

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

Financial Statements
June 30, 2020

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
Spartan Shops, Inc.
San José, California

Report on the Financial Statements

We have audited the accompanying financial statements of Spartan Shops, Inc. (a California State University auxiliary organization), which comprise the statements of net position as of June 30, 2020, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Spartan Shops, Inc. as of June 30, 2020, and the changes in its net position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The statement of financial position of Spartan Shops, Inc. 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 (not presented herein) were audited by other auditors whose report dated September 13, 2019, expressed an unmodified opinion on those statements.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-7, and the required supplementary information as listed in the table of contents on pages 27-28 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which 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 financial statements and other knowledge we obtained during our audits of the 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information on pages 29-39 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

RSM US LLP

Tacoma, Washington
September 16, 2020

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

Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2020

Management's Discussion and Analysis

This section of Spartan Shops, Inc. of San José State University's (Spartan Shops) annual financial statements includes management's discussion and analysis of the financial performance of Spartan Shops for the fiscal years ended June 30, 2020 and 2019. This discussion should be read in conjunction with the financial statements and notes.

Introduction to Spartan Shops, Inc.

Spartan Shops is a not-for-profit campus benefit corporation founded in 1956 for the purpose of providing support services to the San José State University (SJSU) campus community. These services include bookstore management, dining services management, Spartan Golf Complex at Spartan Village Project Facility (the Golf Complex) management and 13 rental units for faculty and staff.

Spartan Shops is comprised of four major divisions:

Bookstore management: Spartan Shops entered into 15-year agreement with Barnes & Noble College Booksellers (Barnes & Noble) to operate Spartan Bookstore through 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 (Chartwells), a division of Compass Group USA, Inc., to provide and manage Spartan Shops' food service program on the campus of San José State University for two years under earned management fee basis with an option of two five-year Profit and Loss contract extensions. In October 2019, Spartan Shops amended the agreement to have the management fee basis from July 5, 2018, through June 30, 2021, and profit and loss basis from July 1, 2021, through June 30, 2033, to the extent the term is renewed. 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. As part of the agreement, Chartwells is committed to fund an investment in Spartan Shops' dining service program for a total sum not to exceed \$21,424,066 for the period of 15 years. This investment is recorded as capital assets and deferred revenue and recorded as contributed capital assets using straight-line method over the contract period.

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 Golf Complex for a period of five years, effective July 1, 2017, through June 30, 2022. During the agreement year, TREF will reimburse Spartan Shops any shortfall in revenue to cover expenses for each year. The Golf Complex is intended primarily for the use of the SJSU 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.
(A California State University Auxiliary Organization)**

**Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2020**

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. Operating revenues are reported separately from non-operating revenues.

Statement of cash flows: The statement of cash flows presents the inflows and outflows of cash for the year and is summarized by operating, noncapital financing, 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.

Summary

The following discussion highlights management's understanding of the key financial aspects of Spartan Shops' financial activities as of and for the fiscal year ended June 30, 2020. Included are comparative analyses of current and prior year's activities and balances and a discussion of the reason for the change in the balances from year to year.

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

Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2020

Condensed Summary of Net Position

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

	<u>2020</u>	<u>2019</u>
Assets:		
Current assets	\$ 6,000,932	\$ 5,291,490
Noncurrent assets	10,335,215	10,485,275
Total assets	<u>\$ 16,336,147</u>	<u>\$ 15,776,765</u>
Liabilities:		
Current liabilities	\$ 4,097,678	\$ 2,970,295
Noncurrent liabilities	6,438,596	5,851,900
Total liabilities	<u>\$ 10,536,274</u>	<u>\$ 8,822,195</u>
Deferred inflows of resources		
Deferred inflows - OPEB plan	\$ 78,626	\$ 136,067
Total deferred inflows of resources	<u>\$ 78,626</u>	<u>\$ 136,067</u>
Net position:		
Investment in capital assets	\$ 5,138,935	\$ 5,936,029
Unrestricted	582,312	882,474
Total net position	<u>\$ 5,721,247</u>	<u>\$ 6,818,503</u>

Total assets increased by \$559 thousand from FY 2019 to FY 2020. This is primarily due to an increase of \$2.4 million of investments offset by a \$1.8 million decrease in receivables, capital assets and investments. The increase in investments is due to an increase in unused meal revenue of \$3 million for meals not used from March to June during the shelter in place order. The refund of \$2.7 million of unused meal plans was made by the university to students with funds received from the Coronavirus Aid, Relief, and Economic Security (CARES) Act instead of the unused meal plan fund from Spartan Shops.

Total liabilities increased by \$1.7 million from FY 2019 to FY 2020 primarily due to a \$700 thousand net increase in unearned revenue related to contributed capital assets from Chartwells as required by their contract, a \$100 thousand increase in notes payable from the Paycheck Protection Program loan and a \$900 thousand increase in accounts payable in the current year due to the operating subsidy paid to Chartwells on dining services due to there being a larger loss in the current year due to dining services having very limited operation from March to June.

Deferred inflows of resources: Spartan Shops has deferred inflows of resources from the valuation of other postemployment benefits (OPEB) under Governmental Accounting Standards Board 75, which will be recognized over a five-year period. The deferred inflows of resources decreased by \$57 thousand from FY 2019 to FY 2020 due to changes on projected and actual earnings on investments.

Total net position decreased by \$1.1 million from FY 2019 to FY 2020 due expenses exceeding revenues.

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

Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2020

Condensed Summary of Revenues, Expenses and Changes in Net Position:

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

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Golf Complex fees	\$ 8,171	\$ 83,641
Commercial services - rental revenue	188,665	206,041
Total auxiliary enterprise revenues	<u>196,836</u>	<u>289,682</u>
Other operating revenues:		
Commission income - Bookstore and others	592,774	971,683
Contribution - Golf Complex	600,757	758,677
Unused meal plan revenue	3,111,791	377,052
Other income	110,910	107,340
Total other operating revenues	<u>4,416,232</u>	<u>2,214,752</u>
Total operating revenues	<u>4,613,068</u>	<u>2,504,434</u>
Operating expenses:		
Operating	3,966,271	4,295,622
Administrative	999,748	1,149,723
Auxiliary enterprise cost of sales	5,458	63,615
OPEB expenses (income)	2,613	(483,268)
Depreciation and amortization	1,329,260	1,391,096
Transfer to SJSU	15,000	15,000
Total operating expenses	<u>6,318,350</u>	<u>6,431,788</u>
Total operating loss	<u>(1,705,282)</u>	<u>(3,927,354)</u>
Nonoperating revenues (expenses):		
Contributed fixed assets	348,408	309,358
Interest income from notes receivable	13,559	159,132
Investment income	28,736	64,057
Interest expense	-	(1,204)
Loss on disposal of fixed assets	(37,360)	(11,673)
Other income	254,683	282,589
Total nonoperating revenues	<u>608,026</u>	<u>802,259</u>
Decrease in net position	<u>\$ (1,097,256)</u>	<u>\$ (3,125,095)</u>
Net position:		
Beginning of year	\$ 6,818,503	\$ 9,943,598
End of year	<u>\$ 5,721,247</u>	<u>\$ 6,818,503</u>

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

Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2020

Total operating revenue increased by \$2.1 million from FY 2019 to FY 2020 primarily due to an increase in unused meal plans and a decrease in bookstore commission and Golf Complex contribution. Due to the COVID-19 pandemic, the majority of student meal plans refunds were covered by CARES Act funding from the University. Spartan Shops kept the unused meal plans to cover for the loss of other operations caused by the pandemic.

