Financial Statements and Report of Independent Certified Public Accountants

Aztec Shops, Ltd.

June 30, 2019 and 2018

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Aztec Shops, Ltd.

Report on the financial statements

We have audited the accompanying financial statements of Aztec Shops, Ltd., (a California State University Auxiliary Organization and Component Unit of San Diego State University) (the "Organization"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aztec Shops, Ltd. as of June 30, 2019 and 2018, 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.

Other matters

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information as required by the California State University on pages 36-53, is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the 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 supplementary 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 10, 2019 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Grant Thornton LLP

San Diego, CA
September 10, 2019

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Aztec Shops, Ltd.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Aztec Shops, Ltd. (a California State University Auxiliary Organization and Component Unit of San Diego State University) (the "Organization"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated September 10, 2019.

Internal control over financial reporting
In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization'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 the Organization's internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and other matters

As part of obtaining reasonable assurance about whether the Organization'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*.

Intended purpose

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 report is not suitable for any other purpose.

Grant Thornton LLP

San Diego, CA
September 10, 2019

Aztec Shops, Ltd.

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,783,285	$ 1,341,891
Investments (Note 2)	6,021,147	6,153,563
Accounts receivable, net of allowance for doubtful accounts of $80,000 and $80,000 for 2019 and 2018, respectively (Note 6)	2,016,665	1,700,537
Inventories (Note 3)	3,220,773	3,558,844
Rental textbooks, net	9,738	11,543
Prepaid expenses and other	408,111	573,177
Total current assets	13,459,719	13,339,555
Deferred rent receivable, noncurrent (Note 10)	626,835	563,370
Other assets (Note 10)	23,263	27,876
Property and equipment, net (Notes 4 and 8)	87,491,988	87,763,158
	88,142,086	88,354,404
	$ 101,601,805	$ 101,693,959
LIABILITIES AND NET ASSETS		
Current liabilities		
Current maturities of related-party notes payable (Note 7)	$ 3,425,157	$ 3,087,667
Current maturities of long-term debt (Note 8)	24,495	143,171
Accounts payable (Note 6 and 10)	1,404,167	1,398,479
Accrued liabilities (Note 5, 6 and 9)	6,155,550	6,311,887
Deferred revenue	984,136	1,102,468
Total current liabilities	11,993,505	12,043,672
Related-party notes payable, noncurrent (Note 7)	64,173,587	67,598,745
Long-term debt, noncurrent (Note 8)	21,152	50,133
Deferred rent payable, noncurrent (Note 10)	93,750	118,750
Accrued employee benefit costs (Note 9)	16,325,334	13,653,579
	80,613,823	81,421,207
Total liabilities	92,607,328	93,464,879
Net assets, without donor restrictions	8,994,477	8,229,080
	$ 101,601,805	$ 101,693,959

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

Aztec Shops, Ltd.

STATEMENTS OF ACTIVITIES

June 30, 2019 and 2018

	2019	2018
Changes in net assets without donor restrictions:		
Revenue (Note 6):		
Bookstore, net	$ 20,577,713	$ 21,212,634
Dining services, net	29,215,592	29,500,512
Residential rental properties	14,728,522	13,254,493
Commercial rental properties	2,083,658	1,672,951
Road scholar	-	121,251
Conference services	1,636,103	2,025,618
Investment income, net (Note 2)	213,246	87,747
Contribution revenue (Note 12)	445,000	445,000
Other income (Note 13)	4,165,769	3,817,734
Total revenue and other support	73,065,603	72,137,940
Expenses (Note 6)		
Bookstore:		
Purchases and other direct costs (Note 10)	13,642,506	13,567,027
Overhead and other operating costs	5,108,634	5,242,027
Dining services:		
Purchases and other costs (Note 10)	8,530,603	8,824,422
Overhead and other operating costs	18,306,007	18,103,618
Residential rental properties	12,509,532	11,678,846
Commercial rental properties	1,616,541	1,077,309
Road scholar	-	102,492
Conference services	1,429,046	1,835,865
General and administrative (Note 9 and 10)	7,665,582	7,358,957
Contribution expense (Note 12)	445,000	445,000
Allocations to various organizations (Note 11)	365,000	765,000
Total expenses	69,618,451	69,000,563
Change in net assets from operations	3,447,152	3,137,377
Nonoperating actuarial retirement benefit adjustment:	(2,681,755)	1,710,066
Total nonoperating adjustments	(2,681,755)	1,710,066
Change in net assets	765,397	4,847,443
Net assets, beginning of year	8,229,080	3,381,637
Net assets, end of year	$ 8,994,477	$ 8,229,080

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

Aztec Shops, Ltd.

STATEMENTS OF CASH FLOWS

June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 765,397	$ 4,847,443
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net accrued employee benefit costs	2,671,755	(1,720,658)
Depreciation and amortization	4,291,514	4,065,691
Depreciation on rental books	470,789	602,505
Loss on disposal of equipment	158,820	24,239
Changes in operating assets and liabilities:		
Accounts receivable	(703,758)	108,403
Inventories	338,071	1,196,188
Rental textbooks	(468,984)	(596,532)
Deferred rent receivable	(63,465)	58,604
Prepaid expenses and other assets	165,065	7,749
Accounts payable	5,688	352,403
Accrued liabilities	(320,894)	1,472,759
Deferred revenue	(118,332)	106,068
Deferred rent payable	(25,000)	(25,000)
Net cash provided by operating activities	7,166,666	10,499,862
Cash flows from investing activities:		
Acquisition of property and equipment	(4,270,976)	(5,708,215)
Proceeds from sale of property and equipment	391	800
(Purchase)/Sale of investments - net	132,416	(3,384,201)
Net cash (used in) investing activities	(4,138,169)	(9,091,616)
Cash flows from financing activities		
Principal payments of long-term debt and related-party notes payable	(2,729,800)	(2,150,609)
Principal payments of capital lease obligations	(244,933)	(236,085)
Proceeds from federal subsidy	387,630	385,422
Net cash (used in) financing activities	(2,587,103)	(2,001,272)
Net increase (decrease) in cash and cash equivalents	441,394	(593,026)
Cash and cash equivalents		
Beginning of year	1,341,891	1,934,917
End of year	$ 1,783,285	$ 1,341,891
Supplemental disclosures of cash flow information		
Cash payment for interest	$ 3,438,941	$ 3,548,075
University Towers renovation:		
Increase (decrease) receivable from University	$ -	$ -

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

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Aztec Shops, Ltd. (the “Organization”) is not-for-profit auxiliary organized under the California State University System (“CSU”), operated in accordance with the Education Code of the State of California and the California Code of Regulations, and is a component unit of San Diego State University (the “University”). The primary function of the Organization is to provide supportive commercial services, principally the rental of books and sale of food, books, supplies and other merchandise, on the campuses of the University. The Organization also operates a residence hall near the University campus, various apartment buildings on campus, conference services, and a Road Scholar program. The Organization extends credit primarily to CSU and its auxiliary organizations at the University bookstore in the form of unsecured accounts receivable.

Affiliated Organizations

The Organization is related to other auxiliaries of the University, including Associated Students of San Diego State University, San Diego State University Research Foundation (the “Research Foundation”) and The Campanile Foundation. The auxiliaries and the University periodically provide various services for one another and collaborate on projects.

Basis of Accounting and Reporting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 958*, Not-for-Profit Entities*, and in accordance with accounting principles generally accepted in the United States of America. In order to ensure observance of limitations and restrictions placed on the use of available resources, the net assets of the Organization are classified for accounting and reporting purposes into two net asset categories according to the existence or absence of donor-imposed restrictions. Net assets without donor restrictions represent funds that are fully available, at the discretion of the Organization to utilize in any of its programs or supporting services. Temporarily restricted net assets (within net assets with donor restrictions) are net assets that are subject to donor-imposed stipulations that will be met either by actions of the Organization or the passage of time. Permanently restricted net assets (within net assets with donor restrictions) are subject to donor-imposed stipulations that they be permanently encumbered as to their use by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. At June 30, 2019 and 2018, the Organization did not have any net assets with donor restrictions.

Contributions, including unconditional promises to give (pledges), are recognized in the year the promise is made as opposed to when assets are received. Contributions with donor-imposed restrictions are reported as temporarily or permanently restricted contributions (within net assets with donor restrictions). Temporarily restricted net assets are reclassified as unrestricted net assets at such time as the Organization has fulfilled the donor-imposed restriction. Contributions where donor-imposed restrictions both arose and expired in the same fiscal year are reported as contributions without donor restrictions. As of and for the years ended June 30, 2019 and 2018, all contributions received by the Organization were classified as without donor restrictions.

Contributions made, including allocations to auxiliary organizations of the University, are recognized when the criteria for the allocation, set by the Board of Directors, have been met and the allocation becomes an unconditional promise to give. For the years ended June 30, 2019 and 2018, contributions are recorded as allocations or contributions in the expense section of the statements of activities.

Noncash contributions are recorded at their fair value at the date of donation as established by either appraisal or the value anticipated in the subsequent resale of an item.

The Organization collects rent from the University, acting as an agent or intermediary for the lessor. Rents collected are reported as increases in assets and liabilities; distributions to the lessor are reported as decreases in assets and liabilities (see Note 10).

Cash and Cash Equivalents

For the purposes of reporting the statements of cash flows, the Organization considers all cash accounts that are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less, to be cash equivalents.

The Organization maintains accounts with various financial institutions. The total balances in these checking accounts, at times, may exceed Federal Deposit Insurance Corporation limits. The excess uninsured amount equals approximately $1,439,000 and $989,000 as of June 30, 2019 and 2018, respectively. Management believes that the risk of loss is not significant, and the Organization has not experienced any losses in such accounts.

Short-term Investments

Investments, including Money Markets, Certificate of Deposits, and the Local Agency Investment Fund ("LAIF"), are recorded at their fair value in the statements of financial position. Investment income or losses (including realized gains and losses on investments, interest and dividends) are included in the statements of activities as an increase or decrease in investment income, net.

Accounts Receivable

Accounts receivable consist of customer and related-party receivables and vendor deposits, and are carried at the unpaid balance of the original amount. Accounts receivable are net of the allowance for doubtful accounts. Management determines the allowance for doubtful accounts by calculating a specific percent reserve on the aging of the accounts based on historical experiences by identifying specific past-due accounts and the payment ability of the other party. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. The Organization charges interest on leased operations past-due accounts receivable in accordance with the contract terms and federal and state law.

