


**CALIFORNIA STATE UNIVERSITY STANISLAUS
AUXILIARY AND BUSINESS SERVICES**

(A California Nonprofit Corporation)

ANNUAL FINANCIAL REPORT

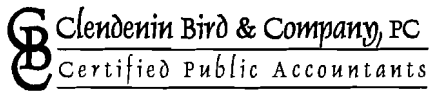
JUNE 30, 2010

 **Clendenin Bird & Company, PC**
Certified Public Accountants

**CALIFORNIA STATE UNIVERSITY STANISLAUS
AUXILIARY AND BUSINESS SERVICES
(A California Nonprofit Corporation)**

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3-4
Statement of Activities	5
Statement of Cash Flows	6
Statement of Functional Expenses	7-8
Notes to Financial Statements	9-20
SUPPLEMENTARY INFORMATION	
Schedule of Net Assets	21-22
Schedule of Revenues, Expenses, and Changes In Net Assets	23-24
Other Information	25-28



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
California State University Stanislaus Auxiliary and Business Services
(A California Nonprofit Organization)
Turlock, California

We have audited the accompanying statement of financial position of California State University Stanislaus Auxiliary and Business Services as of June 30, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of California State University Stanislaus Auxiliary and Business Services management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from California State University Stanislaus Auxiliary and Business Services' 2009 financial statements and, in our report dated September 1, 2009 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 California State University Stanislaus Auxiliary and Business Services as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 21 through 28 is presented for purposes of additional analysis and is not a part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit or 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

CLENDENIN BIRD & COMPANY, PC

Modesto, California

August 16, 2010

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**CALIFORNIA STATE UNIVERSITY STANISLAUS
AUXILIARY AND BUSINESS SERVICES
(A California Nonprofit Corporation)**

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010
WITH TOTALS FOR 2009 FOR COMPARISON PURPOSES ONLY**

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,746,147	\$ 3,249,772
Accounts Receivable	32,413	51,038
Due from Related Parties	1,432	41,674
Prepaid Expense and Other Current Assets	0	894
Total Current Assets	2,779,992	3,343,378
FIXED ASSETS		
Land	287,300	287,300
Construction in Process	195,399	0
Buildings	5,329,891	5,618,463
Leasehold Improvements	5,922,779	5,781,522
Equipment, Furniture, and Fixtures	504,227	475,895
Less Accumulated Depreciation	(3,109,521)	(2,817,268)
Net Fixed Assets	9,130,075	9,345,912
OTHER ASSETS		
Investments- Long-Term	0	1,375
Bond Issuance Costs	41,619	44,884
Total Other Assets	41,619	46,259
TOTAL ASSETS	\$ 11,951,686	\$ 12,735,549

SEE ACCOMPANYING NOTES

**CALIFORNIA STATE UNIVERSITY STANISLAUS
AUXILIARY AND BUSINESS SERVICES
(A California Nonprofit Corporation)**

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010
WITH TOTALS FOR 2009 FOR COMPARISON PURPOSES ONLY**

	2010	2009
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 24,343	\$ 17,123
Accrued Interest Payable	66,363	74,378
Due to Related Parties	218,340	10,423
Warrior Card Liabilities	32,140	25,195
Current Portion of Capital Lease	72,042	80,000
Current Portion of Bond Payable	205,000	195,000
Total Current Liabilities	618,228	402,119
LONG-TERM LIABILITIES		
Post-Retirement Benefit Obligation	171,606	162,982
Capital Lease	4,672,557	4,735,943
Bond Payable	3,265,000	3,470,000
Bond Premium	202,857	209,607
Total Long-Term Liabilities	8,312,020	8,578,532
Total Liabilities	8,930,248	8,980,651
NET ASSETS		
Unrestricted:		
Undesignated Net Assets	644,230	1,938,984
Board Designated Net Assets	2,377,208	1,815,914
Total Net Assets	\$ 3,021,438	\$ 3,754,898
TOTAL LIABILITIES AND NET ASSETS	\$ 11,951,686	\$ 12,735,549

SEE ACCOMPANYING NOTES

**CALIFORNIA STATE UNIVERSITY STANISLAUS
AUXILIARY AND BUSINESS SERVICES
(A California Nonprofit Corporation)**

**STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010
WITH TOTALS FOR 2009 FOR COMPARISON PURPOSES ONLY**

		TEMPORARILY	TOTAL	
	UNRESTRICTED	RESTRICTED	2010	2009
REVENUES AND OTHER SUPPORT				
Commissions	\$ 634,922	\$ 0	\$ 634,922	\$ 750,271
Rental Income	490,800	0	490,800	582,400
Investment Income	17,583	0	17,583	69,012
Gain/(Loss) on Sale of Equipment	0	0	0	(847)
Gain/(Loss) on Impairment of Asset	(188,774)	0	(188,774)	0
Other Sources	186,568	0	186,568	87,454
Total Revenue and Other Support	1,141,099	0	1,141,099	1,488,290
FUNCTIONAL EXPENSES				
General Administrative Services	309,304	0	309,304	183,428
Bookstore	520,995	0	520,995	483,077
Residential Life Village	486,972	0	486,972	366,600
Campus Dining	253,845	0	253,845	219,815
Institutional Support	270,165	0	270,165	400,000
Warrior Card	26,298	0	26,298	111,164
Investment	3,564	0	3,564	3,499
Vending	3,416	0	3,416	3,705
Post-Retirement Benefits Obligation	0	0	0	(286,022)
Total expenses	1,874,559	0	1,874,559	1,485,266
CHANGE IN NET ASSETS	(733,460)	0	(733,460)	3,024
NET ASSETS, Beginning of Year	3,754,898	0	3,754,898	3,751,874
NET ASSETS, End of Year	\$ 3,021,438	\$ 0	\$ 3,021,438	\$ 3,754,898

