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Financial Statements and Report of Independent Certified Public Accountants

Aztec Shops, Ltd.

(a Component Unit of San Diego State University)

June 30, 2015

Contents

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Report of Independent Certified Public Accountants

Audit • Tax • Advisory

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Board of Directors
Aztec Shops, Ltd.

Report on the financial statements

We have audited the accompanying financial statements of Aztec Shops, Ltd., (a California State University Auxiliary Organization and Component Unit of San Diego State University) (the "Organization"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aztec Shops, Ltd. as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

The financial statements of Aztec Shops, Ltd. as of and for the year ended June 30, 2014 were audited by other auditors. Those auditors expressed an unmodified opinion on those 2014 financial statements in their report dated September 11, 2014.

Other matters - supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information as required by the California State University on pages 39-55, is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated September 17, 2015, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Grant Thornton LLP

San Diego, California
September 17, 2015

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

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Board of Directors
Aztec Shops, Ltd.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Aztec Shops, Ltd. (a California State University Auxiliary Organization and Component Unit of San Diego State University) (the "Organization"), which comprise the statement of financial position as of June 30, 2015, 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 17, 2015.

Internal control over financial reporting

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

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

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

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Compliance and other matters

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

Intended purpose

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

Grant Thornton LLP

San Diego, California
September 17, 2015

Aztec Shops, Ltd.

STATEMENTS OF FINANCIAL POSITION

June 30, 2015 and 2014

	2015	2014
ASSETS		
Current assets		
Cash and cash equivalents	$ 2,818,126	$ 4,777,485
Certificates of deposit (Note 2)	-	299,000
Investments (Note 2)	1,110,312	1,105,810
Accounts receivable, net of allowance for doubtful accounts of $35,000 and $60,000 for 2015 and 2014, respectively (Note 6)	1,664,121	998,323
Notes receivable, current (Note 7)	23,570	23,570
Inventories (Note 3)	4,925,616	4,516,730
Rental textbooks, net	19,519	22,322
Prepaid expenses and other	546,652	504,623
Total current assets	11,107,916	12,247,863
Notes receivable, noncurrent (Note 7)	23,570	47,140
Receivable from University (Notes 6 and 7)	309,637	1,221,849
Certificates of deposit (Note 2)	-	248,000
Deferred debt issuance costs, net (Notes 7 and 8)	646,761	621,398
Deferred rent receivable, noncurrent (Note 10)	699,183	600,287
Other assets (Note 10)	45,177	539,507
Property and equipment, net (Notes 4 and 8)	91,515,452	84,389,767
	93,239,780	87,667,948
	$ 104,347,696	$ 99,915,811
LIABILITIES AND NET ASSETS		
Current liabilities		
Current maturities of related-party notes payable (Note 7)	$ 2,419,730	$ 1,882,578
Current maturities of long-term debt (Note 8)	134,886	131,692
Accounts payable (Note 6 and 10)	1,617,183	423,238
Accrued liabilities (Note 5, 6 and 9)	5,380,845	4,100,391
Deferred revenue	769,839	895,548
Total current liabilities	10,322,483	7,433,447
Related-party notes payable, noncurrent (Note 7)	76,334,530	74,387,654
Long-term debt, noncurrent (Note 8)	315,438	434,033
Deferred rent payable, noncurrent (Note 10)	193,750	218,750
Accrued employee benefit costs (Note 9)	15,482,627	14,656,408
	92,326,345	89,696,845
Total liabilities	102,648,828	97,130,292
Commitments and contingencies (Note 10)		
Net assets, unrestricted	1,698,868	2,785,519
	$ 104,347,696	$ 99,915,811

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

Aztec Shops, Ltd.

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2015 and 2014

	2015	2014
Changes in unrestricted net assets:		
Revenue (Note 6):		
Bookstore, net	$ 20,541,610	$ 20,647,160
Dining services, net	24,777,253	24,053,824
Residential rental properties	12,500,919	10,354,071
Commercial rental properties	383,642	397,268
Road scholar	435,062	467,801
Summer conferences	1,220,202	1,239,535
Investment income, net (Note 2)	15,286	22,610
Contribution revenue (Note 12)	420,000	445,000
Other income (Notes 10 and 13)	3,311,849	3,289,334
Total revenue and other support	63,605,823	60,916,603
Expenses (Note 6)		
Bookstore:		
Purchases and other direct costs (Note 10)	13,133,356	12,980,729
Overhead and other operating costs	5,174,636	5,247,086
Dining services:		
Purchases and other costs (Note 10)	7,888,306	7,929,727
Overhead and other operating costs	16,165,996	14,317,775
Residential rental properties	10,685,296	9,094,893
Commercial rental properties	179,265	163,405
Road scholar	399,399	395,928
Summer conferences	1,136,692	1,284,337
General and administrative (Note 9 and 10)	8,558,522	6,637,743
Contribution expense (Note 12)	420,000	445,000
Allocations to various organizations (Note 11)	765,000	765,000
Total expenses	64,506,468	59,261,623
Change in net assets from operations	(900,645)	1,654,980
Net nonoperating related-party property acquisition:		
Property net book value (Note 6 and 7)	4,023,253	4,688,080
Cash paid and debt assumed (Notes 6 and 7)	(4,209,259)	(4,717,991)
	(186,006)	(29,911)
Net assets, beginning of year	2,785,519	1,160,450
Net assets, end of year	$ 1,698,868	$ 2,785,519

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

Aztec Shops, Ltd.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	$ (900,645)	$ 1,654,980
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net accrued employee benefit costs	826,219	(817,743)
Depreciation and amortization	3,397,646	3,155,066
Depreciation on rental books	582,397	685,834
Loss on disposal of equipment	123,817	82,081
Changes in operating assets and liabilities:		
Accounts receivable	(1,042,927)	(633,950)
Inventories	(408,886)	1,657,824
Rental textbooks	(579,594)	(686,541)
Deferred rent receivable	(98,896)	(600,287)
Prepaid expenses and other assets	(27,521)	(182,389)
Accounts payable	1,175,352	(1,321,480)
Accrued liabilities	1,154,245	470,645
Deferred revenue	(125,709)	75,031
Deferred rent payable	(25,000)	218,750
Net cash provided by operating activities	4,050,498	3,757,821
Cash flows from investing activities:		
Acquisition of property and equipment	(4,516,977)	(4,133,369)
Proceeds from sale of property and equipment	468	398
Purchase of investments	(4,502)	(503,772)
Proceeds from matured certificates of deposit	547,000	350,000
Net cash used in investing activities	(3,974,011)	(4,286,743)
Cash flows from financing activities		
Principal payments of long-term debt and related-party notes payable	(2,069,022)	(1,640,543)
Principal payments of capital lease obligations	(350,924)	(15,896)
Proceeds from long-term debt	-	3,542,674
Proceeds from federal subsidy	384,100	384,317
Net cash (used in) provided by financing activities	(2,035,846)	2,270,552
Net (decrease) increase in cash and cash equivalents	(1,959,359)	1,741,630
Cash and cash equivalents		
Beginning of year	4,777,485	3,035,855
End of year	$ 2,818,126	$ 4,777,485

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

Aztec Shops, Ltd.

