

SONOMA STUDENT UNION CORPORATION
ROHNERT PARK, CALIFORNIA

FINANCIAL STATEMENTS

JUNE 30, 2005

TABLE OF CONTENTS

	<u>PAGE</u>
Financial Section	
Financial Statements:	
Independent Auditor's Report	1
Management's Discussion and Analysis	2-5
Statement of Net Assets	6
Statement of Revenues, Expenses and Changes in Net Assets	<u>Exhibit A</u> 7
Statement of Revenues and Expenses - Budget and Actual	<u>Exhibit B</u> 8
Statement of Cash Flows	<u>Exhibit C</u> 9
Notes to Basic Financial Statements	10-20

R. J. RICCIARDI, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

1000 FOURTH STREET • SUITE 400 • SAN RAFAEL, CA 94901 • TEL (415) 457-1215 • FAX (415) 457-6735 • www.rjrpa.com

INDEPENDENT AUDITOR'S REPORT

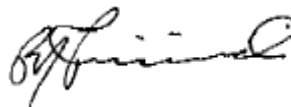
To the Board of Directors
Sonoma Student Union Corporation
Rohnert Park, California

We have audited the accompanying basic financial statements of the business type activities of Sonoma Student Union Corporation as of June 30, 2005 and for the fiscal year then ended, as listed in the table of contents. These basic financial statements are the responsibility of Sonoma Student Union Corporation's management. Our responsibility is to express an opinion on these basic financial statements based upon our audit. The prior year summarized comparative information has been derived from Sonoma Student Union Corporation's 2004 financial statements and, in our report dated August 3, 2004, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business type activities of Sonoma Student Union Corporation as of June 30, 2005, and the respective changes in financial position and cash flow and the respective budgetary comparison listed as part of the basic financial statements for the fiscal year ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is supplementary information required by the Government Accounting Standards Board, but is not part of the basic financial statements. We have applied certain limited procedures to this information, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplementary information, but we did not audit this information and express no opinion on it.



R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
July 27, 2005

Sonoma Student Union Corporation
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Sonoma Student Union Corporation's (the Organization's) annual financial report presents management's overview and analysis of the financial activities of the organization for the fiscal year ended June 30, 2005. We encourage the reader to consider the information presented here in conjunction with the financial statements as a whole.

Introduction to the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Organization's audited financial statements, which are comprised of the basic financial statements (pages 6-9), and the footnotes (pages 10-20). This annual report is prepared in accordance with the Governmental Accounting Standards Board Statement 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. The Business-Type Activity (BTA) reporting model is used which best represents the activities of Sonoma State University (the University) and its auxiliaries. The Organization is one of four non-profit auxiliaries on the University campus.

The required financial statements include the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. Notes to the financial statements, supplementary detail and/or statistical information, and this summary support these statements. All sections must be considered together to obtain a complete understanding of the financial picture of the Organization.

Statement of Net Assets: This statement includes all assets and liabilities using the accrual basis of accounting as of the statement date. The difference between the two classifications is represented as "Net Assets"; this section of the statement identifies major categories of restrictions on these assets and reflects the overall financial position of the Organization as a whole.

Statement of Revenues, Expenses and Changes in Net Assets: This statement presents the revenues earned and the expenses incurred during the year using the accrual basis of accounting. Under accrual basis, all increases or decreases in net assets are reported as soon as the underlying event occurs, regardless of the timing of the cash flow. Consequently revenues and/or expenditures reported during this fiscal year may result in changes to cash flow in a future period.

Statement of Revenues and Expenditures – Budget and Actual (optional): This is supplementary information as provided in previous audit reports for analysis purposes only.

Statement of Cash Flows: This statement reflects inflows and outflows of cash, summarized by operating, capital, financing and investing activities. The direct method was used to prepare this information, which means that gross rather than net amounts were presented for the year's activities.

Notes to the Financial Statements: This additional information is essential to a full understanding of the data reported in the basic financial statements.

Supplemental Information: This is offered to support the required financial statements and to assist the reader in a clearer understanding of the operating units within the Organization.