SEE ACCOMPANYING NOTES

**CALIFORNIA STATE UNIVERSITY STANISLAUS
AUXILIARY AND BUSINESS SERVICES
(A California Nonprofit Corporation)**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010
WITH TOTALS FOR 2009 FOR COMPARISON PURPOSES ONLY**

	2010	2009
CASH FLOWS PROVIDED/(USED) BY OPERATING ACTIVITIES		
Change in net assets	\$ (733,460)	\$ 3,024
Adjustments to Reconcile Change in Net Assets to Net Cash		
Used by Operating Activities		
Depreciation and Amortization	395,315	371,011
Loss on Impairment of Asset	188,774	0
Effect of Changes in:		
(Increase) Decrease in:		
Accounts Receivable	18,625	19,417
Notes Receivable	0	40,000
Received from Related Parties	40,242	108,617
Prepaid Lease Expense	894	145,041
Increase (Decrease) in:		
Accounts Payable	7,220	15,999
Accrued Liabilities	(8,015)	3,694
Due to Related Parties	207,917	(45,007)
Warrior Card Liabilities	6,945	25,195
Post-Retirement Benefit Obligation	8,624	(286,022)
Net Cash Provided/(Used) by Operating Activities	133,081	400,969
CASH FLOWS PROVIDED/(USED) BY INVESTING ACTIVITIES		
Net Decrease in Investments	1,375	1,000,848
Purchase of Fixed Assets	(364,987)	(304,831)
Net Cash Provided/(Used) by Investing Activities	(363,612)	696,017
CASH FLOWS PROVIDED/(USED) BY FINANCING ACTIVITIES		
Principal Paid on Capital Lease	(71,344)	0
Principal Paid on Capital Debt	(201,750)	(180,537)
Net Cash Provided/(Used) by Financing Activities	(273,094)	(180,537)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(503,625)	916,449
CASH AND CASH EQUIVALENTS		
Beginning of Year	3,249,772	2,333,323
End of Year	\$ 2,746,147	\$ 3,249,772
SUPPLEMENTAL INFORMATION		
Interest Paid	\$ 328,910	\$ 295,825
Assets Acquired Through Debt Financing	\$ 0	\$ 4,815,943

SEE ACCOMPANYING NOTES

**CALIFORNIA STATE UNIVERSITY STANISLAUS
AUXILIARY AND BUSINESS SERVICES
(A California Nonprofit Corporation)**

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010
WITH TOTALS FOR 2009 FOR COMPARISON PURPOSES ONLY**

FUNCTIONAL EXPENSES	General Admin.	Residential Life	Warrior Card	Bookstore
	Services	Village		
Interest Expense	\$ 0	\$ 146,134	\$ 0	\$ 249,139
Depreciation Expense	3,040	140,462	0	165,637
Repair & Maintenance	0	183,040	0	5,771
Awards, Gifts And Donations	128,458	0	0	18,601
Other/ External Reimbursements	0	0	0	0
Accounting & Professional	18,203	3,190	12,761	12,761
Benefits & Payroll Taxes	49,471	0	0	0
Miscellaneous	45,143	0	0	0
Supplies & Services	269	0	7,308	0
Outside Services	2,145	0	0	22,078
Insurance	0	10,882	0	11,394
Utilities	0	0	0	35,614
Salaries	23,884	0	0	0
Overhead Chancellor Office	15,343	0	0	0
Other Post Employee Benefits	15,193	0	0	0
Minor Equipment	0	0	594	0
State Prorata	4,073	0	0	0
Bank Charges	1,062	0	2,927	0
Tax & Licenses	160	0	0	0
Amortization	0	3,264	0	0
Workers Compensation	1,880	0	0	0
Printing	0	0	1,230	0
Marketing	0	0	1,093	0
Legal Fees	173	0	0	0
Postage & Freight	489	0	0	0
Staff Development	26	0	385	0
Dues & Fees	355	0	0	0
Student Assist	0	0	0	0
Special Lecturers	0	0	0	0
Telephone	0	0	0	0
Travel	(63)	0	0	0
Total Expenses	\$ 309,304	\$ 486,972	\$ 26,298	\$ 520,995

SEE ACCOMPANYING NOTES

Campus Dining	Contracted Vending	Investment	Institutional Support	Totals	
				2010	2009
\$ 0	\$ 0	\$ 0	\$ 0	\$ 395,273	\$ 363,792
82,912	0	0	0	392,051	367,770
79,265	79	0	0	268,155	208,473
0	0	0	70,165	217,224	0
0	0	0	200,000	200,000	401,207
19,141	3,190	0	0	69,246	18,599
0	0	0	0	49,471	23,037
0	0	0	0	45,143	1,078
34,983	147	0	0	42,707	12,740
17,616	0	0	0	41,839	207,601
15,703	0	0	0	37,979	41,730
0	0	0	0	35,614	0
0	0	0	0	23,884	38,292
0	0	0	0	15,343	7,894
0	0	0	0	15,193	(286,022)
3,846	0	0	0	4,440	40,936
0	0	0	0	4,073	0
0	0	0	0	3,989	3,392
0	0	3,564	0	3,724	3,499
0	0	0	0	3,264	3,241
0	0	0	0	1,880	506
0	0	0	0	1,230	84
0	0	0	0	1,093	13,225
379	0	0	0	552	0
0	0	0	0	489	454
0	0	0	0	411	1,275
0	0	0	0	355	5,053
0	0	0	0	0	315
0	0	0	0	0	4,660
0	0	0	0	0	1,065
0	0	0	0	(63)	1,370
<u>\$ 253,845</u>	<u>\$ 3,416</u>	<u>\$ 3,564</u>	<u>\$ 270,165</u>	<u>\$ 1,874,559</u>	<u>\$ 1,485,266</u>

