

**The Student Union of San  
José State University**  
(A California State University Auxiliary  
Organization)

Financial Report  
June 30, 2017

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RSM US LLP

## Independent Auditor's Report

To the Board of Directors  
The Student Union of San José State University  
San José, California

### Report on the Financial Statements

We have audited the accompanying financial statements of The Student Union of San José State University (a California State University auxiliary organization) (the Student Union), which comprise the statements of net position as of June 30, 2017 and 2016, the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Student Union's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Student Union's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Student Union of San José State University as of June 30, 2017 and 2016, and the changes in its net position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Student Union's financial statements. The accompanying schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

***RSM US LLP***

Tacoma, Washington  
September 21, 2017

**The Student Union of San José State University  
(A California State University Auxiliary Organization)**

**Management's Discussion and Analysis  
Years Ended June 30, 2017 and 2016**

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**Management's Discussion and Analysis**

This section of The Student Union of San José State University's (the Student Union) annual financial report includes management's discussion and analysis of the financial performance of the Student Union for fiscal years ended June 30, 2017 and 2016. This discussion should be read in conjunction with the financial statements and notes to the financial statements.

**Introduction to The Student Union of San José State University**

The Student Union is a California State University auxiliary organization that manages and maintains major facilities at the San José State University campus located in downtown San José, California. The Student Union began its operations at San José State University in October 1969 and became incorporated in March 1982. The facilities include the Student Union building, the Aquatic Center, the Event Center building and a small ATM building. The nonprofit corporation has been in business for more than 46 years in California and receives no state funding. Revenue is derived from collected student fees, various service fees and rental of space in its facilities. Students interact with the Student Union on a daily basis, through the use of facilities, participation in sponsored events, or through a Student Union program. The Student Union also acts as a bridge to the greater campus community, whose members make use of recreational opportunities and attend the diverse concerts and events on the San José State University campus.

The Student Union underwent major renovations starting in 2010 in anticipation of the needs of future students. This project included the expansion of the current Student Union building to the west and east sides, as well as the complete renovation of the current Student Union building. The east and west additions opened in fall semester 2014 and the renovated middle section of the Student Union opened its doors in April 2016. The student fees currently being collected will also pay for the future expansion and renovation of the upcoming Recreation & Aquatic Center Project, which began construction in early Fall 2016. This upcoming facility expansion will better meet the needs and demands of our growing student clubs and organizations, as well as provide social, recreational and educational space for all our students, which include all of our new and returning residential students. Student Union facilities enhance the opportunities for students, faculty and staff to socialize, congregate and engage outside of the classroom.

The Student Union is governed by its Board of Directors, composed of eleven (11) voting members:

- Students—Six (6)
- Faculty—Two (2)
- Administrators—Two (2)
- Community Member—One (1)

The Student Union's executive director is the Board secretary, which is a non-voting position. The Board of Directors meets at least once quarterly, reviews and develops policy and approves the annual budget. The executive director manages and is administratively responsible for the day-to-day operations of the corporation.

There are four subcommittees of the Board that address: personnel, facilities and programs, audits, and the finances and reserves of the corporation.

**The Student Union of San José State University  
(A California State University Auxiliary Organization)**

**Management's Discussion and Analysis  
Years Ended June 30, 2017 and 2016**

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The Student Union's financial reserves consist of local reserves held locally by the corporation and the balance of the collected student fees held in trust by San José State University. These reserves are reviewed quarterly by the Board of Directors to ensure financial stability of the Student Union as well as provide adequate funding for future capital improvements and the continued expansion of its facilities.

**Introduction to the Financial Statements**

The Student Union's financial statements include the statements of net position, statements of revenues, expenses and changes in net position, and statements of cash flows. These statements are supported by notes to the financial statements and management's discussion and analysis. All sections must be considered together to obtain a complete understanding of the financial position of the Student Union.

**Statements of net position:** The statements of net position include all assets and liabilities. Assets and liabilities are reported on an accrual basis as of the statement date. It also identifies major categories of restrictions (if any) on the net position of the Student Union.

**Statements of revenues, expenses and changes in net position:** The statements of revenues, expenses and changes in net position present the revenues earned and expenses incurred during the year on an accrual basis.

**Statements of cash flows:** The statements of cash flows present the inflows and outflows of cash for the year and are summarized by operating, financing and investing activities. These statements are prepared using the direct method of cash flows and, therefore, present gross rather than net amounts for the year's activities.

**Overview**

**Summary**

The following discussion highlights management's understanding of the key financial aspects of the Student Union's financial activities as of and for the years ended June 30, 2017, 2016 and 2015. Included are comparative analyses of current and prior years' activities and balances and a discussion of restrictions (if any) of the Student Union's net position.

**The Student Union of San José State University  
(A California State University Auxiliary Organization)**

**Management's Discussion and Analysis  
Years Ended June 30, 2017 and 2016**

**Condensed Summary of Net Position**

The Student Union's condensed summary of net position as of June 30 is as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Assets:			
Current assets	\$ 4,675,382	\$ 1,039,964	\$ 1,263,770
Noncurrent assets	10,754,804	11,299,516	9,702,933
Total assets	<u>\$ 15,430,186</u>	<u>\$ 12,339,480</u>	<u>\$ 10,966,703</u>
Liabilities:			
Current liabilities	\$ 4,933,330	\$ 1,900,191	\$ 1,729,812
Noncurrent liabilities	109,207	102,399	108,639
Total liabilities	<u>\$ 5,042,537</u>	<u>\$ 2,002,590</u>	<u>\$ 1,838,451</u>
Net position:			
Unrestricted:			
Investment in capital assets	\$ 4,050,435	\$ 3,024,725	\$ 2,995,652
Board-designated	1,622,570	2,401,383	3,054,313
Unallocated	4,714,644	4,910,782	3,078,287
Total net position	<u>\$ 10,387,649</u>	<u>\$ 10,336,890</u>	<u>\$ 9,128,252</u>

**Assets:** Total assets increased \$3 million overall from FY 2016 to FY 2017 primarily due to a receivable from the University. Total assets increased \$1.4 million overall from FY 2015 to FY 2016 due primarily to an increase in the investment portfolio.

Current assets increased by \$3.6 million FY 2016 to FY 2017 primarily due to a receivable from the University of \$3 million and an increase in cash and cash equivalent of \$460 thousand at year-end. Current assets decreased by \$223 thousand FY 2015 to FY 2016 primarily due to a reduction in accounts receivable and cash and cash equivalent at year-end.

Noncurrent assets decreased \$545 thousand overall from FY 2016 to FY 2017 due to an decrease in the investment portfolio of \$1.6 million and an increase in capital assets of \$1 million. Noncurrent assets increased \$1.6 million overall from FY 2015 to FY 2016 due to an increase in the investment portfolio of \$1.6 million and an increase in capital assets of \$29 thousand.

**The Student Union of San José State University  
(A California State University Auxiliary Organization)**

**Management's Discussion and Analysis  
Years Ended June 30, 2017 and 2016**

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**Liabilities:** Current liabilities increased \$3 million overall from FY 2016 to FY 2017 due primarily to a payable to the SJSU Tower Foundation. Current liabilities increased \$170 thousand overall from FY 2015 to FY 2016 due to an increase of \$170 thousand in accounts payable at year-end, an increase of \$39 thousand in accrued payroll and related expenses, and a decrease of \$38 thousand in other accrued liabilities, primarily due to a decrease in ticket sales for future events.

