

California State University San Marcos Corporation

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Years Ended June 30, 2026 and 2025



CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Financial Statements and Supplemental Information

Years Ended June 30, 2026 and 2025

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
California State University San Marcos Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of California State University San Marcos Corporation, which comprise the statements of financial position as of June 30, 2026 and 2025, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of California State University San Marcos Corporation as of June 30, 2026 and 2025, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of California State University San Marcos Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

Auditor's Responsibilities for the Audit of the Financial Statements, continued

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information included on pages 27-37 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2026, on our consideration of the California State University San Marcos Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of California State University San Marcos Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering California State University San Marcos Corporation's internal control over financial reporting and compliance.

Aldrich CPAs + Advisors LLP

San Diego, California
September 23, 2026

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION**Statements of Financial Position**

June 30, 2026 and 2025

ASSETS	<u>2026</u>	<u>2025</u>
Current Assets:		
Cash and cash equivalents	\$ 1,642,971	\$ 2,977,685
Accounts receivable	3,478,786	3,798,684
Other receivables	1,137,951	531,315
Due from related parties	2,398,008	2,326,565
Prepaid expenses	64,987	170,150
Current portion of lease receivable - related party	3,495,430	3,502,047
Current portion of investments	<u>14,183,979</u>	<u>11,265,631</u>
Total Current Assets	26,402,112	24,572,077
Noncurrent Assets:		
Property and equipment, net of accumulated depreciation	18,766,404	19,220,622
Right-of-use assets - finance lease, net of accumulated amortization	6,068,720	6,608,162
Right-of-use assets - operating lease, net of accumulated amortization - related party	-	29,482
Lease receivable - related party, less current portion	74,973,905	78,469,335
Investments, less current portion	4,115,881	6,111,979
Other assets	<u>56,300</u>	<u>102,722</u>
Total Noncurrent Assets	<u>103,981,210</u>	<u>110,542,302</u>
Total Assets	<u>\$ 130,383,322</u>	<u>\$ 135,114,379</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 2,697,741	\$ 2,501,657
Due to related parties	1,538,297	999,957
Current portion of unearned income - direct financing lease	2,046,799	2,106,712
Current portion of finance lease liabilities	211,654	154,934
Current portion of operating lease liabilities - related party	-	29,661
Current portion of contract liabilities - deferred revenue	391,856	314,837
Current portion of other deferred revenue	2,523,741	2,529,191
Accrued payroll and benefits	1,382,309	1,147,952
Current portion of accrued postretirement benefit costs	31,159	26,352
Current portion of bond payable	1,498,271	1,481,331
Current portion of notes payable	<u>1,185,000</u>	<u>1,135,000</u>
Total Current Liabilities	13,506,827	12,427,584
Noncurrent Liabilities:		
Unearned income - direct financing lease, net of current portion	24,540,155	26,586,954
Finance lease liabilities, net of current portion	3,816,187	4,027,842
Contract liabilities - deferred revenue, net of current portion	372,308	245,877
Accrued postretirement benefit costs, net of current portion	1,196,281	1,245,050
Bond payable, net of current portion	8,819,160	10,222,274
Notes payable, net of current portion	<u>53,013,918</u>	<u>54,514,326</u>
Total Noncurrent Liabilities	<u>91,758,009</u>	<u>96,842,323</u>
Total Liabilities	105,264,836	109,269,907
Net Assets Without Donor Restrictions	<u>25,118,486</u>	<u>25,844,472</u>
Total Liabilities and Net Assets	<u>\$ 130,383,322</u>	<u>\$ 135,114,379</u>

See accompanying notes to financial statements.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION**Statements of Activities**

Years Ended June 30, 2026 and 2025

	2026	2025
Revenue and Other Support Without Donor Restrictions:		
Federal grants and contracts	\$ 16,159,739	\$ 16,872,450
Housing programs	9,388,039	8,283,373
Other sponsored programs	5,439,582	5,263,455
Other programs	4,100,541	4,277,124
Commissions	1,074,928	797,782
Child care center in-kind rental income	702,634	678,874
Housing ground lease in-kind income	685,596	662,411
Contributions (Note 1)	-	480,000
Child care center ground lease in-kind income	372,802	360,195
Campus dining in-kind rental income	155,321	150,068
Rental income	104,476	124,468
Total Revenue and Other Support Without Donor Restrictions	38,183,658	37,950,200
Expenses:		
Operating Expenses:		
Program Services:		
Sponsored programs	19,989,287	20,330,178
Academic and auxiliary services	809,649	555,629
Housing programs	9,995,205	6,591,055
Dining operations	1,716,479	1,555,760
Other programs	2,208,434	2,205,012
Total Program Services	34,719,054	31,237,634
Supporting Services:		
Management and general	4,573,830	4,023,787
Total Operating Expenses	39,292,884	35,261,421
Non-operating Revenues (Expenses):		
Unearned capital lease income	2,106,712	2,164,478
Interest and dividend income	271,263	450,062
Interest expense	(2,482,949)	(2,576,471)
Net realized and unrealized gain on investments	446,178	554,086
Postretirement benefit	42,036	54,261
Total Non-operating Revenue	383,240	646,416
Increase (Decrease) in Net Assets Without Donor Restrictions	(725,986)	3,335,195
Net Assets Without Donor Restrictions, beginning	25,844,472	22,509,277
Net Assets Without Donor Restrictions, ending	\$ 25,118,486	\$ 25,844,472

See accompanying notes to financial statements.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Statement of Functional Expenses

Year Ended June 30, 2026

	Program Services						Supporting Services	
	Sponsored Programs	Academic and Auxiliary Services	Housing Programs	Dining Operations	Other Programs	Total Programs	Management and General	Total
Benefits	\$ 1,817,192	\$ 22,071	\$ 297,351	\$ 87,228	\$ 321,893	\$ 2,545,735	\$ 296,228	\$ 2,841,963
Business service fees	-	-	-	-	-	-	895,871	895,871
Campus dining in-kind rent	-	-	-	155,321	-	155,321	-	155,321
Child care center ground lease in-kind	-	-	-	-	-	-	372,802	372,802
Child care center in-kind rental	-	-	-	-	-	-	702,634	702,634
Contractual services	368,948	257,886	2,683,671	36,970	17,245	3,364,720	327,561	3,692,281
Contribution to campus mission	445,965	-	58,136	-	-	504,101	-	504,101
Depreciation and amortization	348,306	-	1,026,772	649,186	10,655	2,034,919	371,014	2,405,933
Housing ground lease in-kind	-	-	685,596	-	-	685,596	-	685,596
Hospitality and events	114,363	-	78,136	-	72,619	265,118	9,017	274,135
Information technology/other equipment	488,347	1,800	34,437	7,879	15,343	547,806	11,996	559,802
Insurance	103,751	56,556	184,417	48,002	2,113	394,839	74,481	469,320
Other expenses	522,292	132,179	172,024	24,380	13,070	863,945	267,723	1,131,668
Repairs and maintenance	2,629	146,532	838,056	257,554	51,449	1,296,220	84,230	1,380,450
Salaries and wages	8,005,850	54,199	1,060,240	261,426	1,459,146	10,840,861	1,007,671	11,848,532
Scholarships	2,506,437	-	-	-	13,389	2,519,826	-	2,519,826
Services	342,252	113	360,609	2,907	5,662	711,543	75,727	787,270
Space rental	-	-	1,484,815	-	41,704	1,526,519	-	1,526,519
Stipends	2,901,492	-	-	-	9,441	2,910,933	-	2,910,933
Subrecipient	934,775	-	-	-	-	934,775	-	934,775
Supplies	781,531	22,681	118,917	10,606	128,981	1,062,716	11,899	1,074,615
Travel	278,332	1,496	133,475	-	26,508	439,811	42,353	482,164
Utilities	26,825	114,136	778,553	175,020	19,216	1,113,750	22,623	1,136,373
Total operating expenses	\$ 19,989,287	\$ 809,649	\$ 9,995,205	\$ 1,716,479	\$ 2,208,434	\$ 34,719,054	\$ 4,573,830	\$ 39,292,884

See accompanying notes to financial statements.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Statement of Functional Expenses

Year Ended June 30, 2025

	Program Services						Supporting Services	
	Sponsored Programs	Academic and Auxiliary Services	Housing Programs	Dining Operations	Other Programs	Total Programs	Management and General	Total
Benefits	\$ 2,129,887	\$ 25,557	\$ 210,207	\$ 86,082	\$ 198,798	\$ 2,650,531	\$ 228,647	\$ 2,879,178
Business service fees	-	-	-	-	-	-	467,872	467,872
Campus dining in-kind rent	-	-	-	150,068	-	150,068	-	150,068
Child care center ground lease in-kind	-	-	-	-	-	-	360,195	360,195
Child care center in-kind rental	-	-	-	-	-	-	678,874	678,874
Contractual services	567,190	147,275	711,397	52,124	38,937	1,516,923	205,057	1,721,980
Contribution to campus mission	-	-	-	-	-	-	350,000	350,000
Depreciation and amortization	304,449	-	1,014,092	559,195	6,065	1,883,801	565,171	2,448,972
Housing ground lease in-kind	-	-	662,411	-	-	662,411	-	662,411
Hospitality and events	87,701	-	13,323	-	97,955	198,979	11,546	210,525
Information technology/other equipment	162,361	1,500	6,485	-	25,438	195,784	14,877	210,661
Insurance	98,836	53,325	185,720	52,178	-	390,059	13,046	403,105
Other expenses	913,951	112,654	34,553	11,507	18,058	1,090,723	290,389	1,381,112
Repairs and maintenance	1,261	94,110	806,450	213,199	49,412	1,164,432	5,303	1,169,735
Salaries and wages	7,776,237	54,069	809,237	233,185	1,573,602	10,446,330	696,652	11,142,982
Scholarships	2,473,167	-	-	-	-	2,473,167	-	2,473,167
Services	76,637	-	5,199	2,824	323	84,983	80,269	165,252
Space rental	-	-	931,558	-	-	931,558	-	931,558
Stipends	3,628,202	-	-	-	29,880	3,658,082	-	3,658,082
Subrecipient	1,038,142	-	-	-	-	1,038,142	-	1,038,142
Supplies	629,980	22,217	231,565	4,508	73,094	961,364	8,580	969,944
Travel	410,872	1,467	23,563	-	45,275	481,177	27,633	508,810
Utilities	31,305	43,455	945,295	190,890	48,175	1,259,120	19,676	1,278,796
Total operating expenses	\$ 20,330,178	\$ 555,629	\$ 6,591,055	\$ 1,555,760	\$ 2,205,012	\$ 31,237,634	\$ 4,023,787	\$ 35,261,421

