

**UNIVERSITY UNION OPERATION OF CALIFORNIA STATE
UNIVERSITY, SACRAMENTO**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2023 AND 2022



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Union WELL Inc.
Sacramento, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of University Union Operation of California State University, Sacramento (Union WELL, Inc.) (a nonprofit corporation and a component unit of California State University, Sacramento), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Union WELL, Inc. as of June 30, 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The 2022 financial statements of Union WELL, Inc. were audited by other auditors whose report dated September 7, 2022, expressed an unmodified opinion on those statements.

Basis for Opinion

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Union WELL, Inc. 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 opinion.

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 Union WELL, Inc.'s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

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Auditors' 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 auditors' 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 Union WELL, Inc.'s 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 Union WELL, Inc.'s 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information schedules required for inclusion in California State University (supplementary information) is presented for purposes of additional analysis and is not a required part of the 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 audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the 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 September 13, 2023, on our consideration of Union WELL, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Union WELL, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Union WELL, Inc.'s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Sacramento, California
September 13, 2023

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash and Cash Equivalents	\$ 25,433,287	\$ 22,617,871
Accounts Receivable	19,016	27,127
Interest Receivable	204,066	44,191
Student Activity Fees Receivable	95,506	94,982
Prepaid Expenses	70,136	194,117
Inventory	1,207	1,188
Due from Related Parties	167,157	118,534
Capital Assets, Net of Accumulated Depreciation	1,385,661	1,507,070
Right of Use Asset - Financing, Net	13,117	-
Right of Use Asset - Operating, Net	16,817	-
	\$ 27,405,970	\$ 24,605,080
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 101,274	\$ 142,011
Due to Related Parties	2,243,020	1,624,800
Unearned Revenues	173,662	141,263
Lease Obligations - Financing	13,353	-
Lease Obligations - Operating	16,817	-
Total Liabilities	2,548,126	1,908,074
NET ASSETS		
Without Donor Restrictions:		
Board Designated	3,587,685	4,209,094
Undesignated	21,270,159	18,487,912
Total Net Assets	24,857,844	22,697,006
Total Liabilities and Net Assets	\$ 27,405,970	\$ 24,605,080

See accompanying Notes to Financial Statements.

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
REVENUES		
Student Activity Fees	\$ 13,020,871	\$ 8,753,028
Contract and Lease Payments	1,703,226	1,487,412
Program Service Fees	1,234,483	591,956
Contributions and Grants	11,000	10,000
Interest and Investment Income	626,264	95,178
Subtotal	16,595,844	10,937,574
OPERATING INCOME	16,595,844	10,937,574
OTHER INCOME		
Insurance Proceeds	30,282	-
Total Revenues	16,626,126	10,937,574
EXPENSES		
Building Operations	4,822,653	4,526,346
Programs and Services	6,371,067	5,068,534
Administration	3,262,955	3,109,654
Loss on Disposal of Capital Assets	11,992	1,041
Total Expenses	14,468,667	12,705,575
INCREASE (DECREASE) IN NET ASSETS BEFORE TAXES	2,157,459	(1,768,001)
UNRELATED BUSINESS INCOME TAXES REFUND	3,379	-
INCREASE (DECREASE) IN NET ASSETS	2,160,838	(1,768,001)
Net Assets Without Donor Restrictions - Beginning of Year	22,697,006	24,465,007
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR	\$ 24,857,844	\$ 22,697,006

See accompanying Notes to Financial Statements.

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Building Operations	Programs and Services	Administration	Total
Advertising	\$ 1,415	\$ 22,509	\$ 6,654	\$ 30,578
Conferences	595	16,139	7,422	24,156
Depreciation and Amortization	345,300	6,568	8,781	360,649
Dues and Subscriptions	16,019	107,521	122,506	246,046
Federal and State Taxes	-	-		
Insurance	-	923	234,372	235,295
Interest Expense	-	622	765	1,387
Office Expenses	206	4,834	3,084	8,124
Outside Services	1,126,036	5,441,976	2,720,461	9,288,473
Postage and Delivery	-	75	456	531
Printing	16	2,625	360	3,001
Repairs and Maintenance	2,199,139	87,650	75,144	2,361,933
Small Equipment	339,847	-	-	339,847
Special Events	-	252,404	-	252,404
Supplies	22,241	354,223	57,620	434,084
Telephone	3,242	24,539	6,644	34,425
Travel	1,043	23,584	18,686	43,313
Utilities	767,554	24,875	-	792,429
Subtotal	<u>4,822,653</u>	<u>6,371,067</u>	<u>3,262,955</u>	<u>14,456,675</u>
Loss on Disposal of Capital Assets	11,992	-	-	11,992
Unrelated Business Income Taxes	<u>-</u>	<u>(3,379)</u>	<u>-</u>	<u>(3,379)</u>
Total Functional Expenses	<u>\$ 4,834,645</u>	<u>\$ 6,367,688</u>	<u>\$ 3,262,955</u>	<u>\$ 14,465,288</u>

See accompanying Notes to Financial Statements.

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	<u>Building Operations</u>	<u>Programs and Services</u>	<u>Administration</u>	<u>Total</u>
Advertising	\$ -	\$ 22,841	\$ 3,727	\$ 26,568
Conferences	-	8,884	1,125	10,009
Depreciation	399,102	-	-	399,102
Dues and Subscriptions	14,774	94,359	130,918	240,051
Insurance	-	1,065	206,851	207,916
Office Expenses	18	3,128	4,184	7,330
Outside Services	991,720	4,415,905	2,473,748	7,881,373
Postage and Delivery	-	540	443	983
Printing	151	5,964	245	6,360
Repairs and Maintenance	2,092,448	97,873	151,719	2,342,040
Small Equipment	380,113	-	-	380,113
Special Events	-	109,329	-	109,329
Supplies	26,700	251,632	123,161	401,493
Telephone	4,093	22,202	8,102	34,397
Travel	-	9,861	5,431	15,292
Utilities	617,227	24,951	-	642,178
Subtotal	<u>4,526,346</u>	<u>5,068,534</u>	<u>3,109,654</u>	<u>12,704,534</u>
Loss on Disposal of Capital Assets	1,041	-	-	1,041
Unrelated Business Income Taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Functional Expenses	<u><u>\$ 4,527,387</u></u>	<u><u>\$ 5,068,534</u></u>	<u><u>\$ 3,109,654</u></u>	<u><u>\$ 12,705,575</u></u>

See accompanying Notes to Financial Statements.

