

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

Independent Auditor's Report,
Financial Statements and Supplemental Information

For the Fiscal Years Ended June 30, 2013 and 2012

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

Table of Contents

	<u>Page(s)</u>
Independent Auditor's Report.....	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities.....	4
Statement of Functional Expenses.....	5-6
Statements of Cash Flows	7
Notes to the Financial Statements	8-16
Supplemental Information	
Schedule of Net Position	17
Schedule of Revenues, Expenses and Changes in Net Position	18
Other Information.....	19-24
Schedule of Undesignated and Designated Net Assets	25
Notes to Supplemental Information.....	26

INDEPENDENT AUDITOR'S REPORT

Board of Directors
University Union Operation of
California State University, Sacramento
Sacramento, California

We have audited the accompanying financial statements of University Union Operation of California State University, Sacramento, (the "Union WELL Inc."), a component unit of California State University, Sacramento, which comprise the statements of financial position as of June 30, 2013 and 2012 and the related statements of activities, functional expenses, and cash flows for the fiscal years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University Union Operation of California State University, Sacramento, as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information on pages 17 through 26 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Macias Mini & O'Connell LLP

Sacramento, California

September 17, 2013

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012**

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 9,472,392	\$ 9,439,703
Accounts receivable	24,807	30,973
Interest receivable	6,046	8,759
Student fee receivable	85,166	94,023
Prepaid expenses	27,638	15,895
Inventory	6,033	9,641
Due from related parties	102,098	107,201
Capital assets, net of accumulated depreciation	850,212	1,073,786
 Total assets	 \$ 10,574,392	 \$ 10,779,981
 LIABILITIES		
Accounts payable and accrued liabilities	\$ 60,220	\$ 236,498
Due to related parties	579,177	576,318
Unearned revenue	115,790	115,168
 Total liabilities	 755,187	 927,984
 NET ASSETS, UNRESTRICTED	 9,819,205	 9,851,997
 Total liabilities and net assets	 \$ 10,574,392	 \$ 10,779,981

See accompanying notes to the financial statements.

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
STATEMENTS OF ACTIVITIES
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

	2013	2012
REVENUES		
Student activity fee	\$ 5,945,294	\$ 5,702,198
Contract and lease payments	1,358,955	1,330,326
Program service fees	898,128	931,218
Contributions and grants	3,950	15,300
Interest and investment income	35,686	42,823
Total revenues	8,242,013	8,021,865
EXPENSES		
Building operations	2,988,283	3,097,015
Programs and services	3,419,067	3,097,509
Administration	1,867,455	2,074,855
Total expenses	8,274,805	8,269,379
Change in net assets	(32,792)	(247,514)
Net assets, beginning of year	9,851,997	10,099,511
Net assets, end of year	\$ 9,819,205	\$ 9,851,997

See accompanying notes to the financial statements.

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Building operations</u>	<u>Programs and services</u>	<u>Administration</u>	<u>Total</u>
Advertising	\$ 432	\$ 5,423	\$ 4,247	\$ 10,102
Conferences	2,195	14,183	5,349	21,727
Depreciation	190,191	-	-	190,191
Dues and subscriptions	6,926	54,317	104,640	165,883
Insurance	-	387	33,519	33,906
Loss on disposal of capital assets	109,831	-	-	109,831
Office expense	926	2,766	2,904	6,596
Outside services	1,085,781	2,888,963	1,623,757	5,598,501
Postage and delivery	72	840	555	1,467
Printing	5,745	11,950	7,867	25,562
Repairs and maintenance	901,402	13,269	12,061	926,732
Small equipment	128,474	-	-	128,474
Special events	-	183,457	-	183,457
Supplies	7,888	188,499	56,884	253,271
Telephone	4,981	23,402	6,825	35,208
Travel	1,315	8,266	8,847	18,428
Utilities	542,124	23,345	-	565,469
Total functional expenses	<u>\$ 2,988,283</u>	<u>\$ 3,419,067</u>	<u>\$ 1,867,455</u>	<u>\$ 8,274,805</u>

See accompanying notes to the financial statements.

