

Financial Statements and Report of  
Independent Certified Public  
Accountants

**Aztec Shops, Ltd.**

June 30, 2022 and 2021

## Contents

	Page
Report of Independent Certified Public Accountants	3
Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	6
Financial Statements	
Statements of financial position	8
Statements of activities	9
Statements of cash flows	10
Notes to financial statements	11
Supplementary Information	
Schedule of net position	36
Schedule of revenues, expenses and changes in net position	39
Other supplementary information	41

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**GRANT THORNTON LLP**

4660 La Jolla Village Dr., Suite 100  
San Diego, CA 92122

**D** +1 858 704 8004

**F** +1 858 704 8099

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board of Directors  
Aztec Shops, Ltd.

**Report on the financial statements****Opinion**

We have audited 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, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for opinion**

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

**Responsibilities of management for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is

not a guarantee that an audit conducted in accordance with US GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

#### **Supplementary information**

Our audits were 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 36-52 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 audits of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with US GAAS. In our opinion, the accompanying 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 14, 2022 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Grant Thornton LLP*

San Diego, California  
September 14, 2022

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**GRANT THORNTON LLP**

4660 La Jolla Village Dr., Suite 100  
San Diego, CA 92122

**D** +1 858 704 8004

**F** +1 858 704 8099

**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 (*Government Auditing Standards*), 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 statement of financial position as of June 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 14, 2022.

**Report on 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") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's 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 internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on 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 financial statements.

**Purpose of this report**

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

*Grant Thornton LLP*

San Diego, California  
September 14, 2022

**Aztec Shops, Ltd.**

**STATEMENTS OF FINANCIAL POSITION**

**June 30,**

	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 3,717,802	\$ 3,439,644
Investments (Note 2)	9,505,395	6,394,014
Accounts receivable, net of allowance for doubtful accounts of \$96,402 and \$103,000 for 2022 and 2021, respectively (Note 6)	4,218,596	2,398,616
Inventories (Note 3)	2,565,512	1,938,397
Rental textbooks, net	1,484	2,033
Prepaid expenses and other	1,243,171	1,058,800
Total current assets	21,251,960	15,231,504
Deferred rent receivable, noncurrent (Note 10)	975,628	1,069,129
Other assets (Note 10)	51,231	40,134
Property and equipment, net (Notes 4 and 8)	79,686,938	81,667,981
Total noncurrent assets	80,713,797	82,777,244
Total assets	<b>\$ 101,965,757</b>	<b>\$ 98,008,748</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Current maturities of related-party notes payable (Note 7)	\$ 3,915,933	\$ 3,426,349
Current maturities of Long-term debt (Note 8)	3,157,000	-
Accounts payable (Note 6 and 10)	2,078,008	1,178,214
Accrued liabilities (Note 5, 6, and 9)	12,590,676	7,687,568
Deferred revenue	1,426,112	346,665
Total current liabilities	23,167,729	12,638,796
Related-party notes payable, noncurrent (Note 7)	54,818,694	59,929,378
Long-term debt, noncurrent (Note 8)	-	3,176,119
Deferred rent payable, noncurrent (Note 10)	18,750	43,750
Accrued employee benefit costs (Note 9)	10,711,446	15,665,008
Total liabilities	65,548,890	78,814,255
Total liabilities	88,716,619	91,453,051
Net assets, without donor restrictions	13,249,138	6,555,697
Total liabilities and net assets	<b>\$ 101,965,757</b>	<b>\$ 98,008,748</b>

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



**Aztec Shops, Ltd.**

**STATEMENTS OF ACTIVITIES**

Years ended June 30,

	<b>2022</b>	<b>2021</b>
<b>Changes in net assets without donor restrictions</b>		
Revenue (Note 6)		
Bookstore, net	\$ 19,829,619	\$ 13,809,489
Dining services, net	28,014,174	7,090,617
Residential rental properties	14,495,165	14,975,089
Commercial rental properties	2,429,590	1,752,556
Conference services	956,179	-
Investment income, net (Note 2)	11,378	10,148
Contribution revenue (Note 12)	412,280	164,000
Other income (Note 13)	4,001,663	4,044,782
	<u>70,150,048</u>	<u>41,846,680</u>
<b>Expenses</b>		
Bookstore		
Purchases and other direct costs (Note 10)	13,328,407	9,475,889
Overhead and other operating costs	4,894,940	3,890,658
Dining services		
Purchases and other costs (Note 10)	7,067,606	1,976,908
Overhead and other operating costs	18,546,782	10,019,547
Residential rental properties	11,588,983	11,537,646
Commercial rental properties	1,878,653	1,295,030
Conference services	968,716	109,705
General and administrative (Note 9 and 10)	8,144,495	6,017,918
Contribution expense (Note 12)	412,280	164,000
Allocations to various organizations (Note 11)	365,000	365,000
	<u>67,195,862</u>	<u>44,852,301</u>
Total expenses	<u>67,195,862</u>	<u>44,852,301</u>
Change in net assets from operations	2,954,186	(3,005,621)
Nonoperating calpers soft fresh start contribution	(552,974)	-
Nonoperating bond refunding loss/expense	(631,333)	-
Nonoperating actuarial retirement benefit adjustment	4,923,562	2,359,160
	<u>3,739,255</u>	<u>2,359,160</u>
<b>CHANGE IN NET ASSETS</b>	6,693,441	(646,461)
Net assets, beginning of year	<u>6,555,697</u>	<u>7,202,158</u>
Net assets, end of year	<u>\$ 13,249,138</u>	<u>\$ 6,555,697</u>

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

**Aztec Shops, Ltd.**

**STATEMENTS OF CASH FLOWS**

Years ended June 30,

	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 6,693,441	\$ (646,461)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net accrued employee benefit costs	(4,953,562)	(2,409,160)
Depreciation and amortization	4,548,516	4,632,100
Depreciation on rental books	44,966	45,881
Amortization of debt premium	(424,962)	(552,390)
Loss on disposal of equipment	1,648	20
Changes in operating assets and liabilities:		
Accounts receivable	(2,210,116)	1,543,751
Inventories	(627,115)	646,868
Rental textbooks	(44,416)	(36,954)
Deferred rent receivable	93,501	(481,297)
Prepaid expenses and other assets	(202,951)	(686,395)
Accounts payable	899,794	275,836
Accrued liabilities	4,903,108	392,661
Deferred revenue	1,079,447	(103,364)
Deferred rent payable	(25,000)	(25,000)
	<u>9,776,298</u>	<u>2,596,097</u>
<b>Cash flows from investing activities:</b>		
Acquisition of property and equipment	(2,562,880)	(941,976)
Proceeds from sale of property and equipment	1,240	2,700
Purchase of investments	(8,000,000)	(10,250,000)
Sale of investments	4,888,619	7,385,729
	<u>(5,673,021)</u>	<u>(3,803,547)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from long-term debt and related-party notes payable	-	5,157,000
Principal payments of long-term debt and related-party notes payable	(3,971,762)	(2,058,400)
Principal payments of capital lease obligations	(243,494)	(234,557)
Proceeds from federal subsidy	390,136	391,936
	<u>(3,825,120)</u>	<u>3,255,979</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>278,157</b>	<b>2,048,529</b>
<b>Cash and cash equivalents:</b>		
Beginning of year	<u>3,439,644</u>	<u>1,391,115</u>
End of year	<u><u>\$ 3,717,802</u></u>	<u><u>\$ 3,439,644</u></u>
<b>Supplemental disclosures of cash flow information:</b>		
Cash payment for interest	<u><u>\$ 2,565,837</u></u>	<u><u>\$ 2,415,064</u></u>

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

**Aztec Shops, Ltd.**

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2022 and 2021**

**NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Business***

Aztec Shops, Ltd. (the "Organization") is a 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 residence halls near the University campus, various apartment buildings on campus, and conference services. The Organization extends credit primarily to CSU and its auxiliary organizations 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 ("U.S. GAAP"). 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, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021, contributions are recorded as allocations or contributions in the expense section of the statements of activities.

