

FRANCISCAN SHOPS  
(OPERATING AS SFSU BOOKSTORE)

JUNE 30, 2008 AND 2007

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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, 2008 and 2007, 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, 2008 and 2007, 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 17, 2008

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

**Statement of Financial Position**

<i>June 30,</i>	2008	2007
<b>Assets</b>		
<b>Current Assets:</b>		
Cash	\$ 54,649	\$ 153,561
Cash designated for long term investment	-	1,264,235
Investments	843,427	1,485,584
Accounts receivable (less allowance for doubtful accounts of \$10,014 in both 2008 and 2007)	130,472	76,086
Other receivable	-	6,085
Inventory	2,869,310	2,840,380
Prepaid expenses	55,955	50,630
Total current assets	3,953,813	5,876,561
<b>Long-Term Assets:</b>		
Long Term Investments	2,177,156	-
Equipment and leasehold improvements, net	1,385,464	1,676,826
Total long-term assets	3,562,620	1,676,826
<b>Total Assets</b>	<b>\$ 7,516,433</b>	<b>\$ 7,553,387</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 1,664,101	\$ 1,648,014
Accrued liabilities	198,983	204,483
Current maturities of note payable	124,304	118,925
Total current liabilities	1,987,388	1,971,422
<b>Long Term Liabilities:</b>		
Note payable, net of current maturities	632,719	757,023
Total long-term liabilities	632,719	757,023
Total liabilities	2,620,107	2,728,445
<b>Net Assets:</b>		
Unrestricted:		
General	2,719,170	3,224,942
Board Designated:		
Long term reserves	2,177,156	1,600,000
Total net assets	4,896,326	4,824,942
<b>Total Liabilities and Net Assets</b>	<b>\$ 7,516,433</b>	<b>\$ 7,553,387</b>

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

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

<i>Year Ended June 30,</i>	2008	2007
<b>Revenue and Support:</b>		
Sales, net	\$ 18,848,645	\$ 17,709,562
Less: cost of goods sold	14,073,626	12,759,450
Gross profit on sales	4,775,019	4,950,112
Computer service and rental income	8,535	4,647
Commissions earned	436,261	423,735
Interest income	152,311	173,878
Other income	137,992	162,353
<b>Total revenue and support</b>	<b>5,510,118</b>	<b>5,714,725</b>
<b>Expenses:</b>		
Salaries and wages	2,598,344	2,486,818
Employee benefits	380,232	358,994
Occupancy	579,838	564,714
Merchant discount	326,272	307,609
Telephone and utilities	56,589	55,338
Supplies	57,174	49,503
Insurance	50,446	51,561
Depreciation and amortization	388,844	354,750
Professional fees	134,579	99,676
Repairs and maintenance	120,369	104,597
Advertising and promotions	116,789	81,914
Bad debts	1,815	1,981
Travel, food and lodging	22,416	33,956
Bank service fees	10,588	10,485
Duplicating	123,714	156,232
Dues and subscriptions	11,768	9,745
Interest expense	37,808	63,630
Recruiting expense	1,663	1,785
Net unrealized loss on investments	81,548	
Contributions to San Francisco State University	325,768	325,768
Other expense	12,170	20,669
<b>Total expenses</b>	<b>5,438,734</b>	<b>5,139,725</b>
<b>Change in Unrestricted Net Assets</b>	<b>71,384</b>	<b>575,000</b>
<b>Unrestricted Net Assets - Beginning of year</b>	<b>4,824,942</b>	<b>4,249,942</b>
<b>Unrestricted Net Assets - End of year</b>	<b>\$ 4,896,326</b>	<b>\$ 4,824,942</b>