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEARS ENDED JUNE 30, 2012**

	<u>Building operations</u>	<u>Programs and services</u>	<u>Administration</u>	<u>Total</u>
Advertising	\$ -	\$ 461	\$ 5,371	\$ 5,832
Conferences	100	6,439	4,490	11,029
Depreciation	204,822	-	-	204,822
Dues and subscriptions	8,923	72,476	118,448	199,847
Insurance	-	13,779	41,800	55,579
Loss on disposal of capital assets	91,179	-	-	91,179
Office expense	402	3,394	6,036	9,832
Outside services	1,034,227	2,602,792	1,713,693	5,350,712
Postage and delivery	-	279	673	952
Printing	-	11,718	15,907	27,625
Repairs and maintenance	830,796	22,563	19,224	872,583
Small equipment	388,553	-	-	388,553
Special events	-	153,550	-	153,550
Supplies	10,631	153,595	124,189	288,415
Telephone	4,217	22,922	11,078	38,217
Travel	1,210	7,854	13,946	23,010
Utilities	521,955	25,687	-	547,642
Total functional expenses	<u>\$ 3,097,015</u>	<u>\$ 3,097,509</u>	<u>\$ 2,074,855</u>	<u>\$ 8,269,379</u>

See accompanying notes to the financial statements.

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (32,792)	\$ (247,514)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	190,191	204,822
Loss on disposal of capital assets	109,831	91,179
(Increase) decrease in:		
Accounts receivable	6,166	(1,803)
Interest receivable	2,713	2,922
Student fee receivable	8,857	5,000
Prepaid expenses	(11,743)	(6,724)
Inventory	3,608	(6,188)
Due from related parties	5,103	29,737
Increase (decrease) in:		
Accounts payable and accrued liabilities	(176,278)	132,720
Due to related parties	(6,394)	19,042
Unearned revenue	622	(20,797)
Total adjustments	132,676	449,910
Net cash provided by operating activities	99,884	202,396
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments related to the acquisition of capital assets	(67,195)	(56,733)
NET INCREASE IN CASH AND CASH EQUIVALENTS	32,689	145,663
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,439,703	9,294,040
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 9,472,392	\$ 9,439,703
SUPPLEMENTAL DATA		
Capital assets acquired through accounts payable	\$ -	\$ 13,161
Capital assets acquired through related parties	\$ 9,253	\$ -

See accompanying notes to the financial statements.

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 1 – NATURE OF THE ORGANIZATION

The University Union Operation of California State University, Sacramento (the “Union WELL Inc.”) is organized pursuant to the General Nonprofit Corporation Law of the State of California and is governed by the Board of Directors of the Union WELL Inc. The Union WELL Inc. operates the University Union Building, Recreational Sports, and the Wellness Center (the “WELL”), legal title to which is held by the Board of Trustees of the California State University for the benefit of California State University, Sacramento (“Sacramento State”). The Union WELL Inc. offers a variety of events and services for the students and public including an assortment of vendors, food and programs.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Accounting Standards Board (“FASB”) implemented the FASB Accounting Standards Codification (the “Codification”) effective July 1, 2009. The Codification has become the source of authoritative Generally Accepted Accounting Principles (“GAAP”) recognized by FASB to be applied to nongovernmental entities. On the effective date of the Codification, the Codification superseded all then-existing accounting and reporting standards. All other non-grandfathered accounting literature not included in the Codification has become non-authoritative. References to GAAP included in the FASB Codification are noted as Accounting Standards Codification (“ASC”).

Following the effective date of the Codification, FASB will not release new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force abstracts, but instead will issue Accounting Standards Updates (“ASU”). ASUs will not be considered authoritative in their own right, but will serve only to update the Codification, provide background information about the guidance in the Codification, and provide the basis for the conclusions on the changes in the Codification.

Basis of presentation – The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

The financial statements are presented in accordance with FASB Accounting Standards Codification (ASC) Topic 958 *Not-for-Profit Entities*. The Union WELL Inc. is required to classify net assets and revenues, expenses, gains and losses into three categories, based on the existence or absence of donor-imposed restrictions. The categories are unrestricted, temporarily restricted and permanently restricted net assets:

- Unrestricted net assets are those with no donor restrictions.
- Temporarily restricted net assets include gifts, pledges, trusts, remainder interests, and income and gains which can be expended, but for which restrictions have not yet been met. Such restrictions include donor imposed restrictions that have specified the purpose for which the net assets are spent, or time restrictions imposed by donors or implied by the nature of the gift. The Union WELL Inc. has no temporarily restricted net assets at June 30, 2013 and 2012.

