

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

**Financial Statements and Supplemental
Schedules for the Year Ended June 30, 2008
and Independent Auditors' Report**

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

| | Page |
|--|-------------|
| INDEPENDENT AUDITORS' REPORT | 1 |
| FINANCIAL STATEMENTS | |
| Statement of Financial Position | 2 |
| Statement of Activities | 3 |
| Statement of Cash Flows | 4 |
| Notes to Financial Statements | 5 |
| SUPPLEMENTAL INFORMATION | |
| Schedule of University Union Designation of Net Assets | 8 |
| Note to Schedule of University Union Designation of Net Assets | 9 |
| GASB Statement of Net Assets | 10 |
| GASB Statement of Revenues, Expenses and Changes in Net Assets | 11 |
| Other Information | 12 |
| MANAGEMENT LETTER | 21 |

VASIN, HEYN & COMPANY

AN ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of University Union Operation of California State University, Sacramento as of June 30, 2008 and 2007, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of University Union Operation of California State University, Sacramento's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University Union Operation of California State University, Sacramento as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on pages 8 through 20 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. These schedules are the responsibility of University Union Operation of California State University, Sacramento's management. Such supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Vasin, Heyn & Co

September 16, 2008

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008 AND 2007**

| | <u>2008</u> | <u>2007</u> |
|---|-------------------------|-------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 311,317 | \$ 26,663 |
| Accounts receivable | 78,788 | 172,722 |
| Investments | 4,449,463 | 3,720,123 |
| Due from related parties | 212,481 | 118,648 |
| Property and equipment | | |
| Furniture and equipment | 2,850,992 | 2,726,133 |
| Leasehold improvements | 2,621,753 | 2,621,753 |
| Accumulated depreciation | <u>(3,340,888)</u> | <u>(3,032,955)</u> |
| Property and equipment, net | <u>2,131,857</u> | <u>2,314,931</u> |
| Total assets | <u>\$ 7,183,906</u> | <u>\$ 6,353,087</u> |
| LIABILITIES | | |
| Accounts payable | \$ 41,238 | \$ - |
| Accrued liabilities | 82,158 | 107,371 |
| Accrued payroll and related liabilities | 96,978 | 89,301 |
| Due to related parties | <u>1,218,850</u> | <u>597,004</u> |
| Total liabilities | 1,439,224 | 793,676 |
| NET ASSETS - UNRESTRICTED | <u>5,744,682</u> | <u>5,559,411</u> |
| Total liabilities and net assets | <u>\$ 7,183,906</u> | <u>\$ 6,353,087</u> |

See accompanying auditors' report and
notes to financial statements.

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

| | <u>2008</u> | <u>2007</u> |
|---|------------------------|-------------------------|
| REVENUES | | |
| Student activity fee | \$2,601,000 | \$ 2,550,000 |
| Contract and lease payments | 720,709 | 704,344 |
| Program service fees | 492,235 | 556,495 |
| Contributions and grants | 9,050 | - |
| Gain (loss) on disposal of fixed assets | 2,469 | (10,199) |
| Interest and investment income | <u>260,638</u> | <u>245,487</u> |
| Total revenues | 4,086,101 | 4,046,127 |
| EXPENSES | | |
| Building operations | 1,668,891 | 1,594,653 |
| Programs and services | 1,211,504 | 1,413,047 |
| Administration | 872,581 | 762,649 |
| Accounting | <u>147,854</u> | <u>165,105</u> |
| Total expenses | <u>3,900,830</u> | <u>3,935,454</u> |
| CHANGE IN NET ASSETS | 185,271 | 110,673 |
| NET ASSETS - beginning of year | <u>5,559,411</u> | <u>5,448,738</u> |
| NET ASSETS - end of year | <u>\$5,744,682</u> | <u>\$ 5,559,411</u> |

See accompanying auditors' report and
notes to financial statements.

