

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

**Independent Auditor's Report,
Financial Statements and Supplemental Information**

For the Fiscal Years Ended June 30, 2010 and 2009

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial position of the University Union Operation of California State University, Sacramento, (the "UUOCI") as of June 30, 2010 and 2009 and the related statements of activities and cash flows for the fiscal years then ended. These financial statements are the responsibility of the UUOCI's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the UUOCI's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 the University Union Operation of California State University, Sacramento as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 4 to the financial statements, the UUOCI adopted Statement of Financial Accounting Standards (SFAS) No. 157 *Fair Value Measurement* in 2009.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on pages 14 through 23 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maclean Hui & O'Connell LLP

Certified Public Accountants

Sacramento, California
September 17, 2010

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009**

	2010	2009
ASSETS		
Cash and cash equivalents	\$ 267,812	\$ 188,079
Investments	6,942,559	4,503,367
Accounts receivable	27,963	52,061
Interest receivable	10,862	18,769
Student fee receivable	95,068	-
Prepaid expenses	41,401	-
Due from related parties	73,053	229,694
Capital assets, net of accumulated depreciation	1,879,358	2,001,192
 Total assets	 \$ 9,338,076	 \$ 6,993,162
LIABILITIES		
Accounts payable and accrued liabilities	\$ 97,021	\$ 155,826
Due to related parties	692,513	612,403
Unearned revenue	94,894	-
 Total liabilities	 884,428	 768,229
 NET ASSETS, UNRESTRICTED	 8,453,648	 6,224,933
 Total liabilities and net assets	 \$ 9,338,076	 \$ 6,993,162

See accompanying notes to the financial statements.

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
STATEMENTS OF ACTIVITIES
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
REVENUES		
Student activity fee	\$ 6,434,536	\$ 3,500,000
Contract and lease payments	701,023	731,928
Program service fees	522,649	550,368
Warranty replacement	2,162	-
Interest and investment income	56,342	137,401
	<u>7,716,712</u>	<u>4,919,697</u>
EXPENSES		
Building operations	1,775,374	1,805,388
Programs and services	1,936,573	1,250,243
Administration	1,775,443	1,377,476
Loss on disposal of capital assets	607	6,339
	<u>5,487,997</u>	<u>4,439,446</u>
Change in net assets	2,228,715	480,251
Net assets, beginning of year	<u>6,224,933</u>	<u>5,744,682</u>
Net assets, end of year	<u>\$ 8,453,648</u>	<u>\$ 6,224,933</u>

See accompanying notes to the financial statements.

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,228,715	\$ 480,251
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	358,280	362,944
Loss on disposal of capital assets	607	6,339
Warranty replacement	(2,162)	-
(Increase) decrease in:		
Accounts receivable	24,098	26,727
Interest receivable	7,907	(18,769)
Student fee receivable	(95,068)	-
Prepaid expenses	(41,401)	-
Due from related parties	156,641	(17,213)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(86,234)	(64,548)
Due to related parties	80,110	(606,447)
Unearned revenue	94,894	-
Total adjustments	497,672	(310,967)
Net cash provided by operating activities	2,726,387	169,284
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments related to the acquisition of capital assets	(207,462)	(238,618)
Proceeds from the sale of investments	3,525,000	3,500,000
Purchase of investments	(5,964,192)	(3,553,904)
Net cash used for investing activities	(2,646,654)	(292,522)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	79,733	(123,238)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	188,079	311,317
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 267,812	\$ 188,079
SUPPLEMENTAL DATA		
Capital assets acquired through accounts payable	\$ 27,429	\$ -
Capital assets acquired through warranty replacement	2,162	-

See accompanying notes to the financial statements.

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

NOTE 1 – NATURE OF THE ORGANIZATION

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The financial statements are presented in accordance with Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 958 Subtopics 205, 210, 225 and 230 (Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*). The UUOCI is required to classify net assets and revenues, expenses, gains and losses into three categories, based on the existence or absence of donor-imposed restrictions. The categories are unrestricted, temporarily restricted and permanently restricted net assets:

- Unrestricted net assets are those with no donor restrictions.
- Temporarily restricted net assets include gifts, pledges, trusts, remainder interests, and income and gains which can be expended, but for which restrictions have not yet been met. Such restrictions include donor imposed restrictions that have specified the purpose for which the net assets are spent, or time restrictions imposed by donors or implied by the nature of the gift. The UUOCI has no temporarily restricted net assets at June 30, 2010 and 2009.

