

FRANCISCAN SHOPS  
(OPERATING AS SFSU BOOKSTORE)

JUNE 30, 2009 AND 2008

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INDEPENDENT AUDITORS' REPORT,

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

**Franciscan Shops  
(Operating as SFSU Bookstore)**

**Independent Auditors' Report,  
Financial Statements and  
Supplementary Information**

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## Independent Auditors' Report

THE BOARD OF DIRECTORS  
FRANCISCAN SHOPS  
(OPERATING AS SFSU BOOKSTORE)  
San Francisco, California

We have audited the accompanying statement of financial position of **FRANCISCAN SHOPS (operating as SFSU Bookstore)** as of June 30, 2009 and 2008, and the related statements of activity and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Franciscan Shops' (operating as SFSU Bookstore's) management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bookstore as of June 30, 2009 and 2008, and the results of its activities and changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Hood & Strong LLP*

September 15, 2009

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**Franciscan Shops**  
**(Operating as SFSU Bookstore)**

**Statement of Financial Position**

<i>June 30,</i>	2009	2008
<b>Assets</b>		
<b>Current Assets:</b>		
Cash	\$ 121,054	\$ 54,649
Investments	1,362,481	843,427
Accounts receivable (less allowance for doubtful accounts of \$10,014 in both 2009 and 2008)	117,995	130,472
Other receivable	116	-
Inventory	2,759,931	2,869,310
Prepaid expenses	48,256	55,955
Total current assets	4,409,833	3,953,813
<b>Long-Term Assets:</b>		
Long term investments	1,852,220	2,177,156
Equipment and leasehold improvements, net	1,231,731	1,385,464
Total long-term assets	3,083,951	3,562,620
<b>Total Assets</b>	<b>\$ 7,493,784</b>	<b>\$ 7,516,433</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 1,882,902	\$ 1,664,101
Accrued liabilities	192,801	198,983
Current maturities of note payable	129,926	124,304
Total current liabilities	2,205,629	1,987,388
<b>Long Term Liabilities:</b>		
Note payable, net of current maturities	502,793	632,719
Total long-term liabilities	502,793	632,719
Total liabilities	2,708,422	2,620,107
<b>Net Assets:</b>		
Unrestricted:		
General	2,933,142	2,719,170
Board Designated:		
Long term reserves	1,852,220	2,177,156
Total net assets	4,785,362	4,896,326
<b>Total Liabilities and Net Assets</b>	<b>\$ 7,493,784</b>	<b>\$ 7,516,433</b>

**Franciscan Shops**  
**(Operating as SFSU Bookstore)**

**Statement of Activity and Changes in Net Assets**

<i>Year Ended June 30,</i>	2009	2008
<b>Revenue and Support:</b>		
Sales, net	\$ 18,322,568	\$ 18,848,645
Less: cost of goods sold	13,520,057	14,073,626
Gross profit on sales	4,802,511	4,775,019
Commissions and other operating service income	702,273	582,788
<b>Total operating revenue</b>	<b>5,504,784</b>	<b>5,357,807</b>
<b>Expenses:</b>		
Salaries and wages	2,672,160	2,598,344
Employee benefits	415,831	380,232
Occupancy	580,043	579,838
Merchant discount	321,077	326,272
Telephone and utilities	54,993	56,589
Supplies	51,165	57,174
Insurance	53,448	50,446
Depreciation and amortization	403,914	388,844
Professional fees	126,145	134,579
Repairs and maintenance	153,618	120,369
Advertising and promotions	237,735	116,789
Bad debts	870	1,815
Travel, food and lodging	14,439	22,416
Bank service fees	9,861	10,588
Duplicating	88,793	123,714
Dues and subscriptions	14,709	11,768
Recruiting expense	957	1,663
Other expense	23,302	12,170
<b>Total operating expenses</b>	<b>5,223,060</b>	<b>4,993,610</b>
<b>Net Operating Revenue</b>	<b>281,724</b>	<b>364,197</b>
<b>Non Operating Income (Expense)</b>		
Net unrealized loss on investments	(374,197)	(81,548)
Interest income	95,470	152,311
Interest expense	(32,943)	(37,808)
Contributions to San Francisco State University	(81,018)	(325,768)
<b>Change in Unrestricted Net Assets</b>	<b>(110,964)</b>	<b>71,384</b>
<b>Unrestricted Net Assets - Beginning of year</b>	<b>4,896,326</b>	<b>4,824,942</b>
<b>Unrestricted Net Assets - End of year</b>	<b>\$ 4,785,362</b>	<b>\$ 4,896,326</b>

