

Spartan Shops, Inc.
(A Component Unit of the California State
University)

Financial Statements
June 30, 2022

Contents

Independent auditor's report	1-3
Management's discussion and analysis	4-8
<hr/>	
Basic financial statements	
Business-type activities statements:	
Statement of net position	9
Statement of revenues, expenses and changes in net position	10
Statement of cash flows	11-12
Fiduciary statements:	
Statement of fiduciary net position—Other Post-Employment Benefit Trust fund	13
Statement of changes in fiduciary net position—Other Post-Employment Benefit Trust fund	14
Notes to the financial statements	15-30
<hr/>	
Required supplementary information	
Schedule of changes in the net OPEB liability and related ratios	31
Schedule of contributions	32
<hr/>	
Supplementary information for Inclusion in the California State University Financial Statements:	
Schedule of net position	33
Schedule of revenues, expenses and changes in net position	34
Other information	35-43
<hr/>	
Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	44-45
<hr/>	



RSM US LLP

Independent Auditor's Report

Board of Directors
Spartan Shops, Inc.

Report on Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of Spartan Shops, Inc. (Spartan Shops), a component unit of the California State University, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Spartan Shops basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Spartan Shops as of June 30, 2022, and the respective changes in its financial position and where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Spartan Shops and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Spartan Shops' ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Spartan Shops' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Spartan Shops' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 8, schedule of changes in net Other Post-Employment Benefits liability and related ratios on page 31, and schedule of contributions on page 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) which considers it to be an essential part of financial reporting for placing the basic 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 consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Spartan Shops' basic financial statements. 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2022, on our consideration of the Spartan Shops' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Spartan Shops' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Spartan Shops' internal control over financial reporting and compliance.

RSM US LLP

San José, California
October 12, 2022

Spartan Shops, Inc.
(A Component Unit of the California State University)

Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2022

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' business type activities and the fiduciary activities for the fiscal year ended June 30, 2022. 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 that was 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, and 13 rental units for faculty and staff.

Spartan Shops is comprised of three major divisions:

Bookstore management: Spartan Shops entered into a 15-year agreement with Barnes & Noble College Booksellers 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 SJSU 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 the profit and loss basis from July 1, 2021, through June 30, 2033, to the extent the term is renewed. In October 2020, the agreement was amended and remained in force until June 30, 2021, with the option of two seven-year contract extension through June 30, 2035. In November 2021, the agreement was amended to extend the management service through June 30, 2028 with the option to extend the contract for one period of seven years. This new amendment extended the Cost of Business Basis model through June 30, 2022 and the Profit and Loss model effective July 1, 2022. 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. Chartwells is committed to fund an investment in Spartan Shops' dining service program for a total sum not to exceed \$20,877,066 through June 30, 2035. This investment is recorded as capital assets and deferred revenue and recognized annual revenue under contributed assets—bookstore and dining services using straight-line method over the contract period.

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 Component Unit of the California State University)

Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2022

Introduction to the Basic Financial Statements

Spartan Shops' financial statements include business-type activities and fiduciary fund statements. The business-type activities statements include: the statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows. The fiduciary fund statements include the Other Post-Employment Benefit (OPEB) trust fund statement of fiduciary net position and statement of changes in fiduciary net position. 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.

Business-type activities statement

Statement of net position: The statement of net position includes all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position, and 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 and expenses are reported separately from non-operating revenues and expenses.

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.

Fiduciary statements

Statement of fiduciary net position: The statement of fiduciary net position presents the assets, liabilities and net position on an accrual basis that the Spartan Shops holds in trust for OPEB health care benefits.

Statement of changes in fiduciary net position: The statement of changes in fiduciary net position presents the additions and deductions made during the year on an accrual basis to the OPEB plan.

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, 2022. Included 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 Component Unit of the California State University)

Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2022

Business-Type Activities

Condensed Summary of Net Position

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

	2022	2021
Assets:		
Current assets	\$ 6,334,284	\$ 6,570,318
Noncurrent assets	12,189,520	12,270,755
Total assets	<u>18,523,804</u>	<u>18,841,073</u>
Deferred outflows of resources		
Deferred outflows - differences in projected and actual investment experience	74,052	2,222
Total deferred outflows of resources	<u>74,052</u>	<u>2,222</u>
Liabilities:		
Current liabilities	3,746,871	3,421,714
Noncurrent liabilities	12,239,270	12,244,185
Total liabilities	<u>15,986,141</u>	<u>15,665,899</u>
Net position:		
Investment in capital assets	11,012,307	3,895,030
Unrestricted (deficit) assets	(8,400,592)	(717,634)
Total net position	<u>\$ 2,611,715</u>	<u>\$ 3,177,396</u>

Total assets decreased by \$317 thousand from fiscal year 2021 to fiscal year 2022. This is primarily due to a decrease of \$1.8 million of short-term investments offset by a \$1.6 million increase in cash and receivables. Capital assets decrease \$80 thousand primary due to the addition of capital assets by Chartwells and real estate division offset by the depreciation and the disposal of assets.

Total liabilities increased by \$320 thousand from fiscal year 2021 to fiscal year 2022 primarily due to a \$197 thousand net increase in unearned revenue related to contributed capital assets from Chartwells and \$151 thousand increase in accounts payable offset by a decrease of \$28 thousand in other liability.

Deferred inflows (outflows) of resources: Spartan Shops has deferred outflows of resources from the valuation of OPEB under Governmental Accounting Standards Board No. 75, which will be recognized over a five-year period. The deferred outflows of resources increased by \$71,830 from fiscal year 2021 to fiscal year 2022 due to changes on projected and actual earnings on investments.

Total net position decreased by \$565 thousand from fiscal year 2021 to fiscal year 2022 due to the current year expenses of \$3 million exceeding the revenues of \$2.5 million.

