

The Student Union of San José State University

(A California State University Auxiliary Organization)

Financial Report
June 30, 2014

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Student Union of San José State University (a California State University auxiliary organization) (the Student Union), which comprise the statements of net position as of June 30, 2014 and 2013, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Student Union of San José State University as of June 30, 2014 and 2013, and the changes in its net position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted by the Governmental 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 that collectively comprise the Student Union's basic financial statements. The schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McGladrey LLP

San Jose, CA
September 19, 2014

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

**Management's Discussion and Analysis
Years Ended June 30, 2014 and 2013**

Management's Discussion and Analysis

This section of The Student Union of San José State University's (the Student Union) annual financial report includes management's discussion and analysis of the financial performance of the Student Union for fiscal years ended June 30, 2014 and 2013. This discussion should be read in conjunction with the financial statements and notes to the financial statements.

Introduction to The Student Union of San José State University

The Student Union is a California State University auxiliary organization that manages and maintains major facilities at the San José State University campus located in downtown San 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 building and a small ATM building. The nonprofit corporation has been in business for more than 44 years in California and receives no state funding. Revenue is derived from collected student fees, various service fees and rental of space in its facilities. Students interact with the Student Union on a daily basis, through the use of facilities, participation in sponsored events, or through a Student Union program. The Student Union also acts as a bridge to the greater campus community, whose members make use of recreational opportunities and attend the diverse concerts and events on the San José State University campus.

In anticipation of future needs, the Student Union has been undergoing a major renovation and expansion project since 2010. The Student Center Facilities Project includes the expansion of the current Student Union building to the west and east sides, as well as the complete renovation of the current Student Union Building, the majority of which is funded by San José State University. The east and west additions opened Fall semester 2014. The student fees being collected will also pay for the future expansion and renovation of the Sport Club and Aquatic Center. The expansion and renovation of these facilities will better meet the needs and demands of our growing student clubs and organizations, as well as provide social, recreational, and educational space for all our students, including our residential students. The new facilities will enliven a vibrant campus center for students, faculty, and staff to socialize, congregate, and engage outside of the classroom.

The Student Union's Board of Directors 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.

There are four subcommittees of the Board that address: personnel, facilities and programs, audit(s), and the finances and reserves of the corporation.

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

**Management's Discussion and Analysis
Years Ended June 30, 2014 and 2013**

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.

Introduction to the Financial Statements

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

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

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

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

Overview

Summary

The following discussion highlights management's understanding of the key financial aspects of the Student Union's financial activities as of and for the years ended June 30, 2014, 2013 and 2012. Included are comparative analyses of current and prior years' activities and balances and a discussion of restrictions (if any) of the Student Union's net position.

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

**Management's Discussion and Analysis
Years Ended June 30, 2014 and 2013**

Condensed Summary of Net Position

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

| | 2014 | 2013 | 2012 |
|-------------------------------|----------------------|----------------------|----------------------|
| Assets: | | | |
| Current assets | \$ 3,367,080 | \$ 978,237 | \$ 1,630,103 |
| Noncurrent assets | 8,277,440 | 10,125,114 | 9,149,856 |
| Total assets | <u>\$ 11,644,520</u> | <u>\$ 11,103,351</u> | <u>\$ 10,779,959</u> |
| Liabilities: | | | |
| Current liabilities | \$ 1,627,514 | \$ 1,042,753 | \$ 1,133,331 |
| Noncurrent liabilities | 92,033 | 121,171 | 123,197 |
| Total liabilities | <u>\$ 1,719,547</u> | <u>\$ 1,163,924</u> | <u>\$ 1,256,528</u> |
| Net position: | | | |
| Unrestricted: | | | |
| Investments in capital assets | \$ 3,289,132 | \$ 2,716,290 | \$ 2,485,086 |
| Board-designated | 1,434,881 | 3,300,622 | 1,728,552 |
| Unallocated | 5,200,960 | 3,922,515 | 5,309,793 |
| Total net position | <u>\$ 9,924,973</u> | <u>\$ 9,939,427</u> | <u>\$ 9,523,431</u> |

Assets: Total assets increased \$541 thousand overall from FY 2013 to FY 2014, primarily due to an increase in cash and cash equivalents and a decrease in the investment portfolio. Total assets increased \$323 thousand overall from FY 2012 to FY 2013, primarily due to an increase in the investment portfolio and a decrease in cash and cash equivalents.

Current assets increased \$2.4 million from FY 2013 to FY 2014 due to a timing difference in the receipt of student union fees from the University. Current assets decreased \$652 thousand from FY 2012 to FY 2013 due to a timing difference in cash balances at year-end for operational purposes.

Noncurrent assets decreased \$1.8 million overall due to a decrease in the investment portfolio of \$2.4 million and an increase in capital assets of \$573 thousand. Noncurrent assets increased \$975 thousand from FY 2012 to FY 2013 overall due to an increase in the investment portfolio of \$746 thousand and an increase in capital assets of \$231 thousand.

Liabilities: Current liabilities increased \$585 thousand overall from FY 2013 to FY 2014, primarily due to an increase in accounts payable at year-end, an increase in accrued payroll and related expenses of \$37 thousand at year-end, and an increase in other accrued liabilities of \$193 thousand due to increased ticket sales for future events. Current liabilities decreased \$91 thousand from FY 2012 to FY 2013, primarily due to lower accounts payable at year-end and less accrued payroll and related expenses of \$24 thousand at year-end.

Noncurrent liabilities decreased by \$29 thousand due to increased operational expenses for SJSU Club Sports. Noncurrent liabilities decreased slightly by \$2 thousand from FY2012 to FY 2013 overall due to timing differences.

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

**Management's Discussion and Analysis
Years Ended June 30, 2014 and 2013**

Net position: Total net position decreased slightly by \$14 thousand from FY 2013 to FY 2014 due to an increase in investments in capital assets of \$573 thousand, a decrease of \$1.9 million in Board-designated projects, and an increase in unallocated net position of \$1.3 million. Total net position increased \$416 thousand from FY 2012 to FY 2013 due to an increase in investments in capital assets of \$231 thousand, an increase of \$1.6 million in Board-designated projects, and a decrease in unallocated net position of \$1.4 million.

