

FORTY-NINER SHOPS, INC.
FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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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, 2018 and 2017, and the related statements of activities, changes in net assets 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.

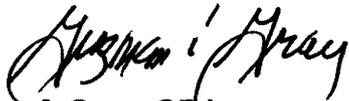
INDEPENDENT AUDITORS' REPORT (Continued)

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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statements on pages 24 through 36 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, 2018

FORTY-NINER SHOPS, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS

| | JUNE 30, | |
|--|---------------------|---------------------|
| | 2018 | 2017 |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 4,551,594 | \$ 4,295,499 |
| Accounts receivable | 1,669,889 | 1,265,132 |
| Accounts receivable, CSULB auxiliary organizations | 43,215 | 8,814 |
| Accounts receivable, CSULB | 165,989 | 297,999 |
| Inventories | 2,970,195 | 2,727,406 |
| Prepaid expenses | 62,149 | 22,071 |
| | <u>9,463,031</u> | <u>8,616,921</u> |
| CAPITAL ASSETS, net of accumulated depreciation | <u>8,302,961</u> | <u>8,486,644</u> |
| OTHER ASSETS | | |
| Investments, long term | 9,037,515 | 8,309,092 |
| Investments designated for sick pay benefits | 768,432 | 768,432 |
| | <u>9,805,947</u> | <u>9,077,524</u> |
| TOTAL ASSETS | <u>\$27,571,939</u> | <u>\$26,181,089</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, | |
|--|---------------------|---------------------|
| | 2018 | 2017 |
| CURRENT LIABILITIES | | |
| Long term debt, current portion | \$ 90,000 | \$ 95,000 |
| Accounts payable, trade | 379,196 | 122,697 |
| Accounts payable, CSULB | 134,371 | 211,788 |
| Refundable campus debit card deposits | 302,595 | 308,544 |
| Accrued liabilities | 539,507 | 461,007 |
| Accrued payroll | 594,752 | 664,118 |
| Accrued vacation | 498,921 | 486,449 |
| Accrued sick pay | 1,083,565 | 989,603 |
| Pension obligation, current | 442,803 | 577,603 |
| Accrued post-retirement, current | 419,000 | 407,000 |
| | <u>4,484,710</u> | <u>4,323,809</u> |
| NONCURRENT LIABILITIES | | |
| Long term debt, net of current portion | 3,280,957 | 3,383,768 |
| Pension obligation, net of current portion | 5,679,539 | 4,660,554 |
| Accrued postretirement benefits | 2,298,908 | 2,778,391 |
| | <u>11,259,404</u> | <u>10,822,713</u> |
| Total Liabilities | <u>15,744,114</u> | <u>15,146,522</u> |
| NET ASSETS | | |
| Unrestricted | | |
| Invested in capital assets | 8,302,961 | 8,486,644 |
| Other unrestricted | 3,524,864 | 2,547,923 |
| Total Net Assets | <u>11,827,825</u> | <u>11,034,567</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$27,571,939</u> | <u>\$26,181,089</u> |

See Independent Auditors' Report and Notes to Financial Statements.

FORTY-NINER SHOPS, INC.
STATEMENTS OF ACTIVITIES

| | JUNE 30, | |
|--|-------------------|---------------------|
| | 2018 | 2017 |
| ENTERPRISE OPERATING REVENUES | | |
| Sales | \$ 35,203,430 | \$ 36,290,437 |
| Commission | 1,457,150 | 1,394,267 |
| Vending | 334,637 | 352,627 |
| Other | 197,311 | 116,646 |
| | <u>37,192,528</u> | <u>38,153,977</u> |
| ENTERPRISE OPERATING EXPENSES | | |
| Cost of sales | 15,434,467 | 16,440,145 |
| Operating expenses | 20,366,839 | 20,931,513 |
| Depreciation and amortization | 1,032,961 | 977,635 |
| | <u>36,834,267</u> | <u>38,349,293</u> |
| ENTERPRISE OPERATING (LOSS) INCOME | <u>358,261</u> | <u>(195,316)</u> |
| NONOPERATING INCOME (EXPENSE) | | |
| Interest and dividend income | 221,051 | 169,148 |
| Interest imputed from net loan premiums and costs | 12,809 | 12,560 |
| Interest expense | (147,400) | (152,407) |
| Unrealized gain (loss) on investments | 341,329 | 552,937 |
| Realized gain (loss) on investments | 191,570 | 326,159 |
| Net gain (loss) on disposal of fixed assets | (553) | (5,984) |
| | <u>618,806</u> | <u>902,413</u> |
| NONMANDATORY TRANSFERS TO UNIVERSITY | | |
| Contributions to University and University programs | (278,914) | (273,190) |
| POST RETIREMENT -RELATED CHANGES OTHER THAN NET PERIODIC COST | <u>95,105</u> | <u>1,068,993</u> |
| INCREASE IN NET ASSETS | <u>\$ 793,258</u> | <u>\$ 1,502,900</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, | |
|------------------------|---------------------------------|----------------------|
| | <u>2018</u> | <u>2017</u> |
| BEGINNING NET ASSETS | \$ 11,034,567 | \$ 9,531,667 |
| INCREASE IN NET ASSETS | <u>793,258</u> | <u>1,502,900</u> |
| ENDING NET ASSETS | <u>\$ 11,827,825</u> | <u>\$ 11,034,567</u> |

See Independent Auditors' Report and Notes to Financial Statements.