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the UUOCI. Generally, the donors of these assets permit the UUOCI to use all or part of the income earned on any related investments for general or specific purposes. The UUOCI does not have permanently restricted net assets as of June 30, 2010 and 2009.

Cash and Cash Equivalents

The UUOCI considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

Investments

The UUOCI invested its excess cash with the State of California-Local Agency Investment Fund (LAIF). The UUOCI reports its investment in LAIF at fair value.

Accounts Receivable

Accounts receivable is composed of uncollected revenue generated from intramural sporting events for the WELL, room reservations, leased space, and special events in the University Union Building. The UUOCI reviews accounts receivable on a monthly basis to determine if any receivables are potentially uncollectible. As of June 30, 2010 and 2009, the UUOCI has not recorded any allowance for doubtful accounts as all amounts were considered to be collectible.

Student Fee Receivable

Student fee receivable consists of student activity fees for the fall 2010 semester collected by Sacramento State during the student registration. These fees will be remitted to the UUOCI during the fiscal year ending June 30, 2011.

Prepaid Expenses

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

Due from Related Parties

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

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets are stated at cost. It is the policy of the UUOCI to capitalize all expenditures for property and equipment costing \$1,000 or more. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets, typically between 3 to 20 years.

Due to Related Parties

Due to related parties represents outstanding billings for administrative, accounting, and catering services provided to the UUOCI from Sacramento State, UEI, and ASI.

Unearned Revenue

Unearned revenues represent the amount the UUOCI programs have received in advance of providing the related services. Revenue is recognized on the date of the service. Unearned revenue also consists of student activity fees collected by Sacramento State from students during student registration for the fall 2010 semester.

Student Activity Fee

Student activity fees are remitted directly to the Chancellor's Office of California State University to cover principal and interest payments on its debt obligations, fire insurance on the University Union and WELL Buildings, legislative costs, Chancellor's office overhead, and to provide a reserve for building improvements and replacement. Subject to certain limitations, student activity fees in excess of such requirements, or surplus revenue, are used to fund the UUOCI operations. For the fiscal year ended June 30, 2010, student activity fees increased from the prior year as a result of the additional fee revenue in support of the WELL operations. Additionally, student activity fee revenue increased as a result of the UUOCI's assumption of the responsibility to administer the Recreational Sports program from ASI. Recreational Sports student activity fees are collected by Sacramento State and remitted to the UUOCI.

Contract and Lease Payments

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

Tax Status

The UUOCI qualifies for exemption from income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code, and similar provisions of state income tax regulations. Accordingly, there is no provision for income taxes in the financial statements. The UUOCI has implemented ASC topic 740-10-25 (Financial Accounting Standards Board (FASB) Interpretation No 48 *Accounting for Uncertainty in Income Taxes*), and has determined there is no material impact on the financial statements.

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Functional Allocation of Expenses

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

Reclassification

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. Such reclassification did not affect the prior year net assets.

NOTE 3 – CASH AND CASH EQUIVALENTS

As of June 30, 2010 and 2009 the carrying amount of cash and cash equivalents was \$267,812 and \$188,079, respectively, and the bank balance was \$257,045 and \$306,892, respectively, which are entirely insured by the Federal Deposit Insurance Corporation.

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENT

The UUOCI reports its investments at fair value as described in ASC Topic 958 Subtopics 205, 210, 225 and 320 (Formerly SFAS No.157, Fair Value Measurements). SFAS No.157 established a single authoritative definition of fair value, sets out a framework of measuring fair value, and requires additional disclosure about fair value measurement of assets such as investments.

This standard establishes a framework for measuring fair value for the investments held by the UUOCI. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under this standard are described below:

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

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

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.