**Franciscan Shops**  
**(Operating as SFSU Bookstore)**

**Statement of Cash Flows**

<i>Year Ended June 30,</i>	2009	2008
<b>Operating Activities:</b>		
Change in net assets	\$ (110,964)	\$ 71,384
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	403,914	388,844
Net unrealized loss on investments	374,197	81,548
Loss on disposal of leaseholds improvements and equipment	8,145	
Changes in operating assets and liabilities		
Accounts receivable	12,477	(54,387)
Other receivable	(116)	6,085
Inventory	109,379	(28,930)
Prepaid expenses	7,699	(5,325)
Accounts payable	218,801	16,087
Accrued liabilities	(6,182)	(5,500)
<b>Net cash provided by operating activities</b>	<b>1,017,350</b>	<b>469,806</b>
<b>Investing Activities:</b>		
Purchase of equipment and leasehold improvements	(258,326)	(97,482)
Purchase of investments	(21,881,619)	(21,681,332)
Proceeds from sales and maturities of investments	21,313,304	20,064,786
<b>Net cash used by investing activities</b>	<b>(826,641)</b>	<b>(1,714,028)</b>
<b>Financing Activities:</b>		
Principal payment on note payable	(124,304)	(118,925)
<b>Net cash used by financing activities</b>	<b>(124,304)</b>	<b>(118,925)</b>
<b>Increase (Decrease) in Cash</b>	<b>66,405</b>	<b>(1,363,147)</b>
<b>Cash, beginning of year</b>	<b>54,649</b>	<b>1,417,796</b>
<b>Cash, end of year</b>	<b>\$ 121,054</b>	<b>\$ 54,649</b>
<b>Supplementary Disclosure:</b>		
Interest paid	\$ 32,943	\$ 37,808

**Franciscan Shops  
(Operating as SFSU Bookstore)**

**Notes to Financial Statements**

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**Note 1 - Organization and Summary of Significant Accounting Policies:**

The Franciscan Shops, which operates as the San Francisco State University Bookstore (the Bookstore), is a not-for-profit organization and functions as an auxiliary organization for San Francisco State University. The Bookstore was established for the purpose of promoting and assisting the educational services, development, maintenance and operations of San Francisco State University. The Bookstore provides commercial services to the campus community through the operation of the bookstore and convenience stores at San Francisco State University.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

a. Basis of Presentation

The financial statements of the Bookstore are prepared using the accrual basis of accounting.

b. Cash

The Bookstore considers cash to include only cash on hand and cash in the bank. All short-term investments with a maturity of 90 days or less are classified as investments.

c. Investments

Investments are carried at fair value which approximates cost. Investments include all investments regardless of their maturity date and consist of both Local Agency Investment Fund (LAIF) which is a pooled money investment account and investments in U.S. Treasury/Agency securities.

d. Inventory

Inventory is stated at the lower of cost or market. Cost is determined by the retail method.

e. Equipment and Leasehold Improvements

Equipment and leasehold improvements are capitalized at cost when purchased. Depreciation and amortization are provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, 3 to 25 years, using the straight-line method. Leasehold improvements are amortized over the estimated service lives or length of lease, whichever is shorter.

f. Net Assets

The net assets of the Bookstore are reported as unrestricted because there are no donor-imposed stipulations.

