

**FORTY-NINER SHOPS, INC.
FINANCIAL STATEMENTS**

JUNE 30, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Forty-Niner Shops, Inc.
California State University, Long Beach

Financial Statements

We have audited the accompanying financial statements of the Forty-Niner Shops, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 entity'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 entity'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.

INDEPENDENT AUDITORS' REPORT (Continued)

Opinion

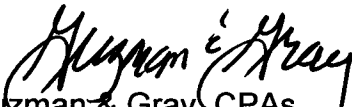
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Forty-Niner Shops, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the Organization adopted the financial standards Board's accounting standards updates ("ASU") 2016-14, Not-For-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities as of and for the year ended December 30, 2018. The Requirements of the ASU have been applied retrospectively to all period presented. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statements on pages 28 through 38 are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


Guzman & Gray, CPAs
Long Beach, California
September 11, 2019

FORTY-NINER SHOPS, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS

	JUNE 30,	
	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,346,097	\$ 4,551,594
Accounts receivable	1,162,087	1,669,889
Accounts receivable, CSULB auxiliary organizations	48,662	43,215
Accounts receivable, CSULB	352,771	165,989
Inventories	2,669,620	2,970,195
Prepaid expenses	598	62,149
	<u>7,579,835</u>	<u>9,463,031</u>
 CAPITAL ASSETS, net of accumulated Depreciation		
	<u>7,832,355</u>	<u>8,302,961</u>
 OTHER ASSETS		
Investments, undesignated	438,542	9,037,515
Investments designated for various purposes	9,814,309	768,432
	<u>10,252,851</u>	<u>9,805,947</u>
 TOTAL ASSETS		
	<u>\$25,665,041</u>	<u>\$27,571,939</u>

See Independent Auditors' Report and Notes to Financial Statements.

FORTY-NINER SHOPS, INC.
STATEMENTS OF FINANCIAL POSITION (CONTINUED)

LIABILITIES AND NET ASSETS

	JUNE 30,	
	2019	2018
CURRENT LIABILITIES		
Long term debt, current portion	\$ 90,000	\$ 90,000
Accounts payable, trade	33,273	379,196
Accounts payable, CSULB	141,738	134,371
Refundable campus debit card deposits	304,501	302,595
Accrued liabilities	272,306	539,507
Accrued payroll	602,369	594,752
Accrued vacation	512,228	498,921
Accrued sick pay	1,174,949	1,083,565
Pension obligation, current	491,342	442,803
Accrued post-retirement, current	366,000	419,000
	<u>3,988,706</u>	<u>4,484,710</u>
NONCURRENT LIABILITIES		
Long term debt, net of current portion	3,178,148	3,280,957
Pension obligation, net of current portion	3,473,579	5,679,539
Accrued postretirement benefits	463,664	2,298,908
	<u>7,115,391</u>	<u>11,259,404</u>
Total Liabilities	<u>11,104,097</u>	<u>15,744,114</u>
NET ASSETS		
Without Donor Restrictions		
Invested in capital assets	4,564,207	4,932,004
Board designated	9,814,309	
Undesignated	182,428	6,895,821
	<u>14,560,944</u>	<u>11,827,825</u>
Total Net Assets	<u>14,560,944</u>	<u>11,827,825</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$25,665,041</u>	<u>\$27,571,939</u>

See Independent Auditors' Report and Notes to Financial Statements.

FORTY-NINER SHOPS, INC.
STATEMENTS OF ACTIVITIES

	JUNE 30,	
	2019	2018
ENTERPRISE OPERATING REVENUES		
Sales	\$ 35,737,829	\$ 35,203,430
Commission	1,866,290	1,457,150
Vending	250,016	334,637
Other	49,412	232,026
	<u>37,903,547</u>	<u>37,227,243</u>
ENTERPRISE OPERATING EXPENSES		
Cost of sales	15,543,824	15,434,467
Program	17,098,539	16,733,383
General and administrative	3,948,927	4,666,417
	<u>36,591,290</u>	<u>36,834,267</u>
ENTERPRISE OPERATING INCOME	<u>1,312,257</u>	<u>392,976</u>
NONOPERATING INCOME (EXPENSE)		
Interest imputed from net loan premiums and costs	12,809	12,809
Interest expense	(144,334)	(147,400)
Investment income, net	293,494	719,235
Net gain (loss) on disposal of fixed assets	2,200	(553)
	<u>164,169</u>	<u>584,091</u>
NONMANDATORY TRANSFERS TO UNIVERSITY		
Contributions to University and University programs	(308,268)	(278,914)
POST RETIREMENT - RELATED CHANGES OTHER THAN NET PERIODIC COST	<u>1,564,961</u>	<u>95,105</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 2,733,119</u>	<u>\$ 793,258</u>

See Independent Auditors' Report and Notes to Financial Statements.

FORTY-NINER SHOPS, INC.
STATEMENTS OF CHANGES IN NET ASSETS

	FOR THE YEARS ENDED JUNE 30,	
	2019	2018
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING	\$ 11,827,825	\$ 11,034,567
INCREASE IN NET ASSETS	<u>2,733,119</u>	<u>793,258</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS, ENDING NET ASSETS	<u>\$ 14,560,944</u>	<u>\$ 11,827,825</u>

See Independent Auditors' Report and Notes to Financial Statements.

FORTY-NINER SHOPS, INC.
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2019

	PROGRAMS						
	BOOKSTORE	ID CARD SERVICES	FOOD SERVICES		TOTAL	GENERAL AND ADMINISTRATIVE	TOTAL
			RESIDENCE HALL	RETAIL DINING			
OPERATING EXPENSES							
Salaries and wages	\$ 2,792,821	\$ 190,969	\$ 2,654,058	\$ 2,499,449	\$ 8,137,297	\$ 1,849,559	\$ 9,986,856
Employee benefits	782,403	48,310	1,048,606	722,857	2,602,176	987,032	3,589,208
Advertising/promo	83,967	3,183	13,495	41,521	142,166	(31,574)	110,592
Bad debts	4,321	-	172	8,199	12,692	-	12,692
Bank and credit card fees	275,006	22,577	4,071	222,208	523,862	74,769	598,631
Board	-	-	-	-	-	76,024	76,024
Discounts and markdowns	447,374	-	-	-	447,374	-	447,374
Employees' appreciation	4,798	92	3,261	4,653	12,804	62,761	75,565
Equipment rental	42,423	-	7,231	21,454	71,108	3,603	74,711
Freight out/postage	199	102	7	44	352	3,295	3,647
General expenses	33,711	661	7,990	63,488	105,850	27,560	133,410
Insurance	41,275	279	60	45,403	87,017	4,143	91,160
Professional services	8,276	1,680	-	-	9,956	197,141	207,097
R/H commissions	-	-	853,073	792	853,865	-	853,865
Rent	87,901	8,800	-	22,200	118,901	-	118,901
Repairs & maintenance	241,753	121,576	44,826	319,544	727,699	361,677	1,089,376
Royalties & commissions	201,770	-	-	446,474	648,244	-	648,244
Services	73,408	-	194,615	277,969	545,992	9,258	555,250
Subscriptions & dues	22,101	915	-	7,666	30,682	11,965	42,647
Supplies	213,623	60,839	233,946	235,555	743,963	106,269	850,232
Telephone/data lines	41,119	4,104	8,809	23,880	77,912	27,470	105,382
Training	22,015	4,591	14,896	1,977	43,479	31,703	75,182
Travel	5,815	-	2,518	4,239	12,572	24,118	36,690
Utilities	68,221	-	-	141,214	209,435	-	209,435
Depreciation	457,837	-	-	475,304	933,141	122,154	1,055,295
TOTAL EXPENSES	\$ 5,952,137	\$ 468,678	\$ 5,091,634	\$ 5,586,090	\$ 17,098,539	\$ 3,948,927	\$ 21,047,466

See Independent Auditors' Report and Notes to Financial Statements.