STATEMENTS OF CASH FLOWS - CONTINUED

For the Years Ended June 30, 2015 and 2014

	2015	2014
Supplemental disclosures of cash flow information		
Cash payment for interest	$ 3,461,165	$ 2,858,125
Supplemental disclosures of non-cash information		
Forgiveness of portion of note receivable	$ 23,570	$ 23,570
Forgiveness of portion of notes payable	$ 23,570	$ 23,570
University towers renovation:		
Increase (decrease) receivable from University	$ (912,212)	$ (4,196,948)
Purchase of property	$ 905,241	$ 4,025,797
Debt issuance costs	$ 48,337	$ 304,151
Related-party note payable	$ 48,337	$ 133,000
College West acquisition financing:		
Debt issuance costs	$ 18,353	$ 31,326
Related-party note payable	$ 18,353	$ 31,326
Aztec Shops Terrace Capital Lease		
Purchase of property	$ 3,600,000	$ -
Related-party lease payable	$ 3,600,000	$ -
Related-party acquisition:		
Property acquired	$ 1,283,994	$ 4,688,080
Debt assumed	$ 1,470,000	$ 4,717,991
Net effect of transaction	$ 186,006	$ 29,911

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

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

Nature of Business

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

Affiliated Organizations

The Organization is related to other auxiliaries of the University, including Associated Student 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 *Financial Statements of Not-for-Profit Entities,* and in accordance with accounting principles generally accepted in the United States of America. In order to ensure observance of limitations and restrictions placed on the use of available resources, the net assets of the Organization are classified for accounting and reporting purposes into three net asset categories according to the existence or absence of donor-imposed restrictions. Unrestricted net assets represent funds that are fully available, at the discretion of the Organizations, to utilize in any of its programs or supporting services. Temporarily restricted net assets are net assets that are subject to donor-imposed stipulations that will be met either by actions of the Organizations or the passage of time. Permanently restricted net assets 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, 2015 and 2014, the Organization did not have any temporarily or permanently restricted net assets.

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. 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 unrestricted contributions. As of and for the years ended June 30, 2015 and 2014, all contributions received by the Organization were classified as unrestricted.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Accounting and Reporting (continued)

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, 2015 and 2014, contributions are recorded as allocations or contributions in the expense section of the statements of activities.

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

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

Cash and Cash Equivalents

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

The Organization maintains accounts with various financial institutions. The total balances in these checking accounts, at times, may exceed Federal Deposit Insurance Corporation limits. Management believes that the risk of loss is not significant, and the Organization has not experienced any losses in such accounts.

Short-term investments and certificates of deposit

Investments, including the Local Agency Investment Fund (“LAIF”), are recorded at their fair value in the statements of financial position, with the exception of certificates of deposit (“CD”), which are recorded at cost plus accrued interest. Investment income or losses (including realized gains and losses on investments, interest and dividends) are included in the statements of activities as 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 and by identifying specific past-due accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. The Organization does not charge interest on past-due accounts receivable.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Rental Textbooks

Rental textbooks consist of textbooks that are currently in the possession of a customer. All rental textbooks that have been returned and retained by the Organization are recorded in bookstore goods inventory. New textbooks that are rented are depreciated until the carrying value equals the cost of a used textbook of the same title. Used textbooks are depreciated using a two-semester rental useful life. Rental textbooks that will no longer be offered will be sold to a book distributor or disposed. Gains and losses are charged to bookstore purchases in the accompanying statements of activities. For the years ended June 30, 2015 and 2014, the Organization recognized textbook rental income of approximately $1,575,000 and $1,866,000, respectively, and rental book depreciation expense of approximately $582,000 and $686,000, respectively.

Inventories

Inventories consist of finished goods such as bookstore goods, food and supplies. Bookstore inventory is stated at the lower of cost or market, where cost is determined using the retail-inventory method. Food and supplies inventories are stated at the lower of cost (first-in, first-out method) or market. All inventory is stated net of reserves for excess and obsolescence. There were no reserves for excess or obsolete inventory as of June 30, 2015 and 2014.

Property and Equipment

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

Long-lived Assets

In accordance with ASC Topic 360, *Property, plant and equipment,* long-lived assets are reviewed annually for impairment or whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. The estimated future cash flows are based upon, among other things, assumptions about expected future operating performance and may differ from actual cash flows. Long-live assets evaluated for impairment are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. If the sum, of the projected undiscounted cash flows (excluding interest) is less than the carrying value of the assets, the assets will be written down to the estimated fair value in the period in which the determination is made. Management has determined that no impairment of long-live assets occurred during the years ended June 30, 2015 and 2014.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value of Financial Instruments

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

Vacation Policy

The Organization accrued earned vacation based on whether the employee is salaried or hourly and the employee's length of service. Salaried employees can accrue a maximum of 440 hours. Hourly employees can accrue a maximum of 272 to 440 hours based on length of service. Accrued vacation is calculated at the employee's current wage rate. Vacation liabilities of approximately $441,000 and $452,000 were included in accrued liabilities at June 30, 2015 and 2014, respectively (see Note 5).

Sick Leave Benefits

The Organization pays eligible retiring employees accrued unused sick leave. Employees who are covered under the California Public Employees' Retirement System (CalPERS) pension plan, and hired prior to 2006, are eligible to retire at age 50 and hourly employees, with a minimum of five years of service, are eligible at age 55. The retiring employees are entitled to receive 4 percent of accrued unused sick leave for each year of service up to a maximum of 25 years of service. The Organization accrued expense for future sick leave benefit obligations related to employees expected to retire with sick leave benefits. Sick time liabilities of approximately $442,000 and $465,000 are included in accrued liabilities at June 30, 2015 and 2014, respectively (see Note 5). During the year ended June 30, 2006, the Organization Board of Directors elected to participate in the CalPERS 457 plan, which allows all employees to make pretax withdrawals of accumulated sick leave accrued by the Organization above a floor number of earned hours at the then-current rate of pay and place those funds into a tax-deferred savings account administered by a third party.

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.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Retirement and Postretirement Benefits (continued)

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

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

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

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

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

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

Revenue Recognition

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

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

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

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue Recognition (continued)

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

Sales Tax

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

Income Taxes

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

Tax positions are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely to be realized on settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying statements of financial position, along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Upon adoption and through June 30, 2015, 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.

As of June 30, 2015, the federal statute of limitations remains open for the 2011 through 2013 tax years. The statute of limitations for the state income tax remains open from 2010 through 2013 tax years. The 2014 filings will be completed on or before the statutory due dates including any applicable extensions.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2015 and 2014.

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. No UBIT was incurred by the Organization during the years ended June 30, 2015 or 2014.

Use of Estimates

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

Reclassifications:

Certain balances of revenue and expenses in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. These classifications have not had any impact on net assets.

Subsequent Events

The Organization has evaluated subsequent events through September 17, 2015, the date the financial statements were available to be issued.

Recent Accounting Pronouncement

On May 28, 2014, the FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers*, which impacts the way in which some entities recognized revenue for certain types of transactions. The new standard will become effective beginning in 2019 for private companies. The Organization is currently assessing the potential impact of this accounting standard and the effect the standard might have on its revenue recognition policy upon adoption.

NOTE 2 – SHORT-TERM INVESTMENTS, CERTIFICATES OF DEPOSIT AND FAIR VALUE MEASUREMENTS

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

	2015	2014
Certificates of deposit:		
Current	$ -	$ 299,000
Noncurrent	-	248,000
	-	547,000
Local Agency Investment Fund (LAIF)	1,110,000	1,106,000
	$ 1,110,000	$ 1,653,000

Investment income, including income from certificates of deposit, consisted of approximately $15,000 and $23,000 for the years ended June 30, 2015 and 2014, respectively. There was no unrealized income or loss on investments as of June 30, 2015 and 2014.

Fair Value Measurements

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

Investments are presented in the financial statements at fair value in accordance with U.S. GAAP. The fair value of securities in the State's pooled investment program generally is based on quoted market prices. The State's Office performs a quarterly fair market valuation of the pooled investment program portfolio. In addition, the State's office performs a monthly fair market valuation of all securities held against carrying cost. As of June 30, 2015 and 2014, the weighted –average maturity of the securities in the pooled investment program administered by the State's Office was approximately 239 days and 232 days, respectively. Weighted-average maturity is the average number of days, given a dollar-weighted value of individual investments, that the securities in the portfolio have remaining from evaluation date to stated maturity. The default credit risk of LAIF is considered minimal.