**Aztec Shops, Ltd.**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

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 \$3,372,000 and \$3,110,000 as of June 30, 2022 and 2021, 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, 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.

***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, 2022 and 2021.

***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 five 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.

**Aztec Shops, Ltd.**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

***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-lived 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-lived assets occurred during the years ended June 30, 2022 and 2021.

***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 is 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 \$809,000 and \$699,000 were included in accrued liabilities at June 30, 2022 and 2021, 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% of accrued unused sick leave for each year of service up to a maximum of 25 years of service. The program to pay eligible CalPERS employees was discontinued on June 30, 2019. The program continues for eligible hourly employees. 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 \$47,000 and \$41,000 are included in accrued liabilities at June 30, 2022 and 2021, respectively (see Note 5).

***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.

**Aztec Shops, Ltd.**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

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 CalPERS website at [www.calpers.ca.gov](http://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 charges 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).

The Organization retains an actuarial firm (Principal) to calculate its retirement and postretirement benefit liabilities. The calculations are based on actuarial methods and assumptions, which are based on the latest information available at the time the calculation is performed. Future actuarial measurements may differ significantly from the current measurement presented in these financial statements due to, but not limited to, the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law.

***Revenue Recognition***

The Organization follows ASC Topic 606, *Revenue from Contracts with Customers*, 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 is 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.



**Aztec Shops, Ltd.**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

***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% 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, 2022, 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, 2022 and 2021.

***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 \$0 of UBIT tax expense for the years ended June 30, 2022 and June 30, 2021. Section 512 of the 2017 Tax Cuts and Jobs Act that required parking and related benefits to be taxed as part of unrelated business income was repealed retroactively in fiscal year 2020.

***Use of Estimates***

The preparation of financial statements in accordance with 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

**Aztec Shops, Ltd.**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

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 14, 2022, the date the financial statements were available to be issued.

**Recent Accounting Pronouncements**

In February 2016, the FASB issued Accounting Standards Update (“ASU”) 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, 2021. The Organization is currently evaluating the impact that this new standard will have on its financial statements.

**NOTE 2 - SHORT-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS**

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, 2022 and 2021, the Organization’s investments in money market accounts of approximately \$9,505,000 and \$6,394,000, respectively, are categorized as Level 2 investments. Those money market accounts 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.

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 6,394,000	\$ 2,542,000
Total realized and unrealized gains, net, included in change in net assets	7,000	3,000
Net additions and purchases (under) sales and maturities	<u>3,104,000</u>	<u>3,849,000</u>
Ending balance	<u>\$ 9,505,000</u>	<u>\$ 6,394,000</u>



**Aztec Shops, Ltd.**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

**NOTE 3 - INVENTORIES**

Inventories were approximated as follows at June 30:

	<u>2022</u>	<u>2021</u>
Bookstore	\$ 1,844,000	\$ 1,510,000
Dining services	677,000	367,000
Supplies and other	<u>45,000</u>	<u>61,000</u>
	<u>\$ 2,566,000</u>	<u>\$ 1,938,000</u>

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment were approximated as follows at June 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 27,942,000	\$ 27,942,000
Buildings	79,128,000	78,311,000
Equipment and furniture	20,811,000	20,434,000
Leasehold improvements	9,175,000	8,874,000
Construction in progress	<u>1,764,000</u>	<u>742,000</u>
	138,820,000	136,303,000
Less: accumulated depreciation	<u>(59,133,000)</u>	<u>(54,635,000)</u>
	<u>\$ 79,687,000</u>	<u>\$ 81,668,000</u>

For the years ended June 30, 2022 and 2021, the Organization recorded depreciation expense of approximately \$4,541,000 and \$4,625,000, respectively.

**Aztec Shops, Ltd.**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

**NOTE 5 - ACCRUED LIABILITIES**

Accrued liabilities were approximated as follows at June 30:

	<u>2022</u>	<u>2021</u>
Accrued compensated absences	\$ 856,000	\$ 739,000
Accrued interest	806,000	822,000
Salaries and benefits payable	1,052,000	255,000
University Trademark payable	849,000	684,000
University lease payable	434,000	447,000
Customer/student deposits	646,000	589,000
Accrued employee benefit costs (Note 9)	450,000	420,000
Security deposits	329,000	398,000
Deferred rent	25,000	25,000
Student Discount Liability	2,333,000	-
One Card Deposits	1,728,000	1,104,000
Other	3,083,000	2,205,000
	<u>\$ 12,591,000</u>	<u>\$ 7,688,000</u>

**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, 2022 and 2021, the Organization recorded cash receipts for services rendered and reimbursements from the University and its auxiliaries in the amount of approximately \$50,068,000 and \$34,545,000, respectively, which are included in revenue and include approximately \$34,230,000 and \$22,561,000, respectively, of funds collected by the University on behalf of the Organization for dining and residence hall services.

For the years ended June 30, 2022 and 2021, the Organization received advertising services from the University in exchange for providing meal cards and books to student athletes in the amount of approximately \$259,000 and \$272,000, respectively, which are included in their respective expense classifications.

For the years ended June 30, 2022 and 2021, the Organization recorded cash disbursements for services, including facility rents and reimbursements, to auxiliaries in the amount of approximately \$9,769,000 and \$7,033,000, 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, 2022 and 2021, receivables due from the University and/or its auxiliaries were approximately \$2,280,000 and \$1,132,000, respectively. As of June 30, 2022 and 2021, accounts payable and accrued liabilities were approximately \$1,148,000 and \$232,000, respectively, and \$3,443,000 and \$1,636,000, respectively, for amounts owed to the University and/or its auxiliaries.

**Aztec Shops, Ltd.**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

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 \$8,417,000 and \$13,120,000 for the years ended June 30, 2022 and 2021, 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, 2022 or 2021.