FORTY-NINER SHOPS, INC.
STATEMENT OF FUNCTIONAL EXPENSE

FOR THE YEAR ENDED JUNE 30, 2018

	PROGRAMS						TOTAL
	BOOKSTORE	ID CARD SERVICES	FOOD SERVICES		TOTAL	GENERAL AND ADMINISTRATIVE	
			RESIDENCE HALL	RETAIL DINING			
OPERATING EXPENSES							
Salaries and wages	\$ 2,759,193	\$ 151,780	\$ 2,453,922	\$ 2,349,282	\$ 7,714,177	\$ 1,717,102	\$ 9,431,279
Employee benefits	735,873	44,198	1,095,190	707,937	2,583,198	1,941,599	4,524,797
Advertising/promo	124,443	1,745	10,031	41,662	177,881	(28,254)	149,627
Bad debts	(383)	-	53,743	724	54,084	3,746	57,830
Bank and credit card fees	287,282	16,413	5,274	222,582	531,551	73,786	605,337
Board	-	-	-	-	-	53,642	53,642
Discounts and markdowns	410,946	-	-	(1,314)	409,632	-	409,632
Employees' appreciation	3,699	131	3,718	3,287	10,835	60,610	71,445
Equipment rental	42,012	-	5,461	26,091	73,564	3,601	77,165
Freight out/postage	(1,982)	151	-	11	(1,820)	3,224	1,404
General expenses	36,402	12	5,948	83,392	125,754	471	126,225
Insurance	42,490	287	59	46,876	89,712	4,255	93,967
Interest	(1,010)	-	-	-	(1,010)	-	(1,010)
Professional services	31,296	-	-	-	31,296	187,466	218,762
R/H commissions	-	-	784,606	2,230	786,836	-	786,836
Rent	93,362	9,600	-	12,000	114,962	-	114,962
Repairs & maintenance	196,399	172,758	27,443	253,978	650,578	353,930	1,004,508
Royalties & commissions	201,720	-	-	493,517	695,237	-	695,237
Services	65,617	-	213,900	263,348	542,865	7,562	550,427
Subscriptions & dues	60,258	895	-	11,769	72,922	8,449	81,371
Supplies	212,699	54,436	271,880	238,374	777,389	76,470	853,859
Telephone/data lines	40,817	4,538	7,971	23,813	77,139	27,551	104,690
Training	23,780	5,177	10,157	3,821	42,935	42,640	85,575
Travel	5,468	-	4,345	6,320	16,133	22,631	38,764
Utilities	92,135	-	-	138,373	230,508	-	230,508
Depreciation	456,101	-	685	470,239	927,025	105,936	1,032,961
TOTAL EXPENSES	\$ 5,918,617	\$ 462,121	\$ 4,954,333	\$ 5,398,312	\$ 16,733,383	\$ 4,666,417	\$ 21,399,800

See Independent Auditors' Report and Notes to Financial Statements.

FORTY-NINER SHOPS, INC.
STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED	
	JUNE 30,	
	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 2,733,119	\$ 793,258
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,055,295	1,032,961
Interest imputed from net loan premiums and costs	(12,809)	(12,809)
Unrealized (gain) loss on investments	459,353	(341,329)
Realized (gain) loss on investments	(352,107)	(191,570)
Net (gain) loss on disposal of fixed assets	(2,200)	555
(Increase) decrease in:		
Accounts receivable	507,802	(404,757)
Accounts receivable, CSULB auxiliary organizations	(5,447)	(34,401)
Accounts receivable, CSULB	(186,782)	132,010
Note receivable , CSULB		
Inventories	300,575	(242,789)
Prepaid expenses	61,551	(40,078)
Increase (decrease) in:		
Accounts payable	(345,923)	256,499
Accounts payable, CSULB	7,367	(77,417)
Refundable campus debit card deposits	1,906	(5,949)
Accrued liabilities	(267,201)	78,500
Accrued payroll	7,617	(69,366)
Accrued vacation	13,307	12,472
Accrued sick pay	91,384	93,962
Accrued pension obligation	(1,888,244)	884,185
Accrued post retirement benefits	<u>(2,157,421)</u>	<u>(467,483)</u>
Net Cash From Operating Activities	<u>21,142</u>	<u>1,396,454</u>

See Independent Auditors' Report and Notes to Financial Statements.

FORTY-NINER SHOPS, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)

	FOR THE YEARS ENDED JUNE 30	
	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(584,689)	(849,833)
Purchase of investments	(5,301,112)	(1,613,253)
Proceeds from sale of investments	<u>4,749,162</u>	<u>1,417,727</u>
Net Cash From Investment Activities	<u>(1,136,639)</u>	<u>(1,045,359)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term debt	(90,000)	(95,000)
Net Cash From Financing Activities	<u>(90,000)</u>	<u>(95,000)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	<u>(1,205,497)</u>	<u>256,095</u>
BEGINNING CASH AND CASH EQUIVALENTS	<u>4,551,594</u>	<u>4,295,499</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 3,346,097</u>	<u>\$ 4,551,594</u>
SUPPLEMENTAL DISCLOSURE		
Cash disclosure		
Cash paid for interest	<u>\$ 144,334</u>	<u>\$ 147,400</u>

See Independent Auditors' Report and Notes to Financial Statements.

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Organization is a nonprofit auxiliary organization, organized to operate food services and bookstore activities at California State University, Long Beach for the benefit of the University Campus. The Organization's customer base consists primarily of students enrolled at California State University, Long Beach.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

New Accounting Pronouncements Implemented this Year

For the year ended June 30, 2019, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14-Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

Basis of Presentation

The Organization's financial statements are presented in accordance with guidelines established for auxiliary organizations issued by the Office of the Chancellor of the California State University.

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the America Institute of Certified Public Accountant (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"), (ASC) 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets, revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions:

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Net assets with donor restrictions:

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization does not have net assets with donor restrictions.

Net assets released from donor restrictions:

Net assets are released by incurring expenses satisfying the restriction or occurrence of the other events specified by donors.

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Significant estimates include annual depreciation, the carrying value of property, plant and equipment, actuarial estimates of postretirement benefits, timing of income recognition of certain revenues and allowance for doubtful accounts. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Fair Value of Financial Instruments

Generally accepted accounting principles define fair value as the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date.

Cash and Cash Equivalents

Cash and cash equivalents includes highly liquid investments, such as money market funds, that are readily convertible to known amounts of cash within 90 days from the date of purchase. All cash balances are held at major banking and broker institutions.

Investments

The Organization accounts for all investments at fair market value. Net realized, unrealized gains and losses on investments and investment fees are reflected in the statement of activities under investment income, net.

Allowance for Doubtful Accounts

No allowance for doubtful accounts has been established because management believes that all accounts are collectible and no allowance is needed.

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories for the bookstore are valued using the lower of cost or market by the conventional retail inventory method. Inventories for the food service are valued using the lower of cost (first-in, first-out) or market method.