Reporting Entity

The financial statements of the University will be separated between the University and its component units. The latter are separate I.R.C. 501(c)(3) non-profit auxiliary organizations whose financial information will be presented in a discrete column and in the footnotes of the University's financial statements. Consequently, these auxiliaries must comply with the same governmental rulings and must present their individual separate audited financial statements in the same format.

Sonoma Student Union Corporation
MANAGEMENT'S DISCUSSION AND ANALYSIS

Analytical Overview

Governmental Activities

Table 1
Governmental Net Assets at June 30, 2005

	2005	2004
Current assets		
Cash and cash equivalents	\$ 495,078	\$ 574,282
Accounts Receivable, net	400,719	503
Prepaid expenses and other assets	6,833	16,817
Total current assets	902,630	591,602
Noncurrent assets		
Capital assets, net	374,412	403,391
Total noncurrent assets	374,412	403,391
Total Assets	1,277,042	994,993
Current liabilities		
Accrued payable	13,684	14,224
Accrued salaries and benefits payable	10,251	11,483
Accrued compensated absences	24,378	27,810
Deferred revenue	36,306	60,793
Other liabilities	4,924	2,102
Total current liabilities	89,543	116,412
Noncurrent liabilities		
Accrued compensated absences, net of current portion	8,400	10,754
Total noncurrent liabilities	8,400	10,754
Total liabilities	97,943	127,166
Net assets		
Invested in capital assets, net of related debt	374,412	403,391
Unrestricted	804,687	464,436
Total net assets	\$ 1,179,099	\$ 867,827

Summary

Total assets of the Organization have increased this year by \$282,049. This classification is comprised of Current Assets (Cash, Accounts Receivable, and Prepaid Expenses), which increased overall by \$311,028 and Capital Assets, which decreased by \$28,979. The latter category is presented net of accumulated depreciation, and the decrease is due primarily to writing off assets valued at less than \$1,000 and surveying missing or broken equipment.

Liabilities have decreased this year, in this case by \$29,223, as a result of less deferred revenue for Summer Camps and less vacation accruals because of attrition.

Sonoma Student Union Corporation
MANAGEMENT'S DISCUSSION AND ANALYSIS

Unrestricted Net Assets have increased \$340,251; while Net Assets invested in Capital Assets, net of related debt, have decreased \$28,979. The overall change to Net Assets is an increase of \$311,272 (a 35.87% increase from the prior year), resulting in a 6/30/05 balance of \$1,179,099.

Comparative Analysis of Current and Prior Year Activities and Balances

	<u>6/30/2005</u>	<u>6/30/2004</u>	Increase (Decrease)	
Operating Revenues	\$ 2,450,894	\$ 1,835,298	\$ 615,596	
Operating Expenses	<u>2,148,486</u>	<u>1,493,434</u>	<u>655,052</u>	
Net Operating Income	<u>\$ 302,408</u>	<u>\$ 341,864</u>	<u>\$ (39,456)</u>	
Gifts Non-capital	\$ 300	\$ 25	\$ 275	
Investment Income, Net	8,564	7,539	1,025	
Other Expenses	<u>-</u>	<u>7,013</u>	<u>(7,013)</u>	Note #4
Non-Operating Net Income	<u>\$ 8,864</u>	<u>\$ 551</u>	<u>\$ 8,313</u>	

Operating revenues - The Student Tuition and Fees category was the main contributor, increasing by \$592,332 due to an increase in the return of fee revenue as determined by the University. Operating revenues increased by \$615,596 due to the new Recreation Center which opened in September-04 and its new programs.

Operating expenses – Overall, operating expenses increased by 43.86%. This is mostly due to the increase in student payroll, related benefits, utilities, rental equipment and supplies, all related to the new Recreation Center.

Investment income, net - An increase in investment income reflects new practices regarding cash for operations during the fiscal year.

Note #4 – A loan for the Kinesiology/Intercollegiate Athletics Department gymnasium floor was completely paid off by June 30, 2004. There were no loans in fiscal year 2004-2005.

Restricted Resources

The Organization's funds have no legal restrictions placed on their use. Therefore, net assets are either unrestricted or invested in capital assets, net of related debt.

Budgetary Highlights

Actual operating revenue was \$154,162 less than budget. Operating Expenses were \$342,553 less than forecasted. The result was operating income of \$302,408, a decrease of \$39,456 over the prior year. This was largely due to an increase in operating expenses.

