Financial Statements and Report of Independent Certified Public Accountants

Spartan Shops, Inc.
(a California State University Auxiliary Organization)

June 30, 2019

SPARTAN SHOPS, INC.
For the Year Ended June 30, 2019

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Spartan Shops, Inc.

Report on the financial statements

We have audited the accompanying financial statements of the business-type activities of Spartan Shops, Inc. (a California State University Auxiliary Organization) (the "Entity") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Entity's basic financial statements as listed in the table of contents.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the business-type activities of the Spartan Shops, Inc. (a California State Auxiliary Organization) as of June 30, 2019, and the respective changes in net position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 8-12 and the Schedule of changes in the Entity's Net OPEB liability and Related Ratios on page 39 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Entity's basic financial statements. The supplementary information on pages 41-50 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

GrantThornton

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated September 13, 2019, on our consideration of the Entity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Entity's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Entity's internal control over financial reporting and compliance.

Grant Thornton LLP

San Jose, California
September 13, 2019

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

Board of Directors
Spartan Shops, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Spartan Shops, Inc. (the "Entity"), which comprise the statement of net position as of June 30, 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 13, 2019.

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

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

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

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

Intended purpose

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

Grant Thornton LLP

San Jose, California
September 13, 2019

SPARTAN SHOPS, INC.

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

For the year ended June 30, 2019

(unaudited)

Management's Discussion and Analysis

This section of Spartan Shops of San José State University ("Spartan Shops, Inc." or the "Company") annual financial report includes Management's Discussion and Analysis of the financial performance of Spartan Shops for fiscal years ended June 30, 2019 and 2018. This discussion should be read in conjunction with the financial statements and notes.

Introduction to Spartan Shops of San José State University

Spartan Shops is a not-for-profit campus benefit corporation founded in 1956 for the purpose of providing support services to the San Jose State University ("SJSU") campus community. These services include bookstore management, dining services management, golf complex management, and 13 rental units for faculty and staff.

Spartan Shops is comprised of four major divisions:

Bookstore Management

In April 2011, Spartan Shops entered into an agreement with Barnes & Noble College Booksellers to operate Spartan Bookstore for a period of ten years. In July 2015, Spartan Shops extended the agreement with Barnes & Noble to operate Spartan Bookstore until June 30, 2026. Spartan Bookstore offers course materials and related items to our students and campus community.

Dining Service Management

In September 2018, Spartan Shops entered into an agreement with Chartwells Higher Education, a division of Compass Group USA, Inc. to provide and manage Spartan Shops' food service program on the campus of San Jose State University for two years under Earned Management Fee basis with an option of two five-year Profit and Loss contract extensions. In July 2018, Chartwells assumed responsibility for the residential meal program incorporated within The Commons, retail food service operations located on the SJSU Main campus, concession services at the Event Center, SJSU South Campus and Hammer Theater, and catering services.

Spartan Golf Complex Management

In September 2017, Spartan Shops entered into an agreement with Tower Real Estate Fund ("TREF") for the management of daily operations of the Spartan Golf Complex at Spartan Village Project Facility for a period of five years, effective July 1, 2017 through June 30, 2022. The Spartan Golf Complex is intended primarily for the use of the San Jose State University Men's and Women's Golf Teams, and is operated in accordance with all NCAA rules and regulations. Unaccompanied guests are not permitted on site.

Friends of Spartan Golf and their guests, however, will be able to enjoy the facilities when the teams are not using them for practice.

Commercial Services

This division includes Real Estate Services provided to SJSU faculty and staff. Spartan Shops' Real Estate division provides 13 off campus rental housing units at below market rates for SJSU faculty and staff.

SPARTAN SHOPS, INC.

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

For the year ended June 30, 2019

(unaudited)

Introduction to the Financial Statements

Spartan Shops' financial statements include the statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows. These statements are supported by notes to the financial statements and Management's Discussion and Analysis. All sections must be considered together to obtain a complete understanding of the financial picture of Spartan Shops.

Statement of net position: The statement of net position includes all assets and liabilities. Assets and liabilities are reported on an accrual basis as of the statement date.

Statement of revenues, expenses and changes in net position: The statement of revenues, expenses and changes in net position presents the revenues earned and expenses incurred during the year on an accrual basis.

Statement of cash flows: The statement of cash flows presents the inflows and outflows of cash for the year and is summarized by operating, capital and financing, and investing activities. These statements are prepared using the direct method of cash flows and, therefore, present gross rather than net amounts for the year's activities.

SPARTAN SHOPS, INC.

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

For the year ended June 30, 2018
(unaudited)

Overview

Summary

The following discussion highlights management's understanding of the key financial aspects of Spartan Shops' financial activities as of and for the fiscal years (FY) ended June 30, 2019 and 2018. Included are comparative analyses of current and prior year's activities and balances and a discussion of changes in Spartan Shops' net position.

Condensed Summary of Net Position

Spartan Shops' condensed summary of net position as of June 30 is as follows:

	2019	2018	Difference	
Assets				
Current assets	$ 5,904,536	$ 6,445,357	$ (540,821)	(1),(2)
Noncurrent assets	9,872,229	7,416,080	2,456,149	(1)
Total assets	**$ 15,776,765**	**$ 13,861,437**	**$ 1,915,328**	
Liabilities				
Current liabilities	$ 6,388,728	$ 2,895,368	$ 3,493,360	(1)
Noncurrent liabilities	2,433,467	866,801	1,566,666	(1)
Total liabilities	**$ 8,822,195**	**$ 3,762,169**	**$ 5,060,026**	
Deferred inflows of resources				
Net OPEB Liability	$ 136,067	$ 155,670	$ (19,603)	
Total deferred inflows of resources	**$ 136,067**	**$ 155,670**	**$ (19,603)**	
Net Position				
Unrestricted:				
Net investment in capital assets	$ 5,936,029	$ 6,622,613	$ (686,584)	
Unrestricted	882,474	3,320,985	(2,438,511)	
Total net position	**$ 6,818,503**	**$ 9,943,598**	**$ (3,125,095)**	

SPARTAN SHOPS, INC.

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

For the year ended June 30, 2019
(unaudited)

Condensed Summary of Revenues, Expenses and Changes in Net Position

Spartan Shops' condensed summary of revenues, expenses and changes in net position for the years ended June 30 is as follows:

	2019	2018	Differences	
Operating Revenues				
Auxiliary enterprise revenues:				
Union Square and other retail	$ -	$ 11,266,647	$ (11,266,647)	(1)
The Commons	-	13,536,515	(13,536,515)	(1)
Catering services	-	2,092,957	(2,092,957)	(1)
Event services	-	912,963	(912,963)	(1)
Golf Complex	83,641	12,615	(71,026)	
Commercial services	206,041	217,545	(11,504)	
Total auxiliary enterprise revenues	**289,682**	**28,039,242**	**(27,749,560)**	
Other Operating Revenues				
Commission income	971,683	1,097,050	(125,367)	
Expense reimbursement Golf Complex	758,677	579,756	178,921	
Other income	434,892	37,222	397,670	(1)
Total other operating revenues	**2,165,252**	**1,714,028**	**451,224**	
Total operating revenues	**2,454,934**	**29,753,270**	**(27,298,336)**	
Operating Expenses				
Operating	4,224,867	16,712,220	(12,487,353)	(1)
Auxiliary enterprise cost of sales	63,615	8,864,349	(8,800,734)	(1)
Administrative	1,149,723	2,135,989	(986,266)	(1)
OPEB expenses (income)	(483,268)	27,127	(510,395)	(2)
Depreciation and amortization	1,391,096	1,205,807	185,289	
Transfer to SJSU	15,000	5,000	10,000	(1)
Total operating expenses	**6,361,033**	**28,950,492**	**(22,589,459)**	
Net operating income (loss)	**(3,906,099)**	**802,778**	**(4,708,877)**	
Nonoperating Revenues (Expenses)				
Interest income from notes receivable	159,132	101,738	57,394	
Interest income from investments	41,838	80,439	(38,601)	
Unrealized and realized gain (loss)	22,219	(3,896)	26,115	
Interest expense	(1,204)	(39,947)	38,743	
Loss on disposal of fixed assets	(11,673)	(49,978)	38,305	
Miscellaneous income	570,692	121,698	448,994	(1)
Total nonoperating revenues (expenses)	**781,004**	**210,054**	**570,950**	
Increase (Decrease) in net position	**(3,125,095)**	**1,012,832**	**(4,137,927)**	

Net Position			
Net position at beginning of year	9,943,598	9,163,502	780,096
Restatements	-	(232,736)	232,736
Net position at beginning of year, as restated	9,943,598	8,930,766	1,012,832
Net position at end of year	**$ 6,818,503**	**$ 9,943,598**	**$ (3,125,095)**

Refer (1) to Chartwells Higher Education and (2) to OPEB 75 valuation in the discussion below.

(1) Chartwells Higher Education handled the Dining Service operations on San Jose State University campus effective July 5, 2018. Most of the Dining Services' regular benefited employees and students were employed by Chartwells on the effective date. A small number of Dining Services employees and all administrative staff were separated from the Company before or on September 8, 2018. The Company and Chartwells Higher Education have an Earned Management Fee financial arrangement from July 5, 2018 through June 30, 2020. During this period, the Company covers all Chartwells' Cost of Business with respect to the agreement which includes the cost for all Chartwells labor, all products, merchandise, material, supplies, and cost of all other operating expenses. Chartwells provides the monthly financial statement reports that lists all revenue, cost of business, and management fee which equal to 2 percent of monthly gross sales. The Company reimburses Chartwells for the month with net loss and Chartwells pays the Company for the month with net profit. For the year ended June 30, 2019, Chartwells had a net operating loss of $1.46M which was recorded under Operating expenses. Since profit did not exceed all cost of business, Chartwells was not entitled to the management fee of $499K which was paid to Chartwells as part of the monthly subsidy settlement. As the results, the $499K management fee was recorded as the Company's accounts receivable at year end. The Company also recorded the net unused meal plan and dining dollars of $377K in Other income. As per the agreement, Chartwells investment and Pre-Opening/Transition expenses are amortized on a straight-line basis. The Company holds title to items funded by the Investment and has capitalized $903K as FFE and $1.33M as LHI, recorded $1.80M as CIP, $3.72M net of investment spending and unamortized portion of the investment as liability, and $309K as miscellaneous income.