Capital Assets and Depreciation

Capital asset accounts are stated at cost less accumulated depreciation. Betterments and major improvements are added to the respective asset's cost while ordinary repairs that do not extend useful lives are expensed as incurred. All direct and indirect costs incurred in constructing assets are accumulated in an asset account and no depreciation is recognized until the asset is put into operation. When an asset is sold or otherwise disposed of, the cost of the asset and the related accumulated depreciation is removed from the accounts and any resulting gain or loss is included in the statement of activities.

Depreciation and amortization of capital assets are provided on the straight-line method over the estimated useful lives of the various classes of property which are ten to fifty years for buildings and improvements, five to ten years for equipment, furniture and fixtures, and three to five years for automobiles. The capitalization thresholds are as follows: buildings and building improvements - \$10,000, equipment and furniture - \$2,500, vehicles – all purchases are capitalized.

Equipment acquired under capital leases are recorded at the lower of the fair value or the present value of future minimum lease payments. These leases are amortized over their estimated useful lives of five years or the lease term, whichever is shorter. Amortization of equipment acquired under capitalized leases is included with depreciation expense.

Accrued Vacation and Sick Pay

Accruals for vacation and sick pay are made on a monthly basis as such benefits become payable to employees. Pay rate increases are applied to the hours earned in prior periods, if any, and are reported as a current expense in the statement of activities.

Debt Issuance Costs

The debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct reduction from the carrying amount of that debt liability. Similarly, the discount on premium resulting from the determination of present value shall be reported in the statement of financial position as a direct deduction from or addition to the face amount of the note and shall not be classified as a deferred charge or deferred credit. Amortization of discounts, premiums and debt issuance costs shall be reported as either interest expense or interest income.

Income Taxes

The Organization is exempt from federal income and state franchise taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, respectively.

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among their various programs and support services. Expenses that can be identified with a specific program or support services are allocated directly according to their natural expenditure classification. Salaries and wages, employee benefits, employees' appreciation, professional services, service, training and travel are based on time and effort. Certain costs such as advertising and promo, bad debts, bank and credit card fees, board, discounts and markdowns, freight out and postage, general expenses, inventory adjustments, R/H commissions, royalties and commissions, subscriptions and dues and supplies are allocated based on estimated usage on general and administrative, book store, ID card services and food service. Costs related to space include equipment rental, insurance, interest, rent, repairs and maintenance which include maintenance of information and technology and other, telephone and data lines and utilities are allocated on a square footage basis.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Organization is currently evaluating the impact of the adoption of the new standard on the financial statements.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented.

Based on implementation of new standards the Organization's significant reclassifications were to present expenses by both their natural and functional classifications and to include presenting statements of functional expenses.

Reporting of Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure through September 11, 2019 which represents the date the financial statements were available to be issued.

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 2 – ACCOUNTS RECEIVABLE, CSULB AUXILIARY ORGANIZATIONS

Accounts receivable from CSULB auxiliary organizations are comprised of the following:

	June 30,	
	2019	2018
CSULB Research Foundation		\$ 25,935
Employee		445
Forty-Niner Foundation	\$ 44,578	14,846
University Student Union	55	
Associated Students	4,029	1,989
	\$ 48,662	\$ 43,215

NOTE 3 – INVENTORIES

Inventories consist of the following:

	June 30,	
	2019	2018
New textbooks	\$ 686,778	\$ 897,402
Computer equipment, supplies and software	336,407	442,435
Supplies	814,453	682,875
Used textbooks	485,386	612,913
Trade books	14,280	14,203
Food service	332,316	320,367
	\$ 2,669,620	\$ 2,970,195

NOTE 4 – INVESTMENTS

Investments are recorded at fair market value. The historical and market values are as follows:

	June 30, 2019		June 30, 2018	
	Cost	Market	Cost	Market
INVESTMENTS, LONG TERM				
Mutual funds	\$4,455,780	\$4,355,479	\$5,543,417	\$5,865,358
Common stocks	3,955,992	4,908,668	2,329,981	2,976,926
Investments in alternative funds	942,854	988,704	908,592	963,663
	\$9,354,626	\$10,252,851	\$8,781,990	\$9,805,947

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 4 – INVESTMENTS (Continued)

A summary of designated investments are presented on the statement of financial position is as follows:

	December 31,	
	2019	2018
Investments, undesignated	\$ 438,542	\$ 9,037,515
Investments, designated for various purposes		
PERS unfunded liability	3,964,920	
SRB Funding Outpost	3,280,957	
UDP Repairs and replacements	1,000,000	
Beach Deposits	400,000	
VEBA-Post Retirement Medical	400,000	
Sick pay benefits	768,432	768,432
	<u>9,814,309</u>	<u>768,432</u>
	<u>\$ 10,252,851</u>	<u>\$ 9,805,947</u>

A summary of investment income, net is as follows:

	December 31,	
	2019	2018
Dividends and interest	\$435,815	\$ 221,051
Net unrealized gain (loss)	(459,353)	341,329
Net realized gain (loss)	352,107	191,570
Investment advisory fee	(35,075)	(34,715)
	<u>\$ 293,494</u>	<u>\$ 719,235</u>

NOTE 5 - CAPITAL ASSETS

Capital assets and the related accumulated depreciation consist of the following:

	June 30,	
	2019	2018
Buildings and improvements	\$ 19,954,977	\$ 19,289,537
Equipment, furniture and fixtures	7,033,298	6,954,444
Automobiles	46,734	46,734
	<u>27,035,009</u>	<u>26,290,715</u>
Less: accumulated depreciation	(19,328,661)	(18,367,979)
	7,706,348	7,922,736
Construction in progress	126,007	380,225
	<u>\$ 7,832,355</u>	<u>\$ 8,302,961</u>

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 5 - CAPITAL ASSETS (Continued)

Construction in progress at June 30, 2019 consists primarily of capital leasehold improvement expenditures for the bookstore and food service facilities.

Depreciation expense for the years ended June 30, 2019 and 2018 was \$1,055,295 and \$1,032,961, respectively.

NOTE 6 – ACCOUNTS PAYABLE, CSULB AUXILIARY ORGANIZATIONS

There were no accounts payable to CSULB auxiliary organizations at June 30, 2019 and 2018.

NOTE 7 – LONG TERM DEBT

Long term debt is summarized as follows:

	JUNE 30,	
	2019	2018
Note payable to CSU is payable semiannually on May 1 and November 1 of each year including interest and matures May 1, 2039.	\$ 3,030,000	\$ 3,120,000
Unamortized net deferred amount on refinancing	238,148	250,957
	3,268,148	3,370,957
Less: Current portion	(90,000)	(90,000)
Noncurrent portion	\$ 3,178,148	\$ 3,280,957

In 2008, the Organization borrowed \$4,110,000 from CSU in connection with the construction of certain food service leasehold improvements. The CSU assisted in financing the construction through the issuance of System wide Revenue Bonds Series 2008A, by the State of California in the amount of \$4,110,000.

On April 20, 2016, CSU refinanced \$3,415,000 of the System wide Revenue Bonds Series 2008A by issuing a \$3,125,000 of System wide Revenue Bonds Series 2016A.

Interest rates range from 2% to 5% with an average face coupon rate of 4.61% and effective rate of 3.32%. The bonds will mature over the next 23 years with an average maturity of 14.25 years.