FORTY-NINER SHOPS, INC.
STATEMENTS OF CASH FLOWS

| | FOR THE YEARS ENDED | |
|---|---------------------|--------------|
| | JUNE 30, | |
| | 2018 | 2017 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase in net assets | \$ 793,258 | \$ 1,502,900 |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Depreciation | 1,032,961 | 977,635 |
| Interest imputed from net loan premiums and costs | (12,809) | (12,560) |
| Unrealized (gain) loss on investments | (341,329) | (552,937) |
| Realized (gain) loss on investments | (191,570) | (326,159) |
| Net (gain) loss on disposal of fixed assets | | 5,984 |
| (Increase) decrease in: | | |
| Accounts receivable | (404,757) | 367,946 |
| Accounts receivable, CSULB auxiliary organizations | (34,401) | 36,832 |
| Accounts receivable, CSULB | 132,010 | (25,333) |
| Note receivable , CSULB | | 500,000 |
| Inventories | (242,789) | (222,929) |
| Prepaid expenses | (40,078) | (8,071) |
| Increase (decrease) in: | | |
| Accounts payable | 256,499 | (9,115) |
| Accounts payable, CSULB | (77,417) | (1,602) |
| Refundable campus debit card deposits | (5,949) | (4,338) |
| Accrued liabilities | 78,500 | 1,960 |
| Accrued payroll | (69,366) | 115,346 |
| Accrued vacation | 12,472 | 26,486 |
| Accrued sick pay | 93,962 | 59,304 |
| Accrued pension obligation | 884,185 | 1,039,313 |
| Accrued post retirement benefits | (467,483) | (506,522) |
| Net Cash From Operating Activities | 1,396,454 | 2,964,140 |

See Independent Auditors' Report and Notes to Financial Statements.

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

| | FOR THE YEARS ENDED JUNE 30 | |
|--|--------------------------------|---------------------|
| | 2018 | 2017 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of capital assets | (849,833) | (905,471) |
| Purchase of investments | (1,613,253) | (5,742,895) |
| Proceeds from sale of investments | <u>1,417,727</u> | <u>5,065,278</u> |
| Net Cash From Investment Activities | <u>(1,045,359)</u> | <u>(1,583,088)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of long term debt | (95,000) | (85,000) |
| Contributions to post retirement benefit trust | () | (500,000) |
| Net Cash From Financing Activities | <u>(95,000)</u> | <u>(585,000)</u> |
| CHANGE IN CASH AND CASH EQUIVALENTS | <u>256,095</u> | <u>796,052</u> |
| BEGINNING CASH AND CASH EQUIVALENTS | <u>4,295,499</u> | <u>3,499,447</u> |
| ENDING CASH AND CASH EQUIVALENTS | <u>\$ 4,551,594</u> | <u>\$ 4,295,499</u> |
| SUPPLEMENTAL DISCLOSURE | | |
| Cash disclosure | | |
| Cash paid for interest | <u>\$ 147,400</u> | <u>\$ 152,000</u> |

See Independent Auditors' Report and Notes to Financial Statements.

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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 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.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or the nature of any donor restrictions. The Organization has not received any contributions with donor-imposed restrictions that would result in temporarily or permanently restricted net assets.

The Organization is required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted assets. The Organization does not have any temporarily or permanently restricted net assets.

Basis of Accounting

The accounting records of the Forty-Niner Shops, Inc. are maintained on the accrual basis of accounting.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Significant estimates include annual depreciation, the carrying value of property, plant, and equipment, and the actuarial estimate of postretirement benefits. Actual results could differ from those estimates.

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.

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

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

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.

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.

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Reporting of Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure through September 11, 2018 which represents the date the financial statements were available to be issued.

NOTE 2 – ACCOUNTS RECEIVABLE, CSULB AUXILIARY ORGANIZATIONS

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

| | June 30, | |
|---------------------------|-----------|----------|
| | 2018 | 2017 |
| CSULB Research Foundation | \$ 25,935 | \$ - |
| Employee | 445 | 3,732 |
| University Student Union | - | 2,650 |
| Forty-Niner Foundation | 14,846 | - |
| Associated Students | 1,989 | 2,432 |
| | \$ 43,215 | \$ 8,814 |

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 3 – INVENTORIES

Inventories consist of the following:

| | June 30, | |
|---|--------------|--------------|
| | 2018 | 2017 |
| New textbooks | \$ 897,402 | \$ 884,762 |
| Computer equipment, supplies and software | 442,435 | 409,232 |
| Supplies | 682,875 | 488,844 |
| Used textbooks | 612,913 | 552,565 |
| Trade books | 14,203 | 5,924 |
| Food service | 320,367 | 386,079 |
| | \$ 2,970,195 | \$ 2,727,406 |

NOTE 4 – INVESTMENTS

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

| | June 30, 2018 | | June 30, 2017 | |
|----------------------------------|---------------|-------------|---------------|-------------|
| | Cost | Market | Cost | Market |
| INVESTMENTS, LONG TERM | | | | |
| Mutual funds | \$4,774,985 | \$5,096,926 | \$4,071,190 | \$4,375,070 |
| Common stocks | 2,329,981 | 2,976,926 | 2,539,668 | 2,940,992 |
| Investments in alternative funds | 908,592 | 963,663 | 982,884 | 993,030 |
| | \$8,013,558 | \$9,037,515 | \$7,593,742 | \$8,309,092 |

OTHER ASSETS

| | | | | |
|---|------------|------------|------------|------------|
| Designated for sick pay benefits Mutual funds | \$ 768,432 | \$ 768,432 | \$ 768,432 | \$ 768,432 |
|---|------------|------------|------------|------------|

NOTE 5 - CAPITAL ASSETS

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

| | June 30, | |
|-----------------------------------|---------------|---------------|
| | 2018 | 2017 |
| Buildings and improvements | \$ 19,289,537 | \$ 19,003,699 |
| Equipment, furniture and fixtures | 6,954,444 | 6,685,136 |
| Automobiles | 46,734 | 46,734 |
| | 26,290,715 | 25,735,569 |
| Less: accumulated depreciation | (18,367,979) | (17,392,621) |
| | 7,922,736 | 8,342,948 |
| Construction in progress | 380,225 | 143,696 |
| | \$ 8,302,961 | \$ 8,486,644 |

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 5 - CAPITAL ASSETS (Continued)

Construction in progress at June 30, 2018 consists primarily of capital leasehold improvement expenditures for the bookstore and food service facilities.

Depreciation expense for the years ended June 30, 2018 and 2017 was \$1,032,961 and \$977,635, respectively.

NOTE 6 - INVESTMENTS DESIGNATED FOR SICK PAY

Investments designated for sick pay benefits are funds designated by the Organization's Board of Directors primarily for the funding of accumulated and vested sick pay.

NOTE 7 – ACCOUNTS PAYABLE, CSULB AUXILIARY ORGANIZATIONS

There were no accounts payable to CSULB auxiliary organizations at June 30, 2018 and 2017.