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

**Statement of Cash Flows**

<i>Year Ended June 30,</i>	2008	2007
<b>Operating Activities:</b>		
Change in net assets	\$ 71,384	\$ 575,000
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	388,844	354,750
Net unrealized loss on investments	81,548	
Changes in operating assets and liabilities		
Accounts receivable	(54,387)	65,412
Other receivable	6,085	(607)
Inventory	(28,930)	(551,671)
Prepaid expenses	(5,325)	(10,386)
Accounts payable	16,087	232,989
Accrued liabilities	(5,500)	8,586
Net cash provided by operating activities	469,806	674,073
<b>Investing Activities:</b>		
Purchase of equipment and leasehold improvements	(97,482)	(271,268)
Purchase of investments	(21,681,332)	(39,054,836)
Proceeds from sales and maturities of investments	20,064,786	40,060,634
Liquidation of lease receivable and bond issuance cost	-	1,013,593
Increase in assets whose use is limited	-	58,908
Net cash (used) provided by investing activities	(1,714,028)	1,807,031
<b>Financing Activities:</b>		
Principal payment on revenue bond		(1,072,500)
Principal payment on note payable	(118,925)	(113,779)
Net cash used by financing activities	(118,925)	(1,186,279)
<b>(Decrease) Increase in Cash</b>	(1,363,147)	1,294,825
<b>Cash, beginning of year</b>	1,417,796	122,971
<b>Cash and Cash Designated for Long-Term Investment, end of year</b>	\$ 54,649	\$ 1,417,796

**Supplementary Disclosure:**

Interest paid	\$ 37,808	\$ 63,630
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**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 2008, the board of directors approved designation of \$2,177,156 in reserves for capital expenditures when the Bookstore lease term from the Student Center expires in 2017.

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, 2008 and 2007, the Bookstore's sales tax amount collected from customers approximates \$1,556,000 and \$ 1,475,000, respectively, and have been recorded on a net basis.

k. Recent Accounting Pronouncements

Fair Value Measurements - In September 2006, the FASB issued FAS No. 157, "Fair Value Measurements," which defines fair value, establishes a market-based framework or hierarchy for measuring fair value, and expands disclosures about fair value measurements. FAS 157 is applicable whenever another accounting pronouncement requires or permits assets and liabilities to be measured at fair value. FAS 157 does not expand or require any new fair value measures and is effective for fiscal periods beginning after November 15, 2007. The Bookstore is currently evaluating what effect, if any, the adoption of FAS No. 157 will have on the Bookstore's financial statements.

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

**Notes to Financial Statements**

In February 2007, FASB issued FAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities-including an amendment of FASB Statement No. 115", (effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007). This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. The Bookstore is currently evaluating what effect, if any, the adoption of SFAS No. 159 will have on the Bookstore's financial statements.

**Note 2 - Investments:**

Investments at June 30, 2008 and 2007 are held by:

	2008	2007
Current		
LAIF	\$ 824,220	\$ 289,084
Fixed income	19,207	1,196,500
Noncurrent		
Equity securities	1,255,795	
Fixed income	921,361	
	\$ 3,020,583	\$ 1,485,584

**Note 3 - Inventory:**

Inventory held for resale at June 30, 2008 and 2007 consists of the following:

	2008	2007
New text	\$ 853,830	\$ 802,870
Used text	461,906	417,425
General books and magazines	621,611	644,897
Computers and electronics	272,683	300,973
Supplies, gifts and general inventory	699,280	714,215
	2,909,310	2,880,380
Less: allowance for obsolete inventory	(40,000)	(40,000)
	\$ 2,869,310	\$ 2,840,380

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

**Notes to Financial Statements**

**Note 4 - Equipment and Leasehold Improvements:**

Equipment and leasehold improvements at June 30, 2008 and 2007 consist of the following:

	2008	2007
Machinery and equipment	\$ 497,366	\$ 442,099
Furniture and fixtures	1,087,680	1,065,971
Leasehold improvements	2,924,141	2,904,595
Computer software	391,998	427,176
	<hr/>	<hr/>
	4,901,185	4,839,841
Less accumulated depreciation and amortization	(3,515,721)	(3,163,015)
	<hr/>	<hr/>
	\$ 1,385,464	\$ 1,676,826
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**Note 5 - Accounts Payable:**

Accounts payable is reported net of approximately \$207,000 and \$195,000 of vendor credits as of June 30, 2008 and 2007, 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.