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 7 – LONG TERM DEBT (Continued)

On May 1, 2016 the loan agreement between the Organization and CSU was amended to reflect the refinancing of the bonds.

The Organization is obligated to repay the CSU the amount of the indenture obligations, interest and costs by making payments to the CSU equal to the CSU's debt service on the bonds. The debt obligation is secured by the Organization's revenues.

The future scheduled maturities of long term debt for the next five years and thereafter are as follows:

<u>Year ending June 30,</u>	
2020	\$ 90,000
2021	95,000
2022	100,000
2023	105,000
2024	110,000
Thereafter	<u>2,530,000</u>
	<u>\$3,030,000</u>

Line of Credit

The Organization has a line of credit of \$2,000,000 with MorganStanley SmithBarney which has a zero balance at June 30, 2019. The line of credit has a variable rate not to exceed the Open Federal rate plus 50 basis points and is secured by the Organization's investments held at MorganStanley SmithBarney. There was no balance payable on the line of credit as of June 30, 2019 and 2018.

NOTE 8 – NET ASSETS WITHOUT RESTRICTIONS

Net assets without restrictions at June 30, are comprised of the following:

	2019	2018
Invested in capital assets	\$ 4,564,207	\$ 4,932,004
Board Designated for:		
PERS unfunded liability	3,964,920	
SRB Funding Outpost	3,280,957	
UDP Repairs and replacements	1,000,000	
Beach Deposits	400,000	
VEBA-Post Retirement Medical	400,000	
Sick pay benefits	768,432	
	9,814,309	
Undesignated net assets	182,428	6,895,821
	\$ 14,560,944	\$ 11,827,825

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 9 - LEASE COMMITMENTS

The Organization leases certain property for the bookstore and food service facilities from California State University, Long Beach (CSULB) and other unrelated third parties. The agreements with CSULB require the Organization to manage and operate the facilities for the benefit of the University. Under the terms of the leases, the Organization is required to make monthly lease payments totaling \$3,000 and is responsible for repairs, maintenance, alterations, and insurance. The leases for the facilities are non-cancellable and expire in 2018 and 2019 with an option to renew for five years. Non-cancellable operating lease agreements with Associated Students, Inc. and other unrelated third parties for retail and food service facilities commenced in 2008, 2011, 2012 and 2015 and expire in 2019 and 2020. Monthly minimum lease payments for these facilities total approximately \$6,900.

Also, the Organization maintains equipment under non-cancellable operating leases. The lease agreements expire between 2019 and 2023.

Future minimum rental payments required for equipment and facilities under operating leases that have an initial or remaining non-cancellable lease term in excess of one year, as of June 30, 2019 are as follows:

<u>Year ending June 30,</u>	
2020	\$ 194,499
2021	78,570
2022	68,809
2023	<u>38,681</u>
	<u>\$ 380,559</u>

Rent expense was \$118,901 and \$114,962 for the years ended June 30, 2019 and 2018, respectively.

NOTE 10 – OPERATING AGREEMENTS

The Organization has entered into certain non-cancellable operating agreements with selected food service providers for catering, vending and other food services. Royalties are due to the Organization based on a percentage of monthly gross sales of the Operator or a set annual amount, whichever is greater. Also, the Operators will pay a percent of monthly gross sales for common area maintenance charges. Initial terms of the leases vary from one to fifteen years and have varying expiration dates.

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 10 – OPERATING AGREEMENTS (Continued)

The Organization has also entered into an agreement that contains guaranteed minimum commission payments. Commissions are due to the Organization based on a percentage of qualifying revenues. The estimated guaranteed annual payments are as follows:

<u>Year ending June 30,</u>	
2020	\$ 392,300
2021	383,900
2022	187,550
2023	<u>94,700</u>
	<u>\$1,058,450</u>

NOTE 11 - PENSION PLAN (CALPERS)

The Organization participates in a cost-sharing multiple-employer defined benefit plan through the California Public Employees' Retirement System plan (CalPERS) which covers substantially all regular salaried full-time employees of the Organization. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. The Organization's CALPERS Employer Identification Number is 4917586175.

CalPERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the California Public Employees' Retirement System Executive Office- 400 P Street – Sacramento, CA 95814.

The recorded unfunded pension liabilities at June 30, 2019 and 2018 were derived from the most recent Accounting Valuation Reports provided by CalPERS. The measurement dates for the reports were June 30, 2018 and 2017, respectively. In June 2019, the Board of Directors approved a contribution of \$2,000,000 in excess of scheduled payments to reduce the unfunded pension liability. The most recent Valuation Reports provided by CalPERS did not recognize the \$2,000,000 contribution nor consider how this contribution would affect the future positions or activities of the plan. The Organization has recognized the \$2,000,000 payment during the year.

The plan's proportionate share of the fiduciary's unfunded accumulated net pension liability as of June 30, 2019 and June 30, 2018 (the measurement dates) were \$3,964,921 and \$6,122,342, respectively.

The plan's proportionate share of fiduciary net asset position which is the total assets less certain reserve and expense requirements at June 30, 2018 and June 30, 2017 (the measurement dates) were \$18,888,440 and \$19,049,938, respectively.

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 11 - PENSION PLAN (CALPERS) (Continued)

The actuarially assumed investment return as of June 30, 2018 was 7.15% per annum. The salary scale used assumes salary increases that vary by entry age and service. The total increase in any future year includes an assumed 2.50% inflation rate.

For employees hired before January 1, 2013, the Organization is required to contribute at an actuarially determined rate. For the year ended June 30, 2019 the total employer's contribution rate is 23.086% of annual payroll. This rate is comprised of 9.409% of normal cost rate and 13.667% of UAL contribution. The active employee contribution rate is 6.902% of annual pay. For employees hired on and after January 1, 2013, the total employer and employee contribution rates are 6.912% and 6.25%, respectively.

Payroll is assumed to increase an average of 5.425% each year for the next five years. Employer's contribution rates may change if plan contracts are amended. CalPERS requires a minimum contractual contribution of 10.221% of payroll and either a monthly dollar payment of \$36,578 or an annual lump sum prepayment of \$423,846.

As of the measurement date June 30, 2017, the plan was between 65-80% funded. As of June 30, 2017, management estimated that the total unfunded accrued liability was \$6,138,039.

During the 2019 fiscal year, the employer and employee contributions were \$323,099 and \$280,021, respectively.

The following benefit payments, which reflect expected future service, are expected to be paid as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 491,342
2021	548,057
2022	591,826
2023	608,188
2024	625,674
2025 – 2028	<u>1,099,834</u>
	<u>\$ 3,964,921</u>

NOTE 12 - RETIREMENT PLAN (403B)

Effective July 2009, the Organization adopted an Internal Revenue Code 403(b) tax deferred retirement plan for all eligible employees. The plan is a defined contribution plan covering part time and full time employees except for student employees performing specified services, nonresident aliens, and employees who normally work less than twenty hours per week. Each year, participants may contribute an amount or percentage of their base pay by means of payroll deductions up to the elective deferral limit set by law.

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 12 - RETIREMENT PLAN (403B) (Continued)

The plan provides for an employer matching contribution and an employer non-elective contribution for all employees that have obtained one year of service equivalent to one thousand hours. The Organization may contribute a discretionary percentage up to six percent of the amount of the employees' elective deferral. This contribution is allocated to all participants in proportion to each eligible employee's compensation. The employer contribution amounted to \$28,887 and \$24,299 for the years ended June 30, 2019 and 2018.

