

September 21, 2012

The Board of Directors  
The Student Union of San José State University  
San Jose, CA

In accordance with your request, we are attaching the accompanying PDF file, which contains an electronic final version of the financial statements of The Student Union of San José State University as of June 30, 2012 and 2011. We understand that your request for the electronic copy has been made as a matter of convenience. You understand that electronic transmissions are not entirely secure and that it is possible for confidential financial information to be intercepted by others.

These financial statements and our reports on them are not to be modified in any manner. This final version supersedes all prior drafts. Any preliminary draft version of the financial statements previously provided to you in an electronic formation should be deleted from your computer, and all printed copies of any superseded preliminary draft version should likewise be destroyed.

Professional standards and our firm policies require that we perform certain additional procedures whenever our reports are included, or we are named as accountants, auditors or experts, in a document used in a public or private offering of equity or debt securities. Accordingly, as provided for and agreed to in the terms of our arrangement letter, the Student Union will not include our reports, or otherwise make reference to us, in any public or private securities offering without first obtaining our consent. Any request to consent is also a matter for which separate arrangements will be necessary. After obtaining our consent the Student Union also agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing, and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when the Student Union seeks such consent, we will be under no obligation to grant such consent or approval.

McGladrey LLP



Attachment

# **The Student Union of San José State University**

*(A California State University Auxiliary  
Organization)*

Financial Report  
June 30, 2012

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## Independent Auditor's Report

The Board of Directors  
The Student Union of  
San José State University  
San Jose, CA

We have audited the accompanying statements of net assets of The Student Union of San José State University (a California State University auxiliary organization) (the Student Union) as of June 30, 2012 and 2011, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Student Union's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Student Union as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*McGladrey LLP*

Tacoma, Washington  
September 18, 2012

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

**Management's Discussion and Analysis  
Years Ended June 30, 2012 and 2011**

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**Management's Discussion and Analysis**

This section of The Student Union of San José State University (the Student Union) annual financial report includes management's discussion and analysis of the financial performance of the Student Union for fiscal years ended June 30, 2012 and 2011. This discussion should be read in conjunction with the financial statements and notes.

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

The Student Union is a California State University auxiliary organization that manages and maintains three major facilities at the San José State University campus located in downtown San Jose, California. The Student Union began its operations at San José State University in October 1969 and became incorporated in March 1982. The facilities include the Student Union building, the Aquatic Center, the Event Center Arena and an ATM building. The nonprofit corporation has been in business for more than 42 years in California and receives no state funding. Revenue is derived from collected student fees, various service fees and rental of space in its facilities. Students interact with the Student Union on a daily basis, either through the use of facilities, through participation in sponsored events, or through Student Union programming. The Student Union also acts as a bridge to the greater campus community whose members make use of recreational facilities and attend the diverse concerts and events on the San José State University campus.

In anticipation of future needs of the students and the campus community, the Student Union received approval for a fee increase and approval to proceed with construction on the Student Center Facilities Project (SCFP) in 2006. Construction for the project's initial phase, the Student Union Expansion & Renovation Project, broke ground on November 17, 2010. This expansion is scheduled to be completed in May of 2013. The second phase of the project is the renovation of the old Student Union building, scheduled for completion in early 2014. The SCFP also includes future plans for a new Aquatic Center and the expansion and renovation of the Event Center Sport Club. Expanding and renovating the Student Union facilities will meet the needs and demands of the increased student clubs and organizations as well as provide a vibrant campus center for students, faculty and staff to socialize, dine and engage outside of the classroom.

The Student Union corporation is governed by the Student Union Board of Directors which is composed of eleven (11) voting members:

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

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

The Student Union's financial reserves consist of Local Reserves held locally by the corporation and the balance of the collected student fees held in trust by San José State University. These reserves are reviewed annually by the Board of Directors to ensure a stable financial position as well as ensuring adequate funding for future capital improvements and the expansion of the facilities.

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

**Management's Discussion and Analysis  
Years Ended June 30, 2012 and 2011**

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**Introduction to the Financial Statements**

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

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

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

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

**Overview**

**Summary**

The following discussion highlights management's understanding of the key financial aspects of the Student Union's financial activities as of and for the years ended June 30, 2012, 2011 and 2010. Included are comparative analyses of current and prior years' activities and balances and a discussion of restrictions (if any) of the Student Union's net assets.

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

**Management's Discussion and Analysis  
Years Ended June 30, 2012 and 2011**

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**Condensed Summary of Net Assets**

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Assets:</b>			
Current assets	\$ 1,630,103	\$ 1,000,940	\$ 1,162,340
Noncurrent assets	<u>9,149,856</u>	<u>10,239,034</u>	<u>8,268,851</u>
Total assets	<u>\$ 10,779,959</u>	<u>\$ 11,239,974</u>	<u>\$ 9,431,191</u>
<b>Liabilities:</b>			
Current liabilities	\$ 1,133,331	\$ 1,296,813	\$ 1,043,772
Noncurrent liabilities	<u>123,197</u>	<u>825,290</u>	<u>619,925</u>
Total liabilities	<u>\$ 1,256,528</u>	<u>\$ 2,122,103</u>	<u>\$ 1,663,697</u>
<b>Net assets:</b>			
Unrestricted:			
Investments in capital	\$ 2,485,086	\$ 2,571,165	\$ 2,500,430
Board-designated	1,728,552	1,372,141	1,569,118
Unrestricted	<u>5,309,793</u>	<u>5,174,565</u>	<u>3,697,946</u>
Total net assets	<u>\$ 9,523,431</u>	<u>\$ 9,117,871</u>	<u>\$ 7,767,494</u>

**Assets:** Total assets decreased \$460K overall from FY 2011 to FY 2012, primarily due to a decrease in the investment portfolio and a decrease in capital assets. Total assets increased \$1.8 million from FY 2010 to FY 2011, primarily due to gains in the investment portfolio.

