

**ASSOCIATED STUDENTS OF
SAN JOSE STATE UNIVERSITY**

**Financial Statements and Supplementary
Information for the Year Ended June 30, 2018
and Independent Auditors' Report**

VASIN, HEYN & COMPANY

ABOVE THE BRIGHT LINE

AN ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS

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SAN JOSE STATE UNIVERSITY
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AN ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Associated Students of
San Jose State University
San Jose, California

Report on the Financial Statements

We have audited the accompanying financial statements of Associated Students of San Jose State University, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the organization's basic financial statements as listed in the table of contents.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 auditors' 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 entity'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 entity'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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Associated Students of San Jose State University as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We previously audited Associated Students of San Jose State University's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 7, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

The summary financial statements do not contain all the disclosures required by accounting principles generally accepted in the United States of America. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Associated Students of San Jose State University.

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 1-4 through 1-9, schedule of changes in the net OPEB liability and related ratios, on page 2-1 and schedule of contributions on page 2-2 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audits of the basic 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.

INDEPENDENT AUDITORS' REPORT (Continued)

Other Matters - Continued

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The GASB Schedule of Net Position, GASB Schedule of Revenues, Expenses and Changes in Net Position, and Other Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The GASB Schedule of Net Position, GASB Schedule of Revenues, Expenses and Changes in Net Position, and Other Information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit 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 GASB Schedule of Net Position, GASB Schedule of Revenues, Expenses and Changes in Net Position, and Other Information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Vorwin, Hays + Co.

Calabasas, California
September 10, 2018

**ASSOCIATED STUDENTS OF
SAN JOSE STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018**

This section of the Associated Students of San Jose State University (the "Associated Students") annual financial report presents our discussion and analysis of the financial performance of the Associated Students for the fiscal year ended June 30, 2018. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes.

Introduction to Associated Students, San Jose State University

The Associated Students is a California State University auxiliary organization that was organized and created to be the student voice. We are governed by a student elected board of 16 board members. The Associated Students was established in 1857 and was incorporated as a non-profit public benefit corporation in 1980. We own an 11,450 square foot Child Development Center located 1 block from the main campus. We operate 8 departments that serve to meet the needs and demands of students to enhance their educational and co-curricular experiences. They include Student Government, General Service Center, Transportation Solutions, Marketing, Print & Technology Center, Child Development Center, Events and the Cesar Chavez Community Action Center. Revenues are derived from a mandatory student activity fee collected from each matriculated student; ancillary revenues from fee for service and programs; federal, state and local grants; as well as contributed income.

Students interact with the Associated Students on a daily basis, either through the use of the Smart Pass Clipper Card program for transportation, use of services, participation in programs and events, or campus-wide decision making in Associated Students government, the Academic Senate, or related University committees and interactions with administrators.

The Associated Students Board of Directors is comprised of 16 voting members including 3 officers; The Associated Students President & CEO; Vice President & Board Chair; Controller & CFO. In addition, there is 1 non-voting University designee that serves as a liaison to the University. The Board of Directors meet bi-weekly, to review and develop policy, approve the annual budget and appoints student representatives to the Associated Students and University committees. There are 8 standing committees of the Board that address personnel, finances, the annual audit, university affairs, internal affairs, programming affairs, lobbying, and operations. The Executive Director manages and is administratively responsible for day to day operations of the Associated Students which encompasses approximately 35 full time and 170 student employees.

The Associated Students' financial reserves consist of monies held in the University Pooled Income Fund. Trust Funds are established and held by San Jose State University for the General Reserve Fund. We entrust our Retiree Health Benefit obligation to the Auxiliary Organization Association, Multi Employer VEBA Trust Fund. Operating and Designated Reserves are reviewed annually by the Board of Directors to ensure prudent financial position as well as ensuring adequate funding for the Associated Students' future.

**ASSOCIATED STUDENTS OF
SAN JOSE STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018
(CONTINUED)**

Introduction to the Financial Statements

This annual report consists of a series of financial statements prepared in accordance with the Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*. For reporting purposes, the University is considered a special-purpose government engaged only in business-type activities, which best represent the activities of the Associated Students.

The financial statements include the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. These statements are supported by the notes to the financial statements and this section. All sections must be considered together to obtain a complete understanding of the financial picture of the Associated Students.

Statement of Net Position – The statement of net position includes all assets and liabilities. Assets and liabilities are reported at their book value, on an accrual basis, as of the statement date. It also identifies major categories of restrictions on the net position of the Associated Students.

Statement of Revenues, Expenses, and Changes in Net Position – The statement of revenues, expenses, and changes in net position presents the revenues earned and expenses incurred during the year on an accrual basis.

Statement of Cash Flows – The statement of cash flows presents the inflows and outflows of cash for the year and is summarized by operating, noncapital financing, capital and related financing, and investing activities. The statement is prepared using the direct method of cash flows and, therefore, presents gross rather than net amounts for the year's activities.

Reporting Entity – The Associated Students is a nonprofit auxiliary organization of California State University, San Jose (the University). The Associated Students sponsors various campus activities that complement the instructional programs of the University campus.

Analytical Overview

Summary

The following discussion highlights management's understanding of the key financial aspects of the Associated Students' financial activities as of and for the years ended June 30, 2018 and 2017. Included are comparative analyses of current and prior years' activities and balances and a discussion of restrictions (if any) of the Associated Students' net position.

**ASSOCIATED STUDENTS OF
SAN JOSE STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018
(CONTINUED)**

Comparative Analysis of Current and Prior Year Activities and Balances

The Associated Students' condensed summary of net position as of June 30, is as follows:

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Current Assets	\$ 7,654,917	\$ 7,362,839	\$ 292,078
Other noncurrent assets	<u>4,705,359</u>	<u>4,950,663</u>	<u>(245,304)</u>
Total assets	12,360,276	12,313,502	46,774
Deferred outflows of resources	<u>196,134</u>	<u>-</u>	<u>196,134</u>
Current liabilities	1,854,363	1,832,979	21,384
Other noncurrent liabilities	<u>-</u>	<u>95,973</u>	<u>(95,973)</u>
Total liabilities	1,854,363	1,928,952	(74,589)
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Net position:			
Net investment in plant	1,829,325	1,926,198	(96,873)
Prior period adjustment	226,618	-	226,618
Unrestricted net assets:			
Board designated	3,168,807	3,317,237	(148,430)
Unrestricted	<u>5,477,297</u>	<u>5,141,115</u>	<u>336,182</u>
Total net position	<u>\$ 10,702,047</u>	<u>\$ 10,384,550</u>	<u>\$ 317,497</u>

Assets

Current assets increased by \$292K from FY 2017 to FY 2018. This is primarily due to the operating surplus of \$18K and increase in cash and cash equivalents of \$1.4M; accounts and other receivables, net decreased by \$349K; prepaid expenses and others decreased by \$36K; investments decreased by \$709K; Campus Organization deposits decreased by 1K; a net decrease in postemployment health benefit liabilities of \$153K and the non-cash flow of depreciation and amortization expense of 267K during the year.

Other noncurrent assets decreased by \$245K from FY 2017 to FY 2018. This is primarily due to annual capital asset depreciation of \$267K, A.S. House rental costs of \$148K and the net additional capital assets of \$171K.

Liabilities

Current liabilities increased by \$21K from FY 2017 to FY 2018. This is primarily due to the increase in accounts payable by \$12K, the decrease in deferred revenue for AS Activity Fees of \$5K, the decrease in current portion of postemployment health benefits obligation by \$49K, deposits increased by \$66K made by the Students Organizations/Clubs into their Campus Trust accounts, and accrued expenses and other liabilities net decreased by \$2K. Noncurrent liabilities decreased by \$96K from FY 2017 to FY 2018, primarily due to the implementation of GASB 75 to replace GASB 45 with a positive balance of the \$8K for the Net OPEB Liability (NOL). Based on the actuarial report balance as of June 30, 2017, Associated Students paid \$50K for active retirees' premium during FY 2017 and \$664K to the VEBA Trust Fund on March 2017. Also during FY 2018, active retirees' premium payment of \$93K was made and a \$95K payment was made to the VEBA Trust Fund which are shown as Deferred Outflows of Resources in the Statement of Net Position.

**ASSOCIATED STUDENTS OF
SAN JOSE STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018**

Comparative Analysis of Current and Prior Year Activities and Balances – Continued

Net Position

Total net position increased by \$317K from FY 2017 to FY 2018 and is summarized as follows:

- Net decrease in investment in capital assets \$97K
- Net increase in net assets per prior period adjustment of \$226K due to the implementation of GASB 75 (Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions) to replace the old GASB 45.
- Net decrease in Associated Students House lease reserve \$148K
- Net increase in general fund \$336K

Restricted resources

Net position of the Associated Students does not include any restricted resources.

