

**Otter Student Union at California State University,  
Monterey Bay**

**Annual Report**

**For the Year Ended  
June 30, 2019**

**Otter Student Union at California State University, Monterey Bay**  
**Annual Report**  
**For the Year Ended**  
**June 30, 2019**

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## Independent Auditors' Report

Board of Directors  
Otter Student Union at California State University, Monterey Bay  
Seaside, California

### Report on the Financial Statements

We have audited the accompanying statement of net position of Otter Student Union at California State University, Monterey Bay (OSU), a component unit of California State University, Monterey Bay, as of June 30, 2019, and the related statement of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the OSU's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Otter Student Union at California State University, Monterey Bay as of June 30, 2019, and the change in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a basic part of the financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Otter Student Union at California State University, Monterey Bay’s basic financial statements. The accompanying supplementary information for inclusion in the financial statements of the California State University on pages 21 through 27 is presented for purposes of additional analysis as required by the California State University and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Board of Directors  
Otter Student Union at California State University, Monterey Bay  
Seaside, California  
Page 3

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2019, on our consideration of the Otter Student Union at California State University, Monterey Bay's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Otter Student Union at California State University, Monterey Bay's internal control over financial reporting and compliance.

*Glenn Burdette Attest Corporation*

Glenn Burdette Attest Corporation  
San Luis Obispo, California

September 11, 2019

**Otter Student Union at California State University, Monterey Bay**  
**Management's Discussion and Analysis**  
**June 30, 2019**

The Otter Student Union at California State University, Monterey Bay (OSU) began its operations in April 2018 as an auxiliary in good standing of California State University, Monterey Bay (CSUMB or University). The OSU is an IRC Section 501(c)(3) not-for-profit public benefit corporation to support the University campus and provide opportunities and advocacy that reflects the founding vision of the University to the surrounding communities.

As management of the OSU, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the OSU for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have provided in the OSU's financial statements, which follow this narrative. The OSU's financial statements are presented here and are incorporated in the University's financial statements as a component unit.

***Financial Highlights***

- On January 1, 2019, the OSU's newly created auxiliary business unit within the financial system began with an initial transfer of \$300,000 in net Student Union fees or surplus from the University.
- At June 30, 2019, the OSU had \$214,000 in total assets and \$178,000 in total liabilities for net position of \$36,000.
- Student fees, transferred from the University, in 2018/19 totaled \$513,000.
- Contract services expenses totaled \$424,000 in 2018/19.

**Otter Student Union at California State University, Monterey Bay**  
**Management's Discussion and Analysis**  
**June 30, 2019**

***Overview of the Financial Statements***

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows (on pages 11 through 13) all provide information about the OSU's activities and present a long-term view of its finances.

These statements are prepared using the accrual basis of accounting which recognizes expenses when incurred and revenue when earned rather than when payment is made or received and is widely used by most private sector companies. They also report the OSU's net position and change in net position. You can think of the OSU's net position – the difference between assets (plus deferred outflows of resources) and liabilities (plus deferred inflows of resources) – as one way to measure the OSU's financial health, or fiscal position. Over time, increases or decreases in the OSU's net position are one indicator of whether its financial health is improving or declining.

***Condensed Financial Information***

Net position in 2018/19 of \$36,000 was primarily a result of the net student union fees of \$513,000 exceeding total operating expenses of \$484,000, resulting in Operating income of \$36,000.

The accompanying audited financial statements as of and for the year ended June 30, 2019 are reported in accordance with standards and requirements of the GASB as are the following schedules.

**Otter Student Union at California State University, Monterey Bay  
Management's Discussion and Analysis  
June 30, 2019**

**Table 1: Condensed Summary of Net Position as of June 30, 2019**

<b>Assets</b>	
Current assets	\$ 214,091
Total Assets	214,091
 <b>Liabilities</b>	
Current liabilities	177,906
Total Liabilities	177,906
 <b>Net Position</b>	
Unrestricted	36,185
Total Net Position	\$ 36,185

**Assets**

*Current assets*, or assets that can normally be converted to cash in less than one year, consist of Cash and cash equivalents, Receivables, and Prepaid expenses and other assets.