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,160,838	\$ (1,768,001)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	345,300	399,102
Amortization	15,349	-
Change in Operating Lease Asset and Liability	(10,719)	-
Loss on Disposal of Capital Assets	11,992	1,041
(Increase) Decrease in:		
Accounts Receivable	8,111	(25,036)
Interest Receivable	(159,875)	(24,477)
Student Activity Fees Receivable	(524)	23,392
Prepaid Expenses	123,981	125,469
Inventory	(19)	684
Due from Related Parties	(48,623)	(86,042)
Increase (Decrease) in:		
Accounts Payable and Accrued Liabilities	(40,737)	80,809
Due to Related Parties	618,220	1,020,980
Unearned Revenues	32,399	26,162
Net Cash Provided (Used) by Operating Activities	3,055,693	(225,917)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Payments Related to Acquisition of Capital Assets	(235,883)	(276,068)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Payments Made on Financing Leases	(4,394)	-
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,815,416	(501,985)
Cash and Cash Equivalents - Beginning of Year	22,617,871	23,119,856
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 25,433,287	\$ 22,617,871
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
ROU Asset Obtained in Exchange for New Operating Lease Liability	\$ 27,536	\$ -
ROU Asset Obtained in Exchange for New Financing Lease Liability	\$ 17,747	\$ -

See accompanying Notes to Financial Statements.

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

The University Union Operation of California State University, Sacramento (Union WELL, Inc.) is organized pursuant to the General Nonprofit Corporation Law of the state of California and is governed by Union WELL, Inc.'s board of directors. Union WELL, Inc. operates the University Union building, recreational sports, and The WELLness Center (The WELL), the legal title of which is held by the board of trustees of the California State University for the benefit of California State University, Sacramento (Sacramento State). Union WELL, Inc. offers a variety of events and services for the students and public including an assortment of vendors, food, and programs.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Union WELL, Inc. classifies net assets and revenues, expenses, and gains and losses into two categories, based on the existence or absence of donor-imposed restrictions. The categories are described below:

Net Assets Without Donor Restrictions: Net assets in this category are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Union WELL Inc.'s management and the board of directors.

Net Assets With Donor Restrictions: Net assets in this category are subject to donor-imposed restrictions. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Union WELL, Inc. or by passage of time. Other donor restrictions are perpetual in nature, whereby the donors have stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported in the statements of activities as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash and Cash Equivalents

Union WELL Inc. invests its excess cash with the state of California Local Agency Investment Fund (LAIF). The balance is available for withdrawal on demand and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis, which is different from the fair value of Union WELL, Inc.'s position in the LAIF pool. Management has concluded that amortized cost basis approximates fair value. Union WELL, Inc. considers highly liquid investments with a maturity of three months or less to be cash and cash equivalents. At times, cash balances exceed the FDIC limit.

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology represent unadjusted quoted prices for identical assets or liabilities in active markets that Union WELL, Inc. has the ability to access.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Accounts Receivable

Accounts receivable are composed of uncollected revenue generated from events, including room reservations, leased space, and special events in the University Union building and The WELL. Union WELL, Inc. reviews accounts receivable on a monthly basis to determine if any receivables are potentially uncollectible. As of June 30, 2023 and 2022, Union WELL, Inc. has not recorded any allowance for doubtful accounts, as all amounts were considered to be collectible.

Student Activity Fees Receivable – Held by Sacramento State

Student activity fees receivable consist of student activity fees for the 2023 fall semester collected by Sacramento State during student registration. These fees will be remitted to Union WELL Inc. during the fiscal year ending June 30, 2024. As of June 30, 2023 and 2022, student activity fees receivable were \$95,506 and \$94,982, respectively.

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Expenses

These amounts are the result of payments made for goods and services to be utilized in future periods and for payment of the annual contributions to the other postemployment benefits (OPEB) plan for 2023. As of June 30, 2023 and 2022, prepaid expense for goods and services were \$70,136 and \$54,117, respectively. As of June 30, 2023 and 2022, prepaid annual contributions to the OPEB plan were \$-0- and \$140,000, respectively.

Inventory

Inventory is reported at the lower of cost or net realizable value. The first in, first out method is used in determining cost. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of disposal. Inventory consists of items such as chalk socks, clothing, and blender bottles.

Due From Related Parties

Due from related parties represents amounts owed to Union WELL, Inc. by Sacramento State; University Enterprises, Inc. (UEI); and the Associated Students of California State University, Sacramento (ASI) for services and space provided by Union WELL, Inc.'s program activities.

Capital Assets

Capital assets are stated at cost. It is the policy of Union WELL Inc. to capitalize all expenditures for property and equipment costing \$5,000 or more. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets, typically between 3 and 20 years.

Due to Related Parties

Due to related parties represents outstanding billings for administrative, accounting, and catering services provided to Union WELL, Inc. by Sacramento State, UEI, and ASI.

Unearned Revenues

Unearned revenues represent the amount of Union WELL, Inc. programs that have been received in advance of providing the related services. Revenue is recognized on the date of the service. Unearned revenues also consist of student activity fees collected by Sacramento State from students during student registration for the 2023 fall semester.

Revenues from Contracts with Customers

A five step model is used to determine the amount and timing of revenue recognized. The five step model requires Union WELL, Inc. to apply the following steps: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when, or as, Union WELL, Inc. satisfies the performance obligations.

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues from Contracts with Customers (Continued)

Union WELL, Inc.'s revenues are generated from its operations and are recognized as described below:

Student Activity Fees: Student activity fees are remitted directly to the Office of the Chancellor of California State University to cover principal and interest payments on its debt obligations, fire insurance on the University Union and The WELL buildings, legislative costs, and Office of the Chancellor overhead, and to provide a reserve for building improvements and replacement. Subject to certain limitations, student activity fees in excess of such requirements, or surplus revenue, are used to fund Union WELL, Inc. operations. For the fiscal years ended June 30, 2023 and 2022, student activity fees include a return of surplus revenue and recreational sports activity fees. Revenue is recognized as it is returned to Union WELL Inc. for use in operations.