NOTE 8 – LONG TERM DEBT

Long term debt is summarized as follows:

| | JUNE 30, | |
|--|---------------------|---------------------|
| | 2018 | 2017 |
| Note payable to CSU is payable semiannually on May 1 and November 1 of each year including interest and matures May 1, 2039. | \$ 3,120,000 | \$ 3,215,000 |
| Unamortized net deferred amount on refinancing | <u>250,957</u> | <u>263,768</u> |
| | 3,370,957 | 3,478,768 |
| Less: Current portion | <u>(90,000)</u> | <u>(95,000)</u> |
| Noncurrent portion | <u>\$ 3,280,957</u> | <u>\$ 3,383,768</u> |

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.

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 8 – LONG TERM DEBT (Continued)

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.

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> | |
|-----------------------------|--------------------|
| 2019 | \$ 90,000 |
| 2020 | 90,000 |
| 2021 | 95,000 |
| 2022 | 100,000 |
| 2023 | 105,000 |
| Thereafter | <u>2,640,000</u> |
| | <u>\$3,120,000</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, 2018. 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.

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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 \$8,440.

Also, the Organization maintains equipment under non-cancellable operating leases. The lease agreements expire between 2019 and 2022.

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, 2018 are as follows:

Year ending June 30,

| | |
|------|-------------------|
| 2019 | \$ 190,281 |
| 2020 | 141,811 |
| 2021 | 63,761 |
| 2022 | 58,916 |
| 2023 | <u>3,600</u> |
| | <u>\$ 458,369</u> |

Rent expense was \$114,962 and \$119,384 for the years ended June 30, 2018 and 2017, respectively.

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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.

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 guaranteed annual payments are as follows:

| <u>Year ending June 30,</u> | |
|-----------------------------|-------------------|
| 2019 | \$ 216,000 |
| 2020 | 212,000 |
| 2021 | <u>200,000</u> |
| | <u>\$ 628,000</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.

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, 2018 and 2017 were derived from the most recent Accounting Valuation Reports provided by CalPERS. The measurement dates for the reports were June 30, 2017 and 2016, respectively.

The plan's proportionate share of the fiduciary's unfunded accumulated net pension liability as of June 30, 2018 and June 30, 2017 (the measurement dates) were \$6,122,342 and \$5,238,154, respectively.

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 11 - PENSION PLAN (CALPERS) (Continued)

The plan's proportionate share of fiduciary net asset position which is the total assets less certain reserve and expense requirements at June 30, 2017 and June 30, 2016 (the measurement dates) were \$19,049,938 and \$17,003,483, respectively.

The actuarially assumed investment return as of June 30, 2017 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 2.75% 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, 2018 the total employer's contribution rate is 20.031% of annual payroll. This rate is comprised of 8.921% of normal cost rate and 11.11% of UAL contribution. The active employee contribution rate is 6.896% of annual pay. For employees hired on and after January 1, 2013, the total employer and employee contribution rates are 6.553% and 6.25%, respectively.

Payroll is assumed to increase an average of 10.104% 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 9.409% of payroll and either a monthly dollar payment of \$29,993 or an annual lump sum prepayment of \$347,341.

As of the measurement date June 30, 2016, the plan was between 65-80% funded. As of June 30, 2016, management estimated that the total unfunded accrued liability was \$6,161,466.

Employer and employee contributions were \$320,624 and \$264,783 for the year ended June 30, 2018.

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> |
|-----------------------------|---------------------|
| 2019 | \$ 442,803 |
| 2020 | 494,471 |
| 2021 | 552,720 |
| 2022 | 598,124 |
| 2023 | 616,067 |
| 2024 – 2027 | <u>3,418,157</u> |
| | <u>\$ 6,122,342</u> |

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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.

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 \$24,299 and \$22,444 for the years ended June 30, 2018 and 2017.

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 Association (VEBA) recognized under 501(c)(9). In 2011, the board of directors approved investing \$4,000,000 to the VEBA trust over the next seven years. During the year ended June 30, 2018 no contributions were made to the account. During the year ended June 30, 2017, the Organization contributed \$500,000 to the VEBA Trust. 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, 2018 and 2017, the VEBA trust held assets at fair market value of \$5,279,987 and \$4,956,112, respectively.

As of June 30, 2018 and 2017, the entire unfunded accumulated post-retirement benefit obligation amount has been accrued in the statements of financial position.

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 13 - POST RETIREMENT MEDICAL BENEFITS (Continued)

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:

| | June 30, | |
|--|---------------------|---------------------|
| | 2018 | 2017 |
| Accumulated Post Retirement Benefit Obligation | | |
| Retirees | \$ 4,706,217 | \$ 4,941,809 |
| Active Employees | <u>3,291,678</u> | <u>3,199,694</u> |
| | 7,997,895 | 8,141,503 |
| Fair Value of Assets | <u>(5,279,987)</u> | <u>(4,956,112)</u> |
| Unfunded APBO | 2,717,908 | 3,185,391 |
| Unamortized gain (loss) | (1,145,639) | (1,261,853) |
| Unamortized transition obligation | <u>NONE</u> | <u>NONE</u> |
| Accrued Post Retirement Benefit Cost | <u>\$ 1,572,269</u> | <u>\$ 1,923,538</u> |
| | | |
| | June 30, | |
| | 2018 | 2017 |
| Reconciliation of Benefit Obligation: | | |
| Benefit obligation at beginning of year | \$ 3,185,391 | \$ 4,191,913 |
| Service cost | 34,715 | 38,934 |
| Interest cost | 317,513 | 299,953 |
| Contributions | NONE | (500,000) |
| Asset return loss (gain) | (1,728) | (167,815) |
| Expected Return on assets | (322,147) | (276,985) |
| Actuarial loss (gain) | (62,488) | 32,617 |
| Benefits paid | <u>(433,348)</u> | <u>(433,226)</u> |
| Benefit Obligation at end of year | <u>\$ 2,717,908</u> | <u>\$ 3,185,391</u> |
| Pension-related changes other than net periodic pension cost | | |
| Amortization of transition obligation | \$ NONE | \$ NONE |
| Net gain (loss) | <u>95,105</u> | <u>1,068,993</u> |
| | <u>95,105</u> | <u>1,068,993</u> |
| Net periodic post retirement benefit cost | | |
| Service cost | \$ 34,715 | \$ 38,934 |
| Interest cost | 317,513 | 299,953 |
| Expected return on assets | (322,147) | (276,985) |
| Amortized gain (loss) | <u>(51,998)</u> | <u>68,904</u> |
| Net periodic benefit cost | <u>(\$ 21,917)</u> | <u>\$ 130,806</u> |

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 13 - POST RETIREMENT MEDICAL BENEFITS (Continued)

The weighted average discount rate used in determining the accumulated post-retirement benefit obligation is 4.25 %. The Consumer Price Index assumed is 3% less than the discount rate assumption. Medical costs are assumed to increase 5.5% during the year beginning July 1, 2017 with the rate of increase decreasing each year thereafter until the year beginning July 1, 2022 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, 2018.

