

FORTY-NINER SHOPS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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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, 2017 and 2016, 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.

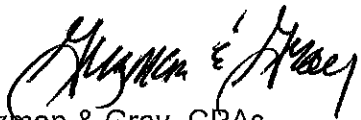
## INDEPENDENT AUDITORS' REPORT (Continued)

### **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, 2017 and 2016, 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 27 through 37 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 7, 2017

FORTY-NINER SHOPS, INC.  
STATEMENTS OF FINANCIAL POSITION

ASSETS

	JUNE 30,	
	2017	2016
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 4,295,499	\$ 3,499,447
Investments	8,309,092	6,722,616
Accounts receivable	1,265,132	1,633,078
Accounts receivable, CSULB auxiliary organizations	8,814	45,646
Accounts receivable, CSULB	297,999	272,666
Note receivable, CSULB	-	500,000
Inventories	2,727,406	2,504,477
Prepaid expenses	<u>22,071</u>	<u>14,000</u>
	<u>16,926,013</u>	<u>15,191,930</u>
CAPITAL ASSETS, net of accumulated depreciation	<u>8,486,644</u>	<u>8,594,558</u>
<b>OTHER ASSETS</b>		
Investments designated for sick pay benefits	<u>768,432</u>	<u>768,432</u>
	<u>768,432</u>	<u>768,432</u>
<b>TOTAL ASSETS</b>	<u>\$26,181,089</u>	<u>\$24,554,920</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,	
	2017	2016
<b>CURRENT LIABILITIES</b>		
Long term debt, current portion	\$ 95,000	\$ 85,000
Accounts payable, trade	122,697	131,345
Accounts payable, CSULB	211,788	213,860
Refundable campus debit card deposits	308,544	312,882
Accrued liabilities	461,007	459,047
Accrued payroll	664,118	548,772
Accrued vacation	486,449	459,963
Accrued sick pay	989,603	930,299
Pension obligation, current	577,603	474,416
Accrued post-retirement, current	407,000	409,000
	<u>4,323,809</u>	<u>4,024,584</u>
<b>NONCURRENT LIABILITIES</b>		
Long term debt, net of current portion	3,383,768	3,491,328
Pension obligation, net of current portion	4,660,554	3,724,428
Accrued postretirement benefits	2,778,391	3,782,913
	<u>10,822,713</u>	<u>10,998,669</u>
Total Liabilities	<u>15,146,522</u>	<u>15,023,253</u>
<b>NET ASSETS</b>		
Unrestricted		
Invested in capital assets	8,486,644	8,594,558
Other unrestricted	2,547,923	937,109
Total Net Assets	<u>11,034,567</u>	<u>9,531,667</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$26,181,089</u>	<u>\$24,554,920</u>

See Independent Auditors' Report and Notes to Financial Statements.

FORTY-NINER SHOPS, INC.  
STATEMENTS OF ACTIVITIES

	JUNE 30,	
	2017	2016
ENTERPRISE OPERATING REVENUES		
Sales	\$ 36,290,437	\$ 36,636,425
Commission	1,394,267	954,401
Vending	352,627	339,183
Other	<u>116,646</u>	<u>82,305</u>
	<u>38,153,977</u>	<u>38,012,314</u>
ENTERPRISE OPERATING EXPENSES		
Cost of sales	16,440,145	16,550,622
Operating expenses	20,931,513	18,356,171
Depreciation and amortization	<u>977,635</u>	<u>985,466</u>
	<u>38,349,293</u>	<u>35,892,259</u>
ENTERPRISE OPERATING (LOSS) INCOME	<u>( 195,316)</u>	<u>2,120,055</u>
NONOPERATING INCOME (EXPENSE)		
Interest and dividend income	169,148	279,561
Interest imputed from net loan premiums and costs	12,560	1,843
Interest expense	( 152,407)	( 171,911)
Unrealized gain (loss) on investments	552,937	( 311,727)
Realized gain (loss) on investments	326,159	( 157,672)
Net gain (loss) on disposal of fixed assets	<u>( 5,984)</u>	<u>( 6,788)</u>
	<u>902,413</u>	<u>( 366,694)</u>
NONMANDATORY TRANSFERS TO UNIVERSITY		
Contributions to University and University programs	<u>( 273,190)</u>	<u>( 314,829)</u>
POST RETIREMENT -RELATED CHANGES OTHER THAN NET PERIODIC COST	<u>1,068,993</u>	<u>( 1,230,670)</u>
INCREASE IN NET ASSETS	<u>\$ 1,502,900</u>	<u>\$ 207,862</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>2017</u>	<u>2016</u>
BEGINNING NET ASSETS	\$ 9,531,667	\$ 9,323,805
INCREASE IN NET ASSETS	<u>1,502,900</u>	<u>207,862</u>
ENDING NET ASSETS	<u>\$ 11,034,567</u>	<u>\$ 9,531,667</u>

See Independent Auditors' Report and Notes to Financial Statements.