Program Service Fees: Program service fees include, but are not limited to, facility use fees for the University Union building and The WELL; Union Games Room revenue; UNIQUE Programs event admission revenue; co-sponsorship revenue for special events such as special guest lecturers; The WELL supplemental membership fees; The WELL recreation program fees (i.e. pool, intramurals, personal training, small group fitness training, climbing wall revenue); 5K Fun Run revenue; and printing services revenue at The Lab. Revenue is recognized throughout the period during which the facilities and services are provided and as events are held.

See below for a summary of activity of the deferred revenue balances and the student activity fee receivable:

	<u>2023</u>	<u>2022</u>
Deferred Revenue, Beginning of the Year	\$ 141,263	\$ 115,101
Refunds or Returns	-	-
Revenue Recognized	(141,263)	(115,101)
Cash Received in Advance of Performance	<u>173,662</u>	<u>141,263</u>
Deferred Revenue, End of the Year	<u>\$ 173,662</u>	<u>\$ 141,263</u>
	<u>2023</u>	<u>2022</u>
Student Activity Fee Receivable, Beginning of the Year	\$ 94,982	\$ 118,374
Payments Made	(94,982)	(118,374)
Charges for Fees	<u>95,506</u>	<u>94,982</u>
Student Activity Fee Receivable, End of the Year	<u>\$ 95,506</u>	<u>\$ 94,982</u>

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing various program and supporting activities have been summarized on a functional basis in the statements of activities. The presentation of expenses by function and nature is included in the statements of functional expenses. Union WELL, Inc. charges direct expenses incurred for a specific function directly to the program or supporting service category. These costs can be specifically identified as being incurred for the activities of that program or supporting service. Other costs that are incurred by Union WELL Inc. benefit more than one program or supporting service, and are allocated on a reasonable basis that is consistently applied. Costs including outside services are allocated based on estimates of time and effort; other costs, including depreciation, occupancy, office costs, computers, and software, are allocated based on estimates of usage or benefit received by each program. Expenses that are not directly associated with a program are allocated to administration expenses. Union WELL, Inc. reevaluates its allocation method each year to determine if there are adjustments that are necessary to the allocation method based on actual activities conducted during the year. For the years ended June 30, 2023 and 2022, there was no fundraising expenses.

Advertising

Union WELL, Inc. expenses advertising costs as incurred. Advertising expenses for the years ended June 30, 2023 and 2022, were \$30,578 and \$26,568, respectively.

Tax Status

Union WELL, Inc. qualifies for exemption from income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code (IRC) and similar provisions of state income tax regulations. The ruling provides that Union WELL, Inc. is not subject to excise tax under Section 4940(a) of the IRC. Income determined to be from unrelated business income would be taxable.

Union WELL, Inc. analyzes whether there is uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. An uncertain tax position can be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. Union WELL, Inc.'s practice is to recognize interest and penalties, if any, related to uncertain tax positions in tax expense. Union WELL, Inc. files exempt organization returns in the U.S. federal and California jurisdictions. The federal and state tax returns remain subject to examination by the taxing authorities for three years and four years, respectively. Union WELL, Inc. has processes presently in place to ensure the maintenance of its tax exempt status (its group exemption) to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. Union WELL Inc. has determined there is no impact on the accompanying financial statements related to this standard. There were no uncertain tax positions identified or related interest and penalties recorded as of June 30, 2023 and 2022, and Union WELL, Inc. does not expect this to change significantly over the next 12 months.

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Union WELL, Inc. leases office equipment and determines if an arrangement is a lease at inception. Both operating and finance leases are reported on the balance sheet as a right-of-use (ROU) asset and lease liability.

ROU assets represent the Union WELL Inc.'s right to use an underlying asset for the lease term and lease liabilities represent the Union WELL Inc.'s obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Union WELL Inc. will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Union WELL Inc. has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the balance sheets.

The individual lease contracts do not provide information about the rate implicit in the lease. Therefore, the Union WELL Inc. has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities. The Union WELL Inc. has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases (ASC 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

Union WELL, Inc. adopted the requirements of the guidance effective July 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption.

The Union WELL, Inc. has elected to adopt the package of practical expedients available in the year of adoption. The Union WELL, Inc. has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Union WELL, Inc.'s ROU assets. The standard had a material impact on the statement of financial position, but did not have an impact on the statements of activities, nor statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Evaluation of Subsequent Events

Management has evaluated subsequent events through September 13, 2023, the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY OF ASSETS

The following represents Union WELL Inc.'s financial assets:

	2023	2022
Financial Assets - End of Year:		
Cash and Cash Equivalents	\$ 25,433,287	\$ 22,617,871
Accounts Receivable	390,239	189,852
Student Activity Fees Receivable - Held by Sacramento State	95,506	94,982
Total Financial Assets - End of Year	25,919,032	22,902,705
Less: Amounts Not Available to be Used Within One Year:		
Board-Designated Net Assets	3,587,685	4,209,094
Financial Assets Available to Meet General Expenditures Over the Next 12 Months	\$ 22,331,347	\$ 18,693,611

In order to manage liquidity, Union WELL, Inc. has structured its financial assets to be available as its general expenditures and liabilities become due. As part of its liquidity plan, excess cash is invested in LAIF. Union WELL, Inc. is substantially supported by student activity and program services fees, which are unrestricted and are available to meet general expenditure obligations.

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 3 INVESTMENTS AND FAIR VALUE MEASUREMENT

Although Union WELL, Inc. has funds held in LAIF, they are available for withdrawal on demand and are, therefore, recorded as cash equivalents. LAIF is sponsored by the California State Treasurer and prepares its market value report detailing the carrying cost and estimated fair value for the entire pool. Union WELL Inc. used the multiplier provided by LAIF to determine the estimated fair value of its investments in the pool. Union WELL, Inc.'s investments in LAIF are measured on a recurring basis throughout the year.