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

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

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

**Management's Discussion and Analysis
Years Ended June 30, 2014 and 2013**

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

Condensed summary of revenues, expenses and changes in net position:

| | 2014 | 2013 | 2012 |
|-------------------------------------|---------------------|---------------------|---------------------|
| Operating revenues: | | | |
| Student Union fees | \$ 5,255,357 | \$ 4,347,845 | \$ 4,431,804 |
| Service fees | 162,498 | 310,617 | 355,888 |
| Reimbursement of event costs | 953,829 | 567,740 | 544,232 |
| Rental income | 1,557,663 | 1,491,814 | 1,724,168 |
| Reimbursement of wages and benefits | 444,555 | 359,646 | 407,796 |
| Commissions | 195,901 | 126,890 | 169,610 |
| Other | 42,794 | 49,354 | 135,554 |
| Total operating revenues | <u>8,612,597</u> | <u>7,253,906</u> | <u>7,769,052</u> |
| Operating expenses: | | | |
| Wages and benefits | 3,941,296 | 3,684,431 | 3,642,125 |
| Payroll taxes | 947,688 | - | - |
| Insurance | 197,481 | 201,148 | 217,760 |
| Supplies | 257,508 | 237,514 | 254,063 |
| Communications | 101,811 | 38,779 | 37,903 |
| Repairs and maintenance | 138,551 | 129,368 | 138,393 |
| Utilities | 865,979 | 864,276 | 872,316 |
| Event costs | 1,034,980 | 649,471 | 624,297 |
| Small equipment purchases | 33,848 | 42,862 | 61,073 |
| Depreciation | 442,221 | 396,030 | 368,509 |
| Business services | 1,158,210 | 1,185,071 | 1,184,261 |
| Miscellaneous | 36,458 | 42,004 | 40,859 |
| Project expenditures | 173,120 | 66,747 | 50,332 |
| Total operating expenses | <u>9,329,151</u> | <u>7,537,701</u> | <u>7,491,891</u> |
| Total operating income (loss) | <u>(716,554)</u> | <u>(283,795)</u> | <u>277,161</u> |
| Nonoperating revenues (expenses): | | | |
| Investment income | 702,100 | 699,791 | 128,399 |
| Increase (decrease) in net position | <u>(14,454)</u> | <u>415,996</u> | <u>405,560</u> |
| Net position: | | | |
| Beginning of year | 9,939,427 | 9,523,431 | 9,117,871 |
| End of year | <u>\$ 9,924,973</u> | <u>\$ 9,939,427</u> | <u>\$ 9,523,431</u> |

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

**Management's Discussion and Analysis
Years Ended June 30, 2014 and 2013**

Operating revenues: Total operating revenues increased \$1.4 million from FY 2013 to FY 2014, primarily due to an increase of \$908 thousand in Student Union fees and an increase in the reimbursement of event costs of \$386 thousand. Total operating revenues decreased \$515 thousand from FY 2012 to FY 2013, primarily due to a decrease of \$84 thousand in Student Union fees, a decrease in rental income of \$232 thousand as well as a decrease in service fees, commissions and other income.

Student Union fees returned for operations were approximately 61 percent of total operating revenues in FY 2014, an increase of \$908 thousand over FY 2013. Student Union fees returned for operations were approximately 60 percent of total operating revenues in FY 2013, a decrease of \$84 thousand over FY 2012. 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 \$66 thousand from FY 2013 to FY 2014, a minor increase over prior year, primarily due to an increase in Event Center Arena events. Rental income decreased \$232 thousand from FY 2012 to FY 2013, a major decrease over prior year, primarily due to rental credits given to University-sponsored programs.

Reimbursement of event costs increased by \$386 thousand from FY 2013 to FY 2014, which is a significant increase over prior year, and attributable to the increase in shows in the Event Center Arena. Reimbursement of event costs increased by \$24 thousand from FY 2012 to FY 2013, which is a minor increase over prior year.

Commission income increased by \$59 thousand from FY 2013 to FY 2014, primarily due to an increase in shows in the Event Center Arena. Commission income decreased by \$43 thousand from FY 2012 to FY 2013, primarily due to fewer shows in the Event Center Arena.

All other operating revenues decreased \$70 thousand from FY 2013 to FY 2014, primarily due to an increase in service fees and reimbursement of wages and benefits and a slight decrease in other income. A decrease of \$179 thousand in other operating revenues occurred from FY 2012 to FY 2013.

Operating expenses: Total operating expenses increased \$1.8 million overall from FY 2013 to FY 2014. Total operating expenses increased \$46 thousand overall from FY 2012 to FY 2013.

The operating expenses for the Student Union are principally made up of wages and benefits which were approximately 42 percent of overall expense in FY 2014, which is lower than the 49 percent of overall expense in FY 2013. There was a significant increase of \$386 thousand in event costs from FY 2013 to FY 2014; a slight increase of \$10 thousand in repairs and maintenance in FY 2014 compared to FY 2013; an increase of \$46 thousand in depreciation in FY 2014 over FY 2013; a slight decrease of \$27 thousand in business services in FY 2014; and a significant increase in payroll taxes which includes payments of \$948 thousand for FICA from prior years retroactive to January 1, 2010. There was a slight drop of \$9 thousand in repairs and maintenance in FY 2013 compared to FY 2012; a slight decrease in utility costs of \$8 thousand in FY 2013; an increase of \$28 thousand in depreciation in FY 2013 over FY 2012; a slight increase of \$810 in business services in FY 2013; and an increase of \$16 thousand in overall project expenditures for FY 2013.

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.

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

**Management's Discussion and Analysis
Years Ended June 30, 2014 and 2013**

Investment income increased slightly by \$2 thousand from \$700 thousand in FY 2013 to \$702 thousand in FY 2014. Investment income increased significantly by \$571 thousand from FY 2012 to FY 2013 due to interest of \$390 thousand, realized gain of \$377 thousand, and unrealized loss of approximately \$67 thousand.