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

| | <u>2008</u> | <u>2007</u> |
|---|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 185,271 | \$ 110,673 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities | | |
| Depreciation | 347,495 | 328,343 |
| (Gain) loss on disposal of property | (2,469) | 10,199 |
| (Increase) decrease in: | | |
| Accounts receivable | 93,934 | (93,391) |
| Due from related parties | (93,833) | (94,048) |
| Increase (decrease) in: | | |
| Accounts payable | 41,238 | - |
| Accrued liabilities | (25,213) | (55,873) |
| Accrued payroll and related liabilities | 7,677 | (13,676) |
| Due to related parties | <u>621,846</u> | <u>128,476</u> |
| Total adjustments | <u>990,675</u> | <u>210,030</u> |
| Net Cash Provided (Used) by Operating Activities | 1,175,946 | 320,703 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Plant & equipment purchases | (161,952) | (322,432) |
| Proceeds from the sale of investments | 2,100,000 | 2,688,000 |
| Net purchase of investments | <u>(2,829,340)</u> | <u>(2,795,701)</u> |
| Net Cash Provided (Used) by Investing Activities | <u>(891,292)</u> | <u>(430,133)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 284,654 | (109,430) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>26,663</u> | <u>136,093</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 311,317</u> | <u>\$ 26,663</u> |

See accompanying auditors' report and notes to financial statements.

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The University Union Operation of California State University, Sacramento (Union) is organized pursuant to the General Nonprofit Corporation Law of the State of California and is operated by the Board of Directors of the Union. The Union operates the University Union Building, legal title to which is held by the Board of Trustees of the California State University for the benefit of California State University, Sacramento (CSUS).

Basis of Presentation

The Union presents its financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Equivalents

For financial statement purposes, the Union considers all investments with a maturity at purchase of three months or less to be cash equivalents.

The Union invests its excess cash principally in interest bearing deposits with the State of California Investment Pool-Local Agency Investment Fund (LAIF). The investments in LAIF are recorded at market value and are available for withdraw on demand.

Property and Equipment

Property and equipment are stated at cost or, if donated, at estimated market value on the date of donation. The Union capitalizes all expenditures for property and equipment in excess of \$1,000. Assets are depreciated using the straight-line method over estimated useful lives of 3 to 20 years.

Income Taxes

The Union is exempt from income taxes under Internal Revenue Code Section 501(c)(3).

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.

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Student Activity Fee

Student center fees are remitted directly to the Chancellor's Office of California State University to cover principal and interest payments on the revenue bonds, fire insurance on the University Union Building, legislative costs and Chancellor's office overhead, and to provide a reserve for plant improvements and replacement. Subject to certain limitations, Student Center fees in excess of such requirements, or surplus revenue, are returned to fund local Union operations.

Contract and Lease Payments

Sublease and contract income represents income received under operating and sublease agreements for rental of space located within the University Union Building.

2. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

| | <u>2008</u> | <u>2007</u> |
|--------------------------------|---------------------|---------------------|
| Furniture and equipment | \$ 2,850,992 | \$ 2,726,133 |
| Leasehold improvements | <u>2,621,753</u> | <u>2,621,753</u> |
| Total | 5,472,745 | 5,347,886 |
| Less: Accumulated Depreciation | <u>(3,340,888)</u> | <u>(3,032,955)</u> |
| Property and equipment – net | <u>\$ 2,131,857</u> | <u>\$ 2,314,931</u> |

3. RELATED PARTY TRANSACTIONS

Space located within the University Union Building is used or operated by CSUS, Associated Students of California State University, Sacramento (ASCSUS) and CSUS University Enterprises, Inc. under operating and sublease agreements. The Union charged CSUS \$265,055 and \$287,805, ASCSUS \$138,412 and \$137,677, and CSUS University Enterprises, Inc. \$413,670 and \$400,131 for the years ended June 30, 2008 and 2007, respectively, under these operating and sublease agreements.

For fiscal years ended June 30, 2008 and 2007, the Union was charged \$147,855 and \$164,692, respectively, for accounting services and copier and fax services provided by ASCSUS.

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

3. RELATED PARTY TRANSACTIONS - Continued

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

| | <u>2008</u> | <u>2007</u> |
|-----------------------------------|-------------------|-------------------|
| CSUS | \$ 105,884 | \$ 15,647 |
| CSUS University Enterprises, Inc. | 104,222 | 102,581 |
| ASCSUS | <u>2,375</u> | <u>420</u> |
| Total | <u>\$ 212,481</u> | <u>\$ 118,648</u> |

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

| | <u>2008</u> | <u>2007</u> |
|-----------------------------------|---------------------|-------------------|
| CSUS | \$ 426,544 | \$ 197,689 |
| CSUS University Enterprises, Inc. | 700,665 | 336,243 |
| ASCSUS | <u>91,641</u> | <u>63,072</u> |
| Total | <u>\$ 1,218,850</u> | <u>\$ 597,004</u> |

The Union and CSUS University Enterprises, Inc. (UEI) operate pursuant to a Memorandum of Understanding which, among other provisions, compensates UEI employees assigned to The Union and provides for the Union to furnish related insurance coverage for these individuals. Such amounts included in The Union's financial statements for the year ended June 30, 2008 have been presented as Outside Services in the Schedule of University Union Designation of Net Assets.