NOTE 13 - POST RETIREMENT MEDICAL BENEFITS

The Organization provides post-retirement health care and dental insurance benefits for certain qualified retired employees. Only full time salaried employees hired prior to January 1, 2009 and that were participating in CalPERS as of January 1, 2009, that terminate employment after attaining five years of service time and have reached age 50 while working for the Organization are eligible for the plan.

On September 30, 2011, the board of directors approved the participation in the Auxiliary Multiple Employer VEBA, a consortium of CSU Auxiliary organizations organized to provide retiree health care benefits through a Voluntary Employees Benefit Organization (VEBA) recognized under 501(c)(9). During the years ending June 30, 2019 and June 30, 2018 no contributions were made to the account. Since 2011, the total amount invested was \$4,000,000. The assets of the VEBA Trust are invested primarily in equity and fixed income securities. The assets held in the VEBA trust reduce the accumulated post retirement obligation, as reported in the statement of financial position. As of June 30, 2019 and 2018, the VEBA trust held assets at fair market value of \$5,511,022 and \$5,279,987, respectively.

As of June 30, 2019 and 2018, the entire unfunded accumulated post-retirement benefit obligation amount has been accrued in the statements of financial position.

The following table sets forth the funded status of the plan reconciled to the recorded post-retirement benefits cost recognized in the Organization's financial statements:

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
Accumulated Post Retirement Benefit Obligation		
Retirees	\$ 3,563,952	\$ 4,706,217
Active Employees	<u>3,776,734</u>	<u>3,291,678</u>
	7,340,686	7,997,895
Fair Value of Assets	<u>(5,511,022)</u>	<u>(5,279,987)</u>
Unfunded APBO	829,664	2,717,908
Unamortized gain (loss)	(412,609)	(1,145,639)
Unamortized transition obligation	<u>NONE</u>	<u>NONE</u>
Accrued Post Retirement Benefit Cost	<u>\$ 417,055</u>	<u>\$ 1,572,269</u>

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 13 - POST RETIREMENT MEDICAL BENEFITS (Continued)

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
Reconciliation of Benefit Obligation:		
Benefit obligation at beginning of year	\$ 2,717,908	\$ 3,185,391
Service cost	39,224	34,715
Interest cost	331,010	317,513
Contributions	NONE	NONE
Asset return loss (gain)	112,164	(1,728)
Expected Return on assets	(343,199)	(322,147)
Actuarial loss (gain)	(1,627,449)	(62,488)
Benefits paid	(399,994)	(433,348)
 Benefit Obligation at end of year	 <u>\$ 829,664</u>	 <u>\$ 2,717,908</u>
 Pension-related changes other than net periodic pension cost		
Amortization of transition obligation	\$ NONE	\$ NONE
Net gain (loss)	<u>1,564,961</u>	<u>95,105</u>
	<u>1,564,961</u>	<u>95,105</u>
 Net periodic post retirement benefit cost		
Service cost	\$ 39,224	\$ 34,715
Interest cost	331,010	317,513
Expected return on assets	(343,199)	(322,147)
Amortized gain (loss)	<u>(42,963)</u>	<u>(51,998)</u>
 Net periodic benefit cost	 <u>\$ 15,928</u>	 <u>\$ 21,917</u>

The weighted average discount rate used in determining the accumulated post-retirement benefit obligation is 3.50 %. The Consumer Price Index assumed is 3% less than the discount rate assumption. Medical costs are assumed to increase 3% during the year beginning July 1, 2019 with the rate of increase decreasing each year thereafter until the year beginning July 1, 2025 and thereafter the Medical Cost trend rate is assumed to be the same as Consumer Price Index Increases. The measurement date of the plan was July 1, 2019.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

<u>Year ending June 30,</u>	
2020	\$ 366,000
2021	372,000
2022	<u>91,664</u>
	<u>\$ 829,664</u>

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 14 – SELF-INSURANCE

The California State University System (System) and certain auxiliary organizations have established a public entity risk pool, California State University Risk Management Authority (CSURMA), a blended component unit of the System, to manage centrally workers' compensation, general liability, industrial and nonindustrial disability, unemployment insurance coverage, and other risk-related programs. The Organization has a commitment in the self-insurance coverage. Management believes the CSURMA self-insurance claims liability is fully funded at June 30, 2019.

NOTE 15 – FAIR VALUE MEASUREMENTS

Generally Accepted Accounting Principles (GAAP) establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

The fair value hierarchy is as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Observable inputs other than quoted prices included in Level 1 that are not observable for the asset or liability either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates, and similar data

Level 3: Inputs that are unobservable inputs for assets and liabilities are based on the Organization's assumptions. These include inputs that are internally developed and estimated.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair measurement in its entirety.

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2019:

	<u>Fair Market Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Mutual funds	\$ 4,355,479	\$ 4,355,479		
Common stocks	4,908,668	4,908,668		
Investments in alternative funds	<u>988,704</u>		\$ 988,704	
	<u>\$10,252,851</u>	<u>\$ 9,264,147</u>	<u>\$ 988,704</u>	<u>NONE</u>

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 15 – FAIR VALUE MEASUREMENTS (Continued)

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2018:

	<u>Fair Market Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Mutual funds	\$ 5,865,358	\$ 5,865,358		
Common stocks	2,976,926	2,976,926		
Investments in alternative funds	<u>963,663</u>	<u> </u>	<u>\$ 963,663</u>	<u> </u>
	<u>\$ 9,805,947</u>	<u>\$ 8,842,284</u>	<u>\$ 963,663</u>	<u>NONE</u>

NOTE 16 – REIMBURSEMENTS TO AND FROM CSULB

The Organization paid reimbursements to CSULB for the year ended June 30, 2019 in the amount of \$969,372.

These reimbursements have been included in the financial statements as follows:

Buildings and improvements	\$ 324
Repairs and maintenance	153,662
Communications	60,873
Allocated general and administrative	102,653
Utilities and rent	385,513
Supplies	31,397
Interest and principal on note payable	<u>234,950</u>
	<u>\$ 969,372</u>

The Organization paid reimbursements to CSULB for the year ended June 30, 2018 in the amount of \$832,500.

These reimbursements have been included in the financial statements as follows:

Buildings and improvements	\$ 127
Repairs and maintenance	18,195
Communications	80,132
Allocated general and administrative	88,404
Utilities and rent	372,332
Supplies	30,910
Interest and principal on note payable	<u>242,400</u>
	<u>\$ 832,500</u>

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 17 – OTHER RELATED PARTY TRANSACTIONS

The Organization charged CSULB \$488,294 and \$492,539 at June 30, 2019 and 2018, respectively, for reimbursement of expenses to operate the ID Card Services.

CSU and CSULB charges the Organization a fee from 3% to 7% to oversee any on campus construction projects.

NOTE 18 – CONCENTRATIONS AND CREDIT RISK

Credit Risks

The Organization maintains cash in various financial institutions located in Southern California. All accounts at an insured depository institution, including all non-interest bearing accounts, are insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000. Investments held by other institutions are covered up to \$500,000 under insurance provided by the Securities Investor Protection Corporation (SIPC). However, the SIPC does not protect against losses in market value. At times, cash balances may exceed federally insured limits, but management believes the Organization was not exposed to any significant credit risk. Uninsured balances were \$3,946,855 and \$4,279,056 at June 30, 2019, and 2018, respectively.

Market and Interest Rate Risks

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Financial Position.