The investments in LAIF are carried at amortized cost, which is deemed to not represent a material difference from fair value. The assets, composed of treasuries, certificates of deposit, bank notes, agencies, commercial paper, time deposits, and loans, are valued at quoted prices for similar assets or liabilities in active markets. This method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Union WELL, Inc. believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at June 30, 2023 and 2022.

As of June 30, 2023 and 2022, the LAIF pool included structured notes and asset backed securities, which totaled 2.78% and 1.88%, respectively, of the total portfolio. These structured notes and asset backed securities are subject to market risk as interest rates fluctuate. As of June 30, 2023 and 2022, the fair value of LAIF was 98.48% and 98.71%, respectively, of the carrying value. There were no LAIF funds invested in derivatives as of June 30, 2023 and 2022. LAIF has oversight by the Local Investment Advisory Board (LIAB), which consists of five members as designated by statute. The Chairman of the LIAB is the state Treasurer or his designated representative. Union WELL Inc. is a voluntary participant in the LAIF investment pool.

The following tables set forth by level, within the fair value hierarchy, Union WELL, Inc.'s assets at fair value:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)	Total
<u>June 30, 2023</u>					
LAIF	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,037,757</u>	<u>\$ 25,037,757</u>

	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)	Total
<u>June 30, 2022</u>					
LAIF	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,350,407</u>	<u>\$ 22,350,407</u>

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 4 CAPITAL ASSETS

Capital assets consisted of the following:

	<u>2023</u>	<u>2022</u>
Furniture and Fixtures	\$ 1,180,822	\$ 1,182,913
Fitness Equipment	784,743	785,995
Minor Equipment	40,453	40,453
Leasehold Improvements	1,163,493	1,113,143
Construction Work in Progress	158,749	105,965
Computers	712,979	661,179
Artwork	44,596	44,596
Total	<u>4,085,835</u>	<u>3,934,244</u>
Less: Accumulated Depreciation	<u>2,700,174</u>	<u>2,427,174</u>
Capital Assets, Net	<u>\$ 1,385,661</u>	<u>\$ 1,507,070</u>

Depreciation expense for the fiscal years ended June 30, 2023 and 2022, was \$345,300 and \$399,102, respectively.

NOTE 5 LEASES

Union WELL, Inc. has three lease commitments for copiers and printers under noncancelable leases. The following table provides quantitative information concerning leases for the year ended June 30, 2023:

Operating Lease Costs	\$ 27,536
Finance Lease Costs	17,747
Amortization of Right-to-Use Assets	(15,349)
Interest on Lease Liabilities	1,387
Total Cost	<u>\$ 33,344</u>

Cash Paid for Amounts Included in the Measurement of Lease Liabilities:

Operating Cash Flows from Operating Leases	\$ 27,536
Operating Cash Flows from Finance Leases	17,747
Financing Cash Flows from Finance Leases	4,394

ROU Assets Obtained in Exchange for New Financing Lease Liabilities	\$ 17,747
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ROU Assets Obtained in Exchange for New Operating Lease Liabilities	27,536
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Weighted Average Remaining Lease Term:	
Financing Leases	2.83
Operating Leases	1.5

Weighted Average Discount Rate:	
Financing Leases	3.65
Operating Leases	3.59

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 5 LEASES (CONTINUED)

<u>Year Ending June 30,</u>	<u>Operating Leases</u>	<u>Financing Leases</u>
2024	\$ 11,532	\$ 4,968
2025	5,766	4,968
2026	-	4,140
Total Lease Payments	<u>17,298</u>	<u>14,076</u>
Less: Interest	(481)	(723)
Present Value of Lease Liabilities	<u>\$ 16,817</u>	<u>\$ 13,353</u>

NOTE 6 OUTSIDE SERVICES

Union WELL, Inc. operates pursuant to a Memorandum of Understanding (MOU) with UEI that, among other provisions, compensates UEI and provides for Union WELL, Inc. to furnish related benefits coverage for these individuals. Such amounts are reported as outside services in the statements of functional expenses. Outside services for the fiscal years ended June 30, 2023 and 2022, consisted of the following:

	<u>2023</u>	<u>2022</u>
Personnel Services	\$ 5,795,074	\$ 4,771,125
Personnel Benefit Expenses	1,957,411	1,689,435
Payroll Services	775,248	646,056
Accounting Services	142,708	136,885
Other Outside Services	618,032	637,872
Total	<u>\$ 9,288,473</u>	<u>\$ 7,881,373</u>

NOTE 7 RELATED PARTY TRANSACTIONS

Space located within the University Union building is used or operated by Sacramento State, ASI, The University Foundation at Sacramento State (UFSS), and UEI, which are component units of Sacramento State, under operating and sublease agreements that are renewed on an annual basis. For the fiscal years ended June 30, 2023 and 2022, Union WELL, Inc. received payments for leased office space to UEI totaling \$541,672 and \$435,187, respectively, and for leased office space to ASI totaling \$300,704 and \$288,625, respectively. For the fiscal years ended June 30, 2023 and 2022, Union WELL Inc. received Public Safety fees from UEI totaling \$6,958 and \$6,760, respectively. For the fiscal years ended June 30, 2023 and 2022, Union WELL, Inc. received Public Safety Fees from ASI totaling \$4,139 and \$4,410, respectively.

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 7 RELATED PARTY TRANSACTIONS (CONTINUED)

Other than those disclosed elsewhere in these financial statements, transactions between Union WELL, Inc. and related organizations included the payments by Union WELL, Inc. to Sacramento State of \$888,903 and \$1,057,603 for the fiscal years ended June 30, 2023 and 2022, respectively, for campus cost recovery services, which include administration, telephone, postage, IT support, and utilities. Sacramento State made payments to Union WELL Inc. totaling \$1,287,571 and \$897,162 for services, space, and programs for the fiscal years ended June 30, 2023 and 2022, respectively.

Union WELL, Inc. incurred expenses primarily related to catering services, video production, and advertising by UEI in the amounts of \$-0- and \$2,202 for the fiscal years ended June 30, 2023 and 2022, respectively.

For the fiscal years ended June 30, 2023 and 2022, Union WELL Inc. was charged \$142,708 and \$136,885, respectively, for accounting and financial services provided by ASI.