The investments in LAIF are carried at fair value. The assets are valued at quoted prices for similar assets or liabilities in active markets. This method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the UUOCI 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.

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.

The following table sets forth by level, within the fair value hierarchy, the UUOCI's assets at fair value as of June 30, 2010 and 2009.

Investments at Fair Value as of June 30, 2010				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
LAIF	\$ -	\$ 6,942,559	\$ -	\$ 6,942,559

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

Investments at Fair Value as of June 30, 2009				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
LAIF	\$ -	\$ 4,503,367	\$ -	\$ 4,503,367

There have been no changes in the methodologies used at June 30, 2010. The provisions of this statement were applied prospectively as of the beginning of the fiscal year ended June 30, 2009, in which this statement was initially applied.

NOTE 5 – CAPITAL ASSETS

Capital assets consist of the following at June 30:

	2010	2009
Furniture and fixtures	\$ 2,458,458	\$ 2,419,927
Leasehold improvements	2,736,562	2,681,581
Computers	697,177	575,253
Art work	22,910	21,710
Total	5,915,107	5,698,471
Less: Accumulated Depreciation	(4,035,749)	(3,697,279)
Capital – net	\$ 1,879,358	\$ 2,001,192

Depreciation expense for the fiscal years ended June 30, 2010 and 2009 was \$358,280 and \$362,944 respectively.

NOTE 6 – LEASE COMMITMENTS

The UUOCI has the following lease commitments for two copiers under non-cancelable leases. Total lease payments were \$7,854 and \$6,915 for the fiscal years ended June 30, 2010 and 2009, respectively. The future minimum payments for the operating leases are as follows:

Year ending June 30,	Amount
2011	\$ 19,844
2012	19,844
2013	19,368
2014	16,986
2015	12,333
Total	\$ 88,375

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

NOTE 7 – FUNCTIONAL EXPENSES

The following is a summary of functional expenses for the year ended June 30, 2010:

	<u>Building operations</u>	<u>Programs and services</u>	<u>Administration</u>	<u>Total</u>
Advertising	\$ -	\$ -	\$ 9,726	\$ 9,726
Conferences	-	2,345	3,819	6,164
Depreciation	358,280	-	-	358,280
Dues and subscriptions	7,871	25,021	46,428	79,320
Insurance	-	800	35,113	35,913
Office expense	-	1,201	1,385	2,586
Outside services	824,818	1,472,839	1,534,427	3,832,084
Postage and delivery	-	354	560	914
Printing	18	10,645	9,944	20,607
Repairs and maintenance	257,815	19,315	-	277,130
Small equipment	7,163	-	-	7,163
Special events	-	146,027	-	146,027
Supplies	6,690	184,091	111,862	302,643
Telephone	2,905	26,012	10,042	38,959
Travel	213	22,328	12,137	34,678
Utilities	309,601	25,595	-	335,196
Total functional expenses	<u>1,775,374</u>	<u>1,936,573</u>	<u>1,775,443</u>	<u>5,487,390</u>
Loss on disposal of capital assets	607	-	-	607
Total expenses	<u>\$ 1,775,981</u>	<u>\$ 1,936,573</u>	<u>\$ 1,775,443</u>	<u>\$ 5,487,997</u>

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

NOTE 7 – FUNCTIONAL EXPENSES (CONTINUED)

The following is a summary of functional expenses for the year ended June 30, 2009:

	<u>Building operations</u>	<u>Programs and services</u>	<u>Administration</u>	<u>Total</u>
Advertising	\$ -	\$ 2,106	\$ 11,251	\$ 13,357
Conferences	-	7,257	2,576	9,833
Depreciation	362,944	-	-	362,944
Dues and subscriptions	15,722	634	20,229	36,585
Insurance	-	800	33,855	34,655
Office expense	-	862	5,521	6,383
Outside services	796,537	933,426	1,139,675	2,869,638
Postage and delivery	-	716	499	1,215
Printing	42	7,185	8,899	16,126
Repairs and maintenance	219,494	25,369	3,583	248,446
Small equipment	108,673	878	-	109,551
Special events	-	136,703	-	136,703
Supplies	7,651	63,822	107,224	178,697
Telephone	5,769	27,966	8,626	42,361
Travel	561	21,536	35,538	57,635
Utilities	287,995	20,983	-	308,978
Total functional expenses	<u>1,805,388</u>	<u>1,250,243</u>	<u>1,377,476</u>	<u>4,433,107</u>
Loss on disposal of capital assets	6,339	-	-	6,339
Total expenses	<u>\$ 1,811,727</u>	<u>\$ 1,250,243</u>	<u>\$ 1,377,476</u>	<u>\$ 4,439,446</u>