Total operating expenses decreased by \$113 thousand overall from FY 2019 to FY 2020 primary due to a decrease in wages as well as cost of sales and utilities. The total wages, benefits and contract labor decreased by \$196 thousand from FY 2019 to FY 2020. Utilities decreased by \$206 thousand since Barnes & Noble covered the full utility cost for the bookstore and the University covered the full utility cost for the Golf Complex. Golf Complex cost of sales and depreciation and amortization decreased by \$58 thousand and \$62 thousand, respectively. Advertising and programs, taxes and licenses, and various expense categories decreased by \$77 thousand. OPEB expenses increased by \$486 thousand from FY 2019 to FY 2020.

Total nonoperating income for Spartan Shops decreased by \$194 thousand from FY 2019 to FY 2020 primarily due to a decrease of \$145 thousand in interest on notes receivable being collected in the prior year due to the payoff of two home mortgage program loans, and a decrease in investment income of \$35 thousand due to the market not being as favorable in FY 2020 due to the pandemic.

Transfer of assets from affiliated organizations: Spartan Shops contributed \$15 thousand cash funding received from the food service contractor, Chartwells, for departmental scholarship and diversity inclusion programs.

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

Statements of Net Position
June 30, 2020
(With Comparative Totals for June 30, 2019)

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,145,846	\$ 1,795,505
Short-term investments	4,436,566	1,958,038
Receivables	401,540	1,506,612
Inventories	348	511
Prepaid expenses	16,632	30,824
Total current assets	6,000,932	5,291,490
Noncurrent assets:		
OPEB asset	589,457	613,046
Notes receivable, less discount and allowance for bad debt	230,558	217,338
Capital assets, net	9,515,200	9,654,891
Total noncurrent assets	10,335,215	10,485,275
Total assets	\$ 16,336,147	\$ 15,776,765
Liabilities and Net Position		
Current liabilities:		
Accounts payable	\$ 3,055,714	\$ 2,114,284
Accrued salaries and benefits payable	24,942	28,141
Accrued compensated absences	17,021	11,697
Note payable	101,830	-
Unearned revenue, current portion	674,166	567,096
Other liabilities	224,005	249,077
Total current liabilities	4,097,678	2,970,295
Noncurrent liabilities:		
Unearned revenue, net of current portion	6,438,596	5,851,900
Total noncurrent liabilities	6,438,596	5,851,900
Total liabilities	\$ 10,536,274	\$ 8,822,195
Deferred inflows of resources:		
Deferred inflows - OPEB plan	\$ 78,626	\$ 136,067
Net position:		
Investment in capital assets	\$ 5,138,935	\$ 5,936,029
Unrestricted	582,312	882,474
Total net position	\$ 5,721,247	\$ 6,818,503

See notes to financial statements.

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

Statements of Revenues, Expenses and Changes in Net Position
For the year then ended June 30, 2020
(With Comparative Totals for June 30, 2019)

	2020	2019
Operating revenues:		
Auxiliary enterprise revenues:		
Golf Complex fees	\$ 8,171	\$ 83,641
Commercial services - rental revenue	188,665	206,041
Total auxiliary enterprise revenues	196,836	289,682
Other operating revenues:		
Commission income - Bookstore and others	592,774	971,683
Contributions - Golf Complex	600,757	758,677
Other income	110,910	107,340
Unused meal plan revenue	3,111,791	377,052
Total other operating revenues	4,416,232	2,214,752
Total operating revenues	4,613,068	2,504,434
Operating expenses:		
Operating	3,966,271	4,295,622
Administrative	999,748	1,149,723
Auxiliary enterprise cost of sales	5,458	63,615
OPEB expenses (income)	2,613	(483,268)
Depreciation and amortization	1,329,260	1,391,096
Transfer to SJSU	15,000	15,000
Total operating expenses	6,318,350	6,431,788
Total operating loss	(1,705,282)	(3,927,354)
Nonoperating revenue (expenses):		
Contributed capital assets	348,408	309,358
Interest income from notes receivable	13,559	159,132
Investment income	28,736	64,057
Interest expense	-	(1,204)
Loss on disposal of capital assets	(37,360)	(11,673)
Other income	254,683	282,589
Total nonoperating revenues	608,026	802,259
Decrease in net position	(1,097,256)	(3,125,095)
Net position, beginning of year	6,818,503	9,943,598
Net position, end of year	\$ 5,721,247	\$ 6,818,503

See notes to financial statements.

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

Statements of Cash Flows
For the year then ended June 30, 2020
(With Comparative Totals for June 30, 2019)

	2020	2019
Cash flows from operating activities:		
Cash received from sales	\$ 1,551,908	\$ 3,057,646
Payments to suppliers	(3,686,538)	(4,041,779)
Payments to employees	(403,227)	(1,187,570)
Other receipts	4,416,232	2,166,094
Net cash provided by (used in) operating activities	1,878,375	(5,609)
Cash flows from noncapital financing:		
Proceeds from notes payable	101,830	-
Other income	41,046	26,436
Net cash provided by noncapital financing	142,876	26,436
Cash flows from capital and related financing activities:		
Purchase of capital assets	(221,118)	(14,200)
Sales of capital assets	-	117,703
Payments on notes payable	-	(543,280)
Interest paid	-	(1,204)
Net cash used in capital and related financing activities	(221,118)	(440,981)
Cash flows from investing activities:		
Purchase of investments	(2,875,238)	(5,116,117)
Sales of investments	3,328,636	5,074,948
Net additions to the CSU Investment Pool	(2,931,926)	-
Investment income	28,736	42,188
Payments received on notes receivable	-	192,823
Net cash (used in) provided by investing activities	(2,449,792)	193,842
Net decrease in cash	(649,659)	(226,312)
Cash and cash equivalents:		
Beginning of year	1,795,505	2,021,817
End of year	<u>\$ 1,145,846</u>	<u>\$ 1,795,505</u>
Reconciliation of net operating income to net cash provided by (used in) operating activities:		
Operating loss	\$ (1,705,282)	\$ (3,927,354)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,329,260	1,391,096
Bad debt expense	339	339
Change in assets and liabilities:		
Receivables	1,105,072	767,964
Inventories	163	(129)
OPEB asset	23,589	(501,627)
Prepaid expenses	14,192	111,339
Unearned revenue	250,000	2,000,000
Accounts payable	941,430	695,545
Other liabilities, accrued payroll and compensated absences	(22,947)	(544,434)
Deferred inflows - OPEB	(57,441)	(19,603)
Net cash provided by (used in) operating activities	\$ 1,878,375	\$ (26,864)
Noncash investing activities:		
Contributed capital assets	\$ 1,005,810	\$ 4,028,230
Imputed interest on notes receivable	13,559	13,559

See notes to financial statements.

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

Notes to Financial Statements

Note 1. Nature of the Organization

Spartan Shops, Inc. (Spartan Shops) was incorporated in 1956. Spartan Shops serves as an auxiliary organization and is a component unit of San José State University (the University or SJSU) to provide and manage the campus bookstore, dining services, Spartan Golf Complex at Spartan Village Project Facility (the Golf Complex), and certain real estate properties. Spartan Shops has an agreement with Barnes & Noble College Booksellers (Barnes & Noble) for the daily operation of the Spartan Bookstore, Chartwells Higher Education (Chartwells) to provide all dining services to the SJSU campus, and the Tower Real Estate Fund (TREF) for the management of daily operations of the Golf Complex.