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Union WELL Inc. Generally, the donors of these assets permit the Union WELL Inc. to use all or part of the income earned on any related investments for general or specific purposes. The Union WELL Inc. does not have permanently restricted net assets as of June 30, 2013 and 2012.

Cash and Cash Equivalents

The Union WELL Inc. invests its excess cash with State of California-Local Agency Investment Fund (LAIF). The Union WELL Inc. reports its investment in LAIF at fair value. 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 the Union WELL Inc.'s position in the LAIF pool. The Union WELL Inc. considers highly liquid investments with a maturity of three months or less to be cash and cash equivalents.

Accounts Receivable

Accounts receivable is composed of uncollected revenue generated from events including room reservations, leased space, and special events in the University Union Building and the WELL. The Union WELL Inc. reviews accounts receivable on a monthly basis to determine if any receivables are potentially uncollectible. As of June 30, 2013 and 2012, the Union WELL Inc. has not recorded any allowance for doubtful accounts as all amounts were considered to be collectible.

Student Fee Receivable – Held by Sacramento State

Student fee receivable consists of student activity fees for the fall 2013 semester collected by Sacramento State during the student registration. These fees will be remitted to the Union WELL Inc. during the fiscal year ending June 30, 2014. As of June 30, 2013 and June 30, 2012, student fee receivable amounts were \$85,166 and \$94,023, respectively.

Prepaid Expenses

These amounts are the result of payments made for goods and services to be utilized in future periods.

Inventory

The WELL opened in the fall 2010 with all inventory reported at cost. Inventory consists of items such as chalk, socks, clothing, ear buds and duffle bags.

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Due from Related Parties

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

Capital Assets

Capital assets are stated at cost. It is the policy of the 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 to 20 years.

Due to Related Parties

Due to related parties represents outstanding billings for administrative, accounting, and catering services provided to the Union WELL Inc. from Sacramento State, UEI, The University Foundation at Sacramento State (“UFSS”) and ASI.

Unearned Revenue

Unearned revenues represent the amount the Union WELL Inc. programs and lease contracts that have been received in advance of providing the related services. Revenue is recognized on the date of the service. Unearned revenue also consists of student activity fees collected by Sacramento State from students during student registration for the fall 2013 semester.

Student Activity Fee

Student activity fees are remitted directly to the Chancellor’s Office of California State University to cover principal and interest payments on its debt obligations, fire insurance on the University Union and WELL Buildings, legislative costs, Chancellor’s office 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 the Union WELL Inc. operations. For the fiscal years ended June 30, 2013 and 2012, student activity fees include return of surplus revenue and recreational sports activity fee.

Contract and Lease Payments

Contract and lease payments represent income received under operating and sublease agreements for space rented within the University Union Building and the WELL.

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Status

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

The Union WELL Inc. follows ASC Topic 740-10-25, *Accounting for Uncertainty in Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This standard provides that the tax effects from an uncertain tax positions 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. The standard also provides guidance on measurement, classification, interest and penalties, and disclosure. The tax years ended 2008, 2009, 2010, 2011 and 2012 are still open to audit for both federal and state purposes. The 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. The Union WELL Inc. has determined there is no impact on the accompanying financial statements related to this standard.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various student services, programs, administration and general services have been summarized on a functional basis in the statement of activities. The building operations program represents depreciation, maintenance and operations for the University Union building and the WELL building. Programs and services represent programmatic spending for departments such as music and listening services, information desk, intramurals, club sports, the games room and all fitness activities related to the WELL. Those costs not directly associated with building operations and program services are allocated to administration expenses and consist of financial service fees, information technology and design and visual communications.

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 3 – CASH AND CASH EQUIVALENTS

As of June 30, 2013 and 2012, cash and cash equivalents represent short term investments in LAIF in the amounts of \$9,069,756 and \$9,314,363 and funds held at financial institutions in the amount of \$402,636 and \$125,340, respectively. The cash balances reported by financial institution are \$518,502 and \$198,696, respectively. The amount for the year ended June 30, 2012 was fully insured but the amount for year ended June 30, 2013 was in excess of the insured amount by \$268,502 based on the limits insured by the Federal Deposit Insurance Corporation.

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENT

The Union WELL Inc. reports its investments at fair value as described in ASC Topic 820, *Fair Value Measurement*. ASC Topic 820 established a single authoritative definition of fair value, sets out a framework of measuring fair value, and requires additional disclosure about fair value measurement of assets such as investments.