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

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

**Statements of Net Position
June 30, 2014 and 2013**

| Assets | 2014 | 2013 |
|--------------------------------------|----------------------|----------------------|
| Current Assets | | |
| Cash and cash equivalents (Note 10) | \$ 2,768,375 | \$ 129,536 |
| Investments (Notes 3 and 10) | 403,942 | 660,760 |
| Accounts receivable (Note 9) | 177,178 | 138,704 |
| Prepaid expenses and other | 17,585 | 49,237 |
| Total current assets | 3,367,080 | 978,237 |
| Noncurrent Assets | | |
| Restricted cash | 25,000 | 25,000 |
| Investments (Notes 3 and 10) | 4,871,275 | 7,262,653 |
| Funds held in trust | 92,033 | 121,171 |
| Capital assets, net (Notes 4 and 5) | 3,289,132 | 2,716,290 |
| Total noncurrent assets | 8,277,440 | 10,125,114 |
| Total assets | \$ 11,644,520 | \$ 11,103,351 |
| Liabilities and Net Position | | |
| Current Liabilities | | |
| Accounts payable (Note 9) | \$ 923,231 | \$ 567,792 |
| Accrued payroll and related expenses | 421,421 | 384,757 |
| Other accrued liabilities (Note 9) | 282,862 | 90,204 |
| Total current liabilities | 1,627,514 | 1,042,753 |
| Funds held in trust liability | 92,033 | 121,171 |
| Total liabilities | 1,719,547 | 1,163,924 |
| Net Position | | |
| Investment in capital assets | 3,289,132 | 2,716,290 |
| Unrestricted: | | |
| Board-designated (Note 5) | 1,434,881 | 3,300,622 |
| Unallocated | 5,200,960 | 3,922,515 |
| Total net position | \$ 9,924,973 | \$ 9,939,427 |

See Notes to Financial Statements.

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

**Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2014 and 2013**

| | 2014 | 2013 |
|--|---------------------|---------------------|
| Operating Revenues | | |
| Student Union fees | \$ 5,255,357 | \$ 4,347,845 |
| Service fees | 162,498 | 310,617 |
| Reimbursement of event costs | 953,829 | 567,740 |
| Rental income | 1,557,663 | 1,491,814 |
| Reimbursed wages and benefits | 444,555 | 359,646 |
| Commissions | 195,901 | 126,890 |
| Other | 42,794 | 49,354 |
| Total operating revenues | 8,612,597 | 7,253,906 |
| Operating Expenses | | |
| Wages and benefits (Note 6) | 3,941,296 | 3,684,431 |
| Payroll taxes (Note 11) | 947,688 | - |
| Insurance | 197,481 | 201,148 |
| Supplies | 257,508 | 237,514 |
| Communications | 101,811 | 38,779 |
| Repairs and maintenance | 138,551 | 129,368 |
| Utilities | 865,979 | 864,276 |
| Event costs | 1,034,980 | 649,471 |
| Small equipment purchases | 33,848 | 42,862 |
| Depreciation | 442,221 | 396,030 |
| Business services (Note 8) | 1,158,210 | 1,185,071 |
| Miscellaneous | 36,458 | 42,004 |
| Project expenditures | 173,120 | 66,747 |
| Total operating expenses | 9,329,151 | 7,537,701 |
| Operating loss | (716,554) | (283,795) |
| Nonoperating Income | | |
| Investment income, net | 702,100 | 699,791 |
| Increase (decrease) in net position | (14,454) | 415,996 |
| Net Position | | |
| Beginning of year | 9,939,427 | 9,523,431 |
| End of year | \$ 9,924,973 | \$ 9,939,427 |

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, 2014 and 2013**

| | 2014 | 2013 |
|--|---------------------|-------------------|
| Cash Flows From Operating Activities | | |
| Sales and services of auxiliary enterprises | \$ 8,335,429 | \$ 7,099,615 |
| Payments to suppliers | (4,365,885) | (3,502,209) |
| Payments to employees | (3,328,937) | (3,089,060) |
| Payments to students | (575,696) | (631,739) |
| Other receipts | 238,695 | 172,880 |
| Net cash provided by operating activities | 303,606 | 49,487 |
| Cash Flows From Capital and Related Financing Activities | | |
| Acquisitions of capital assets | (1,015,063) | (627,234) |
| Cash Flows From Investing Activities | | |
| Investment income reinvested | 259,340 | 389,016 |
| Sales of investments | 4,903,447 | 3,983,278 |
| Purchase of investments | (1,812,491) | (4,600,000) |
| Net cash provided by (used in) investing activities | 3,350,296 | (227,706) |
| Net increase (decrease) in cash and cash equivalents | 2,638,839 | (805,453) |
| Cash and Cash Equivalents | | |
| Beginning of year | 129,536 | 934,989 |
| End of year | \$ 2,768,375 | \$ 129,536 |
| Reconciliation of Net Operating Loss to Net Cash Provided by Operating Activities | | |
| Operating loss | \$ (716,554) | \$ (283,795) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 442,221 | 396,030 |
| Change in assets and liabilities: | | |
| (Increase) decrease in accounts receivable, net | (38,474) | 18,589 |
| Decrease in prepaid expenses and other current assets | 31,652 | 9,401 |
| Increase (decrease) in accounts payable | 355,439 | (74,194) |
| Increase (decrease) in accrued salaries and benefits | 36,664 | (24,157) |
| Increase in other liabilities | 192,658 | 7,613 |
| Net cash provided by operating activities | \$ 303,606 | \$ 49,487 |

See Notes to Financial Statements.

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

Notes to Financial Statements

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 manage and operate the Student Union building, the Event Center building, the Aquatic Center and the ATM building.

Note 2. Summary of Significant Accounting Policies

Basis of presentation: The financial statements of the Student Union have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Student Union has chosen to continue to follow accounting standards applicable to private sector entities, issued prior to November 30, 1989, that do not conflict with or contradict GASB pronouncements.