The Associated Student's condensed summary of revenues, expenses, and changes in net position for the years ended June 30, 2018 and 2017 are as follows:

	2018	2017	Change
Operating revenues:			
Student activity fees	\$ 5,983,919	\$ 5,723,215	\$ 260,704
Other program revenue	<u>2,452,928</u>	<u>2,369,625</u>	<u>83,303</u>
Total operating revenues	8,436,847	8,092,840	344,007
Operating expenses:			
Programs	7,161,856	6,822,430	339,426
Administrative	855,489	844,146	11,343
Student grants and scholarships	60,500	78,991	(18,491)
Depreciation and amortization	267,470	249,500	17,970
Employee benefit program expenses	<u>73,397</u>	<u>144,285</u>	<u>(70,888)</u>
Total operating expenses	8,418,712	8,139,352	279,360
Operating gain/(loss)	18,135	(46,512)	64,647
Non-operating revenues (expense):			
Investment income, net	79,294	68,120	11,174
Gain(loss) on disposition of capital assets	(230)	18,240	(18,470)
Other Income	<u>(6,320)</u>	<u>138,435</u>	<u>(144,755)</u>
Net non-operating revenues (expenses)	<u>72,744</u>	<u>224,795</u>	<u>(152,051)</u>
Change in net position	90,879	178,283	(87,404)
Prior period adjustment	226,618	-	226,618
Net position, beginning of year	<u>10,384,550</u>	<u>10,206,267</u>	<u>178,283</u>
Net position, end of year	<u>\$ 10,702,047</u>	<u>\$ 10,384,550</u>	<u>\$ 317,497</u>

**ASSOCIATED STUDENTS OF
SAN JOSE STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018**

Comparative Analysis of Current and Prior Year Activities and Balances – Continued

Revenue

Total operating revenue increased by \$344K from FY 2017 to FY 2018. Main contributors were:

- Associated Students fees are approximately 71% of total revenues. The 2018 fiscal year student fees increased by \$261K due to higher student activity fee from increase of education price index on inflation.
- Associated Students programs and services revenue increased by \$83K for FY 2018.
- The Child Development Center (CDC) has been accepting more non-certified families and fewer certified families to generate higher income over the years. In addition, CDC obtained a new CCAMPIS (Child Care Access Means Parents in School) grant which increased revenues by \$171k.

Expenses

Total operating expenses increased by \$279K from FY 2017. Mainly due to:

- Operating expenses for the Associated Students are principally made up of wages and benefits which are approximately 43% and 10% of total operating expenses to support the managing of Associated Students Services and the Child Development Center facility. In November 2012 the City of San Jose approved an increase in the minimum wage and a built in CPI index every year. As a result, the payroll and fringe benefit expenses increased by \$236K in FY 2018. The increase in wages and benefits was partially offset by the vacant HR manager position which was not filled until July 2018 plus retirement of employees in FY 2018.
- Our OPEB expense for FY 2017 (under GASB 45) was \$144K and FY 2018 (under GASB 75) was \$73K.
- Student grants and scholarships decreased by \$18K.
- Capital assets depreciation expense increased by \$18K, a total of \$171K in capital assets additions of new equipment consisting of a new server/infrastructure upgrade, new color printer for the print shop, furniture and fixtures for the IT facility.

Other revenue (expenses)

Other revenue and expenses come from sources that are not part of the Associated Students' primary business functions. Included in this classification are losses from the disposal of equipment (\$230), miscellaneous other income of (\$6K) and investment income increased by \$11K from FY 2017 to FY 2018.

Change in Net Position Analysis

A.S. House rental cost	\$ 148,431
OPEB – Postretirement health benefit	(70,888)
Scholarship awards	(18,491)
Depreciation and amortization	267,470
Net Investment in capital assets	(170,828)
Other operating deficits/(surplus)	<u>(137,559)</u>
Total operating gain/loss	18,135
Investment income, net	79,294
Gain(loss) on disposition on capital assets	(230)
Miscellaneous other income	<u>(6,320)</u>
Change in net position	<u>\$ 90,879</u>

**ASSOCIATED STUDENTS OF
SAN JOSE STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018
(CONTINUED)**

Transfer of assets from affiliated organization

The Associated Students does not have any transfer of assets from affiliated organizations.

Capital Assets

Capital assets, net of accumulated depreciation for the years ended June 30, are shown below:

	2018	2017
Land and land improvements	\$ 500,000	\$ 500,000
Buildings	840,949	961,085
Equipment, furniture and fixtures	488,261	462,794
Intangible assets	115	2,319
Total capital assets, net of accumulated depreciation	\$ 1,829,325	\$ 1,926,198

Capital assets decreased by \$96,873 primarily due to \$267,470 in current year depreciation expense. The Associated Students disposed of capital assets with a cost basis of \$80,964 and accumulated depreciation of \$80,734 and purchased \$170,828 of new capital assets during the year ended June 30, 2018.

Long-Term Debt Obligations

Associated Students did not incur any new long-term debt obligations.

Factors Impacting Future Periods

71% of the Associated Students' annual operating revenue is derived from student fees. The annual Associated Students fee is impacted annually by the Higher Education Price Index (HEPI), which has increased in the last three years. This increase allows AS to offset growing expenses.

The national, statewide, and local initiatives targeted to provide economic stability and to address affordable living wages will have a significant impact on our budget. The city of San José minimum wage ordinances will impact our budget due to mandatory increase to \$13.50 per hour in January 2018 and \$15.00 per hour in January 2019 that was approved by the San Jose city Council in November 2016.

The A.S. Transportation Solutions (TS) \$1.22 Million budget provides one of the largest and most popular alternative transportation programs in CSU. The premier service is the University transit pass (VTA SmartPass Clipper Card), which currently offers ridership on all County of Santa Clara bus and light rail lines. In January 2018, the VTA implemented a 5% fare increase, which increased SJSU's per enrolled student rate from \$38 to \$40 in 2019. This increase will generate approximately \$132,000 additional expenses in 2019.

**ASSOCIATED STUDENTS OF
SAN JOSE STATE UNIVERSITY
(A California Non-Profit Corporation)
STATEMENT OF NET POSITION
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)**

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,055,320	\$ 1,674,742
Investments	4,149,569	4,859,247
Accounts receivable, net of allowance	43,112	340,165
Other receivables	178,784	230,306
Due from campus programs	4,386	3,565
Inventories	16,186	11,714
Prepaid expenses	59,130	94,670
Current portion of prepaid rent deposit	<u>148,430</u>	<u>148,430</u>
Total current assets	7,654,917	7,362,839
Noncurrent assets		
Prepaid rent deposit, less current portion	2,876,034	3,024,465
Capital assets, net of accumulated depreciation	<u>1,829,325</u>	<u>1,926,198</u>
Total noncurrent assets	<u>4,705,359</u>	<u>4,950,663</u>
Total assets	<u>\$ 12,360,276</u>	<u>\$ 12,313,502</u>
Deferred outflows of resources:		
Net OPEB Liability	\$ 8,626	\$ -
Net other postemployment benefit obligation	<u>187,508</u>	<u>-</u>
Total deferred outflows of resources	<u>\$ 196,134</u>	<u>\$ -</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 96,694	\$ 84,612
Accrued expenses and other liabilities	267,129	269,193
Due to campus organizations	1,030,331	965,573
Due to general fund	4,386	3,565
Unearned revenue	455,823	461,414
Current portion of postemployment benefit obligation	<u>-</u>	<u>48,622</u>
Total current liabilities	<u>1,854,363</u>	<u>1,832,979</u>
Long-term liabilities		
Postemployment benefit obligation, less current portion	<u>-</u>	<u>95,973</u>
Total long-term liabilities	<u>-</u>	<u>95,973</u>
Total liabilities	<u>\$ 1,854,363</u>	<u>\$ 1,928,952</u>
COMMITMENTS AND CONTINGENCIES		
Deferred inflows of resources:		
Net other postemployment benefit obligation	\$ -	\$ -
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>
NET POSITION		
Net investment in capital assets	\$ 1,829,325	\$ 1,926,198
Restatement adjustment (Note 12)	226,618	-
Unrestricted:		
Board-designated	3,168,807	3,317,237
Undesignated	<u>5,477,297</u>	<u>5,141,115</u>
Total net position	<u>\$ 10,702,047</u>	<u>\$ 10,384,550</u>

See accompanying auditors' report and notes to financial statements.

