	19,512	18,374	17,762	15,858	14,027	11,737
Contributions in relation to the actuarially determined contributions	\$(23,950)	(22,012)	(13,270)	(14,448)	(19,514)	(19,153)	(18,442)	(16,600)	(14,647)	(13,610)
Contribution deficiency (excess)	\$(1,661)	(1,188)	(805)	5,153	(2)	(779)	(680)	(742)	(620)	(1,873)
University's covered payroll	48,181	44,108	39,966	40,060	41,342	42,022	41,696	39,372	37,568	33,363
Contributions as a percentage of covered payroll	49.70839%	49.90478	33.20322	36.06590	47.20139	45.57851	44.22966	42.16194	38.98797	40.79369

¹The University implemented GASB Statement No. 68 effective July 1, 2014, therefore, no information is available for the measurement periods prior to June 30, 2014.

See accompanying independent auditors' report.

CALIFORNIA STATE UNIVERSITY
Schedule of Employer Contributions Related to Pension
Year ended June 30, 2024

Notes to required supplementary information schedule for the most recent fiscal year presented:

Valuation date	Actuarially calculated contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported.
Methods and assumption used to determine contribution rates	
Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method/period	For details, see June 30, 2021 Funding Valuation Report.
Asset valuation method	Fair Value of Assets. For details, see June 30, 2021 Funding Valuation Report.
Inflation	2.30%
Salary increases	Varies by entry age and service
Payroll growth	2.80%
Investment rate of return	6.8% net of pension plan investment and administrative expenses; includes inflation.
Retirement age	The probabilities of retirement are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.
Mortality	The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.
Significant factors affecting contribution rates	Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

See accompanying independent auditors' report.

CALIFORNIA STATE UNIVERSITY

Schedule of University's Total Other Postemployment Benefits Liability and Related Ratios

June 30, 2024

(In thousands)

Last Ten Fiscal Years¹

	2023 ²	2022 ²	2021 ²	2020 ²	2019 ²	2018 ²	2017 ²
University's total other postemployment benefits liability at beginning of the year	\$ 13,342,974	15,434,384	15,323,276	14,498,545	13,128,996	13,918,525	14,683,420
Changes recognized for the measurement period							
Service cost	533,911	763,258	768,498	643,745	603,049	680,934	795,696
Interest on total other postemployment benefits liability	504,047	306,867	389,155	467,733	490,260	513,512	436,431
Recognized changes of assumptions	221,440	(3,779,507)	437,934	585,190	751,688	(519,714)	(1,663,194)
Recognized differences between Expected and Actual Experience (Non-Investment)	(199,908)	1,049,961	(1,066,155)	(471,337)	(94,145)	(1,111,239)	—
Employer contributions	(438,128)	(431,989)	(418,324)	(400,600)	(381,303)	(353,022)	(333,828)
Net changes	\$ 621,362	(2,091,410)	111,108	824,731	1,369,549	(789,529)	(764,895)
University's total other postemployment benefits liability at end of the year	\$ 13,964,336	13,342,974	15,434,384	15,323,276	14,498,545	13,128,996	13,918,525
University's covered payroll	\$ 3,800,097	3,541,759	3,281,408	3,235,186	3,272,036	3,121,856	2,994,739
University's total other postemployment benefits liability as a percentage of covered payroll	367.47315 %	376.73297	470.35858	473.64436	443.10469	420.55098	464.76588

¹The University implemented GASB Statement No. 75 effective July 1, 2017, therefore, no information is available for the measurement periods prior to June 30, 2017.

²The date in the column heading represents the end of the measurement period of the total OPEB liability, which is one year prior to the reporting period.

See accompanying independent auditors' report.

CALIFORNIA STATE UNIVERSITY
Schedule of Employer Contributions Related to Other Postemployment Benefits
Year ended June 30, 2024

(In thousands)

Last Ten Fiscal Years¹

	2024	2023	2022	2021	2020	2019	2018
Actuarially determined contributions	\$934,843	858,253	744,383	771,153	786,426	743,648	754,550
Contributions in relation to the actuarially determined contributions	(473,448)	(461,842)	(400,463)	(390,008)	(404,389)	(362,260)	(349,487)
Contribution deficiency	<u>\$461,395</u>	<u>396,411</u>	<u>343,920</u>	<u>381,145</u>	<u>382,037</u>	<u>381,388</u>	<u>405,063</u>
University's covered payroll	\$3,800,097	3,541,759	3,281,408	3,235,186	3,272,036	3,121,856	2,994,739
Contributions as a percentage of covered payroll	12.45884%	13.03990	12.20400	12.05520	12.35894	11.60399	11.67003

¹The University implemented GASB Statement No. 75 effective July 1, 2017, therefore, no information is available for the measurement periods prior to June 30, 2017.