Spartan Shops, Inc.
(A Component Unit of the California State University)

Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2022

Condensed Summary of Revenues, Expenses and Changes in Net Position

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

	2022	2021
Operating revenues:		
Auxiliary enterprise revenues:		
Commercial services - rental revenue	\$ 234,257	\$ 251,472
Total auxiliary enterprise revenues	<u>234,257</u>	<u>251,472</u>
Other operating revenues:		
Dining contract management	731,119	259,033
Contributed assets- bookstore and dining services	560,971	450,588
Commission income - bookstore	559,726	295,626
Other income	63,104	171,330
Unused meal plan revenue	285,876	139,460
SJSU service revenue	-	2,670,000
Total other operating revenues	<u>2,200,796</u>	<u>3,986,037</u>
Total operating revenues	<u>2,435,053</u>	<u>4,237,509</u>
Operating expenses:		
Operating- bookstore and dining	885,612	4,809,545
Administrative	948,658	1,081,888
OPEB (income) expense	(60,794)	(479,543)
Depreciation and amortization	1,301,566	1,636,335
Transfer to SJSU	-	15,000
Total operating expenses	<u>3,075,042</u>	<u>7,063,225</u>
Total operating loss	<u>(639,989)</u>	<u>(2,825,716)</u>
Nonoperating revenues (expenses):		
Interest income from notes receivable	10,372	250,801
Investment income	22,205	739
Gain/ (Loss) on disposal of capital assets	9,688	(8,405)
Other income	32,043	38,730
Total nonoperating revenues (expenses)	<u>74,308</u>	<u>281,865</u>
Decrease in net position	(565,681)	(2,543,851)
Net position:		
Beginning of year	<u>3,177,396</u>	<u>5,721,247</u>
End of year	<u>\$ 2,611,715</u>	<u>\$ 3,177,396</u>

Spartan Shops, Inc.
(A Component Unit of the California State University)

Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2022

Condensed Summary of Revenues, Expenses and Changes in Net Position (Continued)

Total operating revenue decreased by \$1.8 million from fiscal year 2021 to fiscal year 2022 primarily due to receiving a one-time subsidy of \$2.7 million from SJSU to subsidize the dining service and bookstore operation to stay open during the pandemic. This one-time revenue in the prior year was offset by an increase of \$264 thousand in the bookstore commission, \$466 thousand in Chartwells operating subsidy revenue and \$146 thousand in unused meal plan revenue in the current year.

Total operating expenses decrease by \$4 million overall from fiscal year 2021 to fiscal year 2022 primary due to a decrease of \$4 million in Chartwells' operating subsidy expenses, \$335 thousand in the capital assets depreciation and amortization, and \$163 thousand in administrative expenses offset by \$433 thousand increase in the OPEB expenses.

Total nonoperating revenue for Spartan Shops decrease by \$207 thousand from fiscal year 2021 to fiscal year 2022 primarily due to a decrease of \$240 thousand in interest income on notes receivable from the home mortgage program loans, decrease in other income of \$7 thousand, offset \$21 thousand in investment income, and \$18 thousand in the gain on disposal of capital assets.

Spartan Shops, Inc.
(A Component Unit of the California State University)

Statement of Net Position—Business-Type Activities
June 30, 2022

Assets	
Current assets:	
Cash and cash equivalents	\$ 1,863,234
Short-term investments	3,498,895
Receivables	972,155
Total current assets	<u>6,334,284</u>
Noncurrent assets:	
Other Post-Employment Benefits (OPEB) asset	977,116
Notes receivable, net	200,097
Capital assets, net	11,012,307
Total noncurrent assets	<u>12,189,520</u>
Total assets	<u>18,523,804</u>
Deferred outflows of resources:	
Deferred outflows: differences between projected and actual investment experience	<u>74,052</u>
Liabilities and Net Position	
Current liabilities:	
Accounts payable	2,438,918
Accrued salaries and benefits payable	5,453
Unearned revenue, current portion	1,049,682
Other liabilities	252,818
Total current liabilities	<u>3,746,871</u>
Noncurrent liabilities:	
Unearned revenue, net of current portion	12,239,270
Total noncurrent liabilities	<u>12,239,270</u>
Total liabilities	<u>15,986,141</u>
Net position:	
Investment in capital assets	11,012,307
Unrestricted (deficit)	(8,400,592)
Total net position	<u>\$ 2,611,715</u>

See notes to financial statements.

Spartan Shops, Inc.
(A Component Unit of the California State University)

Statement of Revenues, Expenses and Changes in Net Position—Business-Type Activities
Year Ended June 30, 2022

Operating revenues:	
Auxiliary enterprise revenues:	
Commercial services—rental revenue	\$ 234,257
Total auxiliary enterprise revenues	<u>234,257</u>
Other operating revenues:	
Dining contract management	731,119
Contributed assets—bookstore and dining services	560,971
Commission income—bookstore	559,726
Other income	63,104
Unused meal plan revenue	285,876
Total other operating revenues	<u>2,200,796</u>
Total operating revenues	<u>2,435,053</u>
Operating expenses:	
Operating-bookstore and dining	885,612
Administrative	948,658
OPEB (benefit) expense	(60,794)
Depreciation and amortization	1,301,566
Total operating expenses	<u>3,075,042</u>
Total operating loss	<u>(639,989)</u>
Nonoperating revenues	
Interest income from notes receivable	10,372
Investment income	22,205
Gain on disposal of capital assets	9,688
Other income	32,043
Total nonoperating revenues	<u>74,308</u>
Decrease in net position	(565,681)
Net position, beginning of year	<u>3,177,396</u>
Net position, end of year	<u>\$ 2,611,715</u>

See notes to financial statements.

Spartan Shops, Inc.
(A Component Unit of the California State University)

Statement of Cash Flows—Business-Type Activities
Year Ended June 30, 2022

<hr/>	
Cash flows from operating activities:	
Cash received from sales	\$ (617,547)
Payments to suppliers	(1,691,790)
Payments to employees	(10,049)
Other receipts	1,378,747
Net cash used in operating activities	<u>(940,639)</u>
Cash flows from noncapital financing:	
Other income	32,043
Net cash provided by noncapital financing	<u>32,043</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	(218,701)
Proceeds from the sale of capital assets	26,417
Net cash used in capital and related financing activities	<u>(192,284)</u>
Cash flows from investing activities:	
Purchases of investments	(2,434)
Sales of investments	1,458
Additions to the CSU Investment Pool	(15,321,440)
Withdrawals from the CSU Investment Pool	17,169,452
Investment income	22,205
Net cash provided by investing activities	<u>1,869,241</u>
Net increase in cash and cash equivalents	768,361
Cash and cash equivalents:	
Beginning of year	<u>1,094,873</u>
End of year	<u><u>\$ 1,863,234</u></u>

(Continued)

Spartan Shops, Inc.
(A Component Unit of the California State University)

Statement of Cash Flows—Business-Type Activities (Continued)
Year Ended June 30, 2022

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (639,989)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	1,301,566
Bad debt expense	260
Amortization of signing and partnership bonus	(265,047)
Amortization of contributed assets—bookstore, dining services and commercial services	(560,971)
Change in assets and liabilities:	
Receivables	(851,804)
OPEB Assets	11,036
Prepaid expenses	9,163
Unearned revenue	3,969
Accounts payable	150,626
Other liabilities—accrued payroll and compensated absences	(27,618)
Deferred inflows/outflows—OPEB liability	(71,830)
	<u>(940,639)</u>
Net cash used in operating activities	<u><u>\$ (940,639)</u></u>
Noncash investing activities:	
Contributed fixed assets	<u><u>\$ 1,019,283</u></u>
Imputed interest on notes receivable	<u><u>\$ 10,372</u></u>
Loss on disposal of capital assets	<u><u>\$ (9,688)</u></u>

See notes to financial statements.