**Note 6 - Revenue Bonds Payable and Lease Receivable:**

During 1996, the Bookstore together with the San Francisco State University Foundation (the Foundation) borrowed, jointly and severable, bond proceeds of \$3,000,000 from the Associated Students of San Francisco State University (Associated Students). The bonds, Associated Students of San Francisco State University Auxiliary Organization Revenue Bonds (Children's Center Facility) series 1996 (the Revenue Bonds), were issued for the purpose of financing the construction of a Children's Center. The bond payments, which were paid to the trustees of the Revenue Bonds, coincided with the principal and interest payments on the Revenue Bonds. Accordingly, the Bookstore and Foundation had previously reported Revenue Bonds Payable as a liability.

The Revenue Bonds consisted of \$985,000 of serial bonds maturing through August 1, 2017 and a term bond for \$2,015,000 maturing on August 1, 2017. The serial bonds had rates ranging from 4.50% to 5.80% and required annual payments consisting of principal and interest.

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

**Notes to Financial Statements**

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The Children's Center was constructed on land that initially was leased by the Associated Students (the Ground Lease) from the Board of Trustees of the California State University (the Trustees). The same land was then leased through 2017 to the Bookstore and the Foundation. The Bookstore and Foundation, in turn, had subleased through 2017 the Children's Center back to the Associated Students (the Sub Lease) under terms that are equivalent to the terms of the loan related to the Revenue Bonds proceeds. The Ground Lease specifies that at its termination all property and improvements revert to the Trustees. The Sub Lease specifies that the Associated Students grant a security interest to the Bookstore and Foundation relative to student association fees to secure lease payments.

In December 2006, the Associated Students paid off the outstanding Revenue Bonds. As a result, the lease receivable, assets whose use is limited, bond issuance cost, and Revenue Bonds payable balances previously reported at the Bookstore and Foundation were all liquidated.

**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, 2008 are as follows:

Year Ending	
June 30,	
2009	\$ 124,304
2010	129,926
2011	135,803
2012	141,945
2013-2014	225,016
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	\$ 757,023

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

**Notes to Financial Statements**

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**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. Thus, if the master lease were not extended beyond June 30, 2009, the sublease would terminate. The Bookstore also leases warehouse space through June 2008.

The future minimum lease payments under the sublease and warehouse lease for the year ending June 30, 2009 is \$541,000.

Total occupancy expense for the year ended June 30, 2008 and 2007 was \$579,836 and \$564,714, respectively.

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. Additionally, management of both the Bookstore and San Francisco State University believe the Student Center has no intention to exercise the requirement.

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

**Notes to Financial Statements**

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**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 \$161,000 and \$129,000 to the Plans for fiscal years 2008 and 2007, 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 2008 and 2007 were approximately \$690,000 and \$492,000, respectively. Accounts receivable from the University as of June 30, 2008 and 2007 were \$86,109 and \$49,238, 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, 2008 was \$52,000. Revenue transactions amounted to approximately \$71,000 and \$86,000, respectively for the years ended June 30, 2008 and 2007, and expense transactions amounted to approximately \$589,000 and \$569,000 respectively, for the years ended June 30, 2008 and 2007.

During fiscal year 2008, the Bookstore made contributions to the University of approximately \$326,000. The amount is 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, 2008, the Bookstore had approximately \$34,240 of cash deposits with City National Bank in excess of federally insured limits.

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

**Notes to Financial Statements**

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**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.

**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, 2008, 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.

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*Redwood Shores*

September 17, 2008



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

Schedule of Net Assets

June 30, 2008

(for inclusion in the California State University)

Assets:

Current assets:

Cash and cash equivalents	\$ 54,649
Short-term investments	843,427
Accounts receivable, net	130,472
Leases receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	—
Prepaid expenses and other assets	2,925,265
<b>Total current assets</b>	<b><u>3,953,813</u></b>

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	2,177,156
Capital assets, net	1,385,464
Other assets	—
<b>Total noncurrent assets</b>	<b><u>3,562,620</u></b>
<b>Total assets</b>	<b><u>7,516,433</u></b>

Liabilities:

Current liabilities:

Accounts payable	1,709,944
Accrued salaries and benefits payable	14,151
Accrued compensated absences— current portion	138,989
Deferred revenue	—
Capitalized lease obligations – current portion	—
Long-term debt obligations – current portion	124,304
Self-insurance claims liability - current portion	—
Other liabilities	—
<b>Total current liabilities</b>	<b><u>1,987,388</u></b>