**ASSOCIATED STUDENTS OF
SAN JOSE STATE UNIVERSITY
(A California Non-Profit Corporation)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)**

	<u>2018</u>	<u>2017</u>
Operating revenues		
Student fees - general activity	\$ 5,983,919	\$ 5,723,215
Other program revenue	<u>2,452,928</u>	<u>2,369,625</u>
Total operating revenues	8,436,847	8,092,840
Operating expenses		
Programs	7,161,856	6,822,430
Administrative	855,489	844,146
Student grants and scholarships	60,500	78,991
Depreciation and amortization	267,470	249,500
OPEB retirees' health benefit obligation (from General Reserve Fund)	<u>73,397</u>	<u>144,285</u>
Total operating expenses	<u>8,418,712</u>	<u>8,139,352</u>
Operating gain/(loss)	18,135	(46,512)
Nonoperating revenues (expenses)		
Investment income, net	79,294	68,120
Gain(loss) on disposition of capital assets	(230)	18,240
Miscellaneous other income	<u>(6,320)</u>	<u>138,435</u>
Total nonoperating revenues	<u>72,744</u>	<u>224,795</u>
Change in net position	90,879	178,283
Net position - beginning of year	10,384,550	10,206,267
Restatement adjustment (Note 12)	<u>226,618</u>	<u>-</u>
Net position - beginning of year, as restated	<u>10,611,168</u>	<u>10,206,267</u>
Net position - end of year	<u>\$ 10,702,047</u>	<u>\$ 10,384,550</u>

See accompanying auditors' report and notes to financial statements.

**ASSOCIATED STUDENTS OF
SAN JOSE STATE UNIVERSITY
(A California Non-Profit Corporation)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Tuition and fees	\$ 5,960,675	\$ 5,575,964
Federal grants and contracts	223,564	128,193
State and local grants and contracts	248,531	237,970
Non-governmental grants and contracts	95,200	95,200
Payments to suppliers	(3,795,582)	(4,705,601)
Payments to employees	(3,481,335)	(3,244,280)
Payments to students	(145,918)	(139,437)
Other receipts	<u>1,663,618</u>	<u>1,623,253</u>
Net cash provided (used) by operating activities	768,753	(428,738)
Cash flows from capital and related financing activities:		
Purchases of capital assets	<u>(170,827)</u>	<u>(165,232)</u>
Net cash (used in) capital and related financing activities	(170,827)	(165,232)
Cash flows from investing activities:		
Investment income	79,294	68,120
Sales of capital assets	-	25,000
Miscellaneous other income / Insurance claim	(6,320)	138,435
Proceeds from sale of investments	7,003,513	5,651,716
Purchases of investments	<u>(6,293,835)</u>	<u>(5,645,349)</u>
Net cash (used for) provided by investing activities	<u>782,652</u>	<u>237,922</u>
Net increase/(decrease) in cash and cash equivalents	1,380,578	(356,048)
Cash and cash equivalents, beginning of year	<u>1,674,742</u>	<u>2,030,790</u>
Cash and cash equivalents, end of year	<u>\$ 3,055,320</u>	<u>\$ 1,674,742</u>
Reconciliation of net operating loss to net cash used for operating activities:		
Operating gain/(loss)	<u>\$ 18,135</u>	<u>\$ (46,512)</u>
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation and amortization	267,470	249,500
Restatement adjustment for postemployment benefit obligation	226,618	-
Deferred outflows of resources	(196,134)	-
Deferred inflows of resources	-	-
Changes in assets and liabilities:		
Accounts receivable, net of allowance	297,053	(259,477)
Other receivables	51,522	(77,388)
Due from campus programs	(821)	4,261
Inventories	(4,472)	(15)
Prepaid expenses	35,540	(7,921)
Prepaid rent deposit	148,431	148,430
Accounts payable	12,082	(9,065)
Accrued expenses and other liabilities	(2,064)	(39,653)
Due to campus organizations	64,758	8,371
Due to general fund	821	(4,261)
Unearned revenue	(5,591)	173,984
Post-employment benefit obligation	<u>(144,595)</u>	<u>(568,992)</u>
Total adjustments	<u>750,618</u>	<u>(382,226)</u>
Net cash provided (used) by operating activities	<u>\$ 768,753</u>	<u>\$ (428,738)</u>

See accompanying auditors' report and notes to financial statements.

**ASSOCIATED STUDENTS OF
SAN JOSE STATE UNIVERSITY
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

1. ORGANIZATION

Nature of Organization

The Associated Students of San Jose State University (the "Associated Students") is a non-profit auxiliary organization of the California State University. The Associated Students operates student programs and activities for the benefit of the students of San Jose State University (the "University"). Such programs and activities are funded primarily from student activity and program fees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Associated Students prepares its financial statements in accordance with generally accepted accounting principles (GAAP) promulgated in the United States of America. The significant accounting and reporting policies used by the Associated Students are described below to enhance the usefulness and understandability of the financial statements.

Basis of Accounting

The Associated Students accounting policies conform to accounting principles generally accepted in the United States of America, as prescribed by the Government Accounting Standards Board ("GASB") as well as specific standards prescribed by the California State University Chancellor's Office and the State of California Department of Finance. The GASB requires the Associated Students to comply with all GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principle Board Opinions and Accounting Research Bulletins issued on or prior to November 30, 1989 that do not conflict with or contradict GASB pronouncements.

For financial reporting purposes the Associated Students is considered to be a special-purpose government engaged only in business-type activities. GASB defines business-type activities as activities financed in whole or in part by fees charged to external parties for goods or services. Accordingly, the accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with GAAP as prescribed by GASB. For financial reporting purposes, the Associated Students is also considered to be a component unit of the University, as defined by GASB.

Classification of Current and Noncurrent Assets and Liabilities

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

**ASSOCIATED STUDENTS OF
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Position

The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

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

Restricted - nonexpendable: The component of net position that is subject to externally imposed conditions that the Associated Students retains them in perpetuity. Net assets in this category consist of endowments. There were no restricted nonexpendable components of net position as of June 30, 2018.

Restricted - expendable: The component of net position subject to externally imposed conditions that can be fulfilled by the actions of the Associated Students or by the passage of time. There were no restricted expendable components of net position as of June 30, 2018.

Unrestricted: All other categories of net position. In addition, the unrestricted component of net position may be designated by the Board of Directors of Associated Students or have legislature or bond indenture requirements associated with their use. These requirements limit the area of operations for which expenditures of the component of net position may be made and require that the unrestricted component of net position be designated to support future operations in these areas.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with maturities of three months or less and cash in banks.

Investments

Investments are carried at fair market value as determined by quoted market prices, with realized and unrealized gains and losses included in the accompanying statement of revenues, expenses, and changes in net assets as investment income. Dividends and interest income are accrued when earned.

Accounts and Other Receivables

Receivables consist of contracts, parent fees, print shop services, credit card charges, interest receivable, and various other services that are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

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NOTES TO FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Inventories

Inventories, consisting of copier paper, bindings, and copier equipment, are stated at the lower of cost or market using the first-in, first-out method.

Prepaid Expenses

Prepaid deposits and other costs are expensed ratably over their respective terms of agreement.

Capital Assets

Capital assets are stated at historical cost. Capital assets with a value of \$1,000 or more and with a useful life of one year or more are capitalized. Major repairs and replacements are capitalized and depreciated. The cost of normal maintenance and repairs are charged to expense when incurred.

Depreciation expense is computed on the straight-line method over estimated useful lives, ranging from three to 25 years, as follows:

Buildings and building improvements	5 – 25 years
Computer software and website	3 – 5 years
Equipment, furniture and fixtures	3 – 10 years

Impairment of Long-Lived Assets

The Associated Students accounts for impairment of long-lived assets in accordance with ASC 360-10-35, *Subsequent Measurement: Impairment or Disposal of Long-Lived Assets*. Under ASC 360-10-35, the Associated Students reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted future cash flows of the asset. If the carrying amount of the asset is determined not to be recoverable, a write-down to fair value is recorded. During the year ended June 30, 2018 there was no impairment expense recorded.

Accrued Vacation and Sick Leave

Accumulated unpaid employee vacation leave benefits are recognized as liabilities as required by generally accepted accounting principles. Accumulated sick leave benefits are not recognized as liabilities since it is the Associated Students' policy to record such amounts as operating expenditures in the period sick leave is taken or when cashed out. Accrued vacation is included in the Statements of Net Position with accrued expenses and other liabilities. Unused vacation leave will be paid at the time of termination.

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FOR THE YEAR ENDED JUNE 30, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Due to Campus Organizations

The Associated Students administers cash balances on behalf of certain student campus organizations. The balance held by Associated Students for those organizations was \$1,030,331 as of June 30, 2018.

Unearned Revenue

Unearned revenue consists primarily of fees collected in advance for summer school and fall semester.

Deferred Outflows and Deferred Inflows

Deferred outflows and deferred inflows of resources related to postemployment benefit plan are certain changes in total liabilities and fiduciary net position that are to be recognized in future postemployment benefit plan expense.

Revenue Recognition

Student fees for general activity, campus recreation, child care development center, transit access program and scholarships are recognized when earned and are collected on a quarterly basis from the University's cashiering office.

Revenues from grants and other sources are recognized when all eligibility requirements imposed by the provider have been met and at the time the grant and contract funds are expended for the purposes specified by the terms of the grant or contract. Other revenues are recognized when earned and expenses when incurred. All contributions are considered available for the general programs of the Associated Students, unless specifically restricted by the donor.