The amounts due from related entities were comprised of the following:

	<u>2023</u>	<u>2022</u>
Sacramento State	\$ 135,492	\$ 116,943
UEI	7,642	1,591
ASI	24,023	-
Total	<u>\$ 167,157</u>	<u>\$ 118,534</u>

The amounts due to related entities were comprised of the following:

	<u>2023</u>	<u>2022</u>
Sacramento State	\$ 775,077	\$ 338,102
UEI	1,444,283	1,275,264
ASI	23,660	11,434
Total	<u>\$ 2,243,020</u>	<u>\$ 1,624,800</u>

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The employees assigned to Union WELL, Inc. under the provisions of the MOU with UEI are also eligible to participate in UEI's OPEB plan (the Plan). The Plan is a single employer defined benefit healthcare plan administered by UEI. The Plan provides lifetime postretirement medical and dental coverage to its eligible employees who retire at age 55 (Policy 116) or age 65 (Policy 117) or older, and who complete the required years of continuous CalPERS covered service. The Plan also extends coverage to spouses/registered domestic partners and surviving spouses/registered domestic partners of qualified retirees. On May 17, 2011, UEI's board of directors approved the inclusion of UEI into the Voluntary Employee Beneficiary Association (VEBA) Plan. The VEBA Plan is a separate 501(c)(9) organization established in August 2010 to assist in funding OPEB costs, and ensures funds will be available to pay future obligations. Union WELL, Inc. paid contributions to UEI of \$140,000 and \$140,000 for the years ended June 30, 2023 and 2022, respectively. These contributions, totaling \$280,000, were deposited into the UEI VEBA account on behalf of Union WELL, Inc. For full disclosures of OPEB and VEBA plans, see UEI's financial statements.

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO
SCHEDULE OF NET POSITION
JUNE 30, 2023
(FOR INCLUSION IN THE CALIFORNIA STATE UNIVERSITY)

Assets:

Current assets:

Cash and cash equivalents	395,530
Short-term investments	25,037,757
Accounts receivable, net	485,745
Lease receivable, current portion	-
P3 receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	-
Prepaid expenses and other current assets	71,343
Total current assets	25,990,375

Noncurrent assets:

Restricted cash and cash equivalents	-
Accounts receivable, net	-
Lease receivable, net of current portion	-
P3 receivable, net of current portion	-
Notes receivable, net of current portion	-
Student loans receivable, net	-
Pledges receivable, net	-
Endowment investments	-
Other long-term investments	-
Capital assets, net	1,415,595
Other assets	-
Total noncurrent assets	1,415,595
Total assets	27,405,970

Deferred outflows of resources:

Unamortized loss on debt refunding	-
Net pension liability	-
Net OPEB liability	-
Leases	-
P3	-
Others	-
Total deferred outflows of resources	-

Liabilities:

Current liabilities:

Accounts payable	101,274
Accrued salaries and benefits	-
Accrued compensated absences, current portion	-
Unearned revenues	173,662
Lease liabilities, current portion	15,667
SBITA liabilities - current portion	-
P3 liabilities - current portion	-
Long-term debt obligations, current portion	-
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	2,243,020
Total current liabilities	2,533,623

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO
SCHEDULE OF NET POSITION (CONTINUED)
JUNE 30, 2023
(FOR INCLUSION IN THE CALIFORNIA STATE UNIVERSITY)

Noncurrent liabilities:	
Accrued compensated absences, net of current portion	-
Unearned revenues	-
Grants refundable	-
Lease liabilities, net of current portion	14,503
SBITA liabilities, net of current portion	-
P3 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	14,503
Total liabilities	2,548,126
Deferred inflows of resources:	
P3 service concession arrangements	-
Net pension liability	-
Net OPEB liability	-
Unamortized gain on debt refunding	-
Nonexchange transactions	-
Lease	-
P3	-
Others	-
Total deferred inflows of resources	-
Net position:	
Net investment in capital assets	1,385,425
Restricted for:	
Nonexpendable – endowments	-
Expendable:	
Scholarships and fellowships	-
Research	-
Loans	-
Capital projects	-
Debt service	-
Others	-
Unrestricted	23,472,419
Total net position	24,857,844

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2023
(FOR INCLUSION IN THE CALIFORNIA STATE UNIVERSITY)

Revenues:

Operating revenues:

Student tuition and fees, gross	-
Scholarship allowances (enter as negative)	-
Grants and contracts, noncapital:	
Federal	-
State	-
Local	-
Nongovernmental	-
Sales and services of educational activities	-
Sales and services of auxiliary enterprises, gross	1,234,483
Scholarship allowances (enter as negative)	-
Other operating revenues	14,724,097
	<hr/>
Total operating revenues	15,958,580
	<hr/>

Expenses:

Operating expenses:

Instruction	-
Research	-
Public service	-
Academic support	-
Student services	10,737,099
Institutional support	407,898
Operation and maintenance of plant	2,949,642
Student grants and scholarships	-
Auxiliary enterprise expenses	-
Depreciation and amortization	360,649
	<hr/>
Total operating expenses	14,455,288
	<hr/>
Operating income (loss)	1,503,292
	<hr/>

Nonoperating revenues (expenses):

State appropriations, noncapital	-
Federal financial aid grants, noncapital	-
State financial aid grants, noncapital	-
Local financial aid grants, noncapital	-
Nongovernmental and other financial aid grants, noncapital	-
Other federal nonoperating grants, noncapital	-
Gifts, noncapital	11,000
Investment income (loss), net	626,264
Endowment income (loss), net	-
Interest expense	(1,387)
Other nonoperating revenues (expenses)	21,669
	<hr/>
Net nonoperating revenues (expenses)	657,546
	<hr/>
Income (loss) before other revenues (expenses)	2,160,838
	<hr/>

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)
YEAR ENDED JUNE 30, 2023
(FOR INCLUSION IN THE CALIFORNIA STATE UNIVERSITY)

State appropriations, capital	-
Grants and gifts, capital	-
Additions (reductions) to permanent endowments	-
	-
Increase (decrease) in net position	2,160,838
Net position:	
Net position at beginning of year, as previously reported	22,697,006
Restatements	-
	-
Net position at beginning of year, as restated	22,697,006
	22,697,006
Net position at end of year	24,857,844
	24,857,844

**UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO
OTHER INFORMATION
YEAR ENDED JUNE 30, 2023
(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

-
395,530
\$ 395,530

2.1 Composition of investments:

Investment Type	Current	Noncurrent	Total
Money market funds			-
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			-
Supranational			-
Mutual funds			-
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 investments			-
Other external investment pools			-
CSU Consolidated Investment Pool (formerly SWIFT)			-
State of California Local Agency Investment Fund (LAIF)	25,037,757		25,037,757
State of California Surplus Money Investment Fund (SMIF)			-
Other investments:			-
			-
			-
			-
			-
			-
Total other investments	-	-	-
Total investments	25,037,757	-	25,037,757
Less endowment investments (enter as negative number)			-
Total investments, net of endowments	\$ 25,037,757	-	25,037,757

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO
OTHER INFORMATION
YEAR ENDED JUNE 30, 2023
(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	\$ -				
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	-				
Supranational	-				
Mutual funds	-				
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 investments	-				
Other external investment pools	-				
CSU Consolidated Investment Pool (formerly SWIFT)	-				
State of California Local Agency Investment Fund (LAIF)	25,037,757				25,037,757
State of California Surplus Money Investment Fund (SMIF)	-				
Other investments:					
	-				
	-				
	-				
	-				
	-				
	-				
	-				
	-				
Total other investments	-				
Total investments	\$ 25,037,757				25,037,757

**UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO
 OTHER INFORMATION
 YEAR ENDED JUNE 30, 2023
 (FOR INCLUSION IN THE CALIFORNIA STATE UNIVERSITY)**

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):			\$	-

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO
OTHER INFORMATION
YEAR ENDED JUNE 30, 2023
(FOR INCLUSION IN THE CALIFORNIA STATE UNIVERSITY)

3.1 Capital Assets, excluding ROU assets:						
<u>Composition of capital assets, excluding ROU assets:</u>						
	Balance June 30, 2022	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2022 (Restated)	Balance June 30, 2023
Non-depreciable/Non-amortizable capital assets:						
Land and land improvements	44,596	-	-	-	44,596	44,596
Works of art and historical treasures	105,965	-	-	-	105,965	158,749
Construction work in progress (CWIP)				61,619		(8,835)
Inangible assets:						
Rights and easements						
Patents, copyrights and trademarks						
Inangible assets in progress (PWIP)						
Licenses and permits						
Other intangible assets:						
Total Other intangible assets	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-
Total non-depreciable/non-amortizable capital assets	\$ 150,561	-	-	-	\$ 150,561	\$ 203,345
Depreciable/Amortizable capital assets:						
Buildings and building improvements						
Improvements, other than buildings						
Infrastructure	1,113,142			(33,342)	1,113,142	1,163,493
Leasehold improvements					78,246	
Personal property:						
Equipment	2,670,541			(50,950)	2,670,541	2,718,997
Library books and materials						
Inangible assets:						
Software and websites						
Rights and easements						
Patents, copyrights and trademarks						
Licenses and permits						
Other intangible assets:						
Total Other intangible assets:	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-
Total depreciable/amortizable capital assets	\$ 3,783,683	-	174,264	(84,292)	\$ 3,783,683	\$ 3,882,491
Total capital assets	\$ 3,934,244	-	235,880	(84,292)	\$ 3,934,244	\$ 4,085,835

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO
OTHER INFORMATION
YEAR ENDED JUNE 30, 2023
(FOR INCLUSION IN THE CALIFORNIA STATE UNIVERSITY)

	Balance June 30, 2022	Prior Period Reclassifications	Prior Period Additions	Prior Period Reductions	Balance June 30, 2022 (Restated)	Additions	Re measurements	Reductions	Balance June 30, 2023
Composition of capital assets - Lease ROI, net:									
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	-	-	-	-	-	45,283	-	-	45,283
Total depreciable/amortizable lease assets						45,283			45,283
Less accumulated depreciation/amortization:									
Land and land improvements	-	-	-	-	-	-	-	-	-
Buildings and building improvements	-	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-
Personal property:									
Equipment	-	-	-	-	-	(15,349)	-	-	(15,349)
Total accumulated depreciation/amortization						(15,349)			(15,349)
Total capital assets - lease ROI, net						29,934			29,934

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO
OTHER INFORMATION
YEAR ENDED JUNE 30, 2023
(FOR INCLUSION IN THE CALIFORNIA STATE UNIVERSITY)

	Balance June 30, 2022	Reclassifications	Prior Period Additions	Prior Period Reductions	Balance June 30, 2022 (Restated)	Additions	Remeasurements	Reductions	Balance June 30, 2023
Composition of capital assets - SBTA ROU, net									
Depreciable/Amortizable SBTA assets:									
Software	-	-	-	-	-	-	-	-	-
Total depreciable/amortizable SBTA assets	-	-	-	-	-	-	-	-	-
Less accumulated depreciation/amortization:									
Software	-	-	-	-	-	-	-	-	-
Total accumulated depreciation/amortization	-	-	-	-	-	-	-	-	-
Total capital assets - SBTA ROU, net	-	-	-	-	-	-	-	-	-

	Balance June 30, 2022	Reclassifications	Prior Period Additions	Prior Period Reductions	Balance June 30, 2022 (Restated)	Additions	Remeasurements	Reductions	Balance June 30, 2023
Composition of capital assets - P3 ROU, net									
Non-depreciable/Non-amortizable P3 assets:									
Land and land improvements	-	-	-	-	-	-	-	-	-
Total non-depreciable/non-amortizable P3 assets	-	-	-	-	-	-	-	-	-
Depreciable/Amortizable P3 assets:									
Land and land improvements	-	-	-	-	-	-	-	-	-
Buildings and building improvements	-	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-
Personal property:									
Equipment	-	-	-	-	-	-	-	-	-
Total depreciable/amortizable P3 assets	-	-	-	-	-	-	-	-	-
Less accumulated depreciation/amortization:									
Land and land improvements	-	-	-	-	-	-	-	-	-
Buildings and building improvements	-	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-
Personal property:									
Equipment	-	-	-	-	-	-	-	-	-
Total accumulated depreciation/amortization	-	-	-	-	-	-	-	-	-
Total capital assets - P3 ROU, net	-	-	-	-	-	-	-	-	-
Total capital assets, net including ROU assets									\$ 1,415,505