Cash and cash equivalents are held in checking accounts and are explained in more detail in Note 1 to the financial statements.

Receivables consist of \$1,500 due from the University for OSU services provided to student organizations. Prepaid expenses and other assets of \$2,400 are comprised of invoices paid in 2018/19 for travel expenses to occur in 2019/20.

**Liabilities**

*Current liabilities*, amounts owed within one year, consist of Accounts payable, Payable to Corporation, and Due to University.

Payable to Corporation includes invoices from the University Corporation for salaries and benefits paid to OSU employees in the amount of \$147,000 in the last quarter of 2018/19 as well as an invoice for \$30,000 for administrative services rendered by the Corporation.



**Otter Student Union at California State University, Monterey Bay**  
**Management's Discussion and Analysis**  
**June 30, 2019**

*Results of Operations*

In its first year of operation, the OSU's Operating income and net position was \$36,000 as a result of Operating revenues exceeding Operating expenses.

**Table 2: Condensed Summary of Changes in Net Position for  
Year Ended June 30, 2019**

	<b>2019</b>
<b>Operating Revenues</b>	
Student fees	\$ 513,084
Sales and services of auxiliary enterprises	6,868
Other operating revenues	356
Total Operating Revenues	520,308
<b>Operating Expenses</b>	
Contract services	423,977
Other operating expenses	60,146
Total Operating Expenses	484,123
Operating Income	36,185
<b>Increase in Net Position</b>	36,185
<b>Net Position</b>	
Net position — beginning of year	-
Net position — end of year	\$ 36,185

*Operating revenues* consist of Student fees, Sales and services of auxiliary enterprises, and Other operating revenues.

Student fees is a result of student union fees surplus for OSU operations. The total amount transferred from the University for OSU operations in 2018/19 was \$513,000.

**Otter Student Union at California State University, Monterey Bay**  
**Management's Discussion and Analysis**  
**June 30, 2019**

Sales and services of auxiliary enterprises in 2018/19 was \$7,000 from event services provided to University student organizations and departments.

*Operating expenses* include Contract services, Utilities, Supplies and services, Travel, Professional services, Equipment, and Other operating expenses.

The Operating expenses for the OSU are made up primarily of Contract services and in 2018/19 were \$424,000. Contract services include payments for event costs and performers related to campus events as well as the reimbursement of salaries and benefits to the Corporation for employees that perform services for OSU.

Travel of \$7,000 consists of professional development conferences attended by staff throughout the year.

Other operating expenses of \$44,000 is made up of fees for administrative services and costs associated with campus events.

***Currently Known Facts, Decisions and Conditions***

The OSU's management believes the following will impact future reporting periods:

**Construction of Student Union Building**

The University began construction on its new Student Union building in August 2018 with an expected completion date in fall 2020. It will house a ballroom, meeting rooms, lounges, dining options, the University bookstore and other administrative support spaces to better meet the needs and demands of the growing campus.

**Future Years' Financial Statements**

A comparative analysis will be provided in future years when prior year information is available.

**Otter Student Union at California State University, Monterey Bay  
Management's Discussion and Analysis  
June 30, 2019**

***Requests for Information***

This report is designed to provide an overview of the OSU's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to:

Controller  
University Corporation at Monterey Bay  
100 Campus Center  
Building 201, Suite 101B  
Seaside, CA 93955

**Otter Student Union at California State University, Monterey Bay**  
**Financial Statements**  
**For the Year Ended June 30, 2019**

**Otter Student Union at California State University, Monterey Bay**  
**Statement of Net Position**  
**June 30, 2019**

<b>Assets</b>	
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 210,170
Receivables:	
University	1,539
Prepaid expenses and other assets	2,382
Total Current Assets	<u>214,091</u>
Total Assets	<u>214,091</u>
<b>Liabilities</b>	
<b>Current Liabilities:</b>	
Accounts payable	552
Payable to Corporation	177,303
Due to University	51
Total Current Liabilities	<u>177,906</u>
Total Liabilities	<u>177,906</u>
<b>Net Position</b>	
<b>Net Position:</b>	
Unrestricted	36,185
Total Net Position	<u><u>\$ 36,185</u></u>

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

**Otter Student Union at California State University, Monterey Bay**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Year Ended June 30, 2019**