Noncurrent liabilities increased by \$7 thousand from FY 2016 to FY 2017 due to an increase of \$23 thousand in the SJSU Club Sports checking account and a decrease in the IRA Trust Account for Club Sports of \$16 thousand due to decreased operational expenses. Noncurrent liabilities decreased by \$7 thousand from FY 2015 to FY 2016 due to a decrease of \$15 thousand in the SJSU Club Sports checking account and an increase in the IRA Trust Account for Club Sports of \$8 thousand due to decreased operational expenses.

**Net position:** Total net position increased \$51 thousand from FY 2016 to FY 2017 due to an increase in investments in capital assets of \$1 million, a decrease of \$779 thousand in board-designated projects and a decrease of \$196 thousand in unallocated net position, which accounts for the changes between the net asset categories. Overall, net position for FY 2017 increased \$51 thousand due primarily to an increase in investment in capital assets of \$1 million. Total net position increased \$1.8 million from FY 2015 to FY 2016 due to an increase in investments in capital assets of \$30 thousand, a decrease of \$653 thousand in board-designated projects and an increase of \$1.8 million in unallocated net position, which accounts for the changes between the net asset categories. Overall, net position for FY 2016 increased \$1.2 million due primarily to an increase in student union fees of \$4 million for increased operational expenses and \$2.1 million in board-designated projects.

**Restricted resources:** Net position of the Student Union does not include any restricted resources.

**Restricted net position:** All net position of the Student Union is unrestricted.

**The Student Union of San José State University  
(A California State University Auxiliary Organization)**

**Management's Discussion and Analysis  
Years Ended June 30, 2017 and 2016**

The Student Union's condensed summary of revenues, expenses and changes in net position for the years ended June 30 is as follows:

**Condensed Summary of Revenues, Expenses and Changes in Net Position:**

	<b>2017</b>	2016	2015
Operating revenues:			
Student Union fees	<b>\$ 9,542,110</b>	\$ 8,144,892	\$ 4,095,733
Service fees	<b>185,875</b>	181,340	194,012
Reimbursement of event costs	<b>830,387</b>	1,071,975	1,092,128
Rental income	<b>1,885,053</b>	1,750,024	1,872,052
Reimbursement of wages and benefits	<b>354,029</b>	339,912	388,680
Commissions	<b>171,489</b>	199,087	284,261
Other	<b>44,948</b>	38,078	73,755
Total operating revenues	<b>13,013,891</b>	11,725,308	8,000,621
Operating expenses:			
Wages, benefits, and taxes	<b>5,462,451</b>	4,812,036	4,355,429
Contribution to Tower Foundation (Note 9)	<b>3,000,000</b>	-	-
Insurance	<b>205,384</b>	171,128	200,632
Supplies	<b>319,071</b>	308,311	261,303
Communications	<b>172,443</b>	157,230	118,587
Repairs and maintenance	<b>171,630</b>	150,338	147,420
Utilities	<b>1,037,615</b>	898,126	678,848
Event costs	<b>925,339</b>	1,148,066	1,174,957
Small equipment purchases	<b>76,626</b>	115,897	95,831
Depreciation	<b>465,528</b>	1,057,461	526,519
Business services	<b>1,446,296</b>	1,283,838	1,202,008
Miscellaneous	<b>92,498</b>	66,884	40,751
Project expenditures	<b>314,662</b>	177,506	22,189
Total operating expenses	<b>13,689,543</b>	10,346,821	8,824,474
Total operating (loss) income	<b>(675,652)</b>	1,378,487	(823,853)
Nonoperating revenues (expenses):			
Investment income (loss), net	<b>726,411</b>	(169,849)	27,132
Increase (decrease) in net position	<b>50,759</b>	1,208,638	(796,721)
Net position:			
Beginning of year	<b>10,336,890</b>	9,128,252	9,924,973
End of year	<b>\$ 10,387,649</b>	\$ 10,336,890	\$ 9,128,252

**The Student Union of San José State University  
(A California State University Auxiliary Organization)**

**Management's Discussion and Analysis  
Years Ended June 30, 2017 and 2016**

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**Operating revenues:** Total operating revenues increased \$1.3 million from FY 2016 to FY 2017 due primarily to an increase in the return of student fees for operations and for board-designated projects. Total operating revenues increased \$4 million from FY 2015 to FY 2016 due primarily to an increase in the return of student fees for operations and board-designated projects.

Student Union fees returned for operations were approximately 73 percent of total operating revenues in FY 2017 compared to 69 percent of total operating revenues in FY 2016, an increase of \$1.4 million from prior year. Student Union fees returned for operations were approximately 69 percent of total operating revenues in FY 2016 compared to 52 percent of total operating revenues in FY 2015, an increase of \$4 million from prior year.

Rental income increased slightly by \$135 thousand from FY 2016 to FY 2017 due primarily to increased rental income activities in the Event Center Arena. Rental income decreased slightly by \$122 thousand from FY 2015 to FY 2016 due primarily to decreased activity in the Event Center Arena.

Reimbursement of event costs decreased by \$242 thousand from FY 2016 to FY 2017 due to the decrease in activity in the Event Center Arena. Reimbursement of event costs decreased by \$49 thousand from FY 2015 to FY 2016 due to the decrease in activity in the Event Center Arena.

Commission income decreased \$28 thousand from FY 2016 to FY 2017, again due primarily to the decrease in concerts and other events in the Event Center Arena. Commission income decreased \$85 thousand from FY 2015 to FY 2016, due primarily to the decrease in concerts and other events in the Event Center Arena.

The remaining operating revenues increased by \$25 thousand from FY 2016 to FY 2017 due to an increase in service fees of \$5 thousand, an increase of \$14 thousand in reimbursement of wages, and benefits and a \$6 thousand increase in other operating revenues. The remaining operating revenues decreased by \$98 thousand from FY 2015 to FY 2016 due to a decrease in service fees of \$13 thousand, a decrease of \$49 thousand in reimbursement of wages, and benefits and a \$36 thousand decrease in other operating revenues.

**Operating expenses:** Total operating expenses increased \$3.3 million overall from FY 2016 to FY 2017 due primarily to a \$3 million contribution made to the SJSU Tower Foundation for a Student Union project as well as an increase in wages. Total operating expenses increased \$1.5 million overall from FY 2015 to FY 2016 due primarily to increased wages, increased utilities, depreciation and project expenditures.

The operating expenses for the Student Union are made up principally of wages and benefits, which increased approximately \$650 thousand from FY 2016 to FY 2017. There was an increase in overall utilities of \$139 thousand, a decrease of \$592 thousand in depreciation, an increase of \$162 thousand in business services, and an increase in project expenditures of \$137 thousand. The operating expenses for the Student Union are made up principally of wages and benefits, which increased approximately \$457 thousand from FY 2015 to FY 2016. The opening of the New Student Union is the main reason for staffing increases. There was an increase in overall utilities of \$219 thousand, an increase of \$531 thousand in depreciation, an increase of \$81 thousand in business services, and an increase in project expenditures of \$155 thousand.

**The Student Union of San José State University  
(A California State University Auxiliary Organization)**

**Management's Discussion and Analysis  
Years Ended June 30, 2017 and 2016**

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**Nonoperating revenues (expenses):** Nonoperating revenues (expenses) come from sources that are not part of the Student Union's primary business functions. Included in this classification are interest expense, investment income and changes in the fair value of investments.

Investment income at June 30, 2017, was \$726 thousand, a significant increase of \$896 thousand from prior year FY 2016. The \$726 thousand investment income is made up of \$412 thousand in interest, \$607 thousand in unrealized gains and of \$293 thousand in realized losses. Investment loss at June 30, 2016, was \$(170) thousand, a significant decrease of \$197 thousand from prior year FY 2015. The \$(170) thousand investment loss is made up of \$535 thousand in interest, \$495 thousand in unrealized losses and of \$210 thousand in realized losses.