NOTE 19 – LIQUIDITY

The Organization's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and cash equivalents	\$ 3,041,596
Accounts receivable	1,162,087
Accounts receivable, CSULB auxiliary Organizations	48,662
Accounts receivable, CSULB	<u>352,771</u>
Total Financial Assets Available to Management for General Expenditures Within One Year	<u>\$ 4,605,116</u>

The Organization's financial assets have been reduced by amounts not available for general use because of donor imposed restrictions within one year of the balance sheet date and amounts set aside for long-term investing. In addition, cash and cash equivalents have been reduced by refundable campus debit car deposits of \$304,501.

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 19 – LIQUIDITY (Continued)

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization also has a line of credit with \$2,000,000 available as of June 30, 2019 that it could draw upon in the event of an unanticipated liquidity need. In addition, as of June 30, 2019, the Organization has investments of \$438,542 for which uses are not limited and long term investments of \$9,814,309 limited by board designations. Although the funds not limited can be appropriated for general expenditures as part of its annual budget approval and appropriation process and amounts from its investments for which uses are limited by board designations could be made available with board approval if necessary.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

NOTE 20 – CONTINGENCIES

During the year, the Organization has been named in an employment related lawsuit. The plaintiff has not stated any specific amounts of damage sought in their complaint. Management is vigorously investigating the claims and does not believe there will be a material adverse effect upon the Organization's financial position, operations or cash flows. At this time management cannot estimate any potential loss that maybe incurred from the lawsuit including its share of legal fees, if any, to defend against the claims since the case is in the preliminary stages.

ADDITIONAL INFORMATION

FORTY-NINER SHOPS, INC.
SCHEDULE OF ENTERPRISE ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	PROGRAMS						
	TOTAL	GENERAL AND ADMINISTRATIVE	BOOKSTORE	ID CARD SERVICES	FOOD SERVICES		
					TOTAL	RESIDENCE HALL	RETAIL DINING
ENTERPRISE OPERATING REVENUES							
Sales	\$ 35,737,829	-	\$ 17,459,992	\$ 488,294	\$ 17,789,543	\$ 10,929,632	\$6,859,911
Contracted revenue and commissions	2,116,306	-	1,357,097	28,168	731,041	-	731,041
Other	49,412	\$49,412	-	-	-	-	-
	<u>37,903,547</u>	<u>49,412</u>	<u>18,817,089</u>	<u>516,462</u>	<u>18,520,584</u>	<u>10,929,632</u>	<u>7,590,952</u>
COST OF SALES	<u>15,543,824</u>	<u>-</u>	<u>10,654,129</u>	<u>-</u>	<u>4,889,695</u>	<u>2,704,464</u>	<u>2,185,231</u>
GROSS PROFIT	<u>22,359,723</u>	<u>49,412</u>	<u>8,162,960</u>	<u>516,462</u>	<u>13,630,889</u>	<u>8,225,168</u>	<u>5,405,721</u>
PROGRAM EXPENSES	17,098,539	-	5,952,137	468,678	10,677,724	5,091,634	5,586,090
SUPPORTING SERVICES EXPENSES	3,948,927	3,948,927	-	-	-	-	-
	<u>21,047,466</u>	<u>3,948,927</u>	<u>5,952,137</u>	<u>468,678</u>	<u>10,677,724</u>	<u>5,091,634</u>	<u>5,586,090</u>
ENTERPRISE OPERATING INCOME(LOSS)	<u>1,312,257</u>	<u>(3,899,515)</u>	<u>2,210,823</u>	<u>47,784</u>	<u>2,953,165</u>	<u>3,133,534</u>	<u>(180,369)</u>

See Independent Auditors' Report and Notes to Financial Statements.

FORTY-NINER SHOPS, INC.
SCHEDULE OF ENTERPRISE ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

	PROGRAMS						
	TOTAL	GENERAL AND ADMINISTRATIVE			FOOD SERVICES		
			ADMINISTRATIVE	BOOKSTORE	ID CARD SERVICES	TOTAL	RESIDENCE HALL
OPERATING EXPENSES							
Salaries and wages	\$ 9,986,856	\$ 1,849,559	\$ 2,792,821	\$ 190,969	\$ 5,153,507	\$ 2,654,058	\$ 2,499,449
Employee benefits	3,589,208	987,032	782,403	48,310	1,771,463	1,048,606	722,857
Advertising/promo	110,592	(31,574)	83,967	3,183	55,016	13,495	41,521
Bad debts	12,692	-	4,321	-	8,371	172	8,199
Bank and credit card fees	598,631	74,769	275,006	22,577	226,279	4,071	222,208
Board	76,024	76,024	-	-	-	-	-
Discounts and markdowns	447,374	-	447,374	-	-	-	-
Employees' appreciation	75,565	62,761	4,798	92	7,914	3,261	4,653
Equipment rental	74,711	3,603	42,423	-	28,685	7,231	21,454
Freight out/postage	3,647	3,295	199	102	51	7	44
General expenses	133,410	27,560	33,711	661	71,478	7,990	63,488
Insurance	91,160	4,143	41,275	279	45,463	60	45,403
Professional services	207,097	197,141	8,276	1,680	-	-	-
R/H commissions	853,865	-	-	-	853,865	853,073	792
Rent	118,901	-	87,901	8,800	22,200	-	22,200
Repairs & maintenance	1,089,376	361,677	241,753	121,576	364,370	44,826	319,544
Royalties & commissions	648,244	-	201,770	-	446,474	-	446,474
Services	555,250	9,258	73,408	-	472,584	194,615	277,969
Subscriptions & dues	42,647	11,965	22,101	915	7,666	-	7,666
Supplies	850,232	106,269	213,623	60,839	469,501	233,946	235,555
Telephone/data lines	105,382	27,470	41,119	4,104	32,689	8,809	23,880
Training	75,182	31,703	22,015	4,591	16,873	14,896	1,977
Travel	36,690	24,118	5,815	-	6,757	2,518	4,239
Utilities	209,435	-	68,221	-	141,214	-	141,214
	<u>19,992,171</u>	<u>3,826,773</u>	<u>5,494,300</u>	<u>468,678</u>	<u>10,202,420</u>	<u>5,091,634</u>	<u>5,110,786</u>
AMORTIZATION AND DEPRECIATION							
Amortization	-	-	-	-	-	-	-
Depreciation	1,055,295	122,154	457,837	-	475,304	-	475,304
	<u>1,055,295</u>	<u>122,154</u>	<u>457,837</u>	<u>-</u>	<u>475,304</u>	<u>-</u>	<u>475,304</u>
TOTAL EXPENSES	<u>21,047,466</u>	<u>3,948,927</u>	<u>5,952,137</u>	<u>468,678</u>	<u>10,677,724</u>	<u>5,091,634</u>	<u>5,586,090</u>
ENTERPRISE OPERATING INCOME(LOSS)	<u>\$ 1,312,257</u>	<u>\$ (3,948,927)</u>	<u>\$ 2,210,823</u>	<u>\$ 47,784</u>	<u>\$ 2,953,165</u>	<u>\$ 3,133,534</u>	<u>\$ (180,369)</u>

See Independent Auditors' Report and Notes to Financial Statements.