In the non-operating category, Investment Income was \$1,564 more than expected.

The budgeted net increase of \$121,223 became an actual net increase of \$311,272.

Sonoma Student Union Corporation
MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets

Detail on capital assets can be found in Note 6.

Debt Administration

The Organization does not utilize long-term debt to fund operations or growth.

Factors Impacting Future Periods

Recreation Center: The programs, services, and staffing of the Recreation Center will expand in its second year of operation, increasing both expenses as well as revenues. The Student Union Fee will be annually adjusted based on the Bay Area Cost of Living Index.

Contacting the Student Union's Financial Management

These basic Financial Statements are intended to provide students, taxpayers, investors, and creditors with a general overview of the Organization's finances. Questions about this Report should be directed to the Sonoma State Student Union at 1801 East Cotati Avenue, Rohnert Park, California 94928.

Peter Neville, Executive Director

Sonoma Student Union Corporation
STATEMENT OF NET ASSETS
 June 30, 2005
 (With Comparative Totals for June 30, 2004)

	June 30, 2005	June 30, 2004
Assets:		
Current assets		
Cash and cash equivalents	\$ 495,078	\$ 574,282
Accounts receivable, net	400,719	503
Prepaid expenses and other assets	6,833	16,817
Total current assets	902,630	591,602
Noncurrent assets		
Capital assets, net	374,412	403,391
Total noncurrent assets	374,412	403,391
Total assets	1,277,042	994,993
Liabilities:		
Current liabilities		
Accounts payable	13,684	14,224
Accrued salaries and benefits payable	10,251	11,483
Accrued compensated absences	24,378	27,810
Deferred revenue	36,306	60,793
Other liabilities	4,924	2,102
Total current liabilities	89,543	116,412
Noncurrent liabilities		
Accrued compensated absences, net of current portion	8,400	10,754
Total noncurrent liabilities	8,400	10,754
Total liabilities	97,943	127,166
Net Assets:		
Invested in capital assets, net of related debt	374,412	403,391
Unrestricted	804,687	464,436
Total net assets	\$ 1,179,099	\$ 867,827

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

Sonoma Student Union Corporation
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 For the Year Ended June 30, 2005
 (With Comparative Totals for June 30, 2004)

Exhibit A

	<u>2005</u>	<u>2004</u>
Revenues:		
Operating revenues:		
Student tuition and fees	\$ 2,008,423	\$ 1,416,091
Sales and services of auxiliary enterprises	431,320	355,304
Other operating revenues	<u>11,151</u>	<u>63,903</u>
Total operating revenues	<u>2,450,894</u>	<u>1,835,298</u>
Expenses:		
Operating expenses:		
Student services	2,115,711	1,456,728
Student grants and scholarships	4,500	4,875
Depreciation	<u>28,275</u>	<u>31,831</u>
Total operating expenses	<u>2,148,486</u>	<u>1,493,434</u>
Operating income (loss)	<u>302,408</u>	<u>341,864</u>
Nonoperating revenues (expenses):		
Gifts, noncapital	300	25
Investment income, net	8,564	7,539
Interest on capital-related debt	<u>-</u>	<u>(7,013)</u>
Net nonoperating revenues (expenses)	<u>8,864</u>	<u>551</u>
Change in net assets	<u>311,272</u>	<u>342,415</u>
Net Assets:		
Net assets at beginning of period	<u>867,827</u>	<u>525,412</u>
Net assets at end of period	<u>\$ 1,179,099</u>	<u>\$ 867,827</u>

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

Sonoma Student Union Corporation
STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
 Year Ended June 30, 2005

Exhibit B

	Original and Final Budget	Actual	Variance Over (Under)
Revenues:			
Operating revenues:			
Student tuition and fees	\$ 2,100,742	\$ 2,008,423	\$ (92,319)
Sales and services of auxiliary enterprises	493,664	431,320	(62,344)
Other operating revenues	10,650	11,151	501
Total operating revenues	2,605,056	2,450,894	(154,162)
Expenses:			
Operating expenses:			
Student services	2,436,539	2,115,711	320,828
Student grants and scholarships	4,500	4,500	-
Depreciation	50,000	28,275	21,725
Total operating expenses	2,491,039	2,148,486	342,553
Operating income (loss)	114,017	302,408	188,391
Nonoperating revenues (expenses):			
Gifts, noncapital	206	300	94
Investment income, net	7,000	8,564	1,564
Net nonoperating revenues (expenses)	7,206	8,864	1,658
Increase (decrease) in net assets	\$ 121,223	\$ 311,272	\$ 190,049