See accompanying notes to financial statements.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Statements of Cash Flows

Years Ended June 30, 2026 and 2025

	2026	2025
Cash Flows from Operating Activities:		
Increase (decrease) in net assets	\$ (725,986)	\$ 3,335,195
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,405,933	2,448,972
Amortization of debt modification	95,157	107,199
Amortization of notes payable premium	(315,408)	(347,121)
Net realized and unrealized gain on investments	(446,178)	(554,086)
Equipment transfer to related party	488,322	39,144
Operating lease	(179)	(179)
Change in accumulated postretirement benefit obligation	(43,962)	(55,600)
Changes in operating assets and liabilities:		
Accounts receivable	319,898	(1,294,656)
Other receivables	(606,636)	1,335,266
Due from related parties	(71,443)	(521,294)
Prepaid expenses	105,163	(80,108)
Lease receivable	3,502,047	3,495,852
Other assets	46,422	-
Accounts payable	196,084	42,478
Due to related parties	538,340	(152,807)
Unearned income - direct financing lease	(2,106,712)	(2,164,478)
Contract liabilities - deferred revenue	203,450	(293,643)
Other deferred revenue	(5,450)	(406,603)
Accrued payroll and benefits	234,357	44,579
Net Cash Provided by Operating Activities	3,813,219	4,978,110
Cash Flows from Investing Activities:		
Purchases of property and equipment	(1,900,594)	(2,143,784)
Proceeds from the sale of investments	7,320,039	8,985,645
Purchases of investments	(7,796,112)	(9,124,082)
Net Cash Used by Investing Activities	(2,376,667)	(2,282,221)
Cash Flows from Financing Activities:		
Payments on bond payable	(1,481,331)	(1,266,209)
Payments on notes payable	(1,135,000)	(1,075,000)
Payments on finance lease obligation	(154,935)	(88,712)
Net Cash Used by Financing Activities	(2,771,266)	(2,429,921)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,334,714)	265,968
Cash and Cash Equivalents, beginning	2,977,685	2,711,717
Cash and Cash Equivalents, ending	\$ 1,642,971	\$ 2,977,685
Supplemental Disclosures of Cash Flow Information:		
Cash payments for interest	\$ 2,487,129	\$ 2,579,881
Supplemental Disclosures of Noncash Investing and Financing Activities:		
Noncash recognition of Finance lease:		
Unearned finance lease income	\$ (2,106,712)	\$ (2,164,478)

See accompanying notes to financial statements.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2026 and 2025

Note 1 - Organization and Summary of Significant Accounting Policies

Nature of Activities

California State University San Marcos Corporation (the Corporation), is a nonprofit California corporation and an auxiliary organization of California State University San Marcos (University or CSUSM), organized and operated in accordance with the California Code of Regulations and the Education Code of the State of California. The Corporation was organized in December 1989 to provide service and opportunity to the University.

Program Services

The Corporation provides program services in the following major areas:

- Sponsored Programs – represents transactions where the Corporation serves as administrator for the University on various research and educational grants and contracts awarded by both governmental and private institutions.
- Academic and Auxiliary Services – represents net transactions for the operations of the Extended Learning Building and Parking Project, in the Corporation's role of providing real property development and management. Also represents projects planning expenses for Wellness and Recreation Center.
- Housing Programs – represents transactions related to the Corporation management of student housing. The Corporation holds a ground and facility lease on the University Village Apartments (UVA), which provides housing and student-life activities for approximately 763 students, and is responsible for management of housing operations for this property along with privately-owned affiliate housing properties The Quad and North Commons, the latter of which earn a management fee for the Corporation. Additionally, the Corporation manages the contractual affiliated relationship between The Quad, North Commons developer Cube 3, LLC, the University, and the Residential Education Team. The Corporation may contract with its housing affiliate to lease apartment units adjacent to campus to supplement housing availability for student residents.
- Dining Operations – represents transactions related to the Corporation management of on campus dining services. The Corporation contracts with an unrelated third-party provider to operate the food service locations, which include retail sales, catering, concessions and a residential meal program with a corresponding dining hall, which was added in the Fall of 2022. Transactions reflected include those which are incurred or paid by the Corporation, outside of the direct dining operational costs of payroll, food and beverage inventories, supplies and maintenance, which are reflected in the books of the third-party provider.
- Other Programs – represents primarily the operational expenses of Campus Program projects and activities.

Related Parties

The Corporation is related to other auxiliaries of the University, including Associated Students, Inc. of California State University San Marcos (ASI), and California State University San Marcos Foundation (Foundation). These auxiliaries and the University, although independent, periodically provide various services to one another.

Basis of Presentation

The financial statements of the Corporation have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require the Corporation to report information regarding its financial position and activities according to the following net asset classifications:

- *Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Corporation. These net assets may be used at the discretion of the Corporation's management and the board of directors.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2026 and 2025

Note 1 - Organization and Summary of Significant Accounting Policies, continued

Basis of Presentation, continued

- *Net assets with donor restrictions* – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Corporation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Corporation did not have any donor restrictions that were temporary or perpetual in nature for the years ended June 30, 2026 and 2025.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Use of Estimates

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

Cash and Cash Equivalents

The Corporation considers all highly liquid investments with original maturity dates of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable arise in the normal course of operations and are recorded at the amount management expects to collect. Management evaluates outstanding receivables at each reporting date considering historical write-off experience, the financial condition of customers and other counterparties, current economic conditions, and other factors affecting collectability to estimate expected credit losses. Accounts receivable are written off when management determines they are uncollectible. Based on this evaluation, no allowance for credit losses was considered necessary as of June 30, 2026 and 2025.

Investments

Investments in mutual funds with readily determinable fair values, based on daily share prices, are reported at fair value with gains and losses included in the statements of activities.

The investments of the Corporation are exposed to interest rate and market risk. Economic conditions can impact these risks and resulting fair values can be either positively or adversely affected. If the level of risk increases in the near term, it is possible that the investment balances and the amounts reported in the financial statements could be materially affected by market fluctuations. Although the fair value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Corporation and its beneficiaries.

Property and Equipment

The Corporation capitalizes all expenditures for property and equipment with a cost of \$5,000 or more. Equipment and improvements are recorded at cost or at estimated fair value at date of gift if donated. Expenditures for maintenance and repairs are charged against operations. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets of 3 to 30 years.

In July 2021, a donor contributed 8.19 acres of vacant land, with an appraised value of \$480,000 to the Foundation. On March 31, 2025, the Foundation, a related party, transferred the land to the Corporation. The transaction is reported in the June 30, 2025 statement of activities under contributions.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2026 and 2025

Note 1 - Organization and Summary of Significant Accounting Policies, continued

Leases

The Corporation adheres to the accounting standard for leases, which provides detailed guidance for financial statement recognition, measurement, and disclosure of leases. The significant policies used by the Corporation to assist in determining the financial statement treatment of leasing arrangements are described in Note 12.

Unearned Income – Direct Financing Lease

Unearned income – direct financing lease represents the deferred rent revenue for payments made from the University to the Corporation for the Extended Learning Building and Parking Project.

Contract Liabilities – Deferred Revenue

Contract liabilities – deferred revenue represents the unamortized portion of property and equipment received from unrelated third parties as part of the agreements for the operation of campus food services, as well as advanced partnership support funds from unrelated third-party beverage services provided.

Other Deferred Revenue

Deferred revenue represents grant revenue received in advance.

Bond Premium

Bond premium is amortized for 19 years using the straight-line method, which approximates the effective interest method over the term of the bonds. The amortization is recorded as a reduction of interest expense.

Revenue Recognition

The Corporation analyzes revenue recognition on a portfolio approach under ASC Topic 606 *Revenue from Contracts with Customers*. The Corporation has determined that, for each distinct revenue stream identified, all contracts can be grouped into one portfolio. Based on past experience, customers within each distinct stream all behave similarly, contracts contain similar terms, and policies are the same across all contracts.

- Federal grants and contracts and other sponsored programs – support received under grants and contracts is recorded as revenue when conditions are met in accordance with agreements. Any funds received in advance are recorded as deferred revenue until these conditions are met.
- Housing programs – revenue received from housing program consists of management and service fees. Management and service fees are recognized as revenue over time as the related fees are earned and are realized or realizable.
- Other programs – revenue received from various programs offered by the Corporation. Revenue is recognized when earned for the services performed.
- Lease and rental income – revenue is recognized on a straight-line basis over the life of the lease agreement.
- Commissions – revenue is recognized as commissions are earned under the various agreements with the customers.