<b>Operating Revenues:</b>	
Student fees	\$ 513,084
Sales and services of auxiliary enterprises	6,868
Other operating revenues	356
Total Operating Revenues	520,308
 <b>Operating Expenses:</b>	
Contract services	423,977
Utilities	489
Supplies and services	4,003
Travel	7,355
Professional services	2,200
Equipment	1,692
Other operating expenses	44,407
Total Operating Expenses	484,123
<b>Operating Income</b>	36,185
<b>Increase in Net Position</b>	36,185
 <b>Net Position:</b>	
Net position - beginning of year	-
Net position - end of year	\$ 36,185

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

**Otter Student Union at California State University, Monterey Bay**  
**Statement of Cash Flows**  
**Years Ended June 30, 2019**

**Cash Flows from Operating Activities:**

Receipts from sales and services of auxiliary enterprises	\$ 518,413
Payments to vendors	(56,841)
Payments to Corporation	(201,282)
Payments to University	(3,687)
Other receipts	356
Other payments	(46,789)
Net Cash Provided by Operating Activities	210,170

Net Increase in Cash 210,170

**Cash and Cash Equivalents - Beginning of year** -

**Cash and Cash Equivalents - End of year** \$ 210,170

**Reconciliation of Operating Income to Net Cash  
Provided by Operating Activities:**

Operating income	\$ 36,185
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Receivables	(1,539)
Prepaid expenses and other assets	(2,382)
Accounts payable	552
Payable to Corporation	177,303
Due to University	51
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 210,170</b>

The accompanying notes are an integral part of these financial statements

**Otter Student Union at California State University, Monterey Bay**  
**Notes to Financial Statements**  
**June 30, 2019**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Description of Reporting Entity***

The Otter Student Union at California State University, Monterey Bay (OSU), a nonprofit 501(c)(3) public benefit corporation, began operations in April 2018. The OSU is an auxiliary organization of the University and is presented in the University's financial statements as a component unit.

The mission of the OSU is to be the heartbeat of the campus and a bridge to surrounding communities, providing spaces, opportunities, and advocacy that cultivate belonging reflective of CSUMB's founding vision. OSU's core values are: fostering communities, valuing voice, cultivating social justice, and rooted in care.

The OSU began operating as a separate business unit, with financial services provided by the University Corporation at Monterey Bay, on January 1, 2019. The OSU engages in the following authorized functions per its agreement with the Office of the Chancellor: student union programs; operation of a student union facility; and acquisition, development, sale, and transfer of real and personal property including financing transactions related to these activities.

The OSU is governed by a Board of Directors, which is comprised of students, an alumni member, community members, a faculty member, and administrators.

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

***Other Accounting Policies***

***Cash and Cash Equivalents*** – Cash and cash equivalents include all highly liquid investments purchased with original maturities of three months or less. The OSU considers all balances in demand deposit and money market accounts to be cash equivalents for the purposes of the Statement of Net Position and Statement of Cash Flows. There were no cash equivalents at June 30, 2019.



**Otter Student Union at California State University, Monterey Bay**  
**Notes to Financial Statements**  
**June 30, 2019**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Receivables*** – Receivables consist of monies due from the University. No allowance for doubtful accounts is calculated as management believes these receivables are collectible.

***Net Position*** – The OSU’s net position is required to be classified for accounting and reporting purposes into the following net position categories:

***Net investment in capital assets*** includes capital assets, net of accumulated depreciation and amortization, and deferred outflows of resources, less the outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. The OSU does not have any assets in this category.

***Restricted, nonexpendable*** consists of net position subject to externally imposed restrictions that must be retained in perpetuity. Net position in this category does not apply to OSU.

***Restricted, expendable*** consists of net position subject to externally imposed restrictions that can be fulfilled by the actions of the OSU pursuant to those restrictions or that expire by the passage of time. Net position in this category does not apply to OSU.

***Unrestricted*** consists of all other categories of net position. Unrestricted may be designated for use by management of the OSU. These designations limit the area of operations for which expenditures of net position may be made and require that unrestricted net position be used to support future operations in these areas.

