

SONOMA STUDENT UNION CORPORATION

ROHNERT PARK, CALIFORNIA

BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

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R. J. RICCIARDI, Inc.

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INDEPENDENT AUDITORS' 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 and the major fund of Sonoma Student Union Corporation as of June 30, 2006 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 2005 financial statements and, in our report dated July 27, 2005; we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 and the major fund of Sonoma Student Union Corporation as of June 30, 2006, 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 U.S. generally accepted accounting principles.

Management's Discussion and Analysis is supplementary information required by the Governmental 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
August 2, 2006

Sonoma Student Union Corporation
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

This section of Sonoma Student Union Corporation's annual financial report presents management's overview and analysis of the financial activities of the organization for the fiscal year ended June 30, 2006. 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 Sonoma Student Union Corporation'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 No. 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. Sonoma Student Union Corporation 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 Sonoma Student Union Corporation.

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 Sonoma Student Union Corporation 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 Sonoma Student Union Corporation.

Sonoma Student Union Corporation
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2006

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.

Analytical Overview

Governmental Activities

Table 1
Governmental Net Assets at June 30, 2006

	2006	2005
Assets:		
Current assets	\$ 561,822	\$ 902,630
Noncurrent assets	357,373	374,412
Total assets	919,195	1,277,042
Liabilities		
Current liabilities	77,894	89,543
Noncurrent liabilities	15,315	8,400
Total liabilities	93,209	97,943
Net assets		
Invested in capital assets, net of related debt	357,373	374,412
Unrestricted	468,613	804,687
Total net assets	\$ 825,986	\$ 1,179,099

Summary

Total assets of Sonoma Student Union Corporation have decreased this year by \$357,847. This classification is comprised of Current Assets (Cash, Accounts Receivable, and Prepaid Expenses), which decreased overall by \$340,808 and Capital Assets, which decreased by \$17,039. The latter category is presented net of accumulated depreciation.

Liabilities have decreased \$4,734 this year. Current liabilities decreased \$11,649, as a result of less deferred revenue for Summer Camps and year-end manual obligations. Noncurrent liabilities increased \$6,915, due to vacation accruals.

Net Assets invested in Capital Assets, net of related debt, have decreased \$17,039 and Unrestricted Net Assets have decreased \$336,074, for a total decrease in Net Assets of \$353,113. The primary reason for this decrease was due to a reduction in Campus Union Fees.

Sonoma Student Union Corporation
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2006

Comparative Analysis of Current and Prior Year Activities and Balances

	6/30/06	6/30/05	Increase (Decrease)
Operating revenues and expenses:			
Operating revenues	\$ 1,749,093	\$ 2,450,894	\$ (701,801)
Operating expenses	2,116,016	2,148,486	(32,470)
Net operating income	\$ (366,923)	\$ 302,408	\$ (669,331)
Non-operating revenues (expenses)			
Gifts, noncapital	\$ 1,022	\$ 300	\$ 722
Investment income, net	12,788	8,564	4,224
Non-operating net income	13,810	8,864	4,946
Increases in net assets	\$ (353,113)	\$ 311,272	\$ (664,385)

Operating revenues - The Campus Union Fee category was the main contributor, decreasing by \$638,423 due to a decrease in full time enrollment and debt service requirements, for which fiscal year 2006 was the first full year of such debt service payments. Other operating revenues decreased by \$63,378, the majority being decreases in Summer Camps, Tech Support and Copy Center.

Operating expenses – Overall, operating expenses decreased by 1.51%. As this was the Recreation Center's first full year in operation there were increases to payroll and benefits, repairs and maintenance and other miscellaneous expenses. However, the prior year incurred more one-time charges, thus leaving overall operating expenses relatively unchanged.

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

Restricted Resources

Sonoma Student Union Corporation'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 \$3,901 less than budget. Operating Expenses were \$178,040 less than forecasted. The result was an operating loss of \$366,923.

In the non-operating category, Investment Income was \$7,212 less than expected, while interest on indebtedness was \$7,613 under budget, a favorable net change in non-operating income of \$1,173.

The budgeted net decrease of \$528,425 became an actual net decrease of \$353,113.

Capital Assets

Detail on capital assets can be found in Note 6.

Sonoma Student Union Corporation
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

Debt Administration

Sonoma Student Union Corporation does not utilize long-term debt to fund operations or growth.