Not Recognized Under ASC Topic 606

- Federal grants and contracts
- Other sponsored programs
- Lease and rental income
- In-kind income

Recognized Under ASC Topic 606

- Housing programs - recognized over time
- Other programs - recognized at point in time
- Commission - recognized at point in time

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2026 and 2025

Note 1 - Organization and Summary of Significant Accounting Policies, continued

Income Taxes

The Corporation is a qualified nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. However, the Corporation remains subject to taxes on any net income which is derived from a trade or business regularly carried on and unrelated to its exempt purpose.

The Corporation follows U.S. GAAP related to the recognition of uncertain tax positions. The Corporation recognizes accrued interest and penalties associated with uncertain tax positions as part of the statements of activities, when applicable. Management has determined that the Corporation has no uncertain tax positions as of June 30, 2026 and 2025; therefore, no amounts have been accrued.

Subsequent Events

The Corporation has evaluated subsequent events through September 23, 2026, which is the date the financial statements were available to be issued.

In July 2026, the Corporation entered into a five-year agreement with a third-party bookstore operator to manage and operate the University's bookstore. The agreement expires on June 30, 2031, and automatically renews for successive one-year terms unless either party provides timely notice of nonrenewal. Under the terms of the agreement, the Corporation is entitled to receive commission revenue at varying contractual rates once specified sales thresholds are achieved, with the applicable commission rate determined based on the category of merchandise sold.

In August 2026, the Corporation entered into a lease agreement for approximately 4,300 square feet of retail space in the Extended Learning Building to operate the campus bookstore. The lease has an initial term of ten years, commencing on the earlier of the bookstore's opening date or February 1, 2027, and includes one five-year renewal option. Annual base rent is \$193,500 in the first year and is subject to annual increases. The Corporation is also responsible for certain operating costs, as defined in the agreement. The lease provides a tenant improvement allowance of up to \$100 per square foot.

Note 2 - Concentration of Credit Risk

The Corporation maintains cash and cash equivalents in bank deposit and investment accounts. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 and investment accounts are insured by the Securities Investor Protection Corporation (SIPC) up to a limit of \$500,000. The Corporation's account balances may, at times, exceed the limits. The Corporation has not experienced any such losses in these accounts.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2026 and 2025

Note 3 - Financial Assets and Liquidity Resources

Board Designations

Net assets without donor restrictions consists of the following for the years ended June 30:

	2026	2025
Undesignated	\$ 13,254,188	\$ 11,056,839
Board designation:		
Reserved for working capital and current operations	5,750,875	7,998,382
Reserved for capital replacement	4,073,423	4,869,251
Reserved for venture capital/opportunity	2,040,000	1,920,000
Total board designation	11,864,298	14,787,633
	\$ 25,118,486	\$ 25,844,472

Liquidity

The following reflects the Corporation's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of board designated or contractual restrictions within one year of the statement of financial position date. Amounts not available include board designated amounts set aside for working and operating capital, capital replacement, and venture capital opportunities. In the event of an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash, the board can approve adjustments to move net assets from board designated net assets to undesignated net assets.

The following represents the Corporation's liquidity at June 30:

	2026	2025
Financial assets available to be used within one year:		
Cash and cash equivalents	\$ 1,642,971	\$ 2,977,685
Accounts receivable	3,478,786	3,798,684
Other receivables	1,137,951	531,315
Due from related parties	2,398,008	2,326,565
Current portion of lease receivable - related party	3,495,430	3,502,047
Investments	14,183,979	11,265,631
Total financial assets	26,337,125	24,401,927
Less amounts not available for general use within one year:		
Board designated - Reserved for capital replacement	(4,073,423)	(4,869,251)
Board designated - Reserved for venture capital/opportunity	(2,040,000)	(1,920,000)
Financial assets available to meet cash needs for general expenditure within one year	\$ 20,223,702	\$ 17,612,676

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2026 and 2025

Note 4 - Fair Value Measurement

The Corporation defines fair value as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market. The Corporation applies fair value measurements to assets and liabilities that are required to be recorded at fair value under generally accepted accounting principles. Fair value measurement techniques maximize the use of observable inputs and minimize the use of unobservable inputs and are categorized in a fair value hierarchy based on the transparency of inputs.

The three levels are defined as follows:

- Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2026.

Mutual funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Certificates of deposit: Reported at cost plus earned interest, which approximates market prices.

Government securities: Reported at cost plus earned interest, which approximates market prices.

Investments and certificates of deposit at fair value according to the fair value hierarchy are as follows as of June 30, 2026:

	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Total
	Level 1	Level 2	Level 3	
Mutual Funds:				
Domestic Nontraditional Bond	\$ 502,202	\$ -	\$ -	\$ 502,202
Domestic Short-Term Bond	11,374,827	-	-	11,374,827
Fixed Income:				
Certificates of Deposits	-	6,422,831	-	6,422,831
	<u>\$ 11,877,029</u>	<u>\$ 6,422,831</u>	<u>\$ -</u>	<u>\$ 18,299,860</u>

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2026 and 2025

Note 4 - Fair Value Measurement, continued

Investments and certificates of deposit at fair value according to the fair value hierarchy are as follows as of June 30, 2025:

	Quoted Prices in Active Markets for	Significant Other Observable Inputs	Significant Unobservable Inputs	
	Level 1	Level 2	Level 3	Total
Mutual Funds:				
Domestic Nontraditional Bond	\$ 2,551,700	\$ -	\$ -	\$ 2,551,700
Domestic Short-Term Bond	7,331,396	-	-	7,331,396
Fixed Income:				
Certificates of Deposits	-	7,494,514	-	7,494,514
	<u>\$ 9,883,096</u>	<u>\$ 7,494,514</u>	<u>\$ -</u>	<u>\$ 17,377,610</u>

Note 5 - Property and Equipment

Property and equipment consist of the following as of June 30:

	2026	2025
Land and land improvements	\$ 3,134,156	\$ 3,134,156
Building and improvements	32,774,698	32,406,846
Furniture and equipment	6,948,527	8,315,785
Leasehold improvements	<u>4,173,920</u>	<u>2,758,930</u>
	47,031,301	46,615,717
Less accumulated depreciation	<u>(28,264,897)</u>	<u>(27,985,282)</u>
	18,766,404	18,630,435
Construction in progress	<u>-</u>	<u>590,187</u>
	<u>\$ 18,766,404</u>	<u>\$ 19,220,622</u>

The total cost of one building, UVA (Note 10), under direct financing lease, as of June 30, 2026 and 2025 was \$28,388,960 and \$28,021,108, respectively. Accumulated depreciation associated with this asset as of June 30, 2026 and 2025 was \$16,111,847 and \$15,267,891, respectively.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2026 and 2025

Note 6 - Contracts With Customers

Accounts receivable from contracts with customers and contract liabilities from contracts with customers were as follows:

	Accounts Receivable, net		Contract Liabilities - Deferred Revenue	
	2026	2025	2026	2025
Beginning of year	\$ 875,750	\$ 652,217	\$ 560,714	\$ 854,357
End of year	\$ 1,397,360	\$ 875,750	\$ 764,164	\$ 560,714

Significant Judgments

The Corporation analyzes revenue recognition on a portfolio approach under ASC Topic 606. Significant judgment is utilized in determining the appropriate portfolios to assess for meeting the criteria to recognize revenue under ASC Topic 606. The Corporation has determined that, for each distinct revenue stream identified, all contracts can be grouped into one portfolio. Based on past experience, customers within each distinct stream all behave similarly, contracts contain similar terms, and policies are the same across all contracts. The Corporation does not expect that revenue earned for the portfolio is significantly different as compared to revenue that would be earned if they were to assess each contract separately.

Note 7 - Commitments and Contingencies

Leases

The Corporation has entered into various operating lease agreements with the University for facilities. Total rent expense was approximately \$30,029 and \$30,133 for each of the years ended June 30, 2026 and 2025, respectively.

Bookstore Operating Agreement

During the years ended June 30, 2026 and 2025, the Corporation operated the University bookstore under an agreement with an unrelated third-party operator. The Corporation recognized commission revenue of \$162,658 and \$158,118 for the years ended June 30, 2026 and 2025, respectively.

The third-party operator also funded certain bookstore equipment, design, and build-out costs. The Corporation recorded the related assets and a corresponding deferred revenue liability, which was recognized into revenue over the term of the agreement. As of June 30, 2026 and 2025, the Corporation had no remaining deferred revenue balance related to this arrangement.

Child Care Center Lease Agreement

The Corporation owns and operates the Center for Children and Families and has a Master Services Agreement (Agreement) with KinderCare Education at Work LLC, a California limited liability company, which expires on December 1, 2030. Under the Agreement, KinderCare Education at Work LLC operates, maintains, and manages the child care center. The Corporation recognizes the donated use of the facility as a contributed nonfinancial asset. Management estimated the value of the donated use of the facility at \$702,634 and \$678,874 for the years ended June 30, 2026 and 2025, respectively. The contributed nonfinancial asset is recognized as child care center in-kind rental income, with a corresponding in-kind rental expense included in supporting services and management and general expenses in the statement of activities. The donated use is measured at the estimated fair rental value of comparable facilities.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2026 and 2025

Note 7 - Commitments and Contingencies, continued

Child Care Center Lease Agreement, continued

Under a separate ground lease agreement, the Corporation does not pay rent for the land on which the child care center operates. Management estimated the value of the donated ground lease at \$372,802 and \$360,195 for the years ended June 30, 2026 and 2025, respectively. As consideration under the agreement, the third party pays the Corporation an annual revenue share based on the child care center's net revenue. Contributed nonfinancial assets related to the donated ground lease are recognized as child care center ground lease in-kind income, with a corresponding ground lease in-kind expense included in supporting services and management and general expenses in the statement of activities. The donated ground lease is measured at the estimated fair rental value of comparable land leases.