Rental Textbooks

Rental textbooks consist of textbooks that are currently in the possession of a customer. All rental textbooks that have been returned and retained by the Organization are recorded in bookstore goods inventory. New textbooks that are rented are depreciated until the carrying value equals the cost of a used textbook of the same title. Used textbooks are depreciated using a two-semester rental useful life. Rental textbooks that will no longer be offered will be sold to a book distributor or disposed. Gains and losses are charged to bookstore purchases in the accompanying statements of activities. For the years ended June 30, 2019 and 2018, the Organization recognized textbook rental income of approximately $1,121,000 and $1,468,000, respectively, and rental book depreciation expense of approximately $471,000 and $602,000, respectively.

Inventories

Inventories consist of finished goods such as bookstore goods, food and supplies. Bookstore inventory is stated at the lower of cost or market, where cost is determined using the retail-inventory method. Food and supplies inventories are stated at the lower of cost (first-in, first-out method) or market. All inventory is stated net of reserves for excess and obsolescence. There were no reserves for excess or obsolete inventory as of June 30, 2019 and 2018.

Property and Equipment

Property and equipment assets consist of land, buildings, equipment and furniture, leasehold improvements and construction in process, and are recorded at cost. Equipment and furniture are depreciated using the straight-line method over the estimated useful lives of the underlying assets, generally three to 15 years, and seven to 30 years for leasehold improvements and buildings. Improvements on leased facilities and facilities under operating agreements are amortized over the lesser of the related lease or operating agreement, or the estimated asset lives.

Long-lived Assets

In accordance with ASC Topic 360, *Property, plant and equipment*, long-lived assets are reviewed annually for impairment or whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. The estimated future cash flows are based upon, among other things, assumptions about expected future operating performance and may differ from actual cash flows. Long-live assets evaluated for impairment are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. If the sum, of the projected undiscounted cash flows (excluding interest) is less than the carrying value of the assets, the assets will be written down to the estimated fair value in the period in which the determination is made. Management has determined that no impairment of long-live assets occurred during the years ended June 30, 2019 and 2018.

Fair Value of Financial Instruments

The carrying amounts reported in the statements of financial position for cash, accounts receivable and accounts payable approximate fair value due to the immediate short-term nature of these financial instruments. The carrying amount reported for long-term debt approximates fair value because the interest rate associated with long-term debt approximates current rates offered to the Organization for debt of the same or similar maturities with similar collateral requirements.

Vacation Policy

The Organization accrued earned vacation based on whether the employee is salaried or hourly and the employee’s length of service. Salaried employees can accrue a maximum of 440 hours. Hourly employees can accrue a maximum of 272 to 440 hours based on length of service. Accrued vacation is calculated at the employee’s current wage rate. Vacation liabilities of approximately $448,000 and $520,000 were included in accrued liabilities at June 30, 2019 and 2018, respectively (see Note 5).

Sick Leave Benefits

The Organization pays eligible retiring employees accrued unused sick leave. Employees who are covered under the California Public Employees’ Retirement System (CalPERS) pension plan, and hired prior to 2006, are eligible to retire at age 50 and hourly employees, with a minimum of five years of service, are eligible at age 55. The retiring employees are entitled to receive 4 percent of accrued unused sick leave for each year of service up to a maximum of 25 years of service. The Organization accrued expense for future sick leave benefit obligations related to employees expected to retire with sick leave benefits. Sick time liabilities of approximately $81,000 and $417,000 are included in accrued liabilities at June 30, 2019 and 2018, respectively (see Note 5). During the year ended June 30, 2006, the Organization Board of Directors elected to participate in the CalPERS 457 plan, which allows all employees to make pretax withdrawals of accumulated sick leave accrued by the Organization above a floor number of earned hours at the then-current rate of pay and place those funds into a tax-deferred savings account administered by a third party. Full-time hourly employees can request to have their remaining sick time rolled over into the CalPERS 457 plan at a rate of 4% for every year worked.

Retirement and Postretirement Benefits

The Organization has two defined benefit pension plans. The first plan (the “Hourly Plan”) is sponsored by the Organization and covers all full-time hourly employees who meet the eligibility requirements. To be eligible, an employee must be at least 21 years of age, have completed at least one year of continuous service and not have attained the age of 60 at the date of employment. The Hourly Plan provides benefits earned before July 1, 2004, based on the employee’s highest three consecutive years of compensation prior to normal retirement date, which is subject to certain reductions if the employee retires before reaching age 65. Defined benefits earned subsequent to July 1, 2004 are based on a fixed amount. The Organization’s funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Organization may determine to be appropriate from time to time. Plan assets are generally invested in money market, bond and equity funds.

For the second plan, the Organization is a member of CalPERS, a multiemployer pension system that provides a contributory defined benefit pension and postretirement benefit program for its salaried employees. CalPERS functions as an investment and administrative agent for participating entities within the State of California.

The CalPERS plan provides retirement, survivor, and death and disability benefits based upon employees’ years of service, age and final compensation, and also provides contributions toward medical insurance. Vesting occurs after five years of credited service. Employees who retire at or after age 50 with five or more years of service are entitled to a retirement benefit, payable monthly for the remainder of their lives, and may elect to continue payment of participant premiums for medical benefit coverage. Several survivor benefit options are available that reduce a retiree’s unmodified benefit.

CalPERS issued a publicly available comprehensive annual financial report that included financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the California Public Employees’ Retirement System website at www.calpers.ca.gov.

While actuarial information is not available for the CalPERS defined benefit pension plan, the Organization’s pension plan information is included in the University’s financial report on an aggregate basis. The University’s financial report can be obtained from CSU.

The Organization also provides certain postretirement health care benefits for all retired employees that meet eligibility requirements through contracts with CalPERS. The Organization’s share of the estimated health care costs that will be paid after retirement is generally being accrued by changes to expense over the employees’ active service periods to the dates they are fully eligible for benefits.

The Organization obtains actuarial valuation of the accumulated postretirement benefit obligations for its postretirement health care benefit plan and the Hourly Plan on a periodic basis (see Note 9).

Revenue Recognition

The Organization follows ASC Topic 605, *Revenue Recognition*, and recognizes revenue from the rental of books or sale of food, books, supplies and other merchandise at the time the merchandise is rented or sold.

The Organization recognizes revenue related to meal plans during the semester as the meals are provided or as meal cards issued under the plan expire in accordance with their associated meal plan. Accordingly, the fees for meal cards received in advance of the meals provided may be included in deferred revenue based upon the associated plan.

The Organization recognizes revenue related to conference services as the conferences are delivered. Accordingly, the fees for conferences collected in advance of the conferences being delivered are included in deferred revenue.

Rental income from the Organization's residential and commercial rental properties are recognized on a monthly straight-line basis over the terms of the tenant lease agreements (see Note 10). Accordingly, the rents collected in advance of the terms of the lease are included in deferred revenue.

Sales Tax

The Organization records sales tax on a net basis (excluded from revenues) in the statements of financial position.

Income Taxes

The Organization follows the provisions of ASC 740, *Accounting for Uncertainty in Income Taxes*. The Organization files a Form 990 (Return of Organization Exempt from Income Tax) annually. When these returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the tax position taken or the amount of the position that would ultimately be sustained. Examples of tax positions common to the Organization include such matters as the tax-exempt status of each entity and various positions relative to potential sources of unrelated business taxable income and the associated unrelated business income tax (UBIT). UBIT is reported on Form 990-T, as appropriate. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolutions of appeals or litigation processes, if any.

Tax positions are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely to be realized on settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying statements of financial position, along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Upon adoption and through June 30, 2019 the Organization has addressed uncertainty in its income tax position, and there are no unrecognized/derecognized tax benefits requiring an accrual.

All tax-exempt entities are subject to review and audit by federal, state, and other applicable agencies. Such agencies may review the taxability of unrelated business income, or the qualifications of the organization as a tax-exempt under Internal Revenue Code Section 501(c) (3) and applicable state statutes.

Tax-Exempt Status

The Organization is exempt from federal and state income taxes. In order to maintain that status, the Organization is precluded from making certain expenditures, principally in support of political parties. Management believes that no such expenditures have been made for the years ended June 30, 2019 and 2018.

Unrelated Business Income Tax

The Tax Reform Act of 1969 imposes a corporation income tax on the UBIT of an otherwise tax-exempt organization. The provision, if necessary, for applicable federal and state income taxes is made in accordance with these statutes. The Organization recorded $13,000 of UBIT tax expense for the year ended June 30, 2019 and $0 for the year ended June 30, 2018.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates include assessing the ability to collect accounts receivable, recoverability of inventories, the lives and methods for recording depreciation and amortization on property and equipment, and assumptions used to calculate accrued employee benefits and accrued pension costs. Estimates also affect the reported amounts of revenues, gains and other income and expenses during the reporting period. As a result of such factors, actual results could differ from the estimates used by management.

Subsequent Events

The Organization has evaluated subsequent events through September 10, 2019, the date the financial statements were available to be issued.

Recent Accounting Pronouncements

On May 28, 2014, the FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers*, which impacts the way in which some entities recognized revenue for certain types of transactions. The new standard will become effective for annual reporting periods beginning after December 15, 2018 for private companies. The Organization is currently assessing the potential impact of this accounting standard and the effect the standard might have on its revenue recognition policy upon adoption.

In February 2016, the FASB issued Accounting Standard Update 2016-02, *Leases* (“ASU 2016-02”), which amends the guidance for the accounting and disclosure of leases. This new standard requires that lessees recognize the assets and liabilities that arise from leases on the balance sheet and disclose qualitative and quantitative information about their leasing arrangements. The new standard is effective for fiscal years beginning after December 15, 2019. The Organization is currently evaluating the impact that this new standard will have on our financial statements.

In August 2016, the FASB issued Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities - Topic 958* (“ASU 2016-14”). The guidance is intended to simplify and improve how a not-for-profit organization (NFP) classifies its net assets, as well as the information it presents in the financial statements about its liquidity, financial performance and cash flows. The main provisions of this update require an NFP to do the following:

- Present net assets in two classes instead of three – net assets with donor restrictions and net assets without donor restrictions.
- Continue to present the statement of cash flows using either direct or indirect methods but no longer require the presentation of the indirect method (reconciliation) if using the direct method.
- Provide enhanced disclosure about:
    - Amounts and purposes of governing board designations;
    - Composition of net assets with donor restrictions and how the restrictions affect the use of resources;
    - Qualitative information about how NFP manages its liquid resources;

- Qualitative information about the availability of financial assets;
- Expenses in both their natural and functional classes;
- Description of cost allocation methods; and
- Information about underwater endowments disclosing the NFP's policy, aggregate fair value of the funds, aggregate value of the original gift amount and aggregate amount by which the funds are underwater

- Report investment return net of external and direct internal investment expenses without disclosure of the netted expenses.
- Use of the "placed-in-service" approach for reporting restriction releases for gifts used to acquire or construct long-lived assets.