FORTY-NINER SHOPS, INC.  
STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED	
	JUNE 30,	
	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 1,502,900	\$ 207,862
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	977,635	985,466
Amortization of loan discount		
Interest imputed from net loan premiums and costs	( 12,560)	( 1,843)
Unrealized (gain) loss on investments	( 552,937)	311,727
Realized (gain) loss on investments	( 326,159)	157,672
Net (gain) loss on disposal of fixed assets	5,984	6,788
(Increase) decrease in:		
Accounts receivable	367,946	( 701,974)
Accounts receivable, CSULB auxiliary organizations	36,832	( 37,654)
Accounts receivable, CSULB	( 25,333)	184,031
Note receivable , CSULB	500,000	
Inventories	( 222,929)	( 259,764)
Prepaid expenses	( 8,071)	45,250
Increase (decrease) in:		
Accounts payable	( 9,115)	( 749,495)
Accounts payable, CSULB	( 1,602)	( 1,475)
Refundable campus debit card deposits	( 4,338)	14,032
Accrued liabilities	1,960	156,294
Accrued payroll	115,346	212,076
Accrued vacation	26,486	37,985
Accrued sick pay	59,304	70,389
Accrued pension obligation	1,039,313	163,467
Accrued post retirement benefits	( 506,522)	1,000,337
Net Cash From Operating Activities	<u>2,964,140</u>	<u>1,801,171</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	
	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of capital assets	( 905,471)	( 345,007)
Construction in progress additions	-	( 424,089)
Purchase of investments	( 5,742,895)	( 3,177,541)
Proceeds from sale of investments	5,065,278	1,895,823
Proceeds from sale of capital assets	-	900
Net Cash From Investment Activities	<u>( 1,583,088)</u>	<u>( 2,049,914)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long term debt	( 85,000)	( 375,000)
Proceeds from refinancing of long term debt	-	282,911
Contributions to post retirement benefit trust	( 500,000)	( 500,000)
Net Cash From Financing Activities	<u>( 585,000)</u>	<u>( 592,089)</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>796,052</u>	<u>( 840,832)</u>
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<u>3,499,447</u>	<u>4,340,279</u>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<u>\$ 4,295,499</u>	<u>\$ 3,499,447</u>
<b>SUPPLEMENTAL DISCLOSURE</b>		
Cash disclosure		
Cash paid for interest	<u>\$ 152,000</u>	<u>\$ 179,000</u>

See Independent Auditors' Report and Notes to Financial Statements.

FORTY-NINER SHOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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.

Change in Accounting Principle

In April of 2015, the Financial Accounting Standards Board issued ASU-2015-03, Imputation of Interest. ASU 2015-03 requires that 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. ASU 2015-03 is effective for financial statements issued for fiscal years beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued.

The Organization has adopted the new standard for the year ended June 30, 2016.

FORTY-NINER SHOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

FORTY-NINER SHOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation (Continued)

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.

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 7, 2017, 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:

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
CSULB Research Foundation	\$ -	\$ 28,234
Employee	3,732	-
University Student Union	2,650	-
Forty-Niner Foundation	-	6,029
Associated Students	<u>2,432</u>	<u>11,383</u>
	<u>\$ 8,814</u>	<u>\$ 45,646</u>

FORTY-NINER SHOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 3 – NOTE RECEIVABLE, CSULB DEPARTMENT OF ATHLETICS

On March 23, 2015, the Organization loaned \$500,000 to the Department of Athletics for the campus track and field improvement project. The loan bared interest at 4% on a semiannual basis and had an original due date of September 23, 2015. Interest was payable at each maturity date.

During the year ended June 30, 2016, the Department of Athletics paid the required interest installments of \$20,000 in September 2015 and again in March 2016. The parties agreed to extend the repayment of the loan.

In September 2016, the Organization received full payment for the note.

NOTE 4 – INVENTORIES

Inventories consist of the following:

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
New textbooks	\$ 884,762	\$ 715,117
Computer equipment, supplies and software	409,232	473,322
Supplies	488,844	481,274
Used textbooks	552,565	513,978
Trade books	5,924	20,493
Food service	<u>386,979</u>	<u>300,293</u>
	<u>\$ 2,727,406</u>	<u>\$ 2,504,477</u>

FORTY-NINER SHOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 5 – INVESTMENTS

