

University Union Operation of California State University, Sacramento

Sacramento, California

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORT**

June 30, 2020 and 2019



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University Union Operation of California State University, Sacramento

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June 30, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the 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 (Union WELL Inc.), a not-for-profit corporation and a component unit of California State University, Sacramento, which comprise the statements of financial position as of June 30, 2020 and 2019; the related statements of activities, functional expenses, and cash flows for the 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.

Auditors' 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 audits 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 auditors' 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 Union WELL Inc.'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 Union WELL Inc.'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.

INDEPENDENT AUDITORS' REPORT

(Continued)

Opinion

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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information listed as such in the table of contents is presented for purposes of additional analysis as required by the California State University Office of the Chancellor, 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.

KCoe Jam, LLP

September 8, 2020
Chico, California

FINANCIAL SECTION

University Union Operation of California State University, Sacramento
STATEMENTS OF FINANCIAL POSITION

June 30	2020	2019
ASSETS		
Cash and cash equivalents	\$ 18,726,712	\$ 16,184,985
Accounts receivable	11,140	18,396
Interest receivable	66,818	111,592
Student fee receivable	116,893	123,012
Prepaid expenses	33,645	33,882
Inventory	2,631	1,131
Due from related parties	54,021	266,962
Capital assets - net of accumulated depreciation	1,458,600	1,405,225
TOTAL ASSETS	\$ 20,470,460	\$ 18,145,185
LIABILITIES		
Accounts payable and accrued liabilities	\$ 84,975	\$ 128,351
Due to related parties	538,694	774,642
Unearned revenues	115,328	186,040
Total Liabilities	738,997	1,089,033
NET ASSETS		
Without donor restrictions:		
Board designated	3,999,434	3,726,469
Undesignated	15,732,029	13,329,683
Total Net Assets	19,731,463	17,056,152
TOTAL LIABILITIES AND NET ASSETS	\$ 20,470,460	\$ 18,145,185

The accompanying notes are an integral part of these financial statements.

University Union Operation of California State University, Sacramento
STATEMENTS OF ACTIVITIES

Years Ended June 30	2020	2019
Revenues		
Student activity fees	\$ 11,676,755	\$ 9,389,045
Contract and lease payments	1,179,248	1,360,617
Program service fees	962,347	1,231,531
Contributions and grants	8,000	14,082
Interest and investment income	462,941	479,298
Total Revenues	14,289,291	12,474,573
Expenses		
Building operations	3,887,556	3,882,907
Programs and services	4,741,356	4,754,741
Administration	2,956,828	2,638,131
Loss on disposal of capital assets	27,913	31,613
Total Expenses	11,613,653	11,307,392
Change in net assets before taxes	2,675,638	1,167,181
Less: Unrelated business income taxes	327	5,692
Change in Net Assets	2,675,311	1,161,489
Net Assets Without Donor Restrictions - Beginning of Year	17,056,152	15,894,663
Net Assets Without Donor Restrictions - End of Year	\$ 19,731,463	\$ 17,056,152

The accompanying notes are an integral part of these financial statements.

University Union Operation of California State University, Sacramento

STATEMENTS OF FUNCTIONAL EXPENSES

June 30, 2020	Building Operations	Programs and Services	Administration	Total
Advertising	\$ -	\$ 17,539	\$ -	\$ 17,539
Conferences	595	11,543	7,836	19,974
Depreciation	358,128	-	-	358,128
Dues and subscriptions	12,816	75,728	116,818	205,362
Insurance	-	2,639	49,061	51,700
Office expenses	408	3,104	4,577	8,089
Outside services	852,696	4,118,909	2,558,942	7,530,547
Postage and delivery	-	-	685	685
Printing	126	7,817	1,124	9,067
Repairs and maintenance	1,656,733	74,042	78,628	1,809,403
Small equipment	440,690	-	-	440,690
Special events	-	156,896	-	156,896
Supplies	12,200	212,126	116,499	340,825
Telephone	3,610	21,633	6,671	31,914
Travel	3,500	14,131	15,987	33,618
Utilities	546,054	25,249	-	571,303
Subtotal	3,887,556	4,741,356	2,956,828	11,585,740
Loss on disposal of capital assets	27,913	-	-	27,913
Unrelated business income taxes	-	327	-	327
Total Functional Expenses	\$ 3,915,469	\$ 4,741,683	\$ 2,956,828	\$ 11,613,980

The accompanying notes are an integral part of these financial statements.

