SAMUEL MERRITT UNIVERSITY ANNUAL REPORT

INFORMATION CONCERNING THE UNIVERSITY

Any statements made in this report involving matters of opinion or of estimates or forward-looking statements, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

GENERAL INFORMATION

Introduction

Samuel Merritt University ("SMU" or the "University") is a private, non-sectarian, non-profit, co-educational institution located in the cities of Oakland, San Mateo, Sacramento, and Fresno, California, with its headquarters in Oakland. The origins of the University were first established in 1909 as a nursing school affiliated with the Samuel Merritt Hospital, which was built in Oakland in honor of Dr. Samuel Merritt, a well-known physician and later Mayor of Oakland. In 1984, the Samuel Merritt Hospital Nursing School became a regionally accredited college of nursing known as Samuel Merritt College (the "College"), which became a separately incorporated not-for-profit entity with Samuel Merritt Hospital as its sole member. Through a series of combinations, the College became affiliated with Sutter Health Corporation ("Sutter Health") in 1999. In 2009, the College transitioned to university status by expanding its academic programs at all levels of nursing to include master's degree programs in occupational therapy, physician's assistant, and doctoral degree programs in physical therapy, occupational therapy, and podiatric medicine. Since January 2022, the University has been a private, non-profit, independent university, officially disaffiliated from Sutter Health.

Board of Regents

The management, direction, and governance of the University are vested in the Board of Regents (the "Board"). The Board currently consists of 17 people. Pursuant to the by-laws of the University, the President of the University is an ex officio member of the Board with full voting rights. The standard term of all Regents appointed by the Board ("Appointed Regents") is three years, or until his or her successor has been appointed and approved, and the terms are staggered. With limited exceptions, an Appointed Regent may not serve for another term if he or she has served for more than nine consecutive years. Appointed Regents are expected to have the relevant expertise that qualifies them to serve on the Board and are chosen for their willingness and ability to contribute effectively to, and support the objectives of, the University. Membership on the Board is intended to reflect the breadth of diversity of the communities the University serves in keeping with the broad role of the University. The Board of Regents meets on a periodic basis to review the mix of current Board skills and establish the Board skills necessary for future Appointed Regents.

The current Appointed Regents are:

Neptaly Aguilera, BA, serves on the UC Davis Health Medical School Community Advisory Committee, the board of directors for the UC Davis Cal Aggie Alumni Association, and is co-chair of the University of California Statewide Chicanx Latinx Alumni Association. He currently serves on the executive board of directors for the Coalition of Civil Rights Organizations in state government, has also served on the Sacramento County Grand Jury, and is a member of the California Grand Jurors' Association.

Brad Barber, JD, is a retired attorney and assistant vice president emeritus for Institutional Advancement at the University of California (UC) Office of the President. Mr. Barber has extensive experience in managing nonprofits and planning and implementing fundraising campaigns. Mr. Barber previously served as senior vice president and chief development officer at Children's Hospital & Research Center in Oakland (now part of UCSF Benioff Children's Hospital).

Melanie Bell-Mayeda, MBA,* is Director of Strategy and Operations at Google, where she is focused on the identification and development of future user experience and opportunities for delivery by the company. Prior to her time at Google, she was a partner and managing director in IDEO's San Francisco office, helping lead the Design for Change studio. (IDEO is a global design and innovation company.) Her passion lies in helping organizations reinvent themselves to connect with customers in new and meaningful ways. Recently, she led an initiative called "The Powerful Now," a global project that explored ways to bring creativity and design thinking to the topic of aging.

Caroline Cabias, BA, retired from the State of California with her last appointment as the State Board of Equalization chief financial officer, where she managed the Board of Equalization's $500 million operating budget. Ms. Cabias previously managed the Board of Equalization's information technology strategic planning, human resources, and customer services programs.

Elizabeth Chaney, BA, is account executive and regional director for JLL, a global commercial real estate investment and services firm. Her 30 years of experience include overseeing Kaiser Permanente's real estate portfolio transactions and Stanford University Medical Center's growth. She assists institutional and private sector owners in advancing complicated development programs with multiple stakeholders. She also has handled significant programs for the federal government, the State of California, Fortune 100 corporations, and leading academic and healthcare institutions. A recognized leader in health care development, she also participates in teaching at institutions such as Yale University and Stanford University.

Kevin Hart, BS, is a seasoned health care executive, change strategist, and collaborative leader. In 17 years of progressive leadership with industry pioneer Kaiser Permanente, Kevin is at the forefront of industry transformation – bringing teams together to solve complex problems at scale. Kevin has an exceptional history of designing and implementing innovative strategies for organizational growth. He is also adept at building great teams, creating an open and honoring work culture, and empowering individuals to find joy at work and meaning in their collective mission.

Anna Kiger, DNP,* became an SMU Regent in 2016 after joining Sutter Health as its chief nurse officer. With more than 30 years of clinical and healthcare executive leadership experience, Dr. Kiger leads Sutter Health's efforts to advance the safe, high-value, and high-quality care provided by nurses, professionals, and technical staff for the network's three million patients. She serves on the editorial boards for the *Journal of Nursing Administration* and the *Journal of Healthcare Risk Management*.

Amber Luther, BA, specializes in higher education planning in the San Francisco office of Populous, an international architecture and design firm. Her background includes planning for high-end residential, education, workplace, health care, and mixed-use collegiate and professional sports projects in the U.S., the Middle East, and Canada. As one of Populous' thought leaders within the national design community, she speaks at conferences, conducts research on new technologies that support innovative design processes, and publishes papers on innovation in design. Since 2017, she has led Populous' Campus 2050 initiative studying campus design trends and themes with a consortium of universities, including Caltech, Carnegie Mellon, NYU, DePaul, Northwestern, Purdue, and Stonybrook.

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* Member of the Executive Committee of the Board

Alvin McLean, PhD,†* is dean of the John F. Kennedy School of Psychology and Social Sciences at National University. He is also co-owner of a medical specialty home health agency that manages chronic medical conditions in patients' homes. Mr. McLean joined the University of Washington's Department of Rehabilitation Medicine faculty after completing a post-doctoral fellowship in neuropsychology. His research, publications, and presentations focused on the neuropsychological and psychosocial sequelae of traumatic brain injury, neuropharmacology, and care management strategies to improve daily functioning after brain and spinal cord injuries.

Dennis O'Connell, BA, spent more than 30 years in the construction, manufacturing, retail, and investment businesses, including 10 years with Bechtel Corporation. He has extensive experience as a board member, including with Marin General Hospital Foundation, Marin Community Health, Marin Physician Hospital Organization, and Babcock Foundation. He has chaired the boards of Marin General Hospital and Sutter Health and has been a member of the Sutter West Bay Hospitals and Sutter West Bay Medical Foundation boards. He currently serves on the Sutter Bay board and the board of Bailard, a wealth management and institutional investment firm in Foster City, California.

Shefali Parikh, BA, is a Vice President and Chief Operating Officer. She oversees all aspects of manufacturing, quality control, customer service, billing, and shipping. She began this role in 2004 and has driven growth in sales and profitability. She has a BA in psychology and minor in women's studies from UC Riverside and MOT from Samuel Merritt University.

Eric Roberts, MBA, is a retired CPA and Certified Fraud Examiner. At the time of his retirement, Mr. Roberts had spent over 20 years at the international law firm of Morrison & Foerster where he led the Forensic Accounting Services Group that specialized in cases involving securities laws and investigations. Mr. Roberts spent 29 years, including 19 as a partner, at the accounting and consulting firm of Deloitte. Among other assignments, he headed the Northern California Litigation Support and Reorganization Group where he consulted and testified as an expert witness in Federal and State courts and in arbitrations on issues involving accounting matters and economic damages. Mr. Roberts received his BS and MBA from the University of California, Berkeley.