(2) The Company engaged with MacLeod Watts actuarial firm to update actuarial valuation of other postemployment benefits (OPEB) liability under GASB 75 for the fiscal year ended June 30, 2019. Given the current allocation and the performance of plan assets, the Company assumed a 2% return on trust assets as comparing to a 1% return in prior year. The Company also assumed that none of its active employees are expected to qualify for retirement or OPEB due to the age and length of service requirement. As a result, the total OPEB liability dropped from $2.53M in fiscal year ended June 30, 2018 to $1.98M in fiscal year ended June 30, 2019 while the trust assets were valued at $2.59M at June 30, 2019 as compared to $2.64M at June 30, 2018. This assumption led to the overfunded of $613K of OPEB liability which was recorded as Prepaid OPEB assets. Gain on assumption changes, plan experience and investment experience had a great impact on OPEB expense which resulted in a $483K of the OPEB income.

SPARTAN SHOPS, INC.

(a California State University Auxiliary Organization)

AUDITED FINANCIAL STATEMENTS

June 30, 2019

SPARTAN SHOPS, INC.
June 30, 2019

Statement of Net Position

Assets	
Current assets	
Cash	$ 1,795,505
Short-term investments	1,958,038
Receivables	1,506,612
Inventories	511
Prepaid OPEB assets	613,046
Prepaid expenses	30,824
Total current assets	**5,904,536**
Noncurrent assets	
Notes receivable, less discount and allowance for bad debt	217,338
Capital assets, net	9,654,891
Total noncurrent assets	**9,872,229**
Total assets	**$15,776,765**
Deferred outflows of resources	
Net OPEB liability	$ -
Total deferred outflows of resources	$ -
Liabilities and Net Position	
Current liabilities	
Accounts payable	$ 2,114,284
Accrued salaries and benefits payable	28,141
Accrued compensated absences	11,697
Unearned revenue, current portion	266,667
Meal Plan liabilities	38,906
Food Services Investment liabilities	3,718,862
Other liabilities	210,171
Total current liabilities	**6,388,728**
Noncurrent liabilities	
Unearned revenue, net of current portion	2,433,467
Total noncurrent liabilities	**2,433,467**
Total liabilities	**8,822,195**
Deferred inflows of resources	
Net OPEB Liability	136,067
Total noncurrent liabilities	**136,067**
Net Position	
Net investment in capital assets	5,936,029
Unrestricted	882,474
Total net position	**$ 6,818,503**

The accompanying notes are an integral part of this financial statement.

SPARTAN SHOPS, INC.
For the Year Ended June 30, 2019

Statement of Revenues, Expenses and Changes in Net Position

Operating Revenues	
Auxiliary enterprise revenues:	
Golf Complex	$ 83,641
Commercial services	206,041
Total auxiliary enterprise revenues	**289,682**
Other Operating Revenues	
Commission income	971,683
Expense reimbursement from Golf Complex	758,677
Other income	434,892
Total other operating revenues	**2,165,252**
Total operating revenues	**2,454,934**
Operating Expenses	
Operating	4,224,867
Auxiliary enterprise cost of sales	63,615
Administrative	1,149,723
OPEB expenses (income)	(483,268)
Depreciation and amortization	1,391,096
Transfer to SJSU	15,000
Total operating expenses	**6,361,033**
Net operating loss	**(3,906,099)**
Nonoperating Revenues (Expenses)	
Interest income from notes receivable	159,132
Interest income from investments	41,838
Unrealized and realized gain	22,219
Interest expense	(1,204)
Loss on disposal of fixed assets	(11,673)
Miscellaneous income	570,692
Total nonoperating revenues	**781,004**
Decrease in net position	**(3,125,095)**
Net Position	
Net position at beginning of year	**9,943,598**
Net position at end of year	**$6,818,503**

SPARTAN SHOPS, INC.
For the Year Ended June 30, 2019

Statement of Cash Flows

Cash Flows from Operating Activities	
Cash received from sales	$ 1,057,646
Payments to suppliers	(1,704,402)
Food Services Investment liabilities	3,718,862
Payments to employees	(1,187,570)
Other receipts	2,165,252
Net cash provided by operating activities	**4,049,788**
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(4,009,470)
Sales of fixed assets	117,703
Payments on notes payable	(543,280)
Interest paid	(1,204)
Net cash used in capital and related financing activities	**(4,436,251)**
Cash Flows from Investing Activities	
Purchase of investments	(5,116,117)
Sales of investments	5,074,948
Investment income	42,188
Other income from notes receivable	159,132
Net cash provided by investing activities	**160,151**
Net decrease in cash and cash equivalents	**(226,312)**
Cash and Cash Equivalents	
Beginning of year	2,021,817
End of year	**$ 1,795,505**

Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities	
Net operating income	**$(3,906,099)**
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Depreciation and amortization	1,391,096
Imputed interest on notes receivable	32,849
Other	570,692
Change in assets and liabilities:	
Receivables	767,964
Inventories	(129)
Prepaid OPEB assets	(501,627)
Prepaid expenses	111,339
Unearned revenue	1,733,333
Accounts payable	695,545
Accrued liabilities	3,174,428
Net OPEB liabilities	(19,603)
Net cash provided by operating activities	**$ 4,049,788**

The accompanying notes are an integral part of this financial statement.

SPARTAN SHOPS, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

NOTE 1 - ORGANIZATION

Spartan Shops, Inc. ("Spartan Shops" or the "Company") was incorporated in 1956. Spartan Shops serves as an auxiliary organization and is a component unit of San Jose State University (the "University" or "SJSU") to provide and manage the campus bookstore, dining services, golf complex, and certain real estate properties. In April 2011, the Company entered into an agreement with Barnes & Noble College Booksellers for the daily operation of the Spartan Bookstore. The Company extended the contract agreement with Barnes & Noble in July 2015 to operate the Spartan Bookstore through June 2026. In September 2018, the Company entered into an agreement with Chartwells Higher Education to provide all dining services to SJSU campus effective July 5, 2018 for a period of two years with an option of two five-year contract extensions. In September 2017, the Company entered into an agreement with Tower Real Estate Fund for the management of daily operations of the Spartan Golf Complex effective July 1, 2017 through June 30, 2022.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America, as promulgated by the Governmental Accounting Standards Board ("GASB").

The Company uses the full accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred, regardless of timing of the related cash flows.

The Company considers those assets to be current, which can be reasonably expected as part of its normal business operation, to be converted to cash and available for liquidation of current liabilities within 12 months of the statement of net position date. Liabilities that are considered to be current can be reasonably expected as part of its normal business operation to be liquidated within 12 months of the statement of net position. All other assets and liabilities are considered to be noncurrent.

For purposes of financial reporting, the Company is considered a special purpose government engaged only in business-type activities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the allowance for doubtful accounts, postemployment benefit obligation, and self-insured workers compensation liability.

Fair Value of Financial Instruments

The Company has determined that the amounts reported for financial assets and liabilities, including cash and cash equivalents, short-term investments, receivables, and payables, are considered to have carrying amounts that approximate fair value because of the short maturity of these financial instruments or market interest rates of such instruments.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments purchased with an original maturity from the date of purchase of three months or less to be cash equivalents.

Investments

Investments are carried at fair market value, as determined by quoted market prices, with realized and unrealized gains and losses included on the statement of revenues, expenses and changes in net position. Dividend and interest income are accrued when earned.

Receivables

Receivables are stated at net realizable value. The Company uses the specific write-off method of accounting for bad debts, which recognizes bad debt expenses at the time the account is deemed worthless by analyzing the creditworthiness of the customers. Historically, this method approximates the allowance method. No allowance for doubtful accounts was recorded as of June 30, 2019 as the Company’s receivables are considered fully collectible due to the trusted payment sources such as campus partners, government, merchant services, benefit and contracted vendors.

Inventories

All inventory items are recorded at the lower of cost, determined by the first in, first out (“FIFO”) method, or market. The Company recorded no inventory allowance due to the rapid turnover and order by demand of golf merchandise.

Capital Assets and Depreciation

The Company’s policy is to capitalize all asset additions greater than $5,000. Capital assets, including intangible assets, are recorded at cost when purchased and at fair value, on the date donated, when donated. Real estate costs have been allocated to individual building units based on a specific-identification method. When capital assets are retired or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts and the resulting gain or loss is included on the statement of revenues, expenses and changes in net position. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets which range from 3 to 30 years. Amortization of leasehold improvements is computed using the straight-line method over the shorter of useful life of the related asset or the term of the lease, which ranges from 5 to 15 years. The University is committed to purchasing the Company’s leasehold improvement assets, at full book value, should the lease or operating agreement not be extended. The Company classifies computer software as intangible assets which are depreciated using the straight-line method over the estimated useful life of 5 years. As part of the agreement with Chartwells Higher Education, the Company shall hold title to items funded by Chartwells’ capital improvement and Pre-Opening/Transition expenses. The Company shall record Chartwells’ investment spending as capitalized assets with the useful lives range from 3 to 12 years in the years the investment are spent in accordance with the contract terms.

Depreciation and amortization expense was $1,391,096 for the year ended June 30, 2019 (including amortization expense on intangible assets).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Vacation

The Company accrues vacation benefits for eligible employees at various rates depending on length of service. Employees are paid for unused vacation time at the end of employment. At June 30, 2019, the Company had a balance of $11,697 in accrued vacation liability.