Spartan Shops, Inc.
(A Component Unit of the California State University)

Statement of Fiduciary Net Position—Other Post Employment Benefit Trust Fund
June 30, 2022

Assets

Investments	\$ 2,423,176
Accounts receivable	<u>5,453</u>
Total assets	<u><u>2,428,629</u></u>

Liabilities and Net Position

Liabilities:	
Accounts payable	86,455
Other liabilities	<u>5,453</u>
Total liabilities	<u><u>91,908</u></u>

Net position:	
Restricted:	
Post employment benefits other than pensions	<u>2,336,721</u>
Total net position	<u><u>\$ 2,336,721</u></u>

See notes to financial statements.

Spartan Shops, Inc.
(A Component Unit of the California State University)

Statement of Changes in Fiduciary Net Position—Other Employee Benefit Trust Fund
Year Ended June 30, 2022

Additions:	
Contributions:	
Members	\$ 32,247
Investment earnings:	
Interest, dividends and other	3,226
Total additions	<u>35,473</u>
Deductions:	
Medical premiums for retirees	118,407
Administrative expense	15,878
Total deductions	<u>134,285</u>
Net decrease in fiduciary net position	(98,812)
Net position, beginning of year	<u>2,435,533</u>
Net position, end of year	<u><u>\$ 2,336,721</u></u>

See notes to financial statements.

Spartan Shops, Inc.
(A Component Unit of the California State University)

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 California State University (the University) to provide and manage the campus bookstore, dining services 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 and with Chartwells Higher Education (Chartwells) to provide all dining services to the SJSU campus. Spartan Shops holds and administers assets for the organization's Other Post-Employment Benefits (OPEB) plan in a fiduciary fund.

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. Spartan Shops is a component unit of California State University and is included in their financial statements as a discretely component unit.

Spartan Shops' financial statements include a single proprietary fund/ business-type activities and fiduciary fund statements. The business-type activities statements include: the statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows. The fiduciary fund statements include the Other Post-Employment Benefit (OPEB) trust fund statement of fiduciary net position and statement of changes in fiduciary net position.

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 position in the following 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, outstanding debt or liabilities attributable to the acquisition, construction, or improvement of those assets.

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, 2022.

Spartan Shops, Inc.
(A Component Unit of the California State University)

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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. The Other Post Employment Benefit Trust Fund has restricted net position for payment of post-employment benefits other than pensions.

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.

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect amounts of assets and liabilities, in the financial statements and accompanying notes, as well as revenues and expenses during the reporting period. Actual results could differ from those estimates.

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. Investments in the CSU Investment Pool are carried at amortized cost.

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, 2022, 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.

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 their estimated acquisition 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 is recorded as deferred revenue and recorded as contributed assets—bookstore and dining revenue over the term of the contract period.

Depreciation and amortization expense was \$1,301,566 for the year ended June 30, 2022.

Spartan Shops, Inc.
(A Component Unit of the California State University)

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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, 2022, no impairment loss was recorded.

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

Revenue recognition: Bookstore commission and dining service subsidy revenue are exchange transactions and are recorded at the end of each month based on contracted percentages of sales or operating income/expense operation as reported by third-party contactors. Rental revenue is recorded monthly at the end of each month based on the lease contract with the tenant. Unused meal plan revenue is a voluntary nonexchange transaction and is recorded when Spartan Shops has legal claim on the funds, which is at the end of the fiscal year when the unused meals are forfeited.

Deferred revenue consists of an upfront of capital investment from Barnes & Noble, signing bonus received from Chartwells at the beginning of the contract period, partnership bonus received from Chartwells on the second year of the contract, advanced commissions, second signing bonus received from Chartwells on the third year of the contract, and Chartwells contributed capital investment through the term of the contract. The contract signing bonuses are deferred revenue and are being recognized as other nonoperating revenue over the life of the contract. The contributed capital investment is being recorded as contributed assets and amortized on a straight-line basis from the date the projects start through the end of the contract term. Spartan Shops records contributed assets—bookstore and dining services revenue according to the amortization schedule in the contract. These amounts are not recorded as revenue when the assets are constructed due to amounts having to be repaid to Chartwell's if the contract is terminated early

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.

Spartan Shops, Inc.
(A Component Unit of the California State University)

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Accounting pronouncement adopted in the current year: Spartan Shops adopted GASB Statement No. 87, *Leases*, effective 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 right-to-use lease assets and a lease liability and the lessor 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 had evaluated all lease agreements and determined that there are no leases that qualified as leases under GASB 87 for fiscal year ended June 30, 2022.

Accounting pronouncement in future years: In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangement*, effective for Spartan Shops beginning on July 1, 2022. The objective of statement is to clarify the definitions and financial reporting requirement for Public-Private and Public-Public Partnerships (PPP) and Availability Payment (APA) arrangements. PPP is an arrangement in which a government (the transferor) contract with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial assets, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Spartan Shops is evaluating the effect GASB 94 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 in its business-type and fiduciary fund statements as of June 30, 2022:

Business-type activities:

Investment type:

CSU Investment Pool	\$ 1,508,274
Money market funds	1,125,487
Mutual funds	865,134
Total investments	<u>\$ 3,498,895</u>

Fiduciary fund:

Investment type:

Money market funds	\$ 2,423,176
Total investments	<u>\$ 2,423,176</u>

Spartan Shops, Inc.
(A Component Unit of the California State University)

Notes to Financial Statements

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

Money market funds and mutual funds in business-type activities and fiduciary 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.