**Transfer of assets from affiliated organizations:** The Student Union does not have any transfer of assets from affiliated organizations.

The Student Union of San José State University  
(A California State University Auxiliary Organization)

Statements of Net Position  
June 30, 2017 and 2016

	2017	2016
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 10)	\$ 902,775	\$ 442,658
Investments (Notes 3 and 10)	319,234	260,884
Accounts receivable (Note 9)	323,255	235,271
Receivable from the University (Note 9)	3,016,305	-
Prepaid expenses and other	113,813	101,151
<b>Total current assets</b>	<b>4,675,382</b>	<b>1,039,964</b>
Noncurrent assets:		
Restricted cash	25,000	25,000
Investments (Notes 3 and 10)	6,570,162	8,147,392
Funds held in trust	109,207	102,399
Capital assets, net (Notes 4 and 5)	4,050,435	3,024,725
<b>Total noncurrent assets</b>	<b>10,754,804</b>	<b>11,299,516</b>
<b>Total assets</b>	<b>\$ 15,430,186</b>	<b>\$ 12,339,480</b>
<b>Liabilities and Net Position</b>		
Current liabilities:		
Accounts payable (Note 9)	\$ 1,070,954	\$ 1,308,707
Accrued payroll and related expenses	463,796	425,410
Payable to the Tower Foundation (Note 9)	3,000,000	-
Other accrued liabilities (Note 9)	398,580	166,074
<b>Total current liabilities</b>	<b>4,933,330</b>	<b>1,900,191</b>
Funds held in trust liability	109,207	102,399
<b>Total liabilities</b>	<b>5,042,537</b>	<b>2,002,590</b>
Net position:		
Investment in capital assets	4,050,435	3,024,725
Unrestricted:		
Board-designated (Note 5)	1,622,570	2,401,383
Unallocated	4,714,644	4,910,782
<b>Total net position</b>	<b>\$ 10,387,649</b>	<b>\$ 10,336,890</b>

See notes to financial statements.

**The Student Union of San José State University  
(A California State University Auxiliary Organization)**

**Statements of Revenues, Expenses and Changes in Net Position  
Years Ended June 30, 2017 and 2016**

	2017	2016
Operating revenues:		
Student Union fees (Note 9)	\$ 9,542,110	\$ 8,144,892
Service fees	185,875	181,340
Reimbursement of event costs	830,387	1,071,975
Rental income	1,885,053	1,750,024
Reimbursed wages and benefits	354,029	339,912
Commissions	171,489	199,087
Other	44,948	38,078
<b>Total operating revenues</b>	<b>13,013,891</b>	<b>11,725,308</b>
Operating expenses:		
Wages, benefits and taxes (Note 6)	5,462,451	4,812,036
Contribution to Tower Foundation (Note 9)	3,000,000	-
Insurance	205,384	171,128
Supplies	319,071	308,311
Communications	172,443	157,230
Repairs and maintenance	171,630	150,338
Utilities	1,037,615	898,126
Event costs	925,339	1,148,066
Small equipment purchases	76,626	115,897
Depreciation	465,528	1,057,461
Business services (Note 8)	1,446,296	1,283,838
Miscellaneous	92,498	66,884
Project expenditures	314,662	177,506
<b>Total operating expenses</b>	<b>13,689,543</b>	<b>10,346,821</b>
<b>Operating (loss) income</b>	<b>(675,652)</b>	<b>1,378,487</b>
Nonoperating revenue (expenses):		
Investment income (loss), net	726,411	(169,849)
<b>Increase in net position</b>	<b>50,759</b>	<b>1,208,638</b>
Net position:		
Beginning of year	10,336,890	9,128,252
End of year	<b>\$ 10,387,649</b>	<b>\$ 10,336,890</b>

See notes to financial statements.

**The Student Union of San José State University  
(A California State University Auxiliary Organization)**

**Statements of Cash Flows  
Years Ended June 30, 2017 and 2016**

	2017	2016
Cash flows from operating activities:		
Sales and services of auxiliary enterprises	\$ 6,693,165	\$ 11,776,664
Payments to suppliers	(1,779,473)	(4,376,900)
Payments to employees	(4,273,934)	(4,084,269)
Payments to students	(1,150,131)	(710,601)
Other receipts	216,437	237,165
<b>Net cash (used in) provided by operating activities</b>	<b>(293,936)</b>	<b>2,842,059</b>
Cash flows from capital and related financing activities:		
Acquisitions of capital assets	(1,491,238)	(1,086,534)
Cash flows from investing activities:		
Investment income reinvested	119,280	325,217
Sales of investments	3,910,522	4,892,434
Purchase of investments	(1,784,511)	(7,214,310)
<b>Net cash provided by (used in) investing activities</b>	<b>2,245,291</b>	<b>(1,996,659)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>460,117</b>	<b>(241,134)</b>
Cash and cash equivalents:		
Beginning of year	442,658	683,792
End of year	\$ 902,775	\$ 442,658
Reconciliation of net operating (loss) income to net cash (used in) provided by operating activities:		
Operating (loss) income	\$ (675,652)	\$ 1,378,487
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:		
Depreciation and amortization	465,528	1,057,461
Change in assets and liabilities:		
Accounts receivable, net and due from University	(3,104,289)	267,152
Prepaid expenses and other current assets	(12,662)	(31,420)
Accounts payable	(237,753)	169,892
Accrued salaries and benefits	38,386	38,534
Other liabilities	3,232,506	(38,047)
<b>Net cash (used in) provided by operating activities</b>	<b>\$ (293,936)</b>	<b>\$ 2,842,059</b>

See notes to financial statements.

**The Student Union of San José State University  
(A California State University Auxiliary Organization)**

**Notes to Financial Statements**

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**Note 1. General Information**

The Student Union of San José State University (the Student Union) is an auxiliary organization in the California State University (CSU) system. The purposes of the Student Union are to provide cultural, educational, social and recreational services to the San José State University (the University) campus community, and to manage and operate the newly-renovated Student Union building, the Event Center building, the Aquatic Center and the ATM building, which are leased from the University.

**Note 2. Summary of Significant Accounting Policies**

**Measurement focus and basis of presentation:** The financial statements of the Student Union have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Student Union has chosen to continue to follow accounting standards applicable to private sector entities, issued prior to November 30, 1989, that do not conflict with or contradict GASB pronouncements. The Student Union is accounted for on a flow of economic resources measurement focus and the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

**Classification of current and noncurrent assets and liabilities:** The Student Union considers those assets to be current which can be reasonably expected, as part of its normal business operation, to be converted to cash and available for liquidation of current liabilities within 12 months of the statements of net position date. Liabilities that can be reasonably expected, as the normal operation, to be liquidated within 12 months of the statements of net position are considered current. All other assets and liabilities are considered to be noncurrent.

**Cash and cash equivalents:** The Student Union considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

**Accounts receivable:** Accounts receivable are recorded when services are performed at the actual amount expected to be collected. Management has determined that no allowance for doubtful accounts is necessary at June 30, 2017 and 2016.

**Restricted cash:** The Student Union contracts with Ticketmaster to gain access to its hardware and software. The Student Union serves as a Ticketmaster outlet that allows the sale of all tickets on the system as well as Event Center Arena ticket sales and tickets for other campus events. As part of the agreement, a letter of credit is required in the amount of \$25,000, payable to Ticketmaster.