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

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

Accounts receivable: Accounts receivable are recorded when services are performed at the actual amount expected to be collected. Management has determined that no allowance for doubtful accounts is necessary at June 30, 2014 and 2013.

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

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

- **Glass Reserve Account**—This account was established upon mutual agreement between the Student Union and Spartan Shops, Inc., another auxiliary on the campus. The funds are specifically designated for the repair and replacement of any exterior glass in the Student Union building. All repairs and replacement of glass are handled by the Student Union, as well as payment of any vendor invoices. The balances in this account as of June 30, 2014 and 2013 were \$20,255 and \$20,248, respectively.

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

Notes to Financial Statements

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, 2014 and 2013 was \$37,139 and \$73,603, respectively.

- **SJSU Club Sports Checking Account**—This account was established as a result of a CSU Chancellor's Office Executive Order prohibiting any recognized student organizations from having off-campus bank accounts. As a result of the Executive Order, SJSU Club Sports has one bank account, which is overseen by the Student Union as well as the processing of all their financial transactions. The balance in this checking account as of June 30, 2014 and 2013 was \$34,639 and \$27,320, 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 position. The Student Union has certain investments in which fair value is determined by using independent quotation bureaus that utilize computerized valuation formulas to calculate current value, which approximates fair value. Dividends and interest income are accrued when earned.

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

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

Compensated absences: The Student Union accrues vacation benefits for eligible employees at various rates depending upon length of service. Eligible full-time employees accrue sick leave at the rate of 96.0 hours at January 1 each year and are paid a portion of the remaining unused sick leave at the end of December. Employees are not paid for unused sick leave at the end of employment. At June 30, 2014 and 2013, the Student Union had balances of \$205,517 and \$210,544 of compensated absences, respectively. During 2014 and 2013, \$201,272 and \$196,599, respectively, of compensated absences was earned and \$206,299 and \$185,494, respectively, was used.

Student Union employees: Certain Student Union employees are employees of the University, and are reimbursed by the Student Union. The reimbursements totaled \$623,796 and \$545,248 for the years ended June 30, 2014 and 2013, respectively.

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

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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

Revenue: The University allocates a portion of the students' fees, following debt service obligations, based 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, the Event Center building and the Aquatic Center. The Student Union receives a share of entrance fees, parking fees and concession sales collected at events held in the Event Center Arena. Commission revenue (from event concessions, parking, ticket sales, vending, etc.) is recognized when earned. The Student Union also charges a rental fee to promoters who stage events in the Event Center Arena, which represents a reimbursement of costs incurred by the Student Union. This reimbursement is reflected as revenue when earned.

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

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

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.

Note 3. Investments

| | 2014 | | 2013 | |
|------------------------------|---------------------|------------------------|---------------------|------------------------|
| | Fair Value | Unrealized Gain (Loss) | Fair Value | Unrealized Gain (Loss) |
| Local Agency Investment Fund | \$ 247,429 | \$ - | \$ 247,103 | \$ - |
| Mutual funds, equities | 1,419,425 | 377,109 | 1,813,824 | 299,517 |
| Mutual funds, fixed income | 3,048,314 | 119,760 | 4,998,985 | 59,950 |
| Mutual funds, others | 202,830 | 2,626 | 249,416 | (13,190) |
| Certificates of deposit | 200,706 | 706 | 200,428 | 428 |
| Cash and money balances | 156,513 | - | 413,657 | - |
| | <u>\$ 5,275,217</u> | <u>\$ 500,201</u> | <u>\$ 7,923,413</u> | <u>\$ 346,705</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 of San José State University
(A California State University Auxiliary Organization)**

Notes to Financial Statements

Note 3. Investments (Continued)

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, 2014 | | | | | | |
|-------------------|--|---------------|------------|----------|------------|------------|--------------|------------|
| | | Market Value | <1 Year | <2 Years | <3 Years | <4 Years | <5 Years | >5 Years |
| Intermediate-term | | | | | | | | |
| investments | | \$ 3,249,020 | \$ 543,807 | \$ - | \$ 895,317 | \$ 572,977 | \$ 1,036,213 | \$ 200,706 |

| | | June 30, 2013 | | | | | | |
|-------------------|--|---------------|---------|------------|----------|--------------|------------|--------------|
| | | Market Value | <1 Year | <2 Years | <3 Years | <4 Years | <5 Years | >5 Years |
| Intermediate-term | | | | | | | | |
| investments | | \$ 5,199,413 | \$ - | \$ 693,182 | \$ - | \$ 1,753,217 | \$ 976,820 | \$ 1,776,194 |

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

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

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

Notes to Financial Statements

Note 3. Investments (Continued)

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

| Investment Type | 2014 | 2013 | S&P Credit Rating |
|-------------------------------|--------------|--------------|----------------------|
| Fixed Income Mutual Funds | \$ 1,568,358 | \$ 1,680,659 | AAA |
| Fixed Income Mutual Funds | 77,427 | 306,938 | AA |
| Fixed Income Mutual Funds | 289,590 | 658,366 | A |
| Certificates of Deposit | 200,706 | 418,384 | - |
| Fixed Income Mutual Funds | 598,079 | 1,078,781 | BBB |
| Fixed Income Mutual Funds | 246,304 | 393,920 | BB |
| Fixed Income Mutual Funds | 203,932 | 374,924 | B |
| Fixed Income Mutual Funds | 64,624 | 287,441 | Below B |
| Total fixed income securities | \$ 3,249,020 | \$ 5,199,413 | |

Concentration of credit risk: The Policy of the Student Union contains certain limitations on the amount that can be invested in any one issuer and is listed above. The Student Union did not have any investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5 percent or more of the Student Union's total investments as of June 30, 2014 and 2013.