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO
OTHER INFORMATION
YEAR ENDED JUNE 30, 2023
(FOR INCLUSION IN THE CALIFORNIA STATE UNIVERSITY)

3.2 Detail of depreciation and amortization expense:

Depreciation and amortization expense - capital assets, excluding ROU assets	\$	345,300
Amortization expense - Leases ROU		15,349
Amortization expense - SBITA ROU		-
Amortization expense - P3 ROU		-
Depreciation and Amortization expense - Others		
Total depreciation and amortization	\$	<u><u>360,649</u></u>

4 Long-term liabilities:

	Balance June 30, 2022	Prior Period Adjustments/Reclassifications	Balance June 30, 2022 (Restated)	Additions	Reductions	Balance June 30, 2023	Current Portion	Noncurrent Portion
1. Accrued compensated absences	-		-			-		-
2. Claims liability for losses and loss adjustment expenses	-		-			-		-
3. Capital lease obligations (pre-ASC 842):								
Gross balance	-		-			-		-
Unamortized net premium/(discount)	-		-			-		-
Total capital lease obligations (pre ASC 842)	-		-			-		-
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 Finance purchase of capital assets	-		-			-		-
4.5 Others:								
	-		-			-		-
	-		-			-		-
	-		-			-		-
	-		-			-		-
Total others	-		-			-		-
Sub-total long-term debt	-		-			-		-
4.6 Unamortized net bond premium/(discount)	-		-			-		-
Total long-term debt obligations	\$ -		\$ -			\$ -		\$ -

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO
OTHER INFORMATION
YEAR ENDED JUNE 30, 2023
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5. Lease, SBTA, P3 liabilities:													
Lease liabilities	Balance	Prior Period	Additions	Remeasurements	Reductions	Balance	Current Portion	Noncurrent Portion					
SBTA liabilities	June 30, 2022	Adjustments/Reclassifications	30,170	-	-	June 30, 2023	15,667	14,503					
P3 liabilities - SCA	-	-	-	-	-	-	-	-					
P3 liabilities - non-SCA	-	-	-	-	-	-	-	-					
Sub-total P3 liabilities	-	-	-	-	-	-	-	-					
Total Lease, SBTA, P3 liabilities	\$ -	\$ -	30,170	-	-	30,170	15,667	14,503					
Total long-term liabilities	\$ -	\$ -	30,170	-	-	30,170	15,667	14,503					

Year ending June 30:	Lease Liabilities		SBTA liabilities		Public/Private or Public/Public Partnerships (P3)		Total Leases, SBTA, P3 liabilities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal Only	Principal and Interest
2024	15,667	833	16,500	-	-	-	15,667	833
2025	10,432	302	10,734	-	-	-	10,432	302
2026	4,071	68	4,139	-	-	-	4,071	68
2027	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-
2029 - 2033	-	-	-	-	-	-	-	-
2034 - 2038	-	-	-	-	-	-	-	-
2039 - 2043	-	-	-	-	-	-	-	-
2044 - 2048	-	-	-	-	-	-	-	-
2049 - 2063	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-
Total minimum payments	30,170	1,206	31,373	-	-	-	30,170	1,206
Less: amounts representing interest	-	-	-	-	-	-	-	-
Present value of future minimum payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Leases, SBTA, P3 liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less: current portion	-	-	-	-	-	-	-	-
Leases, SBTA, P3 liabilities, net of current portion	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO
OTHER INFORMATION
YEAR ENDED JUNE 30, 2023
(FOR INCLUSION IN THE CALIFORNIA STATE UNIVERSITY)

6 Future minimum payments schedule - Long-term debt obligations:

Year ending June 30:	Auxiliary revenue bonds (non-SRP related)		All other long-term debt obligations		Total long-term debt obligations	
	Principal	Interest	Principal and Interest	Principal and Interest	Principal	Interest
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029 - 2033	-	-	-	-	-	-
2034 - 2038	-	-	-	-	-	-
2039 - 2043	-	-	-	-	-	-
2044 - 2048	-	-	-	-	-	-
2049 - 2053	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-
Total minimum payments	\$ -	-	-	-	-	-
Less: amounts representing interest						
Present value of future minimum payments						
Unamortized net premium/(discount)						
Total long-term debt obligations						
Less: current portion						
Long-term debt obligations, net of current portion						\$ -

7 Transactions with related entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ -
Payments to University for other than salaries of University personnel	888,903
Payments received from University for services, space, and programs	1,287,571
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	(715,077)
Other amounts payable to University	-
Accounts receivable from University	135,492
Other amounts receivable from University	95,506

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO
OTHER INFORMATION
YEAR ENDED JUNE 30, 2023
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8 Restatements

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

9 Natural classifications of operating expenses:

	Salaries	Benefits - Other	Benefits - Pension	Benefits - OPEB	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total operating expenses
\$	-	-	-	-	-	-	-	-
Instruction	-	-	-	-	-	-	-	-
Research	-	-	-	-	-	-	-	-
Public service	-	-	-	-	-	-	-	-
Academic support	-	-	-	-	-	-	-	-
Student services	-	-	-	-	-	10,737,099	-	10,737,099
Institutional support	-	-	-	-	-	407,898	-	407,898
Operation and maintenance of plant	-	-	-	-	-	2,949,642	-	2,949,642
Student grants and scholarships	-	-	-	-	-	-	-	-
Auxiliary enterprise expenses	-	-	-	-	-	-	-	-
Depreciation and amortization	-	-	-	-	-	-	360,649	360,649
Total operating expenses	\$ -	-	-	-	-	14,094,639	360,649	\$ 14,455,288

**UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO
OTHER INFORMATION
YEAR ENDED JUNE 30, 2023
(FOR INCLUSION IN THE CALIFORNIA STATE UNIVERSITY)**

No pension plan reported

N/A

10 Deferred outflows/inflows of resources:

1. Deferred Outflows of Resources

- Deferred outflows - unamortized loss on refunding(s)
- Deferred outflows - net pension liability
- Deferred outflows - net OPEB liability
- Deferred outflows - leases
- Deferred outflows - P3
- Deferred outflows - others:
 - Sales/intra-entity transfers of future revenues
 - Gain/loss on sale leaseback
 - Loan origination fees and costs
 - Change in fair value of hedging derivative instrument
 - Irrevocable split-interest agreements