SEE ACCOMPANYING NOTES

**CALIFORNIA STATE UNIVERSITY, STANISLAUS
AUXILIARY AND BUSINESS SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

California State University, Stanislaus Auxiliary and Business Services (Auxiliary) was incorporated in the State of California on October 3, 1960, under the name of California State University, Stanislaus Foundation. Effective July 1, 1998, the Auxiliary changed the name of the corporation to California State University, Stanislaus Auxiliary and Business Services. The Corporation also authorized the use of the name California State University, Stanislaus Foundation for a new non-profit corporation. Furthermore, effective July 1, 1998, the operations and assets of noncommercial activities were transferred to the new non-profit corporation.

The Auxiliary was formed and operates as an auxiliary organization of California State University Stanislaus (CSUS) which has campuses in Turlock and Stockton, California. The Auxiliary arranges for services to students and faculty including dormitory, food service and campus bookstore. The bookstore and food services are provided by way of lease agreements with independent commercial vendors.

Basis of Presentation

The financial statements of the Auxiliary have been prepared on the accrual basis of accounting. The Auxiliary presents information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In this reporting period, the Auxiliary had only unrestricted net assets. Within the unrestricted net assets, the Board of Directors has the right to designate funds to specified uses. See Note 9 for Board designated amounts.

Income Tax Status

The Auxiliary is exempt from Federal and California income taxes under Section 501(c)(3) of the Internal Revenue Service Code and Section 23701(d) of the California Revenue and Taxation Code. It is classified as a public charity. There have been no events that would affect the tax-exempt status of the Auxiliary.

Fixed Assets

Fixed assets are recorded in the plant fund at cost. The Auxiliary follows the practice of capitalizing all expenditures for fixed assets in excess of \$5,000. Depreciation is being recorded on all fixed assets using the straight-line method over estimated useful lives of the assets. The useful lives of property and equipment for the purposes of computing depreciation are as follows:

Residential Life Village	40 Years
Building and Leasehold Improvements	5 – 30 Years
Equipment, Furniture and Fixtures	3 – 20 Years

**CALIFORNIA STATE UNIVERSITY, STANISLAUS
AUXILIARY AND BUSINESS SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are not allocated but are charged to supporting services.

Use of Estimates

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

Cash and Cash Equivalents

For financial statement purposes, the Auxiliary considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Receivables

The Auxiliary has extended uncollateralized credit to CSUS, California State University, Stanislaus Foundation (Foundation), Associated Students Incorporated of California State University, Stanislaus (Associated Students), University Student Union of California State University, Stanislaus (Student Union). Terms are net 30.

NOTE 2- CASH AND INVESTMENTS

Cash and investments as of June 30, 2010 and 2009 consist of the following:

	<u>2010</u>	<u>2009</u>
Cash on hand	\$ 100	\$ 200
Deposits with financial institutions	407,993	155,963
Investment in Fidelity Magellan	0	1,375
Investments in LAIF	<u>2,338,054</u>	<u>3,093,609</u>
Total cash and investments	<u>\$2,746,147</u>	<u>\$3,251,147</u>

The Federal Depository Insurance Corporation (FDIC) provides insurance coverage for up to \$250,000 per depositor in each FDIC insured financial institution. At June 30, 2010, the Auxiliary did not have cash in excess of federally insured amounts.

In addition, the Auxiliary has deposited cash in the State Treasury's Local Agency Investment Fund (LAIF). Deposits in LAIF are carried at fair value as reported by LAIF and are not insured.

**CALIFORNIA STATE UNIVERSITY, STANISLAUS
AUXILIARY AND BUSINESS SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 2- CASH AND INVESTMENTS (Continued)

Investments In LAIF

The Auxiliary has combined funds with the Foundation, Associated Students, and Student Union to invest in the State of California's Local Agency Investment Fund (LAIF). LAIF has disclosed that at June 30, 2010 and 2009, 5.42 and 14.71 percent of its assets respectively were invested in structured notes and asset-backed securities. Cash deposited with LAIF is part of an investment pool which is restricted by State code as to the types of investments they can make. Only the Auxiliary's portion of this investment is shown in the Statement of Financial Position.

NOTE 3- ACCOUNTS RECEIVABLE

A provision for doubtful accounts has not been established as management considers all accounts to be collectible based upon favorable history over a substantial period of time. If amounts become uncollectible, they will be charged to operations when that determination is made. In the unlikely event that all individuals and entities who have unpaid balances fail to pay, the maximum recognized loss at June 30, 2010 and 2009 would be \$32,413 and \$51,038, respectively.