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

	<u>June 30, 2017</u>		<u>June 30, 2016</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
<b>CURRENT ASSETS</b>				
Mutual funds	\$4,071,190	\$4,375,070	\$5,044,679	\$5,041,438
Common stocks	2,539,668	2,940,992	1,000,598	1,181,323
Investments in alternative funds	982,884	993,030	499,136	499,855
	<u>\$7,593,742</u>	<u>\$8,309,092</u>	<u>\$6,544,413</u>	<u>\$6,722,616</u>
<b>OTHER ASSETS</b>				
Designated for sick pay benefits				
Mutual funds	<u>\$ 768,432</u>	<u>\$ 768,432</u>	<u>\$ 768,432</u>	<u>\$ 768,432</u>

NOTE 6 - CAPITAL ASSETS

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

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Buildings and improvements	\$ 19,003,699	\$19,681,399
Equipment, furniture and fixtures	6,685,136	6,168,813
Automobiles	46,734	46,734
	<u>25,735,569</u>	<u>25,896,946</u>
Less: accumulated depreciation	<u>(17,392,621)</u>	<u>(17,796,296)</u>
	8,342,948	8,100,650
Construction in progress	<u>143,696</u>	<u>493,908</u>
	<u>\$ 8,486,644</u>	<u>\$ 8,594,558</u>

Construction in progress at June 30, 2017 consists primarily of capital leasehold improvement expenditures for the bookstore and food service facilities.

Depreciation expense for the years ended June 30, 2017 and 2016 was \$977,635 and \$985,466, respectively.

FORTY-NINER SHOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 7 - 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 8 – ACCOUNTS PAYABLE, CSULB AUXILIARY ORGANIZATIONS

There were no accounts payable to CSULB auxiliary organizations at June 30, 2017 and 2016.

NOTE 9 – LONG TERM DEBT

Long term debt is summarized as follows:

	JUNE 30,	
	2017	2016
Note payable to CSU is payable semiannually on May 1 and November 1 of each year including interest and matures May 1, 2039.	\$ 3,215,000	\$ 3,300,000
Unamortized net deferred amount on refinancing	<u>263,768</u>	<u>276,328</u>
	3,478,768	3,576,328
Less: Current portion	<u>( 95,000)</u>	<u>( 85,000)</u>
Noncurrent portion	<u>\$ 3,383,768</u>	<u>\$ 3,491,328</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, 2017 AND 2016

NOTE 9 – 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>	
2018	\$ 95,000
2019	90,000
2020	90,000
2021	95,000
2022	100,000
Thereafter	<u>2,745,000</u>
	<u>\$3,215,000</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, 2017. 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 10 - 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 2017 and 2018 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 2007, 2008, 2011, and 2012 and expire in 2016, 2018 and 2020. Monthly lease payments for these facilities total \$8,440.

Also, the Organization maintains equipment under non-cancellable operating leases. The lease agreements expire between 2018 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, 2017 are as follows:

<u>Year ending June 30,</u>	
2018	\$ 190,842
2019	150,981
2020	138,161
2021	60,161
2022	<u>5,316</u>
	<u>\$ 595,461</u>

Rent expense was \$119,384 and \$114,000 for the years ended June 30, 2017 and 2016, respectively.

FORTY-NINER SHOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 11 – 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>	
2018	\$ 175,000
2019	200,000
2020	200,000
2021	<u>200,000</u>
	<u>\$ 775,000</u>

NOTE 12 - 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.

FORTY-NINER SHOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 12 - PENSION PLAN (CALPERS) (Continued)

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, 2017 and 2016 were derived from the most recent Accounting Valuation Reports provided by CalPERS. The measurement dates for the reports were June 30, 2016 and 2015, respectively.

The plan's proportionate share of the fiduciary's unfunded accumulated net pension liability as of June 30, 2016 and June 30, 2015 (the measurement dates) were \$5,238,154 and \$4,198,844, 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, 2016 and June 30, 2015 (the measurement dates) were \$17,003,483 and \$ 17,974,101, respectively.

The actuarially assumed investment return after June 30, 2016 is 7.5% 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, and no across the board increase and merit increases that vary by length of service.

For employees hired before January 1, 2013, the Organization is required to contribute at an actuarially determined rate. For the year ended June 30, 2017 the total employer's contribution rate is 17.84% of annual payroll. This rate is comprised of 8.88% of normal cost rate and 8.96% of UAL contribution. The active employee contribution rate is 6.886% of annual pay. For employees hired on and after January 1, 2013, the total employer and employee contribution rates are 6.556% and 6.25%, respectively.

Payroll is assumed to increase by 3.00%. Employer's contribution rates may change if plan contracts are amended. There is no contractual maximum contribution required for the Organization by CalPERS.

As of June 30, 2015, the plan was between 65-80% funded. As of June 30, 2015, management estimates that the total unfunded accrued liability was \$4,574,708.

Employer and employee contributions were \$546,840 and \$260,350 for the year ended June 30, 2017.