**Funds held in trust:** The Student Union holds three accounts in trust:

**Glass Reserve Account** - This account was established upon mutual agreement between the Student Union and Spartan Shops, Inc., another auxiliary on the campus. The funds are specifically designated for the repair and replacement of any exterior glass in the Student Union building. All repairs and replacement of glass are handled by the Student Union, as well as payment of any vendor invoices. The balances in this account as of June 30, 2017 and 2016, were \$14,303 and \$14,300, respectively.

**The Student Union of San José State University  
(A California State University Auxiliary Organization)**

**Notes to Financial Statements**

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**Note 2. Summary of Significant Accounting Policies (Continued)**

***Instructionally Related Activities (IRA) Trust Account*** - This account was established upon mutual agreement with the University in a Memorandum of Understanding dated August 1, 2006, allowing the Student Union to manage and oversee the SJSU Club Sports Program. The funds are held in trust for the following obligations:

- Insurance for SJSU Club Sports participants.
- Insurance for other recognized student clubs and organizations events.
- Annual allocations for SJSU Club Sports teams and contingency funds.
- Reimbursement to the Student Union for SJSU Club Sports departmental expenditures.

The IRA Trust Account balance at June 30, 2017 and 2016, was \$19,358 and \$35,225, respectively.

***SJSU Club Sports Checking Account*** - This account was established as a result of a CSU Chancellor's Office Executive Order prohibiting any recognized student organizations from having off-campus bank accounts. As a result of the Executive Order, SJSU Club Sports has one bank account, which is overseen by the Student Union as well as the processing of all its financial transactions. The balance in this checking account as of June 30, 2017 and 2016, was \$75,546 and \$52,874, respectively.

**Investments:** Investments are carried at fair market value, as determined by quoted market prices, with realized and unrealized gains and losses included on the statements of revenues, expenses and changes in net position. The Student Union has certain investments in which fair value is determined by using independent quotation bureaus that utilize computerized valuation formulas to calculate current value, which approximates fair value. Dividends and interest income are accrued when earned.

**Premises and equipment:** The Student Union's premises are leased from the Trustees of the California State University system. All building costs, capital equipment, operating expenses, and repairs and maintenance costs, however, are obligations of the Student Union. The Student Union capitalizes all equipment purchases over \$5,000.

**Depreciation:** Capital assets are stated at cost less accumulated depreciation. Depreciation is provided for using the straight-line method over the estimated useful lives of the respective assets, generally three to seven years or, in the case of leasehold improvements, generally 15 years or the life of the lease.

**Compensated absences:** The Student Union accrues vacation benefits for eligible employees at various rates, depending upon length of service. Eligible full-time employees accrue sick leave at the rate of 96.0 hours at January 1 each year and are paid a portion of the remaining unused sick leave at the end of December. Employees are not paid for unused sick leave at the end of employment. The Student Union adopted the mandated sick leave for non-benefited employees as of July 1, 2015. All non-benefited employees will accrue 24.0 hours of sick leave annually. At June 30, 2017 and 2016, the Student Union had balances of \$296,553 and \$248,443 of compensated absences, respectively. During 2017 and 2016, \$310,322 and \$296,439, respectively, of compensated absences were earned and \$262,212 and \$264,610, respectively, were used.

**The Student Union of San José State University  
(A California State University Auxiliary Organization)**

**Notes to Financial Statements**

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**Note 2. Summary of Significant Accounting Policies (Continued)**

**Student Union employees:** Certain Student Union employees are employees of the University, and are reimbursed by the Student Union. The reimbursements totaled \$294,208 and \$983,926 for the years ended June 30, 2017 and 2016, respectively.

**Net position:** The Student Union's net position is classified as unrestricted. In addition, unallocated net position may be designated by the Board of Directors of the Student Union.

**Revenue:** The University allocates a portion of the students' fees, following debt service obligations, based on the Student Union's University-approved budget request. These fees are recognized as revenue when received. Rental income is recognized as revenue when earned and consists of fees from conference room rentals, audio-visual operations and other services within the Student Union building, the Event Center building and the Aquatic Center. The Student Union receives a share of entrance fees, parking fees and concession sales collected at events held in the Event Center Arena. Commission revenue (from event concessions, parking, ticket sales, vending, etc.) is recognized when earned. The Student Union also charges a rental fee to promoters who stage events in the Event Center Arena, which represents a reimbursement of costs incurred by the Student Union. This reimbursement is reflected as revenue when earned.

**Concentrations:** The Student Union's customer base is composed primarily of San José State University students, faculty, staff, alumni and other auxiliary organizations.

**Income taxes:** The Student Union is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and Section 23701(d) of the California Revenues and Taxation Code, respectively. Accordingly, no provision for income taxes has been recorded. Form 990, filed by the Student Union, is subject to examination by the Internal Revenue Service up to three years from the extended due date of each return. Generally, the Student Union is no longer subject to income tax examinations by the U.S., federal, state or local tax authorities for years before 2014.

**Use of estimates:** In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, at the date of the financial statements, as well as revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Recent accounting pronouncements:** In June 2015, GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement requires the recognition of other postemployment benefits (OPEB) expense. OPEB liability is required to be recognized to the extent the liability is normally expected to be liquidated with expendable available financial resources. Disclosures are required about the OPEB plan and benefit terms, contribution rates and how they are determined, and amounts attributed to employee service and forfeitures in the current period. Statement 75 is effective for fiscal years beginning after June 15, 2017. The future adoption of this new statement is expected to have an impact on the financial statements and disclosures.

In November 2016, GASB issued Statement 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations and establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The requirements of this statement are effective for reporting periods beginning after June 15, 2018. The Student Union is currently evaluating the effect of the adoption of this statement on its financial statements and related disclosures.

**The Student Union of San José State University  
(A California State University Auxiliary Organization)**

**Notes to Financial Statements**

**Note 3. Investments**

	2017		2016	
	Fair Value	Unrealized Gain	Fair Value	Unrealized Loss
Local Agency Investment Fund	\$ 224,117	\$ -	\$ 222,666	\$ -
Mutual funds, equities	2,521,360	298,065	2,616,573	(139,457)
Mutual funds, fixed income	2,907,666	1,319	4,088,926	(76,805)
Mutual funds, others	1,141,136	41,419	1,441,893	(52,912)
Cash and money balances	95,117	-	38,218	-
	<u>\$ 6,889,396</u>	<u>\$ 340,803</u>	<u>\$ 8,408,276</u>	<u>\$ (269,174)</u>

**Investment policy:** The Student Union's investment policy (the Policy) sets forth the guidelines for the investments of the Student Union.

The Student Union held investments in Local Agency Investment Fund (LAIF), corporate bonds and mutual funds. These investments are classified as deposits covered by depository insurance and are: (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's Trust Department or agent but not in the depositor-government's name.

**Interest rate risk:** Interest rate risk is the risk that the changes in market interest rate will adversely affect the fair value of an investment. In accordance with the Policy, the Student Union manages the risk of market value fluctuations due to overall changes in general levels of interest rates by limiting the average maturity and effective duration of investments within the portfolios.

	June 30, 2017						
	Market Value	<1 Year	<2 Years	<3 Years	<4 Years	<5 Years	>5 Years
Intermediate-term investments	\$ 2,907,666	\$ 472,040	\$ 718,953	\$ 628,261	\$ 309,092	\$ -	\$ 779,320

  

	June 30, 2016						
	Market Value	<1 Year	<2 Years	<3 Years	<4 Years	<5 Years	>5 Years
Intermediate-term investments	\$ 4,088,926	\$ 933,035	\$ 151,586	\$ 981,250	\$ 683,470	\$ 1,141,536	\$ 198,049

**Credit risk:** Fixed income securities are subject to credit risk, which is the risk that a bond issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. The circumstances may arise due to a variety of factors, such as financial weakness, bankruptcy, litigation and/or adverse political developments. A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond and, ultimately, to pay the principal. Credit quality is evaluated by one of the independent bond rating agencies such as Moody's Investors Service or Standard & Poor's (S&P). The lower the rating, the greater the chance that the bond issuer will default or fail to meet its payment obligations. Generally, the lower a bond's credit rating, the higher the yield should be to compensate for the additional risk.