The UUOCI operates pursuant to a Memorandum of Understanding with UEI and Sacramento State which, among other provisions, compensates UEI and Sacramento State employees assigned to the UUOCI and provides for the UUOCI to furnish related benefits coverage for these individuals. Such amounts are reported as Outside Services in the preceding summary of functional expenses. Outside services for the fiscal years ended June 30, 2010 and 2009 consist of the following:

	<u>2010</u>	<u>2009</u>
Personnel services	\$ 2,473,335	\$ 1,774,685
Personnel benefits expenses	780,882	610,612
Payroll Services	299,822	217,223
Accounting Services	120,000	140,000
Other Outside services	158,045	127,118
Total	<u>\$ 3,832,084</u>	<u>\$ 2,869,638</u>

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

NOTE 8 –RELATED PARTY TRANSACTIONS

Space located within the University Union Building is used or operated by Sacramento State, ASI and UEI, component units of Sacramento State, under operating and sublease agreements that are renewed on an annual basis. For the fiscal years ended June 30, 2010 and 2009, the UUOCI received payments for leased office space to UEI totaling \$439,881 and \$429,964, respectively, and leased office space to ASI totaling \$139,229 and \$140,808, respectively. Other than those disclosed elsewhere in these financial statements, transactions between the UUOCI and related organizations included the payments by the UUOCI to Sacramento State of \$560,471 and \$531,975 for campus cost recovery services which include administration, telephone, postage, IT support, and utilities, and \$251,471 and \$357,966 for personnel cost during the fiscal years ended June 30, 2010 and 2009, respectively. Sacramento State made payments to the UUOCI totaling \$227,666 and \$277,092 for services, space and programs for the fiscal years ended June 30, 2010 and 2009, respectively.

The UUOCI incurred expenses primarily related to photo reproduction, catering services and advertising by UEI in the amount of \$15,084 and \$25,469 for the fiscal years ended June 30, 2010 and 2009, respectively.

For fiscal years ended June 30, 2010 and 2009, the UUOCI was charged \$120,000 and \$140,000, respectively, for accounting and financial services provided by ASI.

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

	<u>2010</u>	<u>2009</u>
Sacramento State	\$ 71,748	\$ 119,461
UEI	1,070	109,258
ASI	235	975
Total	<u>\$ 73,053</u>	<u>\$ 229,694</u>

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

	<u>2010</u>	<u>2009</u>
Sacramento State	\$ 137,360	\$ 166,140
UEI	545,053	437,537
ASI	10,100	8,726
Total	<u>\$ 692,513</u>	<u>\$ 612,403</u>

NOTE 9 – SUBSEQUENT EVENTS

In preparing these statements, the UUOCI has evaluated events and transactions for potential recognition through September 17, 2010, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

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

Schedule of Net Assets

June 30, 2010

(for inclusion in the California State University Financial Statements)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 267,812
Short-term investments	6,942,559
Accounts receivable, net	133,893
Leases receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	-
Prepaid expenses and other assets	114,454
Total current assets	<u>7,458,718</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	1,879,358
Other assets	-
Total noncurrent assets	<u>1,879,358</u>
Total assets	<u>9,338,076</u>
Liabilities:	
Current liabilities:	
Accounts payable	97,021
Accrued salaries and benefits payable	-
Accrued compensated absences— current portion	-
Deferred revenue	94,894
Capitalized lease obligations – current portion	-
Long-term debt obligations – current portion	-
Self-insurance claims liability - current portion	-
Depository accounts	-
Other liabilities	692,513
Total current liabilities	<u>884,428</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	-
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 postemployment benefits obligation	-
Other liabilities	-
Total noncurrent liabilities	<u>-</u>
Total liabilities	<u>884,428</u>
Net assets:	
Invested in capital assets, net of related debt	1,879,358
Restricted for:	
Nonexpendable – endowments	-
Expendable:	
Scholarships and fellowships	-
Research	-
Loans	-
Capital projects	-
Debt service	-
Other	-
Unrestricted	6,574,290
Total net assets	<u>\$ 8,453,648</u>

The accompanying notes are an integral part of these supplemental schedules.