Outside services at June 30 consist of the following:

| | <u>2008</u> | <u>2007</u> |
|------------------|---------------------|---------------------|
| Personnel | \$ 1,630,905 | \$ 1,598,528 |
| Related Expenses | 529,980 | 509,420 |
| Outside Services | <u>415,920</u> | <u>473,540</u> |
| Total | <u>\$ 2,576,805</u> | <u>\$ 2,581,488</u> |

4. CASH BALANCES

The Union maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Union has not experienced any losses in such accounts. Management believes the Union is not exposed to any significant credit risk related to cash.

SUPPLEMENTAL INFORMATION

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
SCHEDULE OF UNIVERSITY UNION DESIGNATION OF NET ASSETS
JUNE 30, 2008**

| | UNRESTRICTED NET ASSETS | | | | Total |
|---|-------------------------|---------------------------|----------------------------|--------------------|---------------------|
| | Undesignated | Designated | | | |
| | Operations | Property and Equipment | Repairs and Replacement | Art Acquisition | |
| UNRESTRICTED REVENUE FROM PROGRAM ACTIVITIES: | | | | | |
| Student activity fee | \$ 2,601,000 | \$ - | \$ - | \$ - | \$ 2,601,000 |
| Revenue from operations | <u>1,212,944</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,212,944</u> |
| Total program activities revenue | 3,813,944 | - | - | - | 3,813,944 |
| UNRESTRICTED EXPENSES: | | | | | |
| Advertising | 5,719 | - | - | - | 5,719 |
| Conferences | 8,921 | - | - | - | 8,921 |
| Credit card discount fees | 666 | - | - | - | 666 |
| Depreciation | - | 347,495 | - | - | 347,495 |
| Dues and subscriptions | 33,008 | - | - | - | 33,008 |
| Insurance | 33,137 | - | - | - | 33,137 |
| Miscellaneous expenses | 4,483 | - | - | - | 4,483 |
| Office expenses | 3,933 | - | - | - | 3,933 |
| Outside services | 2,576,805 | - | - | - | 2,576,805 |
| Postage and delivery | 876 | - | - | - | 876 |
| Printing | 10,907 | - | - | - | 10,907 |
| Repairs and maintenance | 200,362 | - | - | - | 200,362 |
| Small equipment | 67,020 | - | - | - | 67,020 |
| Special events expenses | 135,842 | - | - | - | 135,842 |
| Supplies | 94,355 | - | - | - | 94,355 |
| Telephone | 42,393 | - | - | - | 42,393 |
| Travel | 36,634 | - | - | - | 36,634 |
| Utilities | <u>298,274</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>298,274</u> |
| Total unrestricted expenses | <u>3,553,335</u> | <u>347,495</u> | <u>-</u> | <u>-</u> | <u>3,900,830</u> |
| EXCESS (DEFICIENCY) OF UNRESTRICTED REVENUE FROM PROGRAM ACTIVITIES OVER UNRESTRICTED EXPENSES | | | | | |
| | 260,609 | (347,495) | - | - | (86,886) |
| Interest and investment income | 214,175 | - | 46,463 | - | 260,638 |
| Contributions and grants | 9,050 | - | - | - | 9,050 |
| Gain (loss) on disposal of property and equipment | <u>-</u> | <u>2,469</u> | <u>-</u> | <u>-</u> | <u>2,469</u> |
| EXCESS (DEFICIENCY) OF UNRESTRICTED REVENUE OVER UNRESTRICTED EXPENSES | | | | | |
| | 483,834 | (345,026) | 46,463 | - | 185,271 |
| INTERFUND TRANSFERS: | | | | | |
| Transfer of board designated funds | (280,485) | - | 275,485 | 5,000 | - |
| Fixed asset acquisitions | <u>(56,313)</u> | <u>161,952</u> | <u>(101,162)</u> | <u>(4,477)</u> | <u>-</u> |
| CHANGE IN UNRESTRICTED NET ASSETS | | | | | |
| | 147,036 | (183,074) | 220,786 | 523 | 185,271 |
| NET ASSETS - beginning of year | <u>2,170,001</u> | <u>2,314,931</u> | <u>1,047,229</u> | <u>27,250</u> | <u>5,559,411</u> |
| NET ASSETS - end of year | <u>\$ 2,317,037</u> | <u>\$ 2,131,857</u> | <u>\$ 1,268,015</u> | <u>\$ 27,773</u> | <u>\$ 5,744,682</u> |

See accompanying auditors' report and
notes to financial statements.