**Franciscan Shops**  
**(Operating as SFSU Bookstore)**

**Notes to Financial Statements**

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As of September 2009, the board of directors had designated \$1,852,220 in reserves for capital expenditures when the Bookstore lease term with the Student Center eventually expires.

g. Revenue Recognition

Revenue is recognized when the title and the risk of ownership transfers to customers, which generally occurs upon a sale of merchandise at the Bookstore. In the accompanying statements of activities, revenues are recorded net of allowances, discounts and returns.

h. Income Taxes

The Bookstore has been determined to be tax exempt from income tax by the Internal Revenue Service and the California Franchise Tax Board pursuant to Sections 501(c)(3) and 23701(d), of the Internal Revenue Code and the California Revenue and Taxation Code, respectively. The Bookstore is, however, subject to income taxes on any unrelated business activity.

i. Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as revenues and expenses during the reporting period. Actual results could differ from those estimates.

j. Sales Tax

Sales tax collected from customers is recorded on a net basis. For the fiscal years ended June 30, 2009 and 2008, the Bookstore's sales tax amount collected from customers approximates \$1,537,000 and \$1,556,000, respectively, and have been recorded on a net basis.

k. Recent Accounting Pronouncements

Accounting for Uncertainty in Income Taxes - In July 2006, the Financial Accounting Standards Board (FASB) issued Financial Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with Statement No. 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure, and transition.

**Franciscan Shops**  
**(Operating as SFSU Bookstore)**

**Notes to Financial Statements**

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In December 2008, the FASB provided for a deferral of the effective date of FIN 48 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2008. The Bookstore has elected this deferral and accordingly will be required to adopt FIN 48 in its 2009 annual financial statements. Prior to adoption of FIN 48, the Bookstore will continue to evaluate its uncertain tax positions and related income tax contingencies under Statement No. 5, Accounting for Contingencies. SFAS No. 5 requires the Bookstore to accrue for losses it believes are probable and can be reasonably estimated. Management does not anticipate that the adoption of FIN 48 will have a material impact on its financial position or results of operations.

**Note 2 - Investments:**

Investments at June 30, 2009 and 2008 are held by:

	2009	2008
Current		
LAIF	\$ 1,323,336	\$ 824,220
Money market mutual funds	39,145	19,207
Noncurrent		
Equity securities	963,787	1,255,795
U.S. Government and Federal Agency and Corporate bonds	888,433	921,361
	<hr/>	<hr/>
	\$ 3,214,701	\$ 3,020,583

**Note 3 - Fair Value of Financial Instruments:**

The Bookstore adopted Statement of Financial Accounting Standards No. 157, Fair Value Measurements, (FAS 157) as of July 1, 2008, for all financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). FAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

FAS 157 defines fair value as the price that would be received upon sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of non performance risk including the Bookstore's own credit risk.

**Franciscan Shops**  
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**Notes to Financial Statements**

In addition to defining fair value, FAS 157 expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

- Level 1 Quoted market prices in active markets for identical assets or liabilities.
- Level 2 Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3 Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Bookstore performed an analysis of the assets and liabilities that are subject to FAS 157. Any assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. The Bookstore does not hold any Level 3 assets or liabilities. The adoption of FAS 157 had no material impact to the financial statements.

	2009		
	Quoted Prices In Active Markets for Identical Instruments (Level 1)	Significant Other Inputs (Level 2)	Total
LAIF		\$ 1,323,336	\$ 1,323,336
Money market mutual funds	\$ 50,949		50,949
Equity securities	963,787		963,787
U.S. Government and Federal Agency and corporate bonds		876,629	876,629
	\$ 1,014,736	\$ 2,199,965	\$ 3,214,701

**Franciscan Shops**  
**(Operating as SFSU Bookstore)**

**Notes to Financial Statements**

**Note 4 - Inventory:**

Inventory held for resale at June 30, 2009 and 2008 consists of the following:

	2009	2008
New text	\$ 776,601	\$ 853,830
Used text	454,104	461,906
General books and bulletins	513,035	621,611
Computers and convenient stores	430,351	272,683
Supplies, gifts and general inventory	625,840	699,280
	2,799,931	2,909,310
Less: allowance for obsolete inventory	(40,000)	(40,000)
	\$ 2,759,931	\$ 2,869,310