Current assets increased \$629K due to timing differences in cash balances at year-end for operational purposes. Current assets decreased \$161K from FY 2010 to FY 2011 also due to timing differences in cash balances at year-end.

Noncurrent assets decreased \$1.1 million overall due to a decrease in capital assets and a decrease in the investment portfolio. Noncurrent assets increased \$2.0 million from FY 2010 to FY 2011 due to an increase in capital assets and an increase in the investment portfolio.

**Liabilities:** Current liabilities decreased \$163K from FY 2011 to FY 2012, primarily due to less event activity in FY 2012 compared to FY 2011. Current liabilities increased \$253K from FY 2010 to FY 2011, primarily due to additional arena events in June 2011, with their related payroll and other expenses.

Noncurrent liabilities decreased significantly by \$702K overall due to the \$693K in OPEB liability being fully funded during the year ended June 30, 2012. Noncurrent liabilities increased by \$205K from FY 2010 to FY 2011 due to the annual funding of the Net OPEB Obligation (NOO) for Other Post-Employment Benefit Programs for retirees.

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

**Management's Discussion and Analysis  
Years Ended June 30, 2012 and 2011**

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**Net assets:** Total net assets increased \$406K from FY 2011 to FY 2012 due to a decrease in investments in capital of \$86K, an increase of \$356K in Board-designated projects, and an increase in unrestricted assets of \$136K. Total net assets increased by \$1.35 million from FY 2010 to FY 2011 due to an increase in capital assets of \$71K, decrease in Board-designated projects of \$197K, and an increase of \$1.5 million in unrestricted assets.

**Restricted resources:** Net assets of the Student Union do not include any restricted resources.

**Restricted net assets:** All net assets of the Student Union are unrestricted.

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

**Condensed summary of revenues, expenses and changes in net assets:**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating revenues:			
Student Union fees	\$ 4,431,804	\$ 4,813,427	\$ 4,743,464
Service fees	355,888	347,839	371,509
Reimbursement of event costs	544,232	562,957	520,105
Rental income	1,724,168	1,704,428	1,576,551
Reimbursement of wages and benefits	407,796	388,932	371,743
Commissions	169,610	111,342	205,728
Other	135,554	76,981	58,442
Total operating revenues	<u>7,769,052</u>	<u>8,005,906</u>	<u>7,847,542</u>
Operating expenses:			
Wages and benefits	3,642,125	3,747,932	3,481,280
Insurance	217,760	209,258	220,023
Supplies	254,063	239,530	221,840
Communications	37,903	39,281	38,789
Repairs and maintenance	138,393	179,916	179,841
Utilities	872,316	929,519	955,437
Event costs	624,297	640,725	594,629
Small equipment purchases	61,073	55,967	57,878
Depreciation	368,509	338,235	278,068
Business services	1,184,261	1,136,493	995,769
Miscellaneous	40,859	37,121	38,891
Project expenditures	50,332	109,114	141,231
Total operating expenses	<u>7,491,891</u>	<u>7,663,091</u>	<u>7,203,676</u>
Total operating income	277,161	342,815	643,866
Nonoperating revenues (expenses):			
Investment income	128,399	1,007,562	796,272
Increase in net assets	405,560	1,350,377	1,440,138
Net assets:			
Beginning of year	9,117,871	7,767,494	6,327,356
End of year	<u>\$ 9,523,431</u>	<u>\$ 9,117,871</u>	<u>\$ 7,767,494</u>

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

**Management's Discussion and Analysis  
Years Ended June 30, 2012 and 2011**

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**Operating revenues:** Total operating revenues decreased \$237K from FY 2011 to FY 2012, primarily due to a decrease in Student Union fees which was offset slightly by an increase in commissions and other income. Total operating revenues increased \$158K from FY 2010 to FY 2011, primarily due to an increase in Student Union fees and an increase in rental income.

Student Union fees returned for operations were approximately 57 percent of total operating revenues in FY 2012, a decrease of \$382K over FY 2011. Student Union fees returned for operations in FY 2011 increased \$70K over FY 2010 fees. Student Union fees are returned for operations annually and will increase or decrease in order to balance the annual budget and fund capital projects approved by the Board of Directors.

Rental income increased \$20K from FY 2011 to FY 2012, a minor increase over prior year. Rental income increased \$128K from FY 2010 to FY 2011, primarily due to Event Center Arena income.

Reimbursement of event costs decreased by \$19K from FY 2011 to FY 2012, a minor decrease over prior year. Reimbursement of event costs increased by \$43K from FY 2010 to FY 2011, primarily due to the increase in Event Center Arena events.

Commission income increased significantly by \$58K from FY 2011 to FY 2012, primarily due to a contract change in concessions. A significant decrease in commission income of \$94K occurred between FY 2010 and FY 2011.

All other operating revenues increased \$58K from FY 2011 to FY 2012. An increase of \$12K in other operating revenues also occurred between FY 2010 to FY 2011.

**Operating expenses:** Total operating expenses decreased \$171K overall from FY 2011 to FY 2012. Total operating expenses increased by \$459K from FY 2010 to FY 2011.