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

NOTE 2 – SHORT-TERM INVESTMENTS, CDs AND FAIR VALUE MEASUREMENTS – Continued

Fair Value Measurements (continued)

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.

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

All of the Organization's certificates of deposit are classified as Level 1 investments. As of June 30, 2015 and 2014, the Organization's investments in LAIF of $1,110,000 and $1,106,000, respectively, are categorized as Level 3 investments. During the years ended June 30, 2015 and 2014, there were no transfers among the classification levels.

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

	2015	2014
Beginning balance	$ 1,106,000	$ 602,000
Total realized and unrealized gains, net, included in change in net assets	4,000	4,000
Net additions and purchases (under) sales and maturities	-	500,000
Ending balance	$ 1,110,000	$ 1,106,000

NOTE 3 – INVENTORIES

Inventories were approximated as follows at June 30:

	2015	2014
Bookstore	$ 4,226,000	$ 3,919,000
Dining services	656,000	558,000
Supplies and other	44,000	40,000
	$ 4,926,000	$ 4,517,000

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment were approximated as follows at June 30:

	2015	2014
Land	$ 26,719,000	$ 24,755,000
Buildings	71,669,000	63,272,000
Equipment and furniture	16,183,000	16,437,000
Leasehold improvements	8,498,000	8,037,000
Construction in progress	502,000	514,000
	123,571,000	113,015,000
Less accumulated depreciation	(32,056,000)	(28,625,000)
	$ 91,515,000	$ 84,390,000

For the years ended June 30, 2015 and 2014, the Organization recorded depreciation expense of approximately $3,676,000 and $3,376,000, respectively.

NOTE 5 – ACCRUED LIABILITIES

	2015	2014
Accrued compensated absences	$ 883,000	$ 917,000
Property renovation advance	837,000	-
Accrued interest	674,000	520,000
Salaries and benefits payable	619,000	667,000
University Trademark payable	492,000	494,000
Customer/student deposits	358,000	348,000
Accrued employee benefit costs (Note 9)	323,000	316,000
Security deposits	227,000	285,000
Deferred rent	25,000	25,000
Other	943,000	528,000
	$ 5,381,000	$ 4,100,000

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

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

For the years ended June 30, 2015 and 2014, the Organization recorded cash receipts for services rendered and reimbursements from the University and its auxiliaries in the amount of approximately $30,980,000 and $24,825,000, respectively, which are included in revenue and include approximately $27,265,000 and $18,757,000, respectively, of funds collected by the University on behalf of the Organization for dining and residence hall services.

For the years ended June 30, 2015 and 2014, the Organization received advertising services from the University in exchange for providing meal cards and books to student athletes in the amount of approximately $334,000 and $327,000, respectively, which is included in their respective expense classifications.

For the years ended June 30, 2015 and 2014, the Organization recorded cash disbursements for services, including facility rents and reimbursements, to auxiliaries in the amount of approximately $7,485,000 and $6,561,000, respectively, which are included in expenses.

Not included in revenue or expenses for the years ended June 30, 2015 and 2014 are funds collected under an agreement with the University for student parking permits collected by the Organization and remitted to the University in the amount of approximately $2,072,000 and $1,998,000, respectively.

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

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, 2015 and 2014, receivables due from the University and/or its auxiliaries were approximately $614,000 and $663,000, respectively. In addition, the Organization has a noncurrent receivable from the University for approximately $310,000 and $1,222,000 as of June 30, 2015 and 2014, respectively, relating to the University Towers Renovation (see Note 7). As of June 30, 2015 and 2014, accounts payable and accrued liabilities were approximately $50,000 and $189,000, respectively, and $758,000 and $150,000, respectively, for amounts owed to the University and/or its auxiliaries.

The Organization entered into a management and space guarantee agreements 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 $8,092,000 and $5,068,000 for the years ended June 30, 2015 and 2014, respectively, that took into consideration the services performed by the University instead of withholding an amount from the total funds collected. In addition, the University reimbursed the Organization $558,000 for Piedra Del Sol furniture, which is reflected in other income for the year ended June 30, 2014. Also see Note 10.

No additional amounts were held on behalf of affiliates as of June 30, 2015 or 2014.

In January 2014, one student housing project adjacent to the University, Sanctuary Suites, with a book value of approximately $4,688,000 was transferred to the Organization from the Research Foundation. In connection with this transaction, the Organization executed an unsecured note in the amount of $4,718,000 to the Research Foundation (see Note 7). Due to the related-party nature of this transaction, the effect of this transfer is classified as nonoperating in the accompanying statements of activities.

In June 2015, two strip centers with both commercial and educational space located on College Avenue, adjacent to the University, College Avenue Square and Strip, with a book value of approximately $4,023,000 were transferred to the Organization from the Research Foundation. In connection with this transaction, the Organization executed two unsecured notes in the amount of $870,000 and $600,000 to the Research Foundation (see Note 7) and paid cash of approximately $2,739,000. Due to the related-party nature of this transaction, the effect of this transfer is classified as nonoperating in the accompanying statements of activities. As of June 30, 2015, the Organization has a net deferred liability, reported under accrued liabilities, in the amount of approximately $837,000 for an advance on College Square tenant allowance improvements.

NOTE 7 – RELATED-PARTY NOTES

Related-party long-term debt

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

	2015	2014
55th Street apartment loan, inclusive of bond premium [a]	$ 23,380,000	$ 23,916,000
University Towers loan, inclusive of bond premium [b]	17,336,000	18,024,000
University Towers Renovation loan [c]	10,162,000	10,449,000
Fraternity Row apartment loan, inclusive of bond premium [d]	7,638,000	8,029,000
Piedra Del Sol apartment loan, inclusive of bond premium [e]	5,061,000	5,306,000
College West Apartments acquisition loan [f]	3,477,000	3,574,000
Sanctuary Suites acquisition loan [g]	4,718,000	4,718,000
Hardy Avenue apartment loan [h]	2,184,000	2,184,000
Other [i]	48,000	71,000
Aztec Shops Terrace capital lease payable [j]	3,281,000	-
College Square acquisition loan [k]	870,000	-
College Strip acquisition loan [l]	600,000	-
	78,755,000	76,271,000
Less current maturities	(2,420,000)	(1,883,000)
	$ 76,335,000	$ 74,388,000

(a) During the year ended June 30, 2010, the Organization acquired an unaffiliated apartment complex (55th Street apartments) adjacent to the University campus. In November 2009, the Trustees of CSU issued $25,330,000 of commercial paper to finance the purchase of the apartment complex until bond financing was available. In April 2010, the Trustees of CSU issued Systemwide Revenue Bonds (SRB) Series 2010AB. The bond proceeds were used to redeem the commercial paper. Commercial paper issuance cost of $297,940, commercial paper interest expense of $34,457 and interest income of $13,907 were recorded during the year ended June 30, 2010. The Organization and the Trustees of CSU entered into a loan agreement dated September 22, 2009 relating to the issuance of $25,155,000, which is a portion of the Trustees of the CSU SRB Series 2010A for the 55th Street Apartments Acquisition Project. The loan and the CSU SRB Series 2010AB bear interest at rates graduating from 2.0 percent to 6.4 percent, and are due in semiannual principal and interest payments beginning in November 2010 through November 2039. The bonds were purchased at a premium of $675,132 with an underwriter's discount of $158,056 and issuance costs of $68,465. The premium, underwriter's discount and cost of issuance are being amortized over the life of the loan using the effective interest method. The Series 2010B bonds are Build America Bonds and are eligible for a federal subsidy payment equal to 35 percent of the interest due on the Series 2010B. For the year ended June 30, 2015, the Organization received subsidies of $383,706 and recorded a receivable of $54,627. For the year ended June 30, 2014, the Organization received subsidies of $387,275 and recorded a receivable of $54,824.