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

Year ending June 30,

| | |
|-------------|---------------------|
| 2019 | \$ 419,000 |
| 2020 | 450,000 |
| 2021 | 455,000 |
| 2022 | 467,000 |
| 2023 | 483,000 |
| 2024 – 2028 | <u>2,430,000</u> |
| | <u>\$ 4,704,000</u> |

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, 2018.

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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, 2018:

| | <u>Fair Market Value</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|-------------------------------------|------------------------------|-----------------------------|-------------------|----------------|
| Investments | | | | |
| Mutual funds | \$ 5,096,926 | \$ 5,096,926 | | |
| Common stocks | 2,976,926 | 2,976,926 | | |
| Investments in alternative funds | <u>963,663</u> | <u> </u> | \$ 963,663 | |
| | <u>9,037,515</u> | <u>8,073,852</u> | <u>963,663</u> | |
| Other Assets | | | | |
| Mutual funds | <u>768,432</u> | <u>768,432</u> | | |
| | <u>\$ 9,805,947</u> | <u>\$ 8,842,284</u> | <u>\$ 963,663</u> | <u>NONE</u> |

FORTY-NINER SHOPS, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 15– FAIR VALUE MEASUREMENTS (Continued)

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2017:

| | <u>Fair Market Value</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|-------------------------------------|------------------------------|---------------------|-------------------|----------------|
| Investments | | | | |
| Mutual funds | \$ 4,375,070 | \$ 4,375,070 | | |
| Common stocks | 2,940,992 | 2,940,992 | | |
| Investments in alternative funds | <u>993,030</u> | | \$ 993,030 | |
| | <u>8,309,092</u> | <u>7,316,062</u> | <u>993,030</u> | |
| Other Assets | | | | |
| Mutual funds | <u>768,432</u> | <u>768,432</u> | | |
| | <u>\$ 9,077,524</u> | <u>\$ 8,084,494</u> | <u>\$ 993,030</u> | <u>NONE</u> |

NOTE 16 – REIMBURSEMENTS TO AND FROM CSULB

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 expenses | 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, 2018 AND 2017

NOTE 16 – REIMBURSEMENTS TO AND FROM CSULB (Continued)

The Organization paid reimbursements to CSULB for the year ended June 30, 2017 in the amount of \$1,031,500.

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

| | |
|---|---------------------|
| Buildings and improvements | \$ 6,194 |
| Repairs and maintenance | 170,388 |
| Communications | 62,008 |
| Allocated general and administrative expenses | 81,562 |
| Utilities and rent | 438,040 |
| Supplies | 31,808 |
| Interest and principal on note payable | <u>241,500</u> |
| | <u>\$ 1,031,500</u> |

NOTE 17 – OTHER RELATED PARTY TRANSACTIONS

The Organization charged CSULB \$492,539 and \$468,058 at June 30, 2018 and 2017, 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 \$4,279,056 and \$4,300,801 at June 30, 2018, and 2017, 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.

FORTY-NINER SHOPS, INC.
SCHEDULE OF ENTERPRISE ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

| | | | | FOOD SERVICE | | | | |
|------------------------------------|-------------------|-------------------|---------------------|-------------------|-------------------|------------------------------------|----------------|--------------------|
| | TOTAL | BOOKSTORE | ID CARD SERVICES | TOTAL | RESIDENCE HALL | RESIDENTIAL LEARNING COLLEGE | VENDING | CASH OPERATIONS |
| ENTERPRISE OPERATING REVENUES | | | | | | | | |
| Sales | \$ 35,203,430 | \$ 17,811,923 | \$ 492,539 | \$ 16,898,968 | \$ 7,757,586 | \$ 2,288,709 | \$ - | \$ 6,852,673 |
| Contracted revenue and commissions | 1,791,787 | 1,077,270 | 33,131 | 714,517 | | | 334,637 | 379,880 |
| Other | 197,311 | 197,311 | | - | | | | |
| | <u>37,192,528</u> | <u>19,086,504</u> | <u>525,670</u> | <u>17,613,485</u> | <u>7,757,586</u> | <u>2,288,709</u> | <u>334,637</u> | <u>7,232,553</u> |
| COST OF SALES | <u>15,434,467</u> | <u>10,671,233</u> | | <u>4,763,234</u> | <u>2,015,255</u> | <u>518,609</u> | | <u>2,229,370</u> |
| GROSS PROFIT | <u>21,758,061</u> | <u>8,415,271</u> | <u>525,670</u> | <u>12,850,251</u> | <u>5,742,331</u> | <u>1,770,100</u> | <u>334,637</u> | <u>5,003,183</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, 2018