The operating expenses for the Student Union are principally made up of wages and benefits which were approximately 48.7 percent of overall expense in FY 2012 compared to 48.9 percent of overall expense in FY 2011. There was a significant drop of \$42K in repairs and maintenance in 2012 compared to 2011; a \$57K decrease in utility costs in FY 2012; an increase of \$31K in FY 2012 depreciation over FY 2011; an increase of \$48K in business services in FY 2012; and a decrease of \$59K in overall project expenditures for FY 2012. Operating expense increases for FY 2011 of \$459K compared to FY 2010 were primarily in wages and benefits and directly correlate to the increased event income in FY 2011. Other increases in FY 2011 compared to FY 2010 were in business services, event costs and depreciation.

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

Investment income decreased significantly by \$880K from FY 2011 to FY 2012 due to significant market fluctuations. Investment income increased from FY 2010 to FY 2011 by \$211K.

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

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

**Statements of Net Assets  
June 30, 2012 and 2011**

<b>Assets</b>	<b>2012</b>	<b>2011</b>
<b>Current Assets</b>		
Cash and cash equivalents (Note 10)	\$ 934,989	\$ 458,115
Investments (Notes 3 and 10)	479,181	294,823
Accounts receivable (Note 9)	157,293	203,079
Prepaid expenses and other	58,640	44,923
<b>Total current assets</b>	<b>1,630,103</b>	<b>1,000,940</b>
<b>Noncurrent Assets</b>		
Restricted cash	25,000	25,000
Investments (Notes 3 and 10)	6,516,573	7,510,604
Funds held in trust	123,197	132,265
Capital assets, net (Notes 4 and 5)	2,485,086	2,571,165
<b>Total noncurrent assets</b>	<b>9,149,856</b>	<b>10,239,034</b>
<b>Total assets</b>	<b>\$ 10,779,959</b>	<b>\$ 11,239,974</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable (Note 9)	\$ 641,986	\$ 712,820
Accrued payroll and related expenses	408,914	481,955
Other accrued liabilities (Note 9)	82,431	102,038
<b>Total current liabilities</b>	<b>1,133,331</b>	<b>1,296,813</b>
Funds held in trust liability	123,197	132,265
Other postretirement benefit obligation (Note 6)	-	693,025
<b>Total liabilities</b>	<b>1,256,528</b>	<b>2,122,103</b>
<b>Net Assets</b>		
Investment in capital assets	2,485,086	2,571,165
Unrestricted:		
Board-designated (Note 5)	1,728,552	1,372,141
Unrestricted	5,309,793	5,174,565
<b>Total net assets</b>	<b>\$ 9,523,431</b>	<b>\$ 9,117,871</b>

See Notes to Financial Statements.

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

**Statements of Revenues, Expenses and Changes in Net Assets  
Years Ended June 30, 2012 and 2011**

	2012	2011
Operating revenues:		
Student Union fees	\$ 4,431,804	\$ 4,813,427
Service fees	355,888	347,839
Reimbursement of event costs	544,232	562,957
Rental income	1,724,168	1,704,428
Reimbursed wages and benefits	407,796	388,932
Commissions	169,610	111,342
Other	135,554	76,981
<b>Total operating revenues</b>	<b>7,769,052</b>	<b>8,005,906</b>
Operating expenses:		
Wages and benefits (Note 6)	3,642,125	3,747,932
Insurance	217,760	209,258
Supplies	254,063	239,530
Communications	37,903	39,281
Repairs and maintenance	138,393	179,916
Utilities	872,316	929,519
Event costs	624,297	640,725
Small equipment purchases	61,073	55,967
Depreciation	368,509	338,235
Business services (Note 8)	1,184,261	1,136,493
Miscellaneous	40,859	37,121
Project expenditures	50,332	109,114
<b>Total operating expenses</b>	<b>7,491,891</b>	<b>7,663,091</b>
<b>Operating income</b>	<b>277,161</b>	<b>342,815</b>
Nonoperating income:		
Investment income, net	128,399	1,007,562
<b>Increase in net assets</b>	<b>405,560</b>	<b>1,350,377</b>
Net assets:		
Beginning of year	9,117,871	7,767,494
<b>End of year</b>	<b>\$ 9,523,431</b>	<b>\$ 9,117,871</b>

See Notes to Financial Statements.

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

**Statements of Cash Flows  
Years Ended June 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
Cash Flows From Operating Activities		
Payments to suppliers	\$ (3,572,947)	\$ (3,162,187)
Payments to employees	(3,756,180)	(3,048,055)
Payments to students	(664,478)	(552,208)
Sales and services of auxiliary enterprises	7,518,371	7,710,192
Other receipts	296,467	102,578
<b>Net cash provided by (used in) operating activities</b>	<b>(178,767)</b>	<b>1,050,320</b>
Cash Flows From Capital and Related Financing Activities		
Acquisitions of capital assets	(282,431)	(408,970)
Cash Flows From Investing Activities		
Investment income proceeds	128,399	1,007,562
Unrealized gain (loss) on investments	274,304	(355,683)
Sale of investments, net	535,369	(1,535,624)
<b>Net cash provided by (used in) investing activities</b>	<b>938,072</b>	<b>(883,745)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>476,874</b>	<b>(242,395)</b>
Cash and Cash Equivalents		
Beginning of year	458,115	700,510
<b>End of year</b>	<b>\$ 934,989</b>	<b>\$ 458,115</b>
Reconciliation of Net Operating Income to Net Cash Provided by (Used in) Operating Activities		
Operating income	\$ 277,161	\$ 342,815
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation and amortization	368,509	338,235
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	45,786	(82,842)
(Increase) in prepaid expenses and other current assets	(13,717)	(1,911)
(Increase) decrease in accounts payable	(70,834)	105,970
Increase in accrued salaries and benefits	(73,041)	105,422
Increase in other liabilities	(712,631)	242,631
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (178,767)</b>	<b>\$ 1,050,320</b>

See Notes to Financial Statements.