This standard establishes a framework for measuring fair value for the investments held by the Union WELL Inc. That framework 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 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under this standard are described below:

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

Level 2: Inputs to the valuation methodology include:

- 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.

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

Although the 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. The Union WELL Inc. used the multiplier provided by LAIF to determine the estimated fair value of its investment in the pool. The Union WELL Inc.'s investments in LAIF are measured on a non-reoccurring basis throughout the year and are based on level 2 inputs, or observable inputs.

The investments in LAIF are carried at fair value. The assets 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 the 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, 2013 and 2012.

The following table sets forth by level, within the fair value hierarchy, the Union WELL Inc. assets at fair value as of June 30, 2013 and 2012.

June 30, 2013				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
LAIF	\$ -	\$ 9,069,756	\$ -	\$ 9,069,756
June 30, 2012				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
LAIF	\$ -	\$ 9,314,363	\$ -	\$ 9,314,363

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 5 – CAPITAL ASSETS

Capital assets consist of the following at June 30:

	2013	2012
Furniture and fixtures	\$ 644,782	\$ 686,049
Fitness equipments	31,421	13,720
Minor equipment	6,707	6,707
Leasehold improvements	1,832,586	2,055,175
Computers	361,051	346,650
Art work	23,761	23,761
Total	<u>2,900,308</u>	<u>3,132,062</u>
Less: Accumulated Depreciation	<u>(2,050,096)</u>	<u>(2,058,276)</u>
Capital – net	<u>\$ 850,212</u>	<u>\$ 1,073,786</u>

Depreciation expense for the fiscal years ended June 30, 2013 and 2012 was \$190,191 and \$204,822, respectively.

NOTE 6 – LEASE COMMITMENTS

The Union WELL Inc. has the following lease commitments for copiers and printers under non-cancelable leases. Total lease payments were \$22,095 and \$21,258 for the fiscal years ended June 30, 2013 and 2012, respectively. The future minimum payments for the operating leases are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 22,531
2015	22,531
2016	17,039
2017	13,196
2018	10,996
Total	<u>\$ 86,293</u>

NOTE 7 – OUTSIDE SERVICES

The Union WELL Inc. operates pursuant to a Memorandum of Understanding with UEI and Sacramento State which, among other provisions, compensates UEI and Sacramento State employees assigned to the Union WELL Inc. and provides for the Union WELL Inc. to furnish related benefits coverage for these individuals. Such amounts are reported as Outside Services in the statement of functional expenses. Outside services for the fiscal years ended June 30, 2013 and 2012 consist of the following:

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 7 – OUTSIDE SERVICES (CONTINUED)

	2013	2012
Personnel services	\$ 3,475,721	\$ 3,442,226
Personnel benefits expenses	1,075,512	1,019,922
Payroll Services	438,479	397,285
Accounting Services	122,309	120,400
Other Outside services	486,480	370,879
Total	<u>\$ 5,598,501</u>	<u>\$ 5,350,712</u>

NOTE 8 –RELATED PARTY TRANSACTIONS

Space located within the University Union Building is used or operated by Sacramento State, ASI, UFSS and UEI, component units of Sacramento State, under operating and sublease agreements that are renewed on an annual basis. For the fiscal years ended June 30, 2013 and 2012, the Union WELL Inc. received payments from UEI for leased office space to UEI totaling \$461,928 and \$467,988, respectively, and leased office space to ASI totaling \$175,590 and \$169,460, respectively. For the fiscal year ended June 30, 2013, the Union WELL Inc. received Public Safety fees from UEI totaling \$11,155. For the fiscal years ended June 30, 2013 and 2012 the Union WELL Inc. received Public Safety Fees from ASI totaling \$4,912 and \$1,178 respectively. For the fiscal year ended June 30, 2013, the Union WELL Inc. received payments from UFSS for space and programs totaling \$4,229. Other than those disclosed elsewhere in these financial statements, transactions between the Union WELL Inc. and related organizations included the payments by the Union WELL Inc. to Sacramento State of \$1,008,669 and \$962,780 for campus cost recovery services which include administration, telephone, postage, IT support, and utilities, and \$191,458 and \$253,322 for personnel cost during the fiscal years ended June 30, 2013 and 2012, respectively. Sacramento State made payments to the Union WELL Inc. totaling \$887,568 and \$917,263 for services, space and programs for the fiscal years ended June 30, 2013 and 2012, respectively.