FORTY-NINER SHOPS, INC.
Schedule of Net Position
June 30, 2019
(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 3,346,097
Short-term investments	—
Accounts receivable, net	1,563,520
Capital lease receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	—
Prepaid expenses and other current assets	2,670,218
	<u>7,579,835</u>
Total current assets	<u>7,579,835</u>
Noncurrent assets:	
Restricted cash and cash equivalents	—
Accounts receivable, net	—
Capital lease receivable, net of current portion	—
Notes receivable, net of current portion	—
Student loans receivable, net	—
Pledges receivable, net	—
Endowment investments	—
Other long-term investments	10,252,851
Capital assets, net	7,832,355
Other assets	—
	<u>18,085,206</u>
Total noncurrent assets	<u>18,085,206</u>
Total assets	<u>25,665,041</u>
Deferred outflows of resources:	
Unamortized loss on debt refunding	—
Net pension liability	—
Net OPEB liability	—
Others	—
	<u>—</u>
Total deferred outflows of resources	<u>—</u>
Liabilities:	
Current liabilities:	
Accounts payable	1,609,160
Accrued salaries and benefits	602,369
Accrued compensated absences, current portion	1,687,177
Unearned revenues	—
Capital lease obligations, current portion	—
Long-term debt obligations, current portion	90,000
Claims liability for losses and loss adjustment expenses, current portion	—
Depository accounts	—
Other liabilities	—
	<u>3,988,706</u>
Total current liabilities	<u>3,988,706</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	—
Unearned revenues	—
Grants refundable	—
Capital lease obligations, net of current portion	—
Long-term debt obligations, net of current portion	3,178,148
Claims liability for losses and loss adjustment expenses, net of current portion	—
Depository accounts	—
Net other postemployment benefits liability	463,664
Net pension liability	3,473,579
Other liabilities	—
	<u>7,115,391</u>
Total noncurrent liabilities	<u>7,115,391</u>
Total liabilities	<u>11,104,097</u>
Deferred inflows of resources:	
Service concession arrangements	—
Net pension liability	—
Net OPEB liability	—
Unamortized gain on debt refunding	—
Nonexchange transactions	—
Others	—
	<u>—</u>
Total deferred inflows of resources	<u>—</u>
Net Position:	
Net investment in capital assets	4,564,209
Restricted for:	—
Nonexpendable – endowments	—
Expendable:	—
Scholarships and fellowships	—
Research	—
Loans	—
Capital projects	—
Debt service	—
Others	—
Unrestricted	9,996,735
	<u>9,996,735</u>
Total net position	<u>\$ 14,560,944</u>

See independent auditors' report and notes to the financial statements

FORTY-NINER SHOPS, INC.

Schedule of Revenues, Expenses, and Changes in Net Position

June 30, 2019

(for inclusion in the California State University)

Revenues:

Operating revenues:

Student tuition and fees, gross	\$	—
Scholarship allowances (enter as negative)		—
Grants and contracts, noncapital:		
Federal		—
State		—
Local		—
Nongovernmental		—
Sales and services of educational activities		—
Sales and services of auxiliary enterprises, gross		37,903,547
Scholarship allowances (enter as negative)		—
Other operating revenues		—
Total operating revenues		<u>37,903,547</u>

Expenses:

Operating expenses:

Instruction		—
Research		—
Public service		—
Academic support		—
Student services		—
Institutional support		—
Operation and maintenance of plant		—
Student grants and scholarships		—
Auxiliary enterprise expenses		35,535,995
Depreciation and amortization		1,055,295
Total operating expenses		<u>36,591,290</u>
Operating income (loss)		<u>1,312,257</u>

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		293,494
Endowment income (loss), net		—
Interest expense		(131,525)
Other nonoperating revenues (expenses) - excl. interagency transfers		—
Other nonoperating revenues (expenses) - interagency transfers		1,258,893
Net nonoperating revenues (expenses)		<u>1,420,862</u>
Income (loss) before other revenues (expenses)		2,733,119

State appropriations, capital		—
Grants and gifts, capital		—
Additions (reductions) to permanent endowments		—
Increase (decrease) in net position		2,733,119

Net position:

Net position at beginning of year, as previously reported		11,827,825
Restatements		—
Net position at beginning of year, as restated		<u>11,827,825</u>
Net position at end of year	\$	<u><u>14,560,944</u></u>

See independent auditors' report and notes to the financial statements

FORTY-NINER SHOPS, INC.
Other Information
June 30, 2019
(for inclusion in the California State University)

1 Cash and cash equivalents:

Portion of restricted cash and cash equivalents related to endowments

All other restricted cash and cash equivalents

Noncurrent restricted cash and cash equivalents

Current cash and cash equivalents

Total

-
3,346,097
\$ 3,346,097

2.1 Composition of investments:

	Current	Noncurrent	Total
Money market funds			-
Repurchase agreements			-
Certificates of deposit			-
U.S. agency securities			-
U.S. treasury securities			-
Municipal bonds			-
Corporate bonds			-
Asset backed securities			-
Mortgage backed securities			-
Commercial paper			-
Mutual funds		4,355,479	4,355,479
Exchange traded funds			-
Equity securities		4,908,668	4,908,668
Alternative investments:			
Private equity (including limited partnerships)			-
Hedge funds			-
Managed futures			-
Real estate investments (including REITs)			-
Commodities			-
Derivatives			-
Other alternative investment types		988,704	988,704
Other external investment pools (excluding SWIFT)			-
Other investments			-
State of California Local Agency Investment Fund (LAIF)			-
State of California Surplus Money Investment Fund (SMIF)			-
Total investments	-	10,252,851	10,252,851
Less endowment investments (enter as negative number)	-		-
Total investments, net of endowments	\$ -	10,252,851	10,252,851

See independent auditors' report and notes to the financial statements

FORTY-NINER SHOPS, INC.
Other Information
June 30, 2019
(for inclusion in the California State University)

2.2 Fair value hierarchy in investments:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Money market funds	\$ -				
Repurchase agreements	-				
Certificates of deposit	-				
U.S. agency securities	-				
U.S. treasury securities	-				
Municipal bonds	-				
Corporate bonds	-				
Asset backed securities	-				
Mortgage backed securities	-				
Commercial paper	-				
Mutual funds	4,355,479	4,355,479			
Exchange traded funds	-				
Equity securities	4,908,668	4,908,668			
Alternative investments:					
Private equity (including limited partnerships)	-				
Hedge funds	-				
Managed futures	-				
Real estate investments (including REITs)	-				
Commodities	-				
Derivatives	-				
Other alternative investment types	988,704		988,704		
Other external investment pools (excluding SWIFT)	-				
Other investments	-				
State of California Local Agency Investment Fund (LAIF)	-				
State of California Surplus Money Investment Fund (SMIF)	-				
Total investments	\$ 10,252,851	9,264,147	988,704		

2.3 Investments held by the University under contractual agreements:

Instruction: Amounts should agree with University's investments held on behalf of Directly Presented Component Units.