Saul Rosenbaum, BA, served as a managing director and member of the executive committee of San Francisco-based Prager & Co., LLC, a boutique investment, banking, and financial advisory firm, prior to retiring in 2021. He has 35 years of experience providing strategic financial advisory and investment banking services to governmental and nonprofit entities, with an emphasis in higher education finance. Until his retirement, he was a general securities principal and municipal advisor principal with the Financial Industry Regulatory Authority.

Katherine ("Kate") Schapiro, CFA, has over 40 years of experience as an investment professional. She established her own investment consulting practice in 2019 and currently provides investment advice, research and consulting services to a private family wealth management firm in San Francisco. Over the course of her career, Ms. Schapiro managed mutual funds, co-mingled and employee benefit trust funds, institutional accounts and private client portfolios for prominent companies including Wells Fargo, Strong Capital Management and Sentinel Investments. In the 2015-16 fiscal year, she was Interim Executive Director for the CFA Society San Francisco, one of the world's largest CFA societies serving over 3300 members throughout the greater San Francisco Bay Area. Ms. Schapiro earned a Bachelor of Arts degree in Spanish from Stanford University. She is a CFA Charterholder and remains an

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* Member of the Executive Committee of the Board
† Vice Chair of the Board

active member and volunteer in the local CFA San Francisco society and with CFA Institute. Ms. Schapiro served as a non-Regent member of the Investment Committee for Samuel Merritt University's Board of Regents from early 2020 to June 2023. Previously, Ms. Schapiro was a trustee of Mills College in Oakland, CA from 2010 to 2019. She served on the Board of Directors of CFA Society San Francisco from 1992 to 2000 including a year as President. Ms. Schapiro appeared as a guest on Wall Street Week with Louis Rukeyser, Bloomberg TV, CNBC and Fox Business News. She has been profiled in Barron's and The New York Times. Ms. Schapiro is an avid skier, hiker and bicyclist, having cycled on six continents.

Conrad M. Vial, MD, is a Senior Vice President, Chief Clinical Officer. As Sutter Health's Chief Clinical Officer, Dr. Vial accountabilities include development of clinical strategy, research and graduate medical education, Quality – inclusive of clinical outcomes, experience, efficiency and safety, clinical operations integration, mental health and addiction services, laboratory services, pharmacy, digital health, and design & innovation. Dr. Vial is a practicing cardiothoracic surgeon who has held various leadership roles in multi-specialty medical group practice and integrated healthcare delivery. From the clinical practice perspective, Dr. Vial is particularly interested in structural heart disease, focusing on minimally invasive cardiothoracic surgery and catheter-based valve repair and replacement. Dr. Vial received his bachelor's degree and medical doctorate from Stanford University. He earned a Master of Philosophy at Cambridge University in England, while also completing a postdoctoral fellowship in transplant immunology. He conducted his general surgical and cardiothoracic surgical training at Stanford University Medical Center. He has been board certified in both general surgery and cardiothoracic surgery.

Ching-Hua Wang, MD, PhD,[*] (ex-officio) began her tenure as president of the University on November 26, 2018. Her biographical information is presented under Management, below.

Lisa Zuffi, BA,[*] is a senior vice president and group director at Signature Bank's San Franciso office. She has worked in commercial banking for over 25 years. In addition to her extensive banking experience, Ms. Zuffi has a background in business and community development, and she served as a Peace Corps volunteer in West Africa. She has served on the boards of Oakland's Lighthouse Community Charter School and the Oakland Business Development Corporation. Ms. Zuffi earned a bachelor's degree in English from UC Berkeley.

Management

Ching-Hua Wang, President. Dr. Ching-Hua Wang became the second President of the University on November 26, 2018. Since that time, she has had a myriad of accomplishments, including building a new cabinet team, forming two colleges within the University, hiring key leadership positions, leading the University through a pandemic, moving forward with the University's City Center Project as described in this Official Statement, and forging new community partnerships through a new Center for Community Engagement and through corporate partnerships. Under her leadership, the University developed a strategic vision for diversity, equity, and inclusion as well as a Strategic Growth Initiative, and executed the independence of the University from Sutter Health. Dr. Wang came to the University with 28 years of higher education experience, serving most recently as provost and vice president for academic affairs at California State University, Sacramento. Prior to California State University, Dr. Wang served as the Dean of the School of Health and Natural Sciences at the Dominican University of California from 2012 to 2017, where she was also a professor of immunology and microbiology. Before Dominican University, Dr. Wang served as chair of multiple academic programs in sciences and health sciences as the program director for the Bridges Stem Cell Research Training Program, and as director of the Masters of Science in Biotech and Bioinformatics Program. Dr. Wang has a doctorate in immunology from Cornell

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[*] Member of the Executive Committee of the Board

University. She earned a master's degree in immunology from Peking University, Health Science Center, and her medical degree from Capital Medical University.

Dave Lawlor, Executive Vice President and Treasurer. In March of 2022, Mr. Lawlor was appointed Executive Vice President and Treasurer. He is the Chief Operating Officer and the Chief Financial Officer of the University and has primary responsibility for the management in the following areas: financial affairs, real estate, facilities, information systems, human resources, risk/compliance, legal, and treasury. Mr. Lawlor has overall responsibility for the University's strategic, operating, finance, physical plant, capital/human resources planning, and budgeting. He is an advisor to the President and the Board in financial and strategic matters affecting the development and operations of the University. Mr. Lawlor's direct reports within the Business Affairs Division include the Associate Vice President & Controller, the Chief Information Officer, the Chief Human Resources Officer, the Director of Facilities Management, the Director of Procurement, the Director of Risk Management, Safety and Security, and the Office of Business Management and Analysis Group. Mr. Lawlor has over 17 years of higher education experience, serving as Vice Chancellor, COO, Treasurer, and CFO roles at various institutions, including the University of California, Davis, Marquette University, and The George Washington University. He demonstrated leadership in each of his previous executive roles across strategy, operations, finance, business development, and administration. His accomplishments include strategic planning, ideation to new product development, generation of operating margins through deliberate financial turnaround strategies, management of a budget of $4.3 billion with an endowment in excess of $1 billion, and procurement of bonds in excess of $1 billion. He has experience in the supervision of a team of 1,800 people, construction of an average of $200 million of new facilities per year, oversight of over 5,000 acres of campus physical plant, and negotiation of over $100 million with corporate partners. He also had over 18 years of experience in private industry, serving as an executive at Hewlett-Packard, Agilent Technologies, PCTEL, and Rexnord. Mr. Lawlor earned a BS degree in Business Administration-Finance at California State University, Hayward.

Brian Clocksin, Provost and Vice President for Academic and Student Affairs In April 2023, Dr. Clocksin was appointed Provost and Vice President for Academic and Student Affairs. He is the Chief Academic Officer of the University and has primary responsibility for the management of academic programs and student support initiatives. Dr. Clocksin's direct reports include the Academic Deans (Dean, College of Nursing; Dean College of Health Sciences; Dean School of Podiatric Medicine), two assistant academic vice presidents, and the Dean of Students. He arrives to the University with 25 years of higher education experience, serving most recently as Vice Provost for Strategic Initiatives at the University of La Verne. While at the University of La Verne, Dr. Clocksin led the efforts to develop and launch the College of Health and Community Well-Being; served as the Associate Dean and Interim Dean of the College of Arts and Sciences, and served as the Chair of the Department of Kinesiology where he held the rank of Professor. He has a doctorate in Exercise and Sport Sciences from the University of Utah, earned a master's degree in Physical Education from the University of Northern Colorado, and a Bachelor's degree in Exercise Science from Willamette University.