CSUSM Lease Agreement

In August 2019, the Corporation entered into a lease (as Lessor) with University (as Lessee) for use of space for Extended Learning and University programs in the building and adjoining parking garage. The lease has a term through March 2048 and calls for semi-annual rent payments corresponding to the Extended Learning debt obligation, as well as quarterly payments for operating expenses and capital fee for the facilities.

Beverage Distribution Rights Contract

The Corporation has granted an unrelated third-party exclusive right to campus beverage sales and distribution. An agreement was entered into for a 10-year period which expires on December 31, 2031. As part of the agreement, the unrelated third-party will have exclusive rights for beverage sale and distribution, including the right to provide all beverages at athletic events, club activities, special events, concessions, and vending locations.

As consideration for the agreement, the unrelated third-party pays the Corporation annual partnership support funds based on minimum levels of product purchased. The Corporation is eligible for additional growth incentive funds if minimum levels are exceeded. Additional consideration includes Ascend scholarship support funds annually in the amount of \$8,000 as well as annual athletic partnership support funds, beginning year 1 in the amount of \$25,000 and in subsequent years thereafter, in the amount of \$5,000. There is a 35 percent commission paid monthly on actual cash collected by third-party from vending machines, as well as the proceeds from credit and debit card transactions processed through the machines. Commission and support fund revenue received under this agreement included \$125,922 and \$119,576 for the years ended June 30, 2026 and 2025, respectively.

Campus Food Service Agreement

The Corporation has an agreement with an unrelated third-party to operate the campus food services, including resident dining, retail sales, catering, and concessions. The term of the current agreement is through June 30, 2032, unless terminated by either party with advance notice, as defined in the agreement. As part of the agreement, the Corporation will continue to own the equipment used to operate the food services and the unrelated third-party shall purchase and own the inventories of food, beverage and supplies used in operations. In the event of a termination by the Corporation, all amounts due to the unrelated third-party shall be payable immediately as defined in the agreement. The Corporation does not expect early termination.

In January 2014, the unrelated third-party purchased approximately \$1.4 million of equipment, design, and construction services for the build-out of retail concepts for the Corporation. During 2022, the unrelated third-party additionally paid approximately \$400,000 for small wares, equipment, and other startup costs for the opening of the resident dining hall, along with updates to existing food venues. During 2025, the unrelated third-party further paid \$600,000 as support for various new dining projects on campus. The Corporation has ownership of the assets and has recorded a corresponding liability to contract liabilities - deferred revenues which is being amortized to revenue through June 30, 2027. The Corporation recognized revenues of \$362,176 and \$242,505 for the years ended June 30, 2026 and 2025, respectively. The Corporation has contract liabilities - deferred revenues of \$713,706 and \$475,882 as of June 30, 2026 and 2025, respectively, related to the noncash transaction.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2026 and 2025

Note 7 - Commitments and Contingencies, continued

Campus Food Service Agreement, continued

The agreement includes profit participation funds to the Corporation after certain obligations are met. Profit participation funds received under this agreement included \$685,971 and \$428,668 for the years ended June 30, 2026 and 2025, respectively.

In October 2019, the Corporation entered into a lease agreement with the developer of the Quad affiliate housing facility (Landlord), to utilize space in the building for the future planned residential dining program. The parties entered into an amendment to the lease in May 2022, which identified Landlord responsibility to construct tenant improvements in the premises, at the expense of the Corporation (Tenant), pursuant to plans, specifications, and a guaranteed maximum price contract of \$4,200,000. The amendment called for Tenant to pay Landlord for the initial \$2,500,000 of tenant improvement costs, with the Landlord advancing payment of remaining costs through completion. Tenant improvements were completed, and the repayment of funds advanced by Landlord, along with rent for space, commenced in Fall 2022. All advanced funds had been repaid to Landlord by August 2023.

Sponsored Programs

The Corporation receives significant financial assistance from numerous federal, state, and local governmental agencies in the form of grants and operating subsidies. Disbursements of funds received under these programs generally require compliance with terms and conditions specified in the agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audit could become a liability to the Corporation. However, in the opinion of management, any such disallowed claims would not have a material adverse impact on the overall financial position of the Corporation as of June 30, 2026.

Workers' Compensation Insurance

During the years ended June 30, 2026 and 2025, the Corporation purchased workers' compensation insurance for \$1,748 and \$30,958, respectively, through an approved self-insurance program in which the Corporation is a member, and which is administered by the California State University Risk Management Authority (CSURMA).

Involvement in alternative insurance programs such as the CSURMA's self-funded workers' compensation program is an attempt to control the increases in insurance costs, but also carries financial commitments to the liabilities of the program.

University Village Apartments

On March 1, 2005, the Corporation entered into a ground and facility lease agreement with the Board of Trustees of the California State University for student housing. The lease commenced on May 1, 2005, and has an initial term through May 1, 2033. If the Board's bonds or other indebtedness related to the student housing improvements remain outstanding at that date, the lease term is automatically extended until such obligations are fully paid, but not beyond May 1, 2038.

For operating the housing program, the Corporation does not pay rent under the ground lease. Management estimated that the value of the lease agreement was \$685,596 and \$662,411, for the years ended June 30, 2026 and 2025, respectively. These amounts are reflected in the statements of activities for the years ended June 30, 2026 and 2025 as housing ground lease in-kind income. The Corporation records this as contributed nonfinancial asset as housing ground lease in-kind income and housing ground lease in-kind expense shown within housing programs on the statement of activities. Contributed nonfinancial assets are valued at the estimated fair market value for similar facilities.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2026 and 2025

Note 7 - Commitments and Contingencies, continued

Housing Management Services Agreement

The Corporation is a party to a housing management services agreement with the developers of the Quad affiliated student housing facility, QUAD Housing, LLC and QUAD SM III, LLC, and the North Commons affiliated student housing facility, Cube 3, LLC. The agreement designate the Corporation as the manager of operations for the student housing facilities through June 30, 2030. Under the agreement, the Corporation receives a monthly management fee equal to 2.5% of the revenues collected for each respective facility.

Affiliation Agreements

The Corporation is party to an affiliation agreement with the University and the developer of the Quad affiliate housing facility, QUAD SM III, LLC and QUAD Housing, LLC. In May 2019, an amendment to the agreement was completed which established an end date of May 2040 and addressed summer use of the Quad facility and related revenue participation, as well as Right of First Offer. In August 2022, the Corporation entered into an additional affiliation agreement with the University and the developer of the North Commons housing facility, Cube 3, LLC. This agreement also has an end date of May 2040.

Legal Proceedings

The Corporation may periodically be a party in litigation cases incidental to its business activities. While any litigation or investigation has an element of uncertainty, management believes that the outcome of any of these matters will not have a materially adverse effect on its financial position, results of operations or liquidity.

Note 8 - Contract Liabilities - Deferred Revenue

Contract liabilities - deferred revenue are as follows as of June 30, 2026:

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Campus food service	\$ 353,377	\$ 360,329	\$ 713,706
Beverage	26,500	-	26,500
Banking services	11,979	11,979	23,958
Total	<u>\$ 391,856</u>	<u>\$ 372,308</u>	<u>\$ 764,164</u>

Contract liabilities - deferred revenue are as follows as of June 30, 2025:

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Campus food service	\$ 242,505	\$ 233,377	\$ 475,882
Housing	34,332	-	34,332
Beverage	25,500	-	25,500
Banking services	12,500	12,500	25,000
Total	<u>\$ 314,837</u>	<u>\$ 245,877</u>	<u>\$ 560,714</u>

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2026 and 2025

Note 9 - Accrued Postretirement Benefits Costs

The Corporation has a postretirement program that provides lifetime medical, dental, and vision coverage to retiring employees age 65 or older with at least 10 years of service and having been enrolled in health benefits as of December 31, 2014, as a regular employee. Medical coverage will be provided through the Auxiliary Organization Association (AOA) pooled medical program. Dependent spouses of eligible retirees will also receive lifetime medical, dental, and vision coverage.

The following tables include the postretirement healthcare benefits that are unfunded and the amounts recognized in the financial statements for the years ended June 30:

	2026	2025
Change in Benefit Obligation:		
Benefit obligation at beginning of year	\$ 684,200	\$ 657,658
Service cost	19,265	18,502
Interest cost	36,382	34,466
Actuarial loss (gain)	66,889	(6,585)
Benefits paid	(21,191)	(19,841)
Benefit obligation at end of year	<u>\$ 785,545</u>	<u>\$ 684,200</u>
	2026	2025
Funded Status:		
Unamortized prior service credit	\$ (5,267)	\$ (14,718)
Unrecognized net actuarial gain	(436,628)	(572,484)
Accrued benefit cost	<u>1,227,440</u>	<u>1,271,402</u>
Benefit obligation at June 30	<u>\$ 785,545</u>	<u>\$ 684,200</u>
Measurement date	6/30/2026	6/30/2025
Funded status at end of year	<u>\$ (785,545)</u>	<u>\$ (684,200)</u>
	2026	2025
Net Periodic Benefit Cost:		
Service cost	\$ 19,265	\$ 18,502
Interest cost	36,382	34,466
Amortization of prior service cost	(9,451)	(9,451)
Amortization of net gain	<u>(68,967)</u>	<u>(79,276)</u>
Net periodic benefit cost	<u>\$ (22,771)</u>	<u>\$ (35,759)</u>

The accrued postretirement benefit liability reported in the statement of financial position reflects the funded status of the Corporation's postretirement healthcare benefits plan. As of June 30, 2026, the liability includes an unamortized prior service credit of \$5,267 and an unrecognized net actuarial gain of \$436,628 (2025: \$14,718 and \$572,484, respectively). These amounts arise from changes in actuarial assumptions and experience, including changes in plan eligibility requirements and estimated future healthcare benefit costs, and are recognized in postretirement benefit expense over future periods.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2026 and 2025

Note 9 - Accrued Postretirement Benefits Costs, continued

The components of net periodic postretirement benefit cost other than the service cost component are included in the line item "Postretirement benefit" in the statements of activities.