| | FOOD SERVICE | | | | | | | | |
|--|-------------------|-----------------------|---------------------|------------------|---------------------|---------------------|------------------------------|-------------------|---------------------|
| | TOTAL | G&A | BOOKSTORE | ID CARD SERVICES | TOTAL | RESIDENCE HALL | RESIDENTIAL LEARNING COLLEGE | VENDING | CASH OPERATIONS |
| OPERATING EXPENSES | | | | | | | | | |
| Salaries and wages | \$ 9,431,279 | \$ 1,717,102 | \$ 2,759,193 | \$ 151,780 | \$ 4,803,204 | \$ 1,830,679 | \$ 623,243 | \$ 52,601 | \$ 2,296,681 |
| Employee benefits | 4,524,797 | 1,941,599 | 735,873 | 44,198 | 1,803,127 | 786,067 | 309,123 | 31,616 | 676,321 |
| Advertising/promo | 149,627 | (28,254) | 124,443 | 1,745 | 51,693 | 6,807 | 3,224 | - | 41,662 |
| Bad debts | 57,830 | 3,746 | (383) | - | 54,467 | 40,660 | 13,083 | - | 724 |
| Bank and credit card fees | 605,337 | 73,786 | 287,282 | 16,413 | 227,856 | 4,847 | 427 | - | 222,582 |
| Board | 53,642 | 53,642 | - | - | - | - | - | - | - |
| Discounts and markdowns | 409,632 | - | 410,946 | - | (1,314) | - | - | - | (1,314) |
| Employees' appreciation | 71,445 | 60,610 | 3,699 | 131 | 7,005 | 2,944 | 774 | - | 3,287 |
| Equipment rental | 77,165 | 3,601 | 42,012 | - | 31,552 | 5,461 | - | - | 26,091 |
| Freight out/postage | 1,404 | 3,224 | (1,982) | 151 | 11 | - | - | - | 11 |
| General expenses | 126,225 | 471 | 36,402 | 12 | 89,340 | 4,250 | 1,698 | - | 83,392 |
| Insurance | 93,967 | 4,255 | 42,490 | 287 | 46,935 | - | 59 | - | 46,876 |
| Interest | (1,010) | - | (1,010) | - | - | - | - | - | - |
| Inventory adjustment | - | - | - | - | - | - | - | - | - |
| Professional services | 218,762 | 187,466 | 31,296 | - | - | - | - | - | - |
| R/H commissions | 786,836 | - | - | - | 786,836 | 605,125 | 179,481 | - | 2,230 |
| Rent | 114,962 | - | 93,362 | 9,600 | 12,000 | - | - | - | 12,000 |
| Repairs & maintenance | 1,004,508 | 353,930 | 196,399 | 172,758 | 281,421 | 19,014 | 8,429 | - | 253,978 |
| Royalties & commissions | 695,237 | - | 201,720 | - | 493,517 | - | - | - | 493,517 |
| Services | 550,427 | 7,562 | 65,617 | - | 477,248 | 146,626 | 67,274 | - | 263,348 |
| Subscriptions & dues | 81,371 | 8,449 | 60,258 | 895 | 11,769 | - | - | - | 11,769 |
| Supplies | 853,859 | 76,470 | 212,699 | 54,436 | 510,254 | 206,048 | 65,832 | - | 238,374 |
| Telephone/data lines | 104,690 | 27,551 | 40,817 | 4,538 | 31,784 | 6,037 | 1,934 | - | 23,813 |
| Training | 85,575 | 42,640 | 23,780 | 5,177 | 13,978 | 8,513 | 1,644 | - | 3,821 |
| Travel | 38,764 | 22,631 | 5,468 | - | 10,665 | 3,233 | 1,112 | - | 6,320 |
| Utilities | 230,508 | - | 92,135 | - | 138,373 | - | - | - | 138,373 |
| | <u>20,366,839</u> | <u>4,560,481</u> | <u>5,462,516</u> | <u>462,121</u> | <u>9,881,721</u> | <u>3,676,311</u> | <u>1,277,337</u> | <u>84,217</u> | <u>4,843,856</u> |
| DEPRECIATION AND AMORTIZATION | | | | | | | | | |
| Amortization | | | | | | | | | |
| Depreciation | 1,032,961 | 105,936 | 456,101 | - | 470,924 | 504 | 181 | - | 470,239 |
| | <u>1,032,961</u> | <u>105,936</u> | <u>456,101</u> | <u>-</u> | <u>470,924</u> | <u>504</u> | <u>181</u> | <u>-</u> | <u>470,239</u> |
| TOTAL EXPENSES | <u>21,399,800</u> | <u>4,666,417</u> | <u>5,918,617</u> | <u>462,121</u> | <u>10,352,645</u> | <u>3,676,815</u> | <u>1,277,518</u> | <u>84,217</u> | <u>5,314,095</u> |
| ENTERPRISE OPERATING INCOME(LOSS) | <u>\$ 358,261</u> | <u>\$ (4,666,417)</u> | <u>\$ 2,496,654</u> | <u>\$ 63,549</u> | <u>\$ 2,497,606</u> | <u>\$ 2,065,516</u> | <u>\$ 492,582</u> | <u>\$ 250,420</u> | <u>\$ (310,912)</u> |

See Independent Auditors' Report and Notes to Financial Statements.

FORTY-NINER SHOPS, INC.
Schedule of Net Position
June 30, 2018
(for inclusion in the California State University)

Assets:

| | |
|---|--------------|
| Current assets: | |
| Cash and cash equivalents | \$ 4,551,594 |
| Short-term investments | — |
| Accounts receivable, net | 1,879,093 |
| Capital lease receivable, current portion | — |
| Notes receivable, current portion | — |
| Pledges receivable, net | — |
| Prepaid expenses and other current assets | 3,032,344 |
| Total current assets | 9,463,031 |

| | |
|--|------------|
| 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 | 9,805,947 |
| Capital assets, net | 8,302,961 |
| Other assets | — |
| Total noncurrent assets | 18,108,908 |
| Total assets | 27,571,939 |

| | |
|--------------------------------------|---|
| Deferred outflows of resources: | |
| Unamortized loss on debt refunding | — |
| Net pension liability | — |
| Net OPEB liability | — |
| Others | — |
| Total deferred outflows of resources | — |

Liabilities:

| | |
|---|-----------|
| Current liabilities: | |
| Accounts payable | 1,355,669 |
| Accrued salaries and benefits | 594,752 |
| Accrued compensated absences, current portion | 1,582,486 |
| 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 | — |
| Total current liabilities | 3,622,907 |

| | |
|--|------------|
| 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 | 3,280,957 |
| Claims liability for losses and loss adjustment expenses, net of current portion | — |
| Depository accounts | — |
| Net other postemployment benefits liability | 2,717,908 |
| Net pension liability | 6,122,342 |
| Other liabilities | — |
| Total noncurrent liabilities | 12,121,207 |
| Total liabilities | 15,744,114 |

| | |
|-------------------------------------|---|
| Deferred inflows of resources: | |
| Service concession arrangements | — |
| Net pension liability | — |
| Net OPEB liability | — |
| Unamortized gain on debt refunding | — |
| Nonexchange transactions | — |
| Others | — |
| Total deferred inflows of resources | — |