Albert Frisone, Vice President for University Advancement and Communications. Mr. Frisone was appointed to this brand-new leadership position on July 8, 2019. Mr. Frisone has worked as an educational fundraising professional for over 25 years with the majority of his work focused in higher education. He served as the Vice President of Advancement at Sacramento State University and facilitated the three largest gift commitments in their history ($6 million, $9 million, and $12 million) and the funding of three new endowed chair positions. In 2018, Mr. Frisone also led a $200 million capital campaign spearheaded by the largest single-year fundraising total ($24.6 million) in Sacramento State's history, while also facilitating an exhaustive restructuring of the advancement office, including adding new programs in annual giving, principal gifts, alumni relations, and advancement services. He also served as the executive director of the Foundation Board of Sacramento State, adding six new board members to the Foundation in his first year on the job. Prior to his service at Sacramento State, Mr. Frisone served in multiple capacities over a 17-year tenure at Marquette University in Milwaukee, Wisconsin. Mr. Frisone graduated from the University of Rochester with a Bachelor's degree in English and earned his Master's degree in Sports Administration from Temple University.

Emily Prieto-Tseregounis, Chief of Staff to the President and Vice President for University Initiatives. Dr. Prieto-Tseregounis was appointed Chief of Staff to the President and Vice President for University Initiatives on April 12, 2020. She has over 20 years of experience in higher education, including academic leadership; organizational, strategic, and campus facilities planning; management of over $400 million of University budget, development, and management of student programs; executive support; governmental and board relations; research on diversity, health care reform, and higher education; Fulbright scholars; and in the creation of partnerships with students, faculty, staff, and the community. From 2013 until March 2020, Dr. Prieto-Tseregounis served as the Chief of Staff to the Vice Chancellor of Student Affairs, as well as Assistant Vice Chancellor at the University of California, Davis. Dr. Prieto-Tseregounis earned a bachelor of science degree in community rhetoric and her master's and a doctorate in education from the University of California, Davis. She is a graduate of the Executive Leadership Academy at the University of California, Berkeley. She also currently serves on the Board of Directors for La Clinica in Oakland, California.

Vice President, Strategic Growth and Marketing. The University is in the final stages of hiring for this position.

The Project

The project to be constructed with the proceeds of the Bonds and other available moneys, also known as the University's City Center Project (the "Project") is expected to consist of a new campus building located in downtown Oakland, California (the "City"). The new campus building will be constructed as a single ten-story building and will provide approximately 260,000 gross square feet of class-A quality-equivalent office space designed to accommodate classrooms, laboratories, conference rooms, and administrative space. The Project also will consist of constructing and furnishing an approximately 2,671 square foot space adjacent to the building on 12th Street to be used as a public plaza, complete with hardscaping, landscaping, and public art. Public benefits associated with the Project include contributing to the development and strength of downtown Oakland, the development of Oakland's downtown commercial corridor, and supporting the return of individuals to downtown Oakland as the City recovers from the impact of the COVID-19 pandemic (the "Pandemic"). The Project will be constructed on land owned by the City and leased to the University for 99 years pursuant to that certain Ground Lease (T5-T6) dated as of November 14, 2022 (the "Ground Lease"), by and between the City, as landlord, and the University, as tenant. Rent payable to the City consists of (i) a one-time payment of $99 for the entire term of the Ground Lease; (ii) $9,850 per month during the construction of the Project; (iii) $236,400 payable annually following the end of construction, which is subject to change based on upward adjustments in the consumer price index; and (iv) additional rent payable to the City relating to costs, fees, interest, and other charges and expenses, if any, for which the University is obligated to reimburse the City under the Ground Lease. The Ground Lease includes certain conditions to the University's right to begin construction and enjoy possession of the site, including generally obtaining permits for the construction of the Project and entering into a "guaranteed maximum price" construction contract for the Project. Subject to any extensions the City might grant, if the foregoing conditions are not satisfied by February 6, 2024, the City will have the right to terminate the Ground Lease. Further, a delay in completing the construction of the Project and commencing operations at the Project could result in a default under the Ground Lease and certain other related documents with the City and the City's exercise of remedies thereunder, and would likely require the University to negotiate an extension of the lease of its current facilities in the City.

The University currently projects the total cost of the Project to be approximately $240 million, of which approximately $120 million is expected to be funded with Bond proceeds. The remaining $120 million of the Project's total cost is expected to be funded by an equity contribution by the University. Project sources and uses are expected to be as follows, which are approximate numbers and subject to change:

Expected Sources	
Bond Proceeds	$120,000,000
University Equity	120,000,000
Total	$240,000,000

Expected Uses	
Hard Costs	$198,000,000
Soft Costs	35,000,000
Other	7,000,000
Total	$240,000,000

Included within Expected Uses is approximately $14.5 million of contingency in the construction budget.

The University currently expects to occupy the Project in December of 2025. Construction began in June of 2023 and lasts for approximately 27 months. Accordingly, the end of construction is expected to occur in August of 2025. Furniture fit-out is expected to occur in the Fall of 2025, and the first day of occupancy is expected to occur near the end of December 2025.

Project Consultants hired to date include the architect, Perkins + Will; the general contractor, Hathaway Dinwiddie, engaged on pre-construction and currently working towards an agreement on guaranteed maximum price through construction; the environmental, geotechnical, and soil investigation expert, Langan Engineering and Environmental Services, Inc.; the CEQA consultant, Environmental Science Associates; the art consultant, Dorka Keehn; the surveyor, Martin Ron; the utility consultant, D&M Utility Services; the underground utility services consultant, DaSilva Underground Utility Services; the development management consultant, Strada T5/T6 Manager, LLC, (dba Strada Investment Group); and the permit expeditor, SF Codes.

Discretionary Project approvals are as follows.

The City's Planning Commission unanimously approved the Project as proposed on July 20, 2022 through a conditional use permit. As part of the Planning Commission action, a CEQA approval was granted through a CEQA Addendum, and a Tree Removal Permit was approved. Conversion of the transaction from a purchase to a ground lease, the University's assumption of a lease disposition and development agreement from Strada T5, LLC, and the material terms of the Ground Lease were approved by the Oakland City Council on October 18, 2022 and November 9, 2022. The City and the University executed the Ground Lease on November 14, 2022.

The following building approvals were applied for during 2022; a demolition permit, which is anticipated to be processed in the first quarter of 2023; a grading/excavation permit, which is expected to be processed during the second quarter of 2023; a PZ permit (onsite infrastructure), which is expected to be processed during the second quarter of 2023; a shoring and foundation permit, which is expected to be processed during the second quarter of 2023; a signage permit, which is expected to be processed during the second quarter of 2023; a PX permit (offsite infrastructure), which is expected to be processed during the fourth quarter of 2023; a building permit, which is expected to be processed during the fourth quarter of 2023; and a tenant improvement permit, which is expected to be processed during the first quarter of 2024. Certain off-site permits require the execution of a licensing and/or easement agreement with the immediately adjacent neighboring property owners to enable certain construction activities to occur within the boundary of their property lines (often below-grade for shoring purposes).

Department of Transportation approvals that have yet to be applied for include an encroachment permit, which is expected to be processed during the second quarter of 2023 and requires City Council approval as a consent item.