The weighted-average assumptions used to determine benefit obligations are as follows for the years ended June 30:

	2026	2025
Discount Rate	5.40%	5.32%
Expected long-term return on plan assets	N/A	N/A
Rate of compensation increase	N/A	N/A
Health care cost trend rate assumed for next year	7.00%	7.50%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.00%	4.00%
Year that the rate reaches the ultimate trend rate	9 yrs	10 yrs

Expected retiree payments as of June 30, 2026 are as follows:

Expected Retiree Payments Over the Next 10 Years	
2026/27	\$ 31,159
2027/28	\$ 37,944
2028/29	\$ 43,762
2029/30	\$ 52,829
2030/31 - 2035/36	\$ 312,297

Note 10 - Long-Term Debt

Housing Program (bond payable)

In March 2002, UCorp issued \$27,990,000 of Series 2002 Student Housing Revenue Bonds. The proceeds were used to finance the construction of the UVA. In March 2005, the Board of Trustees of the California State University (the Board) issued \$25,230,000 of Series 2005A Systemwide Revenue Bonds, whose proceeds were used to pay in full the Series 2002 bonds and to purchase the facility from UCorp. In August 2013, a portion of the outstanding Series 2005A bonds were refunded with proceeds from Series 2013A bond issue. The 2005A bond refund resulted in a modification of the direct financing lease between the University and UCorp resulting in a gain on modification of \$697,885 for the year ended June 30, 2014.

In August 2014, the Board of Trustees of the California State University issued \$8,340,000 of Series 2014A Systemwide Revenue Bonds at a net premium of \$1,365,474. The Series 2014A bond proceeds were used to refund \$9,205,000 of the Series 2005A Systemwide Revenue Bonds. The remaining portion of the Series 2005A bond of \$705,000 was paid upon maturity in November 2014.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2026 and 2025

Note 10 - Long-Term Debt

Housing Program (bond payable), continued

In March 2005, a ground and facility lease was signed between the Board and UCorp for a term of 28 years beginning on May 1, 2005, with an option to extend an additional 10 years. The Ground and Facility Lease agreement was amended in July 2017 due to the UCorp and Corporation merger. The Corporation is responsible for paying a base rent equal to the relating bond obligation and additional rental payments to cover all administrative costs and other expenses in connection with the refinancing or leasing of the facility. The bonds comprise Series 2013A and Series 2014A bonds bearing annual interest of 5.0 percent (paid semiannually). Rental payments are secured by a pledge of all Corporation Housing revenues. The lease obligation due to the Board is treated as a financing arrangement. U.S. GAAP precludes recognition of a real estate sale where there is continuing involvement with the property on the part of the seller.

If the seller-lessee has any continuing involvement other than the leaseback, sale leaseback accounting is prohibited. Additionally, if the seller is required to support operations or continue to operate the property at its own risk for an extended period of time, the transactions should be accounted for as a financing, leasing or profit-sharing arrangement. The financing method is used when the situations are generally significant enough that, in substance, the arrangement is a loan by the buyer-lessor to the seller-lessee.

Since the present value of the future lease payments on May 1, 2005 exceeded 90 percent of the fair value of the leased building, the building and the related liability under the direct financing leases were recorded in 2005 at the present value of the future payments due under the leases.

The balance of the liability under direct financing lease at June 30, 2026, in the amount of \$10,317,430 is net of the remaining \$307,170 of unamortized loss associated with the modification of the direct financing lease in July 2021, and represents the present value of the balance due in future years for lease rentals, discounted at 1.61 percent.

Extended Learning Building and Parking Project (notes payable)

The Extended Learning Building/Student Services Building and Parking Project (Project) was developed through a Public/Private Partnership with North City University One (Developer). The Project includes a 135,000 gross square foot, six-story building, and a 709-space parking garage on 2-acres directly across the street from campus. The Corporation entered into a Purchase and Sale Agreement (PSA) with the Developer (North City University One, Inc.) to manage the design, construction, and final closeout of the Project.

The Corporation owns 120,400 gross square feet which is used for Extended Learning Programs, classrooms, class labs, student support centers, lab and research facilities, select CSUSM departments, CSUSM Corporation Administrative Offices, and CSUSM Corporation Innovation. The Developer owns 14,600 gross square feet which is to be used for retail. A condominium structure was created to divide ownership of the building and land and provides for shared use of the common spaces in the building. The Corporation and Developer commonly own the parking structure under a separate parking declaration. The Developer and CSUSM Corporation developed Covenants, Conditions and Restrictions (CCR&Rs) for the building and parking structure. The Project was completed August 2019.

The Corporation owns and operates the Project and acts as landlord to the University. In August 2019, the Corporation entered into a lease with CSUSM for use of space for Extended Learning and University programs. When the asset was placed in service during the year ended June 30, 2020, it was determined that the lease was a direct financing lease (Note 11). All advanced lease payments were incorporated into the direct financing lease.

In March 2018, the Corporation received a loan from the Trustees of the California State University in the amount of \$14,900,000. Interest rates range from 1.32% to 2.9%. On August 2, 2018, the loan agreement between the Trustees of the California State University and the Corporation was amended to increase the loan amount to \$63,590,905 with a maturity date of November 1, 2048. The amended loan has deescalating principal payments of approximately \$3,000,000 to \$3,500,000.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2026 and 2025

Note 10 - Long-Term Debt, continued

Summary of long-term debt as of June 30, 2026, is as follows:

	Bond Payable	Notes Payable	
		Extended Learning	
June 30,	Housing Program	Building	Total
2027	\$ 1,498,271	\$ 1,185,000	\$ 2,683,271
2028	1,461,616	1,245,000	2,706,616
2029	1,487,198	1,315,000	2,802,198
2030	1,515,468	1,380,000	2,895,468
2031	1,531,619	1,450,000	2,981,619
Thereafter	3,130,429	40,715,000	43,845,429
	10,624,601	47,290,000	57,914,601
Unamortized Premium Balance	-	6,908,918	6,908,918
Remaining Loss on Modification	(307,170)	-	(307,170)
	10,317,431	54,198,918	64,516,349
Less current portion	(1,498,271)	(1,185,000)	(2,683,271)
Noncurrent portion	\$ 8,819,160	\$ 53,013,918	\$ 61,833,078

Note 11 - Direct Financing Lease

In August 2019, Corporation entered into a lease (as Lessor) with University (as Lessee) for use of space for Extended Learning and University programs in the building and adjoining parking garage. The lease payments mirror the principal and interest payments required to pay the Extended Learning Building loan. Lease payments are payable on or before May 1 and November 1 in each year, through November 1, 2048.

Future minimum lease payments to be received and unearned income from direct financing lease as of June 30, 2026, are as follows:

June 30,	Lease Receivable	Unearned Income - Direct Financing Lease	Net Investment in Direct Financing Lease
2027	\$ 3,495,430	\$ (2,046,799)	\$ 1,448,631
2028	3,496,018	(1,984,768)	1,511,250
2029	3,503,388	(1,920,263)	1,583,125
2030	3,502,375	(1,853,223)	1,649,152
2031	3,502,938	(1,783,688)	1,719,250
Thereafter	60,969,186	(16,998,213)	43,970,973
Total	\$ 78,469,335	\$ (26,586,954)	\$ 51,882,381
Current portion	\$ 3,495,430	\$ (2,046,799)	\$ 1,448,631
Noncurrent portion	74,973,905	(24,540,155)	50,433,750
Total	\$ 78,469,335	\$ (26,586,954)	\$ 51,882,381

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2026 and 2025

Note 12 - Leasing Arrangements

The Corporation has operating and finance leases of office space and resident dining hall space under agreements with contractual periods ranging from 1 to 15 years. The office and resident dining hall space are located in the San Marcos, California, United States of America. Certain lease agreements contain scheduled rent escalation clauses and others include rental payments adjusted periodically depending on an index or rate. Some of the leases contain one or more options to extend. The exercise of lease renewal options is generally at the Corporation's sole discretion. Options that are reasonably certain to be exercised, considering all relevant economic and financial factors, are included in the lease term. Certain lease agreements also contain lease incentives, such as tenant improvement allowances. Leases with an initial term of 12 months or less are not recorded on the statement of financial position. Lease expense is recognized for these leases on a straight-line basis over the lease term. The lease agreements do not contain any material residual value guarantees. The Corporation elected the package of practical expedients permitted under the transition guidance within the standard, which among other things, allowed the Corporation to carry forward the historical lease classification.

The Corporation has elected the practical expedient to account for the lease and non-lease components as a single lease component (e.g., maintenance and operating services). Therefore, for those leases, the lease payments used to measure the lease liability include all the fixed consideration in the contract. All variable payments not based on a market rate or an index are expensed as incurred.