	Current	Noncurrent	Total
Investments held by the University under contractual agreements (e.g. CSU Consolidated SWIFT Inv pool):		\$	-

See independent auditors' report and notes to the financial statements

FORTY-NINER SHOPS, INC.
Other Information
June 30, 2019
(for inclusion in the California State University)

3.1 Composition of capital assets:

	Balance June 30, 2018	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2018 (Restated)	Additions	Retirements	Transfer of completed CWIP	Balance June 30, 2019
Non-depreciable/Non-amortizable capital assets:									
Land and land improvements	\$ -				-				-
Works of art and historical treasures	-				-				-
Construction work in progress (CWIP)	380,225				380,225	584,691		(838,909)	126,007
Intangible assets:									
Rights and easements	-				-				-
Patents, copyrights and trademarks	-				-				-
Intangible assets in progress (PWIP)	-				-				-
Licenses and permits	-				-				-
Other intangible assets:	-				-				-
Total intangible assets	-	-	-	-	-	-	-	-	-
Total non-depreciable/non-amortizable capital assets	380,225	-	-	-	380,225	584,691	-	(838,909)	126,007
Depreciable/Amortizable capital assets:									
Buildings and building improvements	19,251,873				19,251,873			665,440	19,917,313
Improvements, other than buildings	37,664				37,664				37,664
Infrastructure	-				-				-
Leasehold improvements	-				-				-
Personal property:									
Equipment	7,001,178				7,001,178		(94,615)	173,469	7,080,032
Library books and materials	-				-				-
Intangible assets:									
Software and websites	-				-				-
Rights and easements	-				-				-
Patents, copyrights and trademarks	-				-				-
Licenses and permits	-				-				-
Other intangible assets:	-				-				-
Total intangible assets	-	-	-	-	-	-	-	-	-
Total depreciable/amortizable capital assets	26,290,715	-	-	-	26,290,715	-	(94,615)	838,909	27,035,009
Total capital assets	26,670,940	-	-	-	26,670,940	584,691	(94,615)	-	27,161,016
Less accumulated depreciation/amortization: (enter as negative number, except for reductions enter as positive number)									
Buildings and building improvements	(12,859,870)			(2)	(12,859,872)	(569,732)			(13,429,604)
Improvements, other than buildings	(37,664)				(37,664)				(37,664)
Infrastructure	-				-				-
Leasehold improvements	-				-				-
Personal property:									
Equipment	(5,470,445)				(5,470,445)	(485,563)	94,615		(5,861,393)
Library books and materials	-				-				-
Intangible assets:									
Software and websites	-				-				-
Rights and easements	-				-				-
Patents, copyrights and trademarks	-				-				-
Licenses and permits	-				-				-
Other intangible assets:	-				-				-
Total intangible assets	-	-	-	-	-	-	-	-	-
Total accumulated depreciation/amortization	(18,367,979)	-	-	(2)	(18,367,981)	(1,055,295)	94,615	-	(19,328,661)
Total capital assets, net	\$ 8,302,961	-	-	(2)	8,302,959	(470,604)	-	-	7,832,355

See independent auditors' report and notes to the financial statements

FORTY-NINER SHOPS, INC.
Other Information
June 30, 2019
(for inclusion in the California State University)

3.2 Detail of depreciation and amortization expense:

Depreciation and amortization expense related to capital assets	\$ 1,055,295
Amortization expense related to other assets	
Total depreciation and amortization	\$ 1,055,295

4 Long-term liabilities:

	Balance June 30, 2018	Prior Period Adjustments/Reclass ifications	Balance June 30, 2018 (Restated)	Additions	Reductions	Balance June 30, 2019	Current Portion	Noncurrent Portion
1. Accrued compensated absences	\$ 1,582,486		1,582,486	754,382.00	(649,691.00)	1,687,177	1,687,177	-
2. Claims liability for losses and loss adjustment expenses	-		-			-		-
3. Capital lease obligations:								
Gross balance	-		-			-		-
Unamortized net premium/(discount)	-		-			-		-
Total capital lease obligations	-		-			-		-
4. Long-term debt obligations:								
4.1 Auxiliary revenue bonds (non-SRB related)	-		-			-		-
4.2 Commercial paper	-		-			-		-
4.3 Notes payable (SRB related)	3,120,000		3,120,000		(90,000)	3,030,000	90,000	2,940,000
4.4 Others:								
	-		-			-		-
	-		-			-		-
	-		-			-		-
	-		-			-		-
	-		-			-		-
Total others	-		-			-		-
Sub-total long-term debt	3,120,000		3,120,000		(90,000)	3,030,000	90,000	2,940,000
4.5 Unamortized net bond premium/(discount)	250,957		250,957		(12,809.00)	238,148		238,148
Total long-term debt obligations	3,370,957		3,370,957		(102,809)	3,268,148	90,000	3,178,148
Total long-term liabilities	\$ 4,953,443		4,953,443	754,382	(752,500)	4,955,325	1,777,177	3,178,148

See independent auditors' report and notes to the financial statements

FORTY-NINER SHOPS, INC.
Other Information
June 30, 2019
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5 Capital lease obligations schedule:

	Capital lease obligations related to SRB			All other capital lease obligations			Total capital lease obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2020	-	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-
2025 - 2029	-	-	-	-	-	-	-	-	-
2030 - 2034	-	-	-	-	-	-	-	-	-
2035 - 2039	-	-	-	-	-	-	-	-	-
2040 - 2044	-	-	-	-	-	-	-	-	-
2045 - 2049	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-
Total minimum lease payments	\$ -	-	-	-	-	-	-	-	-
Less: amounts representing interest									-
Present value of future minimum lease payments									-
Unamortized net premium/(discount)									-
Total capital lease obligations									-
Less: current portion									-
Capital lease obligations, net of current portion									\$ -

6 Long-term debt obligations schedule:

	Auxiliary revenue bonds (non-SRB related)			All other long-term debt obligations			Total long-term debt obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2020	-	-	-	90,000	140,900	230,900	90,000	140,900	230,900
2021	-	-	-	95,000	136,275	231,275	95,000	136,275	231,275
2022	-	-	-	100,000	131,400	231,400	100,000	131,400	231,400
2023	-	-	-	105,000	126,275	231,275	105,000	126,275	231,275
2024	-	-	-	620,000	544,500	1,164,500	620,000	544,500	1,164,500
2025 - 2029	-	-	-	790,000	368,250	1,158,250	790,000	368,250	1,158,250
2030 - 2034	-	-	-	1,005,000	157,375	1,162,375	1,005,000	157,375	1,162,375
2035 - 2039	-	-	-	225,000	4,500	229,500	225,000	4,500	229,500
2040 - 2044	-	-	-	-	-	-	-	-	-
2045 - 2049	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-
Total minimum payments	\$ -	-	-	3,030,000	1,609,475	4,639,475	3,030,000	1,609,475	4,639,475
Less: amounts representing interest									(1,609,475)
Present value of future minimum payments									3,030,000
Unamortized net premium/(discount)									238,148
Total long-term debt obligations									3,268,148
Less: current portion									(90,000)
Long-term debt obligations, net of current portion									\$ 3,178,148

See independent auditors' report and notes to the financial statements

FORTY-NINER SHOPS, INC.
Other Information
June 30, 2019
(for inclusion in the California State University)

10 Deferred outflows/inflows of resources:

1. Deferred Outflows of Resources

Deferred outflows - unamortized loss on refunding(s)
 Deferred outflows - net pension liability
 Deferred outflows - net OPEB liability
 Deferred outflows - others:

Total deferred outflows - others	-
Total deferred outflows of resources	\$ -

2. Deferred Inflows of Resources

Deferred inflows - service concession arrangements
 Deferred inflows - net pension liability
Deferred inflows - net OPEB liability
 Deferred inflows - unamortized gain on debt refunding(s)
 Deferred inflows - nonexchange transactions
 Deferred inflows - others:

Total deferred inflows - others	-
Total deferred inflows of resources	\$ -

See independent auditors' report and notes to the financial statements