The City is known to be an area of seismic activity, like much of California. Langan Engineering and Environmental Services, Inc. has provided specific seismic design criteria that the University intends to adhere to through design and construction, along with the recommendations of a structural engineering firm with extensive experience in designing projects delivered in equivalent seismic environments throughout the Bay Area. No soil remediation is presently required as the Projects has a No Further Action Letter from the Alameda County Department of Environmental Health. If, however, remediation is ultimately required, the City will provide a rent credit to the University of up to $500,000. Groundwater will be tested for environmental impacts prior to discharge. A soil management plan will dictate the disposal and removal of soil, which is expected to be classified as State of California Class II or Class III non-hazardous material.

The Project is expected to be classified as LEED Silver, and the University is evaluating the pursuit of the FitWel designation, a healthy building certification created by the U.S. Centers for Disease Control, whereby buildings support the well-being of its occupants. The Project also is expected to deliver substantial benefits to the City, including employment opportunities, community health services at local clinics, and outreach to local K-to-16 students. With respect to Environmental, Social and Governance matters, the University is committed to providing programs and financial support that attract and enable the success of outstanding undergraduate and graduate students from all backgrounds. The University is also committed to energy savings, reductions in carbon emissions, and sustainable design, and the Project is intended to be constructed with that commitment in mind. Finally, the University values shared governance, which is evident by the composition of its Board, management team, the composition of its student body, and student involvement in various programs and University initiatives.

Currently, the University leases its existing facilities, including its main campus and a small office used for administrative support, which is located in the City. Other facilities are located in San Mateo, Sacramento, and Fresno, which are used for academic learning, including lectures and laboratories for specialized programs.

SMU libraries have four locations: the Oakland Campus, the Sacramento Campus, the Fresno Campus, and the San Francisco Peninsula Campus in San Mateo. Hours vary by location. The SMU libraries collaborate with campus partners to enhance and promote teaching, learning, and research.

As of the 2022 academic year, the libraries collectively house:

Books/Monographs	13,342
Bound Journals	16,935
Electronic Journals	4,905
Audio/Video Materials	2,916
Online Subscribed Databases	22
Electronic Books	8,023

Strategic Priorities and Vision

In February 2021, a group of SMU leaders, faculty, staff, student, and community representatives joined forces and formed the SMU Visioning Group. Focus group meetings were held throughout the spring semester. Collectively, they confirmed the SMU Vision Statement:

"The University will become nationally recognized as a premier, comprehensive, health sciences institution."

The mission of the University is to educate students to become highly skilled and compassionate healthcare professionals who positively transform the experience of care in diverse communities.

From that teamwork and continued effort, in Spring 2022, a series of University strategic priorities were identified to propel SMU towards its vision of becoming a comprehensive health sciences institution. They include:

- Strategic growth in academic programs
- Strategic growth in student enrollment
- Strategic growth in fundraising

For the academic initiatives, SMU plans to strengthen the legacy programs in nursing, occupational therapy, physical therapy, physician assistant, and podiatric medicine at undergraduate, graduate, and professional degree levels by ensuring their solid academic standing and outstanding student outcomes and securing their external accreditation. Due to the strong societal demand and workforce development needs in these fields, whenever permissible by the external accreditation agencies, SMU plans to increase student enrollment so that the University is able to graduate more healthcare professionals to meet the growing market demand.

From 2022 to 2024, SMU is and will be in the process of developing a set of new academic programs identified after a series of analyses by Gray Associates and Hanover Research Group as having strong market demand and enrollment potential. These programs include Psych/Mental Health Doctoral of Nursing Practice (DNP), Anesthesia DNP, MSN in Clinical Nurse Leadership, & Nursing Health Informatics, BS in Kinesiology, and MS in Medical Social Work.

From the legacy and new academic programs, the University is embarking on the deployment of an aggressive enrollment plan to ensure robust student enrollment in these programs. The Office of Admission has engaged in a significant organizational restructuring strategy to prepare for the anticipated growth in enrollment and the launching of new programs. The new organizational structure will allow for the development and implementation of robust and comprehensive recruitment plans within the three new organization units. The new units will focus on three major areas: undergraduate programs (i.e., Bachelors in Science), graduate programs (i.e., Anesthesia DNP), and professional schools (i.e., Podiatry, Physical Therapy).

The Strategic Recruitment Plan will be focused on the four areas listed below:

1. Community Engagement
2. Strategic Recruitment
3. Strategic Yield
4. Strategic Anti-Melt

During the early fall recruitment cycle, the Office of Admission will focus increasingly on SMU's recruitment presence in states that are part of the Western Interstate Commission for Higher Education ("WICHE"), as these states provide scholarships for their students to pursue careers in Podiatry, Occupational Therapy, Physical Therapy, and as Physician Assistants. The new regional focus should significantly increase the application pipeline for these key programs from the WICHE states. Additionally, the SMU admissions staff will be participating in all University of California and California State University fall graduate school fairs and various related higher education health career days to bolster the University's graduate program applicant pool.

Northern California Top Feeders: UC Davis, UC Berkeley, and Sacramento State

Southern California Top Feeders: UC San Diego, UC Riverside, and UCLA

Additionally, as a post-COVID strategy, SMU is reestablishing and strengthening a strategic recruitment plan in close collaboration with Kaiser Permanente and the Alameda Health Systems nurse educators. Due to COVID restrictions, there has been limited access to working nurses for the past few years, and at this juncture, SMU is being proactive and working vigorously to reconnect with the working nurses that are the ideal candidates for SMU nursing graduate programs.

Historically, SMU's revenue base mainly relied on student tuition and fees. The University did not emphasize fundraising as a means of generating additional revenues. Since 2019, a new University office, University Advancement and Communications, was established and several key positions were recruited to begin the fundraising work. With the diligent groundwork of reestablishing connections and stewardship with alumni and donors, careful prospect-research analysis, coupled with the identification process, and persistent cultivation of potential donors, SMU is beginning to see the initial results of its fundraising efforts. SMU is poised to have a record-breaking fundraising year in fiscal year 2022. New records of success are expected to be achieved in donor count (total number of donors to the University) as well as funds raised. Included in these fundraising totals is the largest gift in University history. Further, SMU is in the initial stages of considering a capital campaign for purposes yet to be determined.

To ensure the successful deployment of the University's strategic priorities, a set of key enablers were identified by the SMU Visioning Group to include:

- Faculty and staff recruitment, development, and retention – recruitment tools and processes to include onboarding
- Student recruitment, retention, and success – student-centered decision-making and development of new data tools
- Campus development – City Center Project, Capital Campaign
- Operational excellence, including hiring, compensation, IT roadmap, new business-model-after-independence-budget model, a center of excellence strategy, and contract policy

Academic Units

The University includes three colleges with a student headcount of 1929 students (as of Fall 2022) at its sites in Oakland, Sacramento, Fresno, and San Mateo, as described below:

The **College of Nursing** offers programs leading to the degrees of Accelerated Bachelor of Science in Nursing, Bachelor of Science in Nursing, RN to BSN Program, Entry-Level Master of Science in Nursing (Case Management), Entry-Level Master of Science in Nursing (Family Nurse Practitioner), Master of Science in Nursing (Case Management), Master of Science Nursing (Family Nurse Practitioner), Master of Science in Nursing (Nurse Anesthesia), Anesthesia – Doctor of Nursing Practice, Doctor of Nurse

Anesthesia, Doctor of Nursing Practice (online), Doctor of Nursing Practice (Family Nurse Practitioner), and Doctor of Nursing (Psychiatric Mental Health).

The **College of Health Sciences** offers programs leading to the degrees of Master Physician Assistant, Doctor in Physical Therapy, Master of Occupational Therapy, and Doctor of Occupational Therapy.