See accompanying independent auditors' report.

CALIFORNIA STATE UNIVERSITY

Schedule of Employer Contributions Related to Other Postemployment Benefits

Year ended June 30, 2024

Notes to required supplementary information schedule for the most recent fiscal year presented

Valuation date	Actuarially calculated contribution rates are calculated as of July 1, one year prior to the end of the fiscal year in which contributions are reported.
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Methods and assumption used to determine actuarially determined contributions

Actuarial cost method	Actuarial valuation results used for accounting purposes, such as the Total OPEB Liability and Service Cost, were developed using the Entry Age Normal Actuarial Cost Method and the blended discount rates as required by GASB Statements No. 74 and 75. The Normal Cost and Actuarial Accrued Liability for the purpose of calculating the Actuarially Determined Contribution were developed using the Entry Age Normal Actuarial Cost Method and a full-funding discount rate of 6.00 percent.
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Inflation	2.30%
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Payroll growth	2.80%
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Retirement age	The probabilities of retirement are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019.
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Mortality	Assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board in November 2021. The pre-retirement and postretirement mortality assumptions include generational mortality improvement and the rates are projected using 80% of scale MP-2020 published by the Society of Actuaries.
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¹The University implemented GASB Statement No. 75 effective July 1, 2017, therefore, no information is available for the measurement periods prior to June 30, 2017.

See accompanying independent auditors' report.

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CALIFORNIA STATE UNIVERSITY
Systemwide Revenue Bond Program's Net Income Available for Debt Service
Year ended June 30, 2024
(In thousands)

Gross revenues		
Tuition fees	\$	3,393,237
Student housing		808,492
Student unions/recreation centers		312,237
Parking		127,520
Health centers		13,638
Professional and continuing education		413,281
Auxiliary organizations ¹		736,470
Other related entity ²		6,226
Total gross revenues		<u>5,811,101</u>
Maintenance and operation expenses ³		
Academic facilities		643,266
Student housing		603,244
Student unions/recreation centers		162,641
Parking		84,411
Health centers		5,616
Professional and continuing education		414,567
Auxiliary organizations ¹		613,689
Total maintenance and operation expenses		<u>2,527,434</u>
Net income available for debt service	\$	<u><u>3,283,667</u></u>
Debt service		
Systemwide revenue bonds debt		560,948
Designated auxiliary organizations debt		2,010
Total debt service	\$	<u><u>562,958</u></u>

The purpose of this schedule is to meet bond reporting covenants covering the operations of the projects showing the gross revenues and expenses for the fiscal year.

¹This includes gross revenues and maintenance and operations expenses of 17 auxiliary organizations that have financed with SRB through lease or loan arrangements. This excludes research grants and contracts activity and restricted gifts. Gross revenues under the SRB Indenture are a smaller amount derived from payments under certain leases or with the Board of Trustees.

²This includes gross revenues derived from leases with California State University, Channel Islands Site Authority which are used solely to pay debt service. The maintenance and operations expense are excluded as these are not paid by the pledged gross revenues.

³Maintenance and operation expenses for the year ended June 30, 2024 include extraordinary maintenance and repair projects, which are generally paid from existing program fund balance of \$697 million, other postemployment benefits expense of \$49 million pursuant to GASB Statement No. 75, and pension expense of \$52.9 million pursuant to GASB Statement No. 68.

See accompanying independent auditors' report.

CALIFORNIA STATE UNIVERSITY

Systemwide Revenue Bond Program's Residence and Dining Halls Operating Data by Campus¹
Year ended June 30, 2024