Business-Type Activities:

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, 2022.

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 insured limit of \$250,000. At June 30, 2022, \$1,368,493, Spartan Shops' bank balances exceed the federally insured amount.

Fiduciary Activities:

Investment policy: The board of directors of Spartan Shops approved the OPEB assets to be invested in money market funds for the year ended June 30, 2022.

Spartan Shops, Inc.
(A Component Unit of the California State University)

Notes to Financial Statements

Note 4. Capital Assets

Capital assets consist of the following at June 30:

	2021	Additions	CIP Transfers	Retirements and Other	2022
Capital assets not being depreciated:					
Land	\$ 2,310,000	\$ -	\$ -	\$ -	\$ 2,310,000
Construction in progress	1,025,677	458,207	(725,095)	-	758,789
Total capital assets not being depreciated	3,335,677	458,207	(725,095)	-	3,068,789
Capital assets being depreciated:					
Buildings	1,763,726	-	-	-	1,763,726
Leasehold improvements	5,890,181	726,426	633,583	-	7,250,190
Equipment, furniture and fixtures	7,910,519	53,350	91,512	(80,719)	7,974,662
Intangible assets	120,037	-	-	-	120,037
Total capital assets being depreciated	15,684,463	779,776	725,095	(80,719)	17,108,615
Total capital assets	19,020,140	1,237,983	-	(80,719)	20,177,404
Less accumulated depreciation:					
Buildings	(1,157,525)	(62,288)	-	-	(1,219,813)
Leasehold improvements	(1,393,643)	(515,774)	-	-	(1,909,417)
Equipment, furniture and fixtures	(5,259,473)	(721,158)	-	63,991	(5,916,640)
Intangible assets	(116,881)	(2,346)	-	-	(119,227)
Total accumulated depreciation	(7,927,522)	(1,301,566)	-	63,991	(9,165,097)
Net capital assets being depreciated	7,756,941	(521,790)	725,095	(16,728)	7,943,518
Net capital assets	\$ 11,092,618	\$ (63,583)	\$ -	\$ (16,728)	\$ 11,012,307

Depreciation and amortization expense is \$1,301,566 for the year ended June 30, 2022.

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 shares 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.
(A Component Unit of the California State University)

Notes to Financial Statements

Note 5. Notes Receivable (Continued)

As of June 30, 2022, there were 7 loans funded by the City. At June 30, 2022, the Spartan Shops receivable portion was \$420,000 less a present value discount of \$214,772. 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 \$5,131 was recorded assuming 2.5% default rate of a loan. Spartan Shops recorded bad debt expense of \$260 in fiscal year 2022. 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 consist of the following as of June 30, 2022:

Notes receivable	\$ 420,000
Less discount on notes receivable	(214,772)
Total notes receivable	<u>205,228</u>
Less allowance for doubtful accounts	(5,131)
Total notes receivable, net	<u><u>\$ 200,097</u></u>

As of June 30, 2022, the amount of principal of notes receivable for future fiscal years is as follows:

	<u>Principal</u>
Years ending June 30:	
2023-2027	\$ -
2027-2032	420,000
	<u><u>\$ 420,000</u></u>

Note 6. Lease Commitments

Spartan Shops entered into an operating and lease agreement with the SJSU from July 1, 2020, through June 30, 2025, 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. The lease covers the premises which include Spartan Bookstore, Residential Dining Commons, Student Union Food Facilities, MacQuarrie Retail and Administration Spaces, Student Residential Market, South Campus and CEFCU Stadium Catering and Concession Services, and Other Commercial Spaces as determined by the Campus. Under the lease agreement, Spartan Shops and the Campus negotiate the facility use fee on an annual basis after the reconciliation of year-end revenue as such this lease did not qualify as a lease under GASB 87. Should adverse economic conditions occur, which could jeopardize the profitability of Spartan Shops, both parties will confer and take appropriate actions to restore Spartan Shops' fiscal health while allowing the SJSU to meet its requirements and obligations. There are no future minimum or fixed lease payments. For the year ended June 30, 2022, Spartan Shops recorded a facility fee payment of \$157,099.

Spartan Shops, Inc.
(A Component Unit of the California State University)

Notes to Financial Statements

Note 7. 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. Effective January 1, 2015, CSURMA-AORMA joined the Public Risk Innovation, Solution, and Management (PRISM), (previously named CSAC Excess Insurance Authority) Excess Workers Compensation Program. PRISM 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.

As the Spartan Shops does not currently have paid employees, premiums allocated to Spartan Shops will be based on the program's required minimum premium. The premium for the current year was allocated to the Spartan Shops by 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 yet not reported claims. At June 30, 2022, 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 \$13,673 for the year ended June 30, 2022.

At June 30, 2022, there were 51 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 8. Related-Party Transactions

Spartan Shops' board of directors consists of six voting members. The majority of the voting members of Spartan Shops are appointed by the president of the University.

Spartan Shops, Inc.
(A Component Unit of the California State University)

Notes to Financial Statements

Note 8. Related-Party Transactions (Continued)

Spartan Shops leases certain properties from the University, a related party (see Note 6). Amounts payable to and from the University and related organizations are recorded on the statement of net position as accounts payable. Receivables and payables due to and from related parties were as follows as of June 30, 2022:

Receivable from Tower Foundation	\$ 2,540
Total related-party accounts receivable	<u>\$ 2,540</u>
Payable to SJSU	\$ 1,789,364
Payable to Student Union	18,238
Total related-party accounts payable	<u>\$ 1,807,602</u>

Note 9. 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 \$424 during the year ended June 30, 2022. There are no participants in the pension plan as of June 30, 2022.

Post-retirement health care benefits:

Plan description: In 2018, Spartan Shops entered into a shared services agreement with the University. The University covered the OPEB plan for the University staff who handled the finance and business services for Spartan Shops and Spartan Shops reimbursed the University for such cost. For the year ended June 30, 2022, these reimbursements were \$94,504.

Plan assets are held in an institutional trust with Principal Trust. As of June 30, 2022, the fair value measurements of the plan assets were \$2,423,176 in money market funds, which are categorized a Level 1 inputs. Spartan Shops accrued benefit reimbursement of \$86,455 for retiree benefits paid for the year ended June 30, 2022.

Benefits: Spartan Shops provides eligible retired participants with certain post-retirement 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 2022 a maximum monthly employer contribution was \$250 for employees or \$510 for the employee plus one covered person.