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
NOTE TO SCHEDULE OF UNIVERSITY UNION DESIGNATION OF NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

DESIGNATED NET ASSETS

Property and Equipment

The Union designates net assets based on the net book value of its property and equipment. At June 30, 2008 and 2007, the designation totaled \$2,131,857 and \$2,314,931, respectively.

Repairs and Replacement

The Union annually designates net assets of \$25,000 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 \$4,481,190 at June 30, 2008. 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 \$100,000. This amount, plus interest earned and less actual replacements, represents the designation, which were \$1,268,015 and \$1,047,229 at June 30, 2008 and 2007, respectively.

Art Acquisition

The Union annually designates net assets of \$5,000 for art acquisition less actual purchases. At June 30, 2008 and 2007, the designation totaled \$27,773 and \$27,250, respectively.

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
GASB STATEMENT OF NET ASSETS
JUNE 30, 2008**

| | |
|---|---------------------|
| Assets: | |
| Current assets: | |
| Cash and cash equivalents | \$ 311,317 |
| Short-term investments | 4,449,463 |
| Accounts receivable, net | 78,788 |
| Leases receivable, current portion | — |
| Notes receivable, current portion | — |
| Pledges receivable, net | — |
| Prepaid expenses and other assets | 212,481 |
| Total current assets | <u>5,052,049</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 | 2,131,857 |
| Other assets | — |
| Total noncurrent assets | <u>2,131,857</u> |
| Total assets | <u>7,183,906</u> |
| Liabilities: | |
| Current liabilities: | |
| Accounts payable | 41,238 |
| Accrued salaries and benefits payable | — |
| Accrued compensated absences— current portion | 9,698 |
| Deferred revenue | — |
| Capitalized lease obligations – current portion | — |
| Long-term debt obligations – current portion | — |
| Self-insurance claims liability - current portion | — |
| Other liabilities | 1,301,008 |
| Total current liabilities | <u>1,351,944</u> |
| Noncurrent liabilities: | |
| Accrued compensated absences, net of current portion | 87,280 |
| Deferred 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 liabilities | — |
| Total noncurrent liabilities | <u>87,280</u> |
| Total liabilities | <u>1,439,224</u> |
| Net assets: | |
| Invested in capital assets, net of related debt | 2,131,857 |
| Restricted for: | |
| Nonexpendable – endowments | — |
| Expendable: | |
| Scholarships and fellowships | — |
| Research | — |
| Loans | — |
| Capital projects | — |
| Debt service | — |
| Other | — |
| Unrestricted | 3,612,825 |
| Total net assets | <u>\$ 5,744,682</u> |

See accompanying auditors' report and
notes to financial statements.

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
GASB STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008**

Revenues:

Operating revenues:

| | |
|--|--------------|
| Student tuition and fees (net of scholarship allowances of \$ 0) | \$ 2,601,000 |
| Grants and contracts, noncapital: | |
| Federal | — |
| State | — |
| Local | — |
| Nongovernmental | — |
| Sales and services of educational activities | — |
| Sales and services of auxiliary enterprises (net of scholarship allowances of \$ 0) | 492,235 |
| Other operating revenues | 720,709 |
| Total operating revenues | 3,813,944 |

Expenses:

Operating expenses:

| | |
|------------------------------------|-----------|
| Instruction | — |
| Research | — |
| Public service | — |
| Academic support | — |
| Student services | — |
| Institutional support | — |
| Operation and maintenance of plant | — |
| Student grants and scholarships | — |
| Auxiliary enterprise expenses | 3,553,335 |
| Depreciation and amortization | 347,495 |
| Total operating expenses | 3,900,830 |
| Operating income (loss) | (86,886) |

Nonoperating revenues (expenses):

| | |
|--|---------|
| State appropriations, noncapital | — |
| Federal grant - Pell | |
| Gifts, noncapital | 9,050 |
| Investment income, net | 260,638 |
| Endowment income | — |
| Interest on capital-related debt | — |
| Other nonoperating revenues (expenses) | 2,469 |
| Net nonoperating revenues (expenses) | 272,157 |