***Classification of Current and Noncurrent Assets and Liabilities*** – The OSU 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 twelve months of the Statement of Net Position date. Liabilities that can reasonably be expected, as part of normal business operations, to be liquidated within twelve months of the Statement of Net Position date are considered to be current. All other assets and liabilities are considered to be noncurrent.

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

**Otter Student Union at California State University, Monterey Bay**  
**Notes to Financial Statements**  
**June 30, 2019**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Use of Estimates* – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

The OSU follows accounting standards generally accepted in the United States of America, which requires, among other things, the recognition and measurement of tax positions based on a "more likely than not" (likelihood greater than 50%) approach. As of June 30, 2019, management has considered its tax positions and believes that the Organization did not maintain any tax positions that did not meet the "more likely than not" threshold. The Organization does not expect any material changes through June 30, 2020. However, tax returns remain subject to examination by the Internal Revenue Service and by the California Franchise Tax Board for fiscal years ending on or after June 30, 2017.

*Recent Pronouncements* – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The provisions of Statement No. 83 are effective for fiscal years beginning after June 15, 2018. Implementation of this Statement did not have a material impact on the Organization's financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. Activities meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the entity to disburse fiduciary resources. The provisions of Statement No. 84 are effective for

**Otter Student Union at California State University, Monterey Bay**  
**Notes to Financial Statements**  
**June 30, 2019**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

fiscal years beginning after December 15, 2018. Management has not yet determined the impact of this Statement on its financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. Statement No. 87 increases the usefulness of entities' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the OSU foundational principle that leases are financings of the right to use an underlying asset. The provisions of Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has not yet determined the impact of this Statement on its financial statements.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Statement No. 88 is meant to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements. The provisions of Statement No. 88 are effective for fiscal years beginning after June 15, 2018. Implementation of this Statement did not have a material impact on the Organization's financial statements.

In June 2018, GASB issued Statement No 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Statement No. 89 enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The provisions of Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management has not yet determined the impact of this Statement on its financial statements.

In August 2018, GASB issued Statement No 90, *Majority Equity Interests*. Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The provisions of Statement No. 90 are effective for fiscal years beginning after December 15, 2018 with earlier application encouraged. Management has not yet determined the impact of this Statement on its financial statements.

In May 2019, GASB issued Statement No 91, *Conduit Debt Obligations*. Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and

**Otter Student Union at California State University, Monterey Bay**  
**Notes to Financial Statements**  
**June 30, 2019**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The provisions of Statement No. 91 are effective for fiscal years beginning after December 15, 2020 with earlier application encouraged. Management has not yet determined the impact of this Statement on its financial statements.

*Subsequent Events* – Events subsequent to June 30, 2019 have been evaluated through September 11, 2019, which is the date the financial statements were available to be issued. Management did not identify any subsequent events that required disclosure.

**NOTE 2. DEPOSITS**

The OSU maintains cash for operating needs in checking accounts with Federal Deposit Insurance Corporation (FDIC) insured financial institutions.

At June 30, 2019, the OSU had a cash balance of \$210,124 and was fully insured by the FDIC.

**NOTE 3. OPERATING AGREEMENTS**

**CSU**

The OSU entered into a new operating agreement with the Trustees of the CSU on July 1, 2017 with a term end date of June 30, 2027. It describes the terms and conditions under which the OSU may operate as an auxiliary organization within the CSU. No amounts are paid to the Trustees of the CSU under this agreement.

**Corporation**

On July 1, 2017 the OSU entered into an agreement with the Corporation for accounting and financial reporting services. This agreement will renew automatically in 12-month increments unless terminated by choice by either party. The Corporation charges the OSU \$59,669 annually and receives these payments semi-annually. Cost for services may be reviewed and adjusted annually during the budget process.

**Otter Student Union at California State University, Monterey Bay**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

**NOTE 4. RISK MANAGEMENT**

The OSU manages its risk through the purchase of insurance through California State University Risk Management Authority (CSURMA)/Auxiliaries Organization Risk Management Authority (AORMA), a joint powers public entity risk pool, for coverage of liability and general organizational risk. CSURMA/AORMA provides self-insured omission claims under \$25,000.