Contributions are recognized as revenue when the donor makes a promise to give to the Associated Students that is, in substance, unconditional. Conditional promises to give are recognized when the conditions upon which they depend are substantially met. Donor-restricted contributions are reported as increases in temporarily or permanently restricted fund balances depending on the nature of the restrictions. When a restriction expires, temporarily restricted fund balances are reclassified to unrestricted fund balances.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

The Associated Students is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California income taxes under section 23701(d) of the California Revenue and Taxation Code. The IRS classified the organization as one that is not a private foundation within the meaning of section 509(a) of the Code because it is an organization described in section(s) 509(a)(1) and 170(b)(1)(A)(vi). The Associated Students has evaluated its tax positions and the certainty as to whether those tax positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated are related to the Associated Students' continued qualification as a tax-exempt organization and whether there is unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions will more likely than not be sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The Associated Students' Forms 990, *Return of Organization Exempt from Income Tax*, for each of the tax years ended June 30, 2017, 2016, 2015, are subject to examination by the IRS, generally for 3 years after they were filed.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Associated Students' management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Associated Students' management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2017 comparative totals have been reclassified to conform with the 2018 reporting format.

Comparative Totals

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Associated Students' financial statements for the year ended June 30, 2017 from which the summarized information was derived.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value Measurements

Associated Students reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value in accordance with GASB 72, *Fair Value Measurement and Application*. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal or most advantageous market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. GASB 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The three levels of inputs used to measure fair value are as follows:

- *Level 1* - Quoted prices for identical assets or liabilities in active markets to which Associated Students has access at the measurement date.
- *Level 2* - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3* - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The carrying amounts of cash and cash equivalents, accounts receivable and related party receivables approximate fair value because of the terms and relatively short maturity of these financial instruments. The investments are valued at quoted market prices, which represent the net asset value held by the Associated Students at year end.

The carrying amounts of liabilities, approximate fair value because of the relatively short maturity of these financial instruments.

When available, Associated Students measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

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(CONTINUED)**

3. INVESTMENTS

Investment policy

Investments consist of funds invested in the University Investment Pool. The primary objective of the University's investment policy is to safeguard the principal. The secondary objective is to meet the liquidity needs of the investing organizations. The third objective is to generate an acceptable yield. The University's investment policy authorizes funds held in local trust accounts under Education Code Sections 89721 and 89724 to be invested in any of the securities authorized by Government Code Section 16430 and Education Code Section 89724, subject to certain limitations. In general, the University's investment policy permits investments in obligations of the federal and California state governments, certificates of deposit, and certain other investment instruments.

Investments represent a portion of funds held by the Campus on behalf of the Associated Students which are redeemable in cash in accordance with Campus Policies. The Campus, in turn, holds the funds in the CSU Consolidated Investment Pool.

Associated Students measures fair value in accordance with GASB 72, *Fair Value Measurement and Application*. GASB 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels; Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs, other than the quoted prices in active markets, are observable either directly or indirectly, and Level 3 unobservable inputs in which there is little or no market data, which requires the Associated Students to develop its own assumptions. Associated Students uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, Associated Students measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. Assets reported at fair value at June 30, 2018, are Level 1 and Level 2 inputs.

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NOTES TO FINANCIAL STATEMENTS
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3. INVESTMENTS – Continued

Investments consist of the following at June 30, 2018:

	Fair Value Measurements Using				Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)	
Asset Backed Securities	\$ -	\$ 302,156	\$ -	\$ -	\$ 302,156
Certificates of Deposit	-	208,645	-	-	208,645
Corporate Bonds	-	1,181,200	-	-	1,181,200
Money Market Funds	-	-	-	10,079	10,079
Mortgage Backed Securities	-	278	-	-	278
Municipal Bonds	-	53,509	-	-	53,509
Mutual Funds	-	131,992	-	-	131,992
Repurchase Agreements	-	10,554	-	-	10,554
U.S. Agency Securities	-	1,219,581	-	-	1,219,581
U.S. Treasury Securities	-	<u>1,031,575</u>	-	-	<u>1,031,575</u>
Total	<u>\$ -</u>	<u>\$4,139,490</u>	<u>\$ -</u>	<u>\$ 10,079</u>	<u>\$4,149,569</u>

At June 30, 2018, Associated Students did not have any investments measured using Level 3 inputs.

The composition of the investment return reported in the Statement of Revenues, Expenses, and Changes in Net Position is follows:

Investment income from investments, net	\$ 78,485
Interest income from cash and cash equivalents	<u>809</u>
Total investment return	<u>\$ 79,294</u>

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the University manages its exposure to interest rate risk is by purchasing a combination of short-term and mid-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or nearing maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The University monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The weighted average maturity of the University's investment portfolio for each investment type as of June 30, 2018 is presented in the table below.

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3. INVESTMENTS – Continued

Credit risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following table presents the fair value, weighted average maturity, and actual rating by investment type of the University's investment portfolio as of June 30, 2018:

Investment Type	Fair Value	Weighted Average Maturity in Years	AAA	AA	A	B+	B	Not rated
Asset Backed Securities	\$ 302,156	1.05694	\$302,156	\$ -	\$ -	\$ -	\$ -	\$ -
Certificates of Deposit	208,645	0.20921	77,031	-	131,614	-	-	-
Corporate Bonds	1,181,200	0.92657	8,206	179,058	993,936	-	-	-
Money Market Funds	10,079	-	-	-	-	-	-	10,079
Mortgage Backed Securities	278	2.18645	-	278	-	-	-	-
Municipal Bonds	53,509	1.15095	21,018	29,803	2,688	-	-	-
Mutual Funds	131,992	5.68226	6,599	29,061	-	7,919	7,919	80,494
Repurchase Agreement	10,554	0.00537	-	-	-	-	-	10,554
U.S. Agency Securities	1,219,581	0.96169	20,848	1,198,733	-	-	-	-
U.S. Treasury Securities	<u>1,031,575</u>	1.20576	-	<u>1,031,575</u>	-	-	-	-
Total	<u>\$4,149,569</u>		<u>\$435,858</u>	<u>\$2,468,508</u>	<u>\$1,128,238</u>	<u>\$7,919</u>	<u>\$7,919</u>	<u>\$101,127</u>

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(CONTINUED)**

4. CAPITAL ASSETS

Capital assets at June 30, 2018 consisted of the following:

	Beginning of Year 7/1/17	Additions	Deletions	End of Year 6/30/18
Land and land improvement	\$ 500,000	\$ -	\$ -	\$ 500,000
Building	2,939,391	-	-	2,939,391
Accumulated Depreciation	<u>(1,978,306)</u>	<u>(120,136)</u>	<u>-</u>	<u>(2,098,442)</u>
	961,085	(120,136)	-	840,949
Equipment, furniture and fixtures	1,798,468	170,827	(80,964)	1,888,331
Accumulated Depreciation	<u>(1,335,674)</u>	<u>(145,130)</u>	<u>80,734</u>	<u>(1,400,070)</u>
	462,794	25,697	(230)	488,261
Intangible assets	134,127	-	-	134,127
Accumulated Depreciation	<u>(131,808)</u>	<u>(2,204)</u>	<u>-</u>	<u>(134,012)</u>
	2,319	(2,204)	-	115
Total	<u>\$ 1,926,198</u>	<u>\$ (96,643)</u>	<u>\$ (230)</u>	<u>\$ 1,829,325</u>

Depreciation and amortization expense for the year was \$267,470 of which \$120,136 was for buildings, \$145,130 was for equipment, furniture and fixtures and \$2,204 was for intangible assets.

5. RELATED PARTY TRANSACTIONS AND COMMITMENTS

The Associated Students is a non-profit organization incorporated to provide various services to the students and student organizations of San Jose State University. Accordingly, related parties include the University, other auxiliary organizations of the University, its students and student organizations, as well as the 2017-2018 Associated Students Board of Directors (consisting of students and administrative personnel).

Compensation paid to student members of the Associated Students Board of Directors totaled \$145,918 for the year ended June 30, 2018. These payments, which range from approximately \$600 to \$1,100 per month, are included in the Statement of Revenues, Expenses, and Changes in Net Position as program expenses.

The Associated Students leases facilities under operating leases from organizations related to the University. The Associated Students leased certain facilities under non-cancelable operating lease agreements with monthly rent of \$9,477 as of June 30, 2018. In addition, the leases required the Associated Students to pay its pro rata share of utilities expense and maintain appropriate insurance coverage. Rent and utilities expense under the leases were approximately \$134,314 for the year ended June 30, 2018.

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5. RELATED PARTY TRANSACTIONS AND COMMITMENTS - Continued

The Associated Students also leases facilities under a non-cancelable operating lease agreement that expires in August 2031 with monthly rent of \$12,369. The terms of the lease require the Associated Students to maintain appropriate insurance coverage. Rent expense under the lease was approximately \$148,430 for the year ended June 30, 2018.