FORTY-NINER SHOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 12 - PENSION PLAN (CALPERS) (Continued)

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>
2018	\$ 577,603
2019	594,055
2020	611,877
2021	630,233
2022	649,140
2023 – 2026	<u>3,549,766</u>
	<u>\$ 6,612,674</u>

NOTE 13 - 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 \$22,444 and \$23,513 for the years ended June 30, 2017 and 2016.

FORTY-NINER SHOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 14 - 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, 2017 and 2016, the Organization contributed \$500,000 per year 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, 2017 and 2016, the VEBA trust held assets at fair market value of \$4,956,112 and \$4,011,312, respectively.

As of June 30, 2017 and 2016, 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, 2017 AND 2016

NOTE 14 - 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,	
	<u>2017</u>	<u>2016</u>
Accumulated Post Retirement Benefit Obligation		
Retirees	\$ 4,941,809	\$ 5,086,708
Active Employees	<u>3,199,694</u>	<u>3,116,517</u>
	8,141,503	8,203,225
Fair Value of Assets	<u>(4,956,112)</u>	<u>(4,011,312)</u>
Unfunded APBO	3,185,391	4,191,913
Unamortized gain (loss)	(1,261,853)	( 1,465,955)
Unamortized transition obligation	<u>NONE</u>	<u>NONE</u>
Accrued Post Retirement Benefit Cost	<u>\$ 1,923,538</u>	<u>\$ 2,725,958</u>

	June 30,	
	<u>2017</u>	<u>2016</u>
Reconciliation of Benefit Obligation:		
Benefit obligation at beginning of year	\$ 4,191,913	\$ 3,691,576
Service cost	38,934	32,327
Interest cost	299,953	305,550
Contributions	( 500,000)	( 500,000)
Asset return loss (gain)	( 167,815)	222,930
Expected Return on assets	( 276,985)	( 248,167)
Actuarial loss (gain)	32,617	1,101,610
Benefits paid	<u>( 433,226)</u>	<u>( 413,913)</u>
Benefit Obligation at end of year	<u>\$ 3,185,391</u>	<u>\$ 4,191,913</u>

FORTY-NINER SHOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 14 - POST RETIREMENT MEDICAL BENEFITS (Continued)

Pension-related changes other than net periodic pension cost		
Amortization of transition obligation	\$ NONE	\$ NONE
Net gain (loss)	<u>1,068,993</u>	<u>(1,230,670)</u>
	<u>1,068,993</u>	<u>(\$ 1,230,670)</u>
Net periodic post retirement benefit cost		
Service cost	\$ 38,934	\$ 32,327
Interest cost	299,953	305,550
Expected return on assets	( 276,985)	( 248,167)
Amortized gain (loss)	<u>68,904</u>	<u>NONE</u>
Net periodic benefit cost	<u>\$ 130,806</u>	<u>\$ 89,710</u>

The weighted average discount rate used in determining the accumulated post retirement benefit obligation is 4 %. 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, 2017.

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

Year ending June 30,

2018	\$ 407,000
2019	444,000
2020	462,000
2021	461,000
2022	467,000
2023 – 2026	<u>2,400,000</u>
	<u>\$ 4,641,000</u>



FORTY-NINER SHOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 15 – 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, 2017.

NOTE 16– 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.

FORTY-NINER SHOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 16 – FAIR VALUE MEASUREMENTS (Continued)

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

	Fair Market Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Input Level 3
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>		<u>993,030</u>	
	<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>

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2016:

	Fair Market Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Input Level 3
Investments				
Mutual funds	\$ 5,041,438	\$ 5,041,438		
Common stocks	1,181,323	1,181,323		
Investments in alternative funds	<u>499,855</u>	<u>NONE</u>	<u>499,855</u>	
	<u>6,722,616</u>	<u>6,222,761</u>	<u>499,855</u>	
Other Assets				
Mutual funds	<u>768,432</u>	<u>768,432</u>		
	<u>\$ 7,491,048</u>	<u>\$ 6,991,193</u>	<u>\$ 499,855</u>	<u>\$ NONE</u>

FORTY-NINER SHOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 17 – REIMBURSEMENTS TO AND FROM CSULB

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>

The Organization paid reimbursements to CSULB for the year ended June 30, 2016 in the amount of \$1,447,876.

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

Buildings and improvements	\$ 185,923
Repairs and maintenance	172,654
Communications	63,976
Allocated general and administrative expenses	35,683
Utilities and rent	711,890
Supplies	13,750
Interest and principal on note payable	<u>264,000</u>
	<u>\$ 1,447,876</u>

FORTY-NINER SHOPS, INC.  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 18 – OTHER RELATED PARTY TRANSACTIONS

The Organization charged CSULB \$468,058 and \$441,679 at June 30, 2017 and 2016, 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 19 – CONCENTRATIONS AND CREDIT RISK

The Organization maintains cash in various financial institutions which may, at times, exceed federally insured limits. 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. Uninsured balances were \$4,300,801 and \$3,206,737 at June 30, 2017, and 2016, respectively.

