

**The Student Union of San  
José State University**  
(A Component Unit of California State  
University)

Financial Report  
June 30, 2022

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RSM US LLP

## Independent Auditor's Report

Board of Directors  
The Student Union of San José State University

### Report on Audit of the Financial Statements

#### **Opinion**

We have audited the financial statements of The Student Union of San José State University (Student Union), a component unit of California State University, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Student Union's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Student Union as of June 30, 2022, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Student Union and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Student Union's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Student Union's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 8 schedule of changes in net Other Post-Employment Benefits liability and related ratios on page 26, and schedule of contributions on page 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Student Union's basic financial statements. The accompanying schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2022, on our consideration of the Student Union's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Student Union's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Student Union's internal control over financial reporting and compliance.

*RSM US LLP*

San José, California  
October 10, 2022

**The Student Union of San José State University  
(A Component Unit of the California State University)**

**Management's Discussion and Analysis  
Year Ended June 30, 2022**

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**Management's Discussion and Analysis**

This section of The Student Union of San José State University's (the Student Union) annual financial report includes management's discussion and analysis of the financial performance of the Student Union for the fiscal year ended June 30, 2022. 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 (the University) campus located in downtown San José, California. The Student Union began its operations at San José State University in October 1969 and became incorporated in March 1982. The facilities include the Student Union building, the Spartan Recreation and Aquatic Center (SRAC), the Event Center Arena and a small ATM building. The nonprofit corporation has been in business for more than 50 years in California and receives no state funding. Revenue is derived from program fees collected from students, various service fees and the rental of space in its facilities. Students interact with the Student Union on a daily basis through the use of facilities, participation in sponsored events or through a Student Union program. The Student Union also acts as a bridge to the greater campus community, whose members make use of recreational opportunities and attend the diverse concerts and events on the San José State University campus.

The student fees collected in recent periods are primarily used to maintain and operate the facilities that provide a social, recreational and educational space for all the students, which include all of the new and returning residential students. Student Union facilities enhance the opportunities for students, faculty and staff to socialize, congregate and engage outside of the classroom.

The Student Union is governed by its board of directors (the Board), composed of 14 voting members:

- Students—eight
- Faculty—two
- Ex-Officio—three
- Community Member—one

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

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

The Student Union's financial reserves consist of cash and investments held locally by the corporation. These reserves should be reviewed quarterly by the board of directors to ensure the financial stability of the Student Union as well as provide adequate funding for future minor capital improvements and the continued operations of its facilities.

**The Student Union of San José State University  
(A Component Unit of the California State University)**

**Management's Discussion and Analysis  
Year Ended June 30, 2022**

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**Introduction to the Financial Statements**

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

**Statement of net position:** The statement of net position includes all assets, deferred outflows of resources, liabilities and deferred inflows of resources. Assets, deferred outflows of resources, liabilities and deferred inflows of resources 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.

**Statement of revenues, expenses and changes in net position:** The statement of revenues, expenses and changes in net position presents the revenues earned and expenses incurred during the year on an accrual basis.

**Statement of cash flows:** The statement of cash flows presents the inflows and outflows of cash for the year and are summarized by operating, capital, and related financing and investing activities. These statements are prepared using the direct method of cash flows and therefore present the 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 year ended June 30, 2022. Included are comparative analyses of the 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 Component Unit of the California State University)**

**Management's Discussion and Analysis  
Year Ended June 30, 2022**

**Condensed Summary of Net Position**

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

	<u>2022</u>	2021	Change
Assets:			
Current assets	<b>\$ 6,849,537</b>	\$ 12,573,600	\$ (5,724,063)
Noncurrent assets	<b>2,979,008</b>	2,201,905	777,103
Total assets	<b><u>9,828,545</u></b>	<u>14,775,505</u>	<u>(4,946,960)</u>
Deferred outflows of resources	<b><u>668,333</u></b>	855,447	(187,114)
Liabilities:			
Current liabilities	<b>1,747,292</b>	886,193	861,099
Noncurrent liabilities	<b>-</b>	736,195	(736,195)
Total liabilities	<b><u>1,747,292</u></b>	<u>1,622,388</u>	<u>124,904</u>
Deferred inflows of resources	<b><u>2,063,337</u></b>	558,357	1,504,980
Net position:			
Investment in capital assets	<b>1,527,332</b>	2,201,905	(674,573)
Restricted for club sports programs	<b>149,017</b>	-	149,017
Unrestricted- student services	<b>5,009,900</b>	11,248,302	(6,238,402)
Total net position	<b><u>\$ 6,686,249</u></b>	<u>\$ 13,450,207</u>	<u>\$ (6,763,958)</u>

**Assets:** Total assets decreased by \$4.9 million overall from fiscal year 2021 to fiscal year 2022 primarily due to the Student Union utilizing its cash and investment reserves to pay operating expenses in the current year. Investments decreased \$8.3 million offset by an increase in receivable from affiliates of \$2.0 million and an increase in net other post-employment benefits (OPEB) asset of \$1.4 million.

Current assets decreased \$5.7 million from fiscal year 2021 to fiscal year 2022 primarily due to \$8 million in investments being used to pay operating expenses offset by an increase of \$2.0 million in program fees receivable.