Revenue Recognition

Golf Complex revenue is recorded on a monthly basis through point of sales or billing. Bookstore revenue is recorded based on commission of sales from Barnes & Noble. Real estate rental revenue is recorded on a monthly basis for the rental period. Dining Services revenue is recorded when Chartwells Higher Education generates net profit. Certain operating revenues that benefit a period of time longer than one year are recorded as unearned revenue or deposit on the accompanying statement of net position and are recognized over the contractual period of time in which they are earned.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense was $12,018 for the year ended June 30, 2019.

Tax-Exempt Status and Income Taxes

Spartan Shops follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

Spartan Shops is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. Spartan Shops has also been recognized by the California Franchise Tax Board as an organization that is exempt from California franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Spartan Shops has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax Obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. Spartan Shops currently has a net operating loss (“NOL”) carried forward of $774,476 for federal and $429,963 for state tax purposes, representing a deferred tax asset. The NOL carried forward expires in 2022 through 2037. The Company has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Concentration of Credit Risk

The Company places its cash with financial institutions deemed to be creditworthy. Cash balances may, at times, exceed insured deposit limits. The Company does not believe the cash accounts are subject to significant credit risk due to its regularly monitoring of the account balance.

The Company's customer base is comprised primarily of other auxiliary organizations and the University, including students, faculty and staff. See Note 9 for disclosures regarding these concentrations.

Net Position

Net position consists of net investment in capital assets, restricted and unrestricted net position. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets and by the food services investment liabilities. This calculation excludes unspent debt proceeds, if any.

Net investment in capital assets consists of the following at June 30, 2019:

Investment in capital assets, net	$	9,654,891
Less related debt:		
Food Services Investment liabilities		3,718,862
Net investment in capital assets	**$**	**5,936,029**

Restricted net position represent amounts appropriated or legally segregated for a specific purpose. The Company's net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Company or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The Company has no restricted net position.

The board has designated net position (as a component of unrestricted net position) at June 30, 2019, totaling $660,904 consisting of a reserve designated for planned major equipment purchases, remodeling and facility acquisitions. The designated assets may also serve as a source of emergency funds in the event of a temporary shortage of working capital (i.e., 60 days or less). The board designates these amounts to maintain a required minimum balance of 2.5 percent of annual projected revenue, as presented in the Company's Annual Business Plan. Due to the third party contractor arrangement in Dining Services operation at the beginning of July 2018, the Company made no adjustment to the designated fund in fiscal year 2019.

Classification of Revenues and Expenses

The Company considers operating revenues and expenses in the statement of revenues, expenses and changes in net position to be those revenues and expenses that result from transactions or other activities that are connected directly to the Company's primary functions. Certain other transactions are reported as non-operating revenues and expenses in accordance with GASB Statement No. 33. These non-operating revenues and expenses include the interest income, unrealized and realized gain or losses, interest expenses and miscellaneous income and expenses.

Reclassification of Revenues and Expenses

The Company reported OPEB expenses as part of Administrative expenses in the Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2018. The Company reported the OPEB expenses (income) separately from the Administrative expenses for presentation purposes for the year ended June 30, 2019.

Pronouncements Issued

The GASB has issued GASB Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* that is effective for the year ending June 30, 2018. GASB 75 introduces the concept of a "Measurement Date" for each fiscal year and the net unfunded or overfunded OPEB liability are reported in the statement of net position as OPEB liability or prepaid OPEB assets. Amortization periods, discount rate and the determination of a targeted "funding contribution" are changed comparing to GASB 45 statement. The implementation of GASB Statement No. 75 had an impact on the financial statement for the fiscal year ending on June 30, 2018. The prepaid OPEB asset of $613,046, OPEB income of $483,268 and the deferred inflows of resources of $136,067 were reported as of and for the year ended June 30, 2019.

NOTE 3 - INVESTMENTS

The Company categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Company has the following recurring fair value measurements as of June 30, 2019:

Money Market funds and mutual funds of $1,958,038 are valued using quoted market prices (Level 1 inputs).

Investments at June 30, 2019, consist of the following:

	Fair Value
Investment Type	
Money Market funds	$ 1,100,524
Mutual Funds	857,514
Total investments	**$ 1,958,038**

	Maturities					
	Less than 1 year	**Less than 2 years**	**Less than 3 years**	**Less than 4 years**	**Less than 5 years**	**Greater than 5 years**
Investment Type						
Money Market funds	$ 1,100,524	$ -	$ -	$ -	$ -	$ -
Mutual funds	857,514	-	-	-	-	-
Total	**$ 1,958,038**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

Investment policy: The Company's investment policy sets forth the guidelines for the investments of the Company. The Company's two primary sources of funds for investment are its working capital fund and the capital outlay fund. The working capital fund shall be invested in short-term investments and the capital outlay fund can be invested in liquid but longer term investments. The performance benchmark of the capital outlay fund will be equal to the Lehman Bros. intermediate bond index.

Interest rate risk: Interest rate risk is the risk changes in the market interest rate that will adversely affect the fair value of an investment. In accordance with the policy, the Company manages the risk of market value fluctuations due to overall changes in general levels of interest rates by limiting the average maturity of investments within the portfolios.

Concentration of credit risk: The Company's investment policy permits investments in certificates of deposit, U.S. Government obligations, U.S. Government bonds, corporate bonds, publicly traded investments, SJSU investment funds, SJSU Foundation investment funds, other investments that meet security, liquidity and yield requirements as approved by the finance committee and mutual funds.

Custodial credit risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Company will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. To minimize this risk, the Company has identified investments that they have determined to have a low risk of failure by the counterparty. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities.

Custodial credit risk disclosures do not apply to indirect investment in securities through the use of mutual funds and government investment pools.

Custodial credit risk for deposits is the risk that the Company will not be able to recover its deposits in the event of a failure of a depository institution. In the ordinary course of the Company's operations, deposit balances in checking accounts can exceed the Federal Deposit Insurance Corporation ("FDIC") insured limits. In accordance with the policy, all certificates of deposit are FDIC-insured and limited to $250,000 at any one institution.

SPARTAN SHOPS, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

NOTE 4 - CAPITAL ASSETS

The following activity took place in capital assets during 2019:

	Beginning of year	Additions	Transfers	Retirements and Other	End of year
Capital assets not being depreciated:					
Land	$ 2,310,000	$ -	$ -	$ -	$ 2,310,000
Construction in process	133,801	1,814,782	(98,121)	(33,700)	1,816,762
Total capital assets not being depreciated	**2,443,801**	**1,814,782**	**(98,121)**	**(33,700)**	**4,126,762**
Capital assets being depreciated:					
Buildings	1,763,726	-	-	-	1,763,726
Leasehold improvements	3,295,684	1,325,135	14,950	(20,000)	4,615,769
Equipment, furniture and fixtures	5,941,046	903,252	83,171	(432,174)	6,495,295
Intangible assets	784,834	-	-	(459,600)	325,234
Total capital assets being depreciated	**11,785,290**	**2,228,387**	**98,121**	**(911,774)**	**13,200,024**
Total capital assets	**14,229,091**	**4,043,169**	-	**(945,474)**	**17,326,786**
Less accumulated depreciation					
Buildings	970,661)	(62,288)	-	-	(1,032,949)
Leasehold improvements	(1,861,853)	(396,837)	-	20,000	(2,238,690)
Equipment, furniture and fixtures	(3,506,163)	(901,837)	-	302,799	(4,105,201)
Intangible assets	(724,521)	(30,134)	-	459,600	(295,055)
Total accumulated depreciation	**(7,063,198)**	**(1,391,096)**	**-**	**782,399**	**(7,671,895)**
Net capital assets being depreciated	**4,722,092**	**837,291**	**98,121**	**(129,375)**	**5,528,129**
Net capital assets	**$ 7,165,893**	**$ 2,652,073**	**$ -**	**$ (163,075)**	**$ 9,654,891**

NOTE 5 - NOTES RECEIVABLE

Effective August 20, 2007, the Company entered into a memorandum of understanding with the City of San Jose (the “City”) to provide a homebuyer program (the “Program”) for the University in order to attract and retain University faculty and staff (borrowers). The City and the Company each committed $500,000 on an annual basis to fund loans under the Program. The City underwrites and funds all loans and then provides the Company with an invoice for its portion of funded loans. Each loan was limited to $60,000 and was typically recorded as a second mortgage. Effective February 2009, each loan was limited to $50,000. The loans are due to the City in 30 or 45 years, or upon transfer of title, whichever comes first. Effective June 2008, all loans issued are for a term of 45 years to match the 45-year term of the state-mandated affordability restriction. The loans are non-interest-bearing. To be eligible for the Program, properties must be located within the City’s municipal boundaries. There is a 45-year affordability restriction which requires that either the property be sold only to an income-qualified household or the City and Company share in any net increase in equity that accrues between the date of the original purchase and the date of sale. This sharing of equity is based on the proportionate share of the equity increase at the time the property is sold by the homeowner, prior to the maturing of the note receivable. Any such equity share gain or loss, as well as any loan defaults, would be shared by the City and the Company in proportion to their funding of the loans.

As of June 30, 2019, there were 10 loans funded by the City. The Company’s receivable portion was $579,117 less a present value discount of $356,206. The Company used the weekly conventional mortgage rates which were ranged from 4.78 to 6.68 percent from the Federal Reserve when the notes were issued to calculate the present value of the notes. An allowance for doubtful account of $5,573 was recorded assuming 2.5 percent default rate of a loan. The Company recorded an annual bad debt expense of $339 in fiscal year 2019. Due to the difficult budget realities for the University and the City, both entities have agreed to suspend funding of loans under the Program until the parties agree to extend the Program for future years.