**Note 5 - Equipment and Leasehold Improvements:**

Equipment and leasehold improvements at June 30, 2009 and 2008 consist of the following:

	2009	2008
Machinery and equipment	\$ 550,207	\$ 497,366
Furniture and fixtures	1,102,383	1,087,680
Leasehold improvements	3,030,788	2,924,141
Computer software	439,333	391,998
	5,122,711	4,901,185
Less accumulated depreciation and amortization	(3,890,980)	(3,515,721)
	\$ 1,231,731	\$ 1,385,464

**Note 6 - Accounts Payable:**

Accounts payable is reported net of approximately \$176,000 and \$207,000 of vendor credits as of June 30, 2009 and 2008, respectively. Such credits are issued by publishers on returned items. The credits are either used to offset future purchases from the same vendor, redeemed in cash or sold to other bookstores. Management believes no provision is needed for unused vendor credits.

**Franciscan Shops**  
**(Operating as SFSU Bookstore)**

**Notes to Financial Statements**

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**Note 7 - Note Payable:**

The note payable is to the San Francisco State University Student Center. The note proceeds were used for certain improvements to the Bookstore in the Cesar Chavez Student Center as part of the "Student Center Renovation and Expansion Project." The note bears interest at 4.48% per annum and matures on September 25, 2013. Payments of \$78,395, including interest, are due semi-annually.

Aggregate maturities of note payable reported by the Bookstore following June 30, 2009 are as follows:

Year Ending June 30,	
2010	\$ 129,926
2011	135,803
2012	141,945
2013	141,945
2014	83,100
	<hr/>
	\$ 632,719

**Note 8 - Commitments:**

The Bookstore subleases its commercial and office space from San Francisco State University Student Center (the Student Center), a related party. The property being subleased is leased by the Student Center, from the Board of Trustees of the California State University, who in turn subleases to the Bookstore. Both the Bookstore and Student Union are auxiliary organizations operating under the authority of the Board of Trustees of the California State University. The sublease extends to June 30, 2020 but is subject to the master lease between the Student Center and the Trustees which extends through June 2009. Starting July 1, 2009, the Bookstore is operating on a month to month lease basis but both Management of the Bookstore and the Student Center intend to extend the lease which will probably be for a five year period (the maximum term allowed by the master lease between the Student Center and the Trustees). The Bookstore also leased warehouse space through June 2008.

The sublease and warehouse leases for the fiscal year ending June 30, 2009 are on a month to month basis.

Total occupancy expense for the year ended June 30, 2009 and 2008 was \$580,043 and \$579,836, respectively.

**Franciscan Shops**  
**(Operating as SFSU Bookstore)**

**Notes to Financial Statements**

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Effective for the fiscal year ending June 30, 2006, FASB Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations (“FIN 47”), provides interpretative guidance for Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations (“SFAS 143”). SFAS 143 and FIN 47 require entities to record an asset and a corresponding liability equal to the discounted future obligation associated with the retirement of long lived tangible assets when an unconditional obligation to perform a retirement activity exists. The asset is subsequently depreciated over the useful life of the related improvements and the liability is accreted to the estimated future obligation.

Upon termination of its sublease with the Student Center, the Bookstore could be required to remove at its own expense certain improvements it made to the property during the term of the sublease.

In the fiscal year ended June 30, 2006, the Bookstore and San Francisco State University have made an estimate of the cost of its conditional asset retirement obligation relating to the removal of certain improvements made to the property during the term of the sublease (the requirement). The estimate was developed in accordance with FIN 47 and, based on the probability factor applied, was determined to be immaterial to both the statements of financial position and activity and changes in net assets. The estimate has not been changed as of June 30, 2009. Additionally, management of both the Bookstore and San Francisco State University believe the Student Center has no intention to exercise the requirement.

**Note 9 - Retirement Plan:**

The Bookstore has a defined contribution plan, The Franciscan Shops Profit Sharing Plan (the Plan), through which salaried employees may accumulate funds for their retirement. Contributions by the Bookstore are made at the discretion of the Board of Directors. The Bookstore added a 401(k) feature to the existing Profit Sharing Plan effective March 1, 2006. The Bookstore contributed approximately \$190,000 and \$161,000 to the Plans for fiscal years 2009 and 2008, respectively.