Spartan Shops, Inc.
(A Component Unit of the California State University)

Notes to Financial Statements

Note 9. Employee Benefits and Compensation Plan (Continued)

The following employees are included in the plan for the year ended June 30, 2022:

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

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 \$27,048 for the year ended June 30, 2022.

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 \$86,455 for the year ended June 30, 2022.

Total OPEB liability, fiduciary net position and net OPEB liability: In accordance with the provisions of GASB Statement No. 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, 2021, and measurement date is June 30, 2022.

Spartan Shops, Inc.
(A Component Unit of the California State University)

Notes to Financial Statements

Note 9. 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, 2022:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
Balance at June 30, 2021	\$ 1,447,381	\$ 2,435,533	\$ (988,152)
Changes during the Period:			
Service cost	-	-	-
Interest cost	25,727	-	25,727
Investment experience	-	(52,050)	52,050
Assumption changes	-	-	-
Plan experience	-	-	-
Benefit payments	(113,503)	(113,503)	-
Administrative expense	-	(4,523)	4,523
Employer contributions	-	27,048	(27,048)
Expected investment income	-	44,216	(44,216)
Net changes	(87,776)	(98,812)	11,036
Balance at June 30, 2022	<u>\$ 1,359,605</u>	<u>\$ 2,336,721</u>	<u>\$ (977,116)</u>

The following are the components of OPEB expense (benefit) for the year ended June 30, 2022:

Interest cost	\$ 25,727
Expected earnings on assets	(44,216)
Administrative expense	4,523
Implicit subsidy	(27,048)
Deferred inflows of resources:	
Investment experience	(19,780)
OPEB benefit	<u>\$ (60,794)</u>

The following are the reasons for the changes in deferred outflows for the year ended June 30, 2022:

	Deferred Outflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ 74,052
Total	<u>\$ 74,052</u>

Spartan Shops, Inc.
(A Component Unit of the California State University)

Notes to Financial Statements

Note 9. Employee Benefits and Compensation Plan (Continued)

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

Years ending June 30:		
2023		\$ 19,137
2024		23,963
2025		20,542
2026		10,410
Total		<u>\$ 74,052</u>

The discount rate used for the fiscal year ended 2022 is 1.85%. Health care cost trend rate was assumed to start at 5.7% fluctuating down to 4% by 2076. The impact of a 1% increase or decrease in these assumptions is shown in the chart below:

	1% Decrease	Current	Current + 1%
Change in Discount Rate	0.85%	1.85%	2.85%
Net OPEB asset	\$ 828,557	\$ 977,116	\$ 1,101,063

	1% Decrease	Current	Current + 1%
Change in Health Care Cost Trend Rate	4.7%	5.7%	6.7%
Net OPEB asset	\$ 1,038,848	\$ 977,116	\$ 885,372

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 1.85% was used based on the money market rate of return on the assets held as of June 30, 2022.

Long-term return on assets: Since Spartan Shops has prefunded over 172% 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 1.85% as of June 30, 2022.

Investment Class	Target Allocation	Long-Term Expected Real Rate of Return
Money market	100.00 %	1.85%
Total	<u>100.00 %</u>	

Spartan Shops, Inc.
(A Component Unit of the California State University)

Notes to Financial Statements

Note 9. Employee Benefits and Compensation Plan (Continued)

Participants valued: Only 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 years' levels are assumed to be 5.7% in 2022, 5.6% in 2023, 5.5% in 2024 and 5.4% in 2025 - 2026.

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.

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 10. Noncurrent Liabilities

Schedule of changes in noncurrent liabilities for the year ended June 30, 2022 is shown below:

	Beginning of Year	Addition	Reduction	End of Year	Amount Due in One Year
Unearned revenue - food services investment	\$ 7,197,587	\$ 1,019,283	\$ 460,971	\$ 7,755,899	\$ 466,379
Unearned revenue - signing bonuses	4,394,131	-	365,047	4,029,084	365,047
Unearned revenue- rental payment	-	3,969	-	3,969	3,969
Unearned revenue - prepaid commission	1,500,000	-	-	1,500,000	214,287
Total unearned revenue	<u>\$ 13,091,718</u>	<u>\$ 1,023,252</u>	<u>\$ 826,018</u>	<u>\$ 13,288,952</u>	<u>\$ 1,049,682</u>

Spartan Shops, Inc.
(A Component Unit of the California State University)

Notes to Financial Statements

Note 11. Bookstore Contract 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 immediately preceding year effective for fiscal years beginning after June 30, 2016. Due to the significant reduction in sales 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 guaranteed amount will recommence at 90% of the calculated commission of the 2020-2021 contract year.

Spartan Shops received \$559,726 in commission from Barnes & Noble for the fiscal year ended June 30, 2022.

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 an 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 operating revenue and recorded it as contributed assets—bookstore and dining services revenue for the depreciated bookstore facility investment for the fiscal year ended June 30, 2022, and \$100,000 each year in the subsequent years through the end of the contract terms.

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 bookstore facility investment balance as of June 30, 2022, is \$400,000.

Note 12. Dining Services Contract Management

Spartan Shops entered into an agreement with Chartwells, a division of Compass Group USA, 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.

Spartan Shops, Inc.
(A Component Unit of the California State University)

Notes to Financial Statements

Note 12. Dining Services Contract Management (Continued)

The agreement is effective from July 5, 2018 through June 30, 2028, and may thereafter be renewed upon mutual written agreement for one successive period of seven years through June 30, 2035. For the period from July 2018 through the year ended June 30, 2022, Spartan Shops retained all revenue from operation and reimbursed Chartwells for the cost of business (referred to as a cost of business model). Cost of business included all Chartwells labor, cost of all products, merchandise, materials, supplies, and the cost of all other operating expenses including depreciation for the first 3 years and excluding depreciation for the current fiscal year. Management fee of \$400 thousand was paid on year 2 and year 3 only. The net of revenue and cost of business resulted in an overall profit from operations which was recorded as dining contract management revenue to Spartan Shops for the year end June 30, 2022.

Beginning July 1, 2022- June 30, 2028, Chartwells will pay commissions to Spartan Shops based on gross sales (referred to as the profit loss model) rather than the cost of business model. Commissions will be as follows:

Meal plans	11% until new dining commons open: 12% thereafter
Retail food sales	7%
Catering internal and external	10%
Conference	10%
Spartan Stadium	10%
Hammer Theatre	10%
Event Center	10%
Subcontractor sales	2.50%

Spartan Shops distributed weekly meal plan funds to Chartwells based on daily rates and usage and recorded \$286 thousand as unused meal plan revenue at the end of the academic year.