The future minimum annual lease payments related to these leases with terms in excess of one year for the period ending June 30, are:

2019	\$ 148,430
2020	148,430
2021	148,430
2022	148,430
2023	148,430
Thereafter	<u>915,322</u>
Total	<u>\$ 1,657,472</u>

The Associated Students paid for renovations to the facility in the amount of \$3,079,134. Pursuant to the lease terms, San Jose State University will provide a renovation credit for the amount that the cost of the renovations exceeds the total lease payments plus interest at 6% per year for the first ten years. The balance of the renovation credit is listed as prepaid rent deposit, and was \$3,024,464 as of June 30, 2018.

Receivables from affiliates at June 30, 2018 are as follows:

San Jose State University	\$ 31,732
SJSU Research Foundation	70,130
SJSU Tower Foundation	108
Spartan Shops, Inc.	183
Student Union, Inc.	<u>1,819</u>
Total	<u>\$ 103,972</u>

The receivables from affiliates are included in the Statement of Net Position with other receivables.

Payables to affiliates at June 30, 2018 are as follows:

San Jose State University.	\$ 4,393
Spartan Shops, Inc.	595
Student Union, Inc.	<u>3,363</u>
Total	<u>\$ 8,351</u>

The payables to affiliates are included in the Statement of Net Position with accounts payable.

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(CONTINUED)**

6. COMPENSATED ABSENCES

Accrued compensated absences at year end are included in accrued expenses and other liabilities in the Statement of Net Position and consists of the following activity during the year ended June 30, 2018:

	Beginning Balance as of July 1, 2017	Additions	Reductions	Ending Balance as of June 30, 2018	Current Portion
Liabilities:					
Compensated absences	\$ 144,343	\$ 187,587	\$ (200,426)	\$ 131,504	\$ 131,504
Total current liabilities, net	<u>\$ 144,343</u>	<u>\$ 187,587</u>	<u>\$ (200,426)</u>	<u>\$ 131,504</u>	<u>\$ 131,504</u>

Accrued compensated absences will be paid at the time of termination.

7. POSTEMPLOYMENT HEALTHCARE PLAN

Plan description

The Associated Students provides lifetime retiree medical coverage and death benefits to employees, and their beneficiaries, who retire at age 59.5 or older with five years of service through the California Public Employees Retirement System (“CalPERS”), an agent multiple-employer plan (the Plan). The Plan is administered by CalPERS, which acts as a common investment and administrative agent for participating public employers with the State of California. A menu of benefit provisions, as well as other requirements is established by State statutes with the Public Employees’ Retirement Law. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to CalPERS, Lincoln Plaza North, 400 Q Street, Sacramento, CA 95811, online at www.calpers.ca.gov, or by calling 1-888-225-7377.

Funding policy

Contribution requirements are established and may be amended by the Associated Students’ board of directors. The Associated Students funds postretirement benefits on a pay as you go basis. A reserve account has been established in the general fund to accumulate funds for the future costs. This account is funded as the surplus from student program activities allows. In 2013 the Associated Student began contributing funds into the CSU Auxiliary Organization VEBA Fund to offset their OPEB obligation.

Voluntary Employees’ Beneficiary Association (VEBA)

In the 2013 fiscal year, the Associated Students’ board of directors approved the inclusion of the Associated Students in a Voluntary Employees’ Beneficiary Association (VEBA) Trust comprised of CSU auxiliaries. The VEBA is a separate 501©(9) established in August 2010 to assist in funding post-retirement (OPEB) healthcare benefits. In June 2017, 2014 and 2013, Associated Students funded the VEBA with deposits of \$664,257, \$300,000, and \$800,000 respectively.

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7. POSTEMPLOYMENT HEALTHCARE PLAN – Continued

The VEBA professional management team includes a Program Coordinator, Corporate Trustee, Investment Advisor, Legal, Audit and Tax Services. Trust assets are invested and held in custody by Benefit Trust Company serving as the Corporate Trustee, in a mix that includes approximately 50% bonds and 50% equity. Morgan Stanley Smith Barney serves as an investment advisor to the Corporate Trustee. They make recommendations as regards to the management of VEBA Trust investments, which are then either approved and implemented or otherwise rejected by the Trust Investment Committee at Benefit Trust Company. The total market value of Associate Students' VEBA account at June 30, 2018 was \$2,195,369.

The fair value composition of the Voluntary Employers Beneficiary Association consists of the following at June 30, 2018:

	Fair Value Measurements Using				Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)	
Cash	\$ -	\$ -	\$ -	\$ 2,576	\$ 2,576
Due From/To Broker	-	-	-	(2,576)	(2,576)
Mutual Funds:					
Domestic Equity	974,498	-	-	-	974,498
Fixed Income	856,626	-	-	-	856,626
International Equity	240,362	-	-	-	240,362
Real Estate	<u>123,883</u>	-	-	-	<u>123,883</u>
Total investments	<u>\$2,195,369</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,195,369</u>

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7. POSTEMPLOYMENT HEALTHCARE PLAN – Continued

Total OPEB Liability, Fiduciary Net Position and Net OPEB Liability

In accordance with the parameters of Government Accounting Standards Board Statement 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 75), the OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB that are required to be reported by an employer primarily result from changes in the components of the net OPEB liability-that is, changes in the total OPEB liability and in the OPEB plan’s fiduciary net position.

This statement requires that most changes in the net OPEB liability be included in OPEB expense in the period of the change. For example, changes in the total OPEB liability resulting from current-period service cost, interest on the total OPEB liability, and changes of benefit terms are required to be included in OPEB expense immediately. Projected earnings on the OPEB plan’s investments also are required to be included in the determination of OPEB expense immediately.

In circumstances in which the net OPEB liability is determined based on the results of an actuarial valuation, the effects of certain other changes in the net OPEB liability are required to be included in OPEB expense over the current and future periods. The effects on the total OPEB liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in OPEB expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active employees and inactive employees), beginning in the current period.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

Information about the OPEB Plan

The following is a table of plan participants:

Inactive Employees Receiving Benefits	6
Inactive Employees Entitled but Not Receiving Benefits*	0
Participating Active Employees	<u>33</u>
Total Number of Participants	<u>39</u>

*No information about any terminated, vested employees was provided

**ASSOCIATED STUDENTS OF
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7. POSTEMPLOYMENT HEALTHCARE PLAN – Continued

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and includes the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Associated Students’ net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017 that was rolled forward to determine the June 30, 2017 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Discount Rate	6%
Inflation	2.75%
Salary Increases	2.75%
Investment Rate of Return	6% *
Healthcare Cost Trend Rate	4%
Mortality Rate	CalPERS Active Mortality for Miscellaneous Employees
Pre-Retirement Turnover	CalPERS Active Mortality for Miscellaneous Employees

*The actuarial assumptions included a 6% investment rate of return (net of administrative expenses), which is the expected long term rate of returns on the employer’s investments based on market experience.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.00 percent. The projection of cash flows used to determine the discount rate assumed that Associated Students contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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7. POSTEMPLOYMENT HEALTHCARE PLAN – Continued

Changes in the OPEB Liability

Associated Students invoked Paragraph 244 of GASB 75 and used a “roll-back” technique to determine the beginning Net OPEB Liability as of June 30, 2016. The following table shows the results of the roll-back:

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Rollback balance - June 30, 2016	\$ 1,794,880	\$ 1,162,916	\$ 631,964
Service cost	106,756	-	106,756
Interest on Total OPEB Liability	109,316	-	109,316
Employer contributions	-	713,987	(713,987)
Employee contributions	-	-	-
Actual investment income	-	152,339	(152,339)
Administrative expense	-	(9,664)	9,664
Benefit payments	(49,730)	(49,730)	-
Other	-	-	-
Net change	<u>166,342</u>	<u>806,932</u>	<u>(640,590)</u>
Balance at June 30, 2017	<u>\$ 1,961,222</u>	<u>\$ 1,969,848</u>	<u>\$ (8,626)</u>

The Net OPEB Liability is shown as a deferred outflows of resources on the Schedule of Net Position.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Associated Students if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	Discount Rate 1% Lower	Valuation Discount Rate	Discount Rate 1% Higher
Net OPEB Liability	\$ 289,265	\$ (8,626)	\$ (252,459)

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and Actual earnings on OPEB plan investments	5 years
All other amounts	Expected average remaining service lifetime

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7. POSTEMPLOYMENT HEALTHCARE PLAN – Continued

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the Associated Students recognized OPEB expense of \$73,397. As of fiscal year ended June 30, 2018, the Associated Students reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 187,500	\$ -
Net OPEB Liability (overfunded plan)	8,626	
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	<u>-</u>	<u>-</u>
Total	<u>\$ 196,126</u>	<u>\$ -</u>

The \$187,500 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2019. The Net OPEB Liability is shown as a deferred outflows of resources on the Schedule of Net Position due to the plan being overfunded.

Funded Status and Funding Progress

As of June 30, 2017, the most recent actuarial value date, the Plan was fully funded with Fiduciary Net Position value of \$1,969,848. No UAAL (unfunded actuarial accrued liability). The covered payroll as of June 30, 2017 was \$2,083,997. As of June 30, 2018, the Associated Students had contributed a cumulative \$1,859,257 into the CSU Auxiliary Organization VEBA Fund to fund the OPEB obligation consisting of payments made during the years ended June 30, 2018, 2017, 2014 and 2013 of \$95,000, \$664,257, \$300,000 and \$800,000, respectively.