University Union Operation of California State University, Sacramento

STATEMENTS OF FUNCTIONAL EXPENSES

(Continued)

June 30, 2019	Building Operations	Programs and Services	Administration	Total
Advertising	\$ 3,395	\$ 14,583	\$ 5,322	\$ 23,300
Conferences	2,045	15,087	4,350	21,482
Depreciation	287,980	-	-	287,980
Dues and subscriptions	8,249	62,174	109,235	179,658
Insurance	-	1,575	44,757	46,332
Office expenses	368	3,624	3,414	7,406
Outside services	1,070,970	4,032,799	2,031,546	7,135,315
Postage and delivery	17	83	659	759
Printing	93	8,162	523	8,778
Repairs and maintenance	1,547,844	66,212	175,521	1,789,577
Small equipment	369,731	-	-	369,731
Special events	-	238,765	25,480	264,245
Supplies	22,083	245,418	217,356	484,857
Telephone	3,995	20,856	6,545	31,396
Travel	6,002	20,419	11,725	38,146
Utilities	560,135	24,984	1,698	586,817
Subtotal	3,882,907	4,754,741	2,638,131	11,275,779
Loss on disposal of capital assets	31,613	-	-	31,613
Unrelated business income taxes	-	5,692	-	5,692
Total Functional Expenses	\$ 3,914,520	\$ 4,760,433	\$ 2,638,131	\$ 11,313,084

The accompanying notes are an integral part of these financial statements.

University Union Operation of California State University, Sacramento
STATEMENTS OF CASH FLOWS

Years Ended June 30	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,675,311	\$ 1,161,489
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	358,128	287,980
Loss on disposal of capital assets	27,913	31,613
(Increase) Decrease in:		
Accounts receivable	7,256	896
Interest receivable	44,774	(34,160)
Student fee receivable	6,119	4,486
Prepaid expenses	237	496
Inventory	(1,500)	577
Due from related parties	212,941	(118,392)
Increase (Decrease) in:		
Accounts payable and accrued liabilities	(43,376)	(52,614)
Due to related parties	(235,948)	112,638
Unearned revenues	(70,712)	(10,651)
Total Adjustments	305,832	222,869
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,981,143	1,384,358
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments related to the acquisition of capital assets	(439,416)	(731,655)
Net Change in Cash and Cash Equivalents	2,541,727	652,703
Cash and Cash Equivalents - Beginning of Year	16,184,985	15,532,282
Cash and Cash Equivalents - End of Year	\$ 18,726,712	\$ 16,184,985
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for taxes	\$ 11,790	\$ 2,304

The accompanying notes are an integral part of these financial statements.

University Union Operation of California State University, Sacramento

NOTES TO THE FINANCIAL STATEMENTS

1. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Union WELL Inc. classifies net assets and revenues, expenses, and gains and losses into three 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. Union WELL Inc. considers highly liquid investments with a maturity of three months or less to be cash and cash equivalents.

University Union Operation of California State University, Sacramento

NOTES TO THE FINANCIAL STATEMENTS

(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 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.

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, 2020 and 2019, 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 receivables consist of student activity fees for the fall 2020 semester collected by Sacramento State during student registration. These fees will be remitted to Union WELL Inc. during the fiscal year ending June 30, 2021. As of June 30, 2020 and 2019, student fee receivable amounts were \$116,893 and \$123,012, respectively.

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

University Union Operation of California State University, Sacramento

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Inventory The WELL opened in fall 2010 with all inventory 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 ear buds.

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 and lease contracts 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 fall 2020 semester.

Revenues from Contracts with Customers Effective January 1, 2019, Union WELL Inc. adopted Financial Accounting Standards Board Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, and all subsequent amendments to the ASU (collectively, Accounting Standards Codification 606). This ASU is based on the principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Union WELL Inc. adopted this ASU using a modified retrospective method for all contracts. The timing of recognition is consistent with Union WELL Inc.'s previous revenue recognition accounting policy. Based on Union WELL Inc.'s implementation assessment, the adoption of this ASU did not have a material impact on the accompanying financial statements. As a result, no cumulative-effect adjustment was made to the opening balance of net assets.