Notes receivable as of June 30, 2019, consists of the following:

Notes receivable	$	579,117
Less Discount on Notes receivable		(356,206)
Total Notes receivable		**222,911**
Less Allowance for Doubtful accounts		(5,573)
Total Notes receivable, net	**$**	**217,338**

As of June 30, 2019, the amount of principal of notes receivable for future fiscal years ending June 30 is as follows:

		Principal		**Total**
2020	$	-	$	-
2021		-		-
2022		-		-
2023		-		-
2024-2055		579,117		579,117
Total	**$**	**579,117**	**$**	**579,117**

NOTE 6 - NOTES PAYABLE

The Company had a notes payable to California Bank and Trust, secured by the Historic Home properties at 386, 390 and 394 N. 4th Street at the beginning of the fiscal year. The note was paid in full on July 19, 2018 for $543,280 plus interest and related fees. The Company has no notes payable at June 30, 2019.

NOTE 7 - LEASE COMMITMENTS

The Company entered into an operating and lease agreement with the University from July 1, 2014 through June 30, 2019 to provide campus bookstore and food service for students, faculty and staff of the University at one or more campus locations as directed by the University. On July 2, 2018, the Office of the Chancellor approved the Addendum Three to the operating and lease agreement between the University and Spartan Shops, Inc. to extend the term of the agreement to June 30, 2020 with all other addenda, terms and conditions remain unchanged. The lease covers the premises which include Spartan Bookstore, Dining Commons, Student Union Food Facilities, Grounded, Just Below, MacQuarrie Hall Administration and Village Market. Under the lease agreement, the Company agrees to pay an annual payment of 7.5% of the Company's total income less cost of sales excluding Event Center and Spartan Stadium Concessions, On Fourth Café and Real Estate services. During each agreement year, the Company shall pay the University a minimum annual amount of $915,000. Should adverse economic conditions occur which jeopardize the profitability of the Company, both parties will confer and take appropriate actions to restore the Company's fiscal health while allowing the University to meet its requirements and obligations. For the year ended June 30, 2019, the Company recorded rent expense of $915,000.

In August 2003, the Company and the City entered into a 15-year lease for a library café in the Dr. Martin Luther King Jr. Library (the "library"). The base rent is $10 per year. In addition, commencing in year two of the lease, additional rent equal to 50 percent of the net profit earned from the Company's activities generated in the library is required to be paid. After 5 years and 10 years of the lease, the base rent under the terms of the lease may be adjusted after negotiation by the parties of the lease based on the financial performance of the library café. This lease expired on July 31, 2018. For the year ended June 30, 2019, rent expense for the library café was zero due to the expiration of the lease contract and net operating loss.

The Company also has entered into a four-year service agreement from July 1, 2015 through June 30, 2019 with Spartan Athletics to provide Food & Beverage Concession services, Novelty services, and Catering services at Spartan Stadium and South Campus. Under the terms of the agreement for Concessions, the Company offered privilege payments of 5%, 10%, 15% and 20% of adjusted concession gross sales to Spartan Athletics based on the attendance levels that range from 1 to 5,000, 5,001 to 10,000, 10,001 to 15,000 and 15,001 and above respectively. The privilege payment arrangements also apply to outside vendor commissions received by the Company. Alcohol sales generated by the concessions department will have a privilege payment of 22.50% of adjusted gross sales, regardless of attendance. Novelty sales privilege payments are based on the contractual terms of the agreement between the promoter of the event and Spartan Stadium booking management. The privilege payment is scheduled as 15%, 10% or 5% of the novelty contractual agreement between the Artist(s) and Venue at 70% / 30%, 75% / 25% or 80% / 20%, respectively. Privilege payments for Catering services are 10% of adjusted catering gross sales. In recognition of the substantial initial facility investment in excess of $235K required in order to meet the level of service desired by SJSU Athletics Administration, the overall privilege payment is waived the first year of the agreement and, subsequently, reduced by a rate of $40,000 per year for the remaining three years of the four year agreement. The privilege payment total was less than $40,000 for the third year, therefore, the Company made no payment to Spartan Athletics for the year ended June 30, 2019.

NOTE 8 - SELF-INSURED WORKERS' COMPENSATION PLAN

The Company participated in a self-insured workers' compensation plan with certain other California State University Auxiliary Organizations that was established as a separate entity risk pool to manage workers' compensation claims and risks. The plan was called Auxiliary Organizations Workers' Compensation Plan, Inc. ("AO-COMP") and began operations effective May 10, 2004.

Effective January 1, 2005, AO-COMP transferred its workers' compensation program into the California State University Risk Management Authority ("CSURMA"), a Joint Powers Authority ("JPA"), to form the Auxiliary Organizations Risk Management Alliance ("AORMA") Workers' Compensation Coverage Program. AORMA Workers' Compensation Coverage Program members share risk among themselves. The workers' compensation program has been integrated with the CSURMA program, with assets and risk handled separately through the AORMA Workers' Compensation Coverage Program.

CSURMA–AORMA has assumed liability for all historical AO-COMP claims and, with the permission of the state of California, all claims will be managed and paid for through the JPA. All claims since 2005 are handled as part of CSURMA–AORMA. Effective January 1, 2015, CSURMA-AORMA joined the CSAC Excess Insurance Authority (the "EIA") Excess Workers Compensation Program. The EIA is responsible for all covered losses within the self-insured retention layer, which results in reducing AORMA's outstanding liabilities. The pooled retention for each claim was increased from $500,000 to $750,000 effective July 1, 2017. Members of CSURMA-AORMA and the JPA are jointly and severally liable; currently, the program is fully funded and has sufficient funds to cover all costs.

Premiums allocated to the Company are based on applying individual class code rates determined by an independent actuary to the Company's payroll and modified by further application of the Company's experience modification ("ex-mod") factor. The ex-mod is calculated using the Company's loss history and payroll from the three prior policy years. The premium includes an estimate of the amount for incurred but not reported claims. At June 30, 2019, the Company has no liability reserves accrued, as there are no unfunded workers' compensation claims as of that date. Although considerable variability is inherent in such estimates, the Company believes its premiums are reasonably adequate to cover future claims. Funds in excess of those needed to maintain a conservative funding of liabilities are returned to members on an annual basis. The Company received a refund distribution of $21,255 the year ended June 30, 2019.

At June 30, 2019, there were 49 members in the CSURMA–AORMA workers' compensation program. The workers' compensation individual classification codes have been revised to better fit the auxiliary members' exposures and this change may affect premiums in future years.

NOTE 9 - RELATED-PARTY TRANSACTIONS

The Company's Board of Directors consists of 11 voting members. The majority of the voting members of the Company are appointed by the President of the University.

The Company leases certain properties from the University, a related party (see Note 7).

NOTE 9 - RELATED-PARTY TRANSACTIONS (CONTINUED)

Amounts receivable and payable to and from the University and related organizations are recorded on the statement of net position as accounts receivable and accounts payable. As of June 30, 2019, receivables due from and payables due to related parties were as follows:

Receivable from University Office of Controller	$	112,426
Receivable from University Research Foundation		-
Receivable from Tower Foundation		202,507
Receivable from Associated Students Inc.		-
Total related-party accounts receivable	**$**	**314,933**

Payable to University Office of Controller	$	1,640,235
Payable to Associated Students, Inc.		-
Payable to Student Union, Inc.		97,825
Payable to Tower Foundation		-
Total related-party accounts payable	**$**	**1,738,060**

During the year ended June 30, 2019, approximate amounts received from University-related organizations from sales were as follows:

University Office of Controller	$	15,895,065
University Research Foundation		185,981
Tower Foundation		953,878
Student Union, Inc.		-
Associated Students, Inc.		38,419
Total amounts received	**$**	**17,073,343**

During the year ended June 30, 2019, amounts paid to University-related organizations for services were as follows:

University Office of Controller and other departments	$	1,374,358
University Research Foundation		10,779
Tower Foundation		254
Student Union, Inc.		500,857
Associated Students, Inc.		486
Total amounts paid	**$**	**1,886,734**

During this transition year with Dining Services handled by Chartwells Higher Education, the Company received payments from related parties for Catering services and Dining services on behalf of Chartwells and reimbursed Chartwells for such payments.

As part of the Company's fiscal policy, funds of $5,000 will be contributed to the University Scholarship Fund on an annual basis, when fiscally possible. During the year ended June 30, 2019, the Company contributed zero dollars to the University Scholarship Fund due to the net operating loss at the end of the fiscal year. The Company contributed the $15,000 cash funding received from the food service contractor, Chartwells Higher Education, for departmental scholarship and diversity inclusion programs.

NOTE 10 - EMPLOYEE BENEFITS AND COMPENSATION PLAN

Retirement Plan

The Company has an established defined contribution pension plan (the "Plan") funded through employer contributions. Regular benefited salaried and hourly employees become eligible participants in the Plan following the completion of specified age and service requirements. The Plan provides for discretionary matching contributions of up to 3 percent of the participant's compensation. In addition, the Plan provides for an additional discretionary contribution of 6 percent of the participant's compensation for those who were hired prior to July 1, 2012. Participants are not fully vested in the employer matching and the 6 percent contributions until completion of five years of service and an employee must be employed with the Company a minimum of two years in order to be vested at all. Company contributions to the Plan were $10,007 during the year ended June 30, 2019. There are 6 participants in the pension plan as of June 30, 2019.

Post-Retirement Health Care Benefits

With the transition of Dining Services operations to Chartwells Higher Education, the Company entered into a shared services agreement with the University. The University covered the OPEB plan for the University staff who handled the finance and business services for the Company and the Company reimbursed the University for such cost. For the year ended June 30, 2019, these reimbursement were $72,007.

The Executive Director of the Company was a trustee of the Company's pension and post-retirement plans. Effective April 2012, the Company has updated its pension and post-retirement plans to remove the trustee position from the role of Executive Director and has established a trustee through an institutional trust with Principal Trust.