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	632,719
Self-insurance claims liabilities, net of current portion	—
Depository accounts	—
Other liabilities	—
<b>Total noncurrent liabilities</b>	<b><u>632,719</u></b>
<b>Total liabilities</b>	<b><u>2,620,107</u></b>

Net assets:

Invested in capital assets, net of related debt	628,440
Restricted for:	
Nonexpendable – endowments	—
Expendable:	
Scholarships and fellowships	—
Research	—
Loans	—
Capital projects	—
Debt service	—
Other	—
Unrestricted	4,267,886
<b>Total net assets</b>	<b><u>\$ 4,896,326</u></b>

See accompanying independent auditors' report.

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**Franciscan Shops (Operating as SFSU Bookstore)**  
Schedule of Revenues, Expenses, and Changes in Net Assets  
Year Ended June 30, 2008  
(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 \$_____)		19,293,441
Other operating revenues		137,992
		19,431,433

Total operating revenues

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		19,004,160
Depreciation and amortization		388,844
		19,393,004

Total operating expenses

Operating income (loss)

Nonoperating revenues (expenses):

State appropriations, noncapital		—
Federal grant - Pell		—
Gifts, noncapital		—
Investment income, net		70,763
Endowment income		—
Interest on capital-related debt		(37,808)
Other nonoperating revenues (expenses)		—
		32,955

Net nonoperating revenues (expenses)

Income (loss) before other additions

State appropriations, capital

Grants and gifts, capital

Additions to permanent endowments

Increase (decrease) in net assets

Net assets:

Net assets at beginning of year, as previously reported		4,824,942
Restatements		—
		4,896,326
Net assets at end of year, as restated	\$	4,896,326

See accompanying independent auditors' report.

**OK**



**Franciscan Shops (Operating as SFSU Bookstore)**  
Other Information  
June 30, 2008  
(for inclusion in the California State University)

**3 Composition of capital assets at June 30, 2008:**

	<u>Balance June 30, 2007</u>	<u>Prior period Adjustments</u>	<u>Reclassifications</u>	<u>Balance 30-Jun-07 (restated)</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers of Completed CWIP</u>	<u>Balance June 30, 2008</u>
Nondepreciable capital assets:								
Land and land improvements	\$ —	—	—	—	—	—	—	—
Works of art and historical treasures	—	—	—	—	—	—	—	—
Construction work in progress (CWIP)	—	—	—	—	—	—	—	—
Total nondepreciable capital assets	—	—	—	—	—	—	—	—
Depreciable capital assets:								
Buildings and building improvements	—	—	—	—	—	—	—	—
Improvements, other than buildings	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	2,904,595	—	—	2,904,595	19,545	—	—	2,924,140
Personal property:								
Equipment	1,935,246	—	—	1,935,246	77,937	(36,138)	—	1,977,045
Library books and materials	—	—	—	—	—	—	—	—
Intangible assets	—	—	—	—	—	—	—	—
Total depreciable capital assets	4,839,841	—	—	4,839,841	97,482	(36,138)	—	4,901,185
Total cost	4,839,841	—	—	4,839,841	97,482	(36,138)	—	4,901,185
Less accumulated depreciation:								
Buildings and building improvements	—	—	—	—	—	—	—	—
Improvements, other than buildings	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	(1,853,961)	—	—	(1,853,961)	(173,446)	—	—	(2,027,407)
Personal property:								
Equipment	(1,309,054)	—	—	(1,309,054)	(215,398)	36,138	—	(1,488,314)
Library books and materials	—	—	—	—	—	—	—	—
Intangible assets	—	—	—	—	—	—	—	—
Total accumulated depreciation	(3,163,015)	—	—	(3,163,015)	(388,844)	36,138	—	(3,515,721)
Net capital assets	\$ 1,676,826	—	—	1,676,826	(291,362)	—	—	1,385,464
			<b>OK</b>				<b>OK</b>	<b>OK</b>
<b>Detail of depreciation and amortization expense for the year ended June 30, 2008:</b>								
Depreciation and amortization expense related to capital assets	\$ 388,844							
Amortization expense related to other assets	—							
Total depreciation and amortization	\$ 388,844	<b>OK</b>						