Factors Impacting Future Periods

- Year Round Operations: scheduled to begin in 2007. Year round operations will have implications for operating expenses, particularly in student employee wages.
- Minimum Wage: an increase in the minimum wage will have implications for student wages, the category of highest corporation operating expenses.
- Enrollment: the projected increase in University enrollment creates two opposing factors - increased Student Union fee income; but at the same time an obligation to deliver increased services and programs, including student and full-time staffing.

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 Sonoma Student Union Corporation's finances. Questions about this Report should be directed to the Sonoma State Student Union at 1801 East Cotati Avenue, Rohnert Park, California 94928.

Sonoma State Union Corporation
STATEMENTS OF NET ASSETS
 June 30, 2006
 (With Comparative Totals for June 30, 2005)

	2006	2005
Assets:		
Current assets		
Cash and cash equivalents	\$ 543,219	\$ 495,078
Accounts receivable, net	13,693	400,719
Prepaid expenses and other assets	4,910	6,833
Total current assets	561,822	902,630
Noncurrent assets		
Capital assets, net	357,373	374,412
Total noncurrent assets	357,373	374,412
Total assets	919,195	1,277,042
Liabilities:		
Current liabilities		
Accounts payable	6,773	13,684
Accrued salaries and benefits payable	13,274	10,251
Accrued compensated absences	23,999	24,378
Deferred revenue	29,902	36,306
Other liabilities	3,946	4,924
Total current liabilities	77,894	89,543
Noncurrent liabilities		
Accrued compensated absences, net of current portion	15,315	8,400
Total noncurrent liabilities	15,315	8,400
Total liabilities	93,209	97,943
Net assets:		
Invested in capital assets, net of related debt	357,373	374,412
Unrestricted	468,613	804,687
Total net assets	\$ 825,986	\$ 1,179,099

The accompanying notes are an integral part of these financial statements

Sonoma State Union Corporation Exhibit A
SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the year ended June 30, 2006
(With Comparative Totals for June 30, 2005)

	2006	2005
Revenues:		
Operating revenues:		
Student tuition and fees	\$ 1,370,000	\$ 2,008,423
Sales and services of auxiliary enterprises	380,522	431,320
Other operating revenues	(1,429)	11,151
Total operating revenues	1,749,093	2,450,894
Expenses:		
Student services	2,080,881	2,115,711
Student grants and scholarships	5,063	4,500
Depreciation	30,072	28,275
Total operating expenses	2,116,016	2,148,486
Operating income (loss)	(366,923)	302,408
Nonoperating revenues (expenses):		
Gifts, noncapital	1,022	300
Investment income, net	12,788	8,564
Net nonoperating revenues (expenses)	13,810	8,864
Change in net assets	(353,113)	311,272
Net assets:		
Net assets at beginning of period	1,179,099	867,827
Net assets at end of period	\$ 825,986	\$ 1,179,099

The accompanying notes are an integral part of these financial statements

STATEMENT OF REVENUES AND EXPENSES - BUDGET TO ACTUAL

Year Ended June 30, 2006

	Original and Final Budget	Actual	Variance with Final Budget
Revenues:			
Operating revenues:			
Student tuition and fees	\$ 1,370,000	\$ 1,370,000	\$ -
Sales and services of auxiliary enterprises	372,656	380,522	7,866
Other operating revenues	<u>10,338</u>	<u>(1,429)</u>	<u>(11,767)</u>
Total operating revenues	<u>1,752,994</u>	<u>1,749,093</u>	<u>(3,901)</u>
Expenses:			
Operating expenses:			
Student services	2,229,634	2,080,881	148,753
Student grants and scholarships	7,068	5,063	2,005
Depreciation	<u>57,354</u>	<u>30,072</u>	<u>27,282</u>
Total operating expenses	<u>2,294,056</u>	<u>2,116,016</u>	<u>178,040</u>
Operating income (loss)	<u>(541,062)</u>	<u>(366,923)</u>	<u>174,139</u>
Nonoperating revenues (expenses):			
Gifts, noncapital	250	1,022	772
Investment income, net	20,000	12,788	(7,212)
Interest on capital related debt	<u>(7,613)</u>	<u>-</u>	<u>7,613</u>
Net nonoperating revenues (expenses)	<u>12,637</u>	<u>13,810</u>	<u>1,173</u>
Increase (decrease) in net assets	<u>\$ (528,425)</u>	<u>\$ (353,113)</u>	<u>\$ 175,312</u>