The Company provides eligible retired participants with certain postretirement health benefits as a single-employer plan. Eligible retirees include participants hired prior to June 30, 1992 who have attained age 59.5 and who have at least 5 years of service at the time of retirement from the Company. Those participants hired after June 30, 1992 are eligible to retire at the age of 59.5 with at least 10 years of service. As of September 17, 1999, participants who reach the age of 55 with at least 20 years of service are eligible to retire. Spouses of covered retirees are eligible. Coverage continues after the death of the retiree for the surviving spouse's lifetime. In addition, for fiscal year 2019 a maximum monthly employer contribution was $250 for employees or $510 for the employee plus one covered person.

The Company adopted GASB Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* for fiscal year ended June 30, 2018 with the valuation date on June 30, 2019. The measurement period are June 30, 2018 to June 30, 2019.

An "implicit subsidy" was included in plan liabilities for the pre-65 retirees. The implicit subsidy measures the amount of subsidy transferred from active members of a group to retirees because retirees are older and generally utilize more medical services. The Company determine the implicit subsidy for pre-Medicare retirees as the projected difference between (a) retiree medical claim costs by age and (b) premiums charged for retiree coverage.

The Company contributions to the Plan occur as benefits are paid to retirees and/or to the OPEB trust. Benefit payments may occur in the form of direct payments for premiums and taxes ("explicit subsidies") and/or indirect payments to retirees in the form of higher premiums for active employees ("implicit subsidies").

NOTE 10 – EMPLOYEE BENEFITS AND COMPENSATION PLAN (CONTINUED)

Benefits and other contributions paid by the Company during the measurement period are shown below.

Benefit Payments During the Measurement Period July 1, 2018 through June 30, 2019		
Benefits Paid by Trust	**$**	95,690
Benefits Paid by Employer		**-**
(not reimbursed by trust)		-
Implicit benefit payments		37,962
Total Benefit Payments	**$**	**133,652**

Employer Contributions During the Measurement Period July 1, 2018 through June 30, 2019		
Employer Contributions to the Trust	$	-
Employer Contributions in the Form of		
Direct Benefit Payments (not reimbursed by trust)		-
Implicit contributions		37,962
Total Employer Contributions	**$**	**37,962**

The following exhibits show the components of the Company's Net Position and Expenses, Changes in Net Position during the Fiscal Year, Change in Fiduciary Net Position during the Measurement Period, the Deferred Resources as of Fiscal Year End and Expected Future Recognition, and the sensitivity of Liabilities to Changes in the Discount Rate and Healthcare Cost Trend Rate:

Components of Net Position and Expense

Plan Summary Information

Measurement Date is June 30, 2019

Items Impacting Net Position:		
Total OPEB Liability	$	1,981,642
Fiduciary Net Position		2,594,688
Net OPEB Liability (Asset)		(613,046)
Deferred (Outflows) Inflows of Resources Due to:		
Assumption Changes		-
Plan Experience		-
Investment Experience		136,067
Contributions Subsequent to Measurement Date		-
Net Deferred (Outflows) Inflows of Resources		136,067
Impact on Statement of Net Position, Year Ended 6/30/2019	**$**	**(476,979)**

NOTE 10 – EMPLOYEE BENEFITS AND COMPENSATION PLAN (CONTINUED)

Items Impacting OPEB Expense:		
Service Cost	$	59,490
Cost of Plan Changes		-
Interest Cost		25,231
Expected Earnings on Assets		(25,932)
Administrative Expenses		1,525
Recognized Deferred Resource items:		
Assumption Changes		(298,414)
Plan Experience		(201,421)
Investment Experience		(43,747)
OPEB Expense, Year Ended 6/30/2019	**$**	**(483,268)**

Change in Net Position during the Fiscal Year

For Reporting at Fiscal Year End		**6/30/2018**		**6/30/2019**		**Change During Period**
Measurement Date		6/30/2018		6/30/2019		
Total OPEB Liability	$	2,530,408	$	1,981,642	$	(548,766)
Fiduciary Net Position		2,641,827		2,594,688		(47,139)
Net OPEB Liability (Asset)		(111,419)		(613,046)		(501,627)
Deferred Resources (Outflows) Inflows Due to:						
Assumption Changes		-		-		-
Plan Experience		-		-		-
Investment Experience		155,670		136,067		(19,603)
Contribution Made Subsequent to the Measurement Date		-		-		-
Net Deferred (Outflows) Inflows		155,670		136,067		(19,603)
Impact on Statement of Net Position	$	44,251	$	(476,979)	$	(521,230)

NOTE 10 - EMPLOYEE BENEFITS AND COMPENSATION PLAN (CONTINUED)

Change in Net Position during the Fiscal Year

Impact on Statement of Net Position, Year Ended 2018	$	44,251
OPEB Expense (Income)		(483,268)
Employer Contributions During Fiscal Year		(37,962)
Impact on Statement of Net Position, Year Ended 2019	$	(476,979)

OPEB Expense		
Employer Contributions During Fiscal Year	$	37,962
Deterioration (Improvement) in Net Position		(521,230)
OPEB Expense (Income), Year Ended 2019	$	(483,268)

Change in Fiduciary Net Position during the Measurement Period

	Assets Reported	**Implied Receivable (Payable)**	**Fiduciary Net Position**
Fiduciary Net Position at Fiscal Year Ended 6/30/2018			
Measurement Date 6/30/2018	**$ 2,641,827**	**$ -**	**$ 2,641,827**
Changes During the Period:			
Investment Income	50,076	-	50,076
Employer Contributions			
Implicit employer contribution for plan year	37,962	-	37,962
Benefit Payments			
Implicit employer contribution for plan year	(37,962)	-	(37,962)
Accrued 6/30/19 benefit reimbursement for retiree benefits paid during plan year	-	(95,690)	(95,690)
Administrative Expenses	(1,525)	-	(1,525)
Net Changes During the Period	48,551	(95,690)	(47,139)
Fiduciary Net Position at Fiscal year Ended 6/30/2019	**$ 2,690,378**	**$ (95,690)**	**$ 2,594,688**
Measurement Date 6/30/2019			

NOTE 10 - EMPLOYEE BENEFITS AND COMPENSATION PLAN (CONTINUED)

Deferred Resources as of Fiscal Year End and Expected Future Recognition

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ -	$ -
Differences Between Expected and Actual Experience	-	-
Net Difference Between Projected and Actual Earnings on Investments	-	136,067
Deferred Contributions	-	-
Total	$ -	**$ 136,067**

The Company will recognize the Deferred Contributions in the next fiscal year. In addition, future recognition of these deferred resources is shown below.

For the fiscal year ending June 30	**Recognized Net Deferred Outflows (Inflows) of Resources**
2020	$ (43,747)
2021	(43,747)
2022	(43,745)
2023	(4,828)
2024	-
Thereafter	-

NOTE 10 - EMPLOYEE BENEFITS AND COMPENSATION PLAN (CONTINUED)

Sensitivity of Liabilities to Changes in the Discount Rate and Healthcare Cost Trend Rate

The discount rate used for the fiscal year ended 2019 is 2%. Healthcare Cost Trend Rate was assumed to start at 7.0% and grade down to 5% for years 2024 and thereafter. The impact of a 1% increase or decrease in these assumptions is shown in the chart below.

Sensitivity to:

Change in Discount Rate	**Current – 1% 1.00%**	**Current 2.00%**	**Current + 1% 3.00%**
Total OPEB Liability	$ 2,208,535	$ 1,981,642	$ 1,794,493
Increase (Decrease)	226,893		(187,149)
% Increase (Decrease)	11.4%		-9.4%
Net OPEB Liability (Asset)	$ (386,153)	$ (613,046)	$ (800,195)
Increase (Decrease)	226,893		(187,149)
% Increase (Decrease)	37.0%		-30.5%

Change in Healthcare Cost Trend Rate	**Current Trend - 1%**	**Current Trend**	**Current Trend + 1%**
Total OPEB Liability	$ 1,891,020	$ 1,981,642	$ 2,137,084
Increase (Decrease)	(90,622)		155,442
% Increase (Decrease)	-4.6%		7.8%
Net OPEB Liability (Asset)	$ (703,668)	$ (613,046)	$ (457,604)
Increase (Decrease)	(90,622)		155,442
% Increase (Decrease)	-14.8%		25.4%

Funded status and funding progress:

The Company has prefunded 130.9% of the Total OPEB Liability based on the assumptions in the June 30, 2019 valuation. The total OPEB liability for benefits was $1.98 million and the actuarial value of assets was $2.59 million, resulting in an overfunded accrued liability of $613,046. As of June 30, 2019, the fair value measurements of the plan assets was $2,690,378 in money market which are categorized as Level 1 inputs. The Company accrued benefit reimbursement of $95,690 for retiree benefits paid during the plan year July 2018 through June 2019.

NOTE 10 - EMPLOYEE BENEFITS AND COMPENSATION PLAN (CONTINUED)

Methods and assumptions:

The Company uses the entry age normal cost method with normal cost determined on a level percent of pay basis to determine the benefit obligations. Under this method, the actuarial present value of projected benefits is the value of benefits expected to be paid for current actives and retirees and is calculated based on the assumptions and census data of 22 retirees, 2 covered surviving spouses, two additional retirees who are currently waiving coverage but is eligible to and may join at a later date, and 3 vested former employees.

The following simplifying assumptions were made:

Discount rate: A discount rate of 2 percent was used based on the money market rate of return on the assets held as of June 30, 2019.

Long Term Return on Assets: Since the Company has prefunded over 130% of the total OPEB liability and anticipates no further contributions to the plan, the Company held its plan assets in money market fund with the long term expected rate of return of 2% as of June 30, 2020.