NOTE 4- RESIDENTIAL LIFE VILLAGE

In 1993 the Auxiliary, in a joint project with the State of California, built Residential Life Village I. The Auxiliary's portion of the project consists of two structures: Building 37, a three-story structure providing twenty-five apartment units to accommodate one hundred students; Building 39, the Community Center. In 1996 the Auxiliary built Residential Life Village II. The project consists of Building 37A, another three-story structures providing twenty-four apartment units to accommodate ninety-six students. These projects were financed by bonds as described in note 7, titled "Long-Term Debt."

**CALIFORNIA STATE UNIVERSITY, STANISLAUS
AUXILIARY AND BUSINESS SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 5-FIXED ASSETS

Fixed assets at June 30, 2010 consist of the following:

	<u>BALANCE</u> 6/30/2009	<u>ADDITIONS</u>	<u>DISPOSALS</u> <u>ADJUSTMENTS</u>	<u>BALANCE</u> 6/30/2010
Land	\$ 287,300	\$ 0	\$ 0	\$ 287,300
Work In Progress	0	195,399	0	195,399
Buildings	5,618,463	0	(288,572)	5,329,891
Lease Improvements	5,781,522	137,592	3,665	5,922,779
Machinery & Equipment	475,895	31,997	(3,665)	504,227
TOTAL	<u>\$ 12,163,180</u>	<u>\$ 364,988</u>	<u>\$ (288,572)</u>	<u>\$ 12,239,596</u>

Accumulated Depreciation

Buildings	\$ (1,959,715)	\$ (140,462)	\$ 99,798	\$ (2,000,379)
Lease Improvements	(526,302)	(203,092)	(3,665)	(733,059)
Machinery & Equipment	(331,251)	(48,497)	3,665	(376,083)
	<u>\$ (2,817,268)</u>	<u>\$ (392,051)</u>	<u>\$ 99,798</u>	<u>\$ (3,109,521)</u>
Net Fixed Assests	<u>\$ 9,345,912</u>			<u>\$ 9,130,075</u>

NOTE 6- CAPITAL LEASE – BOOKSTORE

The Auxiliary has entered into a lease agreement as lessee for financing the acquisition of the bookstore from the State of California. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

**CALIFORNIA STATE UNIVERSITY, STANISLAUS
AUXILIARY AND BUSINESS SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 6- CAPITAL LEASE – BOOKSTORE (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2010 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 72,042	\$ 245,908
2012	77,476	242,174
2013	82,991	238,159
2014	88,118	233,857
2015	88,410	229,290
2016-2020	523,080	1,072,145
2021-2025	679,023	921,477
2026-2030	876,939	725,686
2031-2039	<u>2,256,520</u>	<u>623,480</u>
Total	<u>\$ 4,744,599</u>	<u>\$ 4,532,176</u>

Interest expense for the capital lease for the year ended June 30, 2010 and 2009 were \$249,139 and \$157,599, respectively.

NOTE 7- LONG-TERM DEBT

September 28, 1995, \$5,980,000 of Auxiliary Organization Revenue Certificates of Participation were issued to provide the necessary funding for the development and construction of the Residential Life Village II and the defeasance for the bonds issued on April 30, 1992. The \$1,285,000 of Serial Certificates bore interest at rates ranging from 3.75 percent to 4.875 percent per annum. Interest was payable semiannually on June 1 and December 1 in each year, commencing on December 1, 1995. Principal payments commenced on June 1, 1996. This series was advance refunded in April 2008.

The \$3,470,000 of Term Certificates bears interest at a rate varying from 3.5 to 5 percent per annum. Principal and unpaid interest will be due and payable as of November 1, 2022. The bonds were issued at premium in the amount of \$213,809, which is being amortized over the life of the bonds. The bond issuance cost was \$48,964, which is being amortized over the life of the bonds.

**CALIFORNIA STATE UNIVERSITY, STANISLAUS
AUXILIARY AND BUSINESS SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 7- LONG-TERM DEBT (Continued)

	Balance			Balance	Due Within
	June 30, 2009	Additions	Deductions	June 30, 2010	One Year
Bonds Payable:					
Revenue Bonds	\$ 3,665,000	\$ 0	\$ (195,000)	\$ 3,470,000	\$ 205,000
Total Bonds Payable	<u>3,665,000</u>	<u>0</u>	<u>(195,000)</u>	<u>3,470,000</u>	<u>205,000</u>
Unamortized Bond Premium	209,607	0	(6,750)	202,857	0
Long-Term Liabilities	<u>\$ 3,874,607</u>	<u>\$ 0</u>	<u>\$ (201,750)</u>	<u>\$ 3,672,857</u>	<u>\$ 205,000</u>

Principal maturities of the bond payable are as following:

Year Ending June 30	Principal	Interest
2011	\$ 205,000	\$ 154,525
2012	210,000	146,225
2013	220,000	137,625
2014	230,000	127,475
2015	240,000	116,925
2016-2020	1,370,000	414,313
2021-2023	<u>995,000</u>	<u>76,375</u>
Total	<u>\$ 3,470,000</u>	<u>\$ 1,173,463</u>

Interest expense for the long-term debt for the year ended June 30, 2010 and 2009 were \$146,134 and \$206,193, respectively.