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 (U.S. GAAP), as promulgated by the Governmental Accounting Standards Board (GASB). For purposes of financial reporting, Spartan Shops is considered a special purpose government engaged only in business-type activities.

Spartan Shops considers assets to be current, which can be reasonably expected as part of its normal business operations, 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.

Classification of operating and nonoperating revenue and expense is based on if the transaction or activity is directly related to the Spartan Shops' primary functions. Certain other transactions are reported as nonoperating revenues and expenses such as interest income, unrealized and realized gain or losses, interest expenses, gains or losses on disposal of capital assets and miscellaneous income and expenses.

Net position: The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Investment in capital assets: Capital assets, net of accumulated depreciation and outstanding debt or liabilities attributable to the acquisition, construction, or improvement of those assets. Spartan Shops' investment in capital assets includes the food service investment unearned revenue as the amount relates to capital improvements capitalized.

Restricted - nonexpendable: The component of net position that is subject to externally imposed conditions that Spartan Shops retains them in perpetuity. Net assets in this category consist of endowments. There were no restricted nonexpendable components of net position as of June 30, 2020.

Restricted - expendable: The component of net position subject to externally imposed conditions that can be fulfilled by the actions of Spartan Shops or by the passage of time. There were no restricted expendable components of net position as of June 30, 2020.

Unrestricted: All other categories of net position. In addition, the unrestricted component of net position may be designated by the Board of Directors of Spartan Shops.

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

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP 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, fair value of investments and postemployment benefit obligation.

Cash and cash equivalents: For the purposes of the statement of cash flows, Spartan Shops 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 as investment income. Dividend and interest income are accrued when earned.

Receivables: Receivables are stated at net realizable value. Spartan Shops recognizes bad debt expenses at the time the account is deemed worthless by analyzing the creditworthiness of the customers. No allowance for doubtful accounts was recorded as of June 30, 2020, as Spartan Shops 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. Spartan Shops recorded no inventory allowance due to the rapid turnover and order by demand of golf merchandise.

Capital assets and depreciation: Spartan Shops' 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. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from three 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 five to 15 years. The University is committed to purchasing Spartan Shops leasehold improvement assets, at full book value, should the lease or operating agreement not be extended. Spartan Shops classifies computer software as intangible assets, which are depreciated using the straight-line method over the estimated useful life of five years. As part of the agreement with Chartwells, Spartan Shops retains title to items funded by Chartwells' capital improvement and pre-opening/transition expenses. Spartan Shops records these authorized investment additions as equipment, leasehold improvements and construction work in progress as capital assets and food service investment unearned revenue. This contribution of these capital improvements are recorded as deferred revenue and recorded as revenue over the term of the contract period.

Depreciation and amortization expense was \$1,329,260 for the year ended June 30, 2020.

Impairment of long-lived assets: Spartan Shops accounts for impairment of long-lived assets in accordance with GASB 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. Under this statement, management reviews events or changes in circumstances such as physical damage, economic factors, technological changes or other signs of obsolescence that would cause a significant decline in service and a circumstance outside the normal life cycle of the asset. During the year ended June 30, 2020, no impairment loss was recorded.

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

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Deferred outflows and deferred inflows: Deferred outflows and deferred inflows of resources related to the effects of changes in assumptions, differences in actual and expected return on plan assets and changes in experience on Spartan Shops' postemployment benefit plan and are to be recognized in future periods to postemployment benefit plan expense.

Accrued compensated absences: Spartan Shops 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, 2020, Spartan Shops had a balance of \$17,021 in compensated absences. Spartan Shops classified this balance as current as amounts used each year approximate this amount.

Revenue recognition: Golf Complex fees, rental revenue, commission income and the unused meal plan revenue are exchange transactions. Golf Complex revenue is recorded on a monthly basis through point of sales or billing. Bookstore commission and dining service subsidy revenue is recorded at the end of each month based on contracted percentages of sales or operating income/expense operation as reported by third-party contactors. Real estate rental revenue is recorded monthly at the end of each month. The reimbursement of operating losses for the Golf Complex are considered a contribution which is a voluntary non-exchange transaction and is recognized at the time eligibility requirements have been met. Deferred revenue consists of an upfront of capital investment from Barnes & Noble, signing bonus received from Chartwells at the beginning of the contract period, and partnership bonus received from Chartwells on the second year of the contract, and Chartwells contributed capital investment through the term of the contract. The deferred revenue is being recognized as other revenue over the life of the contract based on each investment and bonus start date. In addition, Chartwells investment are disbursed by Chartwells and amortized on a straight-line basis from the date the project start through the end of the contract term. Spartan Shops records the revenue according to the amortization schedule.

Tax-exempt status and income taxes: Spartan Shops is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the 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 management has evaluated its tax positions and the certainty as to whether those tax positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated are related to Spartan Shops continued qualification as a tax-exempt organization and whether there are unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions will more likely than not be sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The Spartan Shops Forms 990, Return of Organization Exempt from Income Tax, for each of the tax years ended June 30, 2019, 2018 and 2017, are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Reclassifications: Certain amounts in the 2019 comparative totals have been reclassified to conform with the 2020 reporting format, with no impact on decrease in net position previously reported.

Comparative totals: The financial statements include certain prior-year summarized comparative information but not comparative information for the footnotes. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with Spartan Shops' financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Spartan Shops, Inc.
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Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

New accounting pronouncements: In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, effective for Spartan Shops beginning on July 1, 2020. The statement establishes criteria for identifying fiduciary activities of all state and local governments. Governments with activities meeting the criteria should present statement of fiduciary net position and a statement of changes in fiduciary net position. This Statement describes four fiduciary fund that should be reported if applicable: (1) pension trust funds, (2) investment trust funds, (3) private purpose trust funds, and (4) custodial funds. Custodial funds generally should be report fiduciary activities that are not held in trust fund or equivalent arrangement that meets specific criteria. Spartan Shops does not expect this Statement to have a material impact on its financial statements.

In July 2017, the GASB issued Statement No. 87, *Leases*, effective for Spartan Shops beginning on July 1, 2021. This Statement requires the recognition of certain lease assets and liabilities that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principal that leases are financings of the right to use an underlying asset. Under this Statement, the lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Spartan Shops is evaluating the effect GASB 87 will have on its financial statements.

Note 3. Deposits, Investments and Fair Value

Spartan Shops categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. 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 quoted prices in active markets for similar assets; Level 3 inputs are significant unobservable inputs.

Spartan Shops has the following recurring fair value measurements as of June 30, 2020:

Investment type:	
CSU Investment Pool	\$ 2,931,926
Money market funds	640,315
Mutual funds	864,325
Total investments	<u>\$ 4,436,566</u>

Money market funds and mutual funds are valued using quoted market prices of identical assets and are classified at Level 1 investments. Funds invested in the CSU Investment Pool are recorded at amortized cost and thus are not required to be categorized in the fair value hierarchy table.

Investment policy: The Spartan Shops investment policy sets forth the guidelines for the investments of Spartan Shops. Spartan Shops' 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, Spartan Shops 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. Spartan Shops had no investments with interest rate risk at June 30, 2020.