The new guidance is effective for annual reporting periods beginning after December 15, 2017. The Organization has evaluated the impact of this standard and has implemented the changes, resulting in no changes in the previously reported amounts.

NOTE 2 – SHORT-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS

Approximate fair value of short-term investments consisted of the following at June 30:

	2019	2018
Investments short-term:		
Money Market	$ 3,587,000	$ 3,352,000
Certificate of Deposit	-	200,000
	3,587,000	3,552,000
Local Agency Investment Fund (LAIF)	2,434,000	2,602,000
	$ 6,021,000	$ 6,154,000

Investment income, including income from certificates of deposit, consisted of approximately $213,000 and $88,000, respectively, for the years ended June 30, 2019 and 2018.

Fair Value Measurements

LAIF is an investment pool managed by the California State Treasurer ("the State"). LAIF's investments are short term and follow the investment requirements of the State. LAIF is allowed by the state statues, bond resolutions and investment policy resolutions to invest in United States government securities, federal agency securities, negotiable certificates of deposit, bankers' acceptances, commercial paper, corporate bonds, bank notes, other debt securities, repurchase agreements, reverse repurchase agreements and other investments.

Investments are presented in the financial statements at fair value in accordance with U.S. GAAP. The fair value of securities in the State's pooled investment program generally is based on quoted market prices. The State's Office performs a quarterly fair market valuation of the pooled investment program portfolio. In addition, the State's office performs a monthly fair market valuation of all securities held against carrying cost. As of June 30, 2019 and 2018, the weighted–average maturity of the securities in the pooled investment program administered by the State's Office was approximately 173 days and 193 days, respectively. Weighted-average maturity is the average number of days, given a dollar-weighted value of individual investments, that the securities in the portfolio have remaining from evaluation date to stated maturity. The default credit risk of LAIF is considered minimal.

The Pooled Money Investment Board ("the Board") provides oversight of the State's pooled investment program. The purpose of the Board is to design an effective cash management and investment program, using all monies flowing through the State's Office bank accounts and keeping all available funds invested in a manner consistent with the goals of safety, liquidity and yield. The Board is composed of the State Treasurer as chair, the State Controller and Director of Finance. The Board designates the amounts of money available for investment. The State is charged with making the actual investment transactions for this program. This investment program is not registered with the Securities and Exchange Commission as an investment company.

ASC Topic 820, *Fair Value Measurement*, establishes a three-tier fair value hierarchy that prioritizes the inputs used in measuring fair value as follows:

Level 1 – Observable inputs such as quoted market prices in active markets.

Level 2 – Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly.

Level 3 – Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

As of June 30, 2019 and 2018, the Organization's investments in money market accounts and certificate of deposits of approximately $3,587,000 and $3,552,000, respectively, are categorized as Level 2 investments. Those money market accounts and certificates of deposits are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions.

	2019	2018
Beginning balance	$ 3,552,000	$ 2,187,000
Total realized and unrealized gains, net, included in change in net assets	129,000	51,000
Net additions and purchases (under) sales and maturities	(94,000)	1,314,000
Ending balance	$ 3,587,000	$ 3,552,000

Level 3 classifications currently include pooled funds that include multiple investments in which the Organization does not have individual ownership of the specific assets and the Organization has an interest in the pooled investment. For these pooled investments, there is no daily pricing on an active exchange but where a substantial portion of a fund's fair value could be determined based on quoted market prices of underlying investments held by the fund and the estimated fair values of certain investments of the underlying investment pool, which may include private placements and other securities for which prices are not readily available, and are determined by the State or sponsor of the respective other investment pool and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized.

As of June 30, 2019 and 2018, the Organization's investments in LAIF of approximately $2,434,000 and $2,602,000, respectively, are categorized as Level 3 investments. During the years ended June 30, 2019 and 2018, there were no transfers among the classification levels.

The following table reflects a reconciliation of approximate beginning and ending balances for the Organization's total investments in LAIF at June 30:

	2019	2018
Beginning balance	$ 2,602,000	$ 582,000
Total realized and unrealized gains, net, included in change in net assets	82,000	20,000
Net additions and purchases (under) sales and maturities	(250,000)	2,000,000
Ending balance	$ 2,434,000	$ 2,602,000

NOTE 3 – INVENTORIES

Inventories were approximated as follows at June 30:

	2019	2018
Bookstore	$ 2,482,000	$ 2,789,000
Dining services	696,000	723,000
Supplies and other	43,000	47,000
	$ 3,221,000	$ 3,559,000

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment were approximated as follows at June 30:

	2019	2018
Land	$ 27,942,000	$ 27,900,000
Buildings	76,671,000	76,354,000
Equipment and furniture	17,912,000	16,999,000
Leasehold improvements	8,623,000	8,414,000
Construction in progress	2,341,000	823,000
	133,489,000	130,490,000
Less accumulated depreciation	(45,997,000)	(42,727,000)
	$ 87,492,000	$ 87,763,000

For the years ended June 30, 2019 and 2018, the Organization recorded depreciation expense of approximately $4,547,000 and $4,336,000, respectively.

NOTE 5 – ACCRUED LIABILITIES

Accrued liabilities were approximated as follows at June 30:

	2019	2018
Accrued compensation absences	$ 529,000	$ 937,000
Accrued interest	604,000	629,000
Salaries and benefits payable	800,000	769,000
University Trademark payable	409,000	334,000
University lease payable	379,000	123,000
Customer/student deposits	490,000	448,000
Accrued employee benefit costs (Note 9)	370,000	360,000
Security deposits	313,000	391,000
Deferred rent	25,000	25,000
Other	2,237,000	2,296,000
	$ 6,156,000	$ 6,312,000

NOTE 6 – RELATED-PARTY TRANSACTIONS AND ASSETS HELD ON BEHALF OF AFFILIATES

The Organization receives funds from auxiliaries of the University, or from the University, primarily for sales of bookstore merchandise, provision of dining services and reimbursement for monies collected by the University for residence hall fees and meal plans. In addition, the Organization disburses funds for rents and monies collected for parking fees on behalf of the University, and may make other allocations or reimbursements to auxiliaries of the University or to the University.

For the years ended June 30, 2019 and 2018, the Organization recorded cash receipts for services rendered and reimbursements from the University and its auxiliaries in the amount of approximately $40,710,000 and $35,696,000, respectively, which are included in revenue and include approximately $38,653,000 and $32,924,000, respectively, of funds collected by the University on behalf of the Organization for dining and residence hall services.

For the years ended June 30, 2019 and 2018, the Organization received advertising services from the University in exchange for providing meal cards and books to student athletes in the amount of approximately $308,000 and $335,000, respectively, which is included in their respective expense classifications.

For the years ended June 30, 2019 and 2018, the Organization recorded cash disbursements for services, including facility rents and reimbursements, to auxiliaries in the amount of approximately $9,081,000 and $7,675,000, respectively, which are included in expenses.

Related-party receivables and payables represent noninterest-bearing amounts owed to or payable by the Organization to or from the University and other affiliates. Related-party receivables and payables are included in accounts receivable and accounts payable (or accrued liabilities), respectively. As of June 30, 2019 and 2018, receivables due from the University and/or its auxiliaries were approximately $931,000 and $630,000, respectively. As of June 30, 2019 and 2018, accounts payable and accrued liabilities were approximately $423,000 and $367,000, respectively, and $1,652,000 and $1,459,000, respectively, for amounts owed to the University and/or its auxiliaries.

The Organization entered into a management and space guarantee agreement with the University in which the University continued to collect the funds for rents owed by the residents of University Towers, Piedra Del Sol, Granada Apartments, and certain units at Albert's Apartments; however, both parties agreed upon a fixed fee of $10,052,000 and $6,766,000 for the years ended June 30, 2019 and 2018, respectively, that took into consideration the services performed by the University instead of withholding an amount from the total funds collected. Also see Note 10.

The Organization entered into a management and lease agreement with the University to oversee the commercial and parking space at South Campus Plaza. Also see Note 10.

No additional amounts were held on behalf of affiliates as of June 30, 2019 or 2018.

NOTE 7 – RELATED-PARTY NOTES

Related-party long-term debt

Approximate related-party long-term debt consisted of the following at June 30:

	2019	2018
55th Street apartment loan, inclusive of issuance cost and bond premium [a]	$ 20,933,000	$ 21,553,000
University Towers loan, inclusive of issuance cost and bond premium [b]	14,149,000	14,951,000
University Towers Renovation loan, inclusive of issuance cost and bond premium [c]	9,013,000	9,227,000
Fraternity Row apartment loan, inclusive of bond premium [d]	6,012,000	6,432,000
Piedra Del Sol apartment loan, inclusive of bond premium [e]	3,981,000	4,265,000
College West apartment acquisition loan, inclusive of issuance cost and bond premium [f]	3,136,000	3,212,000
Sanctuary Suites acquisition loan [g]	4,482,000	4,718,000
Hardy Avenue apartment loan [h]	1,966,000	2,184,000
Aztec Shops Terrace capital lease payable [i]	2,457,000	2,674,000
College Square acquisition loan [j]	870,000	870,000
College Strip acquisition loan [k]	600,000	600,000
	67,599,000	70,686,000
Less current maturities	(3,425,000)	(3,087,000)
	$ 64,174,000	$ 67,599,000

(a) During the year ended June 30, 2010, the Organization acquired an unaffiliated apartment complex (55th Street apartments) adjacent to the University campus. In November 2009, the Trustees of CSU issued $25,330,000 of commercial paper to finance the purchase of the apartment complex until bond financing was available. In April 2010, the Trustees of CSU issued System wide Revenue Bonds (SRB) Series 2010AB. The bond proceeds were used to redeem the commercial paper. Commercial paper issuance cost of $297,940, commercial paper interest expense of $34,457 and interest income of $13,907 were recorded during the year ended June 30, 2010. The Organization and the Trustees of CSU entered into a loan agreement dated September 22, 2009 relating to the issuance of $25,155,000, which is a portion of the Trustees of the CSU SRB Series 2010A for the 55th Street Apartments Acquisition Project. The loan and the CSU SRB Series 2010AB bear interest at rates graduating from 2.0 percent to 6.4 percent, and are due in semiannual principal and interest payments beginning in November 2010 through November 2039. The bonds were purchased at a premium of $675,132 with an underwriter's discount of $158,056 and issuance costs of $68,465. The premium, underwriter's discount and cost of issuance are being amortized over the life of the loan using the effective interest method. The Series 2010B bonds are Build America Bonds and are eligible for a federal subsidy payment equal to 35 percent of the interest due on the Series 2010B. For the year ended June 30, 2019 the Organization received subsidies of $388,000 and recorded a receivable of $64,000. For the year ended June 30, 2018, the Organization received subsidies of $386,000 and recorded a receivable of $64,000.