Actuarial valuations of an ongoing plan involve estimates of the value reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018
(CONTINUED)**

8. CONTINGENCIES

The Associated Students has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material to the basic financial statements taken as a whole.

9. ENDOWMENT FUND

The Associated Students' endowment consists of investments in common stocks, corporate and government bonds, mortgage-backed securities, repurchase agreements, commercial paper, and cash and cash equivalents established for a variety of purposes. Its endowment includes funds designated by the Board of Directors to function as endowments. As required by U.S. Generally Accepted Accounting Principles (GAAP), net position associated with endowment funds, including funds designated by the Board of Directors are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Associated Students has interpreted the State Prudent Management Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Associated Students would classify as net position restricted nonexpendable (a) the original value of gifts donated to a permanent endowment, (b) the original value of subsequent gifts to a permanent endowment, and (c) accumulations to a permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of any donor-restricted endowment fund that is not classified in net position restricted nonexpendable would be classified as net position restricted expendable until those amounts are appropriated for expenditure by the Associated Students in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Associated Students would consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds should the Associated Students accept these types of funds:

- The duration and preservation of the fund
- The purposes of Associated Students and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Associated Students
- The investment policies of the Associated Students

**ASSOCIATED STUDENTS OF
SAN JOSE STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

9. ENDOWMENT FUND - Continued

Endowment Fund Composition

At June 30, 2018, the endowment fund of the Associated Students was composed of unrestricted net position totaling \$3,168,807, which consisted of investments, such as corporate and government bonds, mortgage-backed securities, repurchase agreements, commercial paper, and cash and cash equivalents.

Changes in Endowment

The changes in the endowment for the year ended June 30, 2018 is as follows:

	Schellar House Reserve Fund	OPEB Fund	Total
Endowment fund, beginning of year	\$ 3,172,894	\$ 144,343	\$ 3,317,237
Endowment expended	<u>(148,430)</u>	<u>-</u>	<u>(148,430)</u>
Endowment fund, end of year	<u>\$ 3,024,464</u>	<u>\$ 144,343</u>	<u>\$ 3,168,807</u>

Return Objectives and Risk Parameters

As discussed in Note 3, the Associated Students has adopted the investment and spending policies for endowment assets of the University Investment Pool. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is primarily intended to preserve principal, with the secondary objectives of providing liquidity and an income stream to support the programs designated by the Board of Directors. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives

To satisfy investment objectives, the Associated Students relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Associated Students targets a diversified asset allocation that places a greater emphasis on fixed-income during volatile markets and equity-based investments during stable market periods to achieve its long-term return objectives within prudent risk constraints.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

9. ENDOWMENT FUND - Continued

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Associated Students appropriates for distribution each year to provide a source of funds for:

- Revenue for the Associated Students when, for extraordinary reasons, the Associated Students does not have access to its fee revenues.
- Replacement of equipment that is damaged by unforeseen circumstances, such as natural disasters.
- One-time capital expenditures when the operating budget and non-reverting funds are not sufficient to cover such costs.
- Meeting contractual obligations of the Associated Students.
- Providing a minimum source of revenue equal to the previous year total budget allocation in case actual student enrollment figures fall below 95% of the pre-established enrollment prediction.

The Associated Students considers the long-term expected return on its endowment. Accordingly, over the long term, the Associated Students expects the current spending trend to allow its endowment to grow consistently with a preservation of principal to support the objectives. This is consistent with the Associated Students' objective to maintain the purchasing power of the endowment assets as designated by the Board of Directors to provide additional real growth through investment return.

The Associated Students maintains an endowment account with the Tower Foundation for the purposes of providing student scholarships and as collateral for capital outlay projects as directed by the Associated Students. Under the Memorandum of Understanding (the MOU), one half of the income is made available to the Financial Aid Office for distribution to students. The amount is not included in the Statement of Net Position as the Tower Foundation is the legal owner of the funds. However in the event that it is impossible or impractical to carry out the purpose of the endowment, the Associated Students retains the right to redirect funds in a manner as near as is practical to the original purpose under the terms of the MOU. The value of the fund as of June 30, 2018 was approximately \$114,944.

10. RETIREMENT PLAN

The Associated Students maintains an annuity purchase plan under Section 401(k) of the Internal Revenue Code ("IRC"). Under this plan, employees who have completed one year of service may defer up to 20% of their salary through contributions to the plan, subject to IRC limits. The Associated Students matches contributions up to 7% of participants' salaries. Matching contributions were \$112,019 for the year ended June 30, 2018.

**ASSOCIATED STUDENTS OF
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018
(CONTINUED)**

11. SIGNIFICANT CONCENTRATIONS

Financial instruments that potentially subject the Associated Students to concentration of credit risk consist primarily of cash and cash equivalents and investments. The Associated Students maintains a majority of its cash in a money market account and in bank deposit accounts that, at times, may exceed the federally insured limits. The Associated Students has not experienced any losses in such accounts. Management believes that the Associated Students is not exposed to any significant credit risk related to cash and cash equivalents. Risk associated with cash is mitigated by maintaining deposits at credit worthy financial institutions. The federally insured limit is \$250,000. Cash and cash equivalents balances in excess of insured limit was approximately \$2,805,320 as of June 30, 2018.

Investments are held in the University Investment Pool. The University's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2018, the following investments (other than U.S. Treasury securities, mutual funds, and external investment pools) represented 5% or more of the University's investment portfolio: Federal National Mortgage Association, Inc. \$387,360 (9.33%), and Federal Home Loan Banks Office of Finance \$533,718 (12.86%).

Additionally, the Associated Students has invested funds with the Benefit Trust Company in order to fund the other postemployment benefit obligation (See Note 7). As of June 30, 2018, the following investments represented 5% or more of the Benefit Trust Company investment portfolio: Blackrock Total Return-K \$131,056 (6%), Guggenheim Investments Macro Opportunities Inst. \$133,172 (6%), Guggenheim Investments Investment Grade Bond Fund \$133,698 (6%), Prudential Funds Total Return Bond CI Q \$131,045 (6%), Western Asset Core Plus Bond IS \$129,966 (6%), Alger Funds Small Cap Focus Z \$106,253 (5%), Alger Funds Spectra Z \$116,965 (5%), Columbia Contrarian Core \$106,805 (5%), and Oakmark Select Fund-Institutional \$121,280 (6%).

In addition, the Associated Students is dependent upon the University and the California State University system for a substantial portion of its revenue and support even though it has the ability to generate revenue and support from various sources.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018
(CONTINUED)**

12. RESTATEMENT

Net position at the beginning of the year increased per GASB 75's actuarial report at June 30, 2017 of Associated Students postemployment benefit obligation liability by \$226,618 in accordance with generally accepted accounting principles.

13. SUBSEQUENT EVENTS

The Associated Students has evaluated events subsequent to June 30, 2018, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through September 10, 2018, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**ASSOCIATED STUDENTS OF
SAN JOSE STATE UNIVERSITY
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
FOR THE MEASUREMENT PERIODS ENDED JUNE 30,**

	<i>Measurement Period</i>	<u>2017</u>
Total OPEB Liability		
Service Cost	\$	106,756
Interest on the total OPEB liability		109,316
Actual and expected experience difference		-
Changes in assumptions		-
Changes in benefit terms		-
Benefit payments		(49,730)
		<hr/>
Net change in total OPEB Liability		166,342
Total OPEB Liability - beginning		1,794,880
		<hr/>
Total OPEB Liability - ending (a)	\$	<u>1,961,222</u>
Plan Fiduciary Net Position		
Contribution - employer	\$	713,987
Net investment income		152,339
Benefit payments		(49,730)
Administrative expense		(9,664)
		<hr/>
Net change in total OPEB Liability		806,932
Total OPEB Liability - beginning		1,162,916
		<hr/>
Total OPEB Liability - ending (b)	\$	<u>1,969,848</u>
Net OPEB Liability - ending (a) - (b) **	\$	<u>(8,626)</u>
Plan fiduciary net position as a percentage of the total OPEB Liability		100%
Covered-employee payroll	\$	2,083,997
Net OPEB liability as a percentage of covered-employee payroll		N/A *

Notes to Schedule:

* Net OPEB liability as percentage of covered-employee payroll is not applicable due to an over-funded trust amount of \$8,626 as of June 30, 2017

** The Net OPEB Liability is shown as a deferred outflows of resources on the Schedule of Net Position.

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

**ASSOCIATED STUDENTS OF
SAN JOSE STATE UNIVERSITY
SCHEDULE OF CONTRIBUTIONS
LAST TEN YEARS***

		2018
Fiscal Year Ended June 30,		
Actuarially Determined Contribution (ADC) **	\$	-
Contributions in relation to ADC		-
Contribution deficiency (excess)	\$	-
 Covered-employee payroll	 \$	 2,083,997
 Contributions as a percentage of covered-employee payroll		 0%

Notes to Schedule:

* Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2018 were from the June 30, 2016 actuarial valuation.

