

University Union Operation of California State University, Sacramento

Sacramento, California

REPORT TO THE BOARD OF DIRECTORS

June 30, 2020



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

We have audited the financial statements of University Union Operation of California State University, Sacramento (Union WELL Inc.), a not-for-profit corporation and a component unit of California State University, Sacramento, as of and for the year ended June 30, 2020, and have issued our report thereon dated September 8, 2020. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated March 16, 2020, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Union WELL Inc. solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you in our planning letter dated March 15, 2020.

Compliance With All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Safeguards have been implemented to reduce the threats on our independence. These safeguards include continuing education related to independence and ethics requirements; external peer review of our firm's quality control system; our firm's internal policies and procedures which are designed to monitor compliance with the independence requirements; and the involvement of another firm member who is responsible for completing an independent technical review of the financial statements and significant audit conclusions.

Qualitative Aspects of Union WELL Inc.'s Significant Accounting Practices

Significant Accounting Policies Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Union WELL Inc. is included in note 2 to the financial statements. As described in note 2 to the financial statements, during the year Union WELL Inc. adopted the provisions of the Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers*. This standard is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. It also requires expanded disclosures to include revenue by geographic regions and major product lines. No matters have come to our attention that would require us, under professional standards, to inform you about: (1) the methods used to account for significant unusual transactions, and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimate affecting the financial statements is depreciation expense. Management's estimate of depreciation is based on useful lives of the assets, which may vary from the actual asset lives. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Union WELL Inc.'s financial statements relate to other post-employment benefits.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

One adjustment, which was proposed to management related to the unrealized gain balance held in the State of California Local Agency Investment Fund (LAIF), in the amount of \$91,493, as of June 30, 2020. The understatement represents unrealized gains based on fluctuations of interest rates and the valuation of the underlying assets held in LAIF. Union WELL Inc. uses the LAIF funds as a savings account, and funds are often transferred between the LAIF account and the checking account. As such, management does not believe the unrealized gains would be realized in the near future. Since the unrealized gains are unlikely to be realized, management determined it unnecessary to add this volatility factor to the financial statements and did not record this proposed fair market value adjustment. Management has determined the effect of this adjustment, in the current and prior periods, is immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. We did not propose any material adjustments.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Union WELL Inc.'s financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested From Management

We have requested certain written representations from management that are included in the management representation letter dated September 8, 2020.

Management's Consultations With Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with Union WELL Inc., we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting Union WELL Inc., and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Union WELL Inc.'s auditors.

This report is intended solely for the information and use of the Board of Directors, audit committee, and management of Union WELL Inc., and is not intended to be, and should not be, used by anyone other than these specified parties.

KCoe Jam, LLP

September 8, 2020
Chico, California