**NOTE 7 - RELATED-PARTY NOTES**

***Related-party, Long-term Debt***

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

	2022	2021
55th Street apartment loan, inclusive of issuance cost and bond premium (a)	\$ 18,872,000	\$ 19,573,000
University Towers loan, inclusive of issuance cost and bond premium (b)	11,091,000	12,100,000
University Towers Renovation loan, inclusive of issuance cost and bond premium (c)	8,963,000	8,570,000
Fraternity Row apartment loan, inclusive of bond premium (d)	4,919,000	5,314,000
Piedra Del Sol apartment loan, inclusive of bond premium (e)	2,912,000	3,253,000
College West apartment acquisition loan, inclusive of issuance cost and bond premium (f)	3,071,000	2,978,000
Sanctuary Suites acquisition loan (g)	4,010,000	4,246,000
Hardy Avenue apartment loan (h)	1,747,000	1,856,000
Aztec Shops Terrace capital lease payable (i)	1,753,000	1,995,000
College Square acquisition loan (j)	827,000	870,000
College Strip acquisition loan (k)	570,000	600,000
Note payable SDSU (l)	-	2,000,000
	58,735,000	63,355,000
Less: current maturities	(3,916,000)	(3,426,000)
	\$ 54,819,000	\$ 59,929,000

(a) During the year ended June 30, 2010, the Organization acquired an unaffiliated apartment complex (55th Street apartments) adjacent to the University campus. 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% to 6.4%, 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. On

**Aztec Shops, Ltd.**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

February 4, 2020, \$1,350,000 of the SRB 2010A Bonds were refunded for Series 2020A bonds; the Net Interest Cost of the refunded bonds is 1.4%. The bonds were purchased at a premium of \$61,822 and issuance costs of \$3,597. 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% of the interest due on the Series 2010B. For the year ended June 30, 2022, the Organization received subsidies of \$398,000 and recorded a receivable of \$65,000. For the year ended June 30, 2021, the Organization received subsidies of \$392,000 and recorded a receivable of \$57,000.

- (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% to 5.0%, 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. On February 4, 2020, \$13,227,700 of the SRB 2010A Bonds were refunded for Series 2020A bonds; the Net Interest Cost of the refunded bonds is 2.0%. The bonds were purchased at a premium of \$2,258,135 with an underwriter's discount of \$24,541 and issuance costs of \$20,894. 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. The CSU SRB Series 2014A bear interest at rates graduating from 3.0% to 5.0%, 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. On July 29, 2021, \$7,130,000 of the SRB 2014A bonds were refunded for SRB 2021B bonds; the Net Interest Cost of the refunded bonds is 2.5%. The bonds were purchased with an underwriter's discount of \$21,591 and issuance costs of \$5,902. The underwriter's discount and cost of issuance are being amortized over the life of the loan using the effective interest rate.
- (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 2.0% to 5.0%, 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. On September 17, 2020, \$4,460,000 of the SRB 2012A Bonds were refunded for Series 2020D bonds; the Net Interest Cost of the refunded bonds is 1.4%. The bonds were purchased with an underwriter's discount of \$9,196 and issuance costs of \$3,470. The underwriter's discount and cost of issuance are being 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 2.0% to 5.0%, 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. On February 4,

**Aztec Shops, Ltd.**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

2020, \$3,633,175 of the SRB 2010A Bonds were refunded for Series 2020A bonds; the Net Interest Cost of the refunded bonds is 1.7%. The bonds were purchased at a premium of \$572,105, with an underwriter's discount of \$6,247, and a cost of issuance expense of \$2,683. The premium, underwriter's discount and cost of issuance are being 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. 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 3.0% to 5.0%, 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. On July 29, 2021, \$2,440,000 of the SRB 2014A bonds were refunded for Series 2021B bonds; the Net Interest Cost of the refunded bonds is 2.5%. The bonds were purchased with an underwriter's discount of \$7,386 and issuance costs of \$1,630. The 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% 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 4.0% 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, 2022 and 2021 is approximately \$4,075,000 and \$4,075,000, respectively. The related accumulated amortization recorded as of June 30, 2022 and 2021 was approximately \$1,609,000 and \$1,394,000, respectively. Amortization of assets held under capital building leases is included in depreciation expense.
- (j) In June 2015, the Organization acquired College 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 4.0% per annum and is due in semiannual principal payments beginning in April 2022 through April 2030 and semiannual interest payments beginning in October 2015 through April 2030.
- (k) In June 2015, the Organization acquired College Strip commercial building from the Research Foundation and entered into an unsecured note in the amount of \$600,000. The note bears interest at 4.0% per annum and is due in semiannual principal payments beginning in April 2022 through April 2030 and semiannual interest payments beginning in October 2015 through April 2030.

**Aztec Shops, Ltd.**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

- (l) In August 2020, the Organization entered into an unsecured note in the amount of \$2,000,000 with San Diego State University. The note bears interest at 3.0% per annum and is due in semiannual principal and interest payments beginning in January 2023 through January 2026. The note was paid off in full during fiscal year 2022.

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

In connection with the Bonds, the Organization incurred issuance costs of approximately \$353,000 as of June 30, 2022 and \$678,000 as of June 30, 2021, which are being amortized over the term using the effective interest method. As of June 30, 2022 and 2021, related unamortized debt issuance cost was approximately \$177,000 and \$397,000, respectively.

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

Years Ending June 30,		
2023	\$	3,916,000
2024		4,087,000
2025		4,162,000
2026		4,425,000
2027		4,507,000
Thereafter		37,638,000
	<b>\$</b>	<b>58,735,000</b>

Approximate future maturities of the related-party capital lease at June 30, 2022 are as follows:

Years Ending June 30,	Principal	Interest	Principal and Interest
2023	\$ 253,000	\$ 62,000	\$ 315,000
2024	262,000	52,000	314,000
2025	272,000	42,000	314,000
2026	283,000	31,000	314,000
2027	294,000	20,000	314,000
Thereafter	389,000	11,000	400,000
Total minimum lease payments			1,971,000
Less: amounts representing interest			(218,000)
Present value of future minimum lease payments			1,753,000
Less: current portion			(253,000)
Capital lease obligation, net of current portion			\$ 1,500,000



**Aztec Shops, Ltd.**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

**NOTE 8 - LONG-TERM DEBT**

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

	2022	2021
Payroll Protection Loan	\$ 3,157,000	\$ 3,157,000
Capital leases	-	19,000
	3,157,000	3,176,000
Less: current maturities	-	-
	\$ 3,157,000	\$ 3,176,000

The Organization had equipment leases that qualified as capital leases. The lease obligations were secured by the financed equipment, and amortization of assets held under capital leases were included in depreciation expense. The gross carrying value of financed equipment recorded as of June 30, 2022 and 2021 is approximately \$0 and \$181,000, respectively. The related accumulated depreciation recorded as of June 30, 2022 and 2021 was approximately \$0 and \$181,000, respectively. This agreement was terminated in FY22.

The Organization obtained a Payroll Protection Program loan totaling \$3,157,000 in March 2021. The loan bears interest at 1.0% per annum and is due in monthly principal and interest payments beginning in July 2022 through March 2026 if the loan is not forgiven. The Organization submitted the application for forgiveness in fiscal year 2022, and had the forgiveness granted in August 2022..

**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.

The unfunded pension liabilities at June 30, 2022 and 2021 were derived from the most recent Accounting Valuation Reports provided by CalPERS. The measurement dates for the reports were June 30, 2021 and 2020, respectively.