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

Sonoma Student Union Corporation
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2005
(With Comparative Totals for the Year Ended June 30, 2004)

	2005	2004
Cash flows from operating activities:		
Student tuition and fees	\$ 2,008,423	\$ 1,416,091
Grants non-governmental	300	25
Payments to suppliers	(1,135,685)	(770,339)
Payments to employees	(973,580)	(701,260)
Payments to students	(4,500)	(4,875)
Sales and services of auxiliary enterprises	406,833	366,269
Other receipts (payments)	(386,245)	77,928
Net cash provided (used) by operating activities	(84,454)	383,839
Cash flows from capital and related financing activities:		
Acquisition of property, plant and equipment	706	(59,646)
Disposition of property, plant and equipment	(4,020)	544
Principal paid on capital debt and lease	-	(110,000)
Interest paid on capital debt and lease	-	(13,888)
Net cash provided (used) by capital and related financing activities	(3,314)	(182,990)
Cash flows from investing activities:		
Investment income (loss)	8,564	7,539
Net cash provided (used) by investing activities	8,564	7,539
Net increase (decrease) in cash	(79,204)	208,388
Cash - beginning of period	574,282	365,894
Cash - end of period	\$ 495,078	\$ 574,282
Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 302,408	\$ 341,345
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation	28,275	31,831
Loss on disposal of assets	4,020	-
Gifts, noncapital	300	-
Change in assets and liabilities:		
Accounts receivable, net	(400,216)	14,440
Prepaid expenses	9,984	(7,196)
Accounts payable	(539)	(11,756)
Accrued salaries and benefits payable	(1,232)	2,360
Accrued compensated absences	(5,787)	1,665
Deferred revenue	(24,487)	10,965
Other liabilities	2,820	185
Cash flows reported in other categories	(84,454)	383,839
Interest on noncapital related debt	-	-
Net cash provided (used) by operating activities	\$ (84,454)	\$ 383,839

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

Sonoma Student Union Corporation
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE 1 - ORGANIZATION

Sonoma Student Union Corporation was organized in 1975 to promote and furnish facilities for the educational development and academic services of Sonoma State University. Sonoma Student Union Corporation is a nonprofit, auxiliary corporation operating on the campus of Sonoma State University (the University). As such, Sonoma Student Union Corporation is a component unit of the University, which is part of the California State University System.

Sonoma Student Union Corporation's first and foremost role is to serve as a focal point for student life outside the classroom. Sonoma Student Union Corporation strives to enhance the student's university experience by offering programs that contribute to the student's emotional and physical well-being and to his/her intellectual, cultural, and social development outside the context of the formal instruction program. It includes expenditures for student activities, cultural events, intramural athletics, recreation and fitness programs, and student organizations.

To accomplish this mission, Sonoma Student Union Corporation has entered into an operating agreement with the California State University Trustees and is reported as a component unit on the Sonoma State University Financial Statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Financial Reporting Entity

The financial statements present only the Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows of Sonoma Student Union Corporation.

Sonoma Student Union Corporation is one of four recognized Sonoma State University auxiliary organizations. Auxiliary organizations are legally separate entities that provide services primarily to the University's students and faculty.

(b) Basis of Presentation

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The financial statements required by GASB Statements Nos. 34 and 35 include a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows.

Sonoma Student Union Corporation records revenue in part from fees and other charges for services to external users, and accordingly has chosen to present its financial statements using the reporting model for special-purpose governments engaged only in business-type activities.

This model allows all financial information for Sonoma Student Union Corporation to be reported in a single column in each of the financial statements. In accordance with the business-type activities reporting model, Sonoma Student Union Corporation prepares its statement of cash flows using the direct method.

Sonoma Student Union Corporation
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Election of Applicable FASB Statements

Sonoma Student Union Corporation uses all applicable GASB pronouncements and all Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. Sonoma Student Union Corporation has elected not to adopt the pronouncements issued by FASB after November 30, 1989.