**Note 10 - Transactions with Affiliates and Related Parties:**

The Bookstore sells computer equipment, supplies and other merchandise to San Francisco State University (the University). Sales to the University for fiscal 2009 and 2008 were approximately \$517,000 and \$690,000, respectively. Accounts receivable from the University as of June 30, 2009 and 2008 were \$54,063 and \$86,109, respectively. Accounts payable to the University as of June 30, 2009 and 2008 were \$24,978 and \$12,363, respectively.

In the normal course of business, the Bookstore conducts business with the other affiliated San Francisco State University Auxiliary Organizations. Accounts payable to an auxiliary organization as of June 30, 2009 was \$41,000. Revenue transactions amounted to approximately \$106,000 and \$71,000, respectively for the years ended June 30, 2009 and 2008, and expense transactions amounted to approximately \$588,000 and \$589,000 respectively, for the years ended June 30, 2009 and 2008.

**Franciscan Shops**  
**(Operating as SFSU Bookstore)**

**Notes to Financial Statements**

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During fiscal year 2009 and 2008, the Bookstore made contributions to the University of approximately \$81,000 and \$326,000, respectively. The amounts are reflected as contribution expense in the statement of activity and changes in net assets.

**Note 11 - Concentration of Risk:**

The Bookstore has defined its financial instruments which are potentially subject to risk as cash and investments in both the Local Agency Investment Fund (“LAIF”), CNB Wealth Management and City National Securities. The LAIF is a special fund in the State Treasury created for the purpose of pooled investment of idle funds for local governmental and quasi-governmental entities. City National Securities is affiliated with City National Bank and offers liquid investments in pooled U.S. Treasury and agency securities. Neither are insured nor guaranteed.

At June 30, 2009 and 2008, the Bookstore had approximately \$0 and \$34,240, respectively, of cash deposits with City National Bank in excess of federally insured limits.

**Note 12 - Legal Proceedings:**

From time to time, the Bookstore is subject to various claims and legal proceedings covering a range of matters that arise in the ordinary course of its business activities. In the opinion of management, although the outcome of any legal proceedings cannot be predicted with certainty, the ultimate liability of the Bookstore in connection with its legal proceedings will not have a material adverse effect on the Bookstore’s financial position or activities.

**Note 13 - Subsequent Events:**

The Bookstore has reviewed the results of operations for the period of time from its fiscal year ended June 30, 2009 through September 15, 2009, the date the financial statements were issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor subsequent events have occurred, the nature of which would require disclosure.



**Independent Auditors' Report  
on Supplementary Information**

THE BOARD OF DIRECTORS  
FRANCISCAN SHOPS  
(OPERATING AS SFSU BOOKSTORE)  
San Francisco, California

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole of **FRANCISCAN SHOPS (operating as SFSU Bookstore)** for the year ended June 30, 2009, which is presented in the preceding section of this report. The supplementary information presented hereinafter is to present the Franciscan Shops' net assets, and revenues, expenses and changes in net assets, and other information in a format required by California State University. Such supplementary information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Hood & Strong LLP*

September 15, 2009

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**Franciscan Shops**  
Schedule of Net Assets  
June 30, 2009  
(for inclusion in the California State University)

Assets:

Current assets:

Cash and cash equivalents	\$ 121,054
Short-term investments	1,362,481
Accounts receivable, net	118,111
Leases receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	—
Prepaid expenses and other assets	2,808,187
Total current assets	4,409,833

Noncurrent assets:

Restricted cash and cash equivalents	—
Accounts receivable, net	—
Leases receivable, net of current portion	—
Notes receivable, net of current portion	—
Student loans receivable, net	—
Pledges receivable, net	—
Endowment investments	—
Other long-term investments	1,852,220
Capital assets, net	1,231,731
Other assets	—
Total noncurrent assets	3,083,951
Total assets	7,493,784

Liabilities:

Current liabilities:

Accounts payable	1,930,126
Accrued salaries and benefits payable	15,841
Accrued compensated absences— current portion	129,736
Deferred revenue	—
Capitalized lease obligations – current portion	—
Long-term debt obligations – current portion	129,926
Self-insurance claims liability - current portion	—
Other liabilities	—
Total current liabilities	2,205,629

Noncurrent liabilities:

Accrued compensated absences, net of current portion	—
Deferred revenue	—
Grants refundable	—
Capitalized lease obligations, net of current portion	—
Long-term debt obligations, net of current portion	502,793
Self-insurance claims liabilities, net of current portion	—
Depository accounts	—
Other postemployment benefits obligation	—
Other liabilities	—
Total noncurrent liabilities	502,793
Total liabilities	2,708,422

Net assets:

Invested in capital assets, net of related debt	599,012
Restricted for:	
Nonexpendable – endowments	—
Expendable:	
Scholarships and fellowships	—
Research	—
Loans	—
Capital projects	—
Debt service	—
Other	—
Unrestricted	4,186,350
Total net assets	\$ 4,785,362

**OK**

See accompanying Independent Auditors' Report on Supplementary Information

**Franciscan Shops**

Schedule of Revenues, Expenses, and Changes in Net Assets

Year Ended June 30, 2009

(for inclusion in the California State University)

Revenues:

Operating revenues:

Student tuition and fees (net of scholarship allowances of \$_____)	\$	—
Grants and contracts, noncapital:		
Federal		—
State		—
Local		—
Nongovernmental		—
Sales and services of educational activities		—
Sales and services of auxiliary enterprises (net of scholarship allowances of \$_____)		18,733,832
Other operating revenues		291,009
		19,024,841
Total operating revenues		19,024,841

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		18,420,221
Depreciation and amortization		403,914
		18,824,135
Total operating expenses		18,824,135
Operating income (loss)		200,706

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		—
Gifts, noncapital		—
Investment income (loss), net		(278,727)
Endowment income		—
Interest Expenses		(32,943)
Other nonoperating revenues (expenses)		—
		(311,670)
Net nonoperating revenues (expenses)		(311,670)

Income (loss) before other additions (110,964)

State appropriations, capital		—
Grants and gifts, capital		—
Additions (reductions) to permanent endowments		—
		(110,964)
Increase (decrease) in net assets		(110,964)

Net assets:

Net assets at beginning of year, as previously reported		4,896,326
Restatements		—
Net assets at beginning of year, as restated		4,896,326
Net assets at end of year	\$	4,785,362

**OK**

See accompanying Independent Auditors' Report on Supplementary Information

**Franciscan Shops**  
 Other Information  
 June 30, 2009  
 (for inclusion in the California State University)

**1 Restricted cash and cash equivalents at June 30, 2009:**

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

**OK**

**2.1 Composition of investments at June 30, 2009:**

	<u>Current Unrestricted</u>	<u>Current Restricted</u>	<u>Total Current</u>	<u>Noncurrent Unrestricted</u>	<u>Noncurrent Restricted</u>	<u>Total Noncurrent</u>	<u>Total</u>
State of California Surplus Money Investment Fund (SMIF)	—	—	—	—	—	—	—
State of California Local Agency Investment Fund (LAIF)	1,323,336	—	1,323,336	—	—	—	1,323,336
Wachovia Short Term Fund	—	—	—	—	—	—	—
Wachovia Medium Term Fund	—	—	—	—	—	—	—
Wachovia Equity Fund	—	—	—	—	—	—	—
US Bank SWIFT pool	—	—	—	—	—	—	—
Common Fund - Short Term Fund	—	—	—	—	—	—	—
Common Fund - Others	—	—	—	—	—	—	—
Debt securities	—	—	—	—	—	—	—
Equity securities	—	—	—	963,787	—	963,787	963,787
Fixed income securities (Treasury notes, GNMA's)	39,145	—	39,145	888,433	—	888,433	927,578
Land and other real estate	—	—	—	—	—	—	—
Certificates of deposit	—	—	—	—	—	—	—
Notes receivable	—	—	—	—	—	—	—
Mutual funds	—	—	—	—	—	—	—
Collateralized mortgage obligations:	—	—	—	—	—	—	—
Inverse floaters	—	—	—	—	—	—	—
Interest-only strips	—	—	—	—	—	—	—
Agency pass-through	—	—	—	—	—	—	—
Private pass-through	—	—	—	—	—	—	—
Other major investments:	—	—	—	—	—	—	—
	—	—	—	—	—	—	—
	—	—	—	—	—	—	—
	—	—	—	—	—	—	—
	—	—	—	—	—	—	—
	—	—	—	—	—	—	—
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**Franciscan Shops**  
Other Information  
June 30, 2009  
(for inclusion in the California State University)