Spartan Shops, Inc.
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Notes to Financial Statements

Note 3. Deposits, Investments and Fair Value (Continued)

Credit risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Spartan Shops' 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, Spartan Shops 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, Spartan Shops 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 Spartan Shops will not be able to recover its deposits in the event of a failure of a depository institution. In the ordinary course of Spartan Shops' operations, deposit balances in checking accounts can exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000. At June 30, 2020, \$273,221 of the entity's bank balances exceed the federally insured amount.

Spartan Shops, Inc.
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Notes to Financial Statements

Note 4. Capital Assets

Capital assets consist of the following at June 30, 2020:

	2019	Additions	Transfers	Retirements and Other	2020
Capital assets not being depreciated:					
Land	\$ 2,310,000	\$ -	\$ -	\$ -	\$ 2,310,000
Construction in progress	1,816,762	59,317	(1,787,113)	-	88,966
Total capital assets not being depreciated	4,126,762	59,317	(1,787,113)	-	2,398,966
Capital assets being depreciated:					
Buildings	1,763,726	-	-	-	1,763,726
Leasehold improvements	4,615,769	616,963	473,160	(1,630,098)	4,075,794
Equipment, furniture and fixtures	6,495,295	550,649	1,313,953	(450,442)	7,909,455
Intangible assets	325,234	-	-	(181,624)	143,610
Total capital assets being depreciated	13,200,024	1,167,612	1,787,113	(2,262,164)	13,892,585
Total capital assets	17,326,786	1,226,929	-	(2,262,164)	16,291,551
Less accumulated depreciation:					
Buildings	(1,032,949)	(62,288)	-	-	(1,095,237)
Leasehold improvements	(2,238,690)	(294,902)	-	1,630,098	(903,494)
Equipment, furniture and fixtures	(4,105,201)	(959,952)	-	417,797	(4,647,356)
Intangible assets	(295,055)	(12,118)	-	176,909	(130,264)
Total accumulated depreciation	(7,671,895)	(1,329,260)	-	2,224,804	(6,776,351)
Net capital assets being depreciated	5,528,129	(161,648)	1,787,113	(37,360)	7,116,234
Net capital assets	\$ 9,654,891	\$ (102,331)	\$ -	\$ (37,360)	\$ 9,515,200

Note 5. Notes Receivable

Effective August 20, 2007, Spartan Shops entered into a memorandum of understanding with the City of San José (the City) to provide a homebuyer program (the Program) for the University in order to attract and retain University faculty and staff. The City and Spartan Shops each committed \$500,000 on an annual basis to fund loans under the Program. The City underwrites and funds all loans and then provides Spartan Shops 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 noninterest-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 Spartan Shops 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 of gain or loss, as well as any loan defaults, would be shared by the City and Spartan Shops in proportion to their funding of the loans.

Spartan Shops, Inc.
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Notes to Financial Statements

Note 5. Notes Receivable (Continued)

As of June 30, 2020, there were 10 loans funded by the City. At June 30, 2020, the Spartan Shops receivable portion was \$579,117 less a present value discount of \$342,647. Spartan Shops used the weekly conventional mortgage rates which were ranged from 4.78% to 6.68% from the Federal Reserve when the notes were issued to calculate the present value of the notes. An allowance for doubtful account of \$5,912 was recorded assuming 2.5% default rate of a loan. Spartan Shops recorded bad debt expense of \$339 in fiscal year 2020. 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, 2020, consists of the following:

Notes receivable	\$ 579,117
Less discount on notes receivable	<u>(342,647)</u>
Total notes receivable	236,470
Less allowance for doubtful accounts	<u>(5,912)</u>
Total notes receivable, net	<u><u>\$ 230,558</u></u>

As of June 30, 2020, the amount of principal of notes receivable for future fiscal years ending June 30 is as follows:

	<u>Principal</u>
Years ending:	
2021	\$ -
2022	-
2023	-
2024	-
2025	-
2026-2055	<u>579,117</u>
	<u><u>\$ 579,117</u></u>

Note 6. Note Payable

Spartan Shops applied for the Paycheck Protection program loan from California Bank and Trust and received the disbursement of \$101,830 on April 17, 2020. Spartan Shops intends to apply for forgiveness of the amount due on this loan in an amount equal to the sum of qualified payroll costs, payment on a covered rent obligation and any covered utility payment. Should forgiveness not be granted, the loan will be repaid over two years term with a maturity date of April 16, 2022, interest at 1% and no collateral.

Spartan Shops, Inc.
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Notes to Financial Statements

Note 7. Lease Commitments

Spartan Shops 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 to extend the term of the agreement to June 30, 2020, with all other addenda, terms and conditions remain unchanged. The University and Spartan Shops are in the process of renewing the operating lease for additional five years through June 30, 2025. 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, Spartan Shops agrees to pay an annual payment of 7.5% of Spartan Shops' total income less cost of sales excluding Event Center and Spartan Stadium Concessions, On Fourth Café and Real Estate services. Through June 30, 2020, Spartan Shops shall pay the University a minimum annual amount of \$915,000. Should adverse economic conditions occur which jeopardize the profitability of Spartan Shops, both parties will confer and take appropriate actions to restore Spartan Shops' fiscal health while allowing the University to meet its requirements and obligations. For the year ended June 30, 2020, Spartan Shops recorded rent expense of \$915,000. Based on the contract extension, future minimum lease payments from July 1, 2021, to June 30, 2025, are not a set payment and will be negotiated for each year based on analysis of year-end sales revenue of Spartan Shops.

Note 8. Self-Insured Workers' Compensation Plan

Spartan Shops 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 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. 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 Spartan Shops are based on applying individual class code rates determined by an independent actuary to Spartan Shops' payroll and modified by further application of Spartan Shops' experience modification (ex-mod) factor. The ex-mod is calculated using Spartan Shops' 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, 2020, Spartan Shops 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, Spartan Shops 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. Spartan Shops received a refund distribution of \$16,171 for the year ended June 30, 2020.

Spartan Shops, Inc.
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Notes to Financial Statements

Note 8. Self-Insured Workers' Compensation Plan (Continued)

At June 30, 2020, there were 12 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

Spartan Shops' Board of Directors consists of 11 voting members. The majority of the voting members of Spartan Shops are appointed by the president of the University.

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

The receivables from affiliates are included on the accompanying statements of net position as accounts receivable.

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, 2020, receivables due from and payables due to related parties were as follows:

Receivable from University Research Foundation	\$ 3,242
Receivable from Tower Foundation	73,526
Total related-party accounts receivable	<u>\$ 76,768</u>
Payable to University Office of Controller	<u>\$ 1,746,710</u>

During this transition year with Dining Services handled by Chartwells, Spartan Shops received payments from related parties for catering services and dining services on behalf of Chartwells and reimbursed Chartwells for such payments.

Spartan Shops contributed the \$15,000 cash funding received from the food service contractor, Chartwells, for departmental diversity inclusion programs for the year ended June 30, 2020.

Note 10. Employee Benefits and Compensation Plan

Retirement plan: Spartan Shops 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% of the participant's compensation. Participants are not fully vested in the employer matching until completion of five years of service and an employee must be employed with Spartan Shops for a minimum of two years in order to be vested at all. Spartan Shops' contributions to the Plan were \$7,990 during the year ended June 30, 2020. There are four participants in the pension plan as of June 30, 2020.