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:

| | 2013 | Additions | Retirements | Transfers | 2014 |
|-------------------------------|--------------|------------|-------------|-------------|--------------|
| Computer equipment | \$ 122,201 | \$ - | \$ - | \$ - | \$ 122,201 |
| Software | 48,395 | - | - | - | 48,395 |
| Furniture and equipment | 1,332,705 | 8,405 | - | 571,711 | 1,912,821 |
| Leasehold improvements | 4,416,280 | - | - | 453,644 | 4,869,924 |
| Projects in progress | 126,417 | 1,006,658 | - | (1,025,355) | 107,720 |
| | 6,045,998 | 1,015,063 | - | - | 7,061,061 |
| Less accumulated depreciation | (3,329,708) | (442,221) | - | - | (3,771,929) |
| Net book value | \$ 2,716,290 | \$ 572,842 | \$ - | \$ - | \$ 3,289,132 |

| | 2012 | Additions | Retirements | Transfers | 2013 |
|-------------------------------|--------------|------------|--------------|-----------|--------------|
| Computer equipment | \$ 81,040 | \$ 41,161 | \$ - | \$ - | \$ 122,201 |
| Software | 48,395 | - | - | - | 48,395 |
| Furniture and equipment | 1,211,300 | 121,405 | - | - | 1,332,705 |
| Leasehold improvements | 4,068,243 | 348,037 | - | - | 4,416,280 |
| Projects in progress | 9,786 | 624,466 | (507,835) | - | 126,417 |
| | 5,418,764 | 1,135,069 | (507,835) | - | 6,045,998 |
| Less accumulated depreciation | (2,933,678) | (396,030) | - | - | (3,329,708) |
| Net book value | \$ 2,485,086 | \$ 739,039 | \$ (507,835) | \$ - | \$ 2,716,290 |

Note 5. Board-Designated Net Position

Board-designated net position is composed of the following at June 30:

| | 2014 | 2013 |
|-------------------------|--------------|--------------|
| Board-designated: | | |
| Capital equipment | \$ 176,957 | \$ 619,371 |
| Other designated assets | 1,257,924 | 2,681,251 |
| | \$ 1,434,881 | \$ 3,300,622 |

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

Note 6. Employment Benefit and Compensation Plans

Other Postemployment Benefit Obligation (OPEB)

Plan description: The Student Union provides lifetime retiree medical coverage to eligible employees and their dependents who retire at 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 the entry age normal actuarial cost method prefunding prospectively. The entry age normal actuarial cost method, with the contributions determined as a percent of payroll, is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future, as well as those already accrued. The plan uses a 7.00 percent discount rate assuming the Student Union continues prefunding 100 percent of each future year's Annual Required Contribution. The Student Union assumes a closed 30-year level dollar amortization of the Unfunded Actuarial Accrued Liability.

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

The Student Union has voluntarily opted for a funding policy under which it will contribute 100 percent of its actuarially determined annual required contribution. The Student Union's net OPEB liability was \$0 at June 30, 2014 and 2013. The actuarially determined contribution amount for the years ended June 30, 2014 and 2013 totaled \$167,769 and \$172,835, respectively.

Retirement plan: The Student Union has an annuity purchase plan under Section 403(b) of the IRC. Under this qualified plan, eligible employees may defer their salary through contributions to the plan, subject to IRC limits, and the Student Union will match up to 6 percent for eligible employees as well as employer discretionary contributions. The Student Union's accrued and paid plan contributions for fiscal years 2014 and 2013 were \$149,364 and \$154,287, 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.

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

Notes to Financial Statements

Note 8. Operating Leases

The following properties are leased from the Trustees of the California State University: the Student Union building, the ATM kiosk, the Aquatic Center and the Event Center building. The renewed lease agreement expires June 30, 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 \$508,728 and \$402,825 in 2014 and 2013, 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. A new IT service fee was added in 2014. Facility use fees were \$184,740 in both 2014 and 2013 and are estimated at \$314,569 for 2015. These facility use fees are a part of the total cost allocations listed above. The opening of the east and west wings of the new Student Union is the reason for the increased facility use fees in 2015. Cost allocations payable to the University are expected to be \$636,756 in 2015.

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.

Note 9. Related Parties

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

Receivables from affiliates at June 30 are as follows:

| | 2014 | 2013 |
|---|-------------------|------------------|
| Receivable from San José State University | \$ 17,576 | \$ 16,580 |
| Receivable from auxiliary organizations: | | |
| Spartan Shops, Inc. | 88,620 | 62,648 |
| Associated Students, Inc. | 913 | 7,018 |
| SJSU Research Foundation | 1,247 | 1,091 |
| SJSU Tower Foundation | 1,319 | 1,413 |
| | <u>\$ 109,675</u> | <u>\$ 88,750</u> |

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

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

Notes to Financial Statements

Note 9. Related Parties (Continued)

Payables to affiliates at June 30 are as follows:

| | 2014 | 2013 |
|--------------------------------------|-------------------|-------------------|
| Payable to San José State University | \$ 652,450 | \$ 368,297 |
| Payable to auxiliary organizations: | | |
| Spartan Shops, Inc. | 1,521 | 1,540 |
| Associated Students, Inc. | 4,424 | 2,968 |
| | <u>\$ 658,395</u> | <u>\$ 372,805</u> |

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

Note 10. Concentration of Credit Risk

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

Note 11. Contingencies

Historically, the Student Union has not participated in FICA based on an Internal Revenue Service memorandum that was issued in 1984 that excluded a subdivision of the state as being required to participate in this program for its employees. During 2013, management began investigating this position to determine if this position reached in prior years was still valid. Based on legal advice in 2014, management determined that the Student Union should be participating in FICA for its employees and determined that payroll taxes would be calculated and remitted retroactive to January 1, 2010. Retroactive payments for calendar years January 1, 2010 through December 31, 2013 totaled approximately \$948,000, were made prior to June 30, 2014 and are reflected as payroll taxes on the statements of revenues, expenses and changes in net position as of the year ended June 30, 2014. Subsequent to year-end, all related amended payroll tax returns have been filed. Effective January 1, 2014, FICA tax is being remitted for each eligible employee. As of the date of these financial statements, the Student Union is not aware, nor has it been notified, of any other penalties and/or interest as it relates to this issue.