(d) Classification of Current and Noncurrent Assets and Liabilities

Sonoma Student Union Corporation considers assets to be current that can reasonably be expected, as part of its normal business operations, to be converted to cash and be available for liquidation of current liabilities within 12 months of the statement of net assets date. Liabilities that reasonably can be expected, as part of normal business operations, to be liquidated within 12 months of the statement of net assets date are considered to be current. All other assets and liabilities are considered to be noncurrent.

(e) Cash Equivalents

Sonoma Student Union Corporation considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents.

(f) Investments

Investments are reflected at fair value using quoted market prices. Realized and unrealized gains and losses are included in the accompanying statement of revenues, expenses, and changes in net assets as investment income, net.

(g) Capital Assets

Capital assets are stated at cost or estimated historical cost if purchased, or if donated, at estimated fair value at date of donation. Capital assets, including infrastructure, with a value of \$1,000 or more and with a useful life of one year or more are capitalized. Capital assets are depreciated on a straight-line basis over their estimated useful lives, which range from five to forty years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

Depreciation expense is shown separately in the statement of revenues, expenses, and changes in net assets rather than being allocated among other categories of operating expenses. Depreciation expense for the year ended June 30, 2005 was \$28,275.

(h) Deferred Revenue

Deferred revenue consists primarily of fees collected in advance but not yet earned as of the year-end.

(i) Compensated Absences

Employees accrue annual leave at rates based on length of service and job classification. Employee vacation benefits earned, but not used, are recognized as liabilities of Sonoma Student Union Corporation. Sick leave benefits are earned and accumulated for each employee. However, accumulated sick leave benefits are not recognized as liabilities of Sonoma Student Union Corporation because the payment of such benefits is not probable or estimable.

Sonoma Student Union Corporation
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

(j) Net Assets

Sonoma Student Union Corporation's net assets are classified into the following net asset categories:

Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Unrestricted: All other categories of net assets. In addition, unrestricted net assets may be designated for use by management of Sonoma Student Union Corporation.

(k) Classification of Revenues and Expenses

Sonoma Student Union Corporation considers operating revenues and expenses in the statement of revenues, expenses, and changes in net assets to be those revenues and expenses that result from exchange transactions or from other activities that are connected directly to Sonoma Student Union Corporation's primary functions. Exchange transactions include charges for services rendered and the acquisition of goods and services. Certain other transactions are reported as nonoperating revenues and expenses or capital contributions in accordance with GASB Statement No. 35. These nonoperating activities include Sonoma Student Union Corporation's net investment income, gifts, and interest expense.

(l) Income Taxes

Sonoma Student Union Corporation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Sonoma Student Union Corporation is also exempt from California franchise taxes and, therefore, has made no provision for Federal or California income taxes. In addition, Sonoma Student Union Corporation has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code.

(m) 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 the reported amounts in the accompanying financial statements. Actual results could differ from those estimates.

(n) Comparative data/reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

(o) Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which Sonoma Student Union Corporation carries commercial insurance.

Sonoma Student Union Corporation
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2005

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

(a) Restricted Cash and Cash Equivalents

The Organization does not have restricted cash or cash equivalents.

(b) Composition of Investments

Sonoma Student Union Corporation does not have short-term or long-term investments. It does move "excess" cash to a money market account.

Composition of investments at June 30, 2005:

	Current		Noncurrent		Total
Money market funds	\$ 308,577		\$ -		\$ 308,577
Notes receivable	-		-		-
Total investments	\$ 308,577		\$ -		\$ 308,577

Composition of investments at June 30, 2004:

	Current		Noncurrent		Total
Money market funds	\$ 500,352		\$ -		\$ 500,352
Notes receivable	-		-		-
Total investments	\$ 500,352		\$ -		\$ 500,352

(c) Investments Held Under Contractual Agreements

Sonoma Student Union Corporation does not hold investments on behalf of others.