The Corporation determines if an arrangement is or contains a lease at contract inception. The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the unpaid lease payments at the lease commencement date. Key estimates and judgments include how the Corporation determines the discount rate, the lease term, and the lease payments.

When the discount rate implicit in a lease is not readily determinable, the Corporation calculates the lease liability using the risk-free rate.

The following summarizes the operating and finance leases as of June 30:

	2026	2025
<u>Operating Leases</u>		
Operating lease right-of-use assets	\$ 110,924	\$ 110,924
Accumulated amortization	<u>(110,924)</u>	<u>(81,442)</u>
Total operating lease right-of-use assets	\$ <u>-</u>	\$ <u>29,482</u>
Current portion of operating lease liabilities	\$ <u>-</u>	\$ <u>29,661</u>
Total operating lease liabilities	\$ <u>-</u>	\$ <u>29,661</u>
<u>Finance Leases</u>		
Property and equipment	\$ 8,091,627	\$ 8,091,627
Accumulated amortization	<u>(2,022,907)</u>	<u>(1,483,465)</u>
Property and equipment, net	\$ <u>6,068,720</u>	\$ <u>6,608,162</u>
Current portion of finance lease liabilities	\$ 211,654	\$ 154,934
Finance lease liabilities, net of current portion	<u>3,816,187</u>	<u>4,027,842</u>
Total finance lease liabilities	\$ <u>4,027,841</u>	\$ <u>4,182,776</u>

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2026 and 2025

Note 12 - Leasing Arrangements, continued

The amounts contractually due on lease liabilities as of June 30, 2026, were as follows:

	Finance
2027	\$ 387,209
2028	408,364
2029	420,350
2030	433,073
2031	446,061
Thereafter	3,108,914
Total lease payments	5,203,971
Less interest	(1,176,130)
Present value of lease liabilities	\$ 4,027,841

The following summarizes the line items in the statements of activities which include the components of lease expense for the years ended June 30:

	2026	2025
Operating lease expense	\$ 30,208	\$ 30,208
Finance Leases:		
Amortization of lease assets, included in operating expense	539,442	539,442
Interest on lease liabilities, included in interest expense	183,614	189,116
	\$ 753,264	\$ 758,766

Supplemental cash flow information related to leases for the years ended June 30:

	2026	2025
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows from finance leases	\$ 183,614	\$ 189,116
Financing cash flows from finance leases	154,935	88,712

Supplemental statement of financial position information related to leases for the years ended June 30:

	2026	2025
Weighted average remaining lease term in years - Operating leases	-	1.00
Weighted average remaining lease term in years - Finance leases	11.26	12.25
Weighted average discount rate - Operating leases	3.69%	3.66%
Weighted average discount rate - Finance leases	4.47%	4.46%

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2026 and 2025

Note 12 - Leasing Arrangements, continued

Related party leases include the following information at June 30:

	2026	2025
Operating lease right-of-use assets	\$ -	\$ 29,482
Operating lease liabilities	\$ -	\$ 29,661
Operating lease expense	\$ 30,029	\$ 30,133
Operating cash flows from operating leases	\$ 30,208	\$ 30,208

Leasehold improvements related to leases with entities under common control are amortized over their useful life.

Note 13 - Related Party Transactions

The Corporation reimburses the University for salaries and other program-related costs for personnel working on contracts, fiscal services, and providing other business and operation services.

The Corporation entered into a payroll processing agreement with ASI.

The University remits bond interest payments for the debt related to the Corporation's direct financing lease of student housing. The Corporation then reimburses the University for the payments.

Related party transactions are as follows at June 30:

Related Parties	Description	Reported in	2026	2025
Expenses to:				
University	Salaries and reimbursed costs	Various expenses	\$ 9,647,659	\$ 9,731,428
University	Bond Interest	Interest expense	257,496	290,081
Foundation	Services, programs and other	Various expenses	27,199	64,040
			<u>\$ 9,932,354</u>	<u>\$ 10,085,549</u>
Revenue from:				
University	Services and programs	Revenue and expenses	\$ 16,555,875	\$ 15,457,235
ASI	Payroll processing, administrative expenses and other expenses	Revenue	1,339,525	1,374,874
Foundation	Payroll processing, administrative expenses and other expenses	Revenue	299,238	44,645
Foundation	Land (Note 1)	Revenue	-	480,000
			<u>\$ 18,194,638</u>	<u>\$ 17,356,754</u>

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Notes to Financial Statements

Years Ended June 30, 2026 and 2025

Note 13 - Related Party Transactions, continued

<u>Related Parties</u>	<u>Description</u>	<u>Reported in</u>	<u>2026</u>	<u>2025</u>
Due from:				
University	Salaries, benefits, and other	Due from related parties	\$ 1,532,063	\$ 1,484,979
University	Lease receivable (Note 11)	Lease receivable	78,469,335	81,971,382
University	Space lease	Operating lease	-	29,482
CSU Chancellor's Office	Other expenses	Due from related parties	455,149	438,420
ASI	Salaries, benefits, and other	Due from related parties	232,937	250,139
Foundation	Other expenses	Due from related parties	177,859	153,027
			<u>\$ 80,867,343</u>	<u>\$ 84,327,429</u>
Due to:				
University	Cost reimbursement	Due to related parties	\$ 1,117,167	\$ 567,889
CSU Chancellor's Office	Other expenses	Due to related parties	389,897	399,119
University	Bond interest (Note 10)	Accrued interest	25,846	29,449
University	Space lease	Lease liabilities	-	29,661
Foundation	Various liabilities	Due to related parties	5,387	3,500
			<u>\$ 1,538,297</u>	<u>\$ 1,029,618</u>

Note 14 - Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include depreciation, which is allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates and time and effort.

Note 15 - Wellness and Recreation Center Project

The Corporation received approval through its Board of Directors and the Board of Trustees of the California State University to enter into project and financing agreements associated with the acquisition of a wellness and recreation center and related interests in real property for the benefit of the University.

The Wellness and Recreation Center project (Project), located across the street from campus, is being developed by 292 Barham, LLC as part of a mixed-use development that includes residential and retail space. The recreation center unit is expected to include approximately 49,544 square feet of interior recreation space, 12,544 square feet of rooftop fitness area, and 11,628 square feet of fenced outdoor landscaped wellness courtyard. The ownership of the Project will be divided through a condominium structure. Management expects the Project to be completed in time for the Fall 2027 semester.

In April 2026, the Corporation entered into a Purchase and Sale Agreement to acquire the recreation center unit for \$58,000,000. Management currently expects the close of escrow to occur in August 2027. The purchase price will be paid at the close of escrow and is expected to be financed either externally or through a seller-financed promissory note. The Corporation will own the Project and act as landlord to the University. Finance of purchase will be repaid through lease payments from university.

SUPPLEMENTAL INFORMATION

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Schedule of Net Position

June 30, 2026

(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 1,642,971
Short-term investments	14,183,979
Accounts receivable, net	7,014,745
Lease receivable, current portion	3,495,430
P3 receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	-
Prepaid expenses and other current assets	64,987
Total current assets	<u>26,402,112</u>
Noncurrent assets:	
Restricted cash and cash equivalents	-
Accounts receivable, net	-
Lease receivable, net of current portion	74,973,905
P3 receivable, net of current portion	-
Notes receivable, net of current portion	-
Student loans receivable, net	-
Pledges receivable, net	-
Endowment investments	-
Other long-term investments	4,115,881
Capital assets, net	24,835,124
Other assets	56,300
Total noncurrent assets	<u>103,981,210</u>
Total assets	<u>130,383,322</u>
Deferred outflows of resources:	
Unamortized loss on debt refunding	307,170
Net pension liability	-
Net OPEB liability	-
Leases	-
P3	-
Others	-
Total deferred outflows of resources	<u>307,170</u>
Liabilities:	
Current liabilities:	
Accounts payable	4,236,038
Accrued salaries and benefits payable	523,238
Accrued compensated absences, current portion	859,071
Unearned revenue, current portion	4,962,396
Lease liabilities, current portion	1,709,925
SBITA liabilities, current portion	-
P3 liabilities, current portion	-
Long-term debt obligations, current portion	1,185,000
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	-
Total current liabilities	<u>13,475,668</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	-
Unearned revenue, net of current portion	24,912,463
Grants refundable	-
Lease liabilities, net of current portion	12,942,517
SBITA liabilities, net of current portion	-
P3 liabilities, net of current portion	-
Long-term debt obligations, net of current portion	53,013,918
Claims liability for losses and loss adjustment expenses, net of current portion	-
Depository accounts	-
Net other postemployment benefits obligations	1,227,440
Net pension liability	-
Other liabilities	-
Total noncurrent liabilities	<u>92,096,338</u>
Total liabilities	<u>105,572,006</u>
Deferred inflows of resources:	
Service concession arrangements	-
Net pension liability	-
Net OPEB liability	-
Unamortized gain on debt refunding(s)	-
Nonexchange transactions	-
Lease	-
P3	-
Others	-
Total deferred inflows of resources	<u>-</u>
Net Position:	
Net investment in capital assets	7,568,793
Restricted for:	
Endowments	-
Expendable:	
Scholarships and fellowships	-
Research	-
Loans	-
Capital projects	-
Debt service	-
Others	-
Unrestricted	<u>17,549,693</u>
Total net position	<u>\$ 25,118,486</u>

See independent auditor's report.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Schedule of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2026

(for inclusion in the California State University)