The plan's proportionate share of the fiduciary's unfunded accumulated net pension liability as of June 30, 2021 and June 30, 2020 (the measurement dates) were \$8,913,000 and \$12,484,000, 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, 2021 and June 30, 2020 (the measurement dates) were \$36,464,000 and \$31,288,000, respectively.

**Aztec Shops, Ltd.**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

The actuary assumed investment return as of June 30, 2021 was 6.8% 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 10.9% and 10.9% of actual for the years ended June 30, 2022 and 2021, respectively. Contribution rates to CalPERS were 33.4% and 29.8% of actual payroll for the years ended June 30, 2022 and 2021, respectively. Actual payroll was approximately \$4,300,000 and \$3,753,000 for the years ended June 30, 2022 and 2021, respectively. Total CalPERS expense for June 30, 2022 and 2021 was approximately \$1,315,000 and \$1,380,000, respectively. The employer's contributions represent more than 5% of total contributions to the plan.

Pension Plan	Plan Number	Pension Plan Funding Status		FIP/RP Status	Employer Contributions			Surcharge Imposed
		2022	2021		2023-24	2024-25	2025-26	
Miscellaneous Plan of the Aztec Shops, Ltd.	7287807346	65-85%	65-80%	N/A	\$ 911,000	\$ 900,000	\$ 864,000	No
PEPRA Miscellaneous plan of the Aztec Shops, Ltd.	7287807346	>80%	>80%	N/A	\$ 1,000	\$ -	\$ -	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, 2022 and 2021, the Organization paid employees' health insurance premiums as they came due.



**Aztec Shops, Ltd.**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

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:

	2022	2021
Changes in benefit obligations:		
Accumulated employee benefit obligation costs at beginning of year	\$ (13,248,000)	\$ (14,004,000)
Service cost	(402,000)	(243,000)
Interest cost	(385,000)	(400,000)
Benefit payments, net	339,000	355,000
Actuarial gains (loss)	3,767,000	1,044,000
Obligations at end of year	(9,929,000)	(13,248,000)
Fair value of plan assets at end of year	-	-
Funded status	\$ (9,929,000)	\$ (13,248,000)
Components of net periodic pension cost:		
Service cost	\$ 402,000	\$ 243,000
Interest cost	385,000	400,000
Amortization of transition obligation	-	-
Amortization of prior service cost	-	-
Amortization of net loss	(137,000)	1,000
Net periodic pension cost	\$ 650,000	\$ 644,000
Employer contribution	\$ 339,000	\$ 355,000
Amounts recognized in the statements of financial position:		
Current liabilities	\$ 450,000	\$ 420,000
Noncurrent liabilities	9,479,000	12,828,000
Net amount recognized	\$ 9,929,000	\$ 13,248,000

Weighted-average assumptions used in the computation of the health care premiums include a discount rate of 4.65% and 2.95% for the years ended June 30, 2022 and 2021, respectively.

For measurement purposes on the postretirement medical benefit plan, a 7% and 7% health care cost trend rate for the years ended June 30, 2022 and 2021, was used to calculate the expected cost increases. The ultimate rate is 4.5%, which will be attained in the years 2030 and 2026 for the years ended June 30, 2022 and 2021, respectively.

***Estimated Future Benefit Payments and Contributions***

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

**Aztec Shops, Ltd.**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

Years Ending June 30,

2023	\$ 450,000
2024	460,000
2025	490,000
2026	520,000
2027	540,000
Years 2028 - onward	2,840,000
	\$ 5,300,000

The Organization uses a June 30 measurement date for the plans. For fiscal years ending June 30, 2022 and 2021, net assets increased \$2,980,000 and increased \$401,000, respectively, due to the change 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:

	2022	2021
Changes in benefit obligations:		
Accumulated employee benefit obligation costs at beginning of year	\$ (11,888,000)	\$ (11,786,000)
Service cost	(349,000)	(422,000)
Interest cost	(339,000)	(331,000)
Benefit payments, net	452,000	397,000
Actuarial gains	3,152,000	254,000
Obligations at end of year	(8,972,000)	(11,888,000)
Fair value of plan assets at end of year	7,740,000	9,051,000
Funded status	\$ (1,232,000)	\$ (2,837,000)
Components of net periodic pension cost:		
Service cost	\$ 349,000	\$ 422,000
Interest cost	339,000	331,000
Return on plan assets	(437,000)	(363,000)
Amortization of prior service cost	-	-
Amortization of net loss	137,000	308,000
Net periodic pension cost	\$ 388,000	\$ 698,000

**Aztec Shops, Ltd.**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

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

	Years Ended June 30,	
	2022	2021
Discount rate	2.95%	2.90%
Expected return on plan assets	5.75%	6.00%

***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:

	2022	2021
Cash - Level 1	\$ -	\$ -
Cash - Level 2	-	3,010,000
Mutual funds - Level 1	7,740,000	6,041,000
Mutual funds - Level 2	-	-
	<u>\$ 7,740,000</u>	<u>\$ 9,051,000</u>
Total plan assets		

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:

	2022	2021	Desired Strategic Allocation at June 30, 2022 and 2021
Cash	3%	2%	0-5%
Fixed income	33%	32%	20-50%
Equity	64%	67%	25-70%
	<u>100%</u>	<u>100%</u>	

**Aztec Shops, Ltd.**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

***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 6.0% and 6.5% 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, 2022 and 2021, the funded status increased by \$1,605,000 and increased by \$1,604,000, 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, 2023.

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

<u>Years Ending June 30,</u>	
2023	\$ 940,000
2024	520,000
2025	420,000
2026	410,000
2027	580,000
Years 2028-2032	<u>2,630,000</u>
	<u>\$ 5,500,000</u>

**NOTE 10 - COMMITMENT AND CONTINGENCIES**

***Rental Expenses***

Operating Agreements and Leases

The Organization has seven operating and lease agreements with the Trustees of the University: one expires June 30, 2026, one expires June 30, 2023 with one 5 year extension; two expire June 30, 2024; one expires August 31, 2045; two are continuous. These operating and lease agreements are for the ATM Space, the Bookstore Ground Lease, the Imperial Valley Campus Bookstore, South Campus Plaza retail properties, the Education Building rooms, Warehouse space and for the purpose of operating the Westside convenience store, the East and West Commons areas, the Faculty Staff Club, the Coffee Kiosk space in the Library and the Engineering and Interdisciplinary Science Complex and Huaxyacac 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, 2021, one commercial space opened for business and one commercial space was vacated as

**Aztec Shops, Ltd.**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

compared to the prior year's nine retail stores. During fiscal year ending June 30, 2022 there was no change to business at the commercial space. In addition, the Organization entered into an extension of the management agreement with the University that now expires August 31, 2025. Net revenues from the commercial leases are remitted back to the University and amounted to \$610,000 for retail and \$173,000 for parking for the year ended June 30, 2022.

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 \$342,000 and \$418,000 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021 is \$44,000 and \$69,000, respectively.

During the year ended June 30, 2022, 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 \$3,355,000 and \$931,000 for the years ended June 30, 2022 and 2021, respectively.