Post-retirement health care benefits

Plan description: In 2018, Spartan Shops entered into a shared services agreement with the University. The University covered the other postemployment benefits (OPEB) plan for the University staff who handled the finance and business services for Spartan Shops and Spartan Shops reimbursed the University for such cost. For the year ended June 30, 2020, these reimbursements were \$101,045.

Spartan Shops, Inc.
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Notes to Financial Statements

Note 10. Employee Benefits and Compensation Plan (Continued)

Plan assets are held in an institutional trust with Principal Trust. As of June 30, 2020, the fair value measurements of the plan assets were \$2,627,008 in money market mutual funds, which are categorized as Level 1 inputs. Spartan Shops accrued benefit reimbursement of \$94,048 for retiree benefits paid during the plan year July 2019 through June 2020.

Benefits: Spartan Shops 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 1/2 and who have at least five years of service at the time of retirement from Spartan Shops. Those participants hired after June 30, 1992, are eligible to retire at the age of 59 1/2 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 2020 a maximum monthly employer contribution was \$250 for employees or \$510 for the employee plus one covered person.

The following employees are included in the plan for the year ended June 30, 2020:

Inactive employees or beneficiaries currently receiving benefit payments	23
Inactive employees entitled to but not receiving benefits	5
	<hr/>
	28
	<hr/> <hr/>

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. Spartan Shops determines 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. Implicit benefit payments were \$36,465 for the year ended June 30, 2020.

Spartan Shops 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). Benefits paid by the trust were \$94,048 for the year ended June 30, 2020.

Total OPEB liability, fiduciary net position and net OPEB liability: In accordance with the provisions of GASB Statement 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB that are required to be reported by an employer primarily result from changes in the components of the net OPEB liability; that is, changes in the total OPEB liability and in the OPEB plan's fiduciary net position.

The net OPEB liability is determined based on the results of an actuarial valuation, the effects of certain other changes in the net OPEB liability are required to be included in OPEB expense over the current and future periods. The effects on the total OPEB liability of (1) changes of economic and demographic assumptions or of other inputs, and (2) differences between expected and actual experience are required to be included in OPEB expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active employees and inactive employees), beginning in the current period.

The Spartan Shops valuation date is June 30, 2019. The measurement date used for the valuation is June 30, 2020.

Spartan Shops, Inc.
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Notes to Financial Statements

Note 10. Employee Benefits and Compensation Plan (Continued)

The following is Spartan Shops' change in total OPEB liability, plan fiduciary net position and net OPEB liability (asset) for the year ended June 30, 2020:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (asset) (a) - (b)
Balance at June 30, 2019	\$ 1,981,642	\$ 2,594,688	\$ (613,046)
Changes for the year:			
Service cost	-	-	-
Interest	38,328	-	38,328
Differences between expected and actual experience	-	(17,118)	17,118
Changes in assumptions	54,046	-	54,046
Benefit payments	(130,513)	(130,513)	-
Contributions - employer	-	36,465	(36,465)
Net investment income	-	50,938	(50,938)
Change in benefit terms	-	-	-
Administrative expense	-	(1,500)	1,500
Net changes	(38,139)	(61,728)	23,589
Balance at June 30, 2020	<u>\$ 1,943,503</u>	<u>\$ 2,532,960</u>	<u>\$ (589,457)</u>

The following are the components of OPEB expense for the year ended June 30, 2020:

Service cost	\$ -
Cost of plan changes	-
Interest cost	38,328
Expected earnings on assets	(50,938)
Administrative expenses	1,500
Deferred (inflows) outflows of resources:	
Change in assumptions	54,046
Differences between expected and actual experience	-
Differences between projected and actual earnings	(40,323)
OPEB expense	<u>\$ 2,613</u>

Spartan Shops, Inc.
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Notes to Financial Statements

Note 10. Employee Benefits and Compensation Plan (Continued)

The following are the reasons for the changes in deferred inflows and outflows for the year ended June 30, 2020:

Deferred resources (outflows) inflows due to:

Assumption changes	\$	-
Plan experience		-
Investment experience		78,626
Contribution made subsequent to the measurement date		-
Net deferred (outflows) inflows	<u>\$</u>	<u>78,626</u>

Spartan Shops will recognize deferred inflows in expense in future periods as shown below:

	<u>Recognition of Deferred Inflows</u>
Years ending June 30:	
2021	\$ (40,323)
2022	(40,321)
2023	(1,404)
2024	3,422
2025	-
Thereafter	-
Total	<u>\$ (78,626)</u>

The discount rate used for the fiscal year ended 2020 is 1.7%. Health Care Cost Trend Rate was assumed to start at 7% 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:

	1% Decrease	Current	Current + 1%
<u>Change in Discount Rate</u>	<u>0.70%</u>	<u>1.70%</u>	<u>2.70%</u>
Net OPEB liability (asset)	\$ (367,528)	\$ (589,457)	\$ (772,841)
		Health Care	
	Current Trend	Current Trend	Current Trend
<u>Change in Health Care Cost Trend Rate</u>	<u>6%</u>	<u>7%</u>	<u>8%</u>
Net OPEB liability (asset)	\$ (676,296)	\$ (589,457)	\$ (463,210)

Funded status and funding progress: Spartan Shops has prefunded 130% of the total OPEB liability based on the assumptions in the June 30, 2020, valuation. The total OPEB liability for benefits was \$1.94 million and the actuarial value of assets was \$2.53 million, resulting in an overfunded accrued liability of \$589,457 and June 30, 2020.

Spartan Shops, Inc.
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Notes to Financial Statements

Note 10. Employee Benefits and Compensation Plan (Continued)

Methods and assumptions: Spartan Shops 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.

The following assumptions were used in actuarial valuation:

Discount rate: A discount rate of 1.7% was used based on the money market rate of return on the assets held as of June 30, 2020.

Long-term return on assets: Since Spartan Shops has prefunded over 130% of the total OPEB liability and anticipates no further contributions to the plan, Spartan Shops held its plan assets in money market fund with the long term expected rate of return of 1.7% as of June 30, 2020.

Investment Class	Target Allocation	Long-Term Expected Real Rate of Return
Money market	100.00 %	1.70%
Total	100.00 %	

Participants valued: Only (a) current active employees age 45 and older with eight 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.

Health care 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, 6.0% in 2022 and 5.5% in 2023.

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 Spartan Shops' operations and closed plan membership, there will be no future increases in the monthly caps on the Spartan Shops' contributions toward retiree medical premiums.

Spartan Shops, Inc.
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Notes to Financial Statements

Note 10. Employee Benefits and Compensation Plan (Continued)

Projected cash flows: Spartan Shops 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, Spartan Shops intends to take annual disbursement from the Plan as reimbursement for retiree medical expenses paid the by Spartan Shops each year.