** Actuarially Determined Contributions (ADC) - The ADC amount was not calculated. Associated Students contributes on an ad hoc basis, but in an amount sufficient to fully fund the obligation over a period not to exceed 30 years.

*** The last ten years' contribution to the Trust have been \$1,859,257 (including the \$95,000 made after the actuarial measurement date). The June 30, 2017 covered employee payroll was \$2,083,997. The contribution as a percentage of covered employee payroll was 89%.

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Certain gain and losses can be deferred over a period of five years
Asset Valuation Method	Market value
Discount Rate	6%
Inflation	2.75%
Salary Increases	2.75%
Investment Rate of Return	6% *
Healthcare Cost Trend Rate	4%
Retirement Age	2% @60, probability of retirement are based on CalPERS Experience Study.
Mortality Rate	CalPERS Active Mortality for Miscellaneous Employees
Pre-Retirement Turnover	CalPERS Active Mortality for Miscellaneous Employees

Historical information is required only for measurement periods for which GASB 75 is applicable.

Future years' information will be displayed up to 10 years as information becomes available.

SUPPLEMENTARY INFORMATION

**ASSOCIATED STUDENTS OF
SAN JOSE STATE UNIVERSITY
GASB SCHEDULE OF NET POSITION
JUNE 30, 2018**

Assets:	
Current assets:	
Cash and cash equivalents	\$ 3,055,320
Short-term investments	4,149,569
Accounts receivable, net	221,896
Capital lease receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	—
Prepaid expenses and other current assets	228,132
Total current assets	7,654,917
Noncurrent assets:	
Restricted cash and cash equivalents	—
Accounts receivable, net	—
Capital lease receivable, net of current portion	—
Notes receivable, net of current portion	—
Student loans receivable, net	—
Pledges receivable, net	—
Endowment investments	—
Other long-term investments	—
Capital assets, net	1,829,325
Other assets	2,876,034
Total noncurrent assets	4,705,359
Total assets	12,360,276
Deferred outflows of resources:	
Unamortized loss on debt refunding	—
Net pension liability	—
Net OPEB liability	8,626
Others	187,508
Total deferred outflows of resources	196,134
Liabilities:	
Current liabilities:	
Accounts payable	96,694
Accrued salaries and benefits	135,625
Accrued compensated absences, current portion	131,504
Unearned revenues	455,823
Capital lease obligations, current portion	—
Long-term debt obligations, current portion	—
Claims liability for losses and loss adjustment expenses, current portion	—
Depository accounts	—
Other liabilities	1,034,717
Total current liabilities	1,854,363
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	—
Unearned revenues	—
Grants refundable	—
Capital 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	—
Net other postemployment benefits liability	—
Net pension liability	—
Other liabilities	—
Total noncurrent liabilities	—
Total liabilities	1,854,363
Deferred inflows of resources:	
Service concession arrangements	—
Net pension liability	—
Net OPEB liability	—
Unamortized gain on debt refunding	—
Nonexchange transactions	—
Others	—
Total deferred inflows of resources	—
Net Position:	
Net investment in capital assets	1,829,325
Restricted for:	—
Nonexpendable – endowments	—
Expendable:	—
Scholarships and fellowships	—
Research	—
Loans	—
Capital projects	—
Debt service	—
Others	—
Unrestricted	8,872,722
Total net position	\$ 10,702,047

**ASSOCIATED STUDENTS OF
SAN JOSE STATE UNIVERSITY
GASB SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

Revenues:	
Operating revenues:	
Student tuition and fees, gross	\$ 5,983,919
Scholarship allowances (enter as negative)	—
Grants and contracts, noncapital:	
Federal	296,459
State	197,461
Local	141,081
Nongovernmental	95,200
Sales and services of educational activities	—
Sales and services of auxiliary enterprises, gross	—
Scholarship allowances (enter as negative)	—
Other operating revenues	1,722,727
Total operating revenues	<u>8,436,847</u>
Expenses:	
Operating expenses:	
Instruction	—
Research	—
Public service	—
Academic support	—
Student services	8,090,742
Institutional support	—
Operation and maintenance of plant	—
Student grants and scholarships	60,500
Auxiliary enterprise expenses	—
Depreciation and amortization	267,470
Total operating expenses	<u>8,418,712</u>
Operating income (loss)	<u>18,135</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	79,294
Endowment income (loss), net	—
Interest expense	—
Other nonoperating revenues (expenses) - excl. interagency transfers	(6,320)
Other nonoperating revenues (expenses) - interagency transfers	(230)
Net nonoperating revenues (expenses)	<u>72,744</u>
Income (loss) before other revenues (expenses)	90,879
State appropriations, capital	—
Grants and gifts, capital	—
Additions (reductions) to permanent endowments	—
Increase (decrease) in net position	90,879
Net position:	
Net position at beginning of year, as previously reported	10,384,550
Restatements	226,618
Net position at beginning of year, as restated	<u>10,611,168</u>
Net position at end of year	<u>\$ 10,702,047</u>

**ASSOCIATED STUDENTS OF
SAN JOSE STATE UNIVERSITY
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

1	Restricted cash and cash equivalents at June 30, 2018:	
	Portion of restricted cash and cash equivalents related to endowments	\$ —
	All other restricted cash and cash equivalents	—
		<hr/>
	Total restricted cash and cash equivalents	\$ —
		<hr/> <hr/>

**ASSOCIATED STUDENTS OF
SAN JOSE STATE UNIVERSITY
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018
(CONTINUED)**

2.1 Composition of investments at June 30, 2018:

	Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
State of California Surplus Money Investment Fund (SMIF)	\$ —	—	—	—	—	—	—
State of California Local Agency Investment Fund (LAIF)	—	—	—	—	—	—	—
Corporate bonds	1,181,200	—	1,181,200	—	—	—	1,181,200
Certificates of deposit	208,645	—	208,645	—	—	—	208,645
Mutual funds	131,992	—	131,992	—	—	—	131,992
Money Market funds	10,079	—	10,079	—	—	—	10,079
Repurchase agreements	10,554	—	10,554	—	—	—	10,554
Commercial paper	—	—	—	—	—	—	—
Asset backed securities	302,156	—	302,156	—	—	—	302,156
Mortgage backed securities	278	—	278	—	—	—	278
Municipal bonds	53,509	—	53,509	—	—	—	53,509
U.S. agency securities	1,219,581	—	1,219,581	—	—	—	1,219,581
U.S. treasury securities	1,031,575	—	1,031,575	—	—	—	1,031,575
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	—	—	—	—	—	—	—
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Add description	—	—	—				

**ASSOCIATED STUDENTS OF
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(CONTINUED)**

2.2 Investments held by the University under contractual agreements at June 30, 2018:

Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2018 :	4,149,569	—	4,149,569	—	—	—	4,149,569
---	-----------	---	-----------	---	---	---	-----------

2.3 Restricted current investments at June 30, 2018 related to:

	<u>Amount</u>					
Add description	\$ —					
Add description	—					
Add description	—					
Add description	—					
Add description	—					
Add description	—					
Add description	—					
Total restricted current investments at June 30, 2018	\$ —					

2.4 Restricted noncurrent investments at June 30, 2018 related to:

	<u>Amount</u>					
Endowment investment	\$ —					
Add description	—					
Add description	—					
Add description	—					
Add description	—					
Add description	—					
Add description	—					
Total restricted noncurrent investments at June 30, 2018	\$ —					