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 THE FINANCIAL STATEMENTS

(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, 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 year ended June 30, 2020 and 2019, 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.

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. Revenue is recognized throughout the lease contract term, as the use of space is provided and the lease obligation satisfied.

Program Service Fees: Program Service fees include, but are not limited to, facility use fees for The University Union 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 in which the facilities and services are provided and as events are held.

Functional Allocation of Expenses The costs of providing various program and supporting activities have been summarized on a functional basis in the statement of activities. The presentation of expenses by function and nature is included in the statement 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.

Advertising Union WELL Inc. expenses advertising costs as incurred. Advertising expenses for the years ended June 30, 2020 and 2019, were \$17,539 and \$23,300, respectively.

University Union Operation of California State University, Sacramento

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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, 2020, and Union WELL Inc. does not expect this to change significantly over the next 12 months.

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.

Evaluation of Subsequent Events Management has evaluated subsequent events through September 8, 2020, the date the financial statements were available to be issued.

3. CASH AND CASH EQUIVALENTS

As of June 30, 2020 and 2019, cash and cash equivalents represent short-term investments in LAIF in the amounts of \$18,623,482 and \$15,974,780, respectively, and funds held at financial institutions in the amounts of \$103,230 and \$210,205, respectively. As of June 30, 2020 and 2019, the cash balances reported by financial institutions were \$191,524 and \$244,462, respectively. The amounts for the years ended June 30, 2020 and 2019, were not in excess of limits insured by the Federal Deposit Insurance Corporation.

University Union Operation of California State University, Sacramento

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

4. LIQUIDITY AND AVAILABILITY OF ASSETS

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

June 30	2020	2019
Financial Assets - End of Year		
Cash and cash equivalents	\$ 18,726,712	\$ 16,184,985
Accounts receivable	131,979	396,950
Student activity fees receivable - held by Sacramento State	116,893	123,012
Total Financial Assets - End of Year	18,975,584	16,704,947
Less: Amounts Not Available to be Used Within One Year		
Board-designated net assets	3,999,434	3,726,469
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	\$ 14,976,150	\$ 12,978,478

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.

5. 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, 2020 and 2019.

University Union Operation of California State University, Sacramento

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

As of June 30, 2020 and 2019, the LAIF pool included structured notes and asset-backed securities, which totaled 3.37% and 1.77%, 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, 2020 and 2019, the fair value of LAIF was 100.49% and 100.17%, respectively, of the carrying value. There were no LAIF funds invested in derivatives as of June 30, 2020 and 2019. 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 considered to be a voluntary participant in the LAIF investment pool.

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

June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
LAIF	\$ -	\$ 18,623,482	\$ -	\$ 18,623,482

June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
LAIF	\$ -	\$ 15,974,780	\$ -	\$ 15,974,780

6. CAPITAL ASSETS

Capital assets consisted of the following:

June 30	2020	2019
Furniture and fixtures	\$ 921,923	\$ 799,076
Fitness equipment	673,894	645,390
Minor equipment	6,707	6,707
Leasehold improvements	1,083,045	1,181,141
Construction work in progress	62,668	62,668
Computers	521,311	423,308
Art work	44,596	44,596
Totals	3,314,144	3,162,886
Accumulated depreciation	(1,855,544)	(1,757,661)
Capital Assets - Net	\$ 1,458,600	\$ 1,405,225

Depreciation expense for the fiscal years ended June 30, 2020 and 2019, was \$358,128 and \$287,980, respectively.

University Union Operation of California State University, Sacramento

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

7. LEASE COMMITMENTS

Union WELL Inc. has lease commitments for copiers and printers under non-cancelable leases. Total lease payments were \$27,945 and \$26,414 for the fiscal years ended June 30, 2020 and 2019, respectively. The future minimum payments for the operating leases are as follows:

Years Ended June 30		
2020	\$	32,253
2021		29,522
2022		26,672
2023		12,267
2024		6,094
Total	\$	106,808

8. OUTSIDE SERVICES

Union WELL Inc. operates pursuant to a Memorandum of Understanding (MOU) with UEI and Sacramento State which, among other provisions, compensates UEI and Sacramento State employees assigned to Union WELL Inc. 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, 2020 and 2019, consisted of the following:

June 30	2020		2019	
Personnel services	\$	4,454,624	\$	4,387,224
Personnel benefit expenses		1,769,916		1,540,731
Payroll services		622,454		592,796
Accounting services		131,388		127,226
Other outside services		552,165		487,338
Totals	\$	7,530,547	\$	7,135,315

University Union Operation of California State University, Sacramento

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

9. 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, 2020 and 2019, Union WELL Inc. received payments for leased office space to UEI totaling \$414,829 and \$446,023, respectively, and for leased office space to ASI totaling \$226,764 and \$204,552, respectively. For the fiscal years ended June 30, 2020 and 2019, Union WELL Inc. received Public Safety fees from UEI totaling \$4,512 and \$5,412, respectively. For the fiscal years ended June 30, 2020 and 2019, Union WELL Inc. received Public Safety Fees from ASI totaling \$2,032 and \$2,436, respectively. For the fiscal years ended June 30, 2020 and 2019, Union WELL Inc. received payments from UFSS for space and programs totaling \$4,627 and \$13,535, respectively. 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 \$1,100,627 and \$1,067,612 for the fiscal years ended June 30, 2020 and 2019, respectively, for campus cost recovery services, which include administration, telephone, postage, IT support, and utilities; and \$-0- and \$-0- for personnel costs during the fiscal years ended June 30, 2020 and 2019, respectively. Sacramento State made payments to Union WELL Inc. totaling \$986,148 and \$1,122,258 for services, space, and programs for the fiscal years ended June 30, 2020 and 2019, respectively.

Union WELL Inc. incurred expenses primarily related to catering services, video production, and advertising by UEI in the amounts of \$4,904 and \$8,880 for the fiscal years ended June 30, 2020 and 2019, respectively.

For fiscal years ended June 30, 2020 and 2019, Union WELL Inc. was charged \$131,388 and \$127,226, respectively, for accounting and financial services provided by ASI.

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

June 30		2020		2019
Sacramento State	\$	34,666	\$	132,310
UEI		2,124		134,158
ASI		17,231		494
Totals	\$	54,021	\$	266,962

The amounts due to related entities are compromised of the following:

June 30		2020		2019
Sacramento State	\$	117,299	\$	217,053
UEI		410,452		547,053
ASI		10,943		10,536
Totals	\$	538,694	\$	774,642

University Union Operation of California State University, Sacramento

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

10. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The employees assigned to Union WELL Inc. under the provisions of the MOU with UEI are also eligible to participate in the UEI's OPEB plan (the Plan). The Plan 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 (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 \$180,344 and \$50,000 for the years ended June 30, 2020 and 2019, respectively. These contributions were deposited into the UEI VEBA account on behalf of Union WELL Inc.

Union WELL Inc.'s unfunded liability was \$1,652,304 and \$1,796,183 for the fiscal years ended June 30, 2020 and 2019, respectively. The June 30, 2020 and 2019, unfunded liability was based on an actuarial study with a measurement date of June 30, 2018. This liability is included in the total OPEB unfunded liability recorded on UEI's financial statements. The amount of the annual contributions for fiscal years ending June 2021 through June 2023 will be \$140,000 annually. This payment schedule is based on the goal of fully funding the \$1,033,190 post-retirement liability for all of the retirees, active vested employees, and active employees who will become fully vested by June 30, 2022, including eligible dependents. When the total post-retirement liability for all retired and actively 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 20 of each fiscal year and deposited into the VEBA account. For full disclosures of OPEB and VEBA plans, see UEI's financial statements.

11. CONTINGENCIES

The ongoing COVID-19 pandemic has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets.

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on Union WELL Inc.'s business and financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which Union WELL Inc. operates and the related impact on consumer confidence and spending, all of which are highly uncertain.