Revenues:		
Operating revenues:		
Student tuition and fees, gross	\$	-
Scholarship allowances		-
Student Financial Aid Grants:		-
Federal Financial Aid Grants		-
State Financial Aid Grants		-
Local Financial Aid Grants		-
Nongovernmental and Other Financial Aid Grants		-
Grants and contracts, noncapital:		
Federal		16,159,739
State		4,839,006
Local		94,689
Nongovernmental		505,887
Sales and services of educational activities		4,100,541
Sales and services of auxiliary enterprises, gross		12,483,796
Scholarship allowances for sales of auxiliary enterprises		-
Other operating revenues		<u>2,106,712</u>
Total operating revenues		<u>40,290,370</u>
Expenses:		
Operating expenses:		
Instruction		4,486,624
Research		6,370,382
Public service		379,103
Academic support		999,579
Student services		3,557,282
Institutional support		3,485,098
Operation and maintenance of plant		-
Student grants and scholarships		2,519,826
Auxiliary enterprise expenses		15,047,021
Depreciation and amortization		<u>2,405,933</u>
Total operating expenses		39,250,848
NonCapital Subsidies:		
State appropriations		-
Gifts		-
Other Noncapital Subsidies received/(provided)		-
Federal Noncapital Subsidies received/(provided)		-
Total noncapital subsidies provided		<u>-</u>
Operating income (loss) and noncapital subsidies		<u>1,039,522</u>
Nonoperating revenues (expenses):		
Federal Subsidies, capital received/(provided)		-
State appropriations, capital		-
Capital Subsidy received/(provided)		-
Grants and gifts, capital		-
Investment income (loss), net		717,441
Endowment income (loss), net		-
Interest revenue		-
Interest expense		(2,482,949)
Gains or losses on capital assets		-
Additions/reductions to permanent endowments		<u>-</u>
Total nonoperating revenues (expenses)		<u>(1,765,508)</u>
Increase (decrease) in net position		(725,986)
Net position:		
Net position at beginning of year, as previously reported		25,844,472
Restatements		<u>-</u>
Net position at beginning of year, as restated		<u>25,844,472</u>
Net position at end of year	\$	<u><u>25,118,486</u></u>

See independent auditor's report.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Other Information

June 30, 2026

(for inclusion in the California State University)

1 Cash and cash equivalents:

Portion of restricted cash and cash equivalents related to endowments	\$	-
All other restricted cash and cash equivalents		-
Noncurrent restricted cash and cash equivalents		-
Current cash and cash equivalents		1,642,971
Total	\$	1,642,971

2.1 Composition of investments:

Investment Type	Current	Noncurrent	Total
Money market funds	\$ -	\$ -	\$ -
Repurchase agreements	-	-	-
Certificates of deposit	2,306,950	4,115,881	6,422,831
U.S. agency securities	-	-	-
U.S. treasury securities	-	-	-
Municipal bonds	-	-	-
Corporate bonds	-	-	-
Asset backed securities	-	-	-
Mortgage backed securities	-	-	-
Commercial paper	-	-	-
Mutual funds	11,877,029	-	11,877,029
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)	-	-	-
CSU Consolidated Investment Pool (formerly SWIFT)	-	-	-
State of California Local Agency Investment Fund (LAIF)	-	-	-
State of California Surplus Money Investment Fund (SMIF)	-	-	-
Total investments	14,183,979	4,115,881	18,299,860
Less endowment investments	-	-	-
Total investments, net of endowments	\$ 14,183,979	\$ 4,115,881	\$ 18,299,860

See independent auditor's report.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Other Information, continued

June 30, 2026

(for inclusion in the California State University)

2.2 Fair value hierarchy in investments:

Investment Type	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	6,422,831	-	6,422,831	-	-
U.S. agency securities	-	-	-	-	-
U.S. treasury securities	-	-	-	-	-
Municipal bonds	-	-	-	-	-
Corporate bonds	-	-	-	-	-
Asset backed securities	-	-	-	-	-
Mortgage backed securities	-	-	-	-	-
Commercial paper	-	-	-	-	-
Mutual funds	11,877,029	11,877,029	-	-	-
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)	-	-	-	-	-
CSU Consolidated Investment Pool (formerly SWIFT)	-	-	-	-	-
State of California Surplus Money Investment Fund (SMIF)	-	-	-	-	-
State of California Local Agency Investment Fund (LAIF)	-	-	-	-	-
Other Investments	-	-	-	-	-
Total investments	\$ 18,299,860	\$ 11,877,029	\$ 6,422,831	\$ -	-

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

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Other Information, continued

June 30, 2026

(for inclusion in the California State University)

3.1 Capital Assets, excluding ROU assets:

Composition of capital assets, excluding ROU assets:

	Balance June 30, 2025	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2025 (Restated)	Additions	Retirements	Transfer of completed CWIP	Balance June 30, 2026
Non-depreciable/Non-amortizable capital assets:									
Land and land improvements	\$ 480,000	\$ -	\$ -	\$ -	\$ 480,000	\$ -	\$ -	\$ -	\$ 480,000
Works of art and historical treasures	-	-	-	-	-	-	-	-	-
Construction work in progress (CWIP)	590,187	-	-	-	590,187	745,976	-	(1,336,163)	-
Intangible assets:									
Rights and easements	-	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-	-
Intangible assets in progress (PWIP)	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-	-
Total non-depreciable/non-amortizable capital assets	1,070,187	-	-	-	1,070,187	745,976	-	(1,336,163)	480,000
Depreciable/Amortizable capital assets:									
Buildings and building improvements	32,406,846	-	-	-	32,406,846	100,575	-	267,277	32,774,698
Improvements, other than buildings	2,654,156	-	-	-	2,654,156	-	-	-	2,654,156
Infrastructure	-	-	-	-	-	-	-	-	-
Leasehold improvements	2,758,930	-	-	-	2,758,930	388,457	(42,353)	1,068,886	4,173,920
Personal property:									
Equipment	8,315,785	-	-	-	8,315,785	665,586	(2,032,844)	-	6,948,527
Library books and materials	-	-	-	-	-	-	-	-	-
Intangible assets:									
Software and websites	-	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-	-
Total depreciable/amortizable capital assets	46,135,717	-	-	-	46,135,717	1,154,618	(2,075,197)	1,336,163	46,551,301
Total capital assets	47,205,904	-	-	-	47,205,904	1,900,594	(2,075,197)	-	47,031,301
Less accumulated depreciation/amortization:									
Buildings and building improvements	(17,378,818)	-	-	-	(17,378,818)	(990,148)	-	-	(18,368,966)
Improvements, other than buildings	(2,448,286)	-	-	-	(2,448,286)	(33,112)	-	-	(2,481,398)
Infrastructure	-	-	-	-	-	-	-	-	-
Leasehold improvements	(2,000,979)	-	-	-	(2,000,979)	(255,376)	-	-	(2,256,355)
Personal property:									
Equipment	(6,157,199)	-	-	-	(6,157,199)	(587,855)	1,586,876	-	(5,158,178)
Library books and materials	-	-	-	-	-	-	-	-	-
Intangible assets:									
Software and websites	-	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-	-
Total accumulated depreciation/amortization	(27,985,282)	-	-	-	(27,985,282)	(1,866,491)	1,586,876	-	(28,264,897)
Total capital assets, net excluding ROU assets	\$ 19,220,622	\$ -	\$ -	\$ -	\$ 19,220,622	\$ 34,103	\$ (488,321)	\$ -	\$ 18,766,404

Does the component unit have any capital assets held for sale?

No

See independent auditor's report.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Other Information, continued

June 30, 2026

(for inclusion in the California State University)

Capital Assets, Right of Use

Composition of capital assets - Lease ROU, net

	Balance June 30, 2025	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2025 (Restated)	Additions	Retirements	Transfer of completed CWIP	Balance June 30, 2026
Non-depreciable/Non-amortizable capital assets:									
Land and land improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total non-depreciable/non-amortizable lease assets	-	-	-	-	-	-	-	-	-
Depreciable/Amortizable lease assets:									
Land and land improvements	-	-	-	-	-	-	-	-	-
Buildings and building improvements	8,202,551	-	-	-	8,202,551	-	-	-	8,202,551
Improvements, other than buildings	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-
Personal property:									
Equipment	-	-	-	-	-	-	-	-	-
Total depreciable/amortizable lease assets	8,202,551	-	-	-	8,202,551	-	-	-	8,202,551
Less accumulated depreciation/amortization:									
Land and land improvements	-	-	-	-	-	-	-	-	-
Buildings and building improvements	(1,564,907)	-	-	-	(1,564,907)	(568,924)	-	-	(2,133,831)
Improvements, other than buildings	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-	-
Personal property:									
Equipment	-	-	-	-	-	-	-	-	-
Total accumulated depreciation/amortization	(1,564,907)	-	-	-	(1,564,907)	(568,924)	-	-	(2,133,831)
Total capital assets, Lease ROU, net	\$ 6,637,644	\$ -	\$ -	\$ -	\$ 6,637,644	\$ (568,924)	\$ -	\$ -	\$ 6,068,720
Total capital assets, net including ROU assets									\$ 24,835,124

3.2 Detail of depreciation and amortization expense:

Depreciation and amortization expense related to capital assets	\$ 1,866,491
Amortization expense - Leases ROU	568,924
Amortization expense - SBITA ROU	-
Amortization expense - P3 ROU	-
Depreciation and Amortization expense - Others	(29,482)
Total depreciation and amortization	\$ 2,405,933

See independent auditor's report.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Other Information, continued

June 30, 2026

(for inclusion in the California State University)