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

<u>Years Ending June 30,</u>	
2023	\$ 625,000
2024	22,000
2025	19,000
2026	14,000
2027	6,000
	<u>\$ 686,000</u>

***Rental Income***

Leased Property

The Organization leases part of its residential properties to third parties and part of its commercial property to an auxiliary. The Organization recognized approximately \$1,036,000 and \$840,000 in residential and commercial rental income related to these leases for the years ended June 30, 2022 and 2021, respectively.

**Aztec Shops, Ltd.**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

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

<u>Years Ending June 30,</u>	
2022	\$ 7,283,000
2023	597,000
2024	504,000
2025	397,000
2026	214,000
Thereafter	<u>1,186,000</u>
	<u>\$ 10,181,000</u>

**Subleases**

For the years ended June 30, 2022 and 2021, the Organization recognized approximately \$2,578,000 and \$1,196,000, 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, 2022 and 2021 is \$357,000 and \$413,000, respectively.

**Revenues**

As of June 30, 2022, the Organization had entered into a noncancelable revenue commitment in the aggregate of approximately \$19,177,000 for services to be provided to the University and its auxiliaries. These revenues are mostly Housing and Commercial properties that serve the University's students, faculty, staff and adjacent community. In addition to the large housing properties leased to the University and managed by Aztec Shops, Shops also manages a fairly large portfolio of commercial properties including South Campus Plaza which includes 10 large commercial spaces most with long-term leases.

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, 2025 for \$899,586 per year as of July 2020, increasing 6% in fiscal year 2021-2022 and by 3% each subsequent year.

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 \$1,347,223 per year as of July 2020, increasing 6% in fiscal year 2021-2022 and by 3% each subsequent year.

**Aztec Shops, Ltd.**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

**Purchases**

As of June 30, 2022, the Organization had entered into non-cancelable commitments in the aggregate of approximately \$3,212,000 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. This contract was terminated in fiscal year 2022.

**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% of the gross revenue collected per month. For the years ended June 30, 2022 and 2021, the management fee was approximately \$162,000 and \$221,000, 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% of gross revenue or a fixed fee. For the years ended June 30, 2022 and 2021, the management fee was approximately \$139,000 and \$110,000, respectively.

**License Fee**

The Organization is licensed by several fast-food chains to produce and service products at the dining service facilities it operates. The licenses granted are primarily for three to 10 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:

	2022	2021
Associated Students of San Diego State University	\$ 55,000	\$ 55,000
San Diego State University and Campanile Foundation	310,000	310,000
	\$ 365,000	\$ 365,000

**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 were subsequently contributed to the University. During each of the years ended June 30, 2022 and 2021, the Organization received \$412,000 and \$164,000 from the vendor and contributed \$412,000 and \$164,000 to the University, respectively.

**Aztec Shops, Ltd.**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

**NOTE 13 - OTHER INCOME**

Other income consisted of approximately the following at June 30:

	<u>2022</u>	<u>2021</u>
Rent (Note 10)	\$ 1,909,000	\$ 430,000
Commissions	451,000	156,000
Federal subsidy revenue (Note 7)	398,000	392,000
Other	<u>1,244,000</u>	<u>3,067,000</u>
	<u>\$ 4,002,000</u>	<u>\$ 4,045,000</u>

**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 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.

As of June 30, 2022 and 2021, 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,718,000	\$ 3,440,000
Investments	9,505,000	6,394,000
Accounts receivable	<u>4,219,000</u>	<u>2,399,000</u>
Total financial assets	<u>\$ 17,442,000</u>	<u>\$ 12,233,000</u>



**Aztec Shops, Ltd.**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

**NOTE 15 - EXPENSE ALLOCATION**

FY 2022	Program Activities				Supporting Activities	Total Expenses
	Dining	Bookstore	Business Development	Programs Total	Management and General	
Cost of sales	\$ 7,067,605	\$ 13,283,442	\$ -	\$ 20,351,047	\$ -	\$ 20,351,047
Salaries and benefits	9,976,801	2,963,779	96,594	13,037,173	6,140,416	19,177,589
Supplies and travel	594,242	436,001	4,963	1,035,207	270,201	1,305,408
Services and professional fees	1,391,136	194,623	4,382,240	5,967,999	1,699,535	7,667,534
Office and occupancy	5,410,038	1,206,747	2,908,519	9,525,304	684,327	10,209,631
Depreciation	1,041,633	138,756	4,906,394	6,086,783	75,568	6,162,351
Interest	132,933	-	2,137,641	2,270,574	51,728	2,322,301
<b>Total expenses</b>	<b>\$ 25,614,388</b>	<b>\$ 18,223,347</b>	<b>\$ 14,436,352</b>	<b>\$ 58,274,087</b>	<b>\$ 6,546,918</b>	<b>\$ 67,195,862</b>

  

FY 2021	Program Activities				Supporting Activities	Total Expenses
	Dining	Bookstore	Business Development	Programs Total	Management and General	
Cost of sales	\$ 1,976,938	\$ 9,435,730	\$ -	\$ 11,412,668	\$ -	\$ 11,412,668
Salaries and benefits	4,898,599	2,204,640	66,344	7,169,582	4,540,848	11,710,430
Supplies and travel	159,409	468,739	349	628,496	53,532	682,028
Services and professional fees	987,782	180,788	4,077,922	5,246,492	1,291,447	6,537,938
Office and occupancy	2,723,627	929,988	2,474,270	6,127,885	532,601	6,660,486
Depreciation	1,063,328	146,662	3,967,721	5,177,711	74,783	5,252,493
Interest	186,773	-	2,355,777	2,542,550	53,706	2,596,256
<b>Total expenses</b>	<b>\$ 11,996,455</b>	<b>\$ 13,366,546</b>	<b>\$ 12,942,381</b>	<b>\$ 38,305,383</b>	<b>\$ 6,546,918</b>	<b>\$ 44,852,301</b>

The tables above present 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.

**Aztec Shops, Ltd.**

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

**NOTE 16 - COVID-19**

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic. The spread of COVID-19 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak.

During fiscal year 2022, instruction was delivered primarily on campus. The increase in population on campus resulted in higher Dining, Bookstore and Conference Services revenue.