The **College of Podiatric Medicine** is a four-year program based on the allopathic medical education model that leads to the Doctor of Podiatric Medicine degree. At the completion of the Program, students are prepared to enter podiatric surgical residency.

Faculty and Staff

The following tables provide a breakdown of SMU's faculty and staff for the five most recent academic years. The table for Staff is complete as of the fall semester for each of the last five years.

FACULTY:

	2022-2023	**2021-2022**	**2020-2021**	**2019-2020**	**2018-2019**	**2017-2018**	**2016-2017**
TOTAL	463	455	470	496	516	574	456

STAFF[(1)]:

	Fall 2022	**Fall 2021**	**Fall 2020**	**Fall 2019**	**Fall 2018**	**Fall 2017**
TOTAL	181	169	172	174	162	162

[(1)]None of the employees of the University are represented by a union.

SMU's student-faculty ratio is 9:1 (based on FTE students and FTE faculty) for the Fall 2022 semester. Although faculty members regard teaching as their primary function, all annualized faculty members are also engaged in research or scholarly work. Sixty-five percent of annualized faculty hold doctoral or other terminal degrees. Approximately 70% of course sections are taught by annualized faculty. The University does not have a tenure system. Approximately 68% of SMU classes have fewer than 20 students.

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Student Applications, Admissions, and Matriculations

Student enrollment at the University for the past five academic terms is set forth in the following table:

FALL TERM ENROLLMENT FULL-TIME EQUIVALENT COUNT(1)(2)

Fall Term	Bachelors	Masters	Doctoral	Certificate	Non-Degree	Total
2022	639	623	526	0	12	1,800
2021	635	727	534	3	22	1,921
2020	629	749	479	6	18	1,881
2019	642	713	488	19	30	1,892
2018	682	727	429	14	39	1,891
2017	717	783	386	15	50	1,951

(1) A graduate student enrolled for a minimum of six academic credits in a semester is a full-time student. An undergraduate student enrolled for a minimum of ten credits in a semester is a full-time student.
(2) Enrollments are unduplicated counts for on-campus and off-campus.

Tuition and Fee Charges

The average year-over-year increase in tuition and fees over the past five academic years has been 3.0%. The University does not offer room and board facilities. We are in the process of converting several programs to flat fee for the entire program.

A summary of average undergraduate tuition and fees is provided below for the academic years indicated.

UNDERGRADUATE STUDENT TUITION AND FEES(1)

Academic Year	Tuition	Fees	Room and Board	Total Cost
2022-23	50,767	1,027	0	51,794
2021-22	48,348	1,027	0	49,375
2020-21	47,397	1,017	0	48,414
2019-20	48,060	1,017	0	49,077
2018-19	46,892	993	0	47,885

(1) Tuition stated for first-year students

Professional-school tuition during the past five academic years is shown in the following table:

TUITION FOR FULL-TIME MASTERS PROGRAMS

Academic Year	Masters Nursing	Fees	Total
2022-23	41,117	336	41,453
2021-22	33,200	329	33,530
2020-21	32,556	329	32,886
2019-20	31,757	329	32,087
2018-19	30,981	329	31,310

TUITION FOR FULL-TIME DOCTORAL PROGRAMS

Academic Year	Medical	Fees	Total
2022-23	51,197	903	52,100
2021-22	48,759	903	49,662
2020-21	47,803	903	48,706
2019-20	46,637	903	47,540
2018-19	45,499	903	46,402

Financial Aid

SMU maintains a need-blind admissions policy that applies to all students. Under this policy, the University coordinates a comprehensive program of scholarships, grants, loans, and student employment with funds from its own resources, the state and federal governments, and other sources. Approximately 84% of all degree-seeking undergraduate students receive scholarships and/or grants in meeting their expenses. Approximately 89% of graduate students received some form of financial aid.

The following table shows SMU's financial assistance programs and the aggregate amounts provided by such programs for all students for the academic years indicated.

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FINANCIAL AID[1]
(dollars in thousands)

Academic Year	California State Grants	Federal Grants	Student Loans	Work Study	Institutional Scholarships	Total
2021-2022	$687	$2,273	$93,296	$660	$7,045	$103,961
2020-2021	671	1,726	84,896	565	7,327	95,184
2019-2020	629	3,373	83,333	542	6,008	93,885
2018-2019	625	3,117	79,552	382	6,026	89,703
2017-2018	610	2,798	78,099	469	6,682	88,658
2016-2017	607	2,914	74,038	386	5,448	83,393

(1) This table presents financial aid from all sources, including both the University and external entities. The information reported includes certain amounts that have been excluded from the University's financial statements in accordance with generally accepted accounting principles.

FEDERAL AND STATE GRANTS

A summary of federal and state grants awarded for the past five fiscal years is presented below. Federal awards include the U.S. Department of Health & Human Services HRSA grants and the U.S. Department of Education. Funding supports nursing workforce diversity, CRNA trainee programs, and scholarships. Additionally, the University received Department of Education Veterans funds and institutional Higher Education Emergency Relief funds (HEERF) grants through the Coronavirus Aid, Relief, and Economic Security Act. State awards are through the Song-Brown program, which aims to increase the number of students and residents receiving quality primary education and training in the areas of unmet need throughout California.

Fiscal Years Ended December 31	Total Federal/State Grants & Contracts
2022	$1,699,230
2021	2,888,935
2020	3,124,401
2019	2,549,759
2018	1,894,981

Federal and State Grants shown in the Financial Aid table do not overlap with those shown in the Federal and State Grants table.

Accreditation

The University is accredited by a regional accreditor as well as program-specific accreditors.

Institutional Accreditation. The University is regionally accredited through 2030 by the Western Association of Schools and Colleges Senior College and University Commission (WSCUC). As a consistently high-performing institution, the University was one of the inaugural 13 institutions eligible in 2020 for a new Thematic Pathway for Reaffirmation process based on a theme of the University's choosing.

Student success is the reaffirmation theme selected by SMU to develop and implement over the next several years. As the demands on healthcare professionals become more complex, the education SMU provides needs to nurture a broader range of skills in students, including the ability to contribute to interprofessional healthcare teams. In support of this Thematic Pathway for Reaffirmation, faculty and staff from every division of the University have been engaged in an analysis of how the University promotes, supports, and measures student success.

In addition to this continuous internal assessment of institutional effectiveness, the University uses program specialty accreditation reviews as opportunities to evaluate how well programs and initiatives are serving the mission, vision, and values of the University. Program accreditation information is below.

Programs and Program Specialty Accreditations. The following is a list of program-specific approvals and accreditations by program, including each program's last and next accreditation periods.