**CALIFORNIA STATE UNIVERSITY, STANISLAUS
AUXILIARY AND BUSINESS SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 7- LONG-TERM DEBT (Continued)

Bond issuance cost and bond premium amortizations are as follows:

<u>Year Ending June 30</u>	<u>Issuance Costs</u>	<u>Premium</u>
2011	\$ 3,264	\$ 9,072
2012	3,264	10,797
2013	3,264	19,641
2014	3,264	15,819
2015	3,264	22,292
2016-2020	16,321	62,785
2021-2023	8,978	62,451
Total	<u>\$ 41,619</u>	<u>\$ 202,857</u>

NOTE 8- UNEMPLOYMENT INSURANCE TRUST

The Auxiliary is a member of the Auxiliary Organization Unemployment Insurance Trust ("Trust"). The Trust is a self-insurance fund for California State unemployment claims. The members of the Trust are nonprofit, public benefit auxiliary organizations affiliated with the various campuses of the California State University System.

All full-time Auxiliary employees are covered by the trust. Contributions by the members are a percentage of certain payroll expenditures. The percentage is adjusted based on each member's existing balances, claims experience, and payroll amount. The equity stated below belongs to the four auxiliaries at California State University, Stanislaus, although each entity's portion is undetermined.

The incurred but unreported claims have been estimated by the Trust. The related year-end charges have not been allocated to Member fund balances. The information below reflects audited balance sheet reports as of March 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Assets	\$ 12,653,556	\$ 9,923,405
Liabilities	\$ (608,337)	\$ (497,711)
Equity	<u>\$ 12,045,219</u>	<u>\$ 9,425,694</u>

The auxiliaries' share of members' equity as of June 30, 2010 and 2009 were \$156,014 and \$170,013, respectively.

**CALIFORNIA STATE UNIVERSITY, STANISLAUS
AUXILIARY AND BUSINESS SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 9- BOARD DESIGNATED FUND

Designated funds consist of funds reserved for the following items:

Dining Activities	\$ 131,050
Dining Plant	365,000
Vending Activities	4,000
Presidents Discretionary	62,283
Bookstore Activities	417,200
Bookstore Facility	50,000
Warrior cash	25,000
Admin & Business Srvs	168,726
Computer/office equip	30,000
Post-retirement benefits	132,982
Stockton Auxiliary	257,942
Residential Life Village Activities	433,025
Residential Life Village Plant	300,000
Totals	<u>\$ 2,377,208</u>

NOTE 10- RELATED PARTY TRANSACTIONS

The Auxiliary is related to the following entities:

California State University, Stanislaus
California State University, Foundation
Associated Students Incorporated of California State University, Stanislaus
University Student Union of California State University, Stanislaus

Transactions with the above entities consist of the following:

	CSUS	ASI	FDN	USU	Total
Accounts Receivable	\$ 332	\$ 1,100	\$ 0	\$ 0	\$ 1,432
Accounts Payable	(214,874)	0	0	(3,466)	(218,340)
Reimbursement for Salaries of Personnel	12,376	0	0	34,137	46,513
Administration Fees And Other Reimbursements	1,198,355	911	16,491	1,316	1,217,073
Gifts to the University	198,383	0	200,000	0	398,383
Payments Received for Services, Space, Programs	(652,898)	(1,475)	(2,159)	0	(656,532)

**CALIFORNIA STATE UNIVERSITY, STANISLAUS
AUXILIARY AND BUSINESS SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 11- POST-RETIREMENT BENEFIT PLAN

The Auxiliary provides lifetime postretirement medical coverage to employees (and their dependents) who retire at age 50 or older with at least five years of service from the Auxiliary, the Associated Students or the Student Union. The Auxiliary pays a portion of the cost of the benefit, up to a predetermined cap. Retirees are responsible for costs in excess of the cap. At June 30, 2010, the Auxiliary had two retired employees who were eligible to participate in the plan. The plan's obligations and funded status for the Auxiliary at June 30, 2010 are as follows:

Obligations and Funded Status

Change in Benefit obligation

Benefit obligation at beginning of year	\$ 162,982
Service cost	0
Interest cost	9,893
Amendments	N/A
Actuarial cost	7,960
Reduction Due To Curtailment	0
Acquisition	N/A
Benefits paid	(9,229)
Benefit obligation at end of year	<u>\$ 171,606</u>

Funded status

Benefit obligation at June 30, 2010	\$ 171,606
Unrecognized net transition obligation	\$ -
Unamortized prior service cost	\$ -
Unrecognized net actuarial (gain)/loss	\$ (297,105)
Prepaid (Accrued) Benefits	\$ (468,711)
Measurement date	30-Jun-10
(Unfunded) funded status at end of year	\$ (171,606)

Amounts recognized in the statement of financial position at June 30, 2010 consist of:

Noncurrent liabilities	\$ 171,606
Net periodic benefit cost	
Service cost	0
Interest cost	\$ 9,893
Expected return on plan assets	0
Amortization of transition obligation	0
Amortization of prior service cost	0
Amortization of net (gain)/loss	\$ (15,198)
Net periodic benefit cost	\$ (5,305)

**CALIFORNIA STATE UNIVERSITY, STANISLAUS
AUXILIARY AND BUSINESS SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 11- POST-RETIREMENT BENEFIT PLAN (Continued)

Assumptions

Weighted-average assumptions used to determine benefit obligations at June 30, 2010

Discount rate	5.50%
Expected long-term return on plan assets	N/A
Rate of compensation increase	N/A
Health care cost trend rate assumed for next year	7.60%
Rate to which the cost trend rate is assumed to Decline (the ultimate trend rate)	5.50%
Year that the rate reaches the ultimate trend rate	8 years

Expected benefit payments

2011	\$	9,905
2012	\$	10,650
2013	\$	11,312
2014	\$	11,969
2015	\$	9,359
Years 2016-2020	\$	52,681

The estimated net transition obligation and net actuarial (gain)/loss that will be amortized from the changes in unrestricted net assets into net periodic benefit cost over the next fiscal year are \$5,305 and \$(15,198), respectively.