**Franciscan Shops (Operating as SFSU Bookstore)**  
Other Information  
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**4 Long-term liabilities activity schedule:**

	<u>Balance June 30, 2007</u>	<u>Prior period adjustments</u>	<u>Reclassifications</u>	<u>Balance June 30, 2007 (restated)</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2008</u>	<u>Current portion</u>	<u>Long-term portion</u>		
Accrued compensated absences	\$ 131,691	—	—	131,691	7,298	—	138,989	138,989	—	OK	OK
Capitalized lease obligations:											
Gross balance	—	—	—	—	—	—	—	—	—		
Unamortized premium / (discount) on capitalized lease obligations	—	—	—	—	—	—	—	—	—		
Total capitalized lease obligations	—	—	—	—	—	—	—	—	—	OK	OK
Long-term debt obligations:											
Revenue Bonds	—	—	—	—	—	—	—	—	—	OK	
Other bonds (non-Revenue Bonds)	—	—	—	—	—	—	—	—	—		
Commercial Paper	—	—	—	—	—	—	—	—	—		
Other:											
Note Payable	875,948	—	—	875,948	—	(118,925)	757,023	124,304	632,719		
Description	—	—	—	—	—	—	—	—	—		
Description	—	—	—	—	—	—	—	—	—		
Description	—	—	—	—	—	—	—	—	—		
Description	—	—	—	—	—	—	—	—	—		
Description	—	—	—	—	—	—	—	—	—		
Total long-term debt obligations	875,948	—	—	875,948	—	(118,925)	757,023	124,304	632,719		
Unamortized bond premium / (discount)	—	—	—	—	—	—	—	—	—		
Unamortized loss on refunding	—	—	—	—	—	—	—	—	—		
Total long-term debt obligations, net	875,948	—	—	875,948	—	(118,925)	757,023	124,304	632,719	OK	OK
Total long-term liabilities	\$ 1,007,639	—	—	1,007,639	7,298	(118,925)	896,012	263,293	632,719		

**5 Future minimum lease payments:**

	<u>Principal</u>	<u>Interest</u>	<u>Principal and Interest</u>	
Year ending June 30:				
2009	—	—	—	
2010	—	—	—	
2011	—	—	—	
2012	—	—	—	
2013	—	—	—	
2014 - 2018	—	—	—	
2019 - 2023	—	—	—	
2024 - 2028	—	—	—	
2029 - 2033	—	—	—	
2034 - 2038	—	—	—	
2039 - 2043	—	—	—	
2044 - 2048	—	—	—	
2049 - 2053	—	—	—	
2054 - 2058	—	—	—	
Total minimum lease payments			—	
Less amounts representing interest			—	
Present value of future minimum lease payments			—	
Less: current portion			—	OK
<b>Capitalized lease obligation, net of current portion</b>			\$ —	OK

**Franciscan Shops (Operating as SFSU Bookstore)**  
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**6 Long-term debt obligation schedule**

	Revenue Bonds			All other long-term debt obligations			Total			
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	
	Year ending June 30:									
2009	\$ —	—	—	124,304	32,487	156,791	124,304	32,487	156,791	OK
2010	—	—	—	129,926	26,865	156,791	129,926	26,865	156,791	
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 - 2018	—	—	—	76,680	1,715	78,395	76,680	1,715	78,395	
2019 - 2023	—	—	—	—	—	—	—	—	—	
2024 - 2028	—	—	—	—	—	—	—	—	—	
2029 - 2033	—	—	—	—	—	—	—	—	—	
2034 - 2038	—	—	—	—	—	—	—	—	—	
2039 - 2043	—	—	—	—	—	—	—	—	—	
2044 - 2048	—	—	—	—	—	—	—	—	—	
2049 - 2053	—	—	—	—	—	—	—	—	—	
2054 - 2058	—	—	—	—	—	—	—	—	—	
Total	\$ —	—	—	757,023	105,327	862,350	757,023	105,327	862,350	OK