Note 12. Subsequent Events

In preparing the financial statements, the Student Union has evaluated events and transactions for subsequent event disclosure through September 19, 2014, the date of the auditor's report.

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

Schedule of Net Position

June 30, 2014

(for inclusion in the California State University)

Assets:

Current assets:

| | | |
|------------------------------------|----|-----------|
| Cash and cash equivalents | \$ | 2,768,375 |
| Short-term investments | | 403,942 |
| Accounts receivable, net | | 177,178 |
| Leases receivable, current portion | | — |
| Notes receivable, current portion | | — |
| Pledges receivable, net | | — |
| Prepaid expenses and other assets | | 17,585 |
| Total current assets | | 3,367,080 |

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 | | 4,871,275 |
| Capital assets, net | | 3,289,132 |
| Other assets | | 92,033 |
| Total noncurrent assets | | 8,277,440 |
| Total assets | | 11,644,520 |

Deferred outflows of resources:

| | | |
|--------------------------------------|--|---|
| Unamortized loss on refunding(s) | | — |
| Total deferred outflows of resources | | — |

(Continued)

The Student Union of San José State University
(A California State University Auxiliary Organization)
Schedule of Net Position (Continued)
June 30, 2014
(for inclusion in the California State University)

Liabilities:

Current liabilities:

| | | |
|---|----|-----------|
| Accounts payable | \$ | 923,231 |
| Accrued salaries and benefits payable | | 215,904 |
| Accrued compensated absences – current portion | | 205,517 |
| Unearned revenue | | |
| Capitalized lease obligations – current portion | | — |
| Long-term debt obligations – current portion | | — |
| Claims liability for losses and LAE – current portion | | — |
| Depository accounts | | — |
| Other liabilities | | 282,862 |
| Total current liabilities | | 1,627,514 |

Noncurrent liabilities:

| | | |
|---|--|-----------|
| Accrued compensated absences, net of current portion | | — |
| Unearned revenue | | |
| Grants refundable | | — |
| Capitalized lease obligations, net of current portion | | — |
| Long-term debt obligations, net of current portion | | — |
| Claims liability for losses and LAE, net of current portion | | — |
| Depository accounts | | 92,033 |
| Other postemployment benefits obligation | | — |
| Other liabilities | | — |
| Total noncurrent liabilities | | 92,033 |
| Total liabilities | | 1,719,547 |

Deferred inflows of resources:

| | | |
|--|--|---|
| Deferred inflows from SCAs, grants, and others | | — |
| Total deferred inflows of resources | | — |

Net Position:

| | | |
|----------------------------------|----|-----------|
| Net investment in capital assets | | 3,289,132 |
| Restricted for: | | |
| Nonexpendable – endowments | | — |
| Expendable: | | |
| Scholarships and fellowships | | — |
| Research | | — |
| Loans | | — |
| Capital projects | | — |
| Debt service | | — |
| Other | | — |
| Unrestricted | | 6,635,841 |
| Total net position | \$ | 9,924,973 |

The Student Union of San José State University
(A California State University Auxiliary Organization)
Schedule of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2014
(for inclusion in the California State University)

Revenues:

Operating revenues:

| | | |
|--|----|-----------|
| Student tuition and fees (net of scholarship allowances of \$_____) | \$ | 5,255,357 |
| 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 \$_____) | | 3,314,446 |
| Other operating revenues | | 42,794 |
| Total operating revenues | | 8,612,597 |

Expenses:

Operating expenses:

| | | |
|------------------------------------|--|-----------|
| Instruction | | — |
| Research | | — |
| Public service | | — |
| Academic support | | — |
| Student services | | 5,255,357 |
| Institutional support | | — |
| Operation and maintenance of plant | | — |
| Student grants and scholarships | | — |
| Auxiliary enterprise expenses | | 3,631,573 |
| Depreciation and amortization | | 442,221 |
| Total operating expenses | | 9,329,151 |
| Operating income (loss) | | (716,554) |

(Continued)

The Student Union of San José State University
(A California State University Auxiliary Organization)
Schedule of Revenues, Expenses and Changes in Net Position (Continued)
Year Ended June 30, 2014
(for inclusion in the California State University)

| | | |
|--|----|-------------------------|
| 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 | | 702,100 |
| Endowment income (loss), net | | — |
| Interest expenses | | — |
| Other nonoperating revenues (expenses) | | — |
| Net nonoperating revenues (expenses) | | <u>702,100</u> |
| Income (loss) before other additions | | <u>(14,454)</u> |
| State appropriations, capital | | — |
| Grants and gifts, capital | | — |
| Additions (reductions) to permanent endowments | | — |
| Increase (decrease) in net position | | <u>(14,454)</u> |
| Net position: | | |
| Net position at beginning of year, as previously reported | | 9,939,427 |
| Restatements | | — |
| Net position at beginning of year, as restated | | <u>9,939,427</u> |
| Net position at end of year | \$ | <u><u>9,924,973</u></u> |

The Student Union of San José State University
(A California State University Auxiliary Organization)
Other Information
June 30, 2014
(for inclusion in the California State University)

2.2 Investments held by the University under contractual agreements at June 30, 2014:

| | Current Unrestricted | Current Restricted | Total Current | Noncurrent Unrestricted | Noncurrent Restricted | Total Noncurrent | Total |
|--|-------------------------|-----------------------|------------------|----------------------------|--------------------------|---------------------|-------|
| Portion of investments in Note 2.1 held by the University under contractual agreements at June 30, 2014: | \$ — | — | — | — | — | — | — |

2.3 Restricted current investments at June 30, 2014 related to:

| | Amount |
|--|--------|
| Add description | \$ — |
| Add description | — |
| Add description | — |
| Add description | — |
| Add description | — |
| Add description | — |
| Add description | — |
| Total restricted current investments at June 30, 2014 | \$ — |