The two retired employees covered under this plan were originally employees of the Foundation. In 2008 – 2009, the Auxiliary agreed to pay for the employees' post retirement benefits because the Foundation had no discretionary funds to pay this obligation.

NOTE 12- PENSION PLAN

The Auxiliary is a member of the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating entities within the State of California. The four auxiliaries at California State University, Stanislaus, contribute to PERS through the Auxiliary. All direct full-time Auxiliary employees are covered by the plan. (Reimbursed employees are covered by the CSUS's plan).

**CALIFORNIA STATE UNIVERSITY, STANISLAUS
AUXILIARY AND BUSINESS SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 12 - PENSION PLAN (Continued)

Starting July 1, 2008, the Auxiliary's full-time employees were paid by California State University, Stanislaus; therefore, the Auxiliary did not participate in PERS for the year ended June 30, 2010

The total unfunded pension benefit obligation for this plan at June 30, 2008, is noted below and relates to the four auxiliaries at California State University, Stanislaus, although each entity's portion is undetermined.

Funded status of pooled plan

Valuation date	6/30/2008
Accrued liabilities	\$532,483,463
Actuarial value of assets	\$513,147,099
Unfunded liability (excess assets)	\$ 19,336,364
Funded status	96.40%
Annual covered payroll	\$183,387,608
Unfunded liability (excess assets) as a percentage of covered payroll	10.5%

The significant actuarial assumptions used to calculate the above pension benefit obligation are the following:

Investment rate of return (net of administrative expenses)	7.75%
Salary growth (depending on age, services, and type of employment)	3.25% - 14.45%
Inflation	3.00%
Overall payroll growth	3.25%

Actuarial information as of June 30, 2010, is currently unavailable.

PERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the PERS' annual financial report may be obtained from the CalPERS Headquarters Office, Lincoln Plaza North, 400 Q Street, Sacramento, California 95811. Information about benefits and contributions expected to be paid in each of the next five fiscal years and the five years thereafter have not been provided by PERS.

Employer contributions by the Auxiliary for the fiscal year ended June 30, 2010 was \$30,286.

**CALIFORNIA STATE UNIVERSITY, STANISLAUS
AUXILIARY AND BUSINESS SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 13- FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Auxiliary in estimating the fair value of its financial instruments:

Investments – The fair value of investments in marketable equity and debt securities is based on quoted market prices. Non-marketable debt securities are valued based on estimated discounted future cash flows; non-marketable equity securities are carried at estimated current value if it is possible to determine this, otherwise at cost.

Due from/to Related Organization – The carrying amounts reported in the statement of financial position approximates fair value due to the short-term nature of the receivable.

The estimated fair values of the Auxiliary’s financial instruments are as follows:

	Carrying Value <u>June 30, 2010</u>	Fair Market Value <u>June 30, 2010</u>	Carrying Value <u>June 30, 2009</u>	Fair Market Value <u>June 30, 2009</u>
Short-term investments	\$ 0	\$ 0	\$ 0	\$ 0
Due from related organization	1,432	1,432	41,674	41,674
Due to related organization	218,340	218,340	10,423	10,423
Total	<u>\$ 219,772</u>	<u>\$ 219,772</u>	<u>\$ 52,097</u>	<u>\$ 52,097</u>

NOTE 14- PRIOR YEAR COMPARATIVE INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30 of the prior year, from which the summarized information was derived.

SUPPLEMENTAL INFORMATION

**CALIFORNIA STATE UNIVERSITY, STANISLAUS
AUXILIARY AND BUSINESS SERVICES
(A California Nonprofit Corporation)**

**SCHEDULE OF NET ASSETS
JUNE 30, 2010**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	408,093
Short-Term Investments - LAIF		2,338,054
Accounts Receivable, Net		33,845
Leases Receivable, Current Portion		0
Notes Receivable, Current Portion		0
Pledges Receivable, Net		0
Prepaid Expenses and Other Assets		0
Total Current Assets		2,779,992

NONCURRENT ASSETS

Restricted Cash and Cash Equivalents		0
Accounts Receivable, Net		0
Leases Receivable, Net of Current Portion		0
Notes Receivable, Net of Current Portion		0
Student Loans Receivable, Net		0
Pledges Receivable, Net		0
Endowment Investments		0
Other Long-Term Investments		0
Capital Assets, Net		9,130,075
Other Assets		41,619
Total Noncurrent Assets		9,171,694

TOTAL ASSETS		\$ 11,951,686
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SEE AUDITOR'S REPORT

**CALIFORNIA STATE UNIVERSITY, STANISLAUS
AUXILIARY AND BUSINESS SERVICES
(A California Nonprofit Corporation)**

**SCHEDULE OF NET ASSETS
JUNE 30, 2010**

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$	242,683
Accrued Salaries and Benefits Payable		0
Accrued Compensated Absences - Current Portion		0
Deferred Revenue		0
Capitalized Lease Obligations - Current Portion		72,042
Long-term Debt Obligations - Current Portion		205,000
Self-insurance Claims Liability - Current Portion		0
Other Liabilities		98,503
		618,228
Total Current Liabilities		618,228