OK

**7 Calculation of net assets - Invested in capital assets, net of related debt**

	Auxiliary Organizations		Total
	GASB	FASB	Auxiliaries
Capital assets, net of accumulated depreciation	\$ —	1,385,464	1,385,464
Capitalized lease obligations - current portion	—	—	—
Capitalized lease obligations, net of current portion	—	—	—
Long-term debt obligations - current portion	—	(124,304)	(124,304)
Long-term debt obligations, net of current portion	—	(632,719)	(632,719)
Portion of outstanding debt that is unspent at year-end	—	—	—
Other:			
(description)	—	—	—
(description)	—	—	—
(description)	—	—	—
(description)	—	—	—
(description)	—	—	—
Net assets - invested in capital assets, net of related debt	\$ —	628,441	628,441

**Franciscan Shops (Operating as SFSU Bookstore)**  
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**8 Transactions with Related Entities**

	<b>Amount</b>
Reimbursements to University for salaries of University personnel working on contracts, grants, and other programs	\$ —
Reimbursements to University for other than salaries of University personnel	—
Payments received from University for services, space, and programs	—
Gifts-in-kind to the University from Auxiliary Organization	326,000
Amounts (payable to) University (enter as negative number)	(12,363)
Amounts receivable from University	86,109

**9 The nature and amount of the prior period adjustment(s) recorded to beginning net assets**

	<b>Net Asset Class</b>	<b>Amount Dr. (Cr.)</b>
Net assets as of June 30, 2007, as previously reported	\$	—
Prior period adjustments:		
1 (list description of each adjustment)		—
2 (list description of each adjustment)		—
3 (list description of each adjustment)		—
4 (list description of each adjustment)		—
5 (list description of each adjustment)		—
6 (list description of each adjustment)		—
7 (list description of each adjustment)		—
8 (list description of each adjustment)		—
9 (list description of each adjustment)		—
10 (list description of each adjustment)		—
Net assets as of June 30, 2007, as restated	\$	—

**Provide a detailed breakdown of the journal entries (at the financial statement line item level) booked to record each prior period adjustments:**

	<b>Debit</b>	<b>Credit</b>
Net asset class: _____ 1 (breakdown of adjusting journal entry)	\$ —	—
Net asset class: _____ 2 (breakdown of adjusting journal entry)	—	—
Net asset class: _____ 3 (breakdown of adjusting journal entry)	—	—
Net asset class: _____ 4 (breakdown of adjusting journal entry)	—	—
Net asset class: _____ 5 (breakdown of adjusting journal entry)	—	—
Net asset class: _____ 6 (breakdown of adjusting journal entry)	—	—
Net asset class: _____ 7 (breakdown of adjusting journal entry)	—	—
Net asset class: _____ 8 (breakdown of adjusting journal entry)	—	—
Net asset class: _____ 9 (breakdown of adjusting journal entry)	—	—
Net asset class: _____ 10 (breakdown of adjusting journal entry)	—	—

**OK**

See accompanying independent auditors' report.

**The California State University  
GAAP Reporting Manual**

**Chapter 8 – Auxiliary Organizations  
GAAP Financial Reporting Checklist**

**OVERVIEW**

The checklist that begins on the following page should be prepared as the final step of the supplementary information reporting process. It is intended to allow the financial statement preparer to perform a final review of the supplementary information prior to submission to the campus and the Office of the Chancellor (CO).

The completed and signed checklist should be provided to the CO and the campus along with the audited financial statements.

The following abbreviations are used throughout the checklist:

SNA – Statement/Schedule of Net Assets

SRECNA – Statement/Schedule of Revenues, Expenses, and Changes in Net Assets

**THE CALIFORNIA STATE UNIVERSITY  
AUXILIARY ORGANIZATION  
GAAP Financial Reporting Checklist**

NAME OF AUXILIARY ORGANIZATION: \_\_\_\_\_

NAME OF REVIEWER: \_\_\_\_\_

<i>Independent Auditor's Report</i>		<b>Preparer's Initials</b>
1.	Ensure independent auditors' report includes an "in relation to" opinion paragraph.	