Income (loss) before other additions 185,271

| | |
|-----------------------------------|---------|
| State appropriations, capital | — |
| Grants and gifts, capital | — |
| Additions to permanent endowments | — |
| Increase (decrease) in net assets | 185,271 |

Net assets:

| | |
|---|--------------|
| Net assets at beginning of year, as previously reported | 5,559,411 |
| Restatements | — |
| Net assets at end of year, as restated | \$ 5,744,682 |

See accompanying auditors' report and
notes to financial statements.

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008**

1 Restricted cash and cash equivalents at June 30, 2008:

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

See accompanying auditors' report and notes to financial statements.

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008
(CONTINUED)**

2 Composition of investments at June 30, 2008:

| | Current | Noncurrent Unrestricted | Noncurrent Restricted | Total Noncurrent | Total |
|--|-----------|----------------------------|--------------------------|---------------------|-----------|
| State of California Surplus Money Investment Fund (SMIF) | \$ | | | | |
| State of California Local Agency Investment Fund (LAIF) | 4,449,463 | | | | 4,449,463 |
| Wachovia Short Term Fund | | | | | |
| Wachovia Medium Term Fund | | | | | |
| Wachovia Equity Fund | | | | | |
| Debt securities | | | | | |
| Equity securities | | | | | |
| Fixed income securities (Treasury notes, GNMA's) | | | | | |
| Real estate | | | | | |
| Certificates of deposit | | | | | |
| Notes receivable | | | | | |
| Mutual funds | | | | | |
| Collateralized mortgage obligations: | | | | | |
| Inverse floaters | | | | | |
| Interest-only strips | | | | | |
| Agency pass-through | | | | | |
| Private pass-through | | | | | |
| Other investments: | | | | | |
| Add description | | | | | |
| Add description | | | | | |
| Add description | | | | | |
| Add description | | | | | |
| Add description | | | | | |
| Add description | | | | | |
| Add description | | | | | |
| Add description | | | | | |
| Add description | | | | | |
| Total investments | 4,449,463 | | | | 4,449,463 |
| Less endowment investments (enter as negative number) | | | | | |
| Total investments | 4,449,463 | | | | 4,449,463 |

2.1 - Restricted noncurrent investments at June 30, 2008 related to:

| | Amount |
|--|--------|
| Add description | |
| Add description | |
| Add description | |
| Add description | |
| Add description | |
| Add description | |
| Add description | |
| Add description | |
| Add description | |
| Add description | |
| Add description | |
| Add description | |
| Add description | |
| Add description | |
| Total restricted noncurrent investments at June 30, 2008 | \$ |

See accompanying auditors' report and notes to financial statements.

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008
(CONTINUED)**

3 Composition of capital assets at June 30, 2008:

| | Balance June 30, 2007 | Prior period Adjustments | Reclassifications | Balance June 30, 2007 (restated) | Additions | Reductions | Transfers of Completed CWIP | Balance June 30, 2008 |
|--|--------------------------|-----------------------------|-------------------|--|------------------|-----------------|-----------------------------------|--------------------------|
| Nondepreciable capital assets | | | | | | | | |
| Land and land improvements | 23,663 | — | (3,031) | 20,632 | 1,078 | — | — | 21,710 |
| Works of art and historical treasures | — | — | — | — | — | — | — | — |
| Construction work in progress (CWIP) | — | — | — | — | — | — | — | — |
| Total nondepreciable capital assets | 23,663 | — | (3,031) | 20,632 | 1,078 | — | — | 21,710 |
| Depreciable capital assets | | | | | | | | |
| Buildings and building improvements | — | — | — | — | — | — | — | — |
| Improvements, other than buildings | — | — | — | — | — | — | — | — |
| Infrastructure | — | — | — | — | — | — | — | — |
| Leasehold improvements | 2,621,753 | — | — | 2,621,753 | — | — | — | 2,621,753 |
| Personal property: | | | | | | | | |
| Equipment | 2,702,470 | — | 3,031 | 2,705,501 | 160,874 | (37,093) | — | 2,829,282 |
| Library books and materials | — | — | — | — | — | — | — | — |
| Intangible assets | — | — | — | — | — | — | — | — |
| Total depreciable capital assets | 5,324,223 | — | 3,031 | 5,327,254 | 160,874 | (37,093) | — | 5,451,035 |
| Total cost | 5,347,886 | — | — | 5,347,886 | 161,952 | (37,093) | — | 5,472,745 |
| Less accumulated depreciation: | | | | | | | | |
| Buildings and building improvements | — | — | — | — | — | — | — | — |
| Improvements, other than buildings | — | — | — | — | — | — | — | — |
| Infrastructure | — | — | — | — | — | — | — | — |
| Leasehold improvements | (1,332,183) | — | — | (1,332,183) | (228,909) | — | — | (1,561,092) |
| Personal property: | | | | | | | | |
| Equipment | (1,700,772) | — | — | (1,700,772) | (118,586) | 39,562 | — | (1,779,796) |
| Library books and materials | — | — | — | — | — | — | — | — |
| Intangible assets | — | — | — | — | — | — | — | — |
| Total accumulated depreciation | (3,032,955) | — | — | (3,032,955) | (347,495) | 39,562 | — | (3,340,888) |
| Net capital assets | 2,314,931 | — | — | 2,314,931 | (185,543) | 2,469 | — | 2,131,857 |