SUPPLEMENTARY INFORMATION SECTION

University Union Operation of California State University, Sacramento

SCHEDULE OF NET POSITION

June 30, 2020

(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 103,230
Short-term investments	18,623,482
Accounts receivable, net	131,979
Capital lease receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	-
Prepaid expenses and other current assets	153,169
Total current assets	<u>19,011,860</u>
Noncurrent assets:	
Restricted cash and cash equivalents	-
Accounts receivable, net	-
Capital lease 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	1,458,600
Other assets	-
Total noncurrent assets	<u>1,458,600</u>
Total assets	<u>20,470,460</u>
Deferred outflows of resources:	
Unamortized loss on debt refunding	-
Net pension liability	-
Net OPEB liability	-
Others	-
Total deferred outflows of resources	<u>-</u>
Liabilities:	
Current liabilities:	
Accounts payable	84,975
Accrued salaries and benefits	-
Accrued compensated absences, current portion	-
Unearned revenues	115,328
Capital lease obligations, current portion	-
Long-term debt obligations, current portion	-
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	538,694
Other liabilities	-
Total current liabilities	<u>738,997</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	-
Unearned revenues	-
Grants refundable	-
Capital lease obligations, 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	<u>-</u>
Total liabilities	<u>738,997</u>
Deferred inflows of resources:	
Service concession arrangements	-
Net pension liability	-
Net OPEB liability	-
Unamortized gain on debt refunding	-
Nonexchange transactions	-
Others	-
Total deferred inflows of resources	<u>-</u>
Net Position:	
Net investment in capital assets	1,458,600
Restricted for:	
Nonexpendable – endowments	-
Expendable:	
Scholarships and fellowships	-
Research	-
Loans	-
Capital projects	-
Debt service	-
Others	-
Unrestricted	18,272,863
Total net position	<u>\$ 19,731,463</u>

University Union Operation of California State University, Sacramento

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2020

(for inclusion in the California State University)

Revenues:

Operating revenues:

Student tuition and fees, gross	\$ 11,676,755
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	962,347
Scholarship allowances (enter as negative)	-
Other operating revenues	1,179,248
Total operating revenues	<u>13,818,350</u>

Expenses:

Operating expenses:

Instruction	-
Research	-
Public service	-
Academic support	-
Student services	8,759,530
Institutional support	306,725
Operation and maintenance of plant	2,161,683
Student grants and scholarships	-
Auxiliary enterprise expenses	-
Depreciation and amortization	358,128
Total operating expenses	<u>11,586,066</u>
Operating income (loss)	<u>2,232,284</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	8,000
Investment income (loss), net	462,941
Endowment income (loss), net	-
Interest expense	-
Other nonoperating revenues (expenses) - excl. interagency transfers	(27,914)
Net nonoperating revenues (expenses)	<u>443,027</u>
Income (loss) before other revenues (expenses)	2,675,311

State appropriations, capital

-

Grants and gifts, capital

-

Additions (reductions) to permanent endowments

-

Increase (decrease) in net position

2,675,311

Net position:

Net position at beginning of year, as previously reported	17,056,152
Restatements	-
Net position at beginning of year, as restated	<u>17,056,152</u>
Net position at end of year	<u>\$ 19,731,463</u>

University Union Operation of California State University, Sacramento

OTHER INFORMATION

June 30, 2020

(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	103,230
Total	\$ 103,230

2.1 Composition of investments:

	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	-	-	-
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 investment types	-	-	-
Other external investment pools	-	-	-
CSU Consolidated Investment Pool (formerly SWIFT)	-	-	-
State of California Local Agency Investment Fund (LAIF)	18,623,482	-	18,623,482
State of California Surplus Money Investment Fund (SMIF)	-	-	-
Other investments:	-	-	-
Total other investments	-	-	-
Total investments	18,623,482	-	18,623,482
Less endowment investments (enter as negative number)	-	-	-
Total investments, net of endowments	\$ 18,623,482	\$ -	\$ 18,623,482

University Union Operation of California State University, Sacramento

OTHER INFORMATION

June 30, 2020

(for inclusion in the California State University)

2.2 Fair value hierarchy in investments:

	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	-	-	-	-	-
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 investment types	-	-	-	-	-
Other external investment pools	-	-	-	-	-
CSU Consolidated Investment Pool (formerly SWIFT)	-	-	-	-	-
State of California Local Agency Investment Fund (LAIF)	18,623,482	-	-	-	18,623,482
State of California Surplus Money Investment Fund (SMIF)	-	-	-	-	-
Other investments:	-	-	-	-	-
Total other investments	-	-	-	-	-
Total investments	\$ 18,623,482	\$ -	\$ -	\$ -	\$ 18,623,482

2.3 Investments held by the University under contractual agreements:

Instruction: Amounts should agree with University's investments held on behalf of Discretely Presented Component Units.