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO**
Schedule of Revenues, Expenses, and Changes in Net Assets
Fiscal Year Ended June 30, 2010
(for inclusion in the California State University)

Revenues:	
Operating revenues:	
Student tuition and fees (net of scholarship allowances of \$_____)	\$ 6,434,536
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 \$_____)	522,649
Other operating revenues	701,023
Total operating revenues	<u>7,658,208</u>
Expenses:	
Operating expenses:	
Instruction	-
Research	-
Public service	-
Academic support	-
Student services	-
Institutional support	111,117
Operation and maintenance of plant	-
Student grants and scholarships	-
Auxiliary enterprise expenses	5,017,993
Depreciation and amortization	358,280
Total operating expenses	<u>5,487,390</u>
Operating income (loss)	<u>2,170,818</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	-
Investment income (loss), net	56,342
Endowment income (loss), net	-
Interest Expenses	-
Other nonoperating revenues (expenses)	1,555
Net nonoperating revenues (expenses)	<u>57,897</u>
Income (loss) before other additions	2,228,715
State appropriations, capital	-
Grants and gifts, capital	-
Additions (reductions) to permanent endowments	-
Increase (decrease) in net assets	<u>2,228,715</u>
Net assets:	
Net assets at beginning of year, as previously reported	6,224,933
Restatements	-
Net assets at beginning of year, as restated	<u>6,224,933</u>
Net assets at end of year	<u>\$ 8,453,648</u>

The accompanying notes are an integral part of these supplemental schedules.

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

Other Information

June 30, 2010

(for inclusion in the California State University Financial Statements)

1	Restricted cash and cash equivalents at June 30, 2010:							
	Portion of restricted cash and cash equivalents related to endowments	\$	-	-	-	-	-	
	All other restricted cash and cash equivalents	\$	-	-	-	-	-	
	Total restricted cash and cash equivalents	\$	-	-	-	-	-	
2.1	Composition of investments at June 30, 2010:	Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
	State of California Surplus Money Investment Fund (SMIF)	\$	-	-	-	-	-	-
	State of California Local Agency Investment Fund (LAIIF)	6,942,559	-	6,942,559	-	-	-	6,942,559
	Wachovia Short Term Fund	-	-	-	-	-	-	-
	Wachovia Medium Term Fund	-	-	-	-	-	-	-
	Wachovia Equity Fund	-	-	-	-	-	-	-
	US Bank SWIFT pool	-	-	-	-	-	-	-
	Common Fund - Short Term Fund	-	-	-	-	-	-	-
	Common Fund - Others	-	-	-	-	-	-	-
	Debt securities	-	-	-	-	-	-	-
	Equity securities	-	-	-	-	-	-	-
	Fixed income securities (Treasury notes, GNMA's)	-	-	-	-	-	-	-
	Land and other real estate	-	-	-	-	-	-	-
	Certificates of deposit	-	-	-	-	-	-	-
	Notes receivable	-	-	-	-	-	-	-
	Mutual funds	-	-	-	-	-	-	-
	Money Market funds	-	-	-	-	-	-	-
	Collateralized mortgage obligations:	-	-	-	-	-	-	-
	Inverse floaters	-	-	-	-	-	-	-
	Interest-only strips	-	-	-	-	-	-	-
	Agency pass-through	-	-	-	-	-	-	-
	Private pass-through	-	-	-	-	-	-	-
	Other major investments:	-	-	-	-	-	-	-
	Add description	-	-	-	-	-	-	-
	Add description	-	-	-	-	-	-	-
	Add description	-	-	-	-	-	-	-
	Add description	-	-	-	-	-	-	-
	Add description	-	-	-	-	-	-	-
	Add description	-	-	-	-	-	-	-
	Total investments	6,942,559	-	6,942,559	-	-	-	6,942,559
	Less endowment investments (enter as negative number)	-	-	-	-	-	-	-
	Total investments	\$ 6,942,559	\$ -	\$ 6,942,559	\$ -	\$ -	\$ -	\$ 6,942,559

The accompanying notes are an integral part of these supplemental schedules.