There have been no settlements in the past year that have exceeded insurance limits. There are no self-insurance claims liabilities recorded in the accompanying financial statements because any amounts at June 30, 2019, are expected to be minimal. Likewise, no amounts have been paid to CSURMA/AORMA by June 30, 2019, related to the OSU's estimated future funding for claims liability.

**NOTE 5. RELATED PARTY TRANSACTIONS**

The OSU is involved in transactions with the Corporation and the University. Amounts at June 30, 2019 and transactions for the year then ended are summarized below:

**University:**

Otter Student Union receivable from the University	\$ 1,539
Otter Student Union payable to the University	51
Payments for other than salaries of University personnel	11,844

**Corporation:**

Otter Student Union payable to the Corporation	\$ 177,303
Expense reimbursements to Corporation	246,627

## **Supplemental Information**

**Otter Student Union**  
**Schedule of Net Position**  
**June 30, 2019**  
**(for inclusion in the California State University)**

Assets:	
Current assets:	
Cash and cash equivalents	\$ 210,170
Short-term investments	-
Accounts receivable, net	1,539
Capital lease receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	-
Prepaid expenses and other current assets	2,382
Total current assets	<u>214,091</u>
Noncurrent assets:	
Restricted cash and cash equivalents	-
Accounts receivable, net	-
Capital lease receivable, net of current portion	-
Notes receivable, net of current portion	-
Student loans receivable, net	-
Pledges receivable, net	-
Endowment investments	-
Other long-term investments	-
Capital assets, net	-
Other assets	-
Total noncurrent assets	<u>-</u>
Total assets	<u>214,091</u>
Deferred outflows of resources:	
Unamortized loss on debt refunding	-
Net pension liability	-
Net OPEB liability	-
Others	-
Total deferred outflows of resources	<u>-</u>
Liabilities:	
Current liabilities:	
Accounts payable	177,906
Accrued salaries and benefits	-
Accrued compensated absences, current portion	-
Unearned revenues	-
Capital lease obligations, current portion	-
Long-term debt obligations, current portion	-
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	-
Total current liabilities	<u>177,906</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	-
Unearned revenues	-
Grants refundable	-
Capital lease obligations, net of current portion	-
Long-term debt obligations, net of current portion	-
Claims liability for losses and loss adjustment expenses, net of current portion	-
Depository accounts	-
Net other postemployment benefits liability	-
Net pension liability	-
Other liabilities	-
Total noncurrent liabilities	<u>-</u>
Total liabilities	<u>177,906</u>
Deferred inflows of resources:	
Service concession arrangements	-
Net pension liability	-
Net OPEB liability	-
Unamortized gain on debt refunding	-
Nonexchange transactions	-
Others	-
Total deferred inflows of resources	<u>-</u>
Net Position:	
Net investment in capital assets	-
Restricted for:	-
Nonexpendable – endowments	-
Expendable:	-
Scholarships and fellowships	-
Research	-
Loans	-
Capital projects	-
Debt service	-
Others	-
Unrestricted	36,185
Total net position	<u>\$ 36,185</u>

*See accompanying independent auditors' report.*

**Otter Student Union**  
**Schedule of Revenues, Expenses, and Changes in Net Position**  
**June 30, 2019**  
**(for inclusion in the California State University)**

Revenues:	
Operating revenues:	
Student tuition and fees, gross	\$ 513,084
Scholarship allowances (enter as negative)	-
Grants and contracts, noncapital:	
Federal	-
State	-
Local	-
Nongovernmental	-
Sales and services of educational activities	-
Sales and services of auxiliary enterprises, gross	6,868
Scholarship allowances (enter as negative)	-
Other operating revenues	356
Total operating revenues	<u>520,308</u>
Expenses:	
Operating expenses:	
Instruction	-
Research	-
Public service	-
Academic support	-
Student services	-
Institutional support	411,297
Operation and maintenance of plant	-
Student grants and scholarships	-
Auxiliary enterprise expenses	72,826
Depreciation and amortization	-
Total operating expenses	<u>484,123</u>
Operating income (loss)	<u>36,185</u>
Nonoperating revenues (expenses):	
State appropriations, noncapital	-
Federal financial aid grants, noncapital	-
State financial aid grants, noncapital	-
Local financial aid grants, noncapital	-
Nongovernmental and other financial aid grants, noncapital	-
Other federal nonoperating grants, noncapital	-
Gifts, noncapital	-
Investment income (loss), net	-
Endowment income (loss), net	-
Interest expense	-
Other nonoperating revenues (expenses) - excl. interagency transfers	-
Other nonoperating revenues (expenses) - interagency transfers	-
Net nonoperating revenues (expenses)	<u>-</u>
Income (loss) before other revenues (expenses)	36,185
State appropriations, capital	-
Grants and gifts, capital	-
Additions (reductions) to permanent endowments	-
Increase (decrease) in net position	36,185
Net position:	
Net position at beginning of year, as previously reported	-
Restatements	-
Net position at beginning of year, as restated	-
Net position at end of year	<u>\$ 36,185</u>