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

**Notes to Financial Statements**

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**Note 1. General Information**

The Student Union of San José State University (the Student Union) is an auxiliary organization in the California State University (CSU) system. The purpose of the Student Union is to provide cultural, educational, social and recreational services to the San José State University (the University) campus community and operate the Student Union building, the ATM building, the Event Center Arena and the Aquatic Center.

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

**Basis of presentation:** The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis in conformity with accounting principles generally accepted in the United States of America, as promulgated by the Governmental Accounting Standards Board (GASB). The GASB requires the Student Union to comply with GASB pronouncements as well as Financial Accounting Standards Board (FASB) Standards and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or prior to November 30, 1989, that do not conflict with or contradict GASB pronouncements.

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

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

**Accounts receivable:** Accounts receivable are recorded when services are performed at the actual amount expected to be collected. Management has determined that no allowance for doubtful accounts is necessary at June 30, 2012 and 2011.

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

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

- **Glass Reserve Account**—This account was established upon mutual agreement between the Student Union and Spartan Shops, Inc., another auxiliary on the campus. The funds are specifically designated for the repair and replacement of any exterior glass in the Student Union building. All repairs and replacement of glass are handled by the Student Union, as well as payment of any vendor invoices. The balances in this account as of June 30, 2012 and 2011, were \$20,238 and \$20,221, respectively.

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

**Notes to Financial Statements**

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

- **Instructionally Related Activities (IRA) Trust Account**—This account was established upon mutual agreement with the University in a Memorandum of Understanding dated August 1, 2006, allowing the Student Union to manage and oversee the SJSU Club Sports Program. The funds are held in trust for the following obligations:
  - Insurance for SJSU Club Sports participants.
  - Insurance for other recognized student clubs' and organizations' events.
  - SJSU Club Sports teams annual allocations and contingency funds.
  - Reimbursement to the Student Union for SJSU Club Sports' departmental expenditures.
  - The IRA Trust Account balance at June 30, 2012 and 2011, was \$74,941 and \$83,186, respectively.
- **SJSU Club Sports Checking Account**—This account was established as a result of a CSU Chancellor's Office Executive Order prohibiting any recognized student organizations from having off-campus bank accounts. As a result of the Executive Order, all recognized SJSU Club Sports teams have opened a bank account, with the Student Union overseeing the account and processing their financial transactions. The balance in this checking account as of June 30, 2012 and 2011, was \$28,018 and \$28,858, respectively.

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

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

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

**Compensated absences:** The Student Union accrues vacation benefits for eligible employees at various rates depending upon length of service. Eligible full-time employees accrue sick leave at the rate of 96.0 hours at January 1 each year. Employees are not paid for unused sick leave at the end of employment. At June 30, 2012 and 2011, the Student Union had balances of \$199,439 and \$184,291 of compensated absences, respectively. During 2012 and 2011, \$185,885 and \$181,566, respectively, of compensated absences was earned and \$170,737 and \$173,254, respectively, was used.

**Student Union employees:** Certain Student Union employees are employees of the University, and are reimbursed by the Student Union.

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

**Notes to Financial Statements**

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

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

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

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

**Income taxes:** The Student Union is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and Section 23701(d) of the California Revenues and Taxation Code, respectively.

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

**Pronouncement issues:** In March 2012, the GASB issued GASB Statement No. 66, *Technical Corrections - 2012 (an amendment of GASB Statements No. 10 and No. 62)*, effective for periods beginning after December 15, 2012. Management has not currently determined what, if any, impact the implementation of this GASB pronouncement may have on the financial statements of the Student Union.

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

**Notes to Financial Statements**

**Note 3. Investments**

	2012		2011	
	Fair Value	Unrealized Gain (Loss)	Fair Value	Unrealized Gain (Loss)
Local Agency Investment Fund	\$ 246,292	\$ -	\$ 245,298	\$ -
Corporate bonds and notes	243,995	(6,006)	243,766	(5,364)
Mutual funds, equities	1,197,899	134,121	898,483	243,672
Mutual funds, fixed income	4,761,595	281,339	5,979,901	417,012
Mutual funds, others	112,178	3,011	388,454	32,355
Certificates of deposit	200,906	906	-	-
Cash and money balances	232,889	-	49,525	-
	<u>\$ 6,995,754</u>	<u>\$ 413,371</u>	<u>\$ 7,805,427</u>	<u>\$ 687,675</u>

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

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

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

		June 30, 2012						
		Market Value	<1 Year	<2 Years	<3 Years	<4 Years	<5 Years	>5 Years
Intermediate-term								
investments		<u>\$ 5,206,496</u>	<u>\$ 232,889</u>	<u>\$ 361,578</u>	<u>\$ 2,197,347</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,414,682</u>
		June 30, 2011						
		Market Value	<1 Year	<2 Years	<3 Years	<4 Years	<5 Years	>5 Years
Intermediate-term								
investments		<u>\$ 6,223,667</u>	<u>\$ 176,673</u>	<u>\$ 1,662,440</u>	<u>\$ 2,520,456</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,864,098</u>

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

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

**Notes to Financial Statements**

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**Note 3. Investments (Continued)**

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

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

Investment Type	2012	2011	S&P Credit Rating
Fixed Income Mutual Funds	\$ 1,574,659	\$ 1,883,669	AAA
Fixed Income Mutual Funds	284,743	361,784	AA
Fixed Income Mutual Funds	648,529	615,332	A
Certificates of Deposit	200,906	-	-
Corporate Bonds	243,995	243,766	A
Fixed Income Mutual Funds	1,085,644	1,105,086	BBB
Fixed Income Mutual Funds	414,735	767,221	BB
Fixed Income Mutual Funds	628,531	1,246,809	B
Fixed Income Mutual Funds	124,754	-	Below B
Total fixed income securities	\$ 5,206,496	\$ 6,223,667	

**Concentration of credit risk:** The Policy of the Student Union contains certain limitations on the amount that can be invested in any one issuer and is listed in the table above. The Student Union did not have any investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5 percent or more of the Student Union's total investments as of June 30, 2012 and 2011.