SUPPLEMENTARY INFORMATION

**Aztec Shops, Ltd.**

**SCHEDULE OF NET POSITION**

**June 30, 2022**

**(for inclusion in the California State University)**

**ASSETS**

**Current assets**

Cash and cash equivalents	\$ 3,717,802
Short-term investments	9,505,395
Accounts receivable, net	4,218,596
Capital lease receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	-
Prepaid expenses and other current assets	3,810,167

Total current assets 21,251,960

**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	79,686,938
Other assets	1,026,859

Total noncurrent assets 80,713,797

Total assets 101,965,757

**Deferred outflows of resources**

Unamortized loss on debt refunding	-
Net pension liability	-
Net OPEB liability	-
Others	-

Total deferred outflows of resources \$ -

**Aztec Shops, Ltd.**

**SCHEDULE OF NET POSITION - CONTINUED**

**June 30, 2022**

**(for inclusion in the California State University)**

**LIABILITIES**

**Current liabilities**

Accounts payable	\$ 2,078,008
Accrued salaries and benefits	1,051,793
Accrued compensated absences, current portion	855,847
Unearned revenues	1,426,112
Capital lease obligations, current portion	252,771
Long-term debt obligations, current portion	6,444,199
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	10,683,036
	<hr/>
Total current liabilities	22,791,766

**Noncurrent liabilities**

Accrued compensated absences, net of current portion	-
Unearned revenues	-
Grants refundable	-
Capital lease obligations, net of current portion	1,499,827
Long-term debt obligations, net of current portion	53,694,830
Claims liability for losses and loss adjustment expenses, net of current portion	-
Depository accounts	-
Net other postemployment benefits liability	9,479,451
Net pension liability	1,231,995
Other liabilities	18,750
	<hr/>
Total noncurrent liabilities	65,924,853

Total liabilities 88,716,619

**Deferred inflows of resources**

Service concession arrangements	-
Net pension liability	-
Net OPEB liability	-
Unamortized gain on debt refunding	-
Nonexchange transactions	-
Others	-
	<hr/>
Total deferred inflows of resources	<u><u>\$ -</u></u>

**Aztec Shops, Ltd.**

**SCHEDULE OF NET POSITION - CONTINUED**

**June 30, 2022**

**(for inclusion in the California State University)**

**Net position**

Net Investment in capital assets	\$ 17,794,909
Restricted for:	
Nonexpendable - endowments	-
Expendable:	-
Scholarships and fellowships	-
Research	-
Loans	-
Capital projects	-
Debt service	-
Others	-
Unrestricted	<u>(4,545,771)</u>
Total net position	<u>\$ 13,249,138</u>

**Aztec Shops, Ltd.**

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

**Year ended June 30, 2022**  
**(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		65,724,727
Scholarship allowances (enter as negative)		-
Other operating revenues		-
		<hr/>
Total operating revenues		<u><u>65,724,727</u></u>

**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		59,315,085
Depreciation and amortization		4,571,581
		<hr/>
Total operating expenses		<u>63,886,666</u>
Operating income (loss)	\$	<u><u>1,838,061</u></u>

**Aztec Shops, Ltd.**

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

**Year ended June 30, 2022**  
**(for inclusion in the California State University)**

<b>Nonoperating revenues (expenses)</b>	
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	11,378
Endowment income (loss), net	-
Interest expense	(2,531,916)
Other nonoperating revenues (expenses) - excl. interagency transfers	6,978,081
Other nonoperating revenues (expenses) - interagency transfers	-
	<hr/>
Net nonoperating revenues (expenses)	4,457,543
	<hr/>
Income (loss) before other revenues (expenses)	6,295,604
State appropriations, capital	-
Grants and gifts, capital	397,837
Additions (reductions) to permanent endowments	-
	<hr/>
Increase (decrease) in net position	6,693,441
<b>Net position</b>	
Net position at beginning of year, as previously reported	6,555,697
Restatements	-
	<hr/>
Net position at beginning of year, as restated	6,555,697
	<hr/>
Net position at end of year	<u><u>\$ 13,249,138</u></u>



**Aztec Shops, Ltd.**

**OTHER SUPPLEMENTARY INFORMATION**

**Year ended June 30, 2022**  
**(for inclusion in the California State University)**

**1. Cash and cash equivalents at June 30, 2022:**

Portion of restricted cash and cash equivalents related to endowments	\$	-
All other restricted cash and cash equivalents		-
		<hr/>
Total restricted cash and cash equivalents		-
		<hr/>
Noncurrent restricted cash and cash equivalents		-
Current cash and cash equivalents		3,717,802
		<hr/>
Total	\$	<u>3,717,802</u>

Aztec Shops, Ltd.

OTHER SUPPLEMENTARY INFORMATION - CONTINUED

Year ended June 30, 2022  
(for inclusion in the California State University)

	Current	Noncurrent	Total
<b>2.1 Composition of investments at June 30, 2022:</b>			
Money market funds	\$ 9,505,395	\$ -	\$ 9,505,395
Repurchase agreements	-	-	-
Certificates of deposit	-	-	-
U.S. agency securities	-	-	-
U.S. treasury securities	-	-	-
Municipal bonds	-	-	-
Corporate bonds	-	-	-
Asset backed securities	-	-	-
Mortgage backed securities	-	-	-
Commercial paper	-	-	-
Mutual funds	-	-	-
Exchange traded funds	-	-	-
Equity securities	-	-	-
Alternative investments:	-	-	-
Private equity (including limited partnerships)	-	-	-
Hedge funds	-	-	-
Managed futures	-	-	-
Real estate investments (including REITs)	-	-	-
Commodities	-	-	-
Derivatives	-	-	-
Other alternative investment	-	-	-
Other external investment pools	-	-	-
CSU Consolidated Investment Pool (formerly SWIFT)	-	-	-
State of California Local Agency Investment Fund (LAIF)	-	-	-
State of California Surplus Money Investment Fund (SMIF)	-	-	-
Other investments:	-	-	-
Add description	-	-	-
Add description	-	-	-
	-	-	-
Total investments	<u>9,505,395</u>	<u>-</u>	<u>9,505,395</u>
Less endowment investments (enter as negative number)	<u>-</u>	<u>-</u>	<u>-</u>
Total investments, net of endowments	<u>\$ 9,505,395</u>	<u>\$ -</u>	<u>\$ 9,505,395</u>

Aztec Shops, Ltd.

OTHER SUPPLEMENTARY INFORMATION - CONTINUED

Year ended June 30, 2022  
(for inclusion in the California State University)

	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)
<b>2.5 Fair value hierarchy in investments at June 30, 2022:</b>					
Money market funds	\$ 9,505,395	\$ -	\$ 9,505,395	\$ -	\$ -
Repurchase agreements	-	-	-	-	-
Certificates of deposit	-	-	-	-	-
U.S. agency securities	-	-	-	-	-
U.S. treasury securities	-	-	-	-	-
Municipal bonds	-	-	-	-	-
Corporate bonds	-	-	-	-	-
Asset backed securities	-	-	-	-	-
Mortgage backed securities	-	-	-	-	-
Commercial paper	-	-	-	-	-
Mutual funds	-	-	-	-	-
Exchange traded funds	-	-	-	-	-
Equity securities	-	-	-	-	-
Alternative investments:	-	-	-	-	-
Private equity (including limited partnerships)	-	-	-	-	-
Hedge funds	-	-	-	-	-
Managed futures	-	-	-	-	-
Real estate investments (including REITs)	-	-	-	-	-
Commodities	-	-	-	-	-
Derivatives	-	-	-	-	-
Other alternative investment	-	-	-	-	-
Other external investment pools	-	-	-	-	-
CSU Consolidated Investment Pool (formerly SWIFT)	-	-	-	-	-
State of California Local Agency Investment Fund (LAIF)	-	-	-	-	-
State of California Surplus Money Investment Fund (SMIF)	-	-	-	-	-
Other investments:	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
	-	-	-	-	-
Total investments	<u>\$ 9,505,395</u>	<u>\$ -</u>	<u>\$ 9,505,395</u>	<u>\$ -</u>	<u>\$ -</u>

Aztec Shops, Ltd.