NOTE 7 – RELATED-PARTY NOTES – Continued

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

(c) On December 5, 2012, the Trustees of CSU issued $10,136,000 in tax-exempt commercial paper to finance the construction costs for the University Towers Renovation project. An additional $48,337 and $133,000 was issued during the year ended June 30, 2015 and June 30, 2014, respectively. The project proposes selective critical upgrades to the nine-story, 560-bed University Towers residence hall, built in 1966 at the corner of Montezuma Road and 55th Street. The project includes a complete renovation of the 8,000 square-foot Food Service Facility, partial renovation of the first floor west and east wings of the residential tower, upgrades to the residence hall lobby and entryways, selective exterior upgrades and landscape improvements. The debt is subject to the federal arbitrage rules, which require that the commercial paper proceeds be spent within two years of the issue date. All spend-down requirements have been met as of June 30, 2015. Commercial paper issuance costs of $304,151 are capitalized and included in deferred debt issuance costs. In addition, commercial paper interest expense of $13,479 and $26,901 and interest income of $6,767 and $6,381 were recorded during the years ended June 30, 2015 and 2014, respectively.

The commercial paper notes were used as interim financing during the construction period until bond financing was available. In July 2014, the Trustees of CSU issued SRB Series 2014A and the proceeds were used to pay off the outstanding commercial paper notes. Construction was completed in September 2013. The CSU SRB Series 2014A bear interest at rates graduating from 3.0 percent to 5.0 percent, and are due in semiannual principal and interest payments beginning in November 2014 through May 2044. The bonds were purchased at a premium of $1,307,336, with an underwriter's discount of $32,141, and a cost of issuance expense of $16,196. The premium, underwriter's discount and cost of issuance are being amortized over the life of the loan using the effective interest method.

NOTE 7 – RELATED-PARTY NOTES – Continued

As of June 30, 2015, the Organization has the following assets and liabilities relating to the University Towers Renovation project:

	2015	2014
Debt issuance costs	$ 336,000	$ 304,000
Receivable from University	310,000	1,222,000
Property and equipment	9,475,000	8,939,352
Construction in Progress	370,000	-
Trustees of CSU commercial paper notes	-	10,449,000

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

(e) In June 3013, the Organization acquired Piedra Del Sol apartments from the Research Foundation and assumed the outstanding CSU SRB Series 2010A in the amount of $5,185,000. The CSU SRB Series 2010A bear interest at rates graduating from 2.00 percent to 5.00 percent, and are due in semiannual principal and interest payments beginning in November 2013 through November 2029. The Organization assumed an unamortized bond premium in the amount of $363,099, which will be amortized over the life of the loan using the effective interest method.

(f) On November 14, 2013, the Trustees of CSU issued $3,574,000 in tax-exempt commercial paper to finance the 2013 acquisition of College West Apartments. An additional $18,353 was issued during the year ended June 30, 2015. The debt is subject to federal arbitrage rules, which require that the commercial paper proceeds be spent within two years of the issue date. All spend-down requirements have been met as of June 30, 2015. Commercial paper issuance costs of $31,326 are capitalized and included in deferred debt issuance costs as of June 30, 2015.

The commercial paper notes were used as interim financing until bond financing was available. In July 2014, the Trustees of CSU issued SRB Series 2014A and the proceeds were used to pay off the outstanding commercial paper notes. The CSU SRB Series 2014A bear interest at rates graduating from 3.00 percent to 5.00 percent, and are due in semiannual principal and interest payments beginning in November 2014 through May 2044. The bonds were purchased at a premium of $447,353, with an underwriter's discount of $10,995, and a cost of issuance expense of $7,358. The premium, underwriter's discount and cost of issuance are being amortized over the life of the loan using the effective interest method.

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

NOTE 7 – RELATED-PARTY NOTES – Continued

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

(i) In March 2010, the Organization received $140,000 from an auxiliary, designated for payment to the University's athletic director, recording the funds received as a noninterest-bearing note payable to the University. Subsequently, the Organization issued a note receivable due from the athletic director in the principal sum of $140,000, with interest at 3.25 percent per annum, payable in seven annual installments of principal and interest. In July 2010, an additional $25,000 was received from an auxiliary and distributed to the athletic director, resulting in an increase in the note receivable and payable. As the athletic director remits payment, the funds are used to reduce the notes receivable and are remitted to the auxiliary to reduce the related payable balance. The outstanding balance of the note payable as of June 30, 2015 and 2014 was approximately $48,000 and $71,000, respectively, and the corresponding note receivable as of June 30, 2015 and 2014 was approximately $48,000 and $71,000, respectively.

(j) 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, 2015 is approximately $4,075,000. The related accumulated depreciation recorded as of June 30, 2015 was approximately $107,000. Amortization of assets held under capital building leases is included in depreciation expense

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

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

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

In connection with the 2010 Bonds, the Organization incurred issuance costs of approximately $375,000, which are being amortized over the term using the effective interest method. As of June 30, 2015 and 2014, related unamortized debt issuance cost was approximately $252,000 and $273,000, respectively.

NOTE 7 – RELATED-PARTY NOTES – Continued

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

Years ending June 30,	
2016	$ 2,420,000
2017	2,510,000
2018	2,567,000
2019	3,112,000
2020	3,448,000
Thereafter	64,698,000
	$ 78,755,000

Approximate future maturities of the related party capital lease at June 30, 2015 are as follows:

Years ending June 30,	Principal	Interest	Principal and Interest
2016	$ 195,000	$ 121,000	$ 316,000
2017	202,000	114,000	316,000
2018	210,000	106,000	316,000
2019	218,000	98,000	316,000
2020	226,000	89,000	315,000
Thereafter	2,230,000	370,000	2,600,000
Total minimum lease payments			4,179,000
Less amounts representing interest			(898,000)
Present value of future minimum lease payments			3,281,000
Less current portion			(195,000)
Capital lease obligation, net of current portion			$ 3,086,000

NOTE 8 – LONG-TERM DEBT

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

	2015	2014
Brawley Loan (a)	$ 400,000	$ 485,000
Capital leases	50,000	81,000
	450,000	566,000
Less current maturities	(135,000)	(132,000)
	$ 315,000	$ 434,000

(a) In a prior year, the Organization converted its construction loan related to the completed building located at the Brawley site of the University to a term loan with a bank. The principal amount of the note was $1,132,000 to be paid over a 15-year period ending in September 2019. The note bears interest of 5.00 percent per year for the first five years, and prime rate plus 1.00 percent reset at the beginning of each five-year period thereafter. In September 2009, the interest rate was reset to 4.25 percent per year. The loan is collateralized by the classroom and administrative offices located in the Brawley building, and contains certain prepayment penalties that will expire after the beginning of the 14th anniversary of the loan conversion. In connection with the issuance of the loan, the Organization incurred debt issuance costs of approximately $38,000, which are being amortized over the term of the loan using the effective interest method. As of June 30, 2015 and 2014, the related unamortized debt issuance cost was approximately $11,000 and $13,000, respectively.

NOTE 8 – LONG-TERM DEBT - Continued

The Organization has equipment leases that qualify as capital leases. The lease obligations are secured by the financed equipment, and amortization of assets held under capital leases is included in depreciation expense. The gross carrying value of financed equipment recorded as of June 30, 2015 and 2014 is approximately $146,000. The related accumulated depreciation recorded as of June 30, 2015 and 2014 was approximately $132,000 and $116,000, respectively.