2.4 Restricted noncurrent investments at June 30, 2014 related to:

| | Amount |
|---|--------|
| Endowment investment | \$ — |
| Add description | — |
| Add description | — |
| Add description | — |
| Add description | — |
| Add description | — |
| Add description | — |
| Total restricted noncurrent investments at June 30, 2014 | \$ — |

The Student Union of San José State University
(A California State University Auxiliary Organization)
Other Information
June 30, 2014
(for inclusion in the California State University)

3.1 Composition of capital assets at June 30, 2014:

| | Balance June 30, 2013 | Prior period Adjustments | Reclassifications | Balance June 30, 2013 (restated) | Additions | Reductions | Transfers of Completed CWIP | Balance June 30, 2014 |
|--|--------------------------|-----------------------------|-------------------|--|-----------|------------|-----------------------------------|--------------------------|
| Nondepreciable/nonamortizable capital assets: | | | | | | | | |
| Land and land improvements | \$ — | — | — | — | — | — | — | — |
| Works of art and historical treasures | — | — | — | — | — | — | — | — |
| Construction work in progress (CWIP) | 126,417 | — | — | 126,417 | 1,006,658 | — | (1,025,355) | 107,720 |
| 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 | — | — | — | — | — | — | — | — |
| Total intangible assets | — | — | — | — | — | — | — | — |
| Total nondepreciable/nonamortizable capital assets | 126,417 | — | — | 126,417 | 1,006,658 | — | (1,025,355) | 107,720 |
| Depreciable/amortizable capital assets: | | | | | | | | |
| Buildings and building improvements | — | — | — | — | — | — | — | — |
| Improvements, other than buildings | — | — | — | — | — | — | — | — |
| Infrastructure | — | — | — | — | — | — | — | — |
| Leasehold improvements | 4,416,280 | — | — | 4,416,280 | — | — | 453,644 | 4,869,924 |
| Personal property: | | | | | | | | |
| Equipment | 1,503,301 | — | — | 1,503,301 | 8,405 | — | 571,711 | 2,083,417 |
| Library books and materials | — | — | — | — | — | — | — | — |
| Intangible assets: | | | | | | | | |
| Software and websites | — | — | — | — | — | — | — | — |
| Rights and easements | — | — | — | — | — | — | — | — |
| Patents, copyright and trademarks | — | — | — | — | — | — | — | — |
| Licenses and permits | — | — | — | — | — | — | — | — |
| Other intangible assets: | | | | | | | | |
| Add description | — | — | — | — | — | — | — | — |
| Add description | — | — | — | — | — | — | — | — |
| Total intangible assets | — | — | — | — | — | — | — | — |
| Total depreciable/amortizable capital assets | 5,919,581 | — | — | 5,919,581 | 8,405 | — | 1,025,355 | 6,953,341 |
| Total capital assets | 6,045,998 | — | — | 6,045,998 | 1,015,063 | — | — | 7,061,061 |
| Less accumulated depreciation/amortization: | | | | | | | | |
| Buildings and building improvements | — | — | — | — | — | — | — | — |
| Improvements, other than buildings | — | — | — | — | — | — | — | — |
| Infrastructure | — | — | — | — | — | — | — | — |
| Leasehold improvements | (2,381,075) | — | — | (2,381,075) | (270,254) | — | — | (2,651,329) |
| Personal property: | | | | | | | | |
| Equipment | (948,633) | — | — | (948,633) | (171,967) | — | — | (1,120,600) |
| Library books and materials | — | — | — | — | — | — | — | — |
| Intangible assets: | | | | | | | | |
| Software and websites | — | — | — | — | — | — | — | — |
| Rights and easements | — | — | — | — | — | — | — | — |
| Patents, copyright and trademarks | — | — | — | — | — | — | — | — |
| Licenses and permits | — | — | — | — | — | — | — | — |
| Other intangible assets: | | | | | | | | |
| Add description | — | — | — | — | — | — | — | — |
| Add description | — | — | — | — | — | — | — | — |
| Total intangible assets | — | — | — | — | — | — | — | — |
| Total accumulated depreciation/amortization | (3,329,708) | — | — | (3,329,708) | (442,221) | — | — | (3,771,929) |
| Total capital assets, net | \$ 2,716,290 | — | — | 2,716,290 | 572,842 | — | — | 3,289,132 |

The Student Union of San José State University
(A California State University Auxiliary Organization)
Other Information
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3.2 Detail of depreciation and amortization expense for the year ended June 30, 2014:

| | |
|---|-------------------|
| Depreciation and amortization expense related to capital assets | \$ 442,221 |
| Amortization expense related to other assets | <u>—</u> |
| Total depreciation and amortization | <u>\$ 442,221</u> |

4 Long-term liabilities activity schedule:

| | Balance June 30, 2013 | Prior Period Adjustments | Reclassifications | Balance June 30, 2013 (restated) | Additions | Reductions | Balance June 30, 2014 | Current Portion | Long-Term Portion |
|---|--------------------------|-----------------------------|-------------------|--|----------------|------------------|--------------------------|--------------------|----------------------|
| Accrued compensated absences | \$ 210,544 | — | — | 210,544 | 201,272 | (206,299) | 205,517 | 205,517 | — |
| Capitalized lease obligations: | | | | | | | | | |
| Gross balance | — | — | — | — | — | — | — | — | — |
| Unamortized premium / (discount) on capitalized lease obligations | — | — | — | — | — | — | — | — | — |
| Total capitalized lease obligations | — | — | — | — | — | — | — | — | — |
| Long-term debt obligations: | | | | | | | | | |
| Revenue Bonds | — | — | — | — | — | — | — | — | — |
| Other bonds (non-Revenue Bonds) | — | — | — | — | — | — | — | — | — |
| Commercial Paper | — | — | — | — | — | — | — | — | — |
| Note Payable related to SRB | — | — | — | — | — | — | — | — | — |
| Other: | | | | | | | | | |
| Add description | — | — | — | — | — | — | — | — | — |
| Add description | — | — | — | — | — | — | — | — | — |
| Add description | — | — | — | — | — | — | — | — | — |
| Add description | — | — | — | — | — | — | — | — | — |
| Add description | — | — | — | — | — | — | — | — | — |
| Add description | — | — | — | — | — | — | — | — | — |
| Total long-term debt obligations | — | — | — | — | — | — | — | — | — |
| Unamortized bond premium / (discount) | — | — | — | — | — | — | — | — | — |
| Total long-term debt obligations, net | — | — | — | — | — | — | — | — | — |
| Total long-term liabilities | <u>\$ 210,544</u> | <u>—</u> | <u>—</u> | <u>210,544</u> | <u>201,272</u> | <u>(206,299)</u> | <u>205,517</u> | <u>205,517</u> | <u>—</u> |