Bachelor of Science in Nursing (BSN); Registered Nurse to Bachelor of Science in Nursing (RN to BSN); Accelerated Bachelor of Science in Nursing (ABSN)

Approved by California Board of Registered Nursing
Accredited by the Commission on Collegiate Nursing Education
Last/Next Accreditation 2020/2030

Master of Science in Nursing (MSN)—Case Management

Accredited by the Commission on Collegiate Nursing Education
Last/Next accreditation 2020/2030

Master of Science in Nursing (MSN)—Family Nurse Practitioner Program

Conforms to the Standards of Education for Nurse Practitioner Program
Accredited by the Commission on Collegiate Nursing Education
Last/Next accreditation 2020/2030

Master of Nurse Anesthesia (MSN)/Post-Professional Certificate; Anesthesia Doctor of Nursing Practice

Accredited by the Council on Accreditation of Nurse Anesthesia Educational Programs
Last/Next accreditation 2014/2024

Entry-Level Master of Occupational Therapy (MOT)

Accredited by the Accreditation Council for Occupational Therapy Education
Last/Next accreditation 2018/2028

Entry-Level Master Physician Assistant (MPA)

Accredited by the Accreditation Review Commission on Education for the Physician Assistant, Inc.
Last/Next accreditation 2019/2029

Entry-Level Doctor of Occupational Therapy (OTD)

Accredited by the Accreditation Council for Occupational Therapy Education
Last/Next accreditation 2018/2023, 2024

Entry-Level Doctor of Physical Therapy (DPT)

Accredited by the Commission on Accreditation in Physical Therapy Education
Last/Next accreditation 2017/2028

Doctor of Podiatric Medicine (DPM)

Accredited by Council on Podiatric Medical Education
Last/Next accreditation 2022/2027

Doctor of Nursing Practice (DNP)

Accredited by the Commission on Collegiate Nursing Education
Last/Next accreditation 2017/2027

Continuing Accreditation. The University has covenanted under the Loan Agreement to maintain its accreditation by WASC Senior College and University Commission (WSCUC) and the Commission on Collegiate Nursing Education (CCNE) or, in each case, their respective successor as a body that accredits similar schools to the University.

University Employment Highlights

In 2021, the University was ranked number one in the country for early career salary prospects for graduates with a bachelor's degree, as reported by *Forbes Magazine.*

Ninety-eight percent of University graduates find work in their field within a year of graduation according to alumni surveys.

FINANCIAL CONDITION OF THE UNIVERSITY

Introduction

For the fiscal year ended December 31, 2022, operating net assets of the University decreased by approximately $17.3 million, or -6.06% from the year ended December 31, 2021, and totaled approximately $269 million at December 31, 2022. Total Cash and Investments, including bond proceeds, was approximately $390 million as of December 31, 2022. The market value of the endowment was approximately $71.3 million at December 31, 2022. The endowment grew 16% during fiscal year 2022, primarily attributable to new contributions during the year. The trailing one-year return on the University's endowment was approximately 1.2% net of investment management fees. The University successfully raised $10.8 million in private gifts and grants during fiscal year 2022. See "Development Programs," below.

Financial Statements

The following pages provide a summary of certain financial information of the University for the fiscal years ended December 31, 2022, 2021, 2020, 2019, and 2018; however, the audited financial statements , including the accompanying notes thereto, are an integral part of this report and should be read in their entirety.

The Statement of Financial Position presents the financial position of the University as of the end of the fiscal year. The Statement of Activities presents financial activities during the fiscal year, thereby reconciling the beginning and end-of-year net asset positions contained in the Statement of Financial Position. The tables below should be read in conjunction with the audited financial statements of the University and accompanying notes thereto.

SAMUEL MERRITT UNIVERSITY
CONDENSED STATEMENT OF FINANCIAL POSITION
as of December 31,

	2022	2021	2020	2019	2018
ASSETS					
Cash and equivalents	$ 12,560,084	$ 29,317,369	$ 38,883,472	$ 30,583,943	$ 24,178,509
Investments	378,830,673	259,617,164	221,169,803	196,264,416	165,908,796
Accounts Receivable, net	5,412,924	5,851,606	3,739,982	4,225,118	29,786,882
Prepaid expenses and other assets	1,289,370	1,776,105	1,245,929	1,066,139	1,400,065
Notes receivable, net	6,552,921	6,982,241	5,497,739	5,859,543	5,673,303
Plant and equipment, net of depreciation	23,152,119	13,744,539	14,731,039	16,262,925	15,659,941
Operating leases right-of-use assets	102,483,146	7,811,307	10,195,204	9,592,638	--
TOTAL ASSETS	**$530,281,237**	**$ 325,100,331**	**$295,463,168**	**$263,854,722**	**$242,607,496**
LIABILITIES					
Accounts payable and accrued liabilities	$ 8,205,136	$ 18,906,989	$ 17,433,642	$ 10,141,878	$ 9,493,030
Accrued bond interest payable	581,438	--	--	--	--
Bonds payable, net	137,910,070	--	--	--	--
Deferred revenue and deposits	4,278,763	4,295,103	4,425,865	3,920,746	29,477,959
Refundable loan program advances	5,828,756	6,349,904	6,525,287	7,360,501	6,642,276
Other liabilities	150,000	591,965	561,003	547,055	414,688
Operating lease liabilities	104,581,278	8,872,011	11,260,644	10,624,230	--
TOTAL LIABILITIES	**$261,535,441**	**$ 39,015,972**	**$ 40,206,441**	**$ 32,594,410**	**$ 46,027,953**
NET ASSETS	**268,745,796**	**286,084,359**	**255,256,727**	**231,260,312**	**196,579,543**
TOTAL LIABILITIES AND NET ASSETS	**$530,281,237**	**$325,100,331**	**$295,463,168**	**$263,854,722**	**$242,607,496**

SAMUEL MERRITT UNIVERSITY
CONDENSED STATEMENT OF ACTIVITIES
as of December 31,

	2022	2021	2020	2019	2018
REVENUE					
Tuition and fees, net	$ 82,095,766	$ 80,025,751	$ 76,433,336	$ 76,994,919	$ 74,554,108
Private gifts, grants and bequests	12,865,902	2,145,432	2,322,062	4,221,700	2,965,673
Government grants	2,197,797	3,185,299	1,309,977	280,596	325,972
Investment income, gains/(losses), net	(26,197,668)	32,588,506	28,960,505	32,293,971	(6,408,336)
Other Sources	395,150	202,418	101,352	159,073	31,796
NET REVENUE AND SUPPORT	**$71,356,947**	**$118,147,406**	**$109,127,232**	**$113,950,259**	**$ 71,469,213**
EXPENSES					
Instruction	$ 48,834,890	$ 49,019,608	$ 48,988,428	$ 44,297,076	$ 43,217,054
Academic support	12,907,320	10,881,085	10,182,537	10,226,076	10,399,433
Student services	6,406,929	6,669,213	6,457,278	6,133,291	5,690,471
Institutional Support	20,546,371	20,749,869	19,502,573	18,613,047	17,526,718
TOTAL EXPENSES	**$ 88,695,510**	**$ 87,319,775**	**$ 85,130,816**	**$ 79,269,490**	**$ 76,833,676**
CHANGES IN NET ASSETS	**$ (17,338,563)**	**$ 30,827,631**	**$ 23,996,415**	**$ 34,680,769**	**$ (5,364,463)**
Net assets, beginning of year	**286,084,358**	**255,256,727**	**231,260,312**	**196,579,543**	**201,944,006**
Net assets, end of year	**$268,745,795**	**$286,084,358**	**$255,256,727**	**$231,260,312**	**$196,579,543**

The Pandemic

In March of 2020, the Coronavirus Aid Relief and Economic Security Act (CARES Act) was passed, establishing the Higher Education Emergency Relief Fund (HEERF), which instructs the U.S. Department of Education to allocate funding to eligible institutions of higher education to prevent, prepare for, and respond to costs associated with COVID-19. Following the CARES Act, which is commonly referred to as HEERF I, two additional acts were signed into law during fiscal years 2020 and 2021, respectively: the Coronavirus Response and Relief Supplemental Appropriations Act (HEERF II), and the American Rescue Plan Act (HEERF III).

During fiscal year 2020, the University received and spent $841,825 from HEERF I funding for student emergency aid and institutional expenses incurred when moving to 100% distance learning and remote work as ordered by the State of California. During fiscal year 2021, the University was awarded a combined total of $3,577,530 from HEERF II and HEERF III funding and spent $2,272,609 of these funds to support student emergency aid and institutional expenses incurred to support remote learning. The balance of the funds, $1,304,921, was claimed as lost revenue as prescribed under the award agreements and accounted for as an increase to grants receivable and government grants revenue on the statement of financial position and statement of activities, respectively. As of December 31, 2022, the balance of all HEERF funds was $200.