Approximate future maturities of capital leases at June 30, 2015 are as follows:

Years ending June 30,	Principal	Interest	Principal and Interest
2016	$ 47,000	$ 5,000	$ 52,000
2017	3,000	-	3,000
2018	-	-	-
Total minimum lease payments			55,000
Less amounts representing interest			(5,000)
Present value of future minimum lease payments			50,000
Less current portion			(48,000)
Capital lease obligation, net of current portion			$ 2,000

Approximate future maturities of long-term debt and capital leases are as follows:

Years ending June 30,	Amount
2016	$ 135,000
2017	94,000
2018	96,000
2019	100,000
2020	25,000
Thereafter	-
	$ 450,000

NOTE 9 – ACCRUED EMPLOYEE BENEFIT COSTS

CalPERS Salaried Plan

The Organization contracts with CalPERS to provide its salaried employees retirement and disability benefits, which are paid by the State of California. In addition, employee group health insurance coverage (other) is obtained through CalPERS, and the contract requires the Organization to pay a minimum portion of the health insurance premiums of retirees after certain required periods of employment. Through June 30, 2003, the CalPERS retirement and disability plan was an agent multiple-employer retirement plan; therefore, the provisions of ASC 715, *Employers' Accounting for Pensions*, were applicable.

Effective July 1, 2003, the Organization began participating in a CalPERS cost-sharing multiemployer pension plan whereby other entities with benefits similar to the Organization participate in the same cost-sharing plan. At the date the Organization began participating in the cost-sharing plan, a liability was determined by CalPERS for each of the cost-sharing plan participants, called a "side fund liability," which was established to account for each organization's share of the pool's unfunded liability. The side fund liability is calculated by CalPERS annually and includes liability calculations for the subsequent two years using estimated employer payroll and estimated return on plan assets in accordance with ASC 450, *Accounting for Contingencies*.

The following table sets forth the approximate calculation of the Organization's side fund liability as of June 30:

	2015	2014
Accrued employee benefit cost related to side fund liability at beginning of year	$ 1,229,000	$ 1,461,000
Service cost	385,000	515,000
Actual contributions	(980,000)	(854,000)
Amount allocated to interest on side fund liability	335,000	107,000
Side fund liability at year-end	$ 969,000	$ 1,229,000

Service cost was calculated using 8.5 percent and 11.5 percent of actual for the years ended June 30, 2015 and 2014, respectively. Contribution rates to CalPERS were 21.6 percent and 19.1 percent of actual payroll for the years ended June 30, 2015 and 2014, respectively. Interest on side fund earnings was calculated using CalPERS actual investment return, net of fees of 18 and 12 percent for the years ended June 30, 2015 and 2014, respectively. Actual payroll was approximately $4,176,000 and $4,233,000 for the years ended June 30, 2015 and 2014, respectively. Total CalPERS expense for June 30, 2015 and 2014, was $765,000 and $825,000, respectively.

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, 2015 and 2014, the Organization paid employee's health insurance premium as they came due.

NOTE 9 – ACCRUED EMPLOYEE BENEFIT COSTS - Continued

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:

	2015	2014
Changes in benefit obligations:		
Accumulated postretirement benefit obligation		
at beginning of year	$ (12,614,000)	$ (12,222,000)
Service cost	(206,000)	(237,000)
Interest cost	(506,000)	(531,000)
Benefit payments, net	291,000	274,000
Actuarial gains	303,000	102,000
Obligations at end of year	(12,732,000)	(12,614,000)
Fair value of plan assets at end of year	-	-
Funded status	$ (12,732,000)	$ (12,614,000)

	2015	2014
Components of net periodic pension cost:		
Service cost	$ 206,000	$ 238,000
Interest cost	506,000	531,000
Amortization of transition obligation	88,000	93,000
Amortization of prior service cost	(53,000)	(53,000)
Amortization of net loss	50,000	360,000
Net periodic pension cost	$ 797,000	$ 1,169,000

	Other Benefits	
	2015	2014
Employer contribution	$ 291,000	$ 274,000
Amounts recognized in the statements of financial position:		
Current liabilities	$ 323,000.00	$ 316,000.00
Noncurrent liabilities	12,409,000	12,298,000
Net amount recognized	$ 12,732,000	$ 12,614,000

Weighted-average assumptions used in the computation of the health care premiums include a discount rate of 4.25 percent and 4.50 percent for the years ended June 30, 2015 and 2014, respectively.

NOTE 9 – ACCRUED EMPLOYEE BENEFIT COSTS - Continued

For measurement purposes on the postretirement medical benefit plan, an 8.25 and 9.00 percent health care cost trend rate for the years ended June 30, 2015 and 2014, respectively, were used to calculate the expected cost increases. The ultimate rate is 4.5 percent, which will be attained in the years 2019 for the years ended June 30, 2015 and 2014. If assumed health care trend rates were increased or decreased by 1 percent, the service and interest cost and accumulated postretirement benefit obligation for the year ended June 30, 2015 would be approximately increased or decreased as indicated below:

	1% Increase	1% Decrease
Service and interest cost	$ 157,000	$ (121,000)
Accumulated postretirement benefit obligation	$ 2,257,000	$ (1,811,000)

Estimated Future Benefit Payments and Contributions

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

Years ending June 30,	
2016	$ 330,000
2017	361,000
2018	397,000
2019	434,000
2020	463,010
Years 2021-2025	2,725,000
	$ 4,710,010

The Organization uses a June 30, measurement date for the plans. Total retiree medical plan expenses amounted to $414,000 and $665,000, respectively.

NOTE 9 – ACCRUED EMPLOYEE BENEFIT COSTS - Continued

Hourly Plan

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

	2015	2014
Changes in benefit obligations:		
Accumulated employee benefit obligation costs		
at beginning of year	$ (7,203,000)	$ (7,301,000)
Service cost	(245,000)	(249,000)
Interest cost	(315,000)	(302,000)
Benefit payments, net	490,000	229,000
Actuarial gains	(870,000)	420,000
Obligations at end of year	(8,143,000)	(7,203,000)
Fair value of plan assets at end of year	6,039,000	6,074,000
Funded status	$ (2,104,000)	$ (1,129,000)

	2015	2014
Components of net periodic pension cost:		
Service cost	$ 245,000	$ 249,000
Interest cost	315,000	302,000
Return on plan assets	(420,000)	(369,000)
Amortization of prior service cost	-	-
Amortization of net loss	103,000	180,000
Net periodic pension cost	$ 243,000	$ 362,000

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

NOTE 9 – ACCRUED EMPLOYEE BENEFIT COSTS - Continued

	Years ended June 30, 2015	Years ended June 30, 2014
Discount rate	4.25%	4.50%
Expected return on plan assets	6.75%	7.00%
Rate of compensation increase	N/A	N/A

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:

	2015	2014
Cash - level 1	$ 1,000	$ 1,000
Cash - level 2	142,000	374,000
Mutual funds - level 1	958,000	271,000
Mutual funds - level 2	4,938,000	5,428,000
Total plan assets	$ 6,039,000	$ 6,074,000

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

Asset Allocation and Investment Strategy

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

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

	2015	2014	Desired Strategic Allocation at June 30, 2015 and 2014
Cash	2%	6%	0-20%
Fixed income	37%	34%	30-50%
Equity	61%	60%	50-70%
	100%	100%	

NOTE 9 – ACCRUED EMPLOYEE BENEFIT COSTS - Continued

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 6.75 and 7.00 percent for the current year and prior year, respectively, is both consistent with these historical returns and reasonable given the current asset allocation and expected market conditions.

Plan Expenses and Estimated Contributions

The plan expenses for June 30, 2015 and 2014 amounted to $1,344,000 and ($590,000), respectively. The Organization expects to contribute $350,000 to the Hourly Plan for the year ending June 30, 2016.