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5 Future minimum lease payments - capital lease obligations:

| | Principal | Interest | Principal and Interest |
|---|-----------|----------|---------------------------|
| Year ending June 30: | | | |
| 2015 | \$ — | — | — |
| 2016 | — | — | — |
| 2017 | — | — | — |
| 2018 | — | — | — |
| 2019 | — | — | — |
| 2020 - 2024 | — | — | — |
| 2025 - 2029 | — | — | — |
| 2030 - 2034 | — | — | — |
| 2035 - 2039 | — | — | — |
| 2040 - 2044 | — | — | — |
| 2045 - 2049 | — | — | — |
| 2050 - 2054 | — | — | — |
| 2055 - 2059 | — | — | — |
| 2060 - 2064 | — | — | — |
| | | | |
| Total minimum lease payments | | | — |
| Less amounts representing interest | | | — |
| Present value of future minimum lease payments | | | — |
| Less: current portion | | | — |
| Capitalized lease obligation, net of current portion | | | \$ — |

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6 Long-term debt obligation schedule

| | Revenue Bonds | | | All Other Long-Term Debt Obligations | | | Total | | |
|----------------------|---------------|----------|------------------------|--------------------------------------|----------|------------------------|-----------|----------|------------------------|
| | Principal | Interest | Principal and Interest | Principal | Interest | Principal and Interest | Principal | Interest | Principal and Interest |
| Year ending June 30: | | | | | | | | | |
| 2015 | \$ — | — | — | — | — | — | — | — | — |
| 2016 | — | — | — | — | — | — | — | — | — |
| 2017 | — | — | — | — | — | — | — | — | — |
| 2018 | — | — | — | — | — | — | — | — | — |
| 2019 | — | — | — | — | — | — | — | — | — |
| 2020 - 2024 | — | — | — | — | — | — | — | — | — |
| 2025 - 2029 | — | — | — | — | — | — | — | — | — |
| 2030 - 2034 | — | — | — | — | — | — | — | — | — |
| 2035 - 2039 | — | — | — | — | — | — | — | — | — |
| 2040 - 2044 | — | — | — | — | — | — | — | — | — |
| 2045 - 2049 | — | — | — | — | — | — | — | — | — |
| 2050 - 2054 | — | — | — | — | — | — | — | — | — |
| 2055 - 2059 | — | — | — | — | — | — | — | — | — |
| 2060 - 2064 | — | — | — | — | — | — | — | — | — |
| Total | \$ — | — | — | — | — | — | — | — | — |

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7 Calculation of net position

| | Auxiliary Organizations | | Total |
|--|-------------------------|------|-------------|
| | GASB | FASB | Auxiliaries |
| 7.1 Calculation of net position - Net investment in capital assets | | | |
| Capital assets, net of accumulated depreciation | \$ 3,289,132 | — | 3,289,132 |
| Capitalized lease obligations - current portion | — | — | — |
| Capitalized lease obligations, net of current portion | — | — | — |
| Long-term debt obligations - current portion | — | — | — |
| Long-term debt obligations, net of current portion | — | — | — |
| Portion of outstanding debt that is unspent at year-end | — | — | — |
| Other adjustments: (please list) | | | |
| Add description | — | — | — |
| Add description | — | — | — |
| Add description | — | — | — |
| Add description | — | — | — |
| Add description | — | — | — |
| Net position - net investment in capital asset | \$ 3,289,132 | — | 3,289,132 |
| 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 | — | — | — |
| Add description | — | — | — |
| Add description | — | — | — |
| Add description | — | — | — |
| Add description | — | — | — |
| Add description | — | — | — |
| Add description | — | — | — |
| Add description | — | — | — |
| Add description | — | — | — |
| Add description | — | — | — |
| Add description | — | — | — |
| Net position - Restricted for nonexpendable - endowments per SNP | \$ — | — | — |

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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 | \$ 623,796 |
| Payments to University for other than salaries of University personnel | 1,395,250 |
| Payments received from University for services, space and programs | 788,691 |
| 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) | (652,450) |
| Other amounts (payable to) University (enter as negative number) | — |
| Accounts receivable from University | 17,576 |
| Other amounts receivable from University | — |

9 Other Postemployment Benefits Obligation (OPEB)

| | | | | |
|--|----|-----------|--|--|
| Annual required contribution (ARC) | \$ | 167,769 | | |
| Contributions during the year | | (167,769) | | |
| Increase (decrease) in net OPEB obligation (NOO) | | — | | |
| NOO - beginning of year | | — | | |
| NOO - end of year | \$ | — | | |

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 | — |
| Add description | — |
| | — |
| Total pollution remediation liabilities | \$ — |
| Less: current portion | — |
| | — |
| Pollution remediation liabilities, net of current portion | — |

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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, 2013, as previously reported | | \$ 9,939,427 |
| Prior period adjustments: | | |
| 1 (list description of each adjustment) | | — |
| 2 (list description of each adjustment) | | — |
| 3 (list description of each adjustment) | | — |
| 4 (list description of each adjustment) | | — |
| 5 (list description of each adjustment) | | — |
| 6 (list description of each adjustment) | | — |
| 7 (list description of each adjustment) | | — |
| 8 (list description of each adjustment) | | — |
| 9 (list description of each adjustment) | | — |
| 10 (list description of each adjustment) | | — |
| Net position as of June 30, 2013, as restated | | \$ 9,939,427 |

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

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