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

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

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

**Notes to Financial Statements**

**Note 4. Capital Assets**

Capital assets consist of the following at June 30:

	2011	Additions	Deletions	2012
Computer equipment	\$ 63,284	\$ 17,756	\$ -	\$ 81,040
Software	48,395	-	-	48,395
Furniture and equipment	1,055,911	155,389	-	1,211,300
Leasehold improvements	3,928,566	139,677	-	4,068,243
Projects in progress	40,178	312,541	(342,933)	9,786
	<u>5,136,334</u>	<u>625,363</u>	<u>(342,933)</u>	<u>5,418,764</u>
Less accumulated depreciation	(2,565,169)	(368,509)	-	(2,933,678)
Net book value	<u>\$ 2,571,165</u>	<u>\$ 256,854</u>	<u>\$ (342,933)</u>	<u>\$ 2,485,086</u>

  

	2010	Additions	Deletions	2011
Computer equipment	\$ 46,185	\$ 35,356	\$ (18,257)	\$ 63,284
Software	56,300	-	(7,905)	48,395
Furniture and equipment	1,050,620	247,173	(241,882)	1,055,911
Leasehold improvements	4,056,255	190,231	(317,920)	3,928,566
Projects in progress	103,968	371,370	(435,160)	40,178
	<u>5,313,328</u>	<u>844,130</u>	<u>(1,021,124)</u>	<u>5,136,334</u>
Less accumulated depreciation	(2,812,898)	(338,235)	585,964	(2,565,169)
Net book value	<u>\$ 2,500,430</u>	<u>\$ 505,895</u>	<u>\$ (435,160)</u>	<u>\$ 2,571,165</u>

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

Board-designated net assets are composed of the following at June 30:

	2012	2011
Board-designated:		
Capital equipment	\$ 353,511	\$ 214,359
Other designated assets	1,375,041	1,157,782
	<u>\$ 1,728,552</u>	<u>\$ 1,372,141</u>

Other designated assets represent projects approved by the Board for leasehold improvements.

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

**Notes to Financial Statements**

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

**Other Postretirement Benefit Obligation (OPEB)**

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

**Funding policy:** The Student Union adopted entry age normal cost method prefunding prospectively. The entry age normal actuarial cost method, with the contributions determined as a percent of payroll, is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future, as well as those already accrued. The plan uses a 7.75 percent interest rate and amortizes unfunded actuarial accrued liability over 30 years on a level dollar basis, with projected salary increases of 3.25 percent per year.

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

The Student Union has voluntarily opted for a funding policy under which it will contribute 100 percent of its actuarially determined annual required contribution; therefore, there was no net unfunded OPEB ARC at June 30, 2012. The prior years' OPEB obligation of \$693,025 was deposited into the Auxiliaries' Multiple Employer VEBA Trust (the VEBA) by December 2011. The OPEB ARC obligation for fiscal year 2011 to fiscal year 2012 of \$185,036 was also deposited prior to June 30, 2012, into the VEBA.

The information shown below is related to OPEB activity for the prior year when the VEBA trust did not exist.

**Annual cost and funding progress:** Based on the latest actuarial valuation report (dated April 2011 and available at the Student Union upon request), the funded status of the OPEB program as of June 30, 2011, was as follows:

Actuarial accrued liability (AAL)	\$ 1,907,705
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,907,705</u>
Funded ratio (actuarial value of plan asset/AAL)	- %
Annual covered payroll (active plan member)	\$ 1,752,747
UAAL as a percentage of annual covered payroll	109%

Based on the report, the Student Union's annual required contribution (ARC) for the fiscal year ended June 30, 2011, was \$239,476.

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

**Notes to Financial Statements**

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

The net OPEB obligation (NOO) as of June 30, 2011, was as follows:

Annual required contribution	\$ 239,476
Unfunded ARC from prior year	13,627
Contributions during the year	(52,121)
Increase in NOO	<u>200,982</u>
NOO, beginning of year	<u>492,043</u>
NOO, end of year	<u><u>\$ 693,025</u></u>

**Retirement plan:** The Student Union has an annuity purchase plan under Section 403(b) of the IRC. Under this plan, eligible employees may defer their salary through contributions to the plan, subject to IRC limits, and the Student Union will match up to 6 percent for eligible employees as well as employer discretionary contributions. The Student Union's accrued and paid plan contributions for fiscal years 2012 and 2011 were \$184,863 and \$133,794, respectively.

**Note 7. Event Activity**

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

**Note 8. Operating Leases**

The following properties are leased from the Trustees of the California State University: the Student Union building, the ATM building, the Aquatic Center and the Event Center Arena. The renewed lease agreement expires June 30, 2017, and requires the Student Union's compliance with various conditions concerning operation of the facilities. The Student Union does not pay monthly rent to the University but does reimburse the University for Cost Allocations to Non-CSU Fund Entities for Expenses incurred by the CSU Operating Fund. These cost allocations are billed quarterly. The Student Union paid the University \$407,700 and \$407,713 in 2012 and 2011, respectively, for these cost allocations. Cost allocations include reimbursement for SJSU Business and Financial Services, Chancellor's Office annual audit fees, University police security fees, property and building insurance as well as facility use fees. Facility use fees were \$184,740 in 2012 and \$183,916 in 2011 and are estimated at \$184,740 for 2013. These facility use fees are a part of the totals listed above and are expected to be \$407,372 payable to the University in 2013.