The Union WELL Inc. incurred expenses primarily related to catering services and advertising by UEI in the amount of \$13,098 and \$18,919 for the fiscal years ended June 30, 2013 and 2012.

For fiscal years ended June 30, 2013 and 2012, the Union WELL Inc. was charged \$122,309 and \$120,400 respectively, for accounting and financial services provided by ASI.

The amount due from related entities at June 30 is comprised of the following:

	2013	2012
Sacramento State	\$ 100,597	\$ 105,682
UEI	1,482	1,444
ASI	19	75
Total	<u>\$ 102,098</u>	<u>\$ 107,201</u>

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 8 –RELATED PARTY TRANSACTIONS (CONTINUED)

The amount due to related entities at June 30 is compromised of the following:

	2013	2012
Sacramento State	\$ 174,494	\$ 198,300
UEI	394,677	367,625
UFSS	-	390
ASI	10,006	10,003
Total	<u>\$ 579,177</u>	<u>\$ 576,318</u>

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Union WELL, Inc. OPEB is a single-employer defined benefit healthcare plan administered by UEI. The plan provides lifetime post-retirement medical and dental coverage to its eligible employees who retire at age 55 or older 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 is a separate 501(c)(9) organization established in August 2010 to assist in funding OPEB costs and ensure funds will be available to pay future obligations. In fiscal year 2012-13, Union WELL, Inc., paid UEI \$50,000 to be deposited into the UEI VEBA account on behalf of Union WELL, Inc. The amount of the annual contributions will be the higher of \$50,000 or 10% of the unfunded liability for retired and active vested employees. When the total post-retirement liability for all retired and active vested Union WELL Inc., staff is 100% funded, additional contributions would only be necessary to maintain the 100% funded level. Annual contributions will be paid to UEI no later than June 20th of each fiscal year and deposited into the VEBA account.

NOTE 10 - SUBSEQUENT EVENTS

In preparing these statements, the Union WELL Inc. has evaluated events and transactions for potential recognition through September 17, 2013, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO

Schedule of Net Position

June 30, 2013

(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 402,636
Short-term investments	9,069,756
Accounts receivable, net	116,019
Leases receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	—
Prepaid expenses and other assets	135,769
Total current assets	<u>9,724,180</u>
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	—
Capital assets, net	850,212
Other assets	—
Total noncurrent assets	<u>850,212</u>
Total assets	<u>10,574,392</u>
Deferred outflows of resources:	
Unamortized loss on refunding(s)	—
Total deferred outflows of resources	<u>—</u>
Liabilities:	
Current liabilities:	
Accounts payable	60,220
Accrued salaries and benefits payable	—
Accrued compensated absences— current portion	—
Unearned revenue	115,790
Capitalized lease obligations – current portion	—
Long-term debt obligations – current portion	—
Self-insurance claims liability - current portion	—
Depository accounts	579,177
Other liabilities	—
Total current liabilities	<u>755,187</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	—
Unearned revenue	—
Grants refundable	—
Capitalized lease obligations, net of current portion	—
Long-term debt obligations, net of current portion	—
Self-insurance claims liabilities, net of current portion	—
Depository accounts	—
Other postemployment benefits obligation	—
Other liabilities	—
Total noncurrent liabilities	<u>—</u>
Total liabilities	<u>755,187</u>
Deferred inflows of resources:	
Deferred inflows from SCAs, grants, and others	—
Total deferred inflows of resources	<u>—</u>
Net Position:	
Net investment in capital assets	850,212
Restricted for:	
Nonexpendable – endowments	—
Expendable:	
Scholarships and fellowships	—
Research	—
Loans	—
Capital projects	—
Debt service	—
Other	—
Unrestricted	8,968,993
Total net position	<u>\$ 9,819,205</u>

See accompanying note to the supplemental schedules.