Certain fixed income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have risk.

**The Student Union of San José State University  
(A California State University Auxiliary Organization)**

**Notes to Financial Statements**

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**Note 3. Investments (Continued)**

The credit risk profile for fixed income securities at June 30 is as follows:

Investment Type	2017	2016	S&P Credit Rating
Fixed Income Mutual Funds	\$ 1,244,772	\$ 2,061,228	AAA
Fixed Income Mutual Funds	218,656	183,184	AA
Fixed Income Mutual Funds	267,796	423,204	A
Fixed Income Mutual Funds	396,606	679,579	BBB
Fixed Income Mutual Funds	355,317	409,301	BB
Fixed Income Mutual Funds	325,077	171,326	B
Fixed Income Mutual Funds	99,442	161,104	Below B
Total fixed income securities	\$ 2,907,666	\$ 4,088,926	

**Concentration of credit risk:** The Policy of the Student Union contains certain limitations on the amount that can be invested in any one issuer and is listed above. The Student Union did not have any investments in any one issuer (other than mutual funds) that represent 5 percent or more of the Student Union's total investments as of June 30, 2017 and 2016.

**Custodial credit risk:** Custodial credit risk for deposits is the risk that the Student Union will not be able to recover its deposits in the event of a failure of a depository institution. In the ordinary course of the Student Union's operations, deposit balances in checking accounts can exceed the Federal Deposit Insurance Corporation (FDIC) insured limits. In accordance with the Policy, all certificates of deposit are FDIC-insured and limited to \$250,000 at any one institution.

Custodial credit risk for investments is the risk that if the counterparty to an investment transaction were to fail, the Student Union would not be able to recover its investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to indirect investment in securities through the use of mutual funds and government investment pools. U.S. Treasury issues and federally sponsored enterprise issues are held by Securities Investor Protection Corporation-insured brokers and are not registered with the issuer in the Student Union's name.

**Fair value measurement:** GASB Statement 72, *Fair Value Measurement and Application*, requires assets and liabilities to be measured at fair value and disclosures to be made on the fair value measurements, the level of fair value hierarchy, and valuation techniques. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and disclosed in one of the following hierarchies:

**Level 1:** Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** Inputs other than quoted prices in active markets for identical assets or liabilities, either directly or indirectly.

**Level 3:** Inputs that are unobservable in situations where there is little or no market activity for the asset or liability and significant to the overall fair value measurement.

**The Student Union of San José State University  
(A California State University Auxiliary Organization)**

**Notes to Financial Statements**

**Note 3. Investments (Continued)**

Investments held by the Student Union are measured and recorded at fair value. The Student Union's valuation techniques used to measure the fair value of equity investments, mutual funds and miscellaneous other assets were derived from quoted prices in active markets, and they are categorized in Level 1 of the fair value hierarchy.

The following table summarizes the Student Union's investments fair value hierarchy as of June 30, 2017 and 2016:

Description	June 30, 2017	Fair Value Measurement at Reporting Date Using		
		Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Local Agency Investment Fund	\$ 224,117	\$ 224,117	\$ -	\$ -
Mutual funds, equities	2,521,360	2,521,360	-	-
Mutual funds, fixed income	2,907,666	2,907,666	-	-
Mutual funds, others	1,141,136	1,141,136	-	-
	<u>\$ 6,794,279</u>	<u>\$ 6,794,279</u>	<u>\$ -</u>	<u>\$ -</u>

Description	June 30, 2016	Fair Value Measurement at Reporting Date Using		
		Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Local Agency Investment Fund	\$ 222,666	\$ 222,666	\$ -	\$ -
Mutual funds, equities	2,616,573	2,616,573	-	-
Mutual funds, fixed income	4,088,926	4,088,926	-	-
Mutual funds, others	1,441,893	1,441,893	-	-
	<u>\$ 8,370,058</u>	<u>\$ 8,370,058</u>	<u>\$ -</u>	<u>\$ -</u>

**Note 4. Capital Assets**

Capital assets consist of the following at June 30:

	2016	Additions	Retirements	Transfers	2017
Computer equipment	\$ 150,725	\$ -	\$ -	\$ -	\$ 150,725
Software	48,395	-	-	-	48,395
Furniture and equipment	2,092,294	-	-	773,819	2,866,113
Leasehold improvements	5,171,819	-	-	-	5,171,819
Projects in progress	917,401	1,491,238	-	(773,819)	1,634,820
	<u>8,380,634</u>	<u>1,491,238</u>	<u>-</u>	<u>-</u>	<u>9,871,872</u>
Less accumulated depreciation	(5,355,909)	(465,528)	-	-	(5,821,437)
Net book value	<u>\$ 3,024,725</u>	<u>\$ 1,025,710</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,050,435</u>

**The Student Union of San José State University  
(A California State University Auxiliary Organization)**

**Notes to Financial Statements**

**Note 4. Capital Assets (Continued)**

	2015	Additions	Retirements	Transfers	2016
Computer equipment	\$ 122,201	\$ -	\$ -	\$ 28,524	\$ 150,725
Software	48,395	-	-	-	48,395
Furniture and equipment	2,029,515	-	-	62,779	2,092,294
Leasehold improvements	4,986,432	-	-	185,387	5,171,819
Projects in progress	107,557	1,086,534	-	(276,690)	917,401
	7,294,100	1,086,534	-	-	8,380,634
Less accumulated depreciation	(4,298,448)	(1,057,461)	-	-	(5,355,909)
Net book value	<u>\$ 2,995,652</u>	<u>\$ 29,073</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,024,725</u>

**Note 5. Board-Designated Net Position**

Board-designated net position comprises the following at June 30:

	2017	2016
Board-designated:		
Capital equipment	\$ 475,112	\$ 310,560
Other designated assets	1,147,458	2,090,823
	<u>\$ 1,622,570</u>	<u>\$ 2,401,383</u>

Other designated assets represent projects approved by the Board for leasehold improvements. The projects include improvements to the Bowling Center, the addition of retractable seating in the Event Center Arena and new branding for the new Student Union Building.

**Note 6. Employment Benefit and Compensation Plans**

**Other Postemployment Benefit Obligation (OPEB)**

**Plan description:** The Student Union provides lifetime retiree medical coverage to eligible employees and their dependents who retire at the age of 50 or older, with five or more years of employment with the Student Union. The medical plan benefits are contracted with the California Public Employees' Retirement System (CalPERS) under the Public Employees' Medical and Hospital Care Act (PEMHCA).

**Funding policy:** The Student Union adopted the entry age normal actuarial cost method prefunding prospectively. The entry age normal actuarial cost method, with the contributions determined as a percent of payroll, is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future, as well as those already accrued. The plan uses a 7 percent discount rate, assuming the Student Union continues prefunding 100 percent of each future year's annual required contribution. The Student Union assumes a closed 30-year level dollar amortization of the unfunded actuarial accrued liability.

The Student Union has selected the equal contribution method, where it is obligated to contribute the same amount for retirees as contributed toward the active employees' medical plan coverage. The Student Union currently pays the medical plan premiums for both retirees and active employees and their dependents at a rate approved by the Board of Directors annually.