The University believes that the Pandemic has not had a material adverse impact on the financial condition of the University.

Budgeting Procedures

Ending with fiscal year 2021, the University utilized a stand-alone budget process that rolled up to its parent, Sutter Health. Each fall, the Board's Finance Committee reviews the proposed budget, with full approval provided by the Board upon the Finance Committee's recommendation. Senior University leadership provides budget-to-actual analysis to the Finance Committee quarterly. The capital budget follows the same review and approval process. The University consistently had balanced budgets and, as of December 31, 2022, has reserves totaling $390 million, of which approximately $137 million is restricted for the Project and debt service, $83 million is restricted and approximately $120 million is earmarked for the new City Center project. See "The Project," above. The balance is general reserves.

In July 2022, the University implemented the Workday Enterprise Management Cloud, which the University believes to be a best-in-class ERP solution. In the Fall of 2022, the University implemented Workday Adaptive Planning for flexible budgeting, scenario planning, and reporting that will allow for continuous planning and response to changes with agility. These ERP solutions are a key infrastructure plan to support the University's disaffiliation from Sutter Health. This is expected to successfully position the University as a newly independent organization and is a significant upgrade from legacy systems. The University will adopt a zero-based budget approach for all future cycles and will follow best practices in evaluating and updating budget-related business processes, including enhanced training for University staff.

The Budget Director, in the office of the University Controller, facilitates the consolidation of approximately 100 cost centers into the President's Cabinet-level-functional areas and ultimately the consolidated institutional level. In addition to University-wide consolidated financial budgets, the goal is that full profit and loss information will be made available at the college level, driving additional accountability to colleges and schools on a fully loaded basis. An operating budget will be approved annually. A five-year forecast will be prepared at a high level for strategic-planning purposes. The Executive Vice President, Chief Operating Officer, Treasurer (collectively, the "EVP&T"), and the President, have spending authority up to $10 million. Spending above $10 million requires Board approval but is delegated to the President and EVP&T to execute.

The EVP&T chairs several committees. The Strategic Pricing Committee evaluates pricing at a program level. For all new programs, the University utilizes a third-party provider for strategic marketing insights and intellect, which considers the University's standing relative to competitive pricing. The Enrollment Committee reviews enrollment by semester, program, location, and cohort. Capital and master planning is facilitated by the Master Planning Committee, and updates on the status of the Project, as defined herein, are discussed with the Board regularly.

Development Programs

Net contributions and gifts to the University for the five fiscal years ended December 31, 2018-2022, are set forth in the following table:

CONTRIBUTIONS, NET, AND DONATED GIFTS IN KIND[1]

	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
Private gifts and bequests (without donor restrictions)	$ 12,174	$ 50,755	$ 90,216	$ 6,016	$ 0
Private gifts and bequests (with donor restrictions)	10,799,465	715,507	890,826	2,875,862	2,032,643
Private grants (without donor restrictions)	2,054,263	1,379,170	1,341,020	1,339,822	933,030
Total private gifts, grants and bequests	$12,865,902	$2,145,432	$2,322,062	$4,221,70	$2,965,673

(1) Pledge revenues are included for all years.

Investments

Total investments (including with and without donor restrictions and bond proceeds) consisted of the following at December 31, 2022, 2021, 2020, 2019, and 2018:

INVESTMENTS AT FAIR VALUE
as of December 31,

	All Investments	Endowment
2022	$378,830,673	$71,344,800
2021	259,617,164	61,300,210
2020	221,169,803	56,554,491
2019	196,264,416	54,261,176
2018	165,908,796	48,276,219

The Investment Committee of the Board (the "Investment Committee") is delegated authority over the Investment Policy and Guidelines Statement (the "IPS"), subject to review and approval by the Board. The IPS provides asset allocation and spending policy guidelines for the University's endowment, quasi-endowment, and unrestricted funds (the "Investment Pool").

The long-term investment objective is to provide a stable stream of expendable revenue that increases over time, adjusted for inflation, and supports the purposes of the University. Assets are to be diversified by asset class and within asset classes (e.g., economic sector, industry quality, geography, duration, and size). The University's endowment spending policy allows the appropriation of between 4% and 5% of the quarterly rolling average market value of assets in the endowed fund(s), based on at least 12 and at most 20 quarters of data. Amounts appropriated for spending may exceed actual realized earnings from endowments.

Through mid-August of 2021, approximately 50% of the University's Investment Pool was managed by Sutter Health. In this capacity, the Sutter Health Chief Investment Officer, provided quarterly reports and in-depth analyses to the Board. Fair values recorded for each investment category were based on the proportional percentage owned by the University. There were no redemption restrictions on the University's share of the pooled funds.

In August of 2021, the University sold its share of pooled investments managed by Sutter Health, including alternative investments, resulting in a realized gain of $19.5 million and an increase in cash equivalents of $135 million. After a formal search and evaluation, the University engaged Fiducient Advisors as its new investment adviser.

For the period ended December 31, 2022, the University's historical returns for the Endowment and Special Purpose Funds:

	1 Yr	3 Yr*	5 Yr*	10 Yr*	15 Yr*
Actual Return	1.2%	16.3%	11.9%	8.9%	7.1%
Benchmark Return	0.9%	14.5%	10.8%	8.6%	6.2%

*Represent historical returns for the University under Sutter Health Treasury as of 12/31/2021.

As of December 31, 2022, Fiducient Advisors reported the following actual versus target asset allocation for the University's Endowment and other investment funds:

ACTUAL VERSUS TARGET ASSET ALLOCATION
as of December 31, 2022,

Asset Class	Asset Allocation ($)	Asset Allocation (%)	Target Allocation (%)
Short-Term Liquidity[(1)]	10,886,791	7.7	0.0
Fixed Income	25,640,380	18.2	20.0
Publicly Traded Domestic Equity	48,229,747	34.3	36.0
Publicly Traded International Equity	35,837,070	25.5	26.0
Real Assets	9,951,189	7.1	8.0
Marketable Alternatives (Hedge Funds)	10,136,605	7.2	10.0

(1) Short-term working capital is excluded from the Cash range, but Fiducient may advise the University on investment recommendations for short-term cash equivalent investments.

The total market value of Investments as of December 31, 2022 is $378 million, with $140 million invested as shown above per the IPS, including approximately $83 million in donor-restricted funds. In addition, approximately $90 million of unrestricted funds are invested in a short-term laddered bond portfolio. Approximately $138 million of Cash and Treasury Notes from bond proceeds is invested and reserved for the City Center Campus, with $18 million of these bond proceeds used for debt service during the construction period.

Bonds Payable

In December 2022, the University entered into a Loan Agreement with California Municipal Finance Authority ("CMFA") and U.S. Bank Trust Company, as Trustee, pursuant to which the Revenue Bonds, SMU Series 2022 (the "Bonds") were issued. The purpose of these Bonds is to finance construction of a new campus in Oakland, California. The Loan Agreement requires the University to comply with various covenants, conditions and restrictions. The University was in compliance with these covenants as of December 31, 2022.

The Bonds bear interest at 5.25% per annum with interest payable to the Trustee semiannually on June 1 and December 1 of each year. The Bonds mature and principal is payable on June 1, 2053. A portion of the interest cost incurred on the Bonds from inception of the borrowing through the date that the new campus is ready for use, is eligible for capitalization. As of December 31, 2022, $581,438 of interest costs incurred have been capitalized to construction-in-progress and presented as part of plant and equipment on the statement of financial position.