Total deferred outflows - others
Total deferred outflows of resources

-
\$ -

2. Deferred Inflows of Resources

- Deferred inflows - P3 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 - P3
- 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
- Other nonoperating (expenses)
- Total other nonoperating revenues (expenses)**

\$	21,669
	-
\$	21,669

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO
SCHEDULE OF UNDESIGNATED AND BOARD-DESIGNATED NET ASSETS
YEAR ENDED JUNE 30, 2023

	Net Assets Without Donor Restrictions				
	Undesignated	Board Designated			Total
		Operations	Property and Equipment	Repairs and Replacement	
REVENUES					
Revenue from Program Activities:					
Student Activity Fees	\$ 13,020,871	\$ -	\$ -	\$ -	\$ 13,020,871
Revenue from Operations	<u>2,948,709</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 2,948,709</u>
Total Revenue from Program Activities	15,969,580	-	-	-	15,969,580
Other Income:					
Noncash Donation	-	-	-	-	-
Insurance Proceeds	<u>30,282</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,282</u>
Total Other Income	30,282	-	-	-	30,282
 Total Revenues	 15,999,862	 -	 -	 -	 15,999,862
EXPENSES					
Personnel	-	-	-	-	-
Employee Benefits	-	-	-	-	-
Advertising	30,578	-	-	-	30,578
Conferences	24,156	-	-	-	24,156
Depreciation	-	360,649	-	-	360,649
Dues and Subscriptions	246,046	-	-	-	246,046
Unrelated Business Income Taxes	(3,379)	-	-	-	(3,379)
Insurance	235,295	-	-	-	235,295
Interest	1,387	-	-	-	1,387
Office Expenses	8,124	-	-	-	8,124
Outside Services	9,288,473	-	-	-	9,288,473
Postage and Delivery	531	-	-	-	531
Printing	3,001	-	-	-	3,001
Repairs and Maintenance	2,361,933	-	-	-	2,361,933
Small Equipment	17,993	-	320,042	1,812	339,847
Special Events Expenses	252,404	-	-	-	252,404
Supplies	434,084	-	-	-	434,084
Telephone	34,425	-	-	-	34,425
Travel	43,313	-	-	-	43,313
Utilities	<u>792,429</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>792,429</u>
Total Expenses	<u>13,770,793</u>	<u>360,649</u>	<u>320,042</u>	<u>1,812</u>	<u>14,453,296</u>
EXCESS (DEFICIENCY) OF REVENUE FROM PROGRAM ACTIVITIES OVER (UNDER) EXPENSES	\$ 2,229,069	\$ (360,649)	\$ (320,042)	\$ (1,812)	\$ 1,546,566
INTEREST AND INVESTMENT INCOME	561,355	-	64,909	-	626,264
SALE OF EQUIPMENT	-	-	-	-	-
LOSS ON DISPOSAL OF CAPITAL ASSETS	<u>-</u>	<u>(11,992)</u>	<u>-</u>	<u>-</u>	<u>(11,992)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES	2,790,424	(372,641)	(255,133)	(1,812)	2,160,838
INTERFUND TRANSFERS					
Transfer of Board-Designated Funds	(443,291)	-	438,291	5,000	-
Fixed Asset Acquisitions	(68,843)	281,166	(212,323)	-	-
Reclass to Fund 1 from Fund 2	609,922	-	(609,922)	-	-
WIP Fund Correction 2018	(53,500)	53,500	-	-	-
WIP Fund Correction 2021	<u>(52,465)</u>	<u>52,465</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Interfund Transfers	<u>(8,177)</u>	<u>387,131</u>	<u>(383,954)</u>	<u>5,000</u>	<u>-</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	2,782,247	14,490	(639,087)	3,188	2,160,838
Net Assets Without Donor Restrictions - Beginning of Year	<u>18,487,912</u>	<u>1,401,105</u>	<u>2,772,000</u>	<u>35,989</u>	<u>22,697,006</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR	<u>\$ 21,270,159</u>	<u>\$ 1,415,595</u>	<u>\$ 2,132,913</u>	<u>\$ 39,177</u>	<u>\$ 24,857,844</u>

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2023 AND 2022

NOTE 1 BASIS OF PRESENTATION

The schedules are prepared in accordance with the instructions listed in an Administrative Directive dated June 24, 2003, entitled *Financial Reporting Requirements for Auxiliary Organizations*, from the California State University Office of the Chancellor. As a result, the schedules do not purport to represent financial statements prepared fully in accordance with accounting standards generally accepted in the United States of America applicable to governmental not for profit organizations.

NOTE 2 BOARD DESIGNATED NET ASSETS

Repairs and Replacement

Union WELL, Inc. annually designates net assets of 5% of the total replacement value of equipment and furniture and fixtures, for their repair and replacement. Total replacement value is determined using the latest available consumer price index and was estimated to be approximately \$4,265,827 at June 30, 2023. The cumulative amount of these net asset designations is limited to no more than 50% of the total replacement value of such equipment and furniture and fixtures. This amount, plus interest earned, plus insurance proceeds, less actual replacements, represents the designation, which was \$2,132,913 as of June 30, 2023.

Art Acquisition

Union WELL, Inc. annually designates net assets of \$5,000 for art acquisition, less actual purchases. As of June 30, 2023, the designation totaled \$39,177.

Property and Equipment

Union WELL, Inc. designates net assets based on the net book value of its property and equipment. At June 30, 2023, the designation for depreciable property and equipment was \$1,415,595.



**INDEPENDENT AUDITORS' 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**

Board of Directors
Union WELL Inc.
Sacramento, 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 University Union Operation of California State University, Sacramento (Union WELL, Inc.) which comprise the statement of financial position as of June 30, 2023; the related statements of activities, functional expenses, and cash flows for the year then ended; and the related notes to the financial statements, and have issued our report thereon dated September 13, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Union WELL, Inc.'s 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Union WELL, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Union WELL, Inc.'s internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Union WELL, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Sacramento, California
September 13, 2023



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