In addition to commissions above, Chartwells is committed to fund capital improvement, signing bonus payments, and pre-opening/transition expenses in a total sum not to exceed \$20,877,066 starting from July 2018 through June 2035. The investment will be made throughout the lease term and amortized on a straight-line basis from when the project is placed in service through June 30, 2035, with the exception of a few investment items with a shorter amortization schedule. Spartan Shops shall hold title to items funded by the Investment. Due to there being no fixed payment portion of the lease contract each year, a lease receivable and deferred outflow was not recorded related to this lease under GASB 87.

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 capital investment immediately upon expiration or termination. For this reason, Spartan Shops has recorded deferred revenue in the amount of the donated capital assets each year and is amortizing the contributed assets over the remaining lease term when the project is placed in service. In the event the agreement expires or is terminated before any disbursements are scheduled to be made, Chartwells will not advance such additional disbursements. In addition to the contributed assets each year, Spartan Shops received \$4.25 million signing bonus and partnership bonus and recorded the amortization of \$265 thousand as dining contract management revenue for the fiscal year ended June 30, 2022. Spartan Shops received \$1.5 million advance commission in March 2021. The annual amount of \$107,143 of the advance commission payment shall be offset with the annual commission payment received in future years starting July 1, 2021, through the remainder of the term.

Spartan Shops, Inc.
(A Component Unit of the California State University)

Notes to Financial Statements

Note 12. Dining Services Contract Management (Continued)

During the year ended June 30, 2022, Chartwells contributed \$1,019,283 in capital assets which summed to a total of \$9,330,972 in the capital assets investment. Of this total investment of \$9,330,972, Spartan Shops amortized \$1,575,073 of contributed capital assets through June 30, 2022, resulting in deferred revenue remaining of \$7,755,899. During the year ended June 30, 2022, \$460,971 of deferred revenue related to Chartwell's capital investments was recorded as contributed assets—bookstore and dining services based on the remaining term of the lease.

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. The Company received \$86,226 of retail food services contribution and due to the financial constraint caused by the pandemic, Chartwells and Spartan Shops agreed that Chartwells shall not provide cash funding for fiscal year ended June 30, 2022.

Spartan Shops, Inc.
(A Component Unit of the California State University)

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

	2022	2021	2020	2019	2018
Total OPEB liability					
Service cost	\$ -	\$ -	\$ -	\$ 59,490	\$ 57,617
Interest	25,727	32,175	38,328	25,231	25,600
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	-	(180,926)	-	(201,421)	-
Changes in assumptions	-	(245,681)	54,046	(298,414)	-
Benefit payments	(113,503)	(101,690)	(130,513)	(133,652)	(110,302)
Net change in total OPEB liability	(87,776)	(496,122)	(38,139)	(548,766)	(27,085)
Total OPEB liability - beginning	1,447,381	1,943,503	1,981,642	2,530,408	2,557,493
Total OPEB liability - ending (a)	<u>\$ 1,359,605</u>	<u>\$ 1,447,381</u>	<u>\$ 1,943,503</u>	<u>\$ 1,981,642</u>	<u>\$ 2,530,408</u>
Plan fiduciary net position					
Contributions - employer	\$ 27,048	\$ 12,616	\$ 36,465	\$ 37,962	\$ 110,302
Net investment income	3,226	3,149	33,820	50,076	218,853
Benefit payments	(113,208)	(101,376)	(130,513)	(133,652)	(110,302)
Administrative expense	(15,878)	(11,816)	(1,500)	(1,525)	(7,093)
Net change in plan fiduciary net position	(98,812)	(97,427)	(61,728)	(47,139)	211,760
Plan fiduciary net position - beginning	2,435,533	2,532,960	2,594,688	2,641,827	2,430,067
Plan fiduciary net position - ending (b)	<u>\$ 2,336,721</u>	<u>\$ 2,435,533</u>	<u>\$ 2,532,960</u>	<u>\$ 2,594,688</u>	<u>\$ 2,641,827</u>
Net OPEB liability (asset) - ending (a)-(b)	\$ (977,116)	\$ (988,152)	\$ (589,457)	\$ (613,046)	\$ (111,419)
Plan fiduciary net position as a percentage of the total OPEB liability	172%	168%	130%	131%	104%
Covered payroll	NA	NA	NA	NA	265,697
Net OPEB liability as a percentage of covered payroll	NA	NA	NA	NA	-41.93%

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

Covered payroll is N/A in 2022, 2021, 2020 and 2019 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.
(A Component Unit of the California State University)

Schedule of Contributions—Last Ten Years

	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	27,048	12,616	36,465	37,962	110,302
Contribution deficiency (excess)	\$ (27,048)	\$ (12,616)	\$ (36,465)	\$ (37,962)	\$ 110,302
Covered payroll	NA	NA	NA	NA	\$ 265,697
Contributions as a percentage of covered payroll	NA	NA	NA	NA	41.51%

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

Covered payroll is N/A in 2022, 2021, 2020 and 2019 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, 2022
(for inclusion in the California State University Financial Statements)

Assets:	
Current assets:	
Cash and cash equivalents	1,863,234
Short-term investments	3,498,895
Accounts receivable, net	972,155
Lease receivables, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	-
Prepaid expenses and other current assets	-
Total current assets	6,334,284
Noncurrent assets:	
Restricted cash and cash equivalents	-
Accounts receivable, net	-
Lease receivables, net of current portion	-
Notes receivable, net of current portion	200,097
Student loans receivable, net	-
Pledges receivable, net	-
Endowment investments	-
Other long-term investments	-
Capital assets, net	11,012,307
Other assets	977,116
Total noncurrent assets	12,189,520
Total assets	18,523,804
Deferred outflows of resources:	
Unamortized loss on debt refunding	-
Net pension liability	-
Net OPEB liability	74,052
Leases	-
Others	-
Total deferred outflows of resources	74,052
Liabilities:	
Current liabilities:	
Accounts payable	2,438,918
Accrued salaries and benefits	5,453
Accrued compensated absences, current portion	-
Unearned revenues	1,049,682
Lease liabilities, current portion	-
Long-term debt obligations, current portion	-
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	252,818
Total current liabilities	3,746,871
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	-
Unearned revenues	12,239,270
Grants refundable	-
Lease liabilities, 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	12,239,270
Total liabilities	15,986,141
Deferred inflows of resources:	
Service concession arrangements	-
Net pension liability	-
Net OPEB liability	-
Unamortized gain on debt refunding	-
Nonexchange transactions	-
Lease	-
Others	-
Total deferred inflows of resources	-
Net position:	
Net investment in capital assets	11,012,307
Restricted for:	
Nonexpendable – endowments	-
Expendable:	
Scholarships and fellowships	-
Research	-
Loans	-
Capital projects	-
Debt service	-
Others	-
Unrestricted	(8,400,592)
Total net position	2,611,715