	Operating and other revenues	Operating expenditures	Excess of revenues over expenditures	Design capacity	Operational capacity ²	Average number of spaces occupied	% of spaces occupied ³
	(In thousands)						
California State University, Bakersfield	\$ 5,738	3,572	2,166	512	512	386	75.39%
California State University Channel Islands	16,733	11,049	5,683	1,529	1,528	1,116	73.04%
California State University, Chico	20,479	15,970	4,509	2,303	1,743	1,695	97.25%
California State University, Dominguez Hills	8,901	6,069	2,832	1,174	1,156	861	74.48%
California State University, East Bay	16,045	12,687	3,359	1,278	1,398	925	66.17%
California State University, Fullerton	41,000	24,019	16,982	2,272	2,198	2,136	97.18%
California State Polytechnic University, Humboldt	23,267	21,126	2,141	2,069	2,165	1,688	77.97%
California State University, Long Beach	45,335	36,028	9,307	2,860	3,196	3,117	97.53%
California State University, Los Angeles	26,693	18,438	8,256	2,565	2,491	1,806	72.50%
California State University Maritime Academy	8,384	6,263	2,120	846	778	678	87.15%
California State University, Northridge	29,017	14,275	14,742	3,606	3,205	2,691	83.96%
California State Polytechnic University, Pomona	47,672	30,236	17,436	4,136	4,147	3,990	96.21%
California State University, Sacramento	29,956	22,373	7,583	2,088	2,186	2,135	97.67%
California State University, San Bernardino	13,321	8,803	4,518	1,932	1,473	1,373	93.21%
San Diego State University	136,903	107,253	29,650	6,454	8,021	7,458	92.98%
San Francisco State University ⁵	75,688	63,292	12,396	3,817	3,907	3,452	88.35%
San José State University	70,114	40,740	29,375	3,699	4,218	4,136	98.06%
California Polytechnic State University, San Luis Obispo	139,904	93,267	46,637	7,722	8,801	8,615	97.89%
Sonoma State University ⁶	33,097	18,032	15,065	3,185	3,185	2,032	63.80%
California State University, Stanislaus	6,883	6,868	16	460	472	393	83.26%
	795,130	560,360	234,773	54,507	56,780	50,683	89.26%
California State University, Office of the Chancellor (Systemwide Office)	—	—	—				
Interest income	13,359	—	13,359				
Total	\$ 808,489	560,360	248,132				

CALIFORNIA STATE UNIVERSITY

Systemwide Revenue Bond Program's Residence and Dining Halls Operating Data by Campus¹
Year ended June 30, 2024

	Average annual rates per academic year ⁴								
	Residence Halls			Apartments			Suites		
	Single	Double	Triple	Single	Double	Triple	Single	Double	Triple
California State University, Bakersfield	\$ 12,600	9,000	7,500						
California State University Channel Islands	10,820	9,740		12,670	11,450		11,660	11,060	
California State University, Chico	10,428	8,609	7,262	10,428	8,609				
California State University, Dominguez Hills	11,140	10,215	9,367	13,056	10,215				
California State University, East Bay				12,644	10,979	8,609		10,554	8,244
California State University, Fullerton		13,710	12,110	14,604				15,078	
California State Polytechnic University, Humboldt	8,628	6,624	5,184	8,628	6,972	5,184			
California State University, Long Beach	10,160	9,160	8,160	14,386				11,160	
California State University, Los Angeles	13,203	10,198	8,209	14,353	11,086	8,926	12,503		
California State University Maritime Academy	9,074	6,976							
California State University, Northridge		7,573		13,409	7,861				
California State Polytechnic University, Pomona	11,988	10,461	9,552				13,824	11,406	
California State University, Sacramento	8,854	8,208	5,566	10,432	9,126		10,432	8,802	
California State University, San Bernardino	8,780	6,930		10,558	10,218		8,752		
San Diego State University	16,496	14,344	12,456	13,456	11,216	9,752	13,008	10,848	9,432
San Francisco State University ⁵		11,277		12,105	10,818	11,862			
San José State University	11,664	10,236	8,584	16,224	11,181	11,694	19,422	12,950	11,320
California Polytechnic State University, San Luis Obispo		11,094	10,338	13,662	12,918				
Sonoma State University ⁶				14,232	10,738	7,920	11,888	8,718	6,360
California State University, Stanislaus				8,745	7,249		8,211	7,249	5,006
Average annual rates	\$ 11,064	9,668	8,691	12,564	10,042	9,135	12,189	10,783	8,072

¹Does not include housing facilities at the Fresno, Monterey Bay and San Marcos campuses that are operated by Auxiliary Organizations.

²This column reflects capacity adjusted for increase or decrease in permanent conversions and temporary adjustments.

³Percent (%) of spaces occupied is based on Operational Capacity. The percentages represent the average academic year occupancy.

⁴This section primarily reflects an average of the more traditional rates to students. Each campus has different rates depending on accommodations, such as super doubles, cluster occupancy, etc.

⁵The operational capacity does not include 356 apartment units, of which 316 units were occupied by students, faculty and staff. The monthly rates for the one-bedroom, two-bedroom or three-bedroom units (not bed-spaces) vary between \$2,250 and \$4,325.

⁶The operational capacity does not include 114 faculty and staff apartment units, of which 104 units were occupied.

See accompanying independent auditors' report.