*See accompanying independent auditors' report.*



**Otter Student Union  
Other Information  
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**1 Cash and cash equivalents:**

Portion of restricted cash and cash equivalents related to endowments	-
All other restricted cash and cash equivalents	-
<b>Noncurrent restricted cash and cash equivalents</b>	<u>-</u>
Current cash and cash equivalents	210,170
<b>Total</b>	<u>\$ 210,170</u>

**2.1 Composition of investments:**

	N/A		
	Current	Noncurrent	Total
Money market funds	-	-	-
Repurchase agreements	-	-	-
Certificates of deposit	-	-	-
U.S. agency securities	-	-	-
U.S. treasury securities	-	-	-
Municipal bonds	-	-	-
Corporate bonds	-	-	-
Asset backed securities	-	-	-
Mortgage backed securities	-	-	-
Commercial paper	-	-	-
Mutual funds	-	-	-
Exchange traded funds	-	-	-
Equity securities	-	-	-
Alternative investments:			
Private equity (including limited partnerships)	-	-	-
Hedge funds	-	-	-
Managed futures	-	-	-
Real estate investments (including REITs)	-	-	-
Commodities	-	-	-
Derivatives	-	-	-
Other alternative investment types	-	-	-
Other external investment pools (excluding SWIFT)	-	-	-
Other investments	-	-	-
State of California Local Agency Investment Fund (LAIF)	-	-	-
State of California Surplus Money Investment Fund (SMIF)	-	-	-
<b>Total investments</b>	<u>-</u>	<u>-</u>	<u>-</u>
Less endowment investments (enter as negative number)	-	-	-
<b>Total investments, net of endowments</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>

**2.2 Fair value hierarchy in investments:**

	N/A				
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Money market funds	\$ -	-	-	-	-
Repurchase agreements	-	-	-	-	-
Certificates of deposit	-	-	-	-	-
U.S. agency securities	-	-	-	-	-
U.S. treasury securities	-	-	-	-	-
Municipal bonds	-	-	-	-	-
Corporate bonds	-	-	-	-	-
Asset backed securities	-	-	-	-	-
Mortgage backed securities	-	-	-	-	-
Commercial paper	-	-	-	-	-
Mutual funds	-	-	-	-	-
Exchange traded funds	-	-	-	-	-
Equity securities	-	-	-	-	-
Alternative investments:					
Private equity (including limited partnerships)	-	-	-	-	-
Hedge funds	-	-	-	-	-
Managed futures	-	-	-	-	-
Real estate investments (including REITs)	-	-	-	-	-
Commodities	-	-	-	-	-
Derivatives	-	-	-	-	-
Other alternative investment types	-	-	-	-	-
Other external investment pools (excluding SWIFT)	-	-	-	-	-
Other investments	-	-	-	-	-
State of California Local Agency Investment Fund (LAIF)	-	-	-	-	-
State of California Surplus Money Investment Fund (SMIF)	-	-	-	-	-
<b>Total investments</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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**2.3 Investments held by the University under contractual agreements:**

Investments held by the University under contractual agreements (e.g. CSU Consolidated SWIFT Inv pool):