OTHER SUPPLEMENTARY INFORMATION - CONTINUED

Year ended June 30, 2022  
(for inclusion in the California State University)

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
<b>2.2 Investments held by the University under contractual agreements at June 20, 2022</b>			
Investments held by the University under contractual agreements e.g - CSU Consolidated Investment Pool (formerly SWIFT):	\$ -	\$ -	\$ -

## Aztec Shops, Ltd.

## OTHER SUPPLEMENTARY INFORMATION - CONTINUED

Year ended June 30, 2022  
(for inclusion in the California State University)

	Balance June 30, 2021	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2021 (Restated)	Additions	Retirements	Transfer of completed CWIP/PWIP	Balance June 30, 2022
<b>Non-depreciable/Non-amortizable capital assets:</b>									
Land and land improvements	\$ 27,941,826	\$ -	\$ -	\$ -	\$ 27,941,826	\$ -	\$ -	\$ -	\$ 27,941,826
Works of art and historical treasures	-	-	-	-	-	-	-	-	-
Construction work in progress (CWIP)	741,975	-	-	-	741,975	2,469,110	(43,652)	(1,403,130)	1,764,303
Intangible assets:	-	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-	-
Intangible assets in progress (PWIP)	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-	-
Total other intangible assets	-	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-	-
Total non-depreciable/non-amortizable capital assets	28,683,801	-	-	-	28,683,801	2,469,110	(43,652)	(1,403,130)	29,706,129
<b>Depreciable/Amortizable capital assets:</b>									
Buildings and building improvements	78,310,833	-	-	-	78,310,833	5,890	-	726,383	79,043,106
Improvements, other than buildings	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-
Leasehold improvements	8,874,394	-	-	-	8,874,394	28,220	-	272,044	9,174,658
Personal property:	-	-	-	-	-	-	-	-	-
Equipment	18,470,186	-	-	-	18,470,186	79,326	(47,226)	404,703	18,906,989
Library books and materials	-	-	-	-	-	-	-	-	-
Intangible assets:	-	-	-	-	-	-	-	-	-
Software and websites	1,963,917	-	-	-	1,963,917	25,171	-	-	1,989,088
Rights and easements	-	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-	-
Total other intangible assets:	-	-	-	-	-	-	-	-	-
Total intangible assets	1,963,917	-	-	-	1,963,917	25,171	-	-	1,989,088
Total depreciable/amortizable capital assets	107,619,330	-	-	-	107,619,330	138,607	(47,226)	1,403,130	109,113,841
Total capital assets	136,303,131	-	-	-	136,303,131	2,607,717	(90,878)	-	138,819,970
<b>Less accumulated depreciation/amortization:</b> (enter as negative number, except for reductions enter as positive number)									
Buildings and building improvements	(32,009,481)	-	-	-	(32,009,481)	(3,132,619)	-	-	(35,142,100)
Improvements, other than buildings	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-
Leasehold improvements	(7,114,090)	-	-	-	(7,114,090)	(243,273)	-	-	(7,357,363)
Personal property:	-	-	-	-	-	-	-	-	-
Equipment	(13,695,618)	-	-	-	(13,695,618)	(1,101,638)	43,152	-	(14,754,104)
Library books and materials	-	-	-	-	-	-	-	-	-
Intangible assets:	-	-	-	-	-	-	-	-	-
Software and websites	(1,815,961)	-	-	-	(1,815,961)	(63,504)	-	-	(1,879,465)
Rights and easements	-	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-	-
Total other intangible assets:	-	-	-	-	-	-	-	-	-
Total intangible assets	(1,815,961)	-	-	-	(1,815,961)	(63,504)	-	-	(1,879,465)
Total accumulated depreciation/amortization	(54,635,150)	-	-	-	(54,635,150)	(4,541,034)	43,152	-	(59,133,032)
Total capital assets, net excluding lease assets	\$ 81,667,981	\$ -	\$ -	\$ -	\$ 81,667,981	\$ (1,933,317)	\$ (47,726)	\$ -	\$ 79,686,938

**Aztec Shops, Ltd.**

**OTHER SUPPLEMENTARY INFORMATION - CONTINUED**

**Year ended June 30, 2022**  
**(for inclusion in the California State University)**

**3.2 Detail of depreciation and amortization expense for the year ended June 30, 2022:**

Depreciation and amortization expense related to capital assets	\$ 4,541,034
Amortization expenses related to other assets	<u>30,547</u>
Total depreciation and amortization	<u>\$ 4,571,581</u>

Aztec Shops, Ltd.

OTHER SUPPLEMENTARY INFORMATION - CONTINUED

Year ended June 30, 2022  
(for inclusion in the California State University)

	Balance June 30, 2021	Prior Period Adjustments/ Reclassifications	Balance June 30, 2021 (Restated)	Additions	Reductions	Balance June 30, 2022	Current Portion	Noncurrent Portion
<b>4. Long-term liabilities activity schedule:</b>								
1. Accrued compensated absences	\$ 739,174	\$ -	\$ 739,174	\$ 757,066	\$ (640,393)	\$ 855,847	\$ 855,847	\$ -
2. Claims liability for losses and loss adjustment expenses	-	-	-	-	-	-	-	-
3. Capital lease obligations:								
Gross balance	2,015,210	-	2,015,210	-	(262,612)	1,752,598	252,771	1,499,827
Unamortized net premium/(discount)	-	-	-	-	-	-	-	-
Total capital lease obligations	<u>\$ 2,015,210</u>	<u>\$ -</u>	<u>\$ 2,015,210</u>	<u>\$ -</u>	<u>\$ (262,612)</u>	<u>\$ 1,752,598</u>	<u>\$ 252,771</u>	<u>\$ 1,499,827</u>
4. Long-term debt obligations:								
4.1 Auxiliary revenue bonds (non-SRB related)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4.2 Commercial paper	-	-	-	-	-	-	-	-
4.3 Notes payable (SRB related)	48,445,000	-	48,445,000	1,570,000	(2,285,000)	47,730,000	2,450,000	45,280,000
4.4 Others:								
Payroll Protection Program Loan	3,157,000	-	3,157,000	-	-	3,157,000	3,157,000	-
SDSURF Notes Payable	7,572,591	-	7,572,591	-	(418,600)	7,153,991	837,199	6,316,792
SDSU Note Payable	2,000,000	-	2,000,000	-	(2,000,000)	-	-	-
Total others	<u>12,729,591</u>	<u>-</u>	<u>12,729,591</u>	<u>-</u>	<u>(2,418,600)</u>	<u>10,310,991</u>	<u>3,994,199</u>	<u>6,316,792</u>
Sub-total long-term debt	<u>\$ 61,174,591</u>	<u>\$ -</u>	<u>\$ 61,174,591</u>	<u>\$ 1,570,000</u>	<u>\$ (4,703,600)</u>	<u>\$ 58,040,991</u>	<u>\$ 6,444,199</u>	<u>\$ 51,596,792</u>
<b>4.5 Unamortized net bond premium/(discount)</b>	<u>\$ 3,342,046</u>	<u>\$ -</u>	<u>\$ 3,342,046</u>	<u>\$ -</u>	<u>\$ (1,244,008)</u>	<u>\$ 2,098,038</u>	<u>\$ -</u>	<u>\$ 2,098,038</u>
Total long-term debt obligations	<u>\$ 64,516,637</u>	<u>\$ -</u>	<u>\$ 64,516,637</u>	<u>\$ 1,570,000</u>	<u>\$ (5,947,608)</u>	<u>\$ 60,139,029</u>	<u>\$ 6,444,199</u>	<u>\$ 53,694,830</u>
<b>5. Lease Liabilities</b>						\$ 1,752,598	\$ 252,771	\$ 1,499,827
Total long-term liabilities						<u>\$ 61,891,627</u>	<u>\$ 6,696,970</u>	<u>\$ 55,194,657</u>
	Balance June 30, 2021	Additions	Remeasurements	Reductions	Balance June 30, 2022	Current Portion	Noncurrent Portion	
Lease liabilities	\$ 2,015,210	\$ -	\$ -	\$ (262,612)	\$ 1,752,598	\$ 252,771	\$ 1,499,827	
Total	<u>\$ 2,015,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (262,612)</u>	<u>\$ 1,752,598</u>	<u>\$ 252,771</u>	<u>\$ 1,499,827</u>	