The accompanying notes are an integral part of these financial statements

Sonoma Student Union Corporation
STATEMENTS OF CASH FLOWS

Exhibit C

For the Year Ended June 30, 2006

(With Comparative Totals for the Year Ended June 30, 2005)

	2006	2005
Cash flows from operating activities:		
Student tuition and fees	\$ 1,370,000	\$ 2,008,423
Grants non-governmental	1,022	300
Payments to suppliers	(1,086,478)	(1,135,685)
Payments to employees	(989,832)	(973,580)
Payments to students	(5,063)	(4,500)
Sales and services of auxiliary enterprises	374,118	406,833
Other receipts (payments)	384,620	(386,245)
Net cash provided (used) by operating activities	48,387	(84,454)
Cash flows from capital and related financing activities:		
Acquisition of property, plant and equipment	(13,034)	706
Disposition of property, plant and equipment	-	(4,020)
Net cash provided (used) by capital and related financing activities	(13,034)	(3,314)
Cash flows from investing activities:		
Investment income (loss)	12,788	8,564
Net cash provided (used) by investing activities	12,788	8,564
Net increase (decrease) in cash	48,141	(79,204)
Cash - beginning of period	495,078	574,282
Cash - end of period	\$ 543,219	\$ 495,078
Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (366,923)	\$ 302,408
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation	30,072	28,275
Loss on disposal of assets	-	4,020
Gifts, noncapital	1,022	300
Change in assets and liabilities:		
Accounts receivable, net	387,026	(400,216)
Prepaid expenses	1,923	9,984
Accounts payable	(6,911)	(539)
Accrued salaries and benefits payable	3,023	(1,232)
Accrued compensated absences	6,536	(5,787)
Deferred revenue	(6,404)	(24,487)
Other liabilities	(977)	2,820
Cash flows reported in other categories	48,387	(84,454)
Interest on noncapital related debt	-	-
Net cash provided (used) by operating activities	\$ 48,387	\$ (84,454)

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

Sonoma Student Union Corporation
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

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 U.S. generally accepted accounting principles, 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.

Financial statements required by GASB Statements 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, 2006

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, 2006 was \$30,072.

H. Deferred Revenue

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

Sonoma Student Union Corporation
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the accompanying financial statements. Actual results could differ from those estimates.

Sonoma Student Union Corporation
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

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

Sonoma Student Union Corporation 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 the organization carries commercial insurance.

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

A. Cash and Cash Equivalents

At June 30, 2006 and 2005, cash and cash equivalents were \$543,219 and \$495,078, respectively. The corresponding bank balance was \$581,707 for 2006 and \$529,553 in 2005. 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.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of bank failure, the University's deposits may not be returned to it. As of June 30, 2006 \$381,707 of the University's bank balance of \$581,707 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the University's name.

Cash and cash equivalents at June 30, 2006:

Book balance at June 30, 2006	\$ 543,219
Bank balance at June 30, 2006	<u>581,707</u>
Difference between book balance and bank	<u><u>\$ (38,488)</u></u>

Significant reconciling items consist of:

Deposit in transit	\$ 2,450
Outstanding checks	(43,138)
Change and change fund	<u>2,200</u>
Total	<u><u>\$ (38,488)</u></u>

Sonoma Student Union Corporation
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2006

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

A. Cash and Cash Equivalents (concluded)

Cash and cash equivalents at June 30, 2005:

Book balance at June 30, 2005	\$	495,077
Bank balance at June 30, 2005		529,553
Difference between book balance and bank	\$	(34,476)

Significant reconciling items consist of:

Deposit in transit	\$	5,561
Outstanding checks		(42,237)
Change and change fund		2,200
Total	\$	(34,476)

B. Restricted Cash and Cash Equivalents

Sonoma Student Union Corporation does not have restricted cash or cash equivalents.

C. Investments Held Under Contractual Agreements

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

D. 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 and is included in *cash and cash equivalents* in the statement of net assets.