Net Position:

| | |
|----------------------------------|---------------|
| Net investment in capital assets | 4,932,004 |
| Restricted for: | — |
| Nonexpendable – endowments | — |
| Expendable: | — |
| Scholarships and fellowships | — |
| Research | — |
| Loans | — |
| Capital projects | — |
| Debt service | — |
| Others | — |
| Unrestricted | 6,895,821 |
| Total net position | \$ 11,827,825 |

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, 2018

(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 | | — |
| Scholarship allowances (enter as negative) | | 37,192,528 |
| Other operating revenues | | — |
| | | <hr/> |
| Total operating revenues | | 37,192,528 |

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 | | 35,801,306 |
| Depreciation and amortization | | 1,032,961 |
| | | <hr/> |
| Total operating expenses | | 36,834,267 |
| | | <hr/> |
| Operating income (loss) | | 358,261 |

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 | | 753,950 |
| Endowment income (loss), net | | — |
| Interest expense | | (134,591) |
| Other nonoperating revenues (expenses) - excl. interagency transfers | | — |
| Other nonoperating revenues (expenses) - interagency transfers | | (184,362) |
| | | <hr/> |
| Net nonoperating revenues (expenses) | | 434,997 |
| | | <hr/> |
| Income (loss) before other revenues (expenses) | | 793,258 |

State appropriations, capital

Grants and gifts, capital

Additions (reductions) to permanent endowments

| | |
|--|---------|
| | 793,258 |
|--|---------|

Net position:

| | |
|---|---------------|
| Net position at beginning of year, as previously reported | 11,034,567 |
| Restatements | |
| Net position at beginning of year, as restated | <hr/> |
| | 11,034,567 |
| Net position at end of year | <hr/> <hr/> |
| | \$ 11,827,825 |

See independent auditors' report and notes to the financial statements

FORTY-NINER SHOPS, INC.
Other Information
June 30, 2018
(for inclusion in the California State University)

1 Restricted cash and cash equivalents at June 30, 2018:

| | | |
|---|-----------|------------|
| Portion of restricted cash and cash equivalents related to endowments | \$ | --- |
| All other restricted cash and cash equivalents | | --- |
| Total restricted cash and cash equivalents | \$ | --- |

2.1 Composition of investments at June 30, 2018:

| | 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) | --- | --- | --- | --- | --- | --- | --- |
| Corporate bonds | --- | --- | --- | --- | --- | --- | --- |
| Certificates of deposit | --- | --- | --- | --- | --- | --- | --- |
| Mutual funds | --- | --- | --- | 5,865,358 | --- | 5,865,358 | 5,865,358 |
| 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 | --- | --- | --- | 2,976,926 | --- | 2,976,926 | 2,976,926 |
| 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 | --- | --- | --- | 963,663 | --- | 963,663 | 963,663 |
| 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 | --- | --- | --- | 9,805,947 | --- | 9,805,947 | 9,805,947 |
| Less endowment investments (enter as negative number) | --- | --- | --- | --- | --- | --- | --- |
| Total investments | --- | --- | --- | 9,805,947 | --- | 9,805,947 | 9,805,947 |

2.2 Investments held by the University under contractual agreements at June 30, 2018:

| | | | | | | | |
|---|-----|-----|-----|-----|-----|-----|-----|
| Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2018 : | --- | --- | --- | --- | --- | --- | --- |
|---|-----|-----|-----|-----|-----|-----|-----|

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| | |
|---|---------------|
| 2.3 Restricted current investments at June 30, 2018 related to: | <u>Amount</u> |
| Add description | \$ --- |
| Add description | --- |
| Add description | --- |
| Add description | --- |
| Add description | --- |
| Add description | --- |
| Add description | --- |
| Total restricted current investments at June 30, 2018 | <u>\$ ---</u> |
| 2.4 Restricted noncurrent investments at June 30, 2018 related to: | <u>Amount</u> |
| Endowment investment | \$ --- |
| Scholarships | --- |
| Inflation reserves | --- |
| University projects | --- |
| Add description | --- |
| Add description | --- |
| Add description | --- |
| Add description | --- |
| Total restricted noncurrent investments at June 30, 2018 | <u>\$ ---</u> |
| 2.5 Fair value hierarchy in investments at June 30, 2018: | |

| | <u>Fair Value Measurements Using</u> | | | | <u>Net Asset Value (NAV)</u> |
|--|--------------------------------------|---|--|--|------------------------------|
| | <u>Total</u> | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> | |
| State of California Surplus Money Investment Fund (SMIF) | \$ --- | --- | --- | --- | --- |
| State of California Local Agency Investment Fund (LAIF) | --- | --- | --- | --- | --- |
| Corporate bonds | --- | --- | --- | --- | --- |
| Certificates of deposit | --- | --- | --- | --- | --- |
| Mutual funds | 5,865,358 | 5,865,358 | --- | --- | --- |
| 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 | 2,976,926 | 2,976,926 | --- | --- | --- |
| 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 | 963,663 | --- | 963,663 | --- | --- |
| 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 | --- | --- | --- | --- | --- |
| Total investments | <u>9,805,947</u> | <u>8,842,284</u> | <u>963,663</u> | <u>---</u> | <u>---</u> |