(b) During the year ended June 30, 2001, the Organization acquired an unaffiliated residence hall (University Towers) on the University campus. The acquisition was funded through the issuance of student housing revenue bonds in November 2000. The Organization and the Trustees of CSU entered into a loan agreement dated March 1, 2010, relating to the issuance of $19,220,000 of debt, which is a portion of the Trustees of the CSU SRB Series 2010A for the refunding of Aztec Shops, Ltd. Auxiliary Organization Student Housing Revenue Bonds Series 2000. The payments for the loan agreement match the payment schedule for the bonds that were purchased. The loan and CSU SRB Series 2010AB bear interest at rates graduating from 2.0 percent to 5.0 percent, and are due in semiannual principal and interest payments beginning in November 2010 through November 2031. The bonds were purchased at a premium of $1,352,023, with an underwriter's discount of $98,273 and a cost of issuance expense of $51,290. The premium, underwriter's discount and cost of issuance are being amortized over the life of the loan using the effective interest method.

(c) On December 5, 2012, the Trustees of CSU issued $10,316,000 in tax-exempt commercial paper to finance the construction costs for the University Towers Renovation project. An additional $133,000 was issued during the year ended June 30, 2014. The project proposed selective critical upgrades to the nine-story, 560-bed University Towers residence hall, built in 1966 at the corner of Montezuma Road and 55th Street. The project includes a complete renovation of the 8,000 square-foot Food Service Facility, partial renovation of the first floor west and east wings of the residential tower, upgrades to the residence hall lobby and entryways, selective exterior upgrades and landscape improvements. The debt is subject to the federal arbitrage rules, which require that the commercial paper proceeds be spent within two years of the issue date. All spend-down requirements have been met as of June 30, 2015. Commercial paper issuance costs of $304,151 are capitalized and included in deferred debt issuance costs. The commercial paper notes were used as interim financing during the construction period until bond financing was available. In July 2014, the Trustees of CSU issued SRB Series 2014A and the proceeds were used to pay off the outstanding commercial paper notes. Construction was completed in September 2013. The CSU SRB Series 2014A bear interest at rates graduating from 3.0 percent to 5.0 percent, and are due in semiannual principal and interest payments beginning in November 2014 through May 2044. The bonds were purchased at a premium of $1,307,336, with an underwriter's discount of $32,141, and a cost of issuance expense of $16,196. The premium, underwriter's discount and cost of issuance are being amortized over the life of the loan using the effective interest method.

(d) In June 2013, the Organization acquired Fraternity Row apartments from the Research Foundation and assumed the outstanding CSU SRB Series 2012A in the amount of $7,380,000. The CSU SRB 2012A bear interest at rates graduating from 2.00 percent to 5.00 percent, and are due in semiannual principal and interest payments beginning in November 2013 through November 2030. The Organization assumed an unamortized bond premium in the amount of $1,039,681, which will be amortized over the life of the loan using the effective interest method.

(e) In June 2013, the Organization acquired Piedra Del Sol apartments from the Research Foundation and assumed the outstanding CSU SRB Series 2010A in the amount of $5,185,000. The CSU SRB Series 2010A bear interest at rates graduating from 2.00 percent to 5.00 percent, and are due in semiannual principal and interest payments beginning in November 2013 through November 2029. The Organization assumed an unamortized bond premium in the amount of $363,099, which will be amortized over the life of the loan using the effective interest method.

(f) On November 14, 2013, the Trustees of CSU issued $3,574,000 in tax-exempt commercial paper to finance the 2013 acquisition of College West apartments. An additional $18,353 was issued during the year ended June 30, 2015. The debt is subject to federal arbitrage rules, which require that the commercial paper proceeds be spent within two years of the issue date. All spend-down requirements have been met as of June 30, 2015. Commercial paper issuance costs of $31,326 are capitalized and included in deferred debt issuance costs as of June 30, 2015, no additional costs incurred during year ending June 30, 2016. The commercial paper notes were used as interim financing until bond financing was available. In July 2014, the Trustees of CSU issued SRB Series 2014A and the proceeds were used to pay off the outstanding commercial paper notes. The CSU SRB Series 2014A bear interest at rates graduating from 3.00 percent to 5.00 percent, and are due in semiannual principal and interest payments beginning in November 2014 through May 2044. The bonds were purchased at a premium of $447,353, with an underwriter's discount of $10,995, and a cost of issuance expense of $7,358. The premium, underwriter's discount and cost of issuance are being amortized over the life of the loan using the effective interest method.

(g) In January 2014, the Organization acquired Sanctuary Suite apartments from the Research Foundation and entered into an unsecured note in the amount of $4,718,000. The note bears interest at 4.0 percent per annum and is due in semiannual principal payments beginning in April 2019 through October 2028 and semiannual interest payments beginning in April 2014 through October 2028.

(h) In June 2013, the Organization acquired Hardy Avenue apartments from the Research Foundation and entered into an unsecured note in the amount of $2,184,000. The note bears interest at 4.00 percent per annum and is due in semiannual principal payments beginning in October 2018 through April 2028 and semiannual interest payments beginning in October 2013 through April 2028.

(i) In January 2015, the Organization entered into a 4,428 square foot building lease, which provides dining services, with the Trustees of the CSU. The lease calls for annual payments in the amount of $319,548 beginning in January 2015 through January 2029. The gross carrying value of the building recorded as of June 30, 2019 and 2018 is approximately $4,075,000. The related accumulated amortization recorded as of June 30, 2019 and 2018 was approximately $965,000 and $751,000. Amortization of assets held under capital building leases is included in depreciation expense.

(j) In June 2015, the Organization acquired College Avenue Square commercial and classroom building from the Research Foundation and entered into an unsecured note in the amount of $870,000. The note bears interest at 4.00 percent per annum and is due in semiannual principal payments beginning in October 2020 through April 2030 and semiannual interest payments beginning in October 2015 through April 2030.

(k) In June 2015, the Organization acquired College Avenue Strip commercial building from the Research Foundation and entered into an unsecured note in the amount of $600,000. The note bears interest at 4.00 percent per annum and is due in semiannual principal payments beginning in October 2020 through April 2030 and semiannual interest payments beginning in October 2015 through April 2030.

The SRB master debt agreement with Trustees of CSU pledges all unrestricted revenues of the Organization as collateral.

In connection with the 2010 Bonds, the Organization incurred issuance costs of approximately $375,000, which are being amortized over the term using the effective interest method. As of June 30, 2019 and 2018, related unamortized debt issuance cost was approximately $172,000 and $201,000, respectively.

Approximate future maturities of related-party, long-term debt and amortization of debt issuance costs and the bond premium are as follows:

Year ending June 30,	
2020	$ 3,425,000
2021	3,669,000
2022	3,774,000
2023	3,899,000
2024	4,013,000
Thereafter	48,819,000
	$ 67,599,000

Approximate future maturities of the related party capital lease at June 30, 2019 are as follows:

Years ending June 30,	Principal	Interest	Principal and Interest
2020	$ 226,000	$ 89,000	$ 315,000
2021	235,000	81,000	316,000
2022	243,000	71,000	314,000
2023	253,000	62,000	315,000
2024	262,000	52,000	314,000
Thereafter	1,238,000	104,000	1,342,000
Total minimum lease payments			2,916,000
Less amounts representing interest			(459,000)
Present value of future minimum lease payments			2,457,000
Less current portion			(226,000)
Capital lease obligation, net of current portion			$ 2,231,000

NOTE 8 – LONG-TERM DEBT

Approximate long-term debt consisted of the following at June 30, net of discount:

	2019	2018
Brawley Loan [(a)]	$ -	$ 120,000
Capital leases	45,000	73,000
	45,000	193,000
Less current maturities	(24,000)	(143,000)
	$ 21,000	$ 50,000

(a) In fiscal year ended June 30, 2005, the Organization converted its construction loan related to the completed building located at the Brawley site of the University to a term loan with a bank. The principal amount of the note was $1,132,000 to be paid over a 15-year period ending in September 2019; the loan was paid off in February 2019. The note bears interest of 5.00 percent per year for the first five years, and prime rate plus 1.00 percent reset at the beginning of each five-year period thereafter. In September 2009, the interest rate was reset to 4.25 percent per year. The loan is collateralized by the classroom and administrative offices located in the Brawley building, and contains certain prepayment penalties that will expire after the beginning of the 14th anniversary of the loan conversion. In connection with the issuance of the loan, the Organization incurred debt issuance costs of approximately $38,000, which are being amortized over the term of the loan using the effective interest method. As of June 30, 2019 and 2018, the related unamortized debt issuance cost was approximately $0 and $5,000, respectively.

The Organization has equipment leases that qualify as capital leases. The lease obligations are secured by the financed equipment, and amortization of assets held under capital leases is included in depreciation expense. The gross carrying value of financed equipment recorded as of June 30, 2019 and 2018 is approximately $181,000. The related accumulated depreciation recorded as of June 30, 2019 and 2018 was approximately $158,000 and $135,000, respectively.

Approximate future maturities of capital leases at June 30, 2019 are as follows:

Years ending June 30,	Principal	Interest	Principal and Interest
2020	$ 24,000	$ 1,000	$ 25,000
2021	21,000	-	21,000
2022	-	-	-
2023	-	-	-
2024	-	-	-
Thereafter	-	-	-
Total minimum lease payments	$ 45,000	$ 1,000	46,000
Less amounts representing interest			(1,000)
Present value of future minimum lease payments			45,000
Less current portion			(24,000)
Capital lease obligation, net of current portion			$ 21,000

Approximate future maturities of long-term debt and capital leases within the Long-term debt, noncurrent, are as follows:

Year ending June 30,	Amount
2020	$ 24,000
2021	-
2022	-
2023	-
2024	-
Thereafter	-
	$ 24,000

NOTE 9 – ACCRUED EMPLOYEE BENEFIT COSTS

CalPERS Salaried Plan

The Organization contracts with CalPERS to provide its salaried employees retirement and disability benefits, which are paid by the State of California. In addition, employee group health insurance coverage (other) is obtained through CalPERS, and the contract requires the Organization to pay a minimum portion of the health insurance premiums of retirees after certain required periods of employment. Through June

30, 2003, the CalPERS retirement and disability plan was an agent multiple-employer retirement plan; therefore, the provisions of ASC 715, *Employers' Accounting for Pensions*, were applicable.