The Student Union leases space in its facilities to other auxiliary organizations of the University, departments of the University and organizations external to the University.

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

**Notes to Financial Statements**

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**Note 9. Related Parties**

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

Receivables from affiliates at June 30 are as follows:

	2012	2011
Receivable from San José State University	\$ 833	\$ 6,904
Receivable from auxiliary organizations:		
Spartan Shops, Inc.	71,916	102,640
Associated Students, Inc.	2,511	1,597
SJSU Research Foundation	3,177	530
SJSU Tower Foundation	3,716	2,214
	<u>\$ 82,153</u>	<u>\$ 113,885</u>

The receivables from affiliates are included in the accompanying statements of net assets as accounts receivable.

Payables to affiliates at June 30 are as follows:

	2012	2011
Payable to San José State University	\$ 295,204	\$ 459,226
Payable to auxiliary organizations:		
Spartan Shops, Inc.	204	857
Associated Students, Inc.	2,445	3,077
SJSU Research Foundation	-	53,360
SJSU Tower Foundation	-	5,501
	<u>\$ 297,853</u>	<u>\$ 522,021</u>

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

**Note 10. Concentration of Credit Risk**

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

**Note 11. Subsequent Events**

In preparing the financial statements, the Student Union has evaluated events and transactions for subsequent event disclosure through September 18, 2012, the date of the auditor's report.

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

Schedule of Net Assets

June 30, 2012

(For inclusion in the California State University)

<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 934,989
Short-term investments	479,181
Accounts receivable, net	157,293
Leases receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	-
Prepaid expenses and other assets	58,640
<b>Total current assets</b>	<u>1,630,103</u>
Noncurrent assets:	
Restricted cash and cash equivalents	25,000
Accounts receivable, net	-
Leases receivable, net of current portion	-
Notes receivable, net of current portion	-
Student loans receivable, net	-
Pledges receivable, net	-
Endowment investments	-
Other long-term investments	6,516,573
Capital assets, net	2,485,086
Other assets	123,197
<b>Total noncurrent assets</b>	<u>9,149,856</u>
<b>Total assets</b>	<u>\$ 10,779,959</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	\$ 641,986
Accrued salaries and benefits payable	209,475
Accrued compensated absences – current portion	199,439
Deferred revenue	-
Capitalized lease obligations – current portion	-
Long-term debt obligations – current portion	-
Self-insurance claims liability – current portion	-
Depository accounts	-
Other liabilities	82,431
<b>Total current liabilities</b>	<u>1,133,331</u>
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	-
Deferred revenue	-
Grants refundable	-
Capitalized lease obligations, net of current portion	-
Long-term debt obligations, net of current portion	-
Self-insurance claims liabilities, net of current portion	-
Depository accounts	123,197
Other postemployment benefits obligation	-
Other liabilities	-
<b>Total noncurrent liabilities</b>	<u>123,197</u>
<b>Total liabilities</b>	<u>1,256,528</u>
Net assets:	
Invested in capital assets, net of related debt	2,485,086
Restricted:	
Nonexpendable – endowments	-
Expendable:	
Scholarships and fellowships	-
Research	-
Loans	-
Capital projects	-
Debt service	-
Other	-
Unrestricted	7,038,345
<b>Total net assets</b>	<u>\$ 9,523,431</u>

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

**Schedule of Revenues, Expenses, and Changes in Net Assets**  
**Year Ended June 30, 2012**  
**(For inclusion in the California State University)**

Revenues:	
Operating revenues:	
Student tuition and fees (net of scholarship allowances of \$_____)	\$ 4,431,804
Grants and contracts, noncapital:	
Federal	-
State	-
Local	-
Nongovernmental	-
Sales and services of educational activities	-
Sales and services of auxiliary enterprises (net of scholarship allowances of \$_____)	3,201,694
Other operating revenues	135,554
<b>Total operating revenues</b>	<u>7,769,052</u>
Expenses:	
Operating expenses:	
Instruction	-
Research	-
Public service	-
Academic support	-
Student services	4,431,804
Institutional support	-
Operation and maintenance of plant	-
Student grants and scholarships	5,000
Auxiliary enterprise expenses	2,686,578
Depreciation and amortization	368,509
<b>Total operating expenses</b>	<u>7,491,891</u>
<b>Operating income</b>	<u>277,161</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, net	128,399
Endowment income (loss), net	-
Interest Expenses	-
Other nonoperating revenues (expenses)	-
<b>Net nonoperating revenues</b>	<u>128,399</u>
<b>Income before other additions</b>	<u>405,560</u>
State appropriations, capital	-
Grants and gifts, capital	-
Additions (reductions) to permanent endowments	-
<b>Increase in net assets</b>	<u>405,560</u>
Net assets:	
Net assets at beginning of year, as previously reported	9,117,871
Restatements	-
Net assets at beginning of year, as restated	<u>9,117,871</u>
<b>Net assets at end of year</b>	<u>\$ 9,523,431</u>

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

**Other Information**

**Year Ended June 30, 2012**

**(For inclusion in the California State University)**

**1. Restricted cash and cash equivalents at June 30, 2012:**

Portion of restricted cash and cash equivalents related to endowments  
All other restricted cash and cash equivalents