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3.1 Composition of capital assets at June 30, 2018:

| | Balance June 30, 2017 | Prior period Adjustments | Reclassifications | Balance June 30, 2017 (restated) | Additions | Reductions | Transfers of Completed CWIP | Balance June 30, 2018 |
|--|--------------------------|-----------------------------|-------------------|--|-----------|------------|-----------------------------------|--------------------------|
| Nondepreciable/nonamortizable capital assets | | | | | | | | |
| Land and land improvements | \$ — | — | — | — | — | — | — | — |
| Works of art and historical treasures | — | — | — | — | — | — | — | — |
| Construction work in progress (CWIP) | 143,696 | — | — | 143,696 | 849,831 | — | (613,302) | 380,225 |
| Intangible assets: | | | | | | | | |
| Rights and easements | — | — | — | — | — | — | — | — |
| Patents, copyrights and trademarks | — | — | — | — | — | — | — | — |
| Internally generated intangible assets in progress | — | — | — | — | — | — | — | — |
| Licenses and permits | — | — | — | — | — | — | — | — |
| Other intangible assets | | | | | | | | |
| Add description | — | — | — | — | — | — | — | — |
| Add description | — | — | — | — | — | — | — | — |
| Add description | — | — | — | — | — | — | — | — |
| Add description | — | — | — | — | — | — | — | — |
| Add description | — | — | — | — | — | — | — | — |
| Total intangible assets | — | — | — | — | — | — | — | — |
| Total nondepreciable/nonamortizable capital assets | 143,696 | — | — | 143,696 | 849,831 | — | (613,302) | 380,225 |
| Depreciable/amortizable capital assets | | | | | | | | |
| Buildings and building improvements | 18,966,034 | — | — | 18,966,034 | — | — | 285,839 | 19,251,873 |
| Improvements, other than buildings | 37,664 | — | — | 37,664 | — | — | — | 37,664 |
| Infrastructure | — | — | — | — | — | — | — | — |
| Leasehold improvements | — | — | — | — | — | — | — | — |
| Personal property: | | | | | | | | |
| Equipment | 6,731,871 | — | — | 6,731,871 | — | (58,156) | 327,463 | 7,001,178 |
| Library books and materials | — | — | — | — | — | — | — | — |
| Intangible assets: | | | | | | | | |
| Software and websites | — | — | — | — | — | — | — | — |
| Rights and easements | — | — | — | — | — | — | — | — |
| Patents, copyright and trademarks | — | — | — | — | — | — | — | — |
| Licenses and permits | — | — | — | — | — | — | — | — |
| Other intangible assets | | | | | | | | |
| Add description | — | — | — | — | — | — | — | — |
| Add description | — | — | — | — | — | — | — | — |
| Add description | — | — | — | — | — | — | — | — |
| Add description | — | — | — | — | — | — | — | — |
| Add description | — | — | — | — | — | — | — | — |
| Total intangible assets | — | — | — | — | — | — | — | — |
| Total depreciable/amortizable capital assets | 25,735,569 | — | — | 25,735,569 | — | (58,156) | 613,302 | 26,290,715 |
| Total capital assets | 25,879,265 | — | — | 25,879,265 | 849,831 | (58,156) | — | 26,670,940 |

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3.1 Composition of capital assets at June 30, 2018 (Continued):

| | Balance June 30, 2017 | Prior period Adjustments | Reclassifications | Balance June 30, 2017 (restated) | Additions | Reductions | Transfers of Completed CWIP | Balance June 30, 2018 |
|---|--------------------------|-----------------------------|-------------------|--|-------------|------------|-----------------------------------|--------------------------|
| Less accumulated depreciation/amortization: | | | | | | | | |
| Buildings and building improvements | (12,270,000) | — | — | (12,270,000) | (589,870) | — | — | (12,859,870) |
| Improvements, other than buildings | (37,664) | — | — | (37,664) | — | — | — | (37,664) |
| Infrastructure | — | — | — | — | — | — | — | — |
| Leasehold improvements | — | — | — | — | — | — | — | — |
| Personal property: | | | | | | | | |
| Equipment | (5,084,957) | — | — | (5,084,957) | (443,091) | 57,603 | — | (5,470,445) |
| Library books and materials | — | — | — | — | — | — | — | — |
| Intangible assets | | | | | | | | |
| Software and websites | — | — | — | — | — | — | — | — |
| Rights and easements | — | — | — | — | — | — | — | — |
| Patents, copyright and trademarks | — | — | — | — | — | — | — | — |
| Licenses and permits | — | — | — | — | — | — | — | — |
| Other intangible assets: | | | | | | | | |
| Add description | — | — | — | — | — | — | — | — |
| Add description | — | — | — | — | — | — | — | — |
| Add description | — | — | — | — | — | — | — | — |
| Add description | — | — | — | — | — | — | — | — |
| Add description | — | — | — | — | — | — | — | — |
| Total intangible assets | — | — | — | — | — | — | — | — |
| Total accumulated depreciation/amortization | (17,392,621) | — | — | (17,392,621) | (1,032,961) | 57,603 | — | (18,367,979) |
| Total capital assets, net | \$ 8,486,644 | — | — | 8,486,644 | (183,130) | (553) | — | 8,302,961 |

3.2 Detail of depreciation and amortization expense for the year ended June 30, 2018:

| | |
|---|--------------|
| Depreciation and amortization expense related to capital assets | \$ 1,032,961 |
| Amortization expense related to other assets | — |
| Total depreciation and amortization | \$ 1,032,961 |

4 Long-term liabilities activity schedule:

| | Balance June 30, 2017 | Prior period adjustments | Reclassifications | Balance June 30, 2017 (restated) | Additions | Reductions | Balance June 30, 2018 | Current portion | Long-term portion |
|---|--------------------------|-----------------------------|-------------------|--|-----------|------------|--------------------------|--------------------|----------------------|
| Accrued compensated absences | \$ 1,476,052 | — | — | 1,476,052 | 611,555 | (505,121) | 1,582,486 | — | 1,582,486 |
| Claims liability for losses and loss adjustment expenses | — | — | — | — | — | — | — | — | — |
| Capital lease obligations: | | | | | | | | | |
| Gross balance | — | — | — | — | — | — | — | — | — |
| Unamortized premium / (discount) on capital lease obligations | — | — | — | — | — | — | — | — | — |
| Total capitalized lease obligations | — | — | — | — | — | — | — | — | — |
| Long-term debt obligations: | | | | | | | | | |
| Auxiliary revenue bonds | — | — | — | — | — | — | — | — | — |
| Commercial paper | — | — | — | — | — | — | — | — | — |
| Notes payable related to SRB | 3,215,000 | — | — | 3,215,000 | — | (95,000) | 3,120,000 | 90,000 | 3,030,000 |
| Others: (list by type) | | | | | | | | | |
| Add description | — | — | — | — | — | — | — | — | — |
| Add description | — | — | — | — | — | — | — | — | — |
| Add description | — | — | — | — | — | — | — | — | — |
| Add description | — | — | — | — | — | — | — | — | — |
| Add description | — | — | — | — | — | — | — | — | — |
| Add description | — | — | — | — | — | — | — | — | — |
| Total long-term debt obligations | 3,215,000 | — | — | 3,215,000 | — | (95,000) | 3,120,000 | 90,000 | 3,030,000 |
| Unamortized bond premium / (discount) | 263,768 | — | (2) | 263,766 | — | (12,809) | 250,957 | — | 250,957 |
| Total long-term debt obligations, net | 3,478,768 | — | (2) | 3,478,766 | — | (107,809) | 3,370,957 | 90,000 | 3,280,957 |
| Total long-term liabilities | \$ 4,954,820 | — | (2) | 4,954,818 | 611,555 | (612,930) | 4,953,443 | 90,000 | 4,863,443 |