(d) Cash and Cash Equivalents

At June 30, 2005 and 2004 cash and cash equivalents were \$495,078 and \$574,282, respectively. The corresponding bank balance was \$529,552 for 2005 and \$731,858 in 2004. The differences between the cash and cash equivalents balance and the bank balance are related to deposits in transit and outstanding checks. The bank insures \$200,000 by federal depository insurance. The balance is uninsured and held by the financial institutions in Sonoma Student Union Corporation's name. It is the opinion of management that the uninsured portion is not of particular concern at this time due to the solvency of the financial institutions.

Sonoma Student Union Corporation
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2005

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (concluded)

Cash and cash equivalents at June 30, 2005:

Book balance at June 30, 2005	\$	495,078
Bank balances at June 30, 2005		529,553
Difference between Book Balance and Bank Balance	\$	(34,475)

Significant reconciling items consist of:

Deposits in Transit	\$	5,561
Outstanding Checks		(42,236)
Cash and change fund		2,200
	\$	(34,475)

Cash and cash equivalents at June 30, 2004:

Book balance at June 30, 2004	\$	574,282
Bank balances at June 30, 2004		731,858
Difference between Book Balance and Bank Balance	\$	(157,576)

Significant reconciling items consist of:

Deposits in Transit	\$	13,905
Outstanding Checks		(172,581)
Cash and change fund		1,100
	\$	(157,576)

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2005 consisted of the following:

	2005		
	Current	Noncurrent	Total
Due From Other Auxiliary organizations	\$ 517	\$ —	\$ 517
Due from University	400,150	—	400,150
Other accounts receivable	52	—	52
Total	\$ 400,719	\$ —	\$ 400,719

Accounts receivable at June 30, 2004 consisted of the following:

	2004		
	Current	Noncurrent	Total
Due From Other Auxiliary organizations	\$ 97	\$ —	\$ 97
Due from University	—	—	—
Other accounts receivable	406	—	406
Total	\$ 503	\$ —	\$ 503

Sonoma Student Union Corporation
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2005

NOTE 5 - PREPAID EXPENSES

Prepaid expense balances are calculated and adjusted at year-end to properly charge funds in the period benefited. Prepaid expenses as of June 30 are comprised of the following:

	2005	2004
Program - ICC tour	\$ —	\$ —
Program - Wilderness Welcome	2,079	2,125
Program - Summer Camp	—	—
Other	482	1,366
Workers' Compensation	2,893	2,501
Benefits	1,105	1,068
Leases	274	3,154
Liability Insurance	—	6,603
Total	\$ 6,833	\$ 16,817

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2005 consisted of the following:

	Balance June 30, 2004	Additions	Reductions	Transfers	Balance June 30, 2005
Depreciable capital assets:					
Leasehold improvements	\$ 557,666	\$ —	\$ —	\$ 42,844	\$ 600,510
Personal property:					
Equipment	331,125	3,315	(102,387)	(42,844)	189,209
Total depreciable capital assets	888,791	3,315	(102,387)	—	789,719
Less accumulated depreciation:					
Leasehold Improvements	(216,645)	(21,200)	—	(6,989)	(244,834)
Personal property:					
Equipment	(268,755)	(7,075)	98,368	6,989	(170,473)
Total accumulated depreciation	(485,400)	(28,275)	98,368	—	(415,307)
Net capital assets	\$ 403,391	\$ (24,960)	\$ (4,019)	\$ —	\$ 374,412

Sonoma Student Union Corporation
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2005

NOTE 6 – CAPITAL ASSETS (concluded)

Capital assets activity for the year ended June 30, 2004 consisted of the following:

	Balance June 30, 2003	Additions	Reductions	Transfers	Balance June 30, 2004
Depreciable capital assets:					
Leasehold improvements	\$ 541,819	\$ 47,759	\$ (31,912)	\$ —	\$ 557,666
Personal property:					
Equipment	319,180	14,003	(2,058)	—	331,125
Total depreciable capital assets	860,999	61,762	(33,970)	—	888,791
Less accumulated depreciation:					
Leasehold Improvements	(197,075)	(19,570)	—	—	(216,645)
Personal property:					
Equipment	(288,347)	(12,261)	31,853	—	(268,755)
Total accumulated depreciation	(485,422)	(31,831)	31,853	—	(485,400)
Net capital assets	\$ 375,577	\$ 29,931	\$ (2,117)	\$ —	\$ 403,391

NOTE 7 – ACCRUED COMPENSATED ABSENCES

Employee vacation benefits earned, but not used, are recognized as liabilities of Sonoma Student Union Corporation. Total accrued vacation benefits payable was \$32,778 and \$38,564 as of June 30, 2005 and 2004, respectively.