Participants Valued: Only (a) current active employees age 45 and older with 8 or more years of service and (b) retired and/or fully vested inactive participants and their covered dependents are valued. No future entrants are considered in this valuation.

Mortality: Basic mortality rates were taken from those published in the CalPERS 2017 report of an experience study using data from 1997 to 2015, adjusted to back out 15 years of Scale MP 2016 to central year 2015.

Healthcare cost trend rate: Medical plan premiums and claims costs by age are assumed to increase once each year. Increases over the prior year's levels are assumed to be 7.0% in 2020, 6.5% in 2021 and 6.0% in 2022.

Participation Rate:
Vested Terminated participants: One hundred percent these participants are assumed to maintain their current plan election in retirement and continue coverage for their lifetime. Those not currently enrolled in CalPERS medical coverage are assumed to elect coverage in the Kaiser Bay area plan.

Retired participants: Existing medical plan elections for currently covered retirees are assumed to be continued until the retiree's death. If a retiree is known to us to be eligible but currently waiving coverage, we assumed a 75% probability that such retiree will elect to re-enroll in coverage at age 65.

Employer Cost Sharing: With the change in Company operations and closed plan membership, there will be no future increases in the monthly caps on the Company's contributions toward retiree medical premiums.

Projected cash flows: The Company anticipates no further contributions to the Plan and, at present, based on the assumptions used in the current year valuation, the trust is projected to have sufficient assets to pay all future plan benefits. As such, the Company intends to take annual disbursement from the Plan as reimbursement for retiree medical expenses paid the by the Company each year.

NOTE 11 – LONG-TERM LIABILITIES

A schedule of changes in long-term debt for the year ended June 30, 2019 is shown below:

	Beginning of year	Addition	Reduction	End of year	Amount due In one year
Notes payable	$ 543,280	$ -	$ 543,280	$ -	$ -
Unearned revenue	966,801	2,000,000	266,667	2,700,134	266,667
Total	**$ 1,510,081**	**$ 2,000,000**	**$ 809,947**	**$ 2,700,134**	**$ 266,667**

NOTE 12 - BOOKSTORE CONTRACTED MANAGEMENT

In March 2011, the Company entered into an agreement with Barnes & Noble College Booksellers (“Barnes & Noble”) for the management of the daily operations of the Spartan Bookstore for a period of 10 years. The Company extended their contract agreement with Barnes & Noble College Booksellers from July 1, 2021 to June 30, 2026 in July 2015. Under the extended agreement, the commission payment is 12 percent of net sales, up to and including $10 million plus 13 percent of net sales greater than $10 million per year. In December 2018, the Company and Barnes & Noble College Booksellers amended the contract to add new commission of 7% of all gross sales of First day and eTextbooks, which come into effect starting on July 2018. The Minimum Annual Guarantee will be an amount equal to 90% of the percentage of net sales for the immediate preceding year effective for fiscal years beginning after June 30, 2016. The Minimum Annual Guarantee for the year ended June 30, 2019 was $755,603.

The Company received $783,247 in commission from Barnes & Noble for the fiscal year ended June 30, 2019.

As part of the agreement, Barnes & Noble shall provide the Company an annual unrestricted donation of $10,000 per year. In addition, the Company shall invoice Barnes & Noble for the utilities and security services provided to the bookstore plus an 8 percent administrative fee. In April 2011, Barnes & Noble paid the Company $1,000,000 as the sole capital investment to improve the New Bookstore facility to be located in the renovated Student Union building. As part of the contract extension agreement in July 2015, Barnes & Noble invested additional $500,000 of which $117,000 was to cover the additional expenses for the temporary bookstore location paid in fiscal year 14-15 and the remaining amount of $383,000 was applied to the New Bookstore facility capital improvement project. The New Bookstore facility renovation was completed and opened to serve the campus community on October 31, 2016. The Company capitalized $651,127 as lease hold improvements and $548,405 as equipment, furniture and fixtures the year ended June 30, 2017. The New Bookstore facility improvements will be, and remain, the sole property of the Company. It is the mutual agreement between the Company and Barnes & Noble to keep the remaining unspent balance of $183,467 from the New Bookstore facility capital investment in an unearned revenue account for future bookstore maintenance. The Company will recognize the revenue when this maintenance fund is spent. The Company recognized $100,000 as miscellaneous income for the depreciated bookstore facility investment through fiscal year ended June 30, 2019 and will recognize an annual depreciated capital investment amount of $100,000 as revenue through the end of the contract terms with the exception of recognizing $83,333 as revenue in the year ending June 30, 2021.

NOTE 12 - BOOKSTORE CONTRACTED MANAGEMENT (CONTINUED)

In the event this agreement is terminated by the Company without cause or by Barnes & Noble with cause, the New Bookstore facility investment shall be refunded to Barnes & Noble based on the pro rata unrecognized portion. The undepreciated New Bookstore facility investment balance as of June 30, 2019 is $683,333.

NOTE 13 - SPARTAN GOLF COMPLEX CONTRACTED MANAGEMENT

In September 2017, the Company entered into an agreement with Tower Real Estate Fund (TREF) for the management of the daily operations of the Spartan Golf Complex at Spartan Village Project Facility for a period of five years, effective July 1, 2017 through June 30, 2022. Under the agreement, any shortfall in the fees, etc. collected and the operating costs will be reimbursed by TREF to the Company on a quarterly basis. Within fifteen days of fiscal year-end, the Company will inform TREF of the shortfall with a profit and loss statement. The intention is to make the Company whole for any salaries, operating expenses, etc. Any surplus of funds will be retained by the Company for Facility operations in the next fiscal year.

The Company recorded $758,677 as shortfall reimbursement from SJSU Tower Foundation for the fiscal year ended June 30, 2019.

NOTE 14 – DINING SERVICES CONTRACTED MANAGEMENT

In September 2018, the Company entered into an agreement with Chartwells Higher Education, a division of Compass Group USA, Inc. for a period from July 5, 2018 through June 30, 2020, to provide and manage residential meal program at The Commons, retail food services operation on SJSU campus, concession services at the Event Center and SJSU South campus, Hammer Theater and catering services with an option of two five-year contract extensions.

During this initial two-year period, Chartwells provides the dining operation services on an Earned Management Fee basis. As part of the financial arrangement, Chartwells shall be entitled to the Earned Management fee equal to 2 percent of gross sales to the extent that Profit exceeds all Cost of Business which includes but not limited to the cost of all Chartwells labor, cost of all products, merchandise, materials, supplies, and the cost of all other operating expenses. The management fee shall be payable in twelve monthly installments which is applied to the monthly financial statements. Based on the monthly performance of Chartwells operation, the Company shall reimburse Chartwells the amount equal to the monthly net loss or Chartwells shall pay the Company the amount equal to the monthly net profit. Earned Management fee will be reconciled at the end of the fiscal year. Chartwells had a net loss of $1,460,284 for the first year, therefore, Chartwells was not entitled to the management fee of $498,574 which were recorded as the Company's receivable for the year ended June 30, 2019.

The Company distributed weekly meal plan funds to Chartwells based on daily rates and usage and recorded $377,052 as other income for unused meal plan left over at the end of the academic year.

Chartwells is committed to fund capital improvement, signing bonus payments, and Pre-Opening/Transition expenses in a total sum not to exceed Twenty-one Million Four Hundred Twenty-four Thousand Sixty-six ($21,424,066) dollars starting from July 2018 through June 2026. The Investment will be disbursed and amortized on a straight line basis from when the project is finished through June 30, 2030 with the exception of a few investment items with a shorter amortization schedule. Amortization of Investment shall be treated as Cost of Business and the Company shall hold title to items funded by the Investment.

NOTE 14 - DINING SERVICES CONTRACTED MANAGEMENT (CONTINUED)

If the agreement expired or is terminated for any reason prior to the full amortization of the Investment, the Company is liable for and promises to pay Chartwells the unamortized portion of the Investment immediately upon expiration or termination. In the event the agreement expires or is terminated before any disbursements are scheduled to be made, Chartwells will not advance such additional disbursements. The Company received $2M signing bonus in July 2018 and recorded the annual amortization of $166,667 as miscellaneous income for the fiscal year ended June 30, 2019. Chartwells spent $4,028,220 of the Investment and amortized $309,358 through June 30, 2019. The Company recorded $3,718,862 liability as the net of investment spending and amortization, $309,358 as miscellaneous income, and $4,028,220 as investment assets which included $1,799,832 as CIP for the year ended June 30, 2019.

As part of the agreement, Chartwells shall provide in-kind contribution of food services with annual retail value of $160,000 and cash funding of $15,000 for each academic year. For the year ended June 30, 2019, the Company received $80,000 of retail food services contribution and $15,000 cash funding to be used for scholarships and diversity inclusion program.

NOTE 15 - SEVERANCE PAYMENTS

With the transition of Dining Services operations to a contractor, Chartwells Higher Education, some Dining Services employees and administrative staff were separated from the Company. The Company paid $176,337 as part of the severance payment settlement to these employees from July 2018 through September 2018.

NOTE 16 - SUBSEQUENT EVENTS

The Company has evaluated all events occurring subsequent to the year ended June 30, 2019 through September 13, 2019, the date these financial statements were available to be issued and nothing has occurred outside the normal course of business operations that would require disclosure in these financial statements.

SPARTAN SHOPS, INC.