Estimated Future Benefit Payments

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

Years ending June 30,		
2016	$	231,000
2017		340,000
2018		445,000
2019		442,000
2020		585,000
Years 2021-2025		1,995,000
	$	4,038,000

NOTE 10 – COMMITMENT AND CONTINGENCIES

Rental Expenses

Operating Agreements and Leases

The Organization has eight operating and lease agreements with the Trustees of the University: one expires on June 30, 2016; two expire on May 31 and June 30, 2017, of which one has two three-year renewal options; one expires on April 30, 2018 with two three-year renewal options; three expire on June 30, 2019 with one three year extension; and one expires June 30, 2023 with one five year extension. These operating and lease agreements are for the purpose of operating the Warehouse office, the Westside convenience store, the Imperial Valley Campus bookstore, the East West Commons area, Aztec Art, Etc. (an art supply store), the Education building and the Information Technology buildings for the benefit of the student body on behalf of the University.

NOTE 10 – COMMITMENT AND CONTINGENCIES - Continued

Operating Agreements and Leases (continued)

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.

The Organization has an operating agreement and a related group lease agreement with the Trustees of the University, which expire on June 30, 2018. 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 $454,000 and $383,000 for the years ended June 30, 2015 and 2014, respectively.

During the year ended June 30, 2014, the Organization entered into a memorandum of understanding with Associated Student of San Diego State University (A.S.) to lease retail food space at Aztec Student Union. Effective July 1, 2014, the memorandum of understanding was finalized into an agreement. 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, 2015 and 2014 is $218,750 and $243,750, respectively.

During the year ended June 30, 2015, 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 $2,179,000 and $1,478,000 for the years ended June 30, 2015 and 2014, respectively.

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

Years ending June 30,	
2016	$ 621,000
2017	10,000
2018	1,000
	$ 632,000

NOTE 10 – COMMITMENT AND CONTINGENCIES - Continued

Rental Income

Leased Property

The Organization leases part of its University Towers building and residential properties to third parties and part of its Brawley facility to the University. The Organization recognized approximately $630,000 and $600,000 in residential and commercial rental income related to these leases as of June 30, 2015 and 2014, respectively.

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

Years ending June 30,	
2016	$ 1,716,000
2017	195,000
2018	136,000
2019	67,000
2020	-
Thereafter	-
	$ 2,114,000

Subleases

For the years ended June 30, 2015 and 2014, the Organization recognized approximately $1,541,000 and $947,000, 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 period. Monthly payments began in March 2014 at approximately $8,000, escalating annually. Additionally, the Organization funded $680,325 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, 2015 and 2014 is $737,787 and $668,891, respectively.

Revenues

As of June 30, 2015, the Organization had entered into a noncancelable revenue commitment in the aggregate of approximately $4,271,000 for services to be provided to the University and its auxiliaries.

On July 1, 2012, the Organization entered into a lease agreement with the University, wherein the University will lease University Towers through June 30, 2032 for $2,100,000 per year. In connection with the lease agreement, the Organization entered into a management agreement with the University, wherein the Organization will manage University Towers through June 30, 2017 for $1,350,000 per year, increasing 5 percent annually.

NOTE 10 – COMMITMENT AND CONTINGENCIES - Continued

Revenues (continued)

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

Purchases

As of June 30, 2015, the Organization had entered into noncancelable commitments in the aggregate of approximately $918,000 for payment of license fees, concession fees and purchases of goods and services with third parties and the University and its auxiliaries.

During the year ended June 30, 2010, the Organization entered into a capital lease for equipment, whereas the Organization is required to purchase a minimum of 7,200 cases of product at cost plus an additional amount added to each case for the purchase of the equipment. As of June 30, 2015, the Organization has a remaining 3,320 cases to purchase at an average cost of $31.77 per case, totaling approximately $106,000.

Other

Management Fee

During the year ended June 30, 2010, the Organization entered into a management fee arrangement with a third party in regard to the management services of various apartment buildings. The management fee is calculated as 3.5 percent of the gross revenue collected per month. For the years ended June 30, 2015 and 2014, the management fee was approximately $159,000 and $138,000, respectively.

During the year ended June 30, 2014, the Organization entered into a management fee arrangement with a third party in regard to the management services for various apartment buildings. The management fee is calculated as 4 percent of gross revenue or a fixed fee. For the years ended June 30, 2015 and 2014, the management fee was approximately $134,000 and $106,000, respectively.

License Fee

The Organization is licensed by several fast-food chains to produced and service products at the dining service facilities it operates. The licenses granted are primarily for three to 10 years and require monthly license fees based on various percentages of gross sales.

NOTE 10 – COMMITMENT AND CONTINGENCIES - Continued

Refundable Deposit

In a prior year, the Organization entered into a memorandum of understanding, wherein the Organization is responsible for the full allocated amount of the design, construction and project cost associated with a portion of the renovation of a building on the University's campus in the amount of approximately $2,800,000. As of June 30, 2014, the Organization had recorded a deposit included in other assets of approximately $475,000 which was applied to the project (capital lease – see Note 7) in the current year.

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:

	2015	2014
Associated Students of San Diego State University	$ 55,000	$ 55,000
San Diego State University and auxiliary	710,000	710,000
	$ 765,000	$ 765,000

NOTE 12 – CONTRIBUTION REVENUE AND EXPENSE

The Organization entered into an agreement with a vendor and the University in August 2013, in which all monies received from the vendor are subsequently contributed to the University. During each of the years ended June 30, 2015 and 2014, the Organization received $420,000 and $445,000, respectively, from the vendor and contributed $420,000 and $445,000, respectively, to the University.

NOTE 13 – OTHER INCOME

Other income consisted of approximately the following at June 30:

	2015	2014
Rent (Note 10)	$ 1,686,000	$ 1,333,000
Commissions	823,000	683,000
Federal subsidy revenue (Note 7)	384,000	387,000
Other	419,000	886,000
	$ 3,312,000	$ 3,289,000

SUPPLEMENTARY INFORMATION

Aztec Shops, Ltd.

SCHEDULE OF NET POSITION

June 30, 2015
(for inclusion in the California State University)

Assets:		
Current assets:		
Cash and cash equivalents	$	2,818,126
Short-term investments		1,110,312
Accounts receivable, net		1,664,121
Leases receivable, current portion		-
Notes receivable, current portion		23,570
Pledges receivable, net		-
Prepaid expenses and other assets		5,491,787
Total current assets		11,107,916
Noncurrent assets:		
Restricted cash and cash equivalents		-
Accounts receivable, net		309,637
Leases receivable, net of current portion		-
Notes receivable, net of current portion		23,570
Student loans receivable, net		-
Pledges receivable, net		-
Endowment investments		-
Other long-term investments		-
Capital assets, net		91,515,452
Other assets		1,391,121
Total noncurrent assets		93,239,780
Total assets		104,347,696
Deferred outflows of resources:		
Unamortized loss on debt refunding		-
Net pension obligation		-
Others		-
Total deferred outflows of resources	$	-

Aztec Shops, Ltd.

SCHEDULE OF NET POSITION - CONTINUED

June 30, 2015
(for inclusion in the California State University)

Liabilities:		
Current liabilities:		
Accounts payable	$	1,617,183
Accrued salaries and benefits payable		619,024
Accrued compensated absences– current portion		882,958
Unearned revenue		769,839
Capitalized lease obligations – current portion		241,705
Long-term debt obligations – current portion		1,986,311
Claims Liability for losses and LAE - current portion		-
Depository accounts		-
Other liabilities		3,878,864
Total current liabilities		9,995,884
Noncurrent liabilities:		
Accrued compensated absences, net of current portion		-
Unearned revenue		-
Grants refundable		-
Capitalized lease obligations, net of current portion		3,088,693
Long-term debt obligations, net of current portion		73,887,874
Claims Liability for losses and LAE, net of current portion		-
Depository accounts		-
Other postemployment benefits obligation		12,409,476
Pension obligation		3,073,151
Other liabilities		193,750
Total noncurrent liabilities		92,652,944
Total liabilities		102,648,828
Deferred inflows of resources:		
Unamortized gain on debt refunding		-
Non-exchange transactions		-
Service concession arrangements		-
Net pension obligation		-
Others		-
Total deferred inflows of resources	$	-

Aztec Shops, Ltd.