**ASSOCIATED STUDENTS OF
SAN JOSE STATE UNIVERSITY
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(CONTINUED)**

3.1 Composition of capital assets at June 30, 2018:

	Balance June 30, 2017	Prior period Adjustments	Reclassifications	Balance June 30, 2017 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2018
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	\$ 500,000	—	—	500,000	—	—	—	500,000
Works of art and historical treasures	—	—	—	—	—	—	—	—
Construction work in progress (CWIP)	—	—	—	—	—	—	—	—
Intangible assets:								
Rights and easements	—	—	—	—	—	—	—	—
Patents, copyrights and trademarks	—	—	—	—	—	—	—	—
Internally generated intangible assets in progress	—	—	—	—	—	—	—	—
Licenses and permits	—	—	—	—	—	—	—	—
Other intangible assets:								
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Add description	—	—	—	—	—	—	—	—
Total intangible assets	—	—	—	—	—	—	—	—
Total nondepreciable/nonamortizable capital assets	<u>500,000</u>	<u>—</u>	<u>—</u>	<u>500,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>500,000</u>
Depreciable/amortizable capital assets:								
Buildings and building improvements	2,939,391	—	—	2,939,391	—	—	—	2,939,391
Improvements, other than buildings	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	—	—	—	—	—	—	—	—
Personal property:								
Equipment	1,798,468	—	—	1,798,468	170,827	(80,964)	—	1,888,331
Library books and materials	—	—	—	—	—	—	—	—
Intangible assets:								
Software and websites	134,127	—	—	134,127	—	—	—	134,127
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	134,127	—	—	134,127	—	—	—	134,127
Total depreciable/amortizable capital assets	<u>4,871,986</u>	<u>—</u>	<u>—</u>	<u>4,871,986</u>	<u>170,827</u>	<u>(80,964)</u>	<u>—</u>	<u>4,961,849</u>
Total capital assets	<u>5,371,986</u>	<u>—</u>	<u>—</u>	<u>5,371,986</u>	<u>170,827</u>	<u>(80,964)</u>	<u>—</u>	<u>5,461,849</u>
Less accumulated depreciation/amortization:								
Buildings and building improvements	(1,978,306)	—	—	(1,978,306)	(120,136)	—	—	(2,098,442)
Improvements, other than buildings	—	—	—	—	—	—	—	—
Infrastructure	—	—	—	—	—	—	—	—
Leasehold improvements	—	—	—	—	—	—	—	—
Personal property:								
Equipment	(1,335,674)	—	—	(1,335,674)	(145,130)	80,734	—	(1,400,070)
Library books and materials	—	—	—	—	—	—	—	—
Intangible assets:								
Software and websites	(131,808)	—	—	(131,808)	(2,204)	—	—	(134,012)
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	(131,808)	—	—	(131,808)	(2,204)	—	—	(134,012)
Total accumulated depreciation/amortization	<u>(3,445,788)</u>	<u>—</u>	<u>—</u>	<u>(3,445,788)</u>	<u>(267,470)</u>	<u>80,734</u>	<u>—</u>	<u>(3,632,524)</u>
Total capital assets, net	<u>\$ 1,926,198</u>	<u>—</u>	<u>—</u>	<u>1,926,198</u>	<u>(96,643)</u>	<u>(230)</u>	<u>—</u>	<u>1,829,325</u>

3.2 Detail of depreciation and amortization expense for the year ended June 30, 2018:

Depreciation and amortization expense related to capital assets	\$ 267,470
Amortization expense related to other assets	—
Total depreciation and amortization	<u>\$ 267,470</u>

**ASSOCIATED STUDENTS OF
SAN JOSE STATE UNIVERSITY
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(CONTINUED)**

4 Long-term liabilities activity schedule:

	Balance June 30, 2017	Prior period adjustments	Reclassifications	Balance June 30, 2017 (restated)	Additions	Reductions	Balance June 30, 2018	Current portion	Long-term portion
Accrued compensated absences	\$ 144,343	—	—	144,343	187,587	(200,426)	131,504	131,504	—
Claims liability for losses and loss adjustment expenses	—	—	—	—	—	—	—	—	—
Capital lease obligations:									
Gross balance	—	—	—	—	—	—	—	—	—
Unamortized premium / (discount) on capital 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	\$ 144,343	—	—	144,343	187,587	(200,426)	131,504	131,504	—

**ASSOCIATED STUDENTS OF
SAN JOSE STATE UNIVERSITY
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(CONTINUED)**

5 Future minimum lease payments - Capital lease obligations:

	Capital lease obligations related to SRB			All other capital lease obligations			Total capital lease 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:									
2019	—	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—	—	—
2023	—	—	—	—	—	—	—	—	—
2024 - 2028	—	—	—	—	—	—	—	—	—
2029 - 2033	—	—	—	—	—	—	—	—	—
2034 - 2038	—	—	—	—	—	—	—	—	—
2039 - 2043	—	—	—	—	—	—	—	—	—
2044 - 2048	—	—	—	—	—	—	—	—	—
2049 - 2053	—	—	—	—	—	—	—	—	—
2054 - 2058	—	—	—	—	—	—	—	—	—
2059 - 2063	—	—	—	—	—	—	—	—	—
2064 - thereafter	—	—	—	—	—	—	—	—	—
Total minimum lease payments	—	—	—	—	—	—	—	—	—
Less amounts representing interest									—
Present value of future minimum lease payments									—
Unamortized net premium (discount)									—
Total capital lease obligations									—
Less: current portion									—
Capital lease obligation, net of current portion									\$ —

**ASSOCIATED STUDENTS OF
SAN JOSE STATE UNIVERSITY
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(CONTINUED)**

6 Long-term debt obligations 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:									
2019	—	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—	—	—
2023	—	—	—	—	—	—	—	—	—
2024 - 2028	—	—	—	—	—	—	—	—	—
2029 - 2033	—	—	—	—	—	—	—	—	—
2034 - 2038	—	—	—	—	—	—	—	—	—
2039 - 2043	—	—	—	—	—	—	—	—	—
2044 - 2048	—	—	—	—	—	—	—	—	—
2049 - 2053	—	—	—	—	—	—	—	—	—
2054 - 2058	—	—	—	—	—	—	—	—	—
2059 - 2063	—	—	—	—	—	—	—	—	—
2064 - thereafter	—	—	—	—	—	—	—	—	—
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									—
Long-term debt obligations, net of current portion									\$ —

**ASSOCIATED STUDENTS OF
SAN JOSE STATE UNIVERSITY
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(CONTINUED)**

7 Calculation of net position

7.1 Calculation of net position - Net investment in capital assets

Capital assets, net of accumulated depreciation	\$	1,829,325
Capital lease obligations, current portion		—
Capital 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 (enter as positive number)		—
Other adjustments: (please list)		
Add description		—
Net position - Net investment in capital assets	\$	<u>1,829,325</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		—
Net position - Restricted for nonexpendable - endowments	\$	<u>—</u>

**ASSOCIATED STUDENTS OF
SAN JOSE STATE UNIVERSITY
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8 Transactions with related entities

	Amount
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ <u>95,269</u>
Payments to University for other than salaries of University personnel	309,088
Payments received from University for services, space, and programs	583,428
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)	(4,393)
Other amounts (payable to) University (enter as negative number)	—
Accounts receivable from University (enter as positive number)	31,732
Other amounts receivable from University	—

**ASSOCIATED STUDENTS OF
SAN JOSE STATE UNIVERSITY
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9 Other postemployment benefits (OPEB) liability

Annual required contribution (ARC)	\$ —
Contributions during the year (enter as negative number)	(664,257)
Increase (decrease) in net OPEB liability (NOO)	<u>(664,257)</u>
Other adjustments	32,293
NOO - beginning of year	<u>631,964</u>
NOO - end of year	<u><u>\$ —</u></u>

Percentage of annual OPEB cost contributed during the year ended **#DIV/0!**

**ASSOCIATED STUDENTS OF
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(CONTINUED)**

10 Pollution remediation liabilities under GASB Statement No. 49:

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

**ASSOCIATED STUDENTS OF
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11 The nature and amount of the prior period adjustment(s) recorded to beginning net position

	Net Position Class	Amount Dr. (Cr.)
	Net position as of June 30, 2018, as previously reported	\$
Prior period adjustments:		
1 OPEB restatement		226,618
2 (list description of each adjustment)		—
3 (list description of each adjustment)		—
4 (list description of each adjustment)		—
5 (list description of each adjustment)		—
6 (list description of each adjustment)		—
7 (list description of each adjustment)		—
8 (list description of each adjustment)		—
9 (list description of each adjustment)		—
10 (list description of each adjustment)		—
Net position as of June 30, 2017, as restated	\$	<u>10,611,168</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: Unrestricted		
1 (breakdown of adjusting journal entry)		
Fund Balance	\$ 8,626	
OPEB Health Accrual		8,626
OPEB Health Accrual	\$ 73,397	
OPEB Health Accrual		73,397
Deferred Outflow of OPEB	\$ 92,508	
OPEB Health Accrual		92,503
Deferred Outflow of OPEB	\$ 95,000	
OPEB Health Accrual		95,000
Fund Balance	\$ 631,964	
OPEB Health Accrual		632,964
OPEB Expense	\$ 73,397	
OPEB Health Accrual		73,397
OPEB Health Accrual	\$ 664,257	
Fund Balance		664,257
OPEB Health Accrual	\$ 49,730	
Fund Balance		497,430

**ASSOCIATED STUDENTS OF
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12 Natural Classifications of Operating Expenses

	Salaries	Benefits	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total operating expenses
Instruction	—	—	—	—	—	—
Research	—	—	—	—	—	—
Public service	—	—	—	—	—	—
Academic support	—	—	—	—	—	—
Student services	—	—	—	—	—	—
Institutional support	3,615,974	893,221	—	3,581,547	—	8,090,742
Operation and maintenance of plant	—	—	—	—	—	—
Student grants and scholarships	—	—	60,500	—	—	60,500
Auxiliary enterprise expenses	—	—	—	—	—	—
Depreciation and amortization	—	—	—	—	267,470	267,470
Total	<u>3,615,974</u>	<u>893,221</u>	<u>60,500</u>	<u>3,581,547</u>	<u>267,470</u>	<u>8,418,712</u>