(a California State University Auxiliary Organization)

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2019

SPARTAN SHOPS, INC.
SCHEDULE OF CHANGES IN THE COMPANY'S NET OPEB LIABILITY AND RELATED RATIOS
June 30, 2019

Fiscal Year Ending 2019

Total OPEB Liability	**FYE 6/30/19**	**FYE 6/30/18**
Service Cost	$ 59,490	$ 57,617
Interest	25,231	25,600
Changes of benefit terms	-	-
Differences between expected and actual experience	(201,421)	-
Changes in assumptions	(298,414)	-
Benefit payments	(133,652)	(110,302)
Net change in OPEB liability	(548,766)	(27,085)
Total OPEB liability - beginning	2,530,408	2,557,493
Total OPEB liability – ending (a)	**$ 1,981,642**	**$ 2,530,408**

Plan fiduciary net position		
Contribution - employer	$ 37,962	$ 110,302
Net investment income	50,076	218,853
Benefit payments	(133,652)	(110,302)
Administrative Expenses	(1,525)	(7,093)
Net change in plan fiduciary net position	(47,139)	211,760
Plan fiduciary net position - beginning	2,641,827	2,430,067
Plan fiduciary net position – ending (b)	**$ 2,594,688**	**$ 2,641,827**
OPEB fiduciary net position as a percentage of Total OPEB liability	130%	104%
Net OPEB liability (asset) – ending (a) – (b)	**$ (613,046)**	**$ (111,419)**
Covered-employee payroll	n/a	$ 265,697
Net OPEB liability (asset) as a percentage of covered-employee payroll	n/a	-41.93%

Since this is the second year of implementation, only results for fiscal years 2018 and 2019 are shown.

SPARTAN SHOPS, INC.

(a California State University Auxiliary Organization)

SUPPLEMENTARY INFORMATION

June 30, 2019

Spartan Shops, Inc.
Schedule of Net Position
June 30, 2019
(for inclusion in the California State University)

SPARTAN SHOPS, INC.
For the Year Ended June 30, 2019

Schedule of Operating and Administrative Expenses

	Operating	Administrative	Total
Operating and Administrative Expenses			
Salaries and wages	$ 694,914	$ 190,718	$ 885,632
Employee benefits	207,080	37,149	244,229
Employee benefits - OPEB	-	(483,268)	(483,268)
Payroll service expenses	4,855	10,708	15,563
Contract labor	154,604	375,353	529,957
Operating supplies	16,758	59	16,817
Advertising and programs	4,623	7,395	12,018
Repairs and maintenance	147,898	312,387	460,285
Utilities and disposal services	230,565	-	230,565
Telephone	1,253	1,319	2,572
Postage and freight out	301	1,311	1,612
Small equipment	20,542	393	20,935
Maintenance and custodial	836	81	917
Office supplies	976	998	1,974
Professional service	66,089	122,951	189,040
Security service	112	1,385	1,497
Travel and meeting	1,523	334	1,857
Parking fees	822	374	1,196
Laundry and uniforms	2,631	-	2,631
Dues and subscriptions	1,143	24,658	25,801
Insurance	109,186	20,627	129,813
Rent expense	910,056	4,944	915,000
Equipment rental	3,138	2,182	5,320
Taxes and licenses	56,763	942	57,705
Facility fee	76,187	-	76,187
Staff development	11,719	11,887	23,606
Bank service fees	12,291	11,147	23,438
Other expenses	27,718	10,421	38,139
Food Services Subsidy	1,460,284	-	1,460,284
Total operating and administrative expenses	**$ 4,224,867**	**$666,455**	**$4,891,322**

Spartan Shops, Inc.
Schedule of Net Position
June 30, 2019
(for inclusion in the California State University)

Assets:		
Current assets:		
Cash and cash equivalents	$	1,795,505
Short-term investments		1,958,038
Accounts receivable, net		1,506,612
Capital lease receivable, current portion		—
Notes receivable, current portion		—
Pledges receivable, net		—
Prepaid expenses and other current assets		644,381
Total current assets		5,904,536
Noncurrent assets:		
Restricted cash and cash equivalents		—
Accounts receivable, net		—
Capital lease receivable, net of current portion		—
Notes receivable, net of current portion		217,338
Student loans receivable, net		—
Pledges receivable, net		—
Endowment investments		—
Other long-term investments		—
Capital assets, net		9,654,891
Other assets		—
Total noncurrent assets		9,872,229
Total assets		15,776,765
Deferred outflows of resources:		
Unamortized loss on debt refunding		—
Net pension liability		—
Net OPEB liability		—
Others		—
Total deferred outflows of resources	$	—

Spartan Shops, Inc.
Schedule of Net Position (continued)
June 30, 2019
(for inclusion in the California State University)

Liabilities:	
Current liabilities:	
Accounts payable	2,114,284
Accrued salaries and benefits	28,141
Accrued compensated absences, current portion	11,697
Unearned revenues	266,667
Capital lease obligations, current portion	—
Long-term debt obligations, current portion	—
Claims liability for losses and loss adjustment expenses, current portion	—
Depository accounts	—
Other liabilities	3,967,939
Total current liabilities	6,388,728
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	—
Unearned revenues	2,433,467
Grants refundable	—
Capital lease obligations, net of current portion	—
Long-term debt obligations, net of current portion	—
Claims liability for losses and loss adjustment expenses, net of current portion	—
Depository accounts	—
Net other postemployment benefits liability	—
Net pension liability	—
Other liabilities	—
Total noncurrent liabilities	2,433,467
Total liabilities	8,822,195
Deferred inflows of resources:	
Service concession arrangements	—
Net pension liability	—
Net OPEB liability	136,067
Unamortized gain on debt refunding	—
Nonexchange transactions	—
Others	—
Total deferred inflows of resources	136,067
Net Position:	
Net investment in capital assets	5,936,029
Restricted for:	—
Nonexpendable – endowments	—
Expendable:	—
Scholarships and fellowships	—
Research	—
Loans	—
Capital projects	—
Debt service	—
Others	—
Unrestricted	882,474
Total net position	$ 6,818,503

Spartan Shops, Inc.
Schedule of Revenues, Expenses, and Changes in Net Position
June 30, 2019
(for inclusion in the California State University)

Revenues:	
Operating revenues:	
Student tuition and fees, gross	$ —
Scholarship allowances (enter as negative)	—
Grants and contracts, noncapital:	
Federal	—
State	—
Local	—
Nongovernmental	—
Sales and services of educational activities	—
Sales and services of auxiliary enterprises, gross	289,682
Scholarship allowances (enter as negative)	—
Other operating revenues	2,165,252
Total operating revenues	2,454,934
Expenses:	
Operating expenses:	
Instruction	—
Research	—
Public service	—
Academic support	—
Student services	10,000
Institutional support	5,000
Operation and maintenance of plant	—
Student grants and scholarships	—
Auxiliary enterprise expenses	4,954,937
Depreciation and amortization	1,391,096
Total operating expenses	6,361,033
Operating income (loss)	(3,906,099)
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	64,057
Endowment income (loss), net	—
Interest expense	(1,204)
Other nonoperating revenues (expenses) - excl. interagency transfers	718,151
Other nonoperating revenues (expenses) - interagency transfers	—
Net nonoperating revenues (expenses)	781,004
Income (loss) before other revenues (expenses)	(3,125,095)
State appropriations, capital	—
Grants and gifts, capital	—
Additions (reductions) to permanent endowments	—
Increase (decrease) in net position	(3,125,095)
Net position:	
Net position at beginning of year, as previously reported	9,943,598
Restatements	
Net position at beginning of year, as restated	9,943,598
Net position at end of year	$ 6,818,503

Spartan Shops, Inc.
Other Information
June 30, 2019
(for inclusion in the California State University)

1 Cash and cash equivalents:

Portion of restricted cash and cash equivalents related to endowments	
All other restricted cash and cash equivalents	
Noncurrent restricted cash and cash equivalents	**-**
Current cash and cash equivalents	1,795,505.00
Total	**$ 1,795,505.00**

2.1 Composition of investments:

	Current	Noncurrent	Total
Money market funds	$ 1,100,524	$ -	**$ 1,100,524**
Repurchase agreements	-	-	**-**
Certificates of deposit	-	-	**-**
U.S. agency securities	-	-	**-**
U.S. treasury securities	-	-	**-**
Municipal bonds	-	-	**-**
Corporate bonds	-	-	**-**
Asset backed securities	-	-	**-**
Mortgage backed securities	-	-	**-**
Commercial paper	-	-	**-**
Mutual funds	857,514	-	**857,514**
Exchange traded funds	-	-	**-**
Equity securities	-	-	**-**
Alternative investments:			
Private equity (including limited partnerships)	-	-	**-**
Hedge funds	-	-	**-**
Managed futures	-	-	**-**
Real estate investments (including REITs)	-	-	**-**
Commodities	-	-	**-**
Derivatives	-	-	**-**
Other alternative investment types	-	-	**-**
Other external investment pools (excluding SWIFT)	-	-	**-**
Other investments	-	-	**-**
State of California Local Agency Investment Fund (LAIF)	-	-	**-**
State of California Surplus Money Investment Fund (SMIF)	-	-	**-**
Total investments	**1,958,038**	-	**1,958,038**
Less endowment investments (enter as negative number)	**-**		**-**
Total investments, net of endowments	**$ 1,958,038**	**$ -**	**$ 1,958,038**

2.2 Fair value hierarchy in investments:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Money market funds	**$ 1,100,524**	$ 1,100,524	$ -	$ -	$ -
Repurchase agreements	**-**	-	-	-	-
Certificates of deposit	**-**	-	-	-	-
U.S. agency securities	**-**	-	-	-	-
U.S. treasury securities	**-**	-	-	-	-
Municipal bonds	**-**	-	-	-	-
Corporate bonds	**-**	-	-	-	-
Asset backed securities	**-**	-	-	-	-
Mortgage backed securities	**-**	-	-	-	-
Commercial paper	**-**	-	-	-	-
Mutual funds	**857,514**	857,514	-	-	-
Exchange traded funds	**-**	-	-	-	-
Equity securities	**-**	-	-	-	-
Alternative investments:					
Private equity (including limited partnerships)	**-**	-	-	-	-
Hedge funds	**-**	-	-	-	-
Managed futures	**-**	-	-	-	-
Real estate investments (including REITs)	**-**	-	-	-	-
Commodities	**-**	-	-	-	-
Derivatives	**-**	-	-	-	-
Other alternative investment types	**-**	-	-	-	-
Other external investment pools (excluding SWIFT)	**-**	-	-	-	-
Other investments	**-**	-	-	-	-
State of California Local Agency Investment Fund (LAIF)	**-**	-	-	-	-
State of California Surplus Money Investment Fund (SMIF)	**-**	-	-	-	-
Total investments	**$ 1,958,038**	**$ 1,958,038**	**$ -**	**$ -**	**$ -**