Composition of investments at June 30, 2006:

	Current	Noncurrent	Total
Money market funds	\$ 370,058	\$ -	\$ 370,058
Notes receivable	-	-	-
Total investments	\$ 370,058	\$ -	\$ 370,058

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

Sonoma Student Union Corporation
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2006

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2006 consisted of the following:

	2006		
	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Due from Other Auxiliary organizations	\$ 4,746	\$ -	\$ 4,746
Due from University	8,169	-	8,169
Other accounts receivable	778	-	778
Total	\$ 13,693	\$ -	\$ 13,693

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

	2005		
	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Due from Other Auxiliary organizations	\$ 517	\$ -	\$ 517
Due from University	400,150	-	400,150
Other accounts receivable	52	-	52
Total	\$ 400,719	\$ -	\$ 400,719

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:

	2006	2005
Program – Wilderness Welcome	\$ -	\$ 2,079
Workers' compensation	3,166	2,893
Benefits	1,114	1,105
Leases	137	274
Other	493	482
Total	\$ 4,910	\$ 6,833

Sonoma Student Union Corporation
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2006

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2006 consisted of the following:

	Balance <u>June 30, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers</u>	Balance <u>June 30, 2006</u>
Depreciable capital assets:					
Leasehold improvements	\$ 600,510	\$ -	\$ -	\$ -	\$ 600,510
Personal property					
Equipment	<u>189,209</u>	<u>13,033</u>	<u>(4,878)</u>	<u>-</u>	<u>197,364</u>
Total depreciable capital assets	<u>789,719</u>	<u>13,033</u>	<u>(4,878)</u>	<u>-</u>	<u>797,874</u>
Less accumulated depreciation:					
Leasehold improvements	(244,834)	(20,758)	-	-	(265,592)
Personal property					
Equipment	<u>(170,473)</u>	<u>(9,314)</u>	<u>4,878</u>	<u>-</u>	<u>(174,909)</u>
Total accumulated depreciation	<u>(415,307)</u>	<u>(30,072)</u>	<u>4,878</u>	<u>-</u>	<u>(440,501)</u>
Net capital assets	<u>\$ 374,412</u>	<u>\$ (17,039)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 357,373</u>
Depreciation and amortization expense related to capital assets					\$ 30,072
Amortization expense related to other assets					<u>-</u>
Total depreciation and amortization					<u>\$ 30,072</u>

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

	Balance <u>June 30, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers</u>	Balance <u>June 30, 2005</u>
Depreciable capital assets:					
Leasehold improvements	\$ 557,666	\$ -	\$ -	\$ 42,844	\$ 600,510
Personal property					
Equipment	<u>331,125</u>	<u>3,315</u>	<u>(102,387)</u>	<u>(42,844)</u>	<u>189,209</u>
Total depreciable capital assets	<u>888,791</u>	<u>3,315</u>	<u>(102,387)</u>	<u>-</u>	<u>789,719</u>
Less accumulated depreciation:					
Leasehold improvements	(216,645)	(21,200)	-	(6,989)	(244,834)
Personal property					
Equipment	<u>(268,755)</u>	<u>(7,075)</u>	<u>98,367</u>	<u>6,989</u>	<u>(170,473)</u>
Total accumulated depreciation	<u>(485,400)</u>	<u>(28,275)</u>	<u>98,367</u>	<u>-</u>	<u>(415,307)</u>
Net capital assets	<u>\$ 403,391</u>	<u>\$ (24,960)</u>	<u>\$ (4,020)</u>	<u>\$ -</u>	<u>\$ 374,412</u>
Depreciation and amortization expense related to capital assets					\$ 28,275
Amortization expense related to other assets					<u>-</u>
Total depreciation and amortization					<u>\$ 28,275</u>

Sonoma Student Union Corporation
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 June 30, 2006

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 \$39,314 and \$32,778 as of June 30, 2006 and 2005, 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.

	2006		
	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Accrued compensated absences	\$ 23,999	\$ 15,315	\$ 39,314
Total	\$ 23,999	\$ 15,315	\$ 39,314
	2005		
	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Due from Other Auxiliary organizations	\$ 24,378	\$ 8,400	\$ 32,778
Total	\$ 24,378	\$ 8,400	\$ 32,778

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 amounts of fees to be earned are:

	2006	2005
Program – Summer Camp	\$ 16,290	\$ 20,036
Open Recreation	-	13,398
Fitness Center	13,612	-
Program – Welcome Programs	-	2,860
ASI	-	12
Total	\$ 29,902	\$ 36,306