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO**
Other Information (Continued)

June 30, 2010

(for inclusion in the California State University Financial Statements)

2.2 Investments held by the University under contractual agreements at June 30, 2010:

	Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2010 :	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

2.3 Restricted current investments at June 30, 2010 related to:

Add description	\$ -
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Total restricted current investments at June 30, 2010	\$ -

2.4 Restricted noncurrent investments at June 30, 2010 related to:

Employment investment	\$ -
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Total restricted noncurrent investments at June 30, 2010	\$ -

The accompanying notes are an integral part of these supplemental schedules.

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

Other Information (Continued)
(for inclusion in the California State University Financial Statements)

3.1 Composition of capital assets at June 30, 2010:

	Balance June 30, 2009	Prior period Adjustments	Reclassifications	Balance June 30, 2009 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2010
Nondepreciable capital assets:								
Land and land improvements	21,710	-	-	21,710	1,200	-	-	22,910
Works of art and historical treasures	-	-	-	-	-	-	-	-
Construction work in progress (CWIP)	-	-	-	-	-	-	-	-
Intangible assets	21,710	-	-	21,710	1,200	-	-	22,910
Total nondepreciable capital assets	43,420	-	-	43,420	2,400	-	-	45,820
Depreciable capital assets:								
Buildings and building improvements	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	2,681,581	-	-	2,681,581	54,981	-	-	2,736,562
Leasehold improvements	2,995,180	-	-	2,995,180	180,872	(20,417)	-	3,155,635
Personal property:								
Equipment	-	-	-	-	-	-	-	-
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets	5,676,761	-	-	5,676,761	235,853	(20,417)	-	5,892,197
Total depreciable capital assets	5,698,471	-	-	5,698,471	237,053	(20,417)	-	5,915,107
Total capital asset	49,118,891	-	-	49,118,891	4,637,453	(40,834)	-	53,715,510
Less accumulated depreciation:								
Buildings and building improvements	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	(1,657,901)	-	-	(1,657,901)	(84,350)	-	-	(1,742,251)
Leasehold improvements	(2,039,378)	-	-	(2,039,378)	(273,930)	19,810	-	(2,293,498)
Personal property:								
Equipment	-	-	-	-	-	-	-	-
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets	(3,697,279)	-	-	(3,697,279)	(358,280)	19,810	-	(4,035,749)
Total accumulated depreciation	(2,001,192)	-	-	(2,001,192)	(626,560)	(607)	-	(2,628,359)
Total capital assets, net	47,117,699	-	-	47,117,699	4,010,893	(40,834)	-	51,087,758

3.2 Detail of depreciation and amortization expense for the year ended June 30, 2010:

Depreciation and amortization expense related to capital assets	\$ 358,280
Amortization expense related to other assets	-
Total depreciation and amortization	\$ 358,280

3.3 Detail of intangible assets as of June 30, 2010:

	Nonamortizable	Amortizable	Accumulated Amortization
Easements	\$ -	\$ -	\$ -
Rights	-	-	-
Websites	-	-	-
Computer software	-	-	-
Licenses and permits	-	-	-
Patents	-	-	-
Copyrights	-	-	-
Trademarks	-	-	-
Others (please list):	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Add description	-	-	-
Total Intangible Assets	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these supplemental schedules.