Spartan Shops, Inc.
Schedule of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2022
(for inclusion in the California State University Financial Statements)

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	234,257
Scholarship allowances (enter as negative)	-
Other operating revenues	2,200,796

Total operating revenues

2,435,053

Expenses:

Operating expenses:

Instruction	-
Research	-
Public service	-
Academic support	-
Student services	-
Institutional support	-
Operation and maintenance of plant	-
Student grants and scholarships	-
Auxiliary enterprise expenses	1,773,476
Depreciation and amortization	1,301,566

Total operating expenses

3,075,042

Operating income (loss)

(639,989)

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	22,205
Endowment income (loss), net	-
Interest expense	-
Other nonoperating revenues (expenses)	52,103

Net nonoperating revenues (expenses)

74,308

Income (loss) before other revenues (expenses)

(565,681)

State appropriations, capital	-
Grants and gifts, capital	-
Additions (reductions) to permanent endowments	-
Increase (decrease) in net position	<u>(565,681)</u>

Net position:

Net position at beginning of year, as previously reported	3,177,396
Restatements	-
Net position at beginning of year, as restated	<u>3,177,396</u>
Net position at end of year	<u>2,611,715</u>

Spartan Shops, Inc.
(A Component Unit of the California State University)

Other Information
June 30, 2022
(for inclusion in the California State University)

1 Cash and cash equivalents:

Portion of restricted cash and cash equivalents related to endowments

All other restricted cash and cash equivalents

Noncurrent restricted cash and cash equivalents

Current cash and cash equivalents

Total

-
1,863,234
\$ 1,863,234

2.1 Composition of investments:

Investment Type	Current	Noncurrent	Total
Money market funds	\$ 1,125,487		1,125,487.00
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	865,134		865,134
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)	1,508,274		1,508,274
State of California Local Agency Investment Fund (LAIF)			-
State of California Surplus Money Investment Fund (SMIF)			-
Other investments:			-
			-
			-
			-
			-
			-
Total Other investments	-	-	-
Total investments	3,498,895	-	3,498,895
Less endowment investments (enter as negative number)			-
Total investments, net of endowments	\$ 3,498,895	-	3,498,895

Spartan Shops, Inc.
(A Component Unit of the California State University)

Other Information
June 30, 2022
(for inclusion in the California State University)

2.2 Fair value hierarchy in investments:

Investment Type	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Money market funds	\$ 1,125,487	1,125,487			
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	865,134	865,134			
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)	1,508,274				1,508,274
State of California Local Agency Investment Fund (LAIF)	-				
State of California Surplus Money Investment Fund (SMIF)	-				
Other investments:	-				
	-				
	-				
	-				
	-				
	-				
Total Other investments	\$ -	-	-	-	-
Total investments	3,498,895	1,990,621	-	-	1,508,274

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):	1,508,274	-	\$ 1,508,274

Spartan Shops, Inc.
(A Component Unit of the California State University)

Other Information
June 30, 2022
(for inclusion in the California State University)

3.1 Composition of capital assets:

	Balance June 30, 2021	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2021 (Restated)	Additions	Retirements	Transfer of completed CWIP/PWIP	Balance June 30, 2022
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)	1,025,677				1,025,677	458,207		(725,095)	758,789
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	\$ 3,335,677				\$ 3,335,677	458,207		(725,095)	\$ 3,068,789
Depreciable/Amortizable capital assets:									
Buildings and building improvements	1,763,726				1,763,726				1,763,726
Improvements, other than buildings					-				-
Infrastructure					-				-
Leasehold improvements	5,890,181				5,890,181	726,426		633,583	7,250,190
Personal property:									
Equipment	7,910,519				7,910,519	53,350	(80,719)	91,512	7,974,662
Library books and materials					-				-
Intangible assets:									
Software and websites	108,021				108,021				108,021
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	120,037				120,037				120,037
Total depreciable/amortizable capital assets	15,684,463				15,684,463	779,776	(80,719)	725,095	17,108,615
Total capital assets	\$ 19,020,140				\$ 19,020,140	1,237,983	(80,719)		\$ 20,177,404
Less accumulated depreciation/amortization: (enter as negative number, except for reductions enter as positive number)									
Buildings and building improvements	(1,157,525)				(1,157,525)	(62,288)			(1,219,813)
Improvements, other than buildings					-				-
Infrastructure					-				-
Leasehold improvements	(1,393,643)				(1,393,643)	(515,774)			(1,909,417)
Personal property:									
Equipment	(5,259,473)				(5,259,473)	(721,158)	63,991		(5,916,640)
Library books and materials					-				-
Intangible assets:									
Software and websites	(105,524)				(105,524)	(1,688)			(107,212)
Rights and easements					-				-
Patents, copyrights and trademarks					-				-
Licenses and permits	(11,357)				(11,357)	(658)			(12,015)
Other intangible assets:					-				-
					-				-
					-				-
					-				-
					-				-
Total Other intangible assets:	-	-	-	-	-	-	-	-	-
Total intangible assets	(116,881)				(116,881)	(2,346)			(119,227)
Total accumulated depreciation/amortization	(7,927,522)				(7,927,522)	(1,301,506)	63,991		(9,165,097)
Total capital assets, net excluding lease assets	\$ 11,092,618				\$ 11,092,618	(63,583)	(16,728)		11,012,307
Lease assets, net									
Total capital assets, net									11,012,307

Spartan Shops, Inc.
(A Component Unit of the California State University)

Other Information
June 30, 2022
(for inclusion in the California State University)