\$	25,000
<u>\$</u>	<u>25,000</u>

**2.1 Composition of investments at June 30, 2012:**

	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)	246,292	-	246,292	-	-	-	246,292
Wachovia Short-Term Fund	-	-	-	-	-	-	-
Wachovia Medium-Term Fund	-	-	-	-	-	-	-
Wachovia Equity Fund	-	-	-	-	-	-	-
US Bank SWIFT Pool	-	-	-	-	-	-	-
Common Fund – Short-Term Fund	-	-	-	-	-	-	-
Common Fund – Others	-	-	-	-	-	-	-
Debt securities	-	-	-	243,995	-	243,995	243,995
Equity securities	-	-	-	1,197,899	-	1,197,899	1,197,899
Fixed income securities (treasury notes, GNMAs)	-	-	-	4,761,595	-	4,761,595	4,761,595
Land and other real estate	-	-	-	-	-	-	-
Certificates of deposit	-	-	-	200,906	-	200,906	200,906
Notes receivable	-	-	-	-	-	-	-
Mutual funds	-	-	-	112,178	-	112,178	112,178
Money market funds	232,889	-	232,889	-	-	-	232,889
Collateralized mortgage obligations:							
Inverse floaters	-	-	-	-	-	-	-
Interest-only strips	-	-	-	-	-	-	-
Agency pass-through	-	-	-	-	-	-	-
Private pass-through	-	-	-	-	-	-	-
Other investments:							
Add description	-	-	-	-	-	-	-
Add description	-	-	-	-	-	-	-
Total investments	479,181	-	479,181	6,516,573	-	6,516,573	6,995,754
Less endowment investments	-	-	-	-	-	-	-
	<u>\$ 479,181</u>	<u>\$ -</u>	<u>\$ 479,181</u>	<u>\$ 6,516,573</u>	<u>\$ -</u>	<u>\$ 6,516,573</u>	<u>\$ 6,995,754</u>

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

**Other Information (Continued)  
Year Ended June 30, 2012  
(For inclusion in the California State University)**

**2.2 Investments held by the University under contractual agreements at June 30, 2012:**

Portion of investments in Note 2.1 held  
by the University under contractual  
agreements at June 30, 2011

\$ - \$ - \$ - \$ - \$ - \$ -

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<b>2.3 Restricted current investments at June 30, 2012 related to:</b>			
			Amount
Add description			\$ -
Add description			-
Add description			-
Add description			-
Add description			-
Add description			-
Add description			-
Add description			-
Add description			-
Add description			-
Total restricted current investments at June 30, 2011			<u>\$ -</u>
<b>2.4 Restricted noncurrent investments at June 30, 2012, related to:</b>			
			Amount
Endowment investments			\$ -
Add description			-
Add description			-
Add description			-
Add description			-
Add description			-
Add description			-
Add description			-
Add description			-
Total restricted noncurrent investments at June 30, 2012			<u>\$ -</u>

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

**Other Information (Continued)  
Year Ended June 30, 2012  
(For inclusion in the California State University)**

**3.1 Composition of capital assets at June 30, 2012:**

	Balance June 30, 2011	Prior Period Adjustments	Reclassifications	Balance June 30, 2011 (Restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2012
<b>Nondepreciable capital assets:</b>								
Land and land improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Works of art and historical treasures	-	-	-	-	-	-	-	-
Construction work in progress	40,178	-	-	40,178	312,541	(342,933)	-	9,786
Intangible assets	-	-	-	-	-	-	-	-
<b>Total nondepreciable capital assets</b>	<b>40,178</b>	<b>-</b>	<b>-</b>	<b>40,178</b>	<b>312,541</b>	<b>(342,933)</b>	<b>-</b>	<b>9,786</b>
<b>Depreciable capital assets:</b>								
Buildings and building improvements	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	3,928,566	-	-	3,928,566	139,677	-	-	4,068,243
Personal property:								
Equipment	1,167,590	-	-	1,167,590	173,145	-	-	1,340,735
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-
<b>Total depreciable capital assets</b>	<b>5,096,156</b>	<b>-</b>	<b>-</b>	<b>5,096,156</b>	<b>312,822</b>	<b>-</b>	<b>-</b>	<b>5,408,978</b>
<b>Total cost</b>	<b>5,136,334</b>	<b>-</b>	<b>-</b>	<b>5,136,334</b>	<b>625,363</b>	<b>(342,933)</b>	<b>-</b>	<b>5,418,764</b>
<b>Less accumulated depreciation:</b>								
Buildings and building improvements	-	-	-	-	-	-	-	-
Improvements, other than building	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	(1,936,171)	-	-	(1,936,171)	(212,269)	-	-	(2,148,440)
Personal property:								
Equipment	(628,998)	-	-	(628,998)	(156,240)	-	-	(785,238)
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-
<b>Total accumulated depreciation</b>	<b>(2,565,169)</b>	<b>-</b>	<b>-</b>	<b>(2,565,169)</b>	<b>(368,509)</b>	<b>-</b>	<b>-</b>	<b>(2,933,678)</b>
<b>Net capital assets</b>	<b>\$ 2,571,165</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,571,165</b>	<b>\$ 256,854</b>	<b>\$ (342,933)</b>	<b>\$ -</b>	<b>\$ 2,485,086</b>

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**Other Information (Continued)**

**Year Ended June 30, 2012**

**(For inclusion in the California State University)**

**3.2 Detail of depreciation and amortization expense for the year ended June 30, 2012:**

Depreciation and amortization expense related to capital assets	\$ 368,509
Amortization expense related to other assets	-
Total depreciation and amortization	<u>\$ 368,509</u>

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**Other Information (Continued)  
Year Ended June 30, 2012  
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**4. Long-term liabilities activity schedule:**