Effective July 1, 2003, the Organization began participating in a CalPERS cost-sharing multiemployer pension plan whereby other entities with benefits similar to the Organization participate in the same cost-sharing plan. At the date the Organization began participating in the cost-sharing plan, a liability was determined by CalPERS for each of the cost-sharing plan participants, called a "side fund liability," which was established to account for each organization's share of the pool's unfunded liability. The side fund liability is calculated by CalPERS annually and includes liability calculations for the subsequent two years using estimated employer payroll and estimated return on plan assets in accordance with ASC 450, *Accounting for Contingencies*. The Organization prepaid the amount owed in the prior year so there is no side fund liability at June 30, 2019 and 2018.

The unfunded pension liabilities at June 30, 2019 and 2018 were derived from the most recent Accounting Valuation Reports provided by CalPERS. The measurement dates for the reports were June 30, 2018 and 2017 respectively.

The plan's proportionate share of the fiduciary's unfunded accumulated net pension liability as of June 30, 2018 and June 30, 2017 (the measurement dates) were $10,793,000 and $9,230,000 respectively.

The plan's proportionate share of fiduciary net asset position which is the total assets less certain reserve and expense requirements at June 30, 2018 and June 30, 2017 (the measurement dates) were $30,959,000 and $29,900,000, respectively.

The actuary assumed investment return as of June 30, 2018 was 7% per annum. The salary scale used assumes salary increases that vary by entry age and service. The total increase in any future year includes an assumed 2.5% inflation rate.

Service cost was calculated using 10.2 and 9.4 percent of actual for the years ended June 30, 2019 and 2018, respectively. Contribution rates to CalPERS were 29.6 percent and 23.3 percent of actual payroll for the years ended June 30, 2019 and 2018, respectively. Actual payroll was approximately $4,223,000 and $4,140,000 for the years ended June 30, 2019 and 2018, respectively. Total CalPERS expense for June 30, 2019 and 2018, was approximately $1,042,000 and $958,000, respectively. The employer's contributions represent more than 5 percent of total contributions to the plan.

Pension Plan	Plan Number	Pension Plan Funding Status 2018	2017	FIP/RP Status	Employer Contributions 2020-21	2021-22	2022-23	Surcharge Imposed
Miscellaneous Plan of the Aztec Shops, Ltd.	7287807346	65-80%	65-80%	N/A	715,000	829,000	922,000	No
PEPRA Miscellaneous Plan of the Aztec Shops, Ltd.	7287807346	> 80%	> 80%	N/A	4,000	5,000	5,900	No

CalPERS Medical Benefit Plan

In addition, the Organization contracts with CalPERS to provide its salaried employees group health insurance through CalPERS under a postretirement health care benefit plan. The contract requires the Organization to pay a minimum portion of the health insurance premiums of retirees after certain required periods of employment. The postretirement health care benefit plan requires retirees and active employees to pay a portion of the monthly health insurance premium cost. For the years ended June 30, 2019 and 2018, the Organization paid employee's health insurance premium as they came due.

The following tables set forth the approximate medical plan's funded status and the approximate amount recognized in the accompanying statements of financial position as of and for the years ended June 30:

	2019	2018
Changes in benefit obligations:		
Accumulated employee benefit obligation costs at beginning of year	$ (12,363,000)	$ (13,260,000)
Service cost	(251,000)	(289,000)
Interest cost	(512,000)	(523,000)
Benefit payments, net	315,000	329,000
Actuarial gains	(1,170,000)	1,380,000
Obligations at end of year	(13,981,000)	(12,363,000)
Fair value of plan assets at end of year	-	-
Funded status	$ (13,981,000)	$ (12,363,000)
Components of net periodic pension cost:		
Service cost	$ 251,000	$ 289,000
Interest cost	512,000	523,000
Return on plan assets	-	-
Amortization of prior service cost	-	-
Amortization of new loss	(111,000)	79,000
Net periodic pension cost	$ 652,000	$ 329,000
Employer contribution	$ 315,000	$ 329,000
Amounts recognized in the statements of financial position:		
Current liabilities	$ 370,000	$ 360,000
Noncurrent liabilities	13,611,000	12,003,000
Net amount recognized	$ 13,981,000	$ 12,363,000

Weighted-average assumptions used in the computation of the health care premiums include a discount rate of 3.7 percent and 4.2 percent for the years ended June 30, 2019 and 2018, respectively.

For measurement purposes on the postretirement medical benefit plan, a 6.75 and 7.0 percent health care cost trend rate for the years ended June 30, 2019 and 2018, respectively were used to calculate the expected cost increases. The ultimate rate is 4.5 percent, which will be attained in the years 2024 and 2025 for the years ended June 30, 2019 and 2018, respectively. If assumed health care trend rates were increased or decreased by 1 percent, the service and interest cost and accumulated postretirement benefit obligation for the year ended June 30, 2019 would be approximately increased or decreased as indicated below:

	1% Increase	1% Decrease
Service and interest cost	$ 171,000	$ (129,000)
Accumulated postretirement benefit obligation	$ 2,730,000	$ (2,160,000)

Estimated Future Benefit Payments and Contributions

Approximate future benefit payments expected to be paid are as follows:

Year ending June 30,	Amount
2020	$ 370,000
2021	400,000
2022	430,000
2023	460,000
2024	490,000
Years 2025 - onward	2,950,000
	$ 5,100,000

The Organization uses a June 30, measurement date for the plans. For fiscal years ending June 30, 2019 and 2018, net assets increased $1,933,000 and $569,000, respectively, due to the decrease in retiree medical plan liability at year end.

Hourly Plan

Approximate information relative to the Organization's Hourly Plan as of and for the years ended June 30, is presented below:

	2019	2018
Changes in benefit obligations:		
Accumulated employee benefit obligation costs at beginning of year	$ (8,409,000)	$ (8,953,000)
Service cost	(289,000)	(321,000)
Interest cost	(336,000)	(350,000)
Benefit payments, net	192,000	402,000
Actuarial gains	(1,086,000)	813,000
Obligations at end of year	(9,928,000)	(8,409,000)
Fair value of plan assets at end of year	7,214,000	6,759,000
Funded status	$ (2,714,000)	$ (1,650,000)
Components of net periodic pension cost:		
Service cost	$ 289,000	$ 321,000
Interest cost	337,000	350,000
Return on plan assets	(358,000)	(387,000)
Amortization of prior service cost	-	-
Amortization of new loss	113,000	201,000
Net periodic pension cost	$ 381,000	$ 485,000

Weighted-average assumptions used in computation for benefit obligation and net periodic pension cost are as follows:

	Years ended June 30,	
	2019	2018
Discount rate	4.20%	4.20%
Expected return on plan assets	6.50%	6.50%

Fair Value Measurement of the Plan Assets

The approximate fair values of the Organization’s Hourly Plan’s plan assets, by asset category, consisted of the following at June 30:

	2019	2018
Cash - level 1	$ -	$ -
Cash - level 2	2,167,000	2,055,000
Mutual funds - level 1	5,047,000	4,704,000
Mutual funds - level 2	-	-
Total plan assets	$ 7,214,000	$ 6,759,000

The Organization expects that there will be no plan assets that will be returned to the Organization during the upcoming fiscal year.

Asset Allocation and Investment Strategy

The dual goals of the pension plan are growth of principal and investment income. Dividend and interest income will represent a significant portion of the total return, although portfolio growth is equally important.

Assets may be shifted between the various equity and fixed-income portions of the portfolio as deemed necessary to appropriately balance risk and reward and to meet the plan’s requirements. The Organization’s pension plan weighted-average asset allocations, by asset category, were as follows at June 30:

	2019	2018	Desired Strategic Allocation at June 30, 2019 and 2018
Cash	5%	5%	0-5%
Fixed income	30%	25%	20-50%
Equity	65%	70%	25-70%
	100%	100%	

Basis for Determining the Expected Return on Assets

The pension plan has adopted a strategic asset allocation model based upon a quantitative-allocation method that measures long-term expected returns consistent with the plan's objectives. Using this method, a model portfolio was developed that closely matched the specific investments held by the plan. Annual total returns were calculated using actual calendar year returns of the major investment funds over the last 10 years. The expected return on assets of 6.50 and 6.00 percent for the current year and prior year, respectively, is both consistent with these historical returns and reasonable given the current asset allocation and expected market conditions.

Plan Expenses and Estimated Contributions

For fiscal years ended June 30, 2019 and 2018, net assets decreased by $1,473,000 and increased by $410,000, respectively, due to the change in hourly plan liability at year end. The Organization expects to contribute $350,000 to the Hourly Plan for the year ending June 30, 2020.

Approximate future benefit payments expected to be paid are as follows:

Years ending June 30,	
2020	$ 990,000
2021	280,000
2022	410,000
2023	640,000
2024	500,000
Years 2025-2029	2,630,000
	$ 5,450,000

NOTE 10 – COMMITMENT AND CONTINGENCIES

Rental Expenses

Operating Agreements and Leases

The Organization has eight operating and lease agreements with the Trustees of the University: one expires April 30, 2021 which has one three-year renewal option; one expires June 30, 2021; one expires June 30, 2023 with one five year extension; two expire June 30, 2024; one expires August 31, 2045; and two are continuous. These operating and lease agreements are for the purpose of operating the Westside convenience store, the Imperial Valley Campus bookstore, the East West Commons area, Aztec Art, Etc. (an art supply store), and South Campus Plaza retail properties for the benefit of the student body on behalf of the University.

The use of the facilities is governed by the terms of the agreements, which require the Organization to promote, staff, insure, repair, maintain and improve the facility when needed, and may require the Organization to cover the cost of utilities.

During the year ended June 30, 2016, the Organization entered into a lease agreement with the Trustees of the University, which expires August 31, 2045, for specific portions of the South Campus Plaza project. The portions include interior and exterior general and commercial retail space. During fiscal year ending June 30, 2019, one commercial space opened for business as compared to the prior year's six retail stores. In addition, the Organization entered into a management agreement with the University that expires August 31, 2020. Net revenues from the commercial leases are remitted back to the University and amounted to $163,000 for retail and $79,000 for parking for the year ended June 30, 2019.

The Organization has an operating agreement and a related group lease agreement with the Trustees of the University, which expire on June 30, 2028. The main operating agreement calls for the Organization to perform functions on behalf of the University such as operating bookstores, food services and campus services; housing; and acquisition, development, sale and transfer of real and personal property, including financing transactions related to these activities. The Organization's main bookstore sits upon the leased property, and its use is governed by the terms of the agreement, which include the assumption of the building, which is classified as a component of leasehold improvements, at the end of the lease plus any extensions. The net book value of the building was approximately $565,000 and $599,000 for the years ended June 30, 2019 and 2018, respectively.