**3.1 Composition of capital assets at June 30, 2009:**

	Balance June 30, 2008	Prior period Adjustments	Reclassifications	Balance June 30, 2008 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2009
Nondepreciable capital assets:								
Land and land improvement:	\$ —	—	—	—	—	—	—	—
Works of art and historical treasure:	—	—	—	—	—	—	—	—
Construction work in progress (CWIP):	—	—	—	—	—	—	—	—
Total nondepreciable capital assets	—	—	—	—	—	—	—	—
Depreciable capital assets:								
Buildings and building improvement:	—	—	—	—	—	—	—	—
Improvements, other than building:	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	2,924,140	—	—	2,924,140	114,792	(8,145)	—	3,030,787
Personal property:								
Equipment	1,977,045	—	—	1,977,045	143,534	(28,655)	—	2,091,924
Library books and materials:	—	—	—	—	—	—	—	—
Intangible assets	—	—	—	—	—	—	—	—
Total depreciable capital assets	4,901,185	—	—	4,901,185	258,326	(36,800)	—	5,122,711
Total capital assets	4,901,185	—	—	4,901,185	258,326	(36,800)	—	5,122,711
Less accumulated depreciation:								
Buildings and building improvement:	—	—	—	—	—	—	—	—
Improvements, other than building:	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	(2,027,407)	—	—	(2,027,407)	(170,586)	—	—	(2,197,993)
Personal property:								
Equipment	(1,488,314)	—	—	(1,488,314)	(233,328)	28,655	—	(1,692,987)
Library books and materials:	—	—	—	—	—	—	—	—
Intangible assets	—	—	—	—	—	—	—	—
Total accumulated depreciation	(3,515,721)	—	—	(3,515,721)	(403,914)	28,655	—	(3,890,980)
Total capital assets, net	\$ 1,385,464	—	—	\$ 1,385,464	(145,588)	(8,145)	—	1,231,731
			OK				OK	OK

**3.2 - Detail of depreciation and amortization expense for the year ended June 30, 2009:**

Depreciation and amortization expense related to capital assets	\$ 403,914	
Amortization expense related to other asset:	—	
Total depreciation and amortization	\$ 403,914	OK

**4 Long-term liabilities activity schedule:**

	Balance June 30, 2008	Prior period adjustments	Reclassifications	Balance June 30, 2008 (restated)	Additions	Reductions	Balance June 30, 2009	Current portion	Long-term portion	
Accrued compensated absences	\$ 138,989	—	—	138,989	—	(9,253)	129,736	129,736	—	OK
Capitalized lease obligations										
Gross balance	—	—	—	—	—	—	—	—	—	
Unamortized premium / (discount) on capitalized lease obligation	—	—	—	—	—	—	—	—	—	
Total capitalized lease obligations	—	—	—	—	—	—	—	—	—	OK
Long-term debt obligations:										
Revenue Bonds	—	—	—	—	—	—	—	—	—	OK
Other bonds (non-Revenue Bonds):										
Commercial Paper	—	—	—	—	—	—	—	—	—	
Other:										
Note Payable	757,023	—	—	757,023	—	(124,304)	632,719	129,926	502,793	
Description	—	—	—	—	—	—	—	—	—	
Description	—	—	—	—	—	—	—	—	—	
Description	—	—	—	—	—	—	—	—	—	
Description	—	—	—	—	—	—	—	—	—	
Total long-term debt obligations	757,023	—	—	757,023	—	(124,304)	632,719	129,926	502,793	
Unamortized bond premium / (discount)	—	—	—	—	—	—	—	—	—	
Unamortized loss on refunding	—	—	—	—	—	—	—	—	—	
Total long-term debt obligations, net	757,023	—	—	757,023	—	(124,304)	632,719	129,926	502,793	OK
Total long-term liabilities	\$ 896,012	—	—	896,012	—	(133,557)	762,455	259,662	502,793	