SCHEDULE OF NET POSITION - CONTINUED

June 30, 2015
(for inclusion in the California State University)

Net Position:		
Net investment in capital assets	$	12,358,009
Restricted for:		
Nonexpendable – endowments		-
Expendable:		
Scholarships and fellowships		-
Research		-
Loans		-
Capital projects		-
Debt service		-
Other		-
Unrestricted		(10,659,141)
Total net position	$	1,698,868

Aztec Shops, Ltd.

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

June 30, 2015
(for inclusion in the California State University)

Revenues:	
Operating revenues:	
Student tuition and fees (net of scholarship allowances of $0)	$ -
Grants and contracts, noncapital:	
Federal	-
State	-
Local	-
Nongovernmental	-
Sales and services of educational activities	-
Sales and services of auxiliary enterprises (net of scholarship allowances of $0)	59,858,688
Other operating revenues	-
Total operating revenues	59,858,688
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	56,298,462
Depreciation and amortization	3,722,193
Total operating expenses	60,020,655
Operating income (loss)	(161,967)

Aztec Shops, Ltd.

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

June 30, 2015
(for inclusion in the California State University)

Nonoperating revenues (expenses):		
State appropriations, noncapital	$	-
Federal financial aid grants, noncapital		-
State financial aid grants, noncapital		-
Local financial aid grants, noncapital		-
Nongovernmental and other financial aid grants, noncapital		-
Other federal nonoperating grants, noncapital		-
Gifts, noncapital		-
Investment income (loss), net		15,286
Endowment income (loss), net		-
Interest expense		(3,300,813)
Other nonoperating revenues (expenses)		1,977,137
Net nonoperating revenues (expenses)		(1,308,390)
Income (loss) before other additions		(1,470,357)
State appropriations, capital		-
Grants and gifts, capital		383,706
Additions (reductions) to permanent endowments		-
Increase (decrease) in net position		(1,086,651)
Net position:		
Net position at beginning of year, as previously reported		2,785,519
Restatements		-
Net position at beginning of year, as restated		2,785,519
Net position at end of year	$	1,698,868

Aztec Shops, Ltd.

OTHER SUPPLEMENTARY INFORMATION

June 30, 2015
(for inclusion in the California State University)

1	**Restricted cash and cash equivalents at June 30, 2015:**	
	Portion of restricted cash and cash equivalents related to endowments	$ -
	All other restricted cash and cash equivalents	-
	Total restricted cash and cash equivalents	$ -

Aztec Shops, Ltd.

OTHER SUPPLEMENTARY INFORMATION

June 30, 2015
(for inclusion in the California State University)

2.1 Composition of investments at June 30, 2015:

	Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
State of California Surplus Money Investment Fund (SMIF)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
State of California Local Agency Investment Fund (LAIF)	1,110,312	-	1,110,312	-	-	-	1,110,312
Corporate bonds	-	-	-	-		-	-
Certificates of deposit	-	-	-	-	-	-	-
Mutual funds	-	-	-	-	-	-	-
Money Market funds	-	-	-	-	-	-	-
Repurchase agreements	-	-	-	-	-	-	-
Commercial paper	-	-	-	-	-	-	-
Asset backed securities	-	-	-	-	-	-	-
Mortgage backed securities	-	-	-	-	-	-	-
Municipal bonds	-	-	-	-	-	-	-
U.S. agency securities	-	-	-	-	-	-	-
U.S. treasury securities	-	-	-	-	-	-	-
Equity securities							
Exchange traded funds (ETFs)	-	-	-	-	-	-	-
Alternative investments:							
Private equity (including limited partnerships)	-	-	-	-	-	-	-
Hedge funds	-	-	-	-	-	-	-
Managed futures	-	-	-	-	-	-	-
Real estate investments (including REITs)	-	-	-	-	-	-	-
Commodities	-	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-	-
Other alternative investment types	-	-	-	-	-	-	-
Other external investment pools (excluding SWIFT)							
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Other major investments:						-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Total investments	1,110,312	-	1,110,312	-	-	-	1,110,312
Less endowment investments (enter as negative number)	-	-	-	-	-	-	-
Total investments	$ 1,110,312	$ -	$ 1,110,312	$ -	$ -	$ -	$ 1,110,312

2.2	**Investments held by the University under contractual agreements at June 30, 2015:**			
	Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2015 :	$ -	$ -	$ -
2.3	**Restricted current investments at June 30, 2015 related to:**			
	Add description			$ -
	Add description			-
	Add description			-
	Add description			-
	Add description			-
	Add description			-
	Add description			-
	Total restricted current investments at June 30, 2015			$ -
2.4	**Restricted noncurrent investments at June 30, 2015 related to:**			
	Endowment investment			$ -
	Add description			-
	Add description			-
	Add description			-
	Add description			-
	Add description			-
	Add description			-
	Add description			-
	Total restricted noncurrent investments at June 30, 2015			$ -

3.1 Composition of capital assets at June 30, 2015:

	Balance June 30, 2014	Prior period Adjustments	Reclassifications	Balance June 30, 2014 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2015
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	$ 24,755,124	$ -	$ -	$ 24,755,124	$ 1,964,050	$ -	$ -	$ 26,719,174
Works of art and historical treasures	-	-	-	-	-	-	-	-
Construction work in progress (CWIP)	513,750	-	-	513,750	454,462	(121,838)	(344,325)	502,049
Intangible assets:								
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-
Internally generated intangible assets in progress	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets								
Total intangible assets	-	-	-	-	-	-	-	-
Total nondepreciable/nonamortizable capital assets	25,268,874	-	-	25,268,874	2,418,512	(121,838)	(344,325)	27,221,223
Depreciable/amortizable capital assets:								
Buildings and building improvements	63,272,486	-	-	63,272,486	7,631,000	(39,365)	804,841	71,668,962
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	8,036,668	-	-	8,036,668	217,949	(86,933)	330,455	8,498,139
Personal property:								
Equipment	14,575,092	-	-	14,575,092	643,078	(98,041)	(790,775)	14,329,354
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	1,861,582	-	-	1,861,582	15,481	(23,417)	(196)	1,853,450
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets	-	-	-	-	-	-	-	-
Total intangible assets	1,861,582	-	-	1,861,582	15,481	(23,417)	(196)	1,853,450
Total depreciable/amortizable capital assets	87,745,828	-	-	87,745,828	8,507,508	(247,756)	344,325	96,349,905
Total capital assets	113,014,702	-	-	113,014,702	10,926,020	(369,594)	-	123,571,128
Less accumulated depreciation/amortization:								
Buildings and building improvements	(12,615,272)	-	-	(12,615,272)	(2,763,463)	39,365	-	(15,339,370)
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	(5,852,476)	-	-	(5,852,476)	(396,960)	86,486	-	(6,162,950)
Personal property:								
Equipment	(8,700,689)	-	-	(8,700,689)	(390,533)	96,039	-	(8,995,183)
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	(1,456,498)	-	-	(1,456,498)	(125,088)	23,413	-	(1,558,173)
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets	-	-	-	-	-	-	-	-
Total intangible assets	(1,456,498)	-	-	(1,456,498)	(125,088)	23,413		(1,558,173)
Total accumulated depreciation/amortization	(28,624,935)	-	-	(28,624,935)	(3,676,044)	245,303		(32,055,676)
Total capital assets, net	$ 84,389,767	$ -	$ -	$ 84,389,767	$ 7,249,976	$ (124,291)	$ -	$ 91,515,452

3.2 Detail of depreciation and amortization expense for the year ended June 30, 2015:

Depreciation and amortization expense related to capital assets	$	3,676,044
Amortization expense related to other assets (debt issuance costs)		46,149
Total depreciation and amortization	$	3,722,193