During a prior year, the Organization entered into an agreement with Associated Students of San Diego State University (A.S.) to lease retail food space at Aztec Student Union. The lease term is an initial 10 years, which expires on June 30, 2024, with A.S. having the option to extend for two additional five-year periods. Rent is $600,000 annually and subject to negotiation at the end of each lease year. A.S. also funded $250,000 of tenant improvements, which is being amortized straight-line over the initial 10 years of the lease. The unamortized rent payable balance at June 30, 2019 and 2018 is $119,000 and $144,000, respectively.

During the year ended June 30, 2019, the Organization also leased equipment and facilities under operating leases expiring at various dates.

Total rent expense under the above operating leases, including percentage rentals and commissions, was approximately $3,366,000 and $3,155,000 for the years ended June 30, 2019 and 2018, respectively.

Operating Agreements and Leases, continued

Approximate future minimum lease commitments, excluding percentage rentals and commissions, for the above leases are as follows:

Years ending June 30,	
2020	$ 671,000
2021	34,000
2022	10,000
2023	1,000
2024	-
	$ 716,000

Rental Income

Leased Property

The Organization leases part of its residential properties to third parties, part of its commercial property to an auxiliary, and part of its Brawley facility to the University. The Organization recognized approximately $1,297,000 and $1,034,000 in residential and commercial rental income related to these leases for the years ended June 30, 2019 and 2018, respectively.

Approximate future minimum rentals under noncancelable operating leases are as follows:

Years ending June 30,	
2020	$ 7,295,000
2021	559,000
2022	480,000
2023	428,000
2024	412,000
Thereafter	867,000
	$ 10,041,000

Subleases

For the years ended June 30, 2019 and 2018, the Organization recognized approximately $2,432,000 and $2,029,000, respectively, in other income from subleases with third parties for facilities that are leased from related parties. The sublease income is composed of percentage rentals and commissions.

During the year ended June 30, 2014, the Organization entered into a sublease with a third party to lease food space at Aztec Student Union. The term is an initial 10 years, which expires on March 31, 2024, with an option to extend for two additional five-year periods. Monthly payments began in March 2014 at approximately $8,000, escalating annually. Additionally, the Organization funded $680,000 in tenant improvements. The rent expense and tenant improvements are being amortized straight-line over the 10-year lease life. The rent receivable balance at June 30, 2019 and 2018 is $579,000 and $622,000, respectively.

Revenues

As of June 30, 2019, the Organization had entered into a noncancelable revenue commitment in the aggregate of approximately $45,653,000 for services to be provided to the University and its auxiliaries.

On July 1, 2012, the Organization entered into a lease agreement with the University, wherein the University will lease University Towers through June 30, 2032 for $2,100,000 per year. In connection with the lease agreement, the Organization entered into a management agreement with the University, wherein the Organization will manage University Towers through June 30, 2022 for $1,723,000 per year, increasing 5 percent annually.

On July 1, 2013, the Organization entered into an agreement with the University, wherein the University will lease Piedra del Sol through June 30, 2030 for $450,000 per year. In connection with the lease agreement, the Organization entered into a management agreement with the University, wherein the Organization will manage Piedra del Sol through June 30, 2030 for $1,100,000 per year, increasing 3 percent annually.

Purchases

As of June 30, 2019, the Organization had entered into noncancelable commitments in the aggregate of approximately $1,619,000 for payment of license fees, concession fees and purchases of goods and services with third parties and the University and its auxiliaries.

During a prior year, the Organization entered into a capital lease for equipment, whereas the Organization is required to purchase a minimum of 7,200 cases of product at cost plus an additional amount added to each case for the purchase of the equipment. As of June 30, 2019, the Organization has a remaining 1,921 cases to purchase at an average cost of $33.78 per case, totaling approximately $65,000.

Other

Management Fee

During the year ended June 30, 2010, the Organization entered into a management fee arrangement with a third party in regard to the management services of various apartment buildings. The management fee is calculated as 3.5 percent of the gross revenue collected per month. For the years ended June 30, 2019 and 2018, the management fee was approximately $196,000 and $178,000, respectively.

During the year ended June 30, 2014, the Organization entered into a management fee arrangement with a third party in regard to the management services for various apartment buildings. The management fee is calculated as 4 percent of gross revenue or a fixed fee. For the years ended June 30, 2019 and 2018, the management fee was approximately $135,000 and $133,000, respectively.

License Fee

The Organization is licensed by several fast-food chains to produced and service products at the dining service facilities it operates. The licenses granted are primarily for three to ten years and require monthly license fees based on various percentages of gross sales.

NOTE 11 - ALLOCATIONS

At the discretion of the Board of Directors, the Organization provides for annual allocations to the University and affiliated organizations. During the years ended June 30, the allocations made were as follows:

	2019	2018
Associated Students of San Diego State University	$ 55,000	$ 55,000
San Diego State University and The Campanile Foundation	310,000	710,000
	$ 365,000	$ 765,000

NOTE 12 – CONTRIBUTION REVENUE AND EXPENSE

The Organization entered into an agreement with a vendor and the University in August 2013, in which all monies received from the vendor are subsequently contributed to the University. During each of the years ended June 30, 2019 and 2018, the Organization received $445,000 from the vendor and contributed $445,000 to the University.

NOTE 13 – OTHER INCOME

Other income consisted of approximately the following at June 30:

	2019	2018
Rent (Note 10)	$ 1,934,000	$ 1,948,000
Commissions	621,000	734,000
Federal subsidy revenue (Note 7)	388,000	386,000
Other	1,223,000	750,000
	$ 4,166,000	$ 3,818,000

NOTE 14 –AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Various sources of liquidity are available including cash and cash equivalents, investments in money markets, certificate of deposits and the Local Agency Investment Fund and accounts receivables.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of the bookstore, food service and residential and commercial rental properties as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Refer to the statement of cash flows, which identifies the sources and uses of the Organization's cash and shows positive cash generated by operations for fiscal years 2019 and 2018.

As of June 30, 2019 and 2018, the following table shows the approximate total financial assets held by the Organization and the amounts of those financial assets could be readily available within one year of the balance sheet date to meet general expenditures. There were no net assets with restrictions or any funds designated by the Board at June 30, 2019 and 2018:

	2019	2018
Cash and cash equivalents	$ 1,783,000	$ 1,342,000
Investments	6,021,000	6,154,000
Accounts receivable	2,017,000	1,701,000
Total financial assets	$ 9,821,000	$ 9,197,000

NOTE 15 –EXPENSE ALLOCATION

FY 2019	Program Activities				Supporting Activities	
	Dining	Bookstore	Business Development	Programs Total	Management and General	Total Expenses
Cost of Sales	$ 8,530,603	$ 13,171,717	$ -	$ 21,702,320	$ -	$ 21,702,320
Salaries and benefits	10,286,029	3,194,974	158,052	13,639,055	5,605,474	19,244,529
Supplies and travel	567,532	657,397	157,949	1,382,878	212,065	1,594,943
Services and professional fees	1,258,119	181,715	3,219,272	4,659,106	884,714	5,543,820
Office and occupancy	4,947,298	970,967	5,572,245	11,490,510	1,653,428	13,143,938
Depreciation	1,033,264	574,370	6,380,002	7,987,636	118,555	8,106,191
Interest	213,765	-	67,599	281,364	1,346	282,710
Total expenses	$ 26,836,610	$ 18,751,140	$ 15,555,119	$ 61,142,869	$ 8,475,582	$ 69,618,451

FY 2018	Program Activities				Supporting Activities	
	Dining	Bookstore	Business Development	Programs Total	Management and General	Total Expenses
Cost of Sales	$ 8,797,179	$ 12,965,522	$ -	$ 21,762,701	$ -	$ 21,762,701
Salaries and benefits	10,264,294	3,195,846	218,064	13,678,204	5,499,584	19,177,788
Supplies and travel	606,057	731,096	198,741	1,535,894	204,607	1,740,501
Services and professional fees	1,235,301	197,595	2,876,487	4,309,383	829,437	5,138,820
Office and occupancy	4,821,404	979,732	5,117,112	10,918,248	1,910,415	12,828,663
Depreciation	984,401	739,262	6,215,105	7,938,768	122,774	8,061,542
Interest	219,404	-	69,003	288,407	2,141	290,548
Total expenses	$ 26,928,040	$ 18,809,053	$ 14,694,512	$ 60,431,605	$ 8,568,958	$ 69,000,563
	-	-	-			

The tables above presents expenses by function and natural classification. Expenses directly attributed to a specific functional area, including general and administrative costs, are reporting as expenses of those functional areas. The Facilities Services Support and San Diego State University Public Safety expense is allocated based on the square footage of the facilities that they support while salaries and benefits are allocated on the basis of estimates of time and effort. For expenses related to multiple functional areas, the expenses are allocated based on management's review of the nature of the expense, the programs benefited and a reasonable allocation methodology.

SUPPLEMENTAL INFOMATION

Aztec Shops, Ltd.

SCHEDULE OF NET POSITION

June 30, 2019
(for inclusion in the California State University)

Assets:		
Current assets:		
Cash and cash equivalents	$	1,783,285
Short-term investments		6,021,147
Accounts receivable, net		2,016,665
Capital lease receivable, current portion		—
Notes receivable, current portion		—
Pledges receivable, net		—
Prepaid expenses and other current assets		3,638,622
Total current assets		13,459,719
Noncurrent assets:		
Restricted cash and cash equivalents		—
Accounts receivable, net		—
Capital lease receivable, net of current portion		—
Notes receivable, net of current portion		—
Student loans receivable, net		—
Pledges receivable, net		—
Endowment investments		—
Other long-term investments		—
Capital assets, net		87,491,988
Other assets		650,098
Total noncurrent assets		88,142,086
Total assets		101,601,805
Deferred outflows of resources:		
Unamortized loss on debt refunding		—
Net pension liability		—
Net OPEB liability		—
Others		—
Total deferred outflows of resources	$	—

SCHEDULE OF NET POSITION - CONTINUED

June 30, 2019
(for inclusion in the California State University)

Liabilities:		
Current liabilities:		
Accounts payable	$	1,404,167
Accrued salaries and benefits		800,151
Accrued compensated absences, current portion		529,442
Unearned revenues		984,136
Capital lease obligations, current portion		250,443
Long-term debt obligations, current portion		3,199,208
Claims liability for losses and loss adjustment expenses, current portion		—
Depository accounts		—
Other liabilities		4,825,958
Total current liabilities		11,993,505
Noncurrent liabilities:		
Accrued compensated absences, net of current portion		—
Unearned revenues		—
Grants refundable		—
Capital lease obligations, net of current portion		2,251,802
Long-term debt obligations, net of current portion		61,942,937
Claims liability for losses and loss adjustment expenses, net of current portion		—
Depository accounts		—
Net other postemployment benefits liability		13,610,940
Net pension liability		2,714,394
Other liabilities		93,750
Total noncurrent liabilities		80,613,823
Total liabilities		92,607,328
Deferred inflows of resources:		
Service concession arrangements		—
Net pension liability		—
Net OPEB liability		—
Unamortized gain on debt refunding		—
Nonexchange transactions		—
Others		—
Total deferred inflows of resources	$	—

Aztec Shops, Ltd.