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO

Schedule of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2013

(for inclusion in the California State University)

Revenues:	
Operating revenues:	
Student tuition and fees (net of scholarship allowances of \$_____)	\$ 5,945,294
Grants and contracts, noncapital:	
Federal	—
State	—
Local	—
Nongovernmental	450
Sales and services of educational activities	—
Sales and services of auxiliary enterprises (net of scholarship allowances of \$_____)	898,128
Other operating revenues	1,358,955
Total operating revenues	<u>8,202,827</u>
Expenses:	
Operating expenses:	
Instruction	—
Research	—
Public service	—
Academic support	—
Student services	5,618,545
Institutional support	510,769
Operation and maintenance of plant	1,845,469
Student grants and scholarships	—
Auxiliary enterprise expenses	—
Depreciation and amortization	190,191
Total operating expenses	<u>8,164,974</u>
Operating income (loss)	<u>37,853</u>
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	3,500
Investment income (loss), net	35,686
Endowment income (loss), net	—
Interest Expenses	—
Other nonoperating revenues (expenses)	(109,831)
Net nonoperating revenues (expenses)	<u>(70,645)</u>
Income (loss) before other additions	<u>(32,792)</u>
State appropriations, capital	—
Grants and gifts, capital	—
Additions (reductions) to permanent endowments	—
Increase (decrease) in net position	<u>(32,792)</u>
Net position:	
Net position at beginning of year, as previously reported	9,851,997
Restatements	—
Net position at beginning of year, as restated	<u>9,851,997</u>
Net position at end of year	\$ <u><u>9,819,205</u></u>

See accompanying note to the supplemental schedules.

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO

Other Information

June 30, 2013

(for inclusion in the California State University)

1 Restricted cash and cash equivalents at June 30, 2013:

Portion of restricted cash and cash equivalents related to endowment	\$ -
All other restricted cash and cash equivalents	-
Total restricted cash and cash equivalents	<u>\$ -</u>

2.1 Composition of investments at June 30, 2013:

	Current	Current	Total Current	Noncurrent	Noncurrent	Total	Total
State of California Surplus Money Investment Fund (SMIF)	\$ -	-	-	-	-	-	-
State of California Local Agency Investment Fund (LAIF)	9,069,756	-	9,069,756	-	-	-	9,069,756
Wachovia Short Term Fund	-	-	-	-	-	-	-
Wachovia Medium Term Fund	-	-	-	-	-	-	-
Wachovia Equity Fund	-	-	-	-	-	-	-
CSU Consolidated Investment Pool (includes SWIFT and 0948 SMIF)	-	-	-	-	-	-	-
Common Fund - Short Term Fund	-	-	-	-	-	-	-
Common Fund - Others	-	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-	-
Fixed income securities (Treasury notes, GNMA's)	-	-	-	-	-	-	-
Land and other real estate	-	-	-	-	-	-	-
Certificates of deposit	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	-
Mutual funds	-	-	-	-	-	-	-
Money Market funds	-	-	-	-	-	-	-
Collateralized mortgage obligations:	-	-	-	-	-	-	-
Inverse floaters	-	-	-	-	-	-	-
Interest-only strips	-	-	-	-	-	-	-
Agency pass-through	-	-	-	-	-	-	-
Partnership interests (includes private pass-through)	-	-	-	-	-	-	-
Alternative investments	-	-	-	-	-	-	-
Hedge funds	-	-	-	-	-	-	-
Other major investments:	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Total investments	<u>9,069,756</u>	<u>-</u>	<u>9,069,756</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,069,756</u>
Less endowment investments (enter as negative number)	-	-	-	-	-	-	-
Total investments	<u>9,069,756</u>	<u>-</u>	<u>9,069,756</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,069,756</u>

2.2 Investments held by the University under contractual agreements at June 30, 2013:

Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2013 :	-	-	-	-	-	-	-
---	---	---	---	---	---	---	---

2.3 Restricted current investments at June 30, 2013 related to:

	Amount
Add description	\$ -
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Total restricted current investments at June 30, 2013	<u>\$ -</u>

2.4 Restricted noncurrent investments at June 30, 2013 related to:

	Amount
Endowment investment	\$ -
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Total restricted noncurrent investments at June 30, 2013	<u>\$ -</u>

See accompanying note to the supplemental schedules.

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO

Other Information

June 30, 2013

(for inclusion in the California State University)

3.2 Detail of depreciation and amortization expense for the year ended June 30, 2013:

Depreciation and amortization expense related to capital assets	\$ 190,191
Amortization expense related to other assets	—
Total depreciation and amortization	<u>\$ 190,191</u>