**Franciscan Shops**  
Other Information  
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**5 Future minimum lease payments - capital lease obligations:**

	<u>Principal</u>	<u>Interest</u>	<u>Principal and Interest</u>	
Year ending June 30:				
2010	—	—	—	
2011	—	—	—	
2012	—	—	—	
2013	—	—	—	
2014	—	—	—	
2015 - 2019	—	—	—	
2020 - 2024	—	—	—	
2025 - 2029	—	—	—	
2030 - 2034	—	—	—	
2035 - 2039	—	—	—	
2040 - 2044	—	—	—	
2045 - 2049	—	—	—	
2050 - 2054	—	—	—	
2055 - 2059	—	—	—	
Total minimum lease payments			—	
Less amounts representing interest			—	
Present value of future minimum lease payments			—	
Less: current portion			—	<b>OK</b>
<b>Capitalized lease obligation, net of current portion</b>			<u>\$ —</u>	<b>OK</b>

**6 Long-term debt obligation schedule**

	<u>Revenue Bonds</u>			<u>All other long-term debt obligations</u>			<u>Total</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Principal and Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal and Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal and Interest</u>	
Year ending June 30:										
2010	\$ —	—	—	129,926	26,865	156,791	129,926	26,865	156,791	<b>OK</b>
2011	—	—	—	135,803	20,988	156,791	135,803	20,988	156,791	
2012	—	—	—	141,945	14,846	156,791	141,945	14,846	156,791	
2013	—	—	—	148,365	8,426	156,791	148,365	8,426	156,791	
2014	—	—	—	76,680	1,715	78,395	76,680	1,715	78,395	
2015 - 2019	—	—	—	—	—	—	—	—	—	
2020 - 2024	—	—	—	—	—	—	—	—	—	
2025 - 2029	—	—	—	—	—	—	—	—	—	
2030 - 2034	—	—	—	—	—	—	—	—	—	
2035 - 2039	—	—	—	—	—	—	—	—	—	
2040 - 2044	—	—	—	—	—	—	—	—	—	
2045 - 2049	—	—	—	—	—	—	—	—	—	
2050 - 2054	—	—	—	—	—	—	—	—	—	
2055 - 2059	—	—	—	—	—	—	—	—	—	
Total	\$ —	—	—	<u>632,719</u>	<u>72,840</u>	<u>705,559</u>	<u>632,719</u>	<u>72,840</u>	<u>705,559</u>	<b>OK</b>
				<b>OK</b>						

**7 Calculation of net assets**

	<u>Auxiliary Organizations</u>		<u>Total</u>
	<u>GASB</u>	<u>FASB</u>	<u>Auxiliaries</u>
<b>7.1 Calculation of net assets - Invested in capital assets, net of related debt</b>			
Capital assets, net of accumulated depreciation	\$ —	1,231,731	1,231,731
Capitalized lease obligations - current portio	—	—	—
Capitalized lease obligations, net of current portio	—	—	—
Long-term debt obligations - current portio	—	(129,926)	(129,926)
Long-term debt obligations, net of current portio	—	(502,793)	(502,793)
Portion of outstanding debt that is unspent at year-en	—	—	—
Other:			
(description)	—	—	—
(description)	—	—	—
(description)	—	—	—
(description)	—	—	—
(description)	—	—	—
Net assets - invested in capital assets, net of related debt	<u>\$ —</u>	<u>599,012</u>	<u>599,012</u>

See accompanying Independent Auditors' Report on Supplementary Information