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

Other Information (Continued)

June 30, 2010

(for inclusion in the California State University Financial Statements)

4 Long-term liabilities activity schedule:	Balance June 30, 2009 \$	Prior period adjustments \$	Reclassifications \$	Balance June 30, 2009 (restated) \$	Additions \$	Reductions \$	Balance June 30, 2010 \$	Current portion \$	Long-term portion \$
Accrued compensated absences	-	-	-	-	-	-	-	-	-
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:									
Add description	-	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-	-
Total long-term debt obligations	-	-	-	-	-	-	-	-	-
Unamortized bond premium / (discount)	-	-	-	-	-	-	-	-	-
Unamortized loss on refunding	-	-	-	-	-	-	-	-	-
Total long-term debt obligations, net	-	-	-	-	-	-	-	-	-
Total long-term liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5 Future minimum lease payments - capital lease obligations:									
Year ending June 30:									
2011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2012	-	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-	-
2016 - 2020	-	-	-	-	-	-	-	-	-
2021 - 2025	-	-	-	-	-	-	-	-	-
2026 - 2030	-	-	-	-	-	-	-	-	-
2031 - 2035	-	-	-	-	-	-	-	-	-
2036 - 2040	-	-	-	-	-	-	-	-	-
2041 - 2045	-	-	-	-	-	-	-	-	-
2046 - 2050	-	-	-	-	-	-	-	-	-
2051 - 2055	-	-	-	-	-	-	-	-	-
2056 - 2060	-	-	-	-	-	-	-	-	-
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these supplemental schedules.

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO**
Other Information (Continued)

June 30, 2010

(for inclusion in the California State University Financial Statements)

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
2011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016 - 2020	-	-	-	-	-	-
2021 - 2025	-	-	-	-	-	-
2026 - 2030	-	-	-	-	-	-
2031 - 2035	-	-	-	-	-	-
2036 - 2040	-	-	-	-	-	-
2041 - 2045	-	-	-	-	-	-
2046 - 2050	-	-	-	-	-	-
2051 - 2055	-	-	-	-	-	-
2056 - 2060	-	-	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

7 Calculation of net assets

	Auxiliary Organizations		Total	
	GASB	FASB	GASB	Auxiliaries
7.1 Calculation of net assets - Invested in capital assets, net of related debt				
Capital assets, net of accumulated depreciation	\$ -	\$ 1,879,358	\$ 1,879,358	\$ -
Capitalized lease obligations - current portion	-	-	-	-
Capitalized lease obligations, net of current portion	-	-	-	-
Long-term debt obligations - current portion	-	-	-	-
Long-term debt obligations, net of current portion	-	-	-	-
Portion of outstanding debt that is unspent at year-end	-	-	-	-
Other adjustments: (please list)	-	-	-	-
Add description	-	-	-	-
Add description	-	-	-	-
Net assets - invested in capital assets, net of related debt	\$ -	\$ 1,879,358	\$ 1,879,358	\$ -
7.2 Calculation of net assets - Restricted for nonexpendable - endowments				
Portion of restricted cash and cash equivalents related to endowments	\$ -	\$ -	\$ -	\$ -
Endowment investments	-	-	-	-
Other adjustments: (please list)	-	-	-	-
Add description	-	-	-	-
Add description	-	-	-	-
Add description	-	-	-	-
Net assets - Restricted for nonexpendable - endowments per SNA	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these supplemental schedules.

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

Other Information (Continued)

June 30, 2010

(for inclusion in the California State University Financial Statements)

8	Transactions with Related Entities		Amount
	Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$	251,471
	Payments to University for other than salaries of University personnel		560,471
	Payments received from University for services, space, and programs		227,666
	Gifts-in-kind to the University from Auxiliary Organizations		-
	Gifts (cash or assets) to the University from recognized Auxiliary Organizations		-
	Accounts (payable to) University (enter as negative number)		(137,359)
	Other amounts (payable to) University (enter as negative number)		-
	Accounts receivable from University		71,748
	Other amounts receivable from University		95,068
9	Other Postemployment Benefits Obligation (OPEB)		
	Annual required contribution (ARC)	\$	-
	Contributions during the year	-	-
	Increase (decrease) in net OPEB obligation (NOO)	-	-
	NOO - beginning of year	-	-
	NOO - end of year	\$	-
10	Pollution remediation liabilities under GASB Statement No. 49:		
	Description	Amount	
	Add description	\$	-
	Add description	-	-
	Add description	-	-
	Add description	-	-
	Add description	-	-
	Add description	-	-
	Add description	-	-
	Add description	-	-
	Add description	-	-
	Add description	-	-
	Total pollution remediation liabilities	\$	-
	Less: current portion	-	-
	Pollution remediation liabilities, net of current portion	\$	-
11	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, 2009, as previously reported		6,224,933
	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, 2009, as restated		<u>6,224,933</u>

The accompanying notes are an integral part of these supplemental schedules.