	Balance June 30, 2011	Prior Period Adjustments	Reclassifications	Balance June 30, 2011 (Restated)	Additions	Reductions	Balance June 30, 2012	Current Portion	Long-Term Portion
Accrued compensated absences	\$ 184,291			\$ 184,291	\$ 185,885	\$ (170,737)	\$ 199,439	\$ 199,439	\$ -
Capitalized lease obligations:									
Gross balance	-			-			-		-
Unamortized premium (discount) on capitalized lease obligations	-			-			-		-
<b>Total capitalized lease obligations</b>	-	-	-	-	-	-	-	-	-
Long-term debt obligations:									
Revenue bonds	-			-			-		-
Other bonds (nonrevenue bonds)	-			-			-		-
Commercial paper	-			-			-		-
Other	-			-			-		-
<b>Total long-term debt obligations</b>	-	-	-	-	-	-	-	-	-
Unamortized bond premium (discount)	-			-			-		-
Unamortized loss on refunding	-			-			-		-
<b>Total long-term debt obligations, net</b>	-	-	-	-	-	-	-	-	-
<b>Total long-term liabilities</b>	\$ 184,291	\$ -	\$ -	\$ 184,291	\$ 185,885	\$ (170,737)	\$ 199,439	\$ 199,439	\$ -

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**Other Information (Continued)**

**Year Ended June 30, 2012**

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**5. Future minimum capital lease payments:**

Years Ending June 30,	Principal	Interest	Principal and Interest
2013	\$ -	\$ -	\$ -
2014	-	-	-
2015	-	-	-
2016	-	-	-
2017-2021	-	-	-
2022-2026	-	-	-
2027-2031	-	-	-
2032-2036	-	-	-
2037-2041	-	-	-
2042-2046	-	-	-
2047-2051	-	-	-
2052-2056	-	-	-
2057-2061	-	-	-
2062-2066	-	-	-
	-	-	-
Total minimum lease payments			-
Less amounts representing interest			-
Present value of future minimum lease payments			-
Less current portion			-
Capitalized lease obligations, net of current portion			<u>\$ -</u>

**The Student Union of San José State University  
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**Other Information (Continued)**

**Year Ended June 30, 2012**

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**6. Long-term debt obligation schedule:**

Years Ending June 30,	Revenue Bonds			All Other Long-Term Debt Obligations			Total		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
2013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2014	-	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-	-	-
2017-2021	-	-	-	-	-	-	-	-	-
2022-2026	-	-	-	-	-	-	-	-	-
2027-2031	-	-	-	-	-	-	-	-	-
2032-2036	-	-	-	-	-	-	-	-	-
2037-2041	-	-	-	-	-	-	-	-	-
2042-2046	-	-	-	-	-	-	-	-	-
2047-2051	-	-	-	-	-	-	-	-	-
2052-2056	-	-	-	-	-	-	-	-	-
2057-2061	-	-	-	-	-	-	-	-	-
2062-2066	-	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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**Other Information (Continued)**

**Year Ended June 30, 2012**

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**7.1 Calculation of net assets—invested in capital assets, net of related debt:**

	Auxiliary Organizations		Total Auxiliaries
	GASB	FASB	
Capital assets, net of accumulated depreciation	\$ 2,485,086	\$ -	\$ 2,485,086
Capitalized lease obligations, current portion	-	-	-
Capitalized lease obligations, net of current portion	-	-	-
Long-term debt obligations, current portion	-	-	-
Long-term debt obligations, net of current portion	-	-	-
Portion of outstanding debt that is unspent at year-end	-	-	-
Other	-	-	-
<b>Net assets, invested in capital assets, net of related debt</b>	<b>\$ 2,485,086</b>	<b>\$ -</b>	<b>\$ 2,485,086</b>

**7.2 Calculation of net assets—Restricted for nonexpendable endowments:**

Portion of restricted cash and cash equivalents related to endowments	\$ -	\$ -	\$ -
Endowment investments	-	-	-
Other adjustments (please list):	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
Net assets, restricted for nonexpendable endowments per SNA	\$ -	\$ -	\$ -

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**Other Information (Continued)**

**Year Ended June 30, 2012**

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**8. Transactions with related entities:**

	Total
Reimbursements to University for salaries of University personnel working on contracts, grants and other programs	\$ 719,443
Reimbursements to University for other than salaries of University personnel	1,572,090
Payments received from University for services, space and programs	1,000,726
Gifts-in-kind to University from Auxiliary Organizations	-
Gifts (cash or assets) to University from recognized Auxiliary Organizations	5,000
Accounts (payable to) University (enter as negative number)	(295,204)
Other amounts (payable to) University (enter as negative number)	-
Accounts receivable from University	833
Other amounts receivable from University	-

**9. Other Postemployment Benefits Obligation (OPEB):**

Annual required contribution (ARC)	\$ 185,036
Contributions during the year	<u>(878,061)</u>
Increase in net OPEB obligation (NOO)	(693,025)
NOO - beginning of year	<u>693,025</u>
NOO - end of year	<u><u>\$ -</u></u>

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**Other Information (Continued)**

**Year Ended June 30, 2012**

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**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	-
Add description	-
Total pollution remediation liabilities	-
Less current portion	-
Pollution remediation liabilities, net of current portion	\$ -

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

	Net Asset Class	Amount
Net assets as of June 30, 2011, as previously reported		\$ 9,117,871
Prior period adjustments:		
1. (list description of each adjustment)		
2. (list description of each adjustment)		
3. (list description of each adjustment)		
4. (list description of each adjustment)		
5. (list description of each adjustment)		
6. (list description of each adjustment)		
Net assets as of June 30, 2011, as restated		\$ 9,117,871

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**Other Information (Continued)  
Year Ended June 30, 2012  
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**Provide a detailed breakdown of the journal entries booked to record each prior period adjustment:**

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