Investments held by the University under contractual agreements

e.g. - CSU Consolidated Investment Pool (formerly SWIFT):

	Current	Noncurrent	Total
\$	-	\$ -	\$ -

University Union Operation of California State University, Sacramento

OTHER INFORMATION

June 30, 2020

(for inclusion in the California State University)

3.1 Composition of capital assets:

	Balance June 30, 2019	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2019 (Restated)	Additions	Retirements	Transfer of Completed CWIP	Balance June 30, 2020
Non-depreciable/Non-amortizable capital assets:									
Land and land improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Works of art and historical treasures	44,596	-	-	-	44,596	-	-	-	44,596
Construction work in progress (CWIP)	62,668	-	-	-	62,668	-	-	-	62,668
Intangible assets:									
Rights and easements	-	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-	-
Intangible assets in progress (PWIP)	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-	-
Total other intangible assets	-	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-	-
Total non-depreciable/non-amortizable capital assets	107,264	-	-	-	107,264	-	-	-	107,264
Depreciable/Amortizable capital assets:									
Buildings and building improvements	-	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-
Leasehold improvements	1,181,141	-	-	-	1,181,141	-	(98,096)	-	1,083,045
Personal property:									
Equipment	1,874,481	-	-	-	1,874,481	439,416	(190,062)	-	2,123,835
Library books and materials	-	-	-	-	-	-	-	-	-
Intangible 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	3,055,622	-	-	-	3,055,622	439,416	(288,158)	-	3,206,880
Total capital assets	3,162,886	-	-	-	3,162,886	439,416	(288,158)	-	3,314,144
Less accumulated depreciation/amortization: (enter as negative number, except for reductions enter as positive number)									
Buildings and building improvements	-	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-
Leasehold improvements	(739,209)	-	-	-	(739,209)	(51,990)	70,183	-	(721,016)
Personal property:									
Equipment	(1,018,452)	-	-	-	(1,018,452)	(306,138)	190,062	-	(1,134,528)
Library books and materials	-	-	-	-	-	-	-	-	-
Intangible 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 accumulated depreciation/amortization	(1,757,661)	-	-	-	(1,757,661)	(358,128)	260,245	-	(1,855,544)
Total capital assets, net	\$ 1,405,225	\$ -	\$ -	\$ -	\$ 1,405,225	\$ 81,288	\$ (27,913)	\$ -	\$ 1,458,600

University Union Operation of California State University, Sacramento

OTHER INFORMATION

June 30, 2020

(for inclusion in the California State University)

3.2 Detail of depreciation and amortization expense:

Depreciation and amortization expense related to capital assets	\$ 358,128
Amortization expense related to other assets	-
Total depreciation and amortization	\$ 358,128

4 Long-term liabilities:

	Balance June 30, 2019	Prior Period Adjustments / Reclassifications	Balance June 30, 2019 (Restated)	Additions	Reductions	Balance June 30, 2020	Current Portion	Noncurrent Portion
1. Accrued compensated absences	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2. Claims liability for losses and loss adjustment expenses	-	-	-	-	-	-	-	-
3. Capital lease obligations:								
Gross balance	-	-	-	-	-	-	-	-
Unamortized net premium/(discount)	-	-	-	-	-	-	-	-
Total capital lease obligations	-	-	-	-	-	-	-	-
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 Others:	-	-	-	-	-	-	-	-
Total others	-	-	-	-	-	-	-	-
Sub-total long-term debt	-	-	-	-	-	-	-	-
4.5 Unamortized net bond premium/(discount)	-	-	-	-	-	-	-	-
Total long-term debt obligations	-	-	-	-	-	-	-	-
Total long-term liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(for inclusion in the California State University)

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University Union Operation of California State University, Sacramento

OTHER INFORMATION

June 30, 2020

(for inclusion in the California State University)

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	\$	1,100,627
Payments received from University for services, space, and programs	\$	986,148
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 (enter as negative number)	\$	(117,299)
Other amounts (payable to) University (enter as negative number)	\$	-
Accounts receivable from University (enter as positive number)	\$	34,666
Other amounts receivable from University (enter as positive number)	\$	116,893