N/A		
Current	Noncurrent	Total
-	-	\$ -

**3.1 Composition of capital assets:**

N/A									
	Balance June 30, 2018	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2018 (Restated)	Additions	Retirements	Transfer of completed CWIP	Balance June 30, 2019
<b>Non-depreciable/Non-amortizable capital assets:</b>									
Land and land improvements	\$ -	-	-	-	-	-	-	-	-
Works of art and historical treasures	-	-	-	-	-	-	-	-	-
Construction work in progress (CWIP)	-	-	-	-	-	-	-	-	-
Intangible assets:									
Rights and easements	-	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-	-
Intangible assets in progress (PWIP)	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
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6 Long-term debt obligations schedule:

	N/A			N/A			N/A		
	Auxiliary revenue bonds (non-SRB related)			All other long-term debt obligations			Total long-term debt obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
<b>Year ending June 30:</b>									
2020	-	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-
2025 - 2029	-	-	-	-	-	-	-	-	-
2030 - 2034	-	-	-	-	-	-	-	-	-
2035 - 2039	-	-	-	-	-	-	-	-	-
2040 - 2044	-	-	-	-	-	-	-	-	-
2045 - 2049	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-
<b>Total minimum payments</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Less: amounts representing interest									
<b>Present value of future minimum payments</b>									<b>-</b>
Unamortized net premium/(discount)									-
<b>Total long-term debt obligations</b>									<b>-</b>
Less: current portion									-
<b>Long-term debt obligations, net of current portion</b>									<b>\$ -</b>

7 Transactions with related entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs	-
Payments to University for other than salaries of University personnel	11,844
Payments received from University for services, space, and programs	-
Gifts-in-kind to the University from discretely presented component units	-
Gifts (cash or assets) to the University from discretely presented component units	-
Accounts (payable to) University	(51)
Other amounts (payable to) University	-
Accounts receivable from University	1,539
Other amounts receivable from University	-

8 Restatements/Prior period adjustments:

N/A

Provide a detailed breakdown of the journal entries (at the financial statement line items level) booked to record each restatement/PPA:

Transaction #1	Enter transaction description	Debit/(Credit)
		-
		-
		-
		-
		-
Transaction #2	Enter transaction description	-
		-
		-
		-
		-

9 Natural classifications of operating expenses:

	Salaries	Benefits - Other	Benefits - Pension	Benefits - OPEB	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total operating expenses
Instruction	-	-	-	-	-	-	-	-
Research	-	-	-	-	-	-	-	-
Public service	-	-	-	-	-	-	-	-
Academic support	-	-	-	-	-	-	-	-
Student services	-	-	-	-	-	-	-	-
Institutional support	-	-	-	-	-	412,982	-	412,982
Operation and maintenance of plant	-	-	-	-	-	-	-	-
Student grants and scholarships	-	-	-	-	-	-	-	-
Auxiliary enterprise expenses	-	-	-	-	-	71,141	-	71,141
Depreciation and amortization	-	-	-	-	-	-	-	-
<b>Total operating expenses</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>484,123</b>	<b>-</b>	<b>484,123</b>

**Otter Student Union**  
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<b>10</b>	<b>Deferred outflows/inflows of resources</b>	N/A
	<b>1. Deferred Outflows of Resources</b>	
	Deferred outflows - unamortized loss on refunding(s)	-
	Deferred outflows - net pension liability	-
	Deferred outflows - net OPEB liability	-
	Deferred outflows - others:	-
		-
		-
		-
		-
	Total deferred outflows - others	-
	<b>Total deferred outflows of resources</b>	<b>\$ -</b>
	<b>2. Deferred Inflows of Resources</b>	
	Deferred inflows - service concession arrangements	-
	Deferred inflows - net pension liability	-
	Deferred inflows - net OPEB liability	-
	Deferred inflows - unamortized gain on debt refunding(s)	-
	Deferred inflows - nonexchange transactions	-
	Deferred inflows - others:	-
		-
		-
		-
	Total deferred inflows - others	-
	<b>Total deferred inflows of resources</b>	<b>\$ -</b>

**Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

Board of Directors  
Otter Student Union at California State University, Monterey Bay  
Seaside, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of net position and related statement of revenues, expenses and changes in net position and cash flows of Otter Student Union at California State University, Monterey Bay (OSU), a component unit of California State University, Monterey Bay, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the OSU's basic financial statements, and have issued our report thereon dated September 11, 2019.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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



Glenn Burdette Attest Corporation  
San Luis Obispo, California

September 11, 2019