**The Student Union of San José State University  
(A California State University Auxiliary Organization)**

**Notes to Financial Statements**

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**Note 6. Employment Benefit and Compensation Plans (Continued)**

The Student Union has voluntarily opted for a funding policy under which it will contribute 100 percent of its actuarially determined annual required contribution. The Student Union's net OPEB liability was \$0 at June 30, 2017 and 2016. The actuarially determined contribution amount for the years ended June 30, 2017 and 2016 totaled \$243,796 and \$237,966, respectively.

**Retirement plan:** The Student Union has an annuity purchase plan under Section 403(b) of the IRC. Under this qualified plan, eligible employees may defer their salary through contributions to the plan, subject to IRC limits, and the Student Union will match up to 4 percent for eligible employees as well as employer discretionary contributions. The Student Union's plan contributions for fiscal years 2017 and 2016 were \$202,029 and \$171,090, respectively.

**Note 7. Event Activity**

The Student Union Event Center box office collects monies from ticket sales for major concerts, cultural events and athletic events, for which the organization is responsible for settling. Of the total amounts collected, a portion was recognized as rental revenue and a portion was recognized as reimbursement of direct costs. The remaining box office receipts were forwarded to the various event promoters.

**Note 8. Operating Leases**

The following properties are leased from the Trustees of the California State University: the Student Union building, the ATM kiosk, the Aquatic Center and the Event Center building. The renewed lease agreement expires June 30, 2018, and requires the Student Union's compliance with various conditions concerning operation of the facilities. The Student Union does not pay monthly rent to the University but does reimburse the University for Cost Allocations to Non-CSU Fund Entities for Expenses incurred by the CSU Operating Fund. These cost allocations are billed quarterly. The Student Union paid the University \$608,278 and \$638,528 in 2017 and 2016, respectively, for these cost allocations. Cost allocations include reimbursement for SJSU Business and Financial Services, Chancellor's Office annual audit fees, University police security fees, property and building insurance as well as facility use fees. Facility use fees were \$271,028 and \$273,084 in 2017 and 2016, respectively, and are estimated at \$272,525 for 2018. These facility use fees are a part of the total cost allocations listed above. The opening of the east and west wings of the new Student Union is the main reason for increased facility use fees in 2017 and 2016. Facility use fees are reduced in 2017 due to the demolishing of the Aquatic Center. Total cost allocations payable to the University are expected to be \$639,620 in 2018.

The Student Union leases space in its facilities to other auxiliary organizations of the University, departments of the University and organizations external to the University. The Student Union's rental revenue for fiscal years 2017 and 2016 was \$1,885,053 and \$1,750,024, respectively.

**Note 9. Related Parties**

The Student Union is a nonprofit organization incorporated to provide various services to the students and the campus community at the University. Accordingly, related parties include the University, other auxiliary organizations of the University, its students and student organizations, as well as the Student Union Board of Directors (consisting of students, faculty, community and administrative personnel).

**The Student Union of San José State University  
(A California State University Auxiliary Organization)**

**Notes to Financial Statements**

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**Note 9. Related Parties (Continued)**

At June 30, 2017, the Student Union has pledged \$3 million to the SJSU Tower Foundation to participate in the funding of athletic facilities on the University campus. The SJSU Club Sports and intramural programs managed by the Student Union will share in the use of these facilities. The Student Union requested the release of \$3 million in student fees from the University to support this pledge.

Receivables from affiliates at June 30 are as follows:

	2017	2016
Receivable from San José State University	\$ 3,016,305	\$ 4,608
Receivable from auxiliary organizations:		
Spartan Shops, Inc.	167,485	127,091
Associated Students, Inc.	8,259	9,666
SJSU Research Foundation	1,169	1,064
Tower Foundation	27,435	2,227
	<u>\$ 3,220,653</u>	<u>\$ 144,656</u>

The receivables from affiliates are included on the accompanying statements of net position as accounts receivable.

Payables to affiliates at June 30 are as follows:

	2017	2016
Payable to San José State University	\$ 500,601	\$ 586,612
Payable to auxiliary organizations:		
Spartan Shops, Inc.	1,800	360
Associated Students, Inc.	3,235	2,060
Tower Foundation	3,000,000	-
	<u>\$ 3,505,636</u>	<u>\$ 589,032</u>

The payables to affiliates are included on the accompanying statements of net position as accounts payable and other accrued liabilities.

**Note 10. Concentration of Credit Risk**

The Student Union maintains its cash balances in several financial institutions in the Greater Bay Area and, at times, may exceed federally insured limits. The majority of the liquid funds are in mutual funds that are maintained by UBS Financial Services, Inc. The Student Union has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Note 11. Subsequent Events**

In preparing the financial statements, the Student Union has evaluated events and transactions for subsequent event disclosure through September 21, 2017, the date of the auditor's report.

**The Student Union of San Jose State University  
(A California State University Auxillary Organization)  
Schedule of Net Position  
June 30, 2017  
(for inclusion in the California State University)**

Assets:	
Current assets:	
Cash and cash equivalents	\$ 902,775
Short-term investments	319,234
Accounts receivable, net	3,339,560
Leases receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	-
Prepaid expenses and other current assets	113,813
Total current assets	<u>4,675,382</u>
Noncurrent assets:	
Restricted cash and cash equivalents	25,000
Accounts receivable, net	-
Leases receivable, net of current portion	-
Notes receivable, net of current portion	-
Student loans receivable, net	-
Pledges receivable, net	-
Endowment investments	-
Other long-term investments	6,570,162
Capital assets, net	4,050,435
Other assets	109,207
Total noncurrent assets	<u>10,754,804</u>
Total assets	<u>\$ 15,430,186</u>
Deferred outflows of resources:	
Unamortized loss on debt refunding	\$ -
Net pension liability	-
Others	-
Total deferred outflows of resources	<u>\$ -</u>
Liabilities:	
Current liabilities:	
Accounts payable	\$ 4,070,954
Accrued salaries and benefits	167,243
Accrued compensated absences, current portion	296,553
Unearned revenue	-
Capitalized lease obligations, current portion	-
Long-term debt obligations, current portion	-
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	398,580
Total current liabilities	<u>4,933,330</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	-
Unearned revenue	-
Grants refundable	-
Capitalized lease obligations, net of current portion	-
Long-term debt obligations, net of current portion	-
Claims liability for losses and loss adjustment expenses, net of current portion	-
Depository accounts	109,207
Other postemployment benefits obligations	-
Net pension liability	-
Other liabilities	-
Total noncurrent liabilities	<u>109,207</u>
Total liabilities	<u>5,042,537</u>
Deferred inflows of resources:	
Service concession arrangements	-
Net pension liability	-
Unamortized gain on debt refunding	-
Nonexchange transactions	-
Others	-
Total deferred inflows of resources	<u>-</u>
Net position:	
Net investment in capital assets	4,050,435
Restricted for:	
Nonexpendable - endowments	-
Expendable:	
Scholarships and fellowships	-
Research	-
Loans	-
Capital projects	-
Debt service	-
Others	-
Unrestricted	6,337,214
Total net position	<u>\$ 10,387,649</u>

**The Student Union of San Jose State University  
(A California State University Auxillary Organization)  
Schedule of Revenues, Expenses, and Changes in Net Position  
Year Ended June 30, 2017  
(for inclusion in the California State University)**

Revenues:

Operating revenues:

Student tuition and fees (net of scholarship allowances of \$_____)	\$ 9,542,110
Grants and contracts, noncapital:	
Federal	-
State	-
Local	-
Nongovernmental	-
Sales and services of educational activities	-
Sales and services of auxiliary enterprises (net of scholarship allowances of \$_____)	3,426,833
Other operating revenues	44,948
Total operating revenues	<u>13,013,891</u>