Note 11. Noncurrent Liabilities

A schedule of changes in noncurrent liabilities for the year ended June 30, 2020, is shown below:

	Beginning of Year	Addition	Reduction	End of Year	Amount Due in One Year
Unearned revenue - Food Services Investment	\$ 3,718,862	\$ 1,005,810	\$ 348,408	\$ 4,376,264	\$ 439,318
Unearned revenue - signing bonuses	2,700,134	250,000	213,636	2,736,498	234,848
Unearned revenue	<u>\$ 6,418,996</u>	<u>\$ 1,255,810</u>	<u>\$ 562,044</u>	<u>\$ 7,112,762</u>	<u>\$ 674,166</u>

Note 12. Bookstore Contracted Management

In March 2011, Spartan Shops entered into an agreement with Barnes & Noble for the management of the daily operations of the Spartan Bookstore for a period of 10 years. Spartan Shops extended their contract agreement with Barnes & Noble from July 1, 2021, to June 30, 2026, in July 2015. Under the extended agreement, the commission payment is 12% of net sales, up to and including \$10 million plus 13% of net sales greater than \$10 million per year. In December 2018, Spartan Shops and Barnes & Noble 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. Due to the sales loss caused by the COVID-19 pandemic, Barnes & Noble amended the agreement in April 2020 to eliminate the minimum annual guarantee in its entirety for the contract years of July 2019 through June 2021. During this period, Barnes & Noble will pay Spartan Shops the calculated commission payment of 12% of net sales and 7% of first day and eTextbooks as described above. Effective July 1, 2021, the annual guarantee amount will recommence at 90% of the calculated commission of the 2020-2021 contract year.

Spartan Shops received \$570,846 in commission from Barnes & Noble for the fiscal year ended June 30, 2020.

As part of the agreement, Barnes & Noble shall provide Spartan Shops an annual unrestricted donation of \$10,000 per year. In April 2011, Barnes & Noble paid Spartan Shops \$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. Spartan Shops capitalized \$651,127 as lease hold improvements, \$548,405 as equipment, furniture and fixtures, and keep the remaining unspent balance of \$183,467 from the New Bookstore facility capital investment in deferred revenue account for future bookstore maintenance. The repair and maintenance fund will be recognized as revenue when it is spent. Spartan Shops recognized \$100,000 as miscellaneous income for the depreciated bookstore facility investment through fiscal year ended June 30, 2020, 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.

Spartan Shops, Inc.
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Notes to Financial Statements

Note 12. Bookstore Contracted Management (Continued)

In the event this agreement is terminated by the Spartan Shops 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, 2020, is \$583,333.

Note 13. Spartan Golf Complex Contracted Management

In September 2017, Spartan Shops entered into an agreement with TREF for the management of the daily operations of the Golf Complex 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 Spartan Shops on a quarterly basis. Within 15 days of fiscal year-end, Spartan Shops will inform TREF of the shortfall with a profit and loss statement. The intention is to make Spartan Shops whole for any salaries, operating expenses, etc. Any surplus of funds will be retained by Spartan Shops for Facility operations in the next fiscal year.

Spartan Shops recorded \$600,757 as shortfall reimbursement from SJSU Tower Foundation for the fiscal year ended June 30, 2020.

Note 14. Dining Services Contracted Management

In September 2018, Spartan Shops entered into an agreement with Chartwells, 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. In October 2019, Spartan Shops amended the contract through June 30, 2021, with an option of two six-year contract extensions.

In the first year, Chartwells provided 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% of gross sales to the extent that profit exceeds all cost of business, which includes, but is 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 12 monthly installments which is applied to the monthly financial statements. Based on the monthly performance of Chartwells operation, Spartan Shops shall reimburse Chartwells the amount equal to the monthly net loss or Chartwells shall pay Spartan Shops 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. During the second two-year period, Chartwells provides the dining operation services with the annual fixed management fee of \$400,000.

Spartan Shops distributed weekly meal plan funds to Chartwells based on daily rates and usage and recorded \$3.1 million as other income for unused meal plan left over at the end of the academic year. Due to the COVID-19 pandemic, the majority of student meal plans refunds were covered by the Coronavirus Aid, Relief, And Economic Security Act funding from the University. Spartan Shops kept the unused meal plan to cover for the loss of other operation due to the pandemic.

Spartan Shops, Inc.
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Notes to Financial Statements

Note 14. Dining Services Contracted Management (Continued)

Chartwells is committed to fund capital improvement, signing bonus payments, and pre-opening/transition expenses in a total sum not to exceed \$21,424,066 starting from July 2018 through June 2033. The Investment will be disbursed and amortized on a straight-line basis from when the project is finished through June 30, 2033 with the exception of a few investment items with a shorter amortization schedule. Amortization of investment shall be treated as cost of business and Spartan Shops shall hold title to items funded by the Investment. Based on the addendum in October 2019, Chartwells had funded an additional \$671,700 for additional pre-opening/transition expenses. This investment is amortized on a straight-line basis, but the amortization cost is not treated as cost of business for Spartan Shops although Spartan Shops hold the title for this investment. Chartwells also funded \$250 thousand as partnership bonus in October 2019 which are amortized over the remaining life of the contract term.

If the agreement expired or is terminated for any reason prior to the full amortization of the investment, Spartan Shops 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. Spartan Shops received \$2 million signing bonus in July 2018 and \$250 thousand partnership bonus in November 2019 and recorded the amortization of \$113,636 as miscellaneous income for the fiscal year ended June 30, 2020. Chartwells spent \$5,034,030 of the investment and amortized \$657,766 through June 30, 2020. Spartan Shops recorded \$4,376,264 unearned revenue as the net of investment spending and amortization, \$348,408 as miscellaneous income, and \$1,005,810 as investment for the year ended June 30, 2020.

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, 2020, Chartwells provided \$55,144 of retail food services contribution and \$15,000 cash funding to be used for scholarships and diversity inclusion program.

Note 15. Contingencies

On March 11, 2020, The World Health Organization declared the outbreak of novel coronavirus (COVID-19) as a global pandemic. Spartan Shops expects that the financial results and investment balances may be negatively impacted in the future, but the extent and duration of such impact in the long term is uncertain and cannot be reasonably estimated at this time.

Note 16. Subsequent Events

Spartan Shops has evaluated all events occurring subsequent to the year ended June 30, 2020, through September 16, 2020, 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)

Schedule of Changes in the Net OPEB Liability and Related Ratios - Last Ten Years

	2020	2019	2018
Total OPEB liability			
Service cost	\$ -	\$ 59,490	\$ 57,617
Interest	38,328	25,231	25,600
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	(201,421)	-
Changes in assumptions	54,046	(298,414)	-
Benefit payments	(130,513)	(133,652)	(110,302)
Net change in total OPEB liability	<u>(38,139)</u>	<u>(548,766)</u>	<u>(27,085)</u>
Total OPEB liability - beginning	1,981,642	2,530,408	2,557,493
Total OPEB liability - ending (a)	<u>\$ 1,943,503</u>	<u>\$ 1,981,642</u>	<u>\$ 2,530,408</u>
Plan fiduciary net position			
Contributions - employer	\$ 36,465	\$ 37,962	\$ 110,302
Net investment income	33,820	50,076	218,853
Benefit payments	(130,513)	(133,652)	(110,302)
Administrative expense	(1,500)	(1,525)	(7,093)
Net change in plan fiduciary net position	<u>(61,728)</u>	<u>(47,139)</u>	<u>211,760</u>
Plan fiduciary net position - beginning	2,594,688	2,641,827	2,430,067
Plan fiduciary net position - ending (b)	<u>\$ 2,532,960</u>	<u>\$ 2,594,688</u>	<u>\$ 2,641,827</u>
Net OPEB liability (asset) - ending (a) - (b)	<u>\$ (589,457)</u>	<u>\$ (613,046)</u>	<u>\$ (111,419)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	130%	131%	104%
Covered-employee payroll	NA	NA	265,697
Net OPEB liability as a percentage of covered-employee payroll	NA	NA	-41.93%

Information presented prospectively beginning with 2018 due to implementation of GASB 75.