4 Long-term liabilities activity schedule:

	Balance June 30, 2012	Prior period adjustments	Reclassifications	Balance June 30, 2012 (restated)	Additions	Reductions	Balance June 30, 2013	Current portion	Long-term portion
Accrued compensated absences	\$ —	—	—	—	-	-	—	—	—
Capitalized lease obligations:									
Gross balance	—	—	—	—	-	-	—	—	—
Unamortized premium / (discount) on capitalized lease obligation	—	—	—	—	-	-	—	—	—
Total capitalized lease obligations	—	—	—	—	-	-	—	—	—
Long-term debt obligations:									
Revenue Bonds	—	—	—	—	-	-	—	—	—
Other bonds (non-Revenue Bonds)	—	—	—	—	-	-	—	—	—
Commercial Paper	—	—	—	—	-	-	—	—	—
Note Payable related to SRB	—	—	—	—	-	-	—	—	—
Other:									
Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-	-	—	—	—
Add description	—	—	—	—	-	-	—	—	—
Total long-term debt obligations	—	—	—	—	-	-	—	—	—
Unamortized bond premium / (discount)	—	—	—	—	-	-	—	—	—
Unamortized loss on refunding	—	—	—	—	-	-	—	—	—
Total long-term debt obligations, net	—	—	—	—	-	-	—	—	—
Total long-term liabilities	\$ —	—	—	—	—	—	—	—	—

5 Future minimum lease payments - capital lease obligations:

	Principal	Interest	Principal and Interest
Year ending June 30:			
2014	-	-	—
2015	-	-	—
2016	-	-	—
2017	-	-	—
2018	-	-	—
2019 - 2023	-	-	—
2024 - 2028	-	-	—
2029 - 2033	-	-	—
2034 - 2038	-	-	—
2039 - 2043	-	-	—
2044 - 2048	-	-	—
2049 - 2053	-	-	—
2054 - 2058	-	-	—
2059 - 2063	-	-	—
Total minimum lease payments	—	—	—
Less amounts representing interest			—
Present value of future minimum lease payments			—
Less: current portion			—
Capitalized lease obligation, net of current portion			<u>\$ —</u>

See accompanying note to the supplemental schedules.

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO
 Other Information
 June 30, 2013
 (for inclusion in the California State University)

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:									
2014	\$ -	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-	-
2019 - 2023	-	-	-	-	-	-	-	-	-
2024 - 2028	-	-	-	-	-	-	-	-	-
2029 - 2033	-	-	-	-	-	-	-	-	-
2034 - 2038	-	-	-	-	-	-	-	-	-
2039 - 2043	-	-	-	-	-	-	-	-	-
2044 - 2048	-	-	-	-	-	-	-	-	-
2049 - 2053	-	-	-	-	-	-	-	-	-
2054 - 2058	-	-	-	-	-	-	-	-	-
2059 - 2063	-	-	-	-	-	-	-	-	-
Total	\$ -	-	-	-	-	-	-	-	-

7 Calculation of net position

	Auxiliary Organizations		Total Auxiliaries
	GASB	FASB	
7.1 Calculation of net position - Net investment in capital assets			
Capital assets, net of accumulated depreciation	\$ —	850,212	850,212
Capitalized lease obligations - current portion	—	—	—
Capitalized lease obligations, net of current portion	—	—	—
Long-term debt obligations - current portion	—	—	—
Long-term debt obligations, net of current portion	—	—	—
Portion of outstanding debt that is unspent at year-end	—	—	—
Other adjustments: (please list)			
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Net position - net investment in capital asset	\$ —	850,212	850,212
7.2 Calculation of net position - Restricted for nonexpendable - endowments			
Portion of restricted cash and cash equivalents related to endowments	\$ —	—	—
Endowment investments	—	—	—
Other adjustments: (please list)			
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Add description	—	—	—
Net position - Restricted for nonexpendable - endowments per	\$ —	—	—

See accompanying note to the supplemental schedules.

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO

Other Information

June 30, 2013

(for inclusion in the California State University)

8 Transactions with Related Entities

	<u>Amount</u>
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ (191,458)
Payments to University for other than salaries of University personnel	(1,008,669)
Payments received from University for services, space, and programs	887,568
Gifts-in-kind to the University from Auxiliary Organizations	—
Gifts (cash or assets) to the University from recognized Auxiliary Organizations	—
Accounts (payable to) University (enter as negative number)	(174,494)
Other amounts (payable to) University (enter as negative number)	—
Accounts receivable from University	100,597
Other amounts receivable from University	85,166

9 Other Postemployment Benefits Obligation (OPEB)

Annual required contribution (ARC)	\$ —
Contributions during the year	—
Increase (decrease) in net OPEB obligation (NOO)	—
NOO - beginning of year	—
NOO - end of year	\$ —

10 Pollution remediation liabilities under GASB Statement No.

<u>Description</u>	<u>Amount</u>
Add description	\$ —
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Add description	—
Total pollution remediation liabilities	\$ —
Less: current portion	—
Pollution remediation liabilities, net of current portion	—

See accompanying note to the supplemental schedules.