Expenses:

Operating expenses:

Instruction	-
Research	-
Public service	-
Academic support	-
Student services	-
Institutional support	6,542,111
Operation and maintenance of plant	-
Student grants and scholarships	-
Auxiliary enterprise expenses	6,681,904
Depreciation and amortization	465,528
Total operating expenses	<u>13,689,543</u>
Operating income (loss)	<u>(675,652)</u>

Nonoperating revenues (expenses):

State appropriations, noncapital	-
Federal financial aid grants, noncapital	-
State financial aid grants, noncapital	-
Local financial aid grants, noncapital	-
Nongovernmental and other financial aid grants, noncapital	-
Other federal nonoperating grants, noncapital	-
Gifts, noncapital	-
Investment income (loss), net	726,411
Endowment income (loss), net	-
Interest expense	-
Other nonoperating revenues (expenses)	-
Net nonoperating revenues (expenses)	<u>726,411</u>

Income (loss) before other revenues (expenses) 50,759

State appropriations, capital	-
Grants and gifts, capital	-
Additions (reductions) to permanent endowments	-
Increase (decrease) in net position	<u>50,759</u>

Net position:

Net position at beginning of year, as previously reported	10,336,890
Restatements	-
Net position at beginning of year, as restated	<u>10,336,890</u>
Net position at end of year	<u>\$ 10,387,649</u>

**The Student Union of San José State University  
(A California State University Auxiliary Organization)  
Other Information  
June 30, 2017  
(for inclusion in the California State University)**

<b>1</b>	<b>Restricted cash and cash equivalents at June 30, 2017:</b>	
	Portion of restricted cash and cash equivalents related to endowments	\$ -
	All other restricted cash and cash equivalents	25,000
	Total restricted cash and cash equivalents	<u>\$ 25,000</u>

**2.1 Composition of investments at June 30, 2016:**

	Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total	Total
State of California Surplus Money Investment Fund (SMIF)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State of California Local Agency Investment Fund (LAIF)	224,117	-	224,117	-	-	-	224,117
Corporate bonds	-	-	-	-	-	-	-
Certificates of deposit	-	-	-	-	-	-	-
Mutual funds	-	-	-	6,570,162	-	6,570,162	6,570,162
Money Market funds	95,117	-	95,117	-	-	-	95,117
Repurchase agreements	-	-	-	-	-	-	-
Commercial paper	-	-	-	-	-	-	-
Asset backed securities	-	-	-	-	-	-	-
Mortgage backed securities	-	-	-	-	-	-	-
Municipal bonds	-	-	-	-	-	-	-
U.S. agency securities	-	-	-	-	-	-	-
U.S. treasury securities	-	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-	-
Exchange traded funds (ETFs)	-	-	-	-	-	-	-
Alternative investments:							
Private equity (including limited partnerships)	-	-	-	-	-	-	-
Hedge funds	-	-	-	-	-	-	-
Managed futures	-	-	-	-	-	-	-
Real estate investments (including REITs)	-	-	-	-	-	-	-
Commodities	-	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-	-
Other alternative investment types	-	-	-	-	-	-	-
Other external investment pools (excluding SWIFT)							
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Other major investments:							
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Total investments	319,234	-	319,234	6,570,162	-	6,570,162	6,889,396
Less endowment investments (enter as negative number)	-	-	-	-	-	-	-
Total investments	<u>\$ 319,234</u>	<u>\$ -</u>	<u>\$ 319,234</u>	<u>\$ 6,570,162</u>	<u>\$ -</u>	<u>\$ 6,570,162</u>	<u>\$ 6,889,396</u>

**2.2 Investments held by the University under contractual agreements at June 30, 2017:**

Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2017:		\$ -	\$ -	\$ -
--	--	------	------	------

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<b>2.3</b>	<b>Restricted current investments at June 30, 2017 related to:</b>	<b>Amount</b>
	Add description	\$ -
	Add description	-
	Add description	-
	Add description	-
	Add description	-
	Add description	-
	Add description	-
	<b>Total restricted current investments at June 30, 2017</b>	<b>\$ -</b>
<b>2.4</b>	<b>Restricted noncurrent investments at June 30, 2017 related to:</b>	<b>Amount</b>
	Endowment investment	\$ -
	Add description	-
	Add description	-
	Add description	-
	Add description	-
	Add description	-
	Add description	-
	Add description	-
	<b>Total restricted noncurrent investments at June 30, 2017</b>	<b>\$ -</b>

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**2.5 Fair value hierarchy in investments at June 30, 2017:**

	Total	Fair Value Measurements Using			Net Asset Value (NAV)
		Quoted Prices in Active Markets	Significant Other	Significant Unobservable	
State of California Surplus Money Investment Fund (SMIF)	\$ -	\$ -	\$ -	\$ -	\$ -
State of California Local Agency Investment Fund (LAIF)	224,117	224,117	-	-	-
Corporate bonds	-	-	-	-	-
Certificates of deposit	-	-	-	-	-
Mutual funds	6,570,162	6,570,162	-	-	-
Money Market funds	95,117	95,117	-	-	-
Repurchase agreements	-	-	-	-	-
Commercial paper	-	-	-	-	-
Asset backed securities	-	-	-	-	-
Mortgage backed securities	-	-	-	-	-
Municipal bonds	-	-	-	-	-
U.S. agency securities	-	-	-	-	-
U.S. treasury securities	-	-	-	-	-
Equity securities	-	-	-	-	-
Exchange traded funds (ETFs)	-	-	-	-	-
Alternative investments:					
Private equity (including limited partnerships)	-	-	-	-	-
Hedge funds	-	-	-	-	-
Managed futures	-	-	-	-	-
Real estate investments (including REITs)	-	-	-	-	-
Commodities	-	-	-	-	-
Derivatives	-	-	-	-	-
Other alternative investment types	-	-	-	-	-
Other external investment pools (excluding SWIFT)					
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Other major investments:					
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Add description	-	-	-	-	-
Total investments	\$ 6,889,396	\$ 6,889,396	\$ -	\$ -	\$ -

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3.1 Composition of capital assets at June 30, 2017:

	Balance June 30, 2016	Prior Period Adjustments	Reclassifications	Balance June 30, 2016 (Restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2017
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Works of art and historical treasures	-	-	-	-	-	-	-	-
Construction work in progress (CWIP)	917,401	-	-	917,401	1,491,238	-	(773,819)	1,634,820
Intangible assets:								
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-
Internally generated intangible assets in progress	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total nondepreciable/nonamortizable capital assets	917,401	-	-	917,401	1,491,238	-	(773,819)	1,634,820
Depreciable/amortizable capital assets:								
Buildings and building improvements	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	5,171,819	-	-	5,171,819	-	-	-	5,171,819
Personal property:								
Equipment	2,291,414	-	-	2,291,414	-	-	773,819	3,065,233
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total depreciable/amortizable capital assets	7,463,233	-	-	7,463,233	-	-	773,819	8,237,052
Total capital assets	8,380,634	-	-	8,380,634	1,491,238	-	-	9,871,872
Less accumulated depreciation/amortization:								
Buildings and building improvements	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	(3,754,580)	-	-	(3,754,580)	(176,734)	-	-	(3,931,314)
Personal property:								
Equipment	(1,601,329)	-	-	(1,601,329)	(288,794)	-	-	(1,890,123)
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total accumulated depreciation/amortization	(5,355,909)	-	-	(5,355,909)	(465,528)	-	-	(5,821,437)
Total capital assets, net	\$ 3,024,725	\$ -	\$ -	\$ 3,024,725	\$ 1,025,710	\$ -	\$ -	\$ 4,050,435