FORTY-NINER SHOPS, INC.  
SCHEDULE OF ENTERPRISE ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

				FOOD SERVICE				
	TOTAL	BOOKSTORE	ID CARD SERVICES	TOTAL	RESIDENCE HALL	RESIDENTIAL LEARNING COLLEGE	VENDING	CASH OPERATIONS
ENTERPRISE OPERATING REVENUES								
Sales	\$ 36,290,437	\$ 19,001,472	\$ 468,058	\$ 16,820,907	\$ 7,743,020	\$ 2,073,952	\$ -	\$ 7,003,935
Contracted revenue and commissions	1,746,894	978,923	27,548	740,423			352,627	387,796
Other	116,646	79,575	37,071	-				
	<u>38,153,977</u>	<u>20,059,970</u>	<u>532,677</u>	<u>17,561,330</u>	<u>7,743,020</u>	<u>2,073,952</u>	<u>352,627</u>	<u>7,391,731</u>
COST OF SALES	<u>16,440,145</u>	<u>11,580,682</u>		<u>4,859,463</u>	<u>2,108,964</u>	<u>514,062</u>		<u>2,236,437</u>
GROSS PROFIT	<u>21,713,832</u>	<u>8,479,288</u>	<u>532,677</u>	<u>12,701,867</u>	<u>5,634,056</u>	<u>1,559,890</u>	<u>352,627</u>	<u>5,155,294</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, 2017

	FOOD SERVICE								
	TOTAL	G&A	BOOKSTORE	ID CARD SERVICES	TOTAL	RESIDENCE HALL	RESIDENTIAL LEARNING COLLEGE	VENDING	CASH OPERATIONS
<b>OPERATING EXPENSES</b>									
Salaries and wages	\$ 9,252,660	\$ 1,817,896	\$ 2,651,847	\$ 141,542	\$ 4,641,375	\$ 1,809,101	\$ 529,993	\$ 49,032	\$ 2,253,249
Employee benefits	5,238,762	2,922,859	672,932	40,329	1,602,642	716,380	216,947	29,650	639,665
Advertising/promo	96,370	(7,979)	70,968	671	32,710	4,538	1,923	-	26,249
Bad debts	57,299	-	37,592	-	19,707	9,420	2,849	-	7,438
Bank and credit card fees	600,895	79,862	291,578	14,382	215,073	5,378	360	-	209,335
Board	32,512	32,512	-	-	-	-	-	-	-
Discounts and markdowns	433,066	-	433,066	-	-	-	-	-	-
Employees' appreciation	55,355	47,918	3,842	301	3,294	1,256	369	-	1,669
Equipment rental	70,883	4,405	42,355	-	24,123	4,572	-	-	19,551
Freight out/postage	(9,812)	3,585	(13,412)	15	-	-	-	-	-
General expenses	91,387	2,559	30,797	215	57,816	4,459	1,770	-	51,587
Insurance	85,035	3,844	38,037	257	42,897	-	68	-	42,829
Inventory adjustment	-	-	-	-	-	-	-	-	-
Professional services	191,795	145,057	44,938	-	1,800	1,500	-	-	300
R/H commissions	785,042	-	-	-	785,042	615,737	164,772	-	4,533
Rent	119,384	-	95,284	9,600	14,500	-	-	2,500	12,000
Repairs & maintenance	1,184,926	429,446	319,965	168,189	267,326	13,803	6,048	-	247,475
Royalties & commissions	607,921	-	230,419	-	377,502	-	-	-	377,502
Services	573,626	5,858	78,335	-	489,433	163,971	60,777	-	264,685
Subscriptions & dues	62,034	8,165	47,833	895	5,141	-	-	-	5,141
Supplies	858,812	47,241	290,233	62,507	458,831	170,829	54,184	-	233,818
Telephone/data lines	98,888	33,177	36,888	4,053	24,770	4,957	1,433	-	18,380
Training	117,776	52,220	32,627	6,529	26,400	19,603	628	-	6,169
Travel	41,604	20,212	5,731	1,376	14,285	3,519	564	-	10,202
Utilities	285,293	-	72,987	-	212,306	-	-	-	212,306
	<u>20,931,513</u>	<u>5,648,837</u>	<u>5,514,842</u>	<u>450,861</u>	<u>9,316,973</u>	<u>3,549,023</u>	<u>1,042,685</u>	<u>81,182</u>	<u>4,644,083</u>
<b>DEPRECIATION AND AMORTIZATION</b>									
Amortization									
Depreciation	977,635	93,116	344,239	1,130	539,150	3,022	1,088	-	535,040
	<u>977,635</u>	<u>93,116</u>	<u>344,239</u>	<u>1,130</u>	<u>539,150</u>	<u>3,022</u>	<u>1,088</u>	<u>-</u>	<u>535,040</u>
<b>TOTAL EXPENSES</b>	<u>21,909,148</u>	<u>5,741,953</u>	<u>5,859,081</u>	<u>451,991</u>	<u>9,856,123</u>	<u>3,552,045</u>	<u>1,043,773</u>	<u>81,182</u>	<u>5,179,123</u>
<b>ENTERPRISE OPERATING INCOME(LOSS)</b>	<u>\$ (195,316)</u>	<u>\$ (5,741,953)</u>	<u>\$ 2,620,207</u>	<u>\$ 80,686</u>	<u>\$ 2,845,744</u>	<u>\$ 2,082,011</u>	<u>\$ 516,117</u>	<u>\$ 271,445</u>	<u>\$ (23,829)</u>