Aztec Shops, Ltd.

OTHER SUPPLEMENTARY INFORMATION - CONTINUED

Year ended June 30, 2022  
(for inclusion in the California State University)

	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
<b>5. Future minimum lease payments - capital lease obligations:</b>									
Year ending June 30:									
2023	\$ -	\$ -	\$ -	\$ 252,771	\$ 61,959	\$ 314,730	\$ 252,771	\$ 61,959	\$ 314,730
2024	-	-	-	262,401	52,145	314,546	262,401	52,145	314,546
2025	-	-	-	272,399	41,957	314,356	272,399	41,957	314,356
2026	-	-	-	282,778	31,381	314,159	282,778	31,381	314,159
2027	-	-	-	293,552	20,402	313,954	293,552	20,402	313,954
2028 - 2032	-	-	-	388,697	10,604	399,301	388,697	10,604	399,301
2033 - 2037	-	-	-	-	-	-	-	-	-
2038 - 2042	-	-	-	-	-	-	-	-	-
2043 - 2047	-	-	-	-	-	-	-	-	-
2048 - 2052	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-
Total minimum lease payments	\$ -	\$ -	\$ -	\$ 1,752,598	\$ 218,448	\$ 1,971,046	\$ 1,752,598	\$ 218,448	1,971,046
Less: amounts representing interest									(218,448)
Present value of future minimum lease payments									1,752,598
Unamortized net premium/(discount)									-
Total capital lease obligations									1,752,598
Less: current portion									(252,771)
Capital lease obligations, net of current portion									\$ 1,499,827



Aztec Shops, Ltd.

OTHER SUPPLEMENTARY INFORMATION - CONTINUED

Year ended June 30, 2022  
(for inclusion in the California State University)

	Auxiliary Revenue Bonds (non-SRB related)			All Other Long-term Debt Obligations			Total Long-term Debt Obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
<b>6. Long-term debt obligations schedule:</b>									
Year ending June 30:									
2023	\$ -	\$ -	\$ -	\$ 6,444,199	\$ 2,521,792	\$ 8,965,991	\$ 6,444,199	\$ 2,521,792	\$ 8,965,991
2024	-	-	-	3,482,198	2,436,623	5,918,821	3,482,198	2,436,623	5,918,821
2025	-	-	-	3,582,199	2,224,450	5,806,649	3,582,199	2,224,450	5,806,649
2026	-	-	-	3,872,199	2,051,875	5,924,074	3,872,199	2,051,875	5,924,074
2027	-	-	-	3,982,199	1,871,172	5,853,371	3,982,199	1,871,172	5,853,371
2028 - 2032	-	-	-	19,082,997	6,504,260	25,587,257	19,082,997	6,504,260	25,587,257
2033 - 2037	-	-	-	8,740,000	3,148,161	11,888,161	8,740,000	3,148,161	11,888,161
2038 - 2042	-	-	-	8,855,000	866,793	9,721,793	8,855,000	866,793	9,721,793
2043 - 2047	-	-	-	-	-	-	-	-	-
Total minimum lease payments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,040,991</u>	<u>\$ 21,625,126</u>	<u>\$ 79,666,117</u>	<u>\$ 58,040,991</u>	<u>\$ 21,625,126</u>	<u>\$ 79,666,117</u>
Less: amounts representing interest									<u>(21,625,126)</u>
Present value of future minimum payments									58,040,991
Unamortized net premium/(discount)									<u>2,098,038</u>
Total long-term debt obligations									60,139,029
Less: current portion									<u>(6,444,199)</u>
Long-term debt obligations, net of current portion									<u>\$ 53,694,830</u>

**Aztec Shops, Ltd.**

**OTHER SUPPLEMENTARY INFORMATION - CONTINUED**

**Year ended June 30, 2022**  
**(for inclusion in the California State University)**

**Transactions with related entities:**

Payments to University for salaries of University personnel working on contracts, grants, and other programs	
Payments to University for other than salaries of University personnel	\$ 2,653,929
Payments received from University for services, space, and programs	22,012,865
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	(4,319,515)
Other amounts (payable to) University	(1,752,598)
Accounts receivable from University	2,202,780
Other amounts receivable from University	

Aztec Shops, Ltd.

OTHER SUPPLEMENTARY INFORMATION - CONTINUED

Year ended June 30, 2022  
(for inclusion in the California State University)

	Salaries	Benefits	Benefits - Pension	Supplies and Other Services	Depreciation and Amortization	Total Operating Expenses
<b>12. Natural classifications of operating expenses:</b>						
Instruction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Research	-	-	-	-	-	-
Public service	-	-	-	-	-	-
Academic support	-	-	-	-	-	-
Student services	-	-	-	-	-	-
Institutional support	-	-	-	-	-	-
Operation and maintenance of plant	-	-	-	-	-	-
Student grants and scholarships	-	-	-	-	-	-
Auxiliary enterprise expenses	14,753,676	4,233,617	(4,584,799)	44,912,591		59,315,085
Depreciation and amortization	-	-	-	-	4,571,581	4,571,581
Total	<u>\$ 14,753,676</u>	<u>\$ 4,233,617</u>	<u>\$ (4,584,799)</u>	<u>\$ 44,912,591</u>	<u>\$ 4,571,581</u>	<u>\$ 63,886,666</u>

**Aztec Shops, Ltd.**

**OTHER SUPPLEMENTARY INFORMATION - CONTINUED**

**Year ended June 30, 2022**  
**(for inclusion in the California State University)**

**Other nonoperating revenues (expenses)**

Other nonoperating revenues	\$ 7,343,081
Other nonoperating (expenses)	<u>(365,000)</u>

Total other nonoperating revenues (expenses)	<u>\$ 6,978,081</u>
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