<i>Statement of Net Assets</i>		<b>Preparer's Initials</b>
1.	Format of the Schedule of Net Assets <b>must conform exactly</b> to the supplementary information format provided by the CO. The formats are in accordance with GASB 34, 35, 37 and 38.	
2.	Amounts recorded for capital lease obligations must be classified into current and non-current and <b>must</b> agree to the respective amounts on the SNA. <b>Note: the carrying value of the asset related to the capital lease is generally NOT the same value as the capital lease.</b>	
3.	Amounts recorded for long-term debt obligations <b>must</b> be classified into current and non-current and <b>must</b> agree to the respective amounts on the SNA.	
4.	All Local Agency Investment Funds (LAIF), Wachovia Medium Term Funds, Wachovia Short-Term Funds, Wachovia Equity Funds, Surplus Money Investment Funds (SMIF), and Systemwide Investment Funds-Trust (SWIFT) Pool should be reflected as short-term investments (current assets) on the SNA <b>except</b> for the investments that are restricted for 1) endowment, or 2) the acquisition or construction of capital assets, which should be classified as "other long-term investments". All demand deposits and investments with original maturities of three months or less that are <b>not</b> part of the SWIFT Pool, <del>should be classified as cash and cash equivalents</del>	
5.	Depository accounts, if applicable, should be classified as noncurrent liabilities if deposits recorded are due in more than one year from year end. Current depository accounts, if applicable, should be reclassified to current liabilities.	
6.	Endowment net assets should be reflected in the <i>restricted for nonexpendable-endowments</i> net assets category. The related assets should be reflected as noncurrent endowment investments.	

<i>Statement of Net Assets</i>		Preparer's Initials
7.	Net asset category "invested in capital assets, net of related debt" <b>must equal</b> the sum of capital assets, net of accumulated depreciation, less related expended debt and lease obligations (may result be a negative number). Evaluate components of net asset category balances causing the negative balance, if any, in order to determine if any required adjustments are necessary. Note that the portion of the debt that is unspent at year-end should be excluded from this calculation (refer to item #13 in the "Supplementary Schedules - Other Information" section below). Unspent bond proceeds as well as the portion of outstanding debt that relates to these proceeds should be included in the <i>restricted expendable - capital projects</i> net assets category.	
8.	Net assets categories <b>must conform exactly</b> to the categories included in the financial statement formats provided by the Chancellor's Office. Additionally, invested in capital assets, net of related debt and restricted net assets categories should not be negative. Evaluate components of the net asset category balances causing the negative balance and record any adjustments accordingly.	

<i>Statement of Revenues, Expenses and Changes in Net Assets</i>		<b>Preparer's Initials</b>
1.	The format of this schedule <b>must conform exactly</b> to the format provided by the CO. The formats are in accordance with GASB 34, 35, 37 and 38.	
2.	Tuition and fees and sales and services of auxiliary enterprises should be shown net of scholarship discounts and allowances. Scholarship allowance amounts <b>must</b> be indicated in the parenthetical reference.	
3.	Interest on debt should equal the interest payments made on debt and capital lease obligations during the year, plus the change in accrued interest expense, including any amortization of bond premium (discount) or premium on capital lease obligations and amortization of loss on refunding.	
4.	Interest on debt used to finance capital items should be recorded as interest on capital-related debt.	
5.	Debits should not be reflected in the operating revenue section and credits should not be reflected in the expenses.	
6.	Endowment earnings are shown separately from additions to endowments as endowment income within the nonoperating revenues (expenses) section.	
7.	Auxiliary organization amounts due to and from other auxiliary organizations <b>must</b> be appropriately reconciled to the other auxiliary organizations (for instance, the only reconciling items should be for payments remitted just prior to year-end that the other auxiliary organization does not receive until after year end).	
8.	Auxiliary organization amounts due to and from the campus <b>must</b> be appropriately reconciled to the campus (for instance, the only reconciling items should be for payments remitted just prior to year-end that the campus does not receive until after year-end).	
9.	Beginning net assets must agree to ending net assets per the prior year audited supplementary information submitted to the CO, unless there are restatements (refer to item #9 in the "Supplementary Schedules - Other Information" section below for restatements). If there are restatements, ending net assets per the prior year audited supplementary information plus the restatement adjustments must agree to beginning net assets per the current year SRECNA.	
10.	Ending net assets <b>must agree</b> to net assets on the SNA.	