UNIVERSITY UNION OPERATION OF CALIFORNIA STATE UNIVERSITY, SACRAMENTO

Other Information

June 30, 2013

(for inclusion in the California State University)

11 The nature and amount of the prior period adjustment(s) recorded to beginning net position

	Net Position	
	Class	Amount
		Dr. (Cr.)
Net position as of June 30, 2012, as previously reported		\$ 9,851,997
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 position as of June 30, 2012, as restated		<u>\$ 9,851,997</u>

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

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

See accompanying note to the supplemental schedules.

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
SCHEDULE OF UNDESIGNATED AND DESIGNATED NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	UNRESTRICTED NET ASSETS				
	Undesignated	Designated			Total
	Operations	Property and Equipment	Repairs and Replacement	Art Acquisition	
UNRESTRICTED REVENUE FROM PROGRAM ACTIVITIES:					
Student activity fee	\$ 5,945,294	\$ -	\$ -	\$ -	\$ 5,945,294
Revenue from operations	2,261,033	-	-	-	2,261,033
Total program activities revenue	8,206,327	-	-	-	8,206,327
UNRESTRICTED EXPENSES:					
Advertising	10,102	-	-	-	10,102
Conferences	21,727	-	-	-	21,727
Depreciation	-	190,191	-	-	190,191
Dues and subscriptions	165,883	-	-	-	165,883
Insurance	33,906	-	-	-	33,906
Office expenses	6,596	-	-	-	6,596
Outside services	5,598,501	-	-	-	5,598,501
Postage and delivery	1,467	-	-	-	1,467
Printing	25,562	-	-	-	25,562
Repairs and maintenance	926,732	-	-	-	926,732
Small equipment	52,609	-	74,915	950	128,474
Special events expenses	183,457	-	-	-	183,457
Supplies	253,271	-	-	-	253,271
Telephone	35,208	-	-	-	35,208
Travel	18,428	-	-	-	18,428
Utilities	565,469	-	-	-	565,469
Total unrestricted expenses	7,898,918	190,191	74,915	950	8,164,974
EXCESS (DEFICIENCY) OF UNRESTRICTED REVENUE FROM PROGRAM ACTIVITIES OVER UNRESTRICTED EXPENSES	307,409	(190,191)	(74,915)	(950)	41,353
Interest and investment income	27,860	-	7,826	-	35,686
Loss on disposal of capital assets	-	(109,831)	-	-	(109,831)
EXCESS (DEFICIENCY) OF UNRESTRICTED REVENUE OVER UNRESTRICTED EXPENSES	335,269	(300,022)	(67,089)	(950)	(32,792)
INTERFUND TRANSFERS:					
Transfer of board designated funds	(650,420)	-	645,420	5,000	-
Fixed asset acquisitions	(49,052)	76,448	(27,396)	-	-
CHANGE IN UNRESTRICTED NET ASSETS	(364,203)	(223,574)	550,935	4,050	(32,792)
NET ASSETS - beginning of year	6,136,481	1,073,786	2,597,185	44,545	9,851,997
NET ASSETS - end of year	\$ 5,772,278	\$ 850,212	\$ 3,148,120	\$ 48,595	\$ 9,819,205

See accompanying notes to the supplemental schedules.

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
NOTES TO THE SUPPLEMENTAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – DESIGNATED NET ASSETS

Repairs and Replacement

The Union WELL Inc. annually designates net assets of \$100,000 plus 5% of the total replacement value of equipment, 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 \$2,908,407 at June 30, 2013. The cumulative amount of these net asset designations is limited to no more than 50% of the total replacement value of such equipment, furniture and fixtures plus \$500,000. This amount, plus interest earned and less actual replacements, represents the designation, which was \$3,148,120 as of June 30, 2013.

Art Acquisition

The Union WELL Inc. annually designates net assets of \$5,000 for art acquisition less actual purchases. As of June 30, 2013, the designation totaled \$48,595.

Property and Equipment

The Union WELL Inc. designates net assets based on the net book value of its property and equipment. At June 30, 2013, the designation totaled \$850,212.