Covered payroll is NA in 2019 and 2020 due to no active members being included in the plan for those years.

No actuarially determined contributions as the plan was prefunded.

Spartan Shops, Inc.
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Schedule of Contributions - Last Ten Years

	2020	2019	2018
Actuarially determined contribution	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	36,465	37,962	110,302
Contribution deficiency (excess)	<u>\$ (36,465)</u>	<u>\$ (37,962)</u>	<u>\$ (110,302)</u>
Covered-employee payroll	NA	NA	265,697
Contributions as a percentage of covered-employee payroll	NA	NA	41.51%

Information presented prospectively beginning with 2018 due to implementation of GASB 75.

Covered payroll is NA in 2019 and 2020 due to no active members being included in the plan for those years.

No actuarially determined contributions as the plan was prefunded.

Spartan Shops, Inc.
Schedule of Net Position
June 30, 2020
(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 1,145,846
Short-term investments	4,436,566
Accounts receivable, net	401,540
Capital lease receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	—
Prepaid expenses and other current assets	16,980
Total current assets	<u>6,000,932</u>
Noncurrent assets:	
Restricted cash and cash equivalents	-
Accounts receivable, net	—
Capital lease receivable, net of current portion	—
Notes receivable, net of current portion	230,558
Student loans receivable, net	—
Pledges receivable, net	—
Endowment investments	—
Other long-term investments	-
Capital assets, net	9,515,200
Other assets	589,457
Total noncurrent assets	<u>10,335,215</u>
Total assets	<u>16,336,147</u>
Deferred outflows of resources:	
Unamortized loss on debt refunding	—
Net pension liability	—
Net OPEB liability	-
Others	—
Total deferred outflows of resources	<u>-</u>
Liabilities:	
Current liabilities:	
Accounts payable	3,055,714
Accrued salaries and benefits	24,942
Accrued compensated absences, current portion	17,021
Unearned revenues	674,166
Capital lease obligations, current portion	—
Long-term debt obligations, current portion	101,830
Claims liability for losses and loss adjustment expenses, current portion	—
Depository accounts	—
Other liabilities	224,005
Total current liabilities	<u>4,097,678</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	—
Unearned revenues	6,438,596
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	<u>6,438,596</u>
Total liabilities	<u>10,536,274</u>
Deferred inflows of resources:	
Service concession arrangements	—
Net pension liability	—
Net OPEB liability	78,626
Unamortized gain on debt refunding	—
Nonexchange transactions	—
Others	—
Total deferred inflows of resources	<u>78,626</u>
Net Position:	
Net investment in capital assets	5,138,935
Restricted for:	
Nonexpendable – endowments	—
Expendable:	
Scholarships and fellowships	—
Research	—
Loans	—
Capital projects	—
Debt service	—
Others	—
Unrestricted	582,312
Total net position	<u>\$ 5,721,247</u>

Spartan Shops, Inc.
Schedule of Revenues, Expenses and Changes in Net Position
6/30/2020
(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	196,836
Scholarship allowances (enter as negative)	—
Other operating revenues	4,416,232
	<hr/>
Total operating revenues	4,613,068
	<hr/>
Expenses:	
Operating expenses:	
Instruction	—
Research	—
Public service	—
Academic support	—
Student services	—
Institutional support	15,000
Operation and maintenance of plant	—
Student grants and scholarships	—
Auxiliary enterprise expenses	4,974,090
Depreciation and amortization	1,329,260
	<hr/>
Total operating expenses	6,318,350
	<hr/>
Operating income (loss)	(1,705,282)
	<hr/>
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	28,736
Endowment income (loss), net	—
Interest expense	—
Other nonoperating revenues (expenses) - excl. interagency transfers	579,290
	<hr/>
Net nonoperating revenues (expenses)	608,026
	<hr/>
Income (loss) before other revenues (expenses)	(1,097,256)
	<hr/>
State appropriations, capital	—
Grants and gifts, capital	—
Additions (reductions) to permanent endowments	—
	<hr/>
Increase (decrease) in net position	(1,097,256)
	<hr/>
Net position:	
Net position at beginning of year, as previously reported	6,818,503
Restatements	—
	<hr/>
Net position at beginning of year, as restated	6,818,503
	<hr/>
Net position at end of year	\$ 5,721,247
	<hr/> <hr/>

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

Other Information
June 30, 2020
(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	<u>-</u>
Current cash and cash equivalents	<u>1,145,846</u>
Total	<u>\$ 1,145,846</u>

2.1 **Composition of investments:**

<u>Investment Type</u>	<u>Current</u>	<u>Noncurrent</u>	<u>Fair Value</u>
Money market funds	\$ 640,315		\$ 640,315
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	864,325		864,325
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			-
Other external investment pools			-
CSU Consolidated Investment Pool (formerly SWIFT)	2,931,926		2,931,926
State of California Local Agency Investment Fund (LAIF)			-
State of California Surplus Money Investment Fund (SMIF)			-
Other investments:			-
			-
			-
			-
			-
Total Other investments	-	-	-
Total investments	<u>4,436,566</u>	<u>-</u>	<u>4,436,566</u>
Less endowment investments (enter as negative number)			-
Total investments, net of endowments	<u>\$ 4,436,566</u>	<u>\$ -</u>	<u>\$ 4,436,566</u>

Spartan Shops, Inc.
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Other Information
June 30, 2020
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2.2 Fair value hierarchy in investments:

Investment Type	Fair Value	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	\$ 640,315	640,315			
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	864,325	864,325			
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	-				
Other external investment pools	-				
CSU Consolidated Investment Pool (formerly SWIFT)	2,931,926				2,931,926
State of California Local Agency Investment Fund (LAIF)	-				
State of California Surplus Money Investment Fund (SMIF)	-				
Other investments:					
	-				
Total Other investments	\$ -	-	-	-	-
Total investments	4,436,566	1,504,640	-	-	2,931,926

2.3 Investments held by the University under contractual agreements:

	Current	Noncurrent	Total
Investments held by the University under contractual agreements e.g - CSU Consolidated Investment Pool (formerly SWIFT):	2,931,926		\$ 2,931,926

Spartan Shops, Inc.
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Other Information
June 30, 2020
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3.1 Composition of capital assets:

	Balance June 30, 2019	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2019 (Restated)	Additions	Retirements	Transfer of completed CWIP/PWIP	Balance June 30, 2020
Non-depreciable/Non-amortizable capital assets:									
Land and land improvements	\$ 2,310,000.00				\$ 2,310,000				\$ 2,310,000
Works of art and historical treasures	-				-				-
Construction work in progress (CWIP)	1,816,762				1,816,762	59,317		(1,787,113)	88,966
Intangible assets:									
Rights and easements	-				-				-
Patents, copyrights and trademarks	-				-				-
Intangible assets in progress (PWIP)	-				-				-
Licenses and permits	-				-				-
Other intangible assets:									
	-				-				-
	-				-				-
	-				-				-
	-				-				-
	-				-				-
Total Other intangible assets	-				-				-
Total intangible assets	-				-				-
Total non-depreciable/non-amortizable capital assets	\$ 4,126,762				\$ 4,126,762	59,317		(1,787,113)	\$ 2,398,966
Depreciable/Amortizable capital assets:									
Buildings and building improvements	1,763,726				1,763,726				1,763,726
Improvements, other than buildings	-				-				-
Infrastructure	-				-				-
Leasehold improvements	4,615,769				4,615,769	616,963	(1,630,098)	473,160	4,075,794
Personal property:									
Equipment	6,495,295				6,495,295	550,649	(450,442)	1,313,953	7,909,455
Library books and materials	-				-				-
Intangible assets:									
Software and websites	313,218				313,218		(181,624)		131,594
Rights and easements	-				-				-
Patents, copyrights and trademarks	-				-				-
Licenses and permits	12,016				12,016				12,016
Other intangible assets:									
	-				-				-
Total Other intangible assets	-				-				-
Total intangible assets	325,234				325,234		(181,624)		143,610
Total depreciable/amortizable capital assets	13,200,024				13,200,024	1,167,612	(2,262,164)	1,787,113	13,892,585
Total capital assets	\$ 17,326,786				\$ 17,326,786	1,226,929	(2,262,164)		\$ 16,291,551
Less accumulated depreciation/amortization: (enter as negative number, except for reductions enter as positive number)									
Buildings and building improvements	(1,032,949)				(1,032,949)	(62,288)			(1,095,237)
Improvements, other than buildings	-				-				-
Infrastructure	-				-				-
Leasehold improvements	(2,238,690)				(2,238,690)	(294,902)	1,630,098		(903,494)
Personal property:									
Equipment	(4,105,201)				(4,105,201)	(959,952)	417,797		(4,647,356)
Library books and materials	-				-				-
Intangible assets:									
Software and websites	(287,315)				(287,315)	(10,081)	176,909		(120,487)
Rights and easements	-				-				-
Patents, copyrights and trademarks	-				-				-
Licenses and permits	(7,740)				(7,740)	(2,037)			(9,777)
Other intangible assets:									
	-				-				-
Total Other intangible assets	-				(295,055)	(12,118)	176,909		(130,264)
Total accumulated depreciation/amortization	(7,671,895)				(7,671,895)	(1,329,260)	2,224,804		(6,776,351)
Total capital assets, net	\$ 9,654,891				\$ 9,654,891	(102,331)	(37,360)		\$ 9,515,200

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3.2 Detail of depreciation and amortization expense:

Depreciation and amortization expense related to capital assets	\$	1,329,260
Amortization expense related to other assets		
Total depreciation and amortization	\$	1,329,260

4 Long-term liabilities:

	Balance June 30, 2019	Prior Period Adjustments/Reclassifications	Balance June 30, 2019 (Restated)	Additions	Reductions	Balance June 30, 2020	Current Portion	Noncurrent Portion
1. Accrued compensated absences	\$ 11,697		11,697	17,656	(12,332)	\$ 17,021	\$ 17,021	\$ -
2. Claims liability for losses and loss adjustment expenses	-		-			-		-
3. Capital lease obligations:								
Gross balance	-		-			-	-	-
Unamortized net premium/(discount)	-		-			-	-	-
Total capital lease obligations	\$ -	-	-	-	-	-	-	-

	Balance June 30, 2019	Prior Period Adjustments/Reclassifications	Balance June 30, 2019 (Restated)	Additions	Reductions	Balance June 30, 2020	Current Portion	Noncurrent Portion
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	-		-	101,830		101,830	101,830	-
	-		-			-		-
	-		-			-		-
	-		-			-		-
Total others	-	-	-	101,830	-	101,830	101,830	-
Sub-total long-term debt	\$ -	-	-	101,830	-	\$ 101,830	101,830	-
4.5 Unamortized net bond premium/(discount)	-		-			-	-	-
Total long-term debt obligations	-	-	-	101,830	-	101,830	101,830	-
Total long-term liabilities	\$ 11,697	-	11,697	119,486	(12,332)	\$ 118,851	118,851	\$ -

Spartan Shops, Inc.
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Other Information
June 30, 2020
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5 Capital lease obligations schedule:

	Capital lease obligations related to SRB			All other capital lease obligations			Total capital lease obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2021			-			-	-	-	-
2022			-			-	-	-	-
2023			-			-	-	-	-
2024			-			-	-	-	-
2025			-			-	-	-	-
2026 - 2030			-			-	-	-	-
2031 - 2035			-			-	-	-	-
2036 - 2040			-			-	-	-	-
2041 - 2045			-			-	-	-	-
2046 - 2050			-			-	-	-	-
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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(for inclusion in the California State University)

⁶ Long-term debt obligations schedule:

	Auxiliary revenue bonds (non-SRB related)			All other long-term debt obligations			Total long-term debt obligations		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
Year ending June 30:									
2021			-	101,830	804	102,634	101,830	804	102,634
2022			-	-	-	-	-	-	-
2023			-	-	-	-	-	-	-
2024			-	-	-	-	-	-	-
2025			-	-	-	-	-	-	-
2026 - 2030			-	-	-	-	-	-	-
2031 - 2035			-	-	-	-	-	-	-
2036 - 2040			-	-	-	-	-	-	-
2041 - 2045			-	-	-	-	-	-	-
2046 - 2050			-	-	-	-	-	-	-
Thereafter			-	-	-	-	-	-	-
Total minimum payments	\$	-	-	101,830	804	102,634	101,830	804	102,634
Less: amounts representing interest									(804)
Present value of future minimum payments									<u>101,830</u>
Unamortized net premium/(discount)									-
Total long-term debt obligations									<u>101,830</u>
Less: current portion									<u>(101,830)</u>
Long-term debt obligations, net of current portion									<u><u>-</u></u>

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

**Other Information
June 30, 2020
(for inclusion in the California State University)**

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 \$ 1,849,592

Payments received from University for services, space, and programs \$ 13,755,653

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) \$ (1,746,710)

Other amounts (payable to) University (enter as negative number) -

Accounts receivable from University (enter as positive number) -

Other amounts receivable from University (enter as positive number) -

⁸ **Restatements**

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

		Debit/(Credit)
Restatement #1	Enter transaction description	
		-
Restatement #2	Enter transaction description	
		-

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

Other Information
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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	-	-	-	-	-	-	-	-
Institutional support	-	-	-	-	-	15,000	-	15,000
Operation and maintenance of plant	-	-	-	-	-	-	-	-
Student grants and scholarships	-	-	-	-	-	-	-	-
Auxiliary enterprise expenses	403,584	81,911	-	2,613	-	4,485,902	-	4,974,090
Depreciation and amortization	-	-	-	-	-	-	1,329,260	1,329,260
Total operating expenses	\$ 403,584	81,911	-	2,613	-	4,500,902	1,329,260	6,318,350

Spartan Shops, Inc.
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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:
 Sales/intra-entity transfers of future revenues
 Gain/loss on sale leaseback
 Loan origination fees and costs
 Change in fair value of hedging derivative instrument
 Irrevocable split-interest agreements

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

2. Deferred Inflows of Resources

Deferred inflows - service concession arrangements
 Deferred inflows - net pension liability
 Deferred inflows - net OPEB liability
 Deferred inflows - unamortized gain on debt refunding(s)
 Deferred inflows - nonexchange transactions
 Deferred inflows - others:
 Sales/intra-entity transfers of future revenues
 Gain/loss on sale leaseback
 Loan origination fees and costs
 Change in fair value of hedging derivative instrument
 Irrevocable split-interest agreements

Total deferred inflows - others	-
Total deferred inflows of resources	\$ 78,626