NONCURRENT LIABILITIES

Accrued Compensated Absences, Net of Current Portion		0
Deferred Revenue		0
Capitalized Lease Obligations, Net of Current Portion		4,672,557
Grants Refundable		0
Long-term Debt Obligations, Net of Current Portion		3,467,857
Self-insurance Claims Liability, Net of Current Portion		0
Depository Accounts		0
Other Postemployment Benefits Obligation		171,606
		8,312,020
Total Noncurrent liabilities		8,312,020
		8,930,248

TOTAL LIABILITIES

NET ASSETS

Invested in Capital Assets, Net of Related Debt		712,619
Restricted for:		
Nonexpendable - endowments		0
Expendable:		
Scholarships and Fellowships		0
Research		0
Loans		0
Capital Project		0
Debt Service		0
Other		0
Unrestricted		2,308,819
		2,308,819
TOTAL NET ASSETS	\$	3,021,438

SEE AUDITOR'S REPORT

**CALIFORNIA STATE UNIVERSITY, STANISLAUS
AUXILIARY AND BUSINESS SERVICES
(A California Nonprofit Corporation)**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2010**

REVENUES

OPERATING REVENUES

Student Tuition and Fees (Net of Scholarship Allowances of \$0)	\$	0
Grants and Contracts, Noncapital:		
Federal		0
State and Local		0
Nongovernmental		0
Sales and Services of Educational Activities		0
Sales and Services of Auxiliary Enterprises (Net Scholarship of \$0)		1,125,722
Other Operating Revenues		<u>186,568</u>
Total Operating Revenues		1,312,290

EXPENSES

OPERATING EXPENSES

Instruction	0
Research	0
Public Service	0
Academic Support	0
Student Services	0
Institutional Support	246,999
Operation and Maintenance of Plant	59,548
Student Grants and Scholarships	0
Auxiliary Enterprise Expenses	448,994
Depreciation and Amortization	<u>395,315</u>
Total Operating Expenses	<u>1,150,856</u>
Operating Income	161,434

SEE AUDITOR'S REPORT

**CALIFORNIA STATE UNIVERSITY, STANISLAUS
AUXILIARY AND BUSINESS SERVICES
(A California Nonprofit Corporation)**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2010**

NONOPERATING REVENUES (EXPENSES)

State Appropriations, Noncapital	0
Federal Financial Aid Grants, Noncapital	0
State and Local Financial Aid Grants, Noncapital	0
Nongovernmental and Other Financial Aid Grants, Noncapital	0
Gifts, Noncapital	0
Investment Income, Net	17,583
Endowment Income	0
Interest on Capital-Related Debt	(395,273)
Other Nonoperating Revenues (Expenses)	(517,204)
Net Nonoperating Revenues	(894,894)
Income Before Other Additions	(733,460)
State Appropriations, Capital	0
Grants and Gifts, Capital	0
Additions to Permanent Endowments	0
Increase in Net Assets	(733,460)
NET ASSETS	
Net Assets at Beginning of Year	<u>3,754,898</u>
Net Assets at End of Year	<u>\$ 3,021,438</u>

**CALIFORNIA STATE UNIVERSITY, STANISLAUS
AUXILIARY AND BUSINESS SERVICES
(A California Nonprofit Corporation)**

**OTHER INFORMATION
JUNE 30, 2010**

1 Restricted Cash and Cash Equivalents at June 30, 2010

All Other Restricted Cash and Cash Equivalents: 0
Total Restricted Cash and Cash Equivalents 0

2.1 Composition of Investments at June 30, 2010

	Current	Noncurrent	Total 2010
Local Agency Investment Fund	\$ 2,338,054	0	\$ 2,338,054
Other Investments	<u>0</u>	<u>0</u>	<u>0</u>
Total Investments	\$ 2,338,054	0	\$ 2,338,054

3.1 Compositions of Capital Assets At June 30, 2010

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010
Nondepreciable Capital Assets:				
Land and Land Improvements	\$ 287,300	\$ 0	\$ 0	\$ 287,300
Construction in Progress	<u>0</u>	<u>195,399</u>	<u>0</u>	<u>195,399</u>
Total Nondepreciable Capital Assets	<u>287,300</u>	<u>195,399</u>	<u>0</u>	<u>482,699</u>
Depreciable Capital Assets				
Buildings	5,618,463	0	(288,572)	5,329,891
Leasehold Improvements	5,781,522	141,257	0	5,922,779
Personal Property:				
Equipment	<u>475,895</u>	<u>31,997</u>	<u>(3,665)</u>	<u>504,227</u>
Total Depreciable Capital Assets	<u>11,875,880</u>	<u>173,254</u>	<u>(292,237)</u>	<u>11,756,897</u>
Total Capital Assets	\$ 12,163,180	\$ 368,653	\$ (292,237)	\$ 12,239,596

**CALIFORNIA STATE UNIVERSITY, STANISLAUS
AUXILIARY AND BUSINESS SERVICES
(A California Nonprofit Corporation)**

**OTHER INFORMATION
JUNE 30, 2010**

3.1 Compositions of Capital Assets At June 30, 2010 (Continued)

Less Accumulated Depreciation:

Buildings	\$ (1,959,715)	\$ (140,462)	\$ 99,798	\$ (2,000,379)
Leasehold Improvements	(526,302)	(206,757)	0	(733,059)
Personal Property:				
Equipment	(331,251)	(44,832)	0	(376,083)
Total Accumulated Depreciation	(2,817,268)	(392,051)	99,798	(3,109,521)
Net Capital Assets	<u>\$ 9,345,912</u>	<u>\$ (23,398)</u>	<u>\$ (192,439)</u>	<u>\$ 9,130,075</u>

Detail of Depreciation and Amortization Expense

Depreciation and Amortization Expense Related to Capital Assets	\$ 392,051
Amortization Expense Related to Other Assets	3,264
Total Depreciation and Amortization	<u>\$ 395,315</u>

4 Long-term liabilities activity schedule:

	<u>Beginning Balance 30-Jun-09</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance 30-Jun-10</u>	<u>Due Within One Year</u>
Capitalized Lease Obligations:					
Gross Balance	\$ 4,815,943	\$ 0	\$ (71,344)	\$ 4,744,599	\$ 72,042
Total Capitalized Lease Obligation	<u>4,815,943</u>	<u>0</u>	<u>(71,344)</u>	<u>4,744,599</u>	<u>72,042</u>
Long-Term Debt Obligations:					
Revenue Bond	<u>3,665,000</u>	<u>0</u>	<u>(195,000)</u>	<u>3,470,000</u>	<u>205,000</u>
Total Long-Term Debt Obligations	3,665,000	0	(195,000)	3,470,000	205,000
Unamortized Bond Premium	<u>209,607</u>	<u>0</u>	<u>(6,750)</u>	<u>202,857</u>	<u>0</u>
Total Long-Term Debt Obligations, Net	<u>3,874,607</u>	<u>0</u>	<u>(201,750)</u>	<u>3,672,857</u>	<u>205,000</u>
Total Long-Term Liabilities	<u>\$ 8,690,550</u>	<u>\$ 0</u>	<u>\$ (273,094)</u>	<u>\$ 8,417,456</u>	<u>\$ 277,042</u>

SEE AUDITOR'S REPORT

**CALIFORNIA STATE UNIVERSITY, STANISLAUS
AUXILIARY AND BUSINESS SERVICES
(A California Nonprofit Corporation)**

**OTHER INFORMATION
JUNE 30, 2010**

5 Future minimum lease payments - capital lease obligations:

Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Principal and Interest</u>
2011	\$ 72,042	\$ 245,908	\$ 317,950
2012	77,476	242,174	319,650
2013	82,991	238,159	321,150
2014	88,118	233,857	321,975
2015	88,410	229,290	317,700
2016-2020	523,080	1,072,145	1,595,225
2021-2025	679,023	921,477	1,600,500
2026-2030	876,939	725,686	1,602,625
2031-2039	2,256,520	623,480	<u>2,880,000</u>
Total Minimum Lease Payments			9,276,775
Less Amounts Representing Interest			<u>(4,532,176)</u>
Present Value of Future Minimum Lease Payments			4,744,599
Less Current Portion			<u>(72,042)</u>
Capitalized Lease Obligation, Net of Current Portion			<u>\$ 4,672,557</u>

6 Long-term debt obligation schedule:

Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Principal and Interest</u>
2010	\$ 205,000	\$ 154,525	\$ 359,525
2011	210,000	146,225	356,225
2012	220,000	137,625	357,625
2013	230,000	127,475	357,475
2014	240,000	116,925	356,925
2015-2019	1,370,000	414,313	1,784,313
2020-2023	995,000	76,375	<u>1,071,375</u>
Total	<u>\$ 3,470,000</u>	<u>\$ 1,173,463</u>	<u>\$ 4,643,463</u>

SEE AUDITOR'S REPORT

**CALIFORNIA STATE UNIVERSITY, STANISLAUS
AUXILIARY AND BUSINESS SERVICES
(A California Nonprofit Corporation)**

**OTHER INFORMATION
JUNE 30, 2010**

7 Calculation of net assets

	Auxiliary Organizations		Total
	GASB	FASB	Auxiliaries
7.1 Calculation of Net Assets - Invested in Capital Assets, Net of Related Debt			
Capital assets, net of accumulated depreciation	\$ 0	\$ 9,130,075	\$ 9,130,075
Long-Term Capital Lease - Current Portion	0	(72,042)	(72,042)
Long-Term Debt Obligations - Current Portion	0	(205,000)	(205,000)
Long-Term Debt Obligations - Net Of Current Portion	0	(3,467,857)	(3,467,857)
Long-Term Capital Lease - Net Of Current Portion	0	(4,672,557)	(4,672,557)
Net Assets - Invested in Capital Assets, Net of Related Debt	\$ 0	\$ 712,619	\$ 712,619

8 Transactions with Related Entities

	Amount
Reimbursements to University for salaries of University personnel working on contracts, grants, and other programs	\$ 12,376
Reimbursements to University for expenses other than salaries of University personnel	\$ 1,198,355
Payments received from University for services, space and programs	\$ (652,898)
Amount of Gifts to the University	\$ 198,383
Amounts (payable to) University (enter as negative number)	\$ (214,874)
Amounts receivable from University	\$ 332

9 Other Postemployment Benefits Obligation (OPEB)

Annual required contribution (ARC)	\$ 8,624
Contributions during the year	0
Increase in net OPEB obligation (NOO)	8,624
 NOO Beginning of Year	 162,982
NOO End of Year	\$ 171,606

10 The nature and amount of the prior period adjustment(s) recorded to beginning net assets: None

SEE AUDITOR'S REPORT