See Independent Auditors' Report and Notes to Financial Statements.

**FORTY-NINER SHOPS, INC**  
Schedule of Net Position  
June 30, 2017  
(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 4,295,499
Short-term investments	8,309,092
Accounts receivable, net	1,571,945
Leases receivable, current portion	
Notes receivable, current portion	—
Pledges receivable, net	—
Prepaid expenses and other current assets	2,749,477
Total current assets	<u>16,926,013</u>
Noncurrent assets:	
Restricted cash and cash equivalents	—
Accounts receivable, net	—
Leases receivable, net of current portion	—
Notes receivable, net of current portion	—
Student loans receivable, net	—
Pledges receivable, net	—
Endowment investments	—
Other long-term investments	768,432
Capital assets, net	8,486,644
Other assets	—
Total noncurrent assets	<u>9,255,076</u>
Total assets	<u>26,181,089</u>
Deferred outflows of resources:	
Unamortized loss on debt refunding	—
Net pension liability	—
Others	—
Total deferred outflows of resources	<u>—</u>
Liabilities:	
Current liabilities:	
Accounts payable	1,104,036
Accrued salaries and benefits	664,118
Accrued compensated absences, current portion	1,476,052
Unearned revenue	—
Capitalized lease obligations, current portion	—
Long-term debt obligations, current portion	95,000
Claims liability for losses and loss adjustment expenses, current portion	—
Depository accounts	—
Other liabilities	—
Total current liabilities	<u>3,339,206</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	—
Unearned revenue	—
Grants refundable	—
Capitalized lease obligations, net of current portion	—
Long-term debt obligations, net of current portion	3,383,768
Claims liability for losses and loss adjustment expenses, net of current portion	—
Depository accounts	—
Other postemployment benefits obligations	3,185,391
Net pension liability	5,238,157
Other liabilities	—
Total noncurrent liabilities	<u>11,807,316</u>
Total liabilities	<u>15,146,522</u>
Deferred inflows of resources:	
Service concession arrangements	—
Net pension liability	—
Unamortized gain on debt refunding	—
Nonexchange transactions	—
Others	—
Total deferred inflows of resources	<u>—</u>
Net Position:	
Net investment in capital assets	5,007,876
Restricted for:	
Nonexpendable – endowments	—
Expendable:	
Scholarships and fellowships	—
Research	—
Loans	—
Capital projects	—
Debt service	—
Others	—
Unrestricted	6,026,691
Total net position	<u>\$ 11,034,567</u>

See independent auditors' report and notes to the financial statements

**FORTY-NINER SHOPS, INC**  
Schedule of Revenues, Expenses, and Changes in Net Position  
Year Ended June 30, 2017  
(for inclusion in the California State University)

Revenues:	
Operating revenues:	
Student tuition and fees (net of scholarship allowances of \$_____)	\$ —
Grants and contracts, noncapital:	
Federal	—
State	—
Local	—
Nongovernmental	—
Sales and services of educational activities	—
Sales and services of auxiliary enterprises (net of scholarship allowances of \$_____)	38,153,977
Other operating revenues	—
Total operating revenues	<u>38,153,977</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	37,371,658
Depreciation and amortization	977,635
Total operating expenses	<u>38,349,293</u>
Operating income (loss)	<u>(195,316)</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	1,048,244
Endowment income (loss), net	—
Interest expense	(139,847)
Other nonoperating revenues (expenses)	789,819
Net nonoperating revenues (expenses)	<u>1,698,216</u>
Income (loss) before other revenues (expenses)	1,502,900
State appropriations, capital	—
Grants and gifts, capital	—
Additions (reductions) to permanent endowments	—
Increase (decrease) in net position	1,502,900
Net position:	
Net position at beginning of year, as previously reported	9,531,667
Restatements	—
Net position at beginning of year, as restated	<u>9,531,667</u>
Net position at end of year	<u>\$ 11,034,567</u>