Detail of depreciation and amortization expense for the year ended June 30, 2008:

| | |
|---|-------------------|
| Depreciation and amortization expense related to capital assets | \$ 347,495 |
| Amortization expense related to other assets | — |
| Total depreciation and amortization | \$ 347,495 |

See accompanying auditors' report and notes to financial statements.

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008
(CONTINUED)**

4 Long-term liabilities activity schedule:

| | Balance June 30, 2007 | Prior period adjustments | Reclassifications | Balance June 30, 2007 (restated) | Additions | Reductions | Balance June 30, 2008 | Current portion | Long-term portion |
|---|--------------------------|-----------------------------|-------------------|--|-----------|------------|--------------------------|--------------------|----------------------|
| Accrued compensated absences | \$ 89,301 | — | — | 89,301 | 7,677 | — | 96,978 | 9,698 | 87,280 |
| Capitalized lease obligations: | | | | | | | | | |
| Gross balance | — | — | — | — | — | — | — | — | — |
| Unamortized premium / (discount) on capitalized lease obligations | — | — | — | — | — | — | — | — | — |
| Total capitalized lease obligations | — | — | — | — | — | — | — | — | — |
| Long-term debt obligations: | | | | | | | | | |
| Revenue Bonds | — | — | — | — | — | — | — | — | — |
| Other bonds (non-Revenue Bonds) | — | — | — | — | — | — | — | — | — |
| Commercial Paper | — | — | — | — | — | — | — | — | — |
| Other: | | | | | | | | | |
| Description | — | — | — | — | — | — | — | — | — |
| Description | — | — | — | — | — | — | — | — | — |
| Description | — | — | — | — | — | — | — | — | — |
| Description | — | — | — | — | — | — | — | — | — |
| Description | — | — | — | — | — | — | — | — | — |
| Description | — | — | — | — | — | — | — | — | — |
| Total long-term debt obligations | — | — | — | — | — | — | — | — | — |
| Unamortized bond premium (discount) | — | — | — | — | — | — | — | — | — |
| Unamortized loss on refunding | — | — | — | — | — | — | — | — | — |
| Total long-term debt obligations, net | — | — | — | — | — | — | — | — | — |
| Total long-term liabilities | \$ 89,301 | — | — | 89,301 | 7,677 | — | 96,978 | 9,698 | 87,280 |

See accompanying auditors' report and
notes to financial statements.

UNIVERSITY UNION OPERATION OF
 CALIFORNIA STATE UNIVERSITY, SACRAMENTO
 OTHER INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2008
 (CONTINUED)

5 Future minimum lease payments:

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

See accompanying auditors' report and notes to financial statements.

UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008
(CONTINUED)

6 Long-term debt obligation schedule

| Year ending June 30: | Revenue Bonds | | All other long-term debt obligations | | Total | |
|----------------------|---------------|----------|--------------------------------------|----------|-----------|----------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2009 | \$ | | | | | |
| 2010 | | | | | | |
| 2011 | | | | | | |
| 2012 | | | | | | |
| 2013 | | | | | | |
| 2014 - 2018 | | | | | | |
| 2019 - 2023 | | | | | | |
| 2024 - 2028 | | | | | | |
| 2029 - 2033 | | | | | | |
| 2034 - 2038 | | | | | | |
| 2039 - 2043 | | | | | | |
| 2044 - 2048 | | | | | | |
| 2049 - 2053 | | | | | | |
| 2054 - 2058 | | | | | | |
| Total | \$ | | | | | |

See accompanying auditors' report and notes to financial statements.