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<b>3.2 Detail of depreciation and amortization expense for the year ended June 30, 2017:</b>	
Depreciation and amortization expense related to capital assets	\$ 465,528
Amortization expense related to other assets	
Total depreciation and amortization	<u>\$ 465,528</u>

**4 Long-term liabilities activity schedule:**

	Balance June 30, 2016	Prior Period Adjustments	Reclassifications	Balance June 30, 2016 (Restated)	Additions	Reductions	Balance June 30, 2017	Current Portion	Long-Term Portion
Accrued compensated absences	\$ 248,443	\$ -	\$ -	\$ 248,443	\$ 310,322	\$ (262,212)	\$ 296,553	\$ 296,553	\$ -
Claims liability for losses and loss adjustment expenses	-	-	-	-	-	-	-	-	-
Capitalized lease obligations:									
Gross balance	-	-	-	-	-	-	-	-	-
Unamortized premium / (discount) on capitalized lease obligations	-	-	-	-	-	-	-	-	-
Total capitalized lease obligations	-	-	-	-	-	-	-	-	-
Long-term debt obligations:									
Auxiliary revenue bonds	-	-	-	-	-	-	-	-	-
Commercial paper	-	-	-	-	-	-	-	-	-
Notes payable related to SRB	-	-	-	-	-	-	-	-	-
Others: (list by type)									
Add description	-	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-	-	-
Total long-term debt obligations	-	-	-	-	-	-	-	-	-
Unamortized bond premium / (discount)	-	-	-	-	-	-	-	-	-
Total long-term debt obligations, net	-	-	-	-	-	-	-	-	-
Total long-term liabilities	<u>\$ 248,443</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 248,443</u>	<u>\$ 310,322</u>	<u>\$ (262,212)</u>	<u>\$ 296,553</u>	<u>\$ 296,553</u>	<u>\$ -</u>

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**5 Future minimum lease payments - capitalized lease obligations:**

	Capitalized Lease Obligations Related to SRB			All Other Capitalized Lease Obligations			Total Capitalized Lease Obligations		
	Principal Only	Interest Only	Principal and	Principal Only	Interest Only	Principal and	Principal Only	Interest Only	Principal and
			Interest			Interest			Interest
Year ending June 30:									
2017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2018	-	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-	-
2022 - 2026	-	-	-	-	-	-	-	-	-
2027 - 2031	-	-	-	-	-	-	-	-	-
2032 - 2036	-	-	-	-	-	-	-	-	-
2037 - 2041	-	-	-	-	-	-	-	-	-
2042 - 2046	-	-	-	-	-	-	-	-	-
2047 - 2051	-	-	-	-	-	-	-	-	-
2052 - 2056	-	-	-	-	-	-	-	-	-
2057 - 2061	-	-	-	-	-	-	-	-	-
2062 - 2066	-	-	-	-	-	-	-	-	-
Total minimum lease payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less amounts representing interest									-
Present value of future minimum lease payments									-
Unamortized net premium (discount)									-
Total capitalized lease obligations									-
Less: current portion									-
<b>Capitalized lease obligation, net of current portion</b>									<u>\$ -</u>

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6 Long-term debt obligation schedule:

	Auxiliary Revenue Bonds			All Other Long-Term Debt Obligations			Total Long-Term Debt Obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2018	-	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-	-
2022 - 2026	-	-	-	-	-	-	-	-	-
2027 - 2031	-	-	-	-	-	-	-	-	-
2032 - 2036	-	-	-	-	-	-	-	-	-
2037 - 2041	-	-	-	-	-	-	-	-	-
2042 - 2046	-	-	-	-	-	-	-	-	-
2047 - 2051	-	-	-	-	-	-	-	-	-
2052 - 2056	-	-	-	-	-	-	-	-	-
2057 - 2061	-	-	-	-	-	-	-	-	-
2062 - 2066	-	-	-	-	-	-	-	-	-
Total minimum payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less amounts representing interest									-
Present value of future minimum payments									-
Unamortized net premium (discount)									-
Total long-term debt obligations									-
Less: current portion									-
<b>Long-term debt obligations, net of current portion</b>									<b>\$ -</b>

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**7 Calculation of net position:**

**7.1 Calculation of net position - net investment in capital assets:**

Capital assets, net of accumulated depreciation	\$ 4,050,435
Capitalized lease obligations, current portion	-
Capitalized lease obligations, net of current portion	-
Long-term debt obligations, current portion	-
Long-term debt obligations, net of current portion	-
Portion of outstanding debt that is unspent at year-end	-
Other adjustments: (please list)	
Add description	-
<b>Net position - net investment in capital asset</b>	<u><u>\$ 4,050,435</u></u>

**7.2 Calculation of net position - restricted for nonexpendable - endowments:**

Portion of restricted cash and cash equivalents related to endowments	\$ -
Endowment investments	-
Other adjustments: (please list)	
Add description	-
<b>Net position - Restricted for nonexpendable - endowments per SNP</b>	<u><u>\$ -</u></u>

**8 Transactions with related entities:**

	<u>Amount</u>
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 294,208
Payments to University for other than salaries of University personnel	2,073,366
Payments received from University for services, space, and programs	1,494,027
Gifts-in-kind to the University from discretely presented component units	-
Gifts (cash or assets) to the University from discretely presented component units	-
Accounts payable to University (enter as negative number)	(500,601)
Other amounts (payable to) University (enter as negative number)	-
Accounts receivable from University	3,016,305
Other amounts receivable from University	-

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**9 Other postemployment benefits obligation (OPEB):**

Annual required contribution (ARC)	\$ 243,796
Contributions during the year	<u>(243,796)</u>
Increase (decrease) in net OPEB obligation (NOO)	-
Other adjustments	-
 NOO - beginning of year	 -
NOO - end of year	<u><u>\$ -</u></u>

**10 Pollution remediation liabilities under GASB Statement No. 49:**

<u>Description</u>	<u>Amount</u>
Add description	\$ -
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
 Total pollution remediation liabilities	 <u>-</u>
Less: current portion	-
Pollution remediation liabilities, net of current portion	<u><u>\$ -</u></u>

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11 The nature and amount of the prior period adjustment(s) recorded to beginning net position:

	Net Position	Amount
	Class	Dr. (Cr.)
Net position as of June 30, 20PY, as previously reported		\$ 10,336,890
Prior period adjustments:		
1 (list description of each adjustment)		-
2 (list description of each adjustment)		-
3 (list description of each adjustment)		-
4 (list description of each adjustment)		-
5 (list description of each adjustment)		-
6 (list description of each adjustment)		-
7 (list description of each adjustment)		-
8 (list description of each adjustment)		-
9 (list description of each adjustment)		-
# (list description of each adjustment)		-
Net position as of June 30, 2016, as restated		<u>\$ 10,336,890</u>

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

	Debit	Credit
Net position class: _____		
1 (breakdown of adjusting journal entry)	\$ -	\$ -
Net position class: _____		
2 (breakdown of adjusting journal entry)	-	-
Net position class: _____		
3 (breakdown of adjusting journal entry)	-	-
Net position class: _____		
4 (breakdown of adjusting journal entry)	-	-
Net position class: _____		
5 (breakdown of adjusting journal entry)	-	-
Net position class: _____		
6 (breakdown of adjusting journal entry)	-	-
Net position class: _____		
7 (breakdown of adjusting journal entry)	-	-
Net position class: _____		
8 (breakdown of adjusting journal entry)	-	-
Net position class: _____		
9 (breakdown of adjusting journal entry)	-	-
Net position class: _____		
# (breakdown of adjusting journal entry)	-	-