Composition of lease assets:	Balance June 30, 2021	Additions	Remeasurements	Reductions	Balance June 30, 2022
Non-depreciable/Non-amortizable lease assets:					
Land and land improvements				\$	-
Total non-depreciable/non-amortizable lease assets	-	-	-	-	-
Depreciable/Amortizable lease assets:					
Land and land improvements					-
Buildings and building improvements					-
Improvements, other than buildings					-
Infrastructure					-
Personal property:					
Equipment					-
Total depreciable/amortizable lease assets	-	-	-	-	-
Less accumulated depreciation/amortization: (enter as negative number, except for reductions enter as positive number)					
Land and land improvements					-
Buildings and building improvements					-
Improvements, other than buildings					-
Infrastructure					-
Personal property:					
Equipment					-
Total accumulated depreciation/amortization	-	-	-	-	-
Total lease assets, net	\$ -	-	-	-	\$ -
3.2 Detail of depreciation and amortization expense:					
Depreciation and amortization expense related to capital assets	\$	1,301,566			
Amortization expense related to other assets					
Total depreciation and amortization	\$	<u>1,301,566</u>			

**Spartan Shops, Inc.
(A Component Unit of the California State University)**

**Other Information
June 30, 2022
(for inclusion in the California State University)**

4 Long-term liabilities:

	Balance June 30, 2021	Prior Period Adjustments/Reclassifications	Balance June 30, 2021 (Restated)	Additions	Reductions	Balance June 30, 2022	Current Portion	Noncurrent Portion
1. Accrued compensated absences	\$ 4,445		4,445		(4,445)	\$ -		\$ -
2. Claims liability for losses and loss adjustment expenses	-		-			-		-
3. Capital lease obligations:								
Gross balance	-		-			-		-
Unamortized net premium/(discount)	-		-			-		-
Total capital lease obligations	\$ -	-	-	-	-	-	-	-
4. Long-term debt obligations:								
4.1 Auxiliary revenue bonds (non-SRB related)	\$ -		-			\$ -		-
4.2 Commercial paper	-		-			-		-
4.3 Notes payable (SRB related)	-		-			-		-
4.4 Others:								
-	-		-			-		-
-	-		-			-		-
-	-		-			-		-
-	-		-			-		-
-	-		-			-		-
Total others	-	-	-	-	-	-	-	-
Sub-total long-term debt	\$ -	-	-	-	-	\$ -	-	-
4.5 Unamortized net bond premium/(discount)	-		-			-		-
Total long-term debt obligations	-	-	-	-	-	-	-	-
5. Lease Liabilities								
Total long-term liabilities								
Lease liabilities	Balance	Additions	Remeasurements	Reductions	June 30, 2022	Current Portion	Noncurrent Portion	
Total	\$ -	-	-	-	-	\$ -	-	-

Spartan Shops, Inc.
(A Component Unit of the California State University)

Other Information
June 30, 2022
(for inclusion in the California State University)

5 Lease Liabilities schedule:

	Lease Liabilities related to SRB			All other lease liabilities			Total lease liabilities		
	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:									
2023			-			-			-
2024			-			-			-
2025			-			-			-
2026			-			-			-
2027			-			-			-
2028 - 2032			-			-			-
2033 - 2037			-			-			-
2038 - 2042			-			-			-
2043 - 2047			-			-			-
2048 - 2052			-			-			-
Thereafter			-			-			-
Total minimum lease payments	\$ -	-	-	-	-	-	-	-	-
Less: amounts representing interest									-
Present value of future minimum lease payments									-
Total lease liabilities									-
Less: current portion									-
Lease liabilities, net of current portion									\$ -

6 Long-term debt obligations schedule:

	Auxiliary revenue bonds (non-SRB related)			All other long-term debt obligations			Total long-term debt obligations		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
Year ending June 30:									
2023			-			-			-
2024			-			-			-
2025			-			-			-
2026			-			-			-
2027			-			-			-
2028 - 2032			-			-			-
2033 - 2037			-			-			-
2038 - 2042			-			-			-
2043 - 2047			-			-			-
2048 - 2052			-			-			-
Thereafter			-			-			-
Total minimum payments	\$ -	-	-	-	-	-	-	-	-
Less: amounts representing interest									-
Present value of future minimum payments									-
Unamortized net premium/(discount)									-
Total long-term debt obligations									-
Less: current portion									-
Long-term debt obligations, net of current portion									\$ -

Spartan Shops, Inc.
(A Component Unit of the California State University)

Other Information
June 30, 2022
(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	532,194
Payments to University for other than salaries of University personnel	599,192
Payments received from University for services, space, and programs	13,103,336
Gifts-in-kind to the University from discretely presented component units	
Gifts (cash or assets) to the University from discretely presented component units	
Accounts (payable to) University (enter as negative number)	(1,789,364)
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	-
Restatement #2	-
	-

Spartan Shops, Inc.
(A Component Unit of the California State University)

Other Information
June 30, 2022
(for inclusion in the California State University)

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	-	-	-	-	-	-	-	-
Operation and maintenance of plant	-	-	-	-	-	-	-	-
Student grants and scholarships	-	-	-	-	-	-	-	-
Auxiliary enterprise expenses	11,955	4,391	-	(60,794)	-	1,817,924	-	1,773,476
Depreciation and amortization	-	-	-	-	-	-	1,301,566	1,301,566
Total operating expenses	\$ 11,955	4,391	-	(60,794)	-	1,817,924	1,301,566	3,075,042

Spartan Shops, Inc.
(A Component Unit of the California State University)

Other Information
June 30, 2022
(for inclusion in the California State University)

10 Deferred outflows/inflows of resources:

1. Deferred Outflows of Resources

Deferred outflows - unamortized loss on refunding(s)	
Deferred outflows - net pension liability	
Deferred outflows - net OPEB liability	74,052
Deferred outflows - leases	
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	\$ 74,052

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 - leases	
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	\$ -

11 Other nonoperating revenues (expenses)

Other nonoperating revenues	52,103
Other nonoperating (expenses)	
Total other nonoperating revenues (expenses)	\$ 52,103

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards***

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of business-type and fiduciary activities of the Spartan Shops, Inc. (Spartan Shops), a component unit of California State University as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Spartan Shops' basic financial statements, and have issued our report thereon dated October 12, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Spartan Shops' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Spartan Shops' internal control. Accordingly, we do not express an opinion on the effectiveness of the Spartan Shops' internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

RSM US LLP

San José, California
October 12, 2022