CALIFORNIA STATE UNIVERSITY
Systemwide Revenue Bond Program's Statement of Insurance Coverage
Year ended June 30, 2024
(In thousands)

Expiration date ¹	Insurance Coverage	Coverage Limit	Insurance Company	Policy number
Property Insurance				
July 1, 2024	CSU Master Property Policy, "All Risk" Building, Equipment, Rental Income (excluding earthquake)	\$2,500,000 per occurrence	Alliant Property Insurance Program	Multiple
July 1, 2024	CSU Master Property Policy, Boiler & Machinery	100,000	Alliant Property Insurance Program	Multiple
General Liability Insurance				
July 1, 2024	Bodily Injury & Property Damage Liability (Primary)	10,000	CSU Risk Management Authority (self-insured portion)	CSURMA-LIAB-1314
July 1, 2024	Bodily Injury & Property Damage Liability (Reinsurance)	4,500 xs 500 4,000 xs 1,000	Great American Insurance Company	1827309
July 1, 2024	Bodily Injury & Property Damage Liability (Reinsurance)	3,000 xs 5,000	Continental Indemnity (Applied)/Upland	JCI23NPX-01046-03 & USXPE0373723
July 1, 2024	Bodily Injury & Property Damage Liability (Reinsurance)	2,000 xs 8,000	SiriusPoint Bermuda Insurance Co. Ltd (Arcadian)	ARCGL127682023
July 1, 2024	Bodily Injury & Property Damage Liability (Reinsurance)	5,000 xs 10,000	Everest Reinsurance Company	FC10044208-2023
July 1, 2024	Bodily Injury & Property Damage Liability (Excess)	10,000 xs 15,000	Allied World National Assurance Company (AWNAC)	0312-4050
July 1, 2024	Bodily Injury & Property Damage Liability (Excess)	5,000 xs 25,000	Liberty Surplus Insurance Corporation	1000479134-03
July 1, 2024	Bodily Injury & Property Damage Liability (Excess)	5,000 xs 30,000	Arcadian Risk Capital Limited & Group Ark Insurance Limited	B0180PN2305698 & YL23AA01685
July 1, 2024	Bodily Injury & Property Damage Liability (Excess)	10,000 xs 35,000	Gemini Insurance Company	CEX09600368-10
July 1, 2024	Bodily Injury & Property Damage Liability (Excess)	5,000 xs 45,000	Hamilton Re	CX23-6549
July 1, 2024	Bodily Injury & Property Damage Liability (Excess)	5,000 xs 50,000	Group Ark Insurance Limited	YL23-00302
July 1, 2024	Bodily Injury & Property Damage Liability (Excess)	5,000 xs 55,000	Arcadian & Aspen	B0180PN2307920 & ECAHQ4N23A0T
July 1, 2024	Bodily Injury & Property Damage Liability (Excess)	5,000 xs 60,000	Liberty Surplus Insurance Corporation	1000550140-02
July 1, 2024	Bodily Injury & Property Damage Liability (Excess)	5,000 xs 65,000	Somers Re Ltd (Helix Risk Partners, Ltd.)	CASFO200069IS2023
July 1, 2024	Bodily Injury & Property Damage Liability (Excess)	5,000 xs 70,000	Starstone Specialty Insurance Company	CSX00037184P-00
July 1, 2024	Bodily Injury & Property Damage Liability (Excess)	35,000 xs 75,000	Multiple	Multiple
July 1, 2024	Bodily Injury & Property Damage Liability (Excess)	15,000 xs 110,000	Hiscox/Canopus Managing Agents Limited	B0180PN2306854
July 1, 2024	Bodily Injury & Property Damage Liability (Excess)	30,000 xs 125,000	Multiple	Multiple
July 1, 2024	Bodily Injury & Property Damage Liability (Excess)	25,000 xs 155,000	Ascot Bermuda Limited & XL BERMUDA LTD	RA23SL673M3X BM00039250L123A
July 1, 2024	Bodily Injury & Property Damage Liability (Excess)	65,000 xs 180,000	Multiple	Multiple
July 1, 2024	Bodily Injury & Property Damage Liability (Excess)	10,000 xs 245,000	Inigo	B0180PN2306856
July 1, 2024	Bodily Injury & Property Damage Liability (Excess)	50,000 xs 255,000	Multiple	Multiple
Workers' Compensation and Employer's Liability Insurance				
July 1, 2024	Workers' Compensation and Employer's Liability	2,500	PRISM	PRISM-PE 22 EWC-143
July 1, 2024	Workers' Compensation and Employer's Liability	in excess of 2,500 up to California Workers' Compensation Statutes	Safety National Casualty Corporation	SP 4067010

¹Additional insurance policies are maintained for the period from July 1, 2024 through July 1, 2025. These policies provide the same coverage indicated above.

See accompanying independent auditors' report.

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