Cost of issuance includes direct costs and discounts related to the issuance of Bonds and are being amortized over the life of the Bonds utilizing the straight-line method, which approximates the effective interest method. Bond premium is the result of the Bonds issued at an amount above par value and are being amortized over the life of the Bonds using the effective interest method.

Bonds payable at December 31, 2022, include the following:

	Maturity Date	**Interest Rate**	**Amount Outstanding**
SMU Nontaxable Series 2022	06/01/2053	Fixed 5.25%	$132,900,000
Add(less):			
Unamortized bond premium			7,149,067
Unamortized debt issuance costs			(2,138,996)
Total bonds payable, net			$137,910,071

Tax-exempt bond proceeds are stated at fair value and are invested in U.S. treasury notes with scheduled maturities ranging from three to fifteen months, coinciding with the necessity of construction draws to reimburse the University for capital expenses pertaining to the new Oakland campus. As of December 31, 2022, the fair value of tax-exempt bond proceeds invested was $137,755,222.

Property, Plant, and Equipment

Property and equipment acquired by gift or bequest are stated at cost at the date of acquisition or estimated fair value at the date of the gift.

The following table reflects the Net Plant Facilities assets of the University at book value at December 31 of each of the last five fiscal years:

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NET PLANT FACILITIES
(dollars in thousands)
as of December 31,

	2022	2021	2020	2019	2018
Buildings and leasehold improvements[1]	$ 16,177	$ 16,260	$ 16,011	$ 14,168	$ 13,991
Furniture and equipment	28,967	25,488	23,415	21,431	19,222
Construction in progress	10,342	775	170	1,600	0
Library resources	263	263	263	260	260
	$ 55,749	$ 42,786	$ 39,859	$ 37,458	$ 33,473
Less accumulated depreciation	(32,597)	(29,041)	(25,128)	(21,195)	(17,813)
Net plant facilities	**$ 23,152**	**$ 13,745**	**$ 14,731**	**$ 16,263**	**$ 15,660**

(1) Land related to buildings is owned by Sutter Health.

Retirement Benefits

Employees with a minimum of one year of service are eligible to participate in the University's deferred compensation 403(b) plan. The employer contribution consists of 5% of employee compensation plus an additional 2%, provided the employee contributes at least 2% of eligible compensation. The University contributed $2,430,082 and $2,499,120 to the plan during the years ended December 31, 2022 and 2021, respectively.

The University also offers a non-qualified retirement plan 457(b), eligible to executives and selected highly compensated employees. There is no University matching under this plan and employee contributions to the plan vest immediately.

Effective January 1, 2022, the University established a Supplemental Executive Retirement Plan (SERP) for one of its officers. The SERP is a spin-off and continuation of the Sutter Health SERP established January 1, 2018. The plan is designated as a non-qualified deferred compensation plan and is exempt from filing and audit requirements under Title I of ERISA. The University contributed $45,965 to the plan during the year ended December 31, 2022.

Associated Institutions

On November 4, 2021, the University and Sutter Health executed a disaffiliation agreement with an effective date of January 1, 2022, pursuant to which the two entities would no longer be affiliated, and Sutter Health would no longer consolidate the results of operations of the University. The University amended and restated its bylaws effective January 1, 2022 and has no financial reporting or other fiduciary responsibilities to Sutter Health as of that date. As of December 31, 2022 and 2021, net payable due to Sutter and its applicable affiliates related to tail accounts payable was $384,756 and $6,891,843, respectively.

For the year ended December 31, 2022, there was approximately $87,000 in contributions from the University's staff along with members of the Board.

Insurance

The University maintains insurance with such coverages as it believes is customarily carried by similar private colleges and universities in California. Due to the prohibitive industry-wide cost of earthquake insurance and the size of required deductibles, the University does not carry earthquake insurance; however, the University has earthquake sprinkler leakage coverage within its property insurance coverage. The major structures at the time of construction met then-current building code standards, and the building owners have made upgrades to existing facilities from time to time to make reasonable modifications designed to limit the damage that could be caused by an earthquake. A major earthquake affecting any one of the campus areas nevertheless could have an impact on University-owned property within its leased facilities.

Prior to the start of construction, the Project will take on either an OCIP (Owner Controlled Insurance Program) or CCIP (Contractor Controlled Insurance Program), which generally includes coverage for commercial general liability, workers' compensation, excess liability, builders' risk, professional liability, subcontractor default insurance, and may include completed operations coverage.

Cybersecurity

The information security program at the University is a collaborative initiative comprised of several internal team members and OculusIT, brought together for the purpose of ensuring the security, integrity and confidentiality of University information and the protection such information against unauthorized access or use. The purpose of the program is to develop, coordinate, drive, and maintain the cross-functional efforts necessary for the University to effectively manage security exposures, critical vulnerabilities, or cybersecurity incidents that span the University's various technology platforms. The program aims to maintain capabilities in several procedural areas, including security awareness, readiness, detection, communication, remediation, incident root cause analysis, education, and process improvement. The program includes security policies aligned with the NIST Cybersecurity Framework and security controls, including, but not limited to: risk assessment and management, access controls, continuous monitoring, incident response, and business continuity. The University contracts with a security firm to perform annual external and internal penetration testing, vulnerability analysis, and risk assessments. The University has partnered with OculusIT as a third-party security operations provider and implemented a security-information-and-event management system that analyzes event logs from its network and computers and applies behavior analysis and artificial intelligence for incident identification and alerting. The system is managed and monitored 24 hours a day, seven days a week, by OculusIT in coordination with the University's internal resources. The University has had no significant cybersecurity incidents.

Legal Proceedings

The University is involved in certain legal proceedings arising in the ordinary course of its affairs which, in the aggregate, are not expected to have a material adverse effect on the University's financial condition.

Debt Service Requirements

The following table sets forth, on a fiscal year basis, an estimated schedule of payments (rounded to whole dollars) required to be made by the University with respect to its outstanding long-term debt, after giving effect to the issuance of the Bonds (assuming no prior prepayment or optional redemption of the Bonds).

LONG-TERM DEBT SERVICE REQUIREMENTS

Period Ending December 31	Annual Principal Payments for the Bonds	Annual Interest Payments for the Bonds	Total Principal and Interest Requirements
2022			
2023		$6,977,250	$6,977,250
2024		$6,977,250	$6,977,250
2025		$6,977,250	$6,977,250
2026		$6,977,250	$6,977,250
2027		$6,977,250	$6,977,250
2028		$6,977,250	$6,977,250
2029		$6,977,250	$6,977,250
2030		$6,977,250	$6,977,250
2031		$6,977,250	$6,977,250
2032		$6,977,250	$6,977,250
2033		$6,977,250	$6,977,250
2034		$6,977,250	$6,977,250
2035		$6,977,250	$6,977,250
2036		$6,977,250	$6,977,250
2037		$6,977,250	$6,977,250
2038		$6,977,250	$6,977,250
2039		$6,977,250	$6,977,250
2040		$6,977,250	$6,977,250
2041		$6,977,250	$6,977,250
2042		$6,977,250	$6,977,250
2043		$6,977,250	$6,977,250
2044		$6,977,250	$6,977,250
2045		$6,977,250	$6,977,250
2046		$6,977,250	$6,977,250
2047		$6,977,250	$6,977,250
2048		$6,977,250	$6,977,250
2049		$6,977,250	$6,977,250
2050		$6,977,250	$6,977,250
2051		$6,977,250	$6,977,250
2052		$6,977,250	$6,977,250
2053	$132,900,000	$3,488,625	$136,388,625