See independent auditors' report and notes to the financial statements



**FORTY-NINER SHOPS, INC**  
Other Information  
June 30, 2017  
(for inclusion in the California State University)

**1 Restricted cash and cash equivalents at June 30, 20CY:**

Portion of restricted cash and cash equivalents related to endowments	\$	—
All other restricted cash and cash equivalents		—
Total restricted cash and cash equivalents	<u>\$</u>	<u>—</u>

**2.1 Composition of investments at June 30, 20CY:**

	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	4,375,070	—	4,375,070	768,432	—	768,432	5,143,502
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	2,940,992	—	2,940,992	—	—	—	2,940,992
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	993,030	—	993,030	—	—	—	993,030
Other external investment pools (excluding SWIFT)	—	—	—	—	—	—	—
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	<u>8,309,092</u>	<u>—</u>	<u>8,309,092</u>	<u>768,432</u>	<u>—</u>	<u>768,432</u>	<u>9,077,524</u>
Less endowment investments (enter as negative number)	—	—	—	—	—	—	—
Total investments	<u>8,309,092</u>	<u>—</u>	<u>8,309,092</u>	<u>768,432</u>	<u>—</u>	<u>768,432</u>	<u>9,077,524</u>

**2.2 Investments held by the University under contractual agreements at June 30, 20CY:**

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

**2.3 Restricted current investments at June 30, 20CY 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, 20CY	<u>\$</u>	<u>—</u>

**2.4 Restricted noncurrent investments at June 30, 20CY related to:**

<u>Amount</u>	\$	—
Endowment investment	—	—
Add description	—	—
Add description	—	—
Add description	—	—
Add description	—	—

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Add description	—
Add description	—
Add description	—
<b>Total restricted noncurrent investments at June 30, 20CY</b>	<u><u>\$ —</u></u>

**2.5 Fair value hierarchy in investments at June 30, 20CY:**

	Total	Fair Value Measurements Using			Net Asset Value (NAV)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
State of California Surplus Money Investment Fund (SMIF)	\$ —	—	—	—	—
State of California Local Agency Investment Fund (LAIF)	—	—	—	—	—
Corporate bonds	—	—	—	—	—
Certificates of deposit	—	—	—	—	—
Mutual funds	5,143,502	5,143,502	—	—	—
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	2,940,992	2,940,992	—	—	—
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	993,030	—	993,030	—	—
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	—	—	—	—	—
<b>Total investments</b>	<u><u>9,077,524</u></u>	<u><u>8,084,494</u></u>	<u><u>993,030</u></u>	<u><u>—</u></u>	<u><u>—</u></u>

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**3.1 Composition of capital assets at June 30, 2017:**

	Balance June 30, 2016	Prior period Adjustments	Reclassifications	Balance June 30, 2016 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2017
<b>Nondepreciable/nonamortizable capital assets:</b>								
Land and land improvements	\$ —	—	—	—	—	—	—	—
Works of art and historical treasures	—	—	—	—	—	—	—	—
Construction work in progress (CWIP)	493,908	—	—	493,908	875,471	—	(1,225,683)	143,696
<b>Intangible assets:</b>								
Rights and easements	—	—	—	—	—	—	—	—
Patents, copyrights and trademarks	—	—	—	—	—	—	—	—
Internally generated intangible assets in progress	—	—	—	—	—	—	—	—
Licenses and permits	—	—	—	—	—	—	—	—
Other intangible assets:	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
<b>Total intangible assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total nondepreciable/nonamortizable capital assets</b>	<b>493,908</b>	<b>—</b>	<b>—</b>	<b>493,908</b>	<b>875,471</b>	<b>—</b>	<b>(1,225,683)</b>	<b>143,696</b>
<b>Depreciable/amortizable capital assets:</b>								
Buildings and building improvements	19,643,735	—	—	19,643,735	—	(677,701)	—	18,966,034
Improvements, other than buildings	37,664	—	—	37,664	—	—	—	37,664
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	—	—	—	—	—	—	—	—
Personal property:	6,215,547	—	—	6,215,547	30,000	(739,359)	1,225,683	6,731,871
Equipment	6,215,547	—	—	6,215,547	30,000	(739,359)	1,225,683	6,731,871
Library books and materials	—	—	—	—	—	—	—	—
<b>Intangible assets:</b>								
Software and websites	—	—	—	—	—	—	—	—
Rights and easements	—	—	—	—	—	—	—	—
Patents, copyright and trademarks	—	—	—	—	—	—	—	—
Licenses and permits	—	—	—	—	—	—	—	—
Other intangible assets:	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
<b>Total intangible assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total depreciable/amortizable capital assets</b>	<b>25,896,946</b>	<b>—</b>	<b>—</b>	<b>25,896,946</b>	<b>30,000</b>	<b>(1,417,060)</b>	<b>1,225,683</b>	<b>25,735,569</b>
<b>Total capital assets</b>	<b>26,390,854</b>	<b>—</b>	<b>—</b>	<b>26,390,854</b>	<b>905,471</b>	<b>(1,417,060)</b>	<b>—</b>	<b>25,879,265</b>
<b>Less accumulated depreciation/amortization:</b>								
Buildings and building improvements	(12,289,152)	—	—	(12,289,152)	(656,393)	675,545	—	(12,270,000)
Improvements, other than buildings	(37,664)	—	—	(37,664)	—	—	—	(37,664)
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	—	—	—	—	—	—	—	—
Personal property:	(5,469,480)	—	—	(5,469,480)	(321,242)	705,765	—	(5,084,957)
Equipment	(5,469,480)	—	—	(5,469,480)	(321,242)	705,765	—	(5,084,957)
Library books and materials	—	—	—	—	—	—	—	—
<b>Intangible assets:</b>								
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	—	—	—	—	—	—	—	—
<b>Total intangible assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total accumulated depreciation/amortization</b>	<b>(17,796,296)</b>	<b>—</b>	<b>—</b>	<b>(17,796,296)</b>	<b>(977,635)</b>	<b>1,381,310</b>	<b>—</b>	<b>(17,392,621)</b>
<b>Total capital assets, net</b>	<b>\$ 8,594,558</b>	<b>—</b>	<b>—</b>	<b>8,594,558</b>	<b>(72,164)</b>	<b>(35,750)</b>	<b>—</b>	<b>8,486,644</b>