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5 Future minimum lease payments - Capital lease obligations:

| | Capital lease obligations related to SRB | | | All other capital lease obligations | | | Total capital lease obligations | | |
|--|--|---------------|------------------------|-------------------------------------|---------------|------------------------|---------------------------------|---------------|------------------------|
| | Principal Only | Interest Only | Principal and Interest | Principal Only | Interest Only | Principal and Interest | Principal Only | Interest Only | Principal and Interest |
| Year ending June 30 | | | | | | | | | |
| 2019 | — | — | — | — | — | — | — | — | — |
| 2020 | — | — | — | — | — | — | — | — | — |
| 2021 | — | — | — | — | — | — | — | — | — |
| 2022 | — | — | — | — | — | — | — | — | — |
| 2023 | — | — | — | — | — | — | — | — | — |
| 2024 - 2028 | — | — | — | — | — | — | — | — | — |
| 2029 - 2033 | — | — | — | — | — | — | — | — | — |
| 2034 - 2038 | — | — | — | — | — | — | — | — | — |
| 2039 - 2043 | — | — | — | — | — | — | — | — | — |
| 2044 - 2048 | — | — | — | — | — | — | — | — | — |
| 2049 - 2053 | — | — | — | — | — | — | — | — | — |
| 2054 - 2058 | — | — | — | — | — | — | — | — | — |
| 2059 - 2063 | — | — | — | — | — | — | — | — | — |
| 2064 - 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 | | | | | | | | | \$ — |

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6 Long-term debt obligations schedule:

| | Auxiliary revenue bonds | | | All other long-term debt obligations | | | Total long-term debt obligations | | |
|---|-------------------------|---------------|------------------------|--------------------------------------|---------------|------------------------|----------------------------------|---------------|------------------------|
| | Principal Only | Interest Only | Principal and Interest | Principal Only | Interest Only | Principal and Interest | Principal Only | Interest Only | Principal and Interest |
| Year ending June 30: | | | | | | | | | |
| 2019 | \$ --- | --- | --- | 90,000 | 144,950 | 234,950 | 90,000 | 144,950 | 234,950 |
| 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 - 2028 | --- | --- | --- | 620,000 | 544,500 | 1,164,500 | 620,000 | 544,500 | 1,164,500 |
| 2029 - 2033 | --- | --- | --- | 790,000 | 368,250 | 1,158,250 | 790,000 | 368,250 | 1,158,250 |
| 2034 - 2038 | --- | --- | --- | 1,005,000 | 157,375 | 1,162,375 | 1,005,000 | 157,375 | 1,162,375 |
| 2039 - 2043 | --- | --- | --- | 225,000 | 4,500 | 229,500 | 225,000 | 4,500 | 229,500 |
| 2044 - 2048 | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2049 - 2053 | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2054 - 2058 | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2059 - 2063 | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2064 - thereafter | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Total minimum payments | --- | --- | --- | 3,120,000 | 1,754,425 | 4,874,425 | 3,120,000 | 1,754,425 | 4,874,425 |
| Less amounts representing interest | | | | | | | | | (1,754,425) |
| Present value of future minimum payments | | | | | | | | | 3,120,000 |
| Unamortized net premium (discount) | | | | | | | | | 250,957 |
| Total long-term debt obligations | | | | | | | | | 3,370,957 |
| Less: current portion | | | | | | | | | (90,000) |
| Long-term debt obligations, net of current portion | | | | | | | | | \$ 3,280,957 |

7 Calculation of net position:

7.1 Calculation of net position - Net investment in capital assets

| | |
|--|---------------------|
| Capital assets, net of accumulated depreciation | \$ 8,302,961 |
| Capital lease obligations, current portion | --- |
| Capital lease obligations, net of current portion | --- |
| Long-term debt obligations, current portion | (90,000) |
| Long-term debt obligations, net of current portion | (3,280,957) |
| Portion of outstanding debt that is unspent at year-end (enter as positive number) | --- |
| Other adjustments: (please list) | |
| Add description | --- |
| Add description | --- |
| Add description | --- |
| Add description | --- |
| Add description | --- |
| Net position - Net investment in capital assets | \$ 4,932,004 |

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

| | Net Position Class | Amount Dr. (Cr.) |
|--|-----------------------|---------------------|
| Net position as of June 30, 2018, as previously reported | | \$ 11,034,567 |
| 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, 20PY, as restated | | \$ 11,034,567 |

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) | --- | --- |

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12 Natural Classifications of Operating Expenses:

| | Salaries | Benefits | Scholarships and fellowships | Supplies and other services | Depreciation and amortization | Total operating expenses |
|------------------------------------|------------------|------------------|------------------------------|-----------------------------|-------------------------------|--------------------------|
| Instruction | — | — | — | — | — | — |
| Research | — | — | — | — | — | — |
| Public service | — | — | — | — | — | — |
| Academic support | — | — | — | — | — | — |
| Student services | — | — | — | — | — | — |
| Institutional support | — | — | — | — | — | — |
| Operation and maintenance of plant | — | — | — | — | — | — |
| Student grants and scholarships | — | — | — | — | — | — |
| Auxiliary enterprise expenses | 9,431,279 | 4,524,797 | — | 21,845,230 | — | 35,801,306 |
| Depreciation and amortization | — | — | — | — | 1,032,961 | 1,032,961 |
| Total | <u>9,431,279</u> | <u>4,524,797</u> | <u>—</u> | <u>21,845,230</u> | <u>1,032,961</u> | <u>36,834,267</u> |

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