UNIVERSITY UNION OPERATION OF
 CALIFORNIA STATE UNIVERSITY, SACRAMENTO
 OTHER INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2008
 (CONTINUED)

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

| | Auxiliary Organizations | | Total |
|--|-------------------------|-----------|-----------|
| | GASB | FASB | |
| Capital assets, net of accumulated depreciation | \$ | | |
| Capital lease obligations - current portion | — | 2,131,857 | 2,131,857 |
| Capital 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: | | | |
| (description) | | | |
| (description) | | | |
| (description) | | | |
| (description) | | | |
| (description) | | | |
| Net assets - invested in capital assets, net of related debt | \$ | 2,131,857 | 2,131,857 |

See accompanying auditors' report and notes to financial statements.

UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008
(CONTINUED)

8 Transactions with Related Entities

Reimbursements to University for salaries of University personnel working on contracts, grants, and other programs
 Reimbursements to University for other than salaries of University personnel
 Payments received from University for services, space, and programs
 Gifts-in-kind to the University from Auxiliary Organizations
 Amounts (payable to) University (enter as negative number)
 Amounts receivable from University

| | Amount |
|----|-----------|
| \$ | 209,163 |
| | 240,463 |
| | 265,055 |
| | (426,544) |
| | 105,884 |

See accompanying auditors' report and notes to financial statements.

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008
(CONTINUED)**

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

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

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

| | Debit | Credit |
|---|-------|--------|
| Net asset class: | | |
| 1 (breakdown of adjusting journal entry) | | |
| Net asset class: | | |
| 2 (breakdown of adjusting journal entry) | | |
| Net asset class: | | |
| 3 (breakdown of adjusting journal entry) | | |
| Net asset class: | | |
| 4 (breakdown of adjusting journal entry) | | |
| Net asset class: | | |
| 5 (breakdown of adjusting journal entry) | | |
| Net asset class: | | |
| 6 (breakdown of adjusting journal entry) | | |
| Net asset class: | | |
| 7 (breakdown of adjusting journal entry) | | |
| Net asset class: | | |
| 8 (breakdown of adjusting journal entry) | | |
| Net asset class: | | |
| 9 (breakdown of adjusting journal entry) | | |
| Net asset class: | | |
| 10 (breakdown of adjusting journal entry) | | |

See accompanying auditors' report and
notes to financial statements.

VASIN, HEYN & COMPANY

AN ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

MANAGEMENT LETTER

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

In planning and performing our audit of the financial statements of University Union Operation of California State University, Sacramento for the year ended June 30, 2008, we considered the University Union Operation of California State University, Sacramento's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure and would not necessarily disclose all matters that might be reportable conditions. In addition, because of inherent limitations any internal control structure, errors, fraud or illegal acts may occur and not be detected by such control structure.

During our previous audit, we did become aware of certain matters that represent an opportunity for strengthening administrative controls. This letter does not affect our report dated September 16, 2008.

We have reviewed the status of those comments during our audit engagement. We have already discussed the comments with University Union Operation of California State University, Sacramento's personnel. We will be pleased to discuss this comment in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

This report is intended solely for the information and use of the University Union Operation of California State University, Sacramento's Board of Directors, management and the University, and is not intended to be and should not be used by anyone other than these specified parties.

Vasin, Heyn & Co.

September 16, 2008

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
MANAGEMENT LETTER
JUNE 30, 2008**

I. CURRENT YEAR OBSERVATIONS

NONE

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

NONE

II. PRIOR FINDINGS AND RECOMMENDATIONS

Risk Related Events

Our risk assessment interviews and document review revealed that written procedures were in place which provided guidelines for managing risk-related events, but that such documentation was not integrated or comprehensive of all risks reasonably faced by University Union Operation of California State University, Sacramento's primarily climate related risks.

We recommend that the risk assessment materials be periodically reviewed and updated in writing in order to maintain a constant organization-wide awareness of actions required to properly respond to risk-events.

2008 Management Response:

Management has not updated risk assessment materials in the last year. Due to staffing changes, University Union was unable to update those materials in the last year. Action will be taken on this recommendation in the new year.