SCHEDULE OF NET POSITION - CONTINUED

June 30, 2019
(for inclusion in the California State University)

Net Position:		
Net investment in capital assets	$	19,847,598
Restricted for:		—
Nonexpendable – endowments		—
Expendable:		—
Scholarships and fellowships		—
Research		—
Loans		—
Capital projects		—
Debt service		—
Others		—
Unrestricted	$	(10,853,121)
Total net position	$	8,994,477

Aztec Shops, Ltd.

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

June 30, 2019
(for inclusion in the California State University)

Revenues:		
Operating revenues:		
Student tuition and fees, gross	$	—
Scholarship allowances (enter as negative)		—
Grants and contracts, noncapital:		
Federal		—
State		—
Local		—
Nongovernmental		—
Sales and services of educational activities		—
Sales and services of auxiliary enterprises, gross		68,241,588
Scholarship allowances (enter as negative)		—
Other operating revenues		—
Total operating revenues		68,241,588
Expenses:		
Operating expenses:		
Instruction		—
Research		—
Public service		—
Academic support		—
Student services		—
Institutional support		—
Operation and maintenance of plant		—
Student grants and scholarships		—
Auxiliary enterprise expenses		61,098,902
Depreciation and amortization		4,596,208
Total operating expenses		65,695,110
Operating income (loss)	$	2,546,478

Aztec Shops, Ltd.

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - CONTINUED

For the Year Ended June 30, 2019
(for inclusion in the California State University)

Nonoperating revenues (expenses):		
State appropriations, noncapital	$	—
Federal financial aid grants, noncapital		—
State financial aid grants, noncapital		—
Local financial aid grants, noncapital		—
Nongovernmental and other financial aid grants, noncapital		—
Other federal nonoperating grants, noncapital		—
Gifts, noncapital		—
Investment income (loss), net		213,246
Endowment income (loss), net		—
Interest expense		(3,113,341)
Other nonoperating revenues (expenses) - excl. interagency transfers		731,383
Other nonoperating revenues (expenses) - interagency transfers		–
Net nonoperating revenues (expenses)		(2,168,712)
Income (loss) before other revenues (expenses)		377,766
State appropriations, capital		–
Grants and gifts, capital		387,631
Additions (reductions) to permanent endowments		–
Increase (decrease) in net position		765,397
Net position:		
Net position at beginning of year, as previously reported		8,229,080
Restatements		
Net position at beginning of year, as restated		8,229,080
Net position at end of year	$	8,994,477

Aztec Shops, Ltd.

OTHER SUPPLEMENTARY INFORMATION

June 30, 2019
(for inclusion in the California State University)

1	**Restricted cash and cash equivalents at June 30, 2019:**		
	Portion of restricted cash and cash equivalents related to endowments	$	—
	All other restricted cash and cash equivalents		—
	Total restricted cash and cash equivalents	$	—

Aztec Shops, Ltd.

OTHER SUPPLEMENTARY INFORMATION - CONTINUED

June 30, 2019
(for inclusion in the California State University)

2.1 Composition of investments at June 30, 2019:

	Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
State of California Surplus Money Investment Fund (SMIF)	$ —	—	—	—	—	—	—
State of California Local Agency Investment Fund (LAIF)	2,434,000	—	2,434,000	—	—	—	2,434,000
Corporate bonds	—	—	—	—	—	—	—
Certificates of deposit	—	—	—	—	—	—	—
Mutual funds	—	—	—	—	—	—	—
Money Market funds	3,587,147	—	3,587,147	—	—	—	3,587,147
Repurchase agreements	—	—	—	—	—	—	—
Commercial paper	—	—	—	—	—	—	—
Asset backed securities	—	—	—	—	—	—	—
Mortgage backed securities	—	—	—	—	—	—	—
Municipal bonds	—	—	—	—	—	—	—
U.S. agency securities	—	—	—	—	—	—	—
U.S. treasury securities	—	—	—	—	—	—	—
Equity securities	—	—	—	—	—	—	—
Exchange traded funds (ETFs)	—	—	—	—	—	—	—
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)							
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Other major investments:							
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—
Total investments	6,021,147	—	6,021,147	—	—	—	6,021,147
Less endowment investments (enter as negative number)	—	—	—	—	—	—	—
Total investments	$ 6,021,147	—	6,021,147	—	—	—	6,021,147

Aztec Shops, Ltd.

SCHEDULE OF NET POSITION - CONTINUED

June 30, 2019
(for inclusion in the California State University)

2.2 Investments held by the University under contractual agreements at June 30, 2019:

Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 20CY :	—	—	—	—	—	—	—

2.3 Restricted current investments at June 30, 2019 related to:

		Amount
Add description	$	—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Total restricted current investments at June 30, 2019	$	—

2.4 Restricted noncurrent investments at June 30, 2019 related to:

		Amount
Endowment investment	$	—
Scholarships		—
Inflation reserves		—
University projects		—
Add description		—
Add description		—
Add description		—
Add description		—
Total restricted noncurrent investments at June 30, 2019	$	—

Aztec Shops, Ltd.

SCHEDULE OF NET POSITION - CONTINUED

June 30, 2019
(for inclusion in the California State University)

2.5 Fair value hierarchy in investments at June 30, 2019:

		Fair Value Measurements Using			
	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)
State of California Surplus Money Investment Fund (SMIF)	$ —	—	—	—	—
State of California Local Agency Investment Fund (LAIF)	2,434,000	—	—	—	2,434,000
Corporate bonds	—	—	—	—	—
Certificates of deposit	—	—	—	—	—
Mutual funds	—	—	—	—	—
Money Market funds	3,587,147	—	3,587,147	—	—
Repurchase agreements	—	—	—	—	—
Commercial paper	—	—	—	—	—
Asset backed securities	—	—	—	—	—
Mortgage backed securities	—	—	—	—	—
Municipal bonds	—	—	—	—	—
U.S. agency securities	—	—	—	—	—
U.S. treasury securities	—	—	—	—	—
Equity securities	—	—	—	—	—
Exchange traded funds (ETFs)	—	—	—	—	—
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)					
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Other major investments:					
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Add description	—	—	—	—	—
Total investments	$ 6,021,147	—	3,587,147	—	2,434,000

Aztec Shops, Ltd.

SCHEDULE OF NET POSITION - CONTINUED

June 30, 2019
(for inclusion in the California State University)

3.1 Composition of capital assets at June 30, 2019:

	Balance June 30, 2018	Prior period Adjustments	Reclassifications	Balance June 30, 2018 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2019
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	$ 27,899,623	—	—	27,899,623	188,040	$ (145,837)	—	27,941,826
Works of art and historical treasures	–	–	–	–	–	–	–	–
Construction work in progress (CWIP)	823,473	–	–	823,473	2,689,630	(4,825)	(1,167,117)	2,341,161
Intangible assets:								
Rights and easements	–	–	–	–	–	–	–	–
Patents, copyrights and trademarks	–	–	–	–	–	–	–	–
Internally generated intangible assets in progress	–	–	–	–	–	–	–	–
Licenses and permits	–	–	–	–	–	–	–	–
Other intangible assets:								
Add description	–	–	–	–	–	–	–	–
Add description	–	–	–	–	–	–	–	–
Add description	–	–	–	–	–	–	–	–
Add description	–	–	–	–	–	–	–	–
Add description	–	–	–	–	–	–	–	–
Total intangible assets	–	–	–	–	–	–	–	–
Total nondepreciable/nonamortizable capital assets	28,723,096	–	–	28,723,096	2,877,670	(150,662)	(1,167,117)	30,282,987
Depreciable/amortizable capital assets:								
Buildings and building improvements	76,354,092	–	–	76,354,092	959,571	(1,148,720)	505,578	76,670,521
Improvements, other than buildings	–	–	–	–	–	–	–	–
Infrastructure	–	–	–	–	–	–	–	–
Leasehold improvements	8,413,726	–	–	8,413,726	29,444	–	179,905	8,623,075
Personal property:								
Equipment	15,096,620	–	–	15,096,620	529,246	(137,304)	351,733	15,840,295
Library books and materials	–	–	–	–	–	–	–	–
Intangible assets:								
Software and websites	1,902,596	–	–	1,902,596	39,600	–	129,895	2,072,091
Rights and easements	–	–	–	–	–	–	–	–
Patents, copyright and trademarks	–	–	–	–	–	–	–	–
Licenses and permits	–	–	–	–	–	–	–	–
Other intangible assets:								
Add description	–	–	–	–	–	–	–	–
Add description	–	–	–	–	–	–	–	–
Add description	–	–	–	–	–	–	–	–
Add description	–	–	–	–	–	–	–	–
Add description	–	–	–	–	–	–	–	–
Total intangible assets	1,902,596	–	–	1,902,596	39,600	–	–	2,072,091
Total depreciable/amortizable capital assets	101,767,034	–	–	101,767,034	1,557,861	(1,286,024)	1,037,216	103,205,982
Total capital assets	130,490,130	–	–	130,490,130	4,435,531	(1,436,686)	(129,901)	133,488,969
Less accumulated depreciation/amortization:								
Buildings and building improvements	(23,812,151)	–	–	(23,812,151)	(3,081,273)	1,148,720	–	(25,744,704)
Improvements, other than buildings	–	–	–	–	–	–	–	–
Infrastructure	–	–	–	–	–	–	–	–
Leasehold improvements	(6,349,287)	–	–	(6,349,287)	(259,282)	–	–	(6,608,569)
Personal property:								
Equipment	(10,782,588)	–	–	(10,782,588)	(1,120,235)	128,755	–	(11,774,068)
Library books and materials	–	–	–	–	–	–		–
Intangible assets:								
Software and websites	(1,782,941)	–	–	(1,782,941)	(86,699)	–	–	(1,869,640)
Rights and easements	–	–	–	–	–	–	–	–
Patents, copyright and trademarks	–	–	–	–	–	–	–	–
Licenses and permits	–	–	–	–	–	–	–	–
Other intangible assets:								
Add description	–	–	–	–	–	–	–	–
Add description	–	–	–	–	–	–	–	–
Add description	–	–	–	–	–	–	–	–
Add description	–	–	–	–	–	–	–	–
Add description	–	–	–	–	–	–	–	–
Total intangible assets	(1,782,941)	–	–	(1,782,941)	(86,699)	–	–	(1,869,640)
Total accumulated depreciation/amortization	(42,726,967)	–	–	(42,726,967)	(4,547,489)	1,277,475	–	(45,996,981)
Total capital assets, net	$ $ 87,763,163	$ -	$ -	$ 87,763,163	$ (111,958)	$ (159,211)	$ (129,901)	$ 87,491,988

3.2 Detail of depreciation and amortization expense for the year ended June 30, 2019:

Depreciation and amortization expense related to capital assets	$	4,547,488
Amortization expense related to other assets		475,403
Total depreciation and amortization	$	5,022,891

Aztec Shops, Ltd.