4 **Long-term liabilities activity schedule:**

	Balance June 30, 2014	Prior period adjustments	Reclassifications	Balance June 30, 2014 (restated)	Additions	Reductions	Balance June 30, 2015	Current portion	Long-term portion
Accrued compensated absences	$ 917,080	$ -	$ -	$ 917,080	$ 790,476	$ (824,598)	$ 882,958	$ 882,958	$ -
Capitalized lease obligations:									
Gross balance	81,322	-	-	81,322	3,600,000	(350,924)	3,330,398	241,705	3,088,693
Unamortized premium / (discount) on capitalized lease obligations	-	-	-	-	-	-	-		-
Total capitalized lease obligations	81,322	-	-	81,322	3,600,000	(350,924)	3,330,398	241,705	3,088,693
Long-term debt obligations:									
Revenue Bonds	-	-	-	-	-	-	-	-	-
Other bonds (non-Revenue Bonds)	-	-	-	-	-	-	-	-	-
Commercial Paper	14,023,000	-	-	14,023,000	-	(14,023,000)	-	-	-
Note Payable related to SRB	52,530,000	-	-	52,530,000	12,335,000	(1,985,000)	62,880,000	1,875,000	61,005,000
Other:									
Brawley Loan	484,403	-	-	484,403	-	(84,022)	400,381	87,741	312,640
Notes Payable	70,710	-	-	70,710	-	(23,570)	47,140	23,570	23,570
SDSURF Note Payable	6,901,991	-	-	6,901,991	1,470,000	-	8,371,991	-	8,371,991
Total long-term debt obligations	74,010,104	-	-	74,010,104	13,805,000	(16,115,592)	71,699,512	1,986,311	69,713,201
Unamortized bond premium / (discount)	2,744,531	-	-	2,744,531	1,754,690	(324,548)	4,174,673		4,174,673
Total long-term debt obligations, net	76,754,635	-	-	76,754,635	15,559,690	(16,440,140)	75,874,185	1,986,311	73,887,874
Total long-term liabilities	$ 77,753,037	$ -	$ -	$ 77,753,037	$ 19,950,166	$ (17,615,662)	$ 80,087,541	$ 3,110,974	$ 76,976,567

5 **Future minimum lease payments - capital lease obligations:**

	Principal	Interest	Principal and Interest
Year ending June 30:			
2016	$ 241,705	$ 126,006	$ 367,711
2017	204,771	113,760	318,531
2018	209,668	105,883	315,551
2019	217,656	97,743	315,399
2020	225,949	89,292	315,241
2021 - 2025	1,265,624	307,992	1,573,616
2026 - 2030	965,025	62,386	1,027,411
2031 - 2035	-	-	-
2036 - 2040	-	-	-
2041 - 2045	-	-	-
2046 - 2050	-	-	-
2051 - 2055	-	-	-
2056 - 2060	-	-	-
2061 - 2065	-	-	-
Total minimum lease payments			4,233,460
Less amounts representing interest			(903,062)
Present value of future minimum lease payments			3,330,398
Less: current portion			(241,705)
Capitalized lease obligation, net of current portion			$ 3,088,693

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6 Long-term debt obligation schedule

	Revenue Bonds			All other long-term debt obligations			Total		
	Principal	**Interest**	**Principal and Interest**	**Principal**	**Interest**	**Principal and Interest**	**Principal**	**Interest**	**Principal and Interest**
Year ending June 30:									
2016	$ -	$ -	$ -	$ 1,986,311	$ 3,602,508	$ 5,588,819	$ 1,986,311	$ 3,602,508	$ 5,588,819
2017	-	-	-	2,085,206	3,512,656	5,597,862	2,085,206	3,512,656	5,597,862
2018	-	-	-	2,150,661	3,420,557	5,571,218	2,150,661	3,420,557	5,571,218
2019	-	-	-	2,704,162	3,314,328	6,018,490	2,704,162	3,314,328	6,018,490
2020	-	-	-	2,970,680	3,183,122	6,153,802	2,970,680	3,183,122	6,153,802
2021 - 2025	-	-	-	17,155,996	13,613,162	30,769,158	17,155,996	13,613,162	30,769,158
2026 - 2030	-	-	-	19,421,496	8,975,743	28,397,239	19,421,496	8,975,743	28,397,239
2031 - 2035	-	-	-	10,900,000	4,805,167	15,705,167	10,900,000	4,805,167	15,705,167
2036 - 2040	-	-	-	9,495,000	2,097,094	11,592,094	9,495,000	2,097,094	11,592,094
2041 - 2045	-	-	-	2,830,000	268,167	3,098,167	2,830,000	268,167	3,098,167
2046 - 2050	-	-	-	-	-	-	-	-	-
2051 - 2055	-	-	-	-	-	-	-	-	-
2056 - 2060	-	-	-	-	-	-	-	-	-
2061 - 2065	-	-	-	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ 71,699,512	$ 46,792,504	$ 118,492,016	$ 71,699,512	$ 46,792,504	$ 118,492,016

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7 Calculation of net position

	Auxiliary Organizations GASB	Auxiliary Organizations FASB	Total Auxiliaries
7.1 Calculation of net position - Net investment in capital assets			
Capital assets, net of accumulated depreciation	$ -	$ 91,515,452	$ 91,515,452
Capitalized lease obligations - current portion	-	(241,705)	(241,705)
Capitalized lease obligations, net of current portion	-	(3,088,693)	(3,088,693)
Long-term debt obligations - current portion	-	(1,986,311)	(1,986,311)
Long-term debt obligations, net of current portion	-	(73,887,874)	(73,887,874)
Portion of outstanding debt that is unspent at year-end	-	-	-
Other adjustments: (please list)			
Debt not related to capital assets	-	47,140	47,140
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Net position - net investment in capital asset	$ -	$ 12,358,009	$ 12,358,009
7.2 Calculation of net position - Restricted for nonexpendable - endowments			
Portion of restricted cash and cash equivalents related to endowments	$ -	-	$ -
Endowment investments	-	-	-
Other adjustments: (please list)			
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Net position - Restricted for nonexpendable - endowments per SNP	$ -	$ -	$ -

8 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		3,031,054
Payments received from University for services, space, and programs		12,137,002
Gifts-in-kind to the University from discretely presented component units		-
Gifts (cash or assets) to the University from discretely presented component units		-
Accounts (payable to) University (enter as negative number)		(758,087)
Other amounts (payable to) University (enter as negative number)		-
Accounts receivable from University		336,466
Other amounts receivable from University		309,637

9 Other Postemployment Benefits Obligation (OPEB)

Annual required contribution (ARC)	$	409,529
Contributions during the year		(291,049)
Increase (decrease) in net OPEB obligation (NOO)		118,480
NOO - beginning of year		12,613,862
NOO - end of year	$	12,732,342

10 Pollution remediation liabilities under GASB Statement No. 49:

Add description	$	-
Add description		-
Add description		-
Add description		-
Add description		-
Add description		-
Add description		-
Add description		-
Add description		-
Add description		-
Total pollution remediation liabilities		-
Less: current portion		-
Pollution remediation liabilities, net of current portion	$	-

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

	Net Position Class	Amount Dr. (Cr.)
Net position as of June 30, 2014, as previously reported		$ 2,785,519
Prior period adjustments:		
1 (list description of each adjustment)		-
2 (list description of each adjustment)		-
3 (list description of each adjustment)		-
4 (list description of each adjustment)		-
5 (list description of each adjustment)		-
6 (list description of each adjustment)		-
7 (list description of each adjustment)		-
8 (list description of each adjustment)		-
9 (list description of each adjustment)		-
10 (list description of each adjustment)		-
Net position as of June 30, 2014, as restated		$ 2,785,519

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

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