2.3 Investments held by the University under contractual agreements:

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

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

Spartan Shops, Inc.
Other Information (continued)
June 30, 2019
(for inclusion in the California State University)

3.1 Composition of capital assets:

	Balance June 30, 2018	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2018 (Restated)	Additions	Retirements	Transfer of completed CWIP	Balance June 30, 2019
Non-depreciable/Non-amortizable capital assets:									
Land and land improvements	$ 2,310,000	$ -	$ -	$ -	$ 2,310,000	$ -	$ -	$ -	$ 2,310,000
Works of art and historical treasures	-	-	-	-	-	-	-	-	-
Construction work in progress (CWIP)	133,801	-	-	-	133,801	1,814,782	(33,700)	(98,121)	1,816,762
Intangible assets:									
Rights and easements	-	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-	-
Intangible assets in progress (PWIP)	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Other intangible assets:									
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-	-
Total non-depreciable/non-amortizable capital assets	2,443,801	-	-	-	2,443,801	1,814,782	(33,700)	(98,121)	4,126,762
Depreciable/Amortizable capital assets:									
Buildings and building improvements	1,763,726	-	-	-	1,763,726	-	-	-	1,763,726
Improvements, other than buildings	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-
Leasehold improvements	3,295,684	-	-	-	3,295,684	1,325,135	(20,000)	14,950	4,615,769
Personal property:									
Equipment	5,941,046	-	-	-	5,941,046	903,252	(432,174)	83,171	6,495,295
Library books and materials	-	-	-	-	-	-	-	-	-
Intangible assets:									
Software and websites	772,818	-	-	-	772,818	-	(459,600)	-	313,218
Rights and easements	-	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-	-
Licenses and permits	12,016	-	-	-	12,016	-	-	-	12,016
Other intangible assets:									
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Total intangible assets	784,834	-	-	-	784,834	-	(459,600)	-	325,234
Total depreciable/amortizable capital assets	11,785,290	-	-	-	11,785,290	2,228,387	(911,774)	98,121	13,200,024
Total capital assets	14,229,091	-	-	-	14,229,091	4,043,169	(945,474)	-	17,326,786
Less accumulated depreciation/amortization: (enter as negative									
Buildings and building improvements	(970,661)	-	-	-	(970,661)	(62,288)	-	-	(1,032,949)
Improvements, other than buildings	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-
Leasehold improvements	(1,861,853)	-	-	-	(1,861,853)	(396,837)	20,000	-	(2,238,690)
Personal property:									
Equipment	(3,506,163)	-	-	-	(3,506,163)	(901,837)	302,799	-	(4,105,201)
Library books and materials	-	-	-	-	-	-	-	-	-
Intangible assets:									
Software and websites	(719,733)	-	-	-	(719,733)	(27,182)	459,600	-	(287,315)
Rights and easements	-	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-	-
Licenses and permits	(4,788)	-	-	-	(4,788)	(2,952)	-	-	(7,740)
Other intangible assets:									
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Total intangible assets	(724,521)	-	-	-	(724,521)	(30,134)	459,600	-	(295,055)
Total accumulated depreciation/amortization	(7,063,198)	-	-	-	(7,063,198)	(1,391,096)	782,399	-	(7,671,895)
Total capital assets, net	$ 7,165,893	$ -	$ -	$ -	$ 7,165,893	$ 2,652,073	$ (163,075)	$ -	$ 9,654,891

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3.2 Detail of depreciation and amortization expense:

Depreciation and amortization expense related to capital assets	$ 1,391,096
Amortization expense related to other assets	-
Total depreciation and amortization	**$ 1,391,096**

4 Long-term liabilities:

	Balance June 30, 2018	Prior Period Adjustments/Reclassifications	Balance June 30, 2018 (Restated)	Additions	Reductions	Balance June 30, 2019	Current Portion	Noncurrent Portion
1. Accrued compensated absences	**$ 57,233**	**$ -**	**$ 57,233**	$ 26,229	$ (71,765)	**$ 11,697**	$ 11,697	$ -
2. Claims liability for losses and loss adjustment expenses	-	-	-	-	-	-	-	-
3. Capital lease obligations:								
Gross balance	-	-	-	-	-	-	-	-
Unamortized net premium/(discount)	-	-	-	-	-	-	-	-
Total capital lease obligations	-	-	-	-	-	-	-	-
4. Long-term debt obligations:								
4.1 Auxiliary revenue bonds (non-SRB related)	-	-	-		-	-	-	-
4.2 Commercial paper	-	-	-		-	-	-	-
4.3 Notes payable (SRB related)	-	-	-		-	-	-	-
4.4 Others:								
Notes Payable	**543,280**	-	543,280		(543,280)	-	-	-
	-	-	-		-	-	-	-
	-	-	-		-	-	-	-
	-	-	-		-	-	-	-
Total others	**543,280**	-	**543,280**	-	**(543,280)**	-	-	-
Sub-total long-term debt	**543,280**	-	**543,280**	-	**(543,280)**	-	-	-
4.5 Unamortized net bond premium/(discount)	-	-	-	-	-	-	-	-
Total long-term debt obligations	**543,280**	-	**543,280**	-	**(543,280)**	-	-	-
Total long-term liabilities	**$ 600,513**	**$ -**	**$ 600,513**	**$ 26,229**	**$ (615,045)**	**$ 11,697**	**$ 11,697**	**$ -**

5 Capital lease obligations schedule:

	Capital lease obligations related to SRB			All other capital lease obligations			Total capital lease obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2020	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2021	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-
2025 - 2029	-	-	-	-	-	-	-	-	-
2030 - 2034	-	-	-	-	-	-	-	-	-
2035 - 2039	-	-	-	-	-	-	-	-	-
2040 - 2044	-	-	-	-	-	-	-	-	-
2045 - 2049	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-
Total minimum lease payments	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	-

Less: amounts representing interest	-
Present value of future minimum lease payments	-
Unamortized net premium/(discount)	-
Total capital lease obligations	-
Less: current portion	-
Capital lease obligations, net of current portion	**$ -**

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6 Long-term debt obligations schedule:

	Auxiliary revenue bonds (non-SRB related)			All other long-term debt obligations			Total long-term debt obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2020	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2021	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-
2025 - 2029	-	-	-	-	-	-	-	-	-
2030 - 2034	-	-	-	-	-	-	-	-	-
2035 - 2039	-	-	-	-	-	-	-	-	-
2040 - 2044	-	-	-	-	-	-	-	-	-
2045 - 2049	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-
Total minimum payments	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**-**
Less: amounts representing interest									-
Present value of future minimum payments									-
Unamortized net premium/(discount)									-
Total long-term debt obligations									-
Less: current portion									-
Long-term debt obligations, net of current portion									**$ -**

7 Transactions with related entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs	-
Payments to University for other than salaries of University personnel	1,374,358
Payments received from University for services, space, and programs	15,895,065
Gifts-in-kind to the University from discretely presented component units	-
Gifts (cash or assets) to the University from discretely presented component units	15,000
Accounts (payable to) University (enter as negative number)	(1,640,235)
Other amounts (payable to) University (enter as negative number)	-
Accounts receivable from University (enter as positive number)	112,426
Other amounts receivable from University (enter as positive number)	-

8 Restatements/Prior period adjustments:

Provide a detailed breakdown of the journal entries (at the financial statement line items level) booked to record each restatement/PPA:

	Debit/(Credit)

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9 Natural classifications of operating expenses:

	Salaries	Benefits - Other	Benefits - Pension	Benefits - OPEB	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total operating expenses
Instruction	$ -	$ -	$ -	$ -	$ -	$ -	$ -	**$ -**
Research	-	-	-	-	-	-	-	**-**
Public service	-	-	-	-	-	-	-	**-**
Academic support	-	-	-	-	-	-	-	**-**
Student services	-	-	-	-	-	10,000	-	**10,000**
Institutional support	-	-	-	-	-	5,000	-	**5,000**
Operation and maintenance of plant	-	-	-	-	-	-	-	**-**
Student grants and scholarships	-	-	-	-	-	-	-	**-**
Auxiliary enterprise expenses	885,632	234,222	10,007	(463,268)	-	4,303,344	-	**4,969,937**
Depreciation and amortization	-	-	-	-	-	-	1,391,096	**1,391,096**
Total operating expenses	**$ 885,632**	**$ 234,222**	**$ 10,007**	**$ (463,268)**	**$ -**	**$ 4,318,344**	**$ 1,391,096**	**$ 6,376,033**

10 Deferred outflows/inflows of resources:

1. Deferred Outflows of Resources	
Deferred outflows - unamortized loss on refunding(s)	-
Deferred outflows - net pension liability	-
Deferred outflows - net OPEB liability	-
Deferred outflows - others:	-
Total deferred outflows - others	**-**
Total deferred outflows of resources	**-**
2. Deferred Inflows of Resources	
Deferred inflows - service concession arrangements	$ -
Deferred inflows - net pension liability	-
Deferred inflows - net OPEB liability	136,067
Deferred inflows - unamortized gain on debt refunding(s)	-
Deferred inflows - nonexchange transactions	-
Deferred inflows - others:	-
Total deferred inflows - others	**-**
Total deferred inflows of resources	**$ 136,067**