4 Long-term liabilities:

	Balance June 30, 2025	Prior Period Adjustments/ Reclassifications	Balance June 30, 2025 (Restated)	Additions	Reductions	Balance June 30, 2026	Current Portion	Noncurrent Portion
1. Accrued compensated absences	\$ 726,959	\$ -	\$ 726,959	\$ 132,112	\$ -	\$ 859,071	\$ 859,071	\$ -
2. Claims liability for losses and loss adjustment expenses	-	-	-	-	-	-	-	-
3. Capital lease obligations (pre-ASC 842):								
Gross balance	-	-	-	-	-	-	-	-
Unamortized net premium/(discount)	-	-	-	-	-	-	-	-
Total capital lease obligations (pre-ASC 842)	-	-	-	-	-	-	-	-
4. Long-term debt obligations:								
4.1 Auxiliary revenue bonds (non-SRB related)	-	-	-	-	-	-	-	-
4.2 Commercial paper	-	-	-	-	-	-	-	-
4.3 Notes payable (SRB related)	48,425,000	-	48,425,000	-	(1,135,000)	47,290,000	1,185,000	46,105,000
4.4 Finance purchase of capital assets	-	-	-	-	-	-	-	-
4.5 Others:								
Note Payable	-	-	-	-	-	-	-	-
Total others	-	-	-	-	-	-	-	-
Sub-total long-term debt	48,425,000	-	48,425,000	-	(1,135,000)	47,290,000	1,185,000	46,105,000
4.6 Unamortized net bond premium/(discount)	7,224,326	-	7,224,326	-	(315,408)	6,908,918	-	6,908,918
Total long-term debt obligations	55,649,326	-	55,649,326	-	(1,450,408)	54,198,918	1,185,000	53,013,918
5. Lease, SBITA, P3 liabilities:								
Lease liabilities	16,318,369	-	-	-	(1,665,927)	14,652,442	1,709,925	12,942,517
SBITA liabilities	-	-	-	-	-	-	-	-
P3 liabilities - SCA	-	-	-	-	-	-	-	-
P3 liabilities - non-SCA	-	-	-	-	-	-	-	-
Sub-total P3 liabilities	-	-	-	-	-	-	-	-
Total Lease, SBITA, P3 liabilities	16,318,369	-	-	-	(1,665,927)	14,652,442	1,709,925	12,942,517
Total long-term liabilities						\$ 69,710,431	\$ 3,753,996	\$ 65,956,435

See independent auditor's report.

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Other Information, continued

June 30, 2026

(for inclusion in the California State University)

5 Future minimum payments schedule - leases, SBITA, P3:

	Lease Liabilities			SBITA Liabilities			Public-Private or Public-Public			Total Leases, SBITA, P3 Liabilities		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
Year ending June 30:												
2027	\$ 1,709,925	\$ 319,770	\$ 2,029,695	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,709,925	\$ 319,770	\$ 2,029,695
2028	1,704,657	287,945	1,992,602	-	-	-	-	-	-	1,704,657	287,945	1,992,602
2029	1,753,536	255,111	2,008,647	-	-	-	-	-	-	1,753,536	255,111	2,008,647
2030	1,806,913	220,803	2,027,716	-	-	-	-	-	-	1,806,913	220,803	2,027,716
2031	1,849,588	185,013	2,034,601	-	-	-	-	-	-	1,849,588	185,013	2,034,601
2032 - 2036	5,179,938	437,854	5,617,792	-	-	-	-	-	-	5,179,938	437,854	5,617,792
2037 - 2041	647,885	19,518	667,403	-	-	-	-	-	-	647,885	19,518	667,403
2042 - 2046	-	-	-	-	-	-	-	-	-	-	-	-
2047 - 2051	-	-	-	-	-	-	-	-	-	-	-	-
2052 - 2056	-	-	-	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-	-	-	-
Total minimum payments	\$ 14,652,442	\$ 1,726,014	\$ 16,378,456	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,652,442	\$ 1,726,014	\$ 16,378,456
Less: amounts representing interest												(1,726,014)
Present value of future minimum lease payments												14,652,442
Total leases, SBITA, P3 liabilities												14,652,442
Less: current portion												(1,709,925)
Leases, SBITA, P3 liabilities, net of current portion												\$ 12,942,517

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Other Information, continued

June 30, 2026

(for inclusion in the California State University)

6 Future minimum payments schedule - Long-term debt obligations:

	Auxiliary revenue bonds (non-SRB related)			All other long-term debt obligations			Total long-term debt obligations		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
Year ending June 30:									
2027	- \$	- \$	- \$	1,185,000	2,310,430	3,495,430	1,185,000	2,310,430	3,495,430
2028	-	-	-	1,245,000	2,251,018	3,496,018	1,245,000	2,251,018	3,496,018
2029	-	-	-	1,315,000	2,188,388	3,503,388	1,315,000	2,188,388	3,503,388
2030	-	-	-	1,380,000	2,122,375	3,502,375	1,380,000	2,122,375	3,502,375
2031	-	-	-	1,450,000	2,052,938	3,502,938	1,450,000	2,052,938	3,502,938
2032 - 2036	-	-	-	8,410,000	9,093,194	17,503,194	8,410,000	9,093,194	17,503,194
2037 - 2041	-	-	-	10,760,000	6,740,878	17,500,878	10,760,000	6,740,878	17,500,878
2042 - 2046	-	-	-	12,930,000	3,761,074	16,691,074	12,930,000	3,761,074	16,691,074
2047 - 2051	-	-	-	8,615,000	659,040	9,274,040	8,615,000	659,040	9,274,040
2052 - 2056	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-
Total minimum payments	\$ -	\$ -	\$ -	\$ 47,290,000	\$ 31,179,335	\$ 78,469,335	\$ 47,290,000	\$ 31,179,335	\$ 78,469,335
Less: amounts representing interest									(31,179,335)
Present value of future minimum payments									47,290,000
Unamortized net premium/(discount)									6,908,918
Total long-term debt obligations									54,198,918
Less: current portion									(1,185,000)
Long-term debt obligations, net of current portion									\$ 53,013,918

7 Transactions with related entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 3,467,970
Payments to University for other than salaries of University personnel	1,949,401
Payments received from University for services, space, and programs	16,555,875
Gifts-in-kind to the University from discretely presented component units	-
Gifts (cash or assets) to the University from discretely presented component units	4,230,288
Accounts payable to University	(1,117,167)
Other amounts payable to University	(25,846)
Accounts receivable from University	1,532,063
Other amounts receivable from University	78,469,335

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Other Information, continued

June 30, 2026

(for inclusion in the California State University)

8 Restatements: Not Applicable

9 Natural classifications of operating expenses:

	Salaries	Benefits - Other	Benefits - Pension	Benefits - OPEB	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total operating expenses
Instruction	\$ 1,797,805	\$ 316,116	\$ -	\$ -	\$ -	\$ 2,372,703	\$ -	\$ 4,486,624
Research	2,738,957	394,730	-	(40,866)	-	3,277,561	-	6,370,382
Public service	159,849	14,299	-	-	-	204,955	-	379,103
Academic support	287,302	61,662	-	-	-	650,615	-	999,579
Student services	1,838,063	517,727	-	-	-	1,201,492	-	3,557,282
Institutional support	455,522	107,945	-	-	-	2,921,631	-	3,485,098
Operation and maintenance of plant	-	-	-	-	-	-	-	-
Student grants and scholarships	-	-	-	-	2,519,826	-	-	2,519,826
Auxiliary enterprise expenses	2,039,522	624,998	-	(1,170)	-	12,383,671	-	15,047,021
Depreciation and amortization	-	-	-	-	-	-	2,405,933	2,405,933
Total operating expenses	\$ 9,317,020	\$ 2,037,477	\$ -	\$ (42,036)	\$ 2,519,826	\$ 23,012,628	\$ 2,405,933	\$ 39,250,848

CALIFORNIA STATE UNIVERSITY SAN MARCOS CORPORATION

Other Information, continued

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10 Deferred outflows/inflows of resources:

1. Deferred Outflows of Resources

Deferred outflows - unamortized loss on refunding(s)	\$	307,170
Deferred outflows - net pension liability		-
Deferred outflows - net OPEB liability		-
Deferred outflows - leases		-
Deferred outflows - P3		-
Deferred outflows - others:		
Sales/intra-entity transfers of future revenues		-
Gain/loss on sale leaseback		-
Loan origination fees and costs		-
Change in fair value of hedging derivative instrument		-
Irrevocable split-interest agreements		-
Total deferred outflows - others		-
Total deferred outflows of resources	\$	307,170

2. Deferred Inflows of Resources

Deferred inflows - P3 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 - leases		-
Deferred inflows - P3		-
Deferred inflows - others:		
Sales/intra-entity transfers of future revenues		-
Gain/loss on sale leaseback		-
Loan origination fees and costs		-
Change in fair value of hedging derivative instrument		-
Irrevocable split-interest agreements		-
Total deferred inflows - others		-
Total deferred inflows of resources	\$	-

11 Other nonoperating revenues (expenses): Not Applicable

**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***

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
California State University San Marcos Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of California State University San Marcos Corporation, which comprise the statement of financial position as of June 30, 2026, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 23, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered California State University San Marcos Corporation's internal control over financial reporting (internal control) as a basis for designing 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 California State University San Marcos Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the California State University San Marcos Corporation's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether California State University San Marcos Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our 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*.

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, CONTINUED

INDEPENDENT AUDITOR'S REPORT, CONTINUED

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Aldrich CPAs + Advisors LLP

San Diego, California
September 23, 2026