OTHER SUPPLEMENTARY INFORMATION - CONTINUED

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4 Long-term liabilities activity schedule:

		Balance June 30, 2018	Prior period adjustments	Reclassifications	Balance June 30, 2018 (restated)	Additions	Reductions	Balance June 30, 2019	Current portion	Long-term portion
Accrued compensated absences	$	937,359	—	—	937,359	921,250	(1,329,167)	529,442	529,442	—
Claims liability for losses and loss adjustment expenses		—	—	—	—	—	–	—	—	—
Capital lease obligations:										
Gross balance		2,747,178	—	—	2,747,178	—	(244,933)	2,502,245	250,443	2,251,802
Unamortized premium / (discount) on capital lease obligations		—	—	—	—	—	–	—	—	—
Total capitalized lease obligations		2,747,178	—	—	2,747,178	—	(244,933)	2,502,245	250,443	2,251,802
Long-term debt obligations:								—		
Auxiliary revenue bonds		—	—	—	—	—	–	—	—	—
Commercial paper		—	—	—	—	—	–	—	—	—
Notes payable related to SRB		56,980,000	—	—	56,980,000	—	(2,150,000)	54,830,000	2,255,000	52,575,000
Others: (list by type)										
Brawley Loan		125,502	—	—	125,502	—	(125,502)	—	—	—
SDSURF Notes Payable		8,371,991	—	—	8,371,991	—	(454,300)	7,917,691	690,199	7,227,492
Add description		—	—	—	—	—	–	—	—	—
Add description		—	—	—	—	—	–	—	—	—
Add description		—	—	—	—	—	–	—	—	—
Add description		—	—	—	—	—	–	—	—	—
Total long-term debt obligations		65,477,493	—	—	65,477,493	—	(2,729,802)	62,747,691	2,945,199	59,802,492
								—	—	
Unamortized bond premium / (discount)		2,655,045	—	—	2,655,045	—	(260,591)	2,394,454	254,009	2,140,445
Total long-term debt obligations, net		68,132,538	—	—	68,132,538	—	(2,990,393)	65,142,145	3,199,208	61,942,937
Total long-term liabilities	$	71,817,075	—	—	71,817,075	921,250	(4,564,493)	68,173,832	3,979,093	64,194,739

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5 Future minimum lease payments - Capital lease obligations:

	Capital lease obligations related to SRB			All other capital lease obligations			Total capital lease obligations		
	Principal Only	**Interest Only**	**Principal and Interest**	**Principal Only**	**Interest Only**	**Principal and Interest**	**Principal Only**	**Interest Only**	**Principal and Interest**
Year ending June 30:									
2020	—	—	—	271,595	89,763	361,358	271,595	89,763	361,358
2021	—	—	—	234,557	80,519	315,077	234,557	80,519	315,077
2022	—	—	—	243,494	71,413	314,907	243,494	71,413	314,907
2023	—	—	—	252,771	61,959	314,730	252,771	61,959	314,730
2024 - 2028	—	—	—	262,402	52,145	314,546	262,402	52,145	314,546
2029 - 2033	—	—	—	1,237,425	104,342	1,341,768	1,237,425	104,342	1,341,768
2034 - 2038	—	—	—	—	—	—	—	—	—
2039 - 2043	—	—	—	—	—	—	—	—	—
2044 - 2048	—	—	—	—	—	—	—	—	—
2049 - 2053	—	—	—	—	—	—	—	—	—
2054 - 2058	—	—	—	—	—	—	—	—	—
2059 - 2063	—	—	—	—	—	—	—	—	—
2064 - 2068	—	—	—	—	—	—	—	—	—
2069 - thereafter	—	—	—	—	—	—	—	—	—
Total minimum lease payments	—	—	—	2,502,245	460,141	2,962,386	2,502,245	460,141	2,962,386
Less amounts representing interest									(460,141)
Present value of future minimum lease payments									2,502,245
Unamortized net premium (discount)									–
Total capital lease obligations									2,502,245
Less: current portion									(250,443)
Capital lease obligations, net of current portion									$ 2,251,802

6 Long-term debt obligations schedule:

	Auxiliary revenue bonds			All other long-term debt obligations			Total long-term debt obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2020	—	—	—	2,945,199	3,182,939	6,128,138	2,945,199	3,182,939	6,128,138
2021	—	—	—	3,192,199	3,043,911	6,236,110	3,192,199	3,043,911	6,236,110
2022	—	—	—	3,302,199	2,894,129	6,196,328	3,302,199	2,894,129	6,196,328
2023	—	—	—	3,432,199	2,731,828	6,164,027	3,432,199	2,731,828	6,164,027
2024	—	—	—	3,552,199	2,560,565	6,112,764	3,552,199	2,560,565	6,112,764
2025-2029	—	—	—	19,361,696	8,653,307	28,015,003	19,361,696	8,653,307	28,015,003
2030-2034	—	—	—	12,977,000	5,451,537	18,428,537	12,977,000	5,451,537	18,428,537
2035-2039	—	—	—	9,080,000	2,662,550	11,742,550	9,080,000	2,662,550	11,742,550
2040-2044	—	—	—	4,905,000	451,423	5,356,423	4,905,000	451,423	5,356,423
	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—
Total minimum payments	$ —	—	—	62,747,691	31,632,189	94,379,880	62,747,691	31,632,189	94,379,880
Less amounts representing interest									(31,632,189)
Present value of future minimum payments									62,747,691
Unamortized net premium (discount)									2,394,454
Total long-term debt obligations									65,142,145
Less: current portion									(2,945,199)
Long-term debt obligations, net of current portion									$ 62,196,946

7 Calculation of net position:

7.1 Calculation of net position - Net investment in capital assets

Capital assets, net of accumulated depreciation	$	87,491,988
Capital lease obligations, current portion		(250,443)
Capital lease obligations, net of current portion		(2,251,802)
Long-term debt obligations, current portion		(2,945,199)
Long-term debt obligations, net of current portion		(62,196,946)
Portion of outstanding debt that is unspent at year-end (enter as positive number)		-
Other adjustments: (please list)		
Add description		-
Add description		-
Add description		-
Add description		-
Add description		-
Net position - Net investment in capital assets	$	19,847,598

7.2 Calculation of net position - Restricted for nonexpendable - endowments

Portion of restricted cash and cash equivalents related to endowments	$	—
Endowment investments		—
Other adjustments: (please list)		
Restricted expendable endowments		
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Net position - Restricted for nonexpendable - endowments	$	—

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8 Transactions with related entities:

		Amount
Payments to University for salaries of University personnel working on contracts, grants, and other programs	$	—
Payments to University for other than salaries of University personnel		4,463,251
Payments received from University for services, space, and programs		17,056,272
Gifts-in-kind to the University from discretely presented component units		—
Gifts (cash or assets) to the University from discretely presented component units		—
Accounts (payable to) University (enter as negative number)	$	(1,761,496)
Other amounts (payable to) University (enter as negative number)	$	(2,456,599)
Accounts receivable from University (enter as positive number)		492,677
Other amounts receivable from University		—

9 Other postemployment benefits (OPEB) liability

Intentionaly left blank - not required/applicable eff FY17/18

10 Pollution remediation liabilities under GASB Statement No. 49:

Description		Amount
Add description	$	—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Total pollution remediation liabilities	$	—
Less: current portion		—
Pollution remedition liabilities, net of current portion		—

Aztec Shops, Ltd.

OTHER SUPPLEMENTARY INFORMATION - CONTINUED

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11 The nature and amount of the prior period adjustment(s) recorded to beginning net position:

	Net Position Class	Amount Dr. (Cr.)
Net position as of June 30, 2017, as previously reported		$ 3,381,637
Prior period adjustments:		
1 (list description of each adjustment)		—
2 (list description of each adjustment)		—
3 (list description of each adjustment)		—
4 (list description of each adjustment)		—
5 (list description of each adjustment)		—
6 (list description of each adjustment)		—
7 (list description of each adjustment)		—
8 (list description of each adjustment)		—
9 (list description of each adjustment)		—
10 (list description of each adjustment)		—
Net position as of June 30, 2017, as restated		$ 3,381,637

Provide a detailed breakdown of the journal entries (at the financial statement line item level) booked to record each prior period adjustment:

	Debit	Credit
Net position class:_____________________		
1 (breakdown of adjusting journal entry)		
	$ —	
		—
Net position class:_____________________		
2 (breakdown of adjusting journal entry)		
	—	
		—
Net position class:_____________________		
3 (breakdown of adjusting journal entry)		
	—	
		—
Net position class:_____________________		
4 (breakdown of adjusting journal entry)		
	—	
		—
Net position class:_____________________		
5 (breakdown of adjusting journal entry)		
	—	
		—
Net position class:_____________________		
6 (breakdown of adjusting journal entry)		
	—	
		—
Net position class:_____________________		
7 (breakdown of adjusting journal entry)		
	—	
		—
Net position class:_____________________		
8 (breakdown of adjusting journal entry)		
	—	
		—
Net position class:_____________________		
9 (breakdown of adjusting journal entry)		
	—	
		—
Net position class:_____________________		
10 (breakdown of adjusting journal entry)		
	—	
		—

Aztec Shops, Ltd.

OTHER SUPPLEMENTARY INFORMATION - CONTINUED

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12 Natural Classifications of Operating Expenses:

	Salaries	Benefits	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total operating expenses
Instruction	—	—	—	—	—	—
Research	—	—	—	—	—	—
Public service	—	—	—	—	—	—
Academic support	—	—	—	—	—	—
Student services	—	—	—	—	—	—
Institutional support	—	—	—	—	—	—
Operation and maintenance of plant	—	—	—	—	—	—
Student grants and scholarships	—	—	—	—	—	—
Auxiliary enterprise expenses	14,168,353	6,423,278	—	40,507,271	4,596,208	65,695,110
Depreciation and amortization	—	—	—	—	—	—
Total	14,168,353	6,423,278	—	40,507,271	4,596,208	65,695,110