8 Restatements/Prior period adjustments:

Provide a detailed breakdown of the journal entries (at the financial statement line items level) booked to record each restatement/PPA:

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

(for inclusion in the California State University)

	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	-	-	-	-	-	8,759,530	-	8,759,530
Institutional support	-	-	-	-	-	306,725	-	306,725
Operation and maintenance of plant	-	-	-	-	-	2,161,683	-	2,161,683
Student grants and scholarships	-	-	-	-	-	-	-	-
Auxiliary enterprise expenses	-	-	-	-	-	-	-	-
Depreciation and amortization	-	-	-	-	-	-	358,128	358,128
Total operating expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,227,938	\$ 358,128	\$ 11,586,066

Total deferred inflows of resources

University Union Operation of California State University, Sacramento

SCHEDULE OF UNDESIGNATED AND BOARD DESIGNATED NET ASSETS

June 30, 2020

	NET ASSETS WITHOUT DONOR RESTRICTIONS				
	Undesignated	Board Designated			Total
	Operations	Property and Equipment	Repairs and Replacement	Art Acquisition	
REVENUE FROM PROGRAM ACTIVITIES					
Student activity fees	\$ 11,676,755	\$ -	\$ -	\$ -	\$ 11,676,755
Revenue from operations	2,149,595	-	-	-	2,149,595
Total program activities revenue	13,826,350	-	-	-	13,826,350
Other income:					
Noncash donation	-	-	-	-	-
Insurance proceeds	-	-	-	-	-
Total other income	-	-	-	-	-
Total revenue	13,826,350	-	-	-	13,826,350
EXPENSES					
Personnel	-	-	-	-	-
Employee benefits	-	-	-	-	-
Advertising	17,539	-	-	-	17,539
Conferences	19,974	-	-	-	19,974
Depreciation	-	358,128	-	-	358,128
Dues and subscriptions	205,362	-	-	-	205,362
Unrelated business income taxes	327	-	-	-	327
Insurance	51,700	-	-	-	51,700
Office expenses	8,089	-	-	-	8,089
Outside services	7,530,547	-	-	-	7,530,547
Postage and delivery	685	-	-	-	685
Printing	9,067	-	-	-	9,067
Repairs and maintenance	1,809,403	-	-	-	1,809,403
Small equipment	64,751	-	375,191	748	440,690
Special events expenses	156,896	-	-	-	156,896
Supplies	340,825	-	-	-	340,825
Telephone	31,914	-	-	-	31,914
Travel	33,618	-	-	-	33,618
Utilities	571,303	-	-	-	571,303
Total expenses	10,852,000	358,128	375,191	748	11,586,067
EXCESS (DEFICIENCY) OF REVENUE FROM PROGRAM ACTIVITIES OVER EXPENSES	2,974,350	(358,128)	(375,191)	(748)	2,240,283
Interest and investment income	414,889	-	48,052	-	462,941
Sale of equipment	-	-	-	-	-
Loss on disposal of capital assets	-	(27,913)	-	-	(27,913)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	3,389,239	(386,041)	(327,139)	(748)	2,675,311
INTERFUND TRANSFERS					
Transfer of board designated funds	(867,314)	-	862,314	5,000	-
Fixed asset acquisitions	(119,579)	439,416	(319,837)	-	-

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.

2. BOARD DESIGNATED NET ASSETS

Repairs and Replacement Union WELL Inc. annually designates net assets of \$100,000, plus 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 \$3,246,273 at June 30, 2020. 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, plus \$100,000. This amount, plus interest earned, plus insurance proceeds, less actual replacements, represents the designation, which was \$2,563,404 as of June 30, 2020.

Art Acquisition Union WELL Inc. annually designates net assets of \$5,000 for art acquisition, less actual purchases. As of June 30, 2020, the designation totaled \$40,098.

Property and Equipment Union WELL Inc. designates net assets based on the net book value of its property and equipment. At June 30, 2020, the designation for depreciable property and equipment was \$1,395,932. An additional \$62,668 of construction work in progress was included in undesignated operations, and is expected to be transferred to designated property and equipment during the year ending June 30, 2021.