*Statement of Cash Flows*Preparer's  
Initials

1.	<b>Do not include for supplemental purposes.</b>	
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*Supplementary Schedules – Other Information*Preparer's  
Initials

1.	<b>Investments footnote:</b> Carrying value of current and noncurrent investments <b>must</b> agree to the amount reflected on the SNA.	
2.	<b>Investments footnote:</b> Fixed income securities should include such items as Treasury notes, GNMA's, etc.	
3.	<b>Capital assets, net footnote:</b> The beginning and ending balances must agree with the amounts included in the preceding and current year's SNA, respectively. Additionally, the beginning balances for each capital assets category per the current year roll forward schedule must agree to the ending balances for each capital assets category per the prior year roll forward schedule included in the prior year audited supplementary information schedule. Restatements to capital assets must agree to note 9. The total gross additions to accumulated depreciation plus any noncapital amortization expense should agree to depreciation and amortization expense as reflected on the SRECNA. If not, please explain.	
4.	<b>Capital assets, net footnote:</b> All transfers from CWIP into other asset categories <b>must be</b> included in the "Transfers" column. The total of the transfer	
5.	<b>Capital assets, net footnote:</b> Reductions of assets, transfers out of CWIP, and all accumulated depreciation amounts <b>except</b> for reductions to accumulated depreciation, are entered as negative numbers. All other amounts (including reductions to accumulated depreciation) are entered as positive numbers.	
6.	<b>Long-term liabilities activity schedule:</b> Additions to accrued compensated absences must be obtained from payroll reports for vacation hours earned during the year. Reductions to accrued compensated absences must be obtained from payroll reports detailing vacation amounts taken / paid out during the year.	

<i>Supplementary Schedules – Other Information</i>		<b>Preparer's Initials</b>
7.	<b>Long-term debt obligations footnote:</b> Total current and noncurrent amounts outstanding <b>must</b> agree exactly to the total current and noncurrent amounts reflected as long-term debt obligations on the SNA.	
8.	<b>Long-term liabilities activity schedule:</b> This schedule <b>only</b> includes those items listed in the table. This schedule will not agree, in total, to the long-term liabilities category on the SNA. The beginning and ending balances <b>must</b> agree with the amounts included in the preceding and current year's SNA, respectively. The long-term portion, as calculated, and the current portion of long-term liabilities <b>must</b> agree to the related current year SNA line items. Reductions are entered as negative numbers. Unamortized bond premium (capital leases and long-term debt) and unamortized loss on refunding (long-term debt) <b>does not</b> have a current portion; the entire amount is considered long term.	
9.	<b>Lease obligations footnote:</b> The present value of future minimum lease payments <b>must</b> agree to total current and noncurrent amounts reflected as capital lease obligations on the SNA. The current portion amount <b>must</b> equal the "capitalized lease obligations - current portion" on the SNA and the noncurrent portion <b>must</b> equal the "capitalized lease obligations, net of current portion" on the SNA.	
10.	Capital lease obligations future minimum lease payments schedule related to Systemwide Revenue Bonds <b>must match exactly</b> to the campus' lease receivable future minimum lease payments to be received schedule.	
11.	<b>Transactions with related entities:</b> All related entity transactions should be reconciled with the respective campus prior to the issuance of the Auxiliary Organizations' financial statements. Likewise, it is important that the Auxiliary Organizations reconcile inter-entity accounts and transactions among the <u>Auxiliary Organizations</u> .	
12.	<b>Restatements:</b> Include all necessary information to adequately describe the nature of the restatement(s), including the <b>exact</b> journal entries (debits and credits) for each financial statement line item affected (journal entry must be at the financial statement line item level and list the exact financial statement line items). <b>Each individual restatement entry must be listed separately.</b> If there are restatements, ending net assets per the prior year audited supplementary information plus the restatement adjustments <b>must</b> agree to beginning net assets <u>per the current year SRECNA</u> .	
13.	<b>Calculation of net assets - invested in capital assets, net of related debt:</b> Include all related amounts impacting the net asset category invested in capital assets, net of related debt. This final amount <b>must</b> agree to the SNA. Unspent bond proceeds should be entered as a positive amount.	
14.	Ensure all "ok" check figures are <b>NOT</b> in the printed, issued report. Remove any instructions from the supplementary schedules prior to printing. Do <b>NOT</b> add any rows, changes line items names, etc.	