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

Other Information (Continued)

June 30, 2010

(for inclusion in the California State University Financial Statements)

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)	-	-

The accompanying notes are an integral part of these supplemental schedules.

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
SCHEDULE OF DESIGNATED NET ASSETS
JUNE 30, 2010**

	UNRESTRICTED NET ASSETS				
	Undesignated	Designated			Total
	Operations	Property and Equipment	Repairs and Replacement	Art Acquisition	
UNRESTRICTED REVENUE FROM PROGRAM ACTIVITIES:					
Student activity fee	\$ 6,434,536	\$ -	\$ -	\$ -	\$ 6,434,536
Revenue from operations	1,223,672	-	-	-	1,223,672
Total program activities revenue	7,658,208	-	-	-	7,658,208
UNRESTRICTED EXPENSES:					
Advertising	9,726	-	-	-	9,726
Conferences	6,164	-	-	-	6,164
Depreciation	-	358,280	-	-	358,280
Dues and subscriptions	79,320	-	-	-	79,320
Insurance	35,913	-	-	-	35,913
Office expenses	2,586	-	-	-	2,586
Outside services	3,832,084	-	-	-	3,832,084
Postage and delivery	914	-	-	-	914
Printing	20,607	-	-	-	20,607
Repairs and maintenance	277,130	-	-	-	277,130
Small equipment	7,163	-	-	-	7,163
Special events expenses	146,027	-	-	-	146,027
Supplies	302,643	-	-	-	302,643
Telephone	38,959	-	-	-	38,959
Travel	34,679	-	-	-	34,679
Utilities	335,195	-	-	-	335,195
Total unrestricted expenses	5,129,110	358,280	-	-	5,487,390
EXCESS (DEFICIENCY) OF UNRESTRICTED REVENUE FROM PROGRAM ACTIVITIES OVER UNRESTRICTED EXPENSES	2,529,098	(358,280)	-	-	2,170,818
Interest and investment income	47,847	-	8,495	-	56,342
Warranty replacement	-	2,162	-	-	2,162
Loss on disposal of capital assets	-	(607)	-	-	(607)
EXCESS (DEFICIENCY) OF UNRESTRICTED REVENUE OVER UNRESTRICTED EXPENSES	2,576,945	(356,725)	8,495	-	2,228,715
INTERFUND TRANSFERS:					
Transfer of board designated funds	(503,372)	-	498,372	5,000	-
Fixed asset acquisitions	3,363	234,890	(237,053)	(1,200)	-
CHANGE IN UNRESTRICTED NET ASSETS	2,076,936	(121,835)	269,814	3,800	2,228,715
NET ASSETS - beginning of year	2,740,744	2,001,192	1,451,302	31,695	6,224,933
NET ASSETS - end of year	\$ 4,817,680	\$ 1,879,357	\$ 1,721,116	\$ 35,495	\$ 8,453,648

The accompanying notes are an integral part of these supplemental schedules.

**UNIVERSITY UNION OPERATION OF
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
NOTES TO SUPPLEMENTAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – DESIGNATED NET ASSETS

Repairs and Replacement

The UUOCI 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 \$4,967,437 at June 30, 2010. 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 was \$1,721,116 as of June 30, 2010.

Art Acquisition

The UUOCI annually designates net assets of \$5,000 for art acquisition less actual purchases. As of June 30, 2010 the designation totaled \$35,496.

Property and Equipment

The UUOCI designates net assets based on the net book value of its property and equipment. At June 30, 2010, the designation totaled \$1,879,357.