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, 2006 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Long-term portion</u>	<u>Current portion</u>
Compensated absences	\$ 32,778	\$ 33,873	\$ (27,337)	\$ 39,314	\$ 15,315	\$ 23,999
Long-term debt obligations	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total long-term liabilities	\$ 32,778	\$ 33,873	\$ (27,337)	\$ 39,314	\$ 15,315	\$ 23,999

Sonoma Student Union Corporation
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2006

NOTE 9 - LONG-TERM LIABILITIES (concluded)

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

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Long-term portion</u>	<u>Current portion</u>
Compensated absences	\$ 38,564	\$ 18,592	\$ (24,378)	\$ 32,778	\$ 8,400	\$ 24,378
Long-term debt obligations	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total long-term liabilities	<u>\$ 38,564</u>	<u>\$ 18,592</u>	<u>\$ (24,378)</u>	<u>\$ 32,778</u>	<u>\$ 8,400</u>	<u>\$ 24,378</u>

NOTE 10 - LEASE OBLIGATIONS

Sonoma Student Union Corporation is obligated under an operating lease for the use of personal property in the copy center and in the recreation center. The lease provides a baseline usage and additional charges are incurred if the usage exceeds this count.

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

	<u>Operating Leases</u>
Year ending June 30:	
2007	\$ 24,489
2008	2,411
2009	2,411
2010	<u>1,406</u>
Total minimum lease payments	<u>\$ 30,717</u>
 Present value of future minimum lease payments	 \$ 21,776

Equipment rental expense under this operating lease for the years ended June 30, 2006 and 2005 totaled \$42,266 and \$39,067 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.

Sonoma Student Union Corporation
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2006

NOTE 11 - PENSION PLAN AND POSTRETIREMENT BENEFITS (concluded)

A. Plan Description (concluded)

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 13.223% 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.

Sonoma Student Union Corporation's contributions to CalPERS for the most recent three fiscal years were equal to the required contributions and were as follows:

2004	\$	24,090
2005		32,677
2006		49,782

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, 2006 and 2005, operating expenses by natural classification consisted of the following:

<u>2006</u>	<u>Salaries</u>	<u>Benefits</u>	<u>Scholarships and fellowships</u>	<u>Supplies and other services</u>	<u>Depreciation</u>	<u>Total</u>
Functional classification:						
Student services	\$ 999,391	\$ 201,572	\$ -	\$ 879,918	\$ -	\$ 2,080,881
Student grants and scholarships	-	-	5,063	-	-	5,063
Depreciation	-	-	-	-	<u>30,072</u>	<u>30,072</u>
Total	<u>\$ 999,391</u>	<u>\$ 201,572</u>	<u>\$ 5,063</u>	<u>\$ 879,918</u>	<u>\$ 30,072</u>	<u>\$ 2,116,016</u>
<u>2005</u>	<u>Salaries</u>	<u>Benefits</u>	<u>Scholarships and fellowships</u>	<u>Supplies and other services</u>	<u>Depreciation</u>	<u>Total</u>
Functional classification:						
Student services	\$ 966,561	\$ 188,045	\$ -	\$ 961,105	\$ -	\$ 2,115,711
Student grants and scholarships	-	-	4,500	-	-	4,500
Depreciation	-	-	-	-	<u>28,275</u>	<u>28,275</u>
Total	<u>\$ 966,561</u>	<u>\$ 188,045</u>	<u>\$ 4,500</u>	<u>\$ 961,105</u>	<u>\$ 28,275</u>	<u>\$ 2,148,486</u>

Sonoma Student Union Corporation
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2006

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.

Related party activities during the years ended June 30, 2006 and 2005 are reflected below.

	2006	2005
Payments to the University in accordance with CSU Executive Order 753	\$ 409,471	\$ 541,635
Payments to the University and recognized auxiliary organizations for services, office space rental, and programs	56,009	67,514
Amounts received from the University and recognized auxiliary organizations	201,756	207,895
Amounts received from the University as pass through for Student Fees organizations	1,770,000	888,423
Amounts receivable from the University and recognized auxiliary organizations (included in accounts receivable in the statement of net assets)	12,544	400,667
Amounts payable to the University and recognized auxiliary organizations (included in accounts payable in the statement of net assets)	-	805

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

	2006	2005
Capital assets, net of accumulated depreciation	\$ 357,373	\$ 374,412
Long-term debt obligations, current portion	-	-
Long-term debt obligations, net of current portion	-	-
Total	\$ 357,373	\$ 374,412