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**6 Long-term debt obligation 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:									
2018	\$ —	—	—	95,000	148,600	243,600	95,000	148,600	243,600
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	—	—	—	555,000	603,125	1,158,125	555,000	603,125	1,158,125
2023 - 2027	—	—	—	720,000	443,750	1,163,750	720,000	443,750	1,163,750
2028 - 2032	—	—	—	915,000	244,475	1,159,475	915,000	244,475	1,159,475
2033 - 2037	—	—	—	655,000	40,950	695,950	655,000	40,950	695,950
2038 - 2042	—	—	—	—	—	—	—	—	—
2043 - 2047	—	—	—	—	—	—	—	—	—
2048 - 2052	—	—	—	—	—	—	—	—	—
2053 - 2057	—	—	—	—	—	—	—	—	—
2058 - 2062	—	—	—	—	—	—	—	—	—
2063 - 2067	—	—	—	—	—	—	—	—	—
Total minimum payments	—	—	—	3,215,000	1,903,025	5,118,025	3,215,000	1,903,025	5,118,025
Less amounts representing interest									(1,903,025)
Present value of future minimum payments									3,215,000
Unamortized net premium (discount)									263,768
Total long-term debt obligations									3,478,768
Less: current portion									(95,000)
<b>Long-term debt obligations, net of current portion</b>									<b>\$ 3,383,768</b>

**7 Calculation of net position**

**7.1 Calculation of net position - net investment in capital assets**

Capital assets, net of accumulated depreciation	\$ 8,486,644
Capitalized lease obligations, current portion	—
Capitalized lease obligations, net of current portion	—
Long-term debt obligations, current portion	(95,000)
Long-term debt obligations, net of current portion	(3,383,768)
Portion of outstanding debt that is unspent at year-end	—
Other adjustments: (please list)	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Net position - net investment in capital asset	<u>\$ 5,007,876</u>

**7.2 Calculation of net position - restricted for nonexpendable - endowments**

Portion of restricted cash and cash equivalents related to endowments	\$ —
Endowment investments	—
Other adjustments: (please list)	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Net position - Restricted for nonexpendable - endowments per SNP	<u>\$ —</u>

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**8 Transactions with related entities**

	<b>Amount</b>
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ —
Payments to University for other than salaries of University personnel	1,031,500
Payments received from University for services, space, and programs	2,948,321
Gifts-in-kind to the University from discretely presented component units	70,878
Gifts (cash or assets) to the University from discretely presented component units	—
Accounts (payable to) University (enter as negative number)	(211,788)
Other amounts (payable to) University (enter as negative number)	—
Accounts receivable from University	297,999
Other amounts receivable from University	—

**9 Other postemployment benefits obligation (OPEB)**

Annual required contribution (ARC)	\$	—
Contributions during the year		500,000
Increase (decrease) in net OPEB obligation (NOO)		500,000
Other adjustments		(1,506,522)
NOO - beginning of year		4,191,913
NOO - end of year	\$	3,185,391

**10 Pollution remediation liabilities under GASB Statement No. 49:**

<b>Description</b>		<b>Amount</b>
Add description	\$	—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
Add description		—
		—
Total pollution remediation liabilities	\$	—
Less: current portion		—
Pollution remediation liabilities, net of current portion		—

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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, 2015, as previously reported		\$ 9,531,667
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, 2015, as restated		\$ 9,531,667

**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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