Sick leave benefits are earned and accumulated for each employee. However, accumulated sick leave benefits are not recognized as liabilities of Sonoma Student Union Corporation because the payment of such benefits is not probable or estimable.

	2005		
	Current	Noncurrent	Total
Accrued Compensated Absences	\$ 24,378	\$ 8,400	\$ 32,778
Total	\$ 24,378	\$ 8,400	\$ 32,778
	2004		
	Current	Noncurrent	Total
Accrued Compensated Absences	\$ 10,754	\$ 27,810	\$ 38,564
Total	\$ 10,754	\$ 27,810	\$ 38,564

Sonoma Student Union Corporation
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2005

NOTE 8 - DEFERRED REVENUE

Deferred revenue as of June 30 represents that portion of fees received, but not yet earned as of the year-end. The amount of fees to be earned are:

	2004/05	2003/04
Program - Summer Camp	\$ 20,036	\$ 41,810
Open Recreation	13,398	4,483
Program - Summer Central	—	6,880
Program - Welcome Programs	2,860	7,620
ASI	12	—
Total	\$ 36,306	\$ 60,793

NOTE 9 - LONG-TERM LIABILITIES

Sonoma Student Union Corporation does not have any long-term debt or liabilities except for compensated absences.

Long-term liabilities activity for the year ended June 30, 2005 was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Long-term portion	Current portion
Accrued compensated absences	\$ 38,564	\$ 18,592	\$ (24,378)	\$ 32,778	\$ 8,400	\$ 24,378
Long-term debt obligation:	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total long-term liabilities	\$ 38,564	\$ 18,592	\$ (24,378)	\$ 32,778	\$ 8,400	\$ 24,378

Long-term liabilities activity for the year ended June 30, 2004 was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Long-term portion	Current portion
Accrued compensated absences	\$ 36,899	\$ 12,419	\$ (10,754)	\$ 38,564	\$ 27,810	\$ 10,754
Long-term debt obligation:	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total long-term liabilities	\$ 36,899	\$ 12,419	\$ (10,754)	\$ 38,564	\$ 27,810	\$ 10,754

NOTE 10 - LEASE OBLIGATIONS

Sonoma Student Union Corporation is obligated under an operating lease for the use of personal property with a term of 63 months through fiscal year 2005/2006. The lease provides a baseline usage and additional charges are incurred if the usage exceeds this count.

Sonoma Student Union Corporation
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2005

NOTE 10 – LEASE OBLIGATIONS (concluded)

Future minimum lease payments under operating leases having remaining terms in excess of one year are as follows:

	Operating leases
Year ending June 30:	
2006	\$ 40,260
2007	2,411
2008	2,411
2009	2,411
2010	1,406
Total minimum lease payments	\$ 48,899
Less amount representing interest	
Present value of future minimum lease payments	\$ 19,753

Equipment rental expense under this operating lease for the years ended June 30, 2005 and 2004 totaled \$39,067 and \$34,901 respectively.

NOTE 11 – PENSION PLAN AND POSTRETIREMENT BENEFITS

(a) Plan Description

Sonoma Student Union Corporation, as an agency of the State of California, contributes to the California Public Employees' Retirement System (CalPERS). The State's plan with CalPERS is an agent multiple-employer defined benefit pension plan. For Sonoma Student Union Corporation, the plan acts as a cost-sharing multiple-employer defined benefit pension plan that provides a defined benefit pension and post-retirement benefit program for substantially all eligible Sonoma Student Union Corporation employees. CalPERS functions as an investment and administrative agent for its members. The plan also provides survivor, death and disability benefits. The Public Employees' Medical and Hospital Care Act covers eligible employees for medical benefits.

CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

(b) Funding Policy

Active plan members are required to contribute 7% of their monthly covered salary. The employer is required to contribute at an actuarially determined rate; the current rate is 8.756% of annual covered payroll. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

The Organization's contributions to CalPERS for the most recent three fiscal years were equal to the required contributions and were as follows:

2003	\$ 0
2004	24,090
2005	32,677

Sonoma Student Union Corporation
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE 12 – CLASSIFICATION OF OPERATING EXPENSES

Sonoma Student Union Corporation has elected to report operating expenses by functional classification in the statement of revenues, expenses, and changes in net assets, but to provide the natural classification of those expenses as an additional disclosure. For the years ended June 30, 2005 and 2004, operating expenses by natural classification consisted of the following:

2005	Salaries	Benefits	Scholarships and fellowships	Supplies and other services	Depreciation	Total
Functional classification:						
Instruction	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Research	—	—	—	—	—	—
Public service	—	—	—	—	—	—
Academic support	—	—	—	—	—	—
Student services	966,561	188,045	—	—	—	1,154,606
Institutional support	—	—	—	957,085	—	957,085
Operation and maintenance of plant	—	—	—	—	—	—
Student grants and scholarships	—	—	4,500	—	—	4,500
Auxiliary enterprise expenses	—	—	—	—	—	—
Depreciation	—	—	—	—	28,275	28,275
Total	<u>\$ 966,561</u>	<u>\$ 188,045</u>	<u>\$ 4,500</u>	<u>\$ 957,085</u>	<u>\$ 28,275</u>	<u>\$ 2,144,466</u>

2004	Salaries	Benefits	Scholarships and fellowships	Supplies and other services	Depreciation	Total
Functional classification:						
Instruction	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Research	—	—	—	—	—	—
Public service	—	—	—	—	—	—
Academic support	—	—	—	—	—	—
Student services	705,285	142,351	—	609,036	—	1,456,672
Institutional support	—	—	—	—	—	—
Operation and maintenance of plant	—	—	—	—	—	—
Student grants and scholarships	—	—	4,875	—	—	4,875
Auxiliary enterprise expenses	—	—	—	—	—	—
Depreciation	—	—	—	—	31,831	31,831
Total	<u>\$ 705,285</u>	<u>\$ 142,351</u>	<u>\$ 4,875</u>	<u>\$ 609,036</u>	<u>\$ 31,831</u>	<u>\$ 1,493,378</u>

NOTE 13 – TRANSACTIONS WITH RELATED ENTITIES

Sonoma Student Union Corporation has an operating agreement with the California State University Trustees for the provision of certain auxiliary activities including student activities, cultural events, intramural athletics, recreation and fitness programs, and student organizations. The agreement permits Sonoma Student Union Corporation to use buildings and facilities within the campus in the provision of these services. The agreement provides for reimbursement of allowable direct costs plus an allocable portion of indirect costs associated with facilities, goods, and services provided by the University on behalf of the California State University Trustees in accordance with CSU Executive Order 753-Allocation of Costs to Auxiliary Enterprises and the University's annual cost allocation plan. These amounts are included in *Student services expenses* in the statement of revenues, expenses, and changes in net assets.

In addition, Sonoma Student Union Corporation has been granted authority to enter into subleases with the University and its Auxiliary Organizations. The fees received from these leases are included in *Sales and services of auxiliary enterprises* in the statement of revenues, expenses, and changes in net assets.

Sonoma Student Union Corporation
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2005

NOTE 13 – TRANSACTIONS WITH RELATED ENTITIES (concluded)

Related party activities during the years ended June 30, 2005 and 2004 are reflected below.

	2004/05	2003/04
Payments to the University in accordance with CSU Executive Order 753	\$ 541,635	213,286
Payments to the University and recognized auxiliary organizations for services, office space rental, and programs	67,514	226,482
Amounts received from the University and recognized auxiliary organizations	207,895	249,317
Amounts received from the University as pass through for Student Fees organizations	888,423	
Amounts receivable from the University and recognized auxiliary organizations (included in <i>Accounts receivable</i> in the Statement of Net Assets)	400,667	97
Amounts payable to the University and recognized auxiliary organizations (included in <i>Accounts payable</i> in the Statement of Net Assets)	805	250

NOTE 14 – CALCULATION OF NET ASSETS –INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT

	2005	2004
Capital assets, net of accumulated depreciation	\$ 374,412	\$ 403,391
Long-term debt obligations, current portion	—	—
Long-term debt obligations, net of current portion	\$ 374,412	\$ 403,391