Noncurrent assets increased \$0.8 million due to a swing in the OPEB liability to an OPEB asset which resulted from unexpected changes in plan experience and assumptions during the year.

**The Student Union of San José State University  
(A Component Unit of the California State University)**

**Management's Discussion and Analysis  
Year Ended June 30, 2022**

**Liabilities:** Current liabilities increased by \$0.9 million overall from fiscal year 2021 to fiscal year 2022 due primarily to an increase in accounts payable.

Noncurrent liabilities decreased by \$0.7 million from fiscal year 2021 to fiscal year 2022 due primarily to a decrease of \$0.7 million in net other post-employment benefits (OPEB) liability

**Net position:** Total net position decreased by \$6.8 million from fiscal year 2021 to fiscal year 2022 due to utilization of cash and investment reserves to pay operating expenses.

**Restricted net position:** Net position of the Student Union includes restricted cash for club sports programs operated on behalf of the students.

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:**

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Operating revenues:			
<b>Total operating revenues</b>	<b>\$ 3,999,203</b>	\$ 10,544,212	\$ (6,545,009)
Operating expenses:			
<b>Total operating expenses</b>	<b>10,427,784</b>	8,506,838	1,920,946
<b>Total operating (loss) income</b>	<b>(6,428,581)</b>	2,037,374	(8,465,955)
Nonoperating revenues:			
Gain on sale of capital assets	15,235	-	15,235
Contributions to the University—non-capital	-	(4,000,000)	4,000,000
Investment income, net	(350,612)	1,706,380	(2,056,992)
<b>(Decrease) increase in net position</b>	<b>(6,763,958)</b>	(256,246)	6,507,712
Net position:			
<b>Beginning of year</b>	<b>13,450,207</b>	13,706,453	(256,246)
<b>End of year</b>	<b>\$ 6,686,249</b>	\$ 13,450,207	\$ (6,763,958)

**Operating revenues:** Total operating revenues decreased by \$6.5 million from fiscal year 2021 to fiscal year 2022 due to a decrease in program fee and rental revenue for operations and absence of no Paycheck Protection Program (PPP) loan forgiveness in FY 22.

Program fees revenue decreased \$5.0 million from FY 2021 to FY 2022 due to utilization of cash and investment reserves prior to receiving any program fee disbursements.

**The Student Union of San José State University  
(A Component Unit of the California State University)**

**Management's Discussion and Analysis  
Year Ended June 30, 2022**

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Rental income decreased by \$1.3 million from fiscal year 2021 to fiscal year 2022 due to the expiration of facilities leases between related parties for space in the Student Union. Upon adoption of GASB 87, Student Union determined that while they had a contractual agreement to collect ATM and wireless cell tower rents with third party vendors in substance these leases were held with the Student Union, however, all payments collected during the year related to those agreements have been recorded as a payable to the campus. In addition, lease receivables and deferred outflows under GASB 87 were not recorded on Student Union's books as a result of these contracts. Remaining rental income consists of AV tech service rentals and shoe rentals at the bowling alley.

The remaining operating revenues decreased by \$0.2 million from fiscal year 2021 to fiscal year 2022 due to an increase in service fees of \$0.3 million, an increase of \$0.1 million in reimbursement of wages and benefits, an increase of \$0.9 million in IRA funding and student club sport dues, offset by a decrease of \$1.5 million in revenue from the PPP loan forgiveness.

**Operating expenses:** Total operating expenses increased by \$1.9 million overall from fiscal year 2021 to fiscal year 2022 due primarily to an increase in wages as well as business services, offset by a decrease in insurance and utilities.

Wages and benefits increased by approximately \$1.4 million from fiscal year 2021 to fiscal year 2022. There was a decrease in insurance costs of \$0.4 million, a decrease in utilities of \$0.9 million, an increase of \$0.1 million in supplies, an increase of \$0.4 million in business services, an increase in bad debt expense of \$0.5 million due to the write-off of a lease receivable from the campus, an increase in IRA related expenses relating to the club sport and intramural program revenue of \$0.7 million, an increase in event costs of \$0.1 million from fiscal year 2021 to fiscal year 2022.

**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 is investment income and contributions to the University.

Investment loss for the year ended June 30, 2022, was (\$0.4) million, a decrease of \$2.1 million from prior year ended June 30, 2021. The (\$0.4) million investment income (loss) is made up of \$0.2 million in interest and dividend income and (\$0.6) million in net realized gains and unrealized losses.

The \$2.1 million decrease in investment income during the year ended June 30, 2022, is predominantly due to unrealized losses exceeding realized gains and is directly related to valuation decreases in the long-term investment account.

**The Student Union of San José State University  
(A Component Unit of the California State University)**

**Statement of Net Position  
June 30, 2022**

<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 1,056,779
Restricted cash	149,017
Investments	2,959,814
Accounts receivable	98,396
Receivable from affiliates	2,517,107
Prepaid expenses and other	68,424
<b>Total current assets</b>	<u>6,849,537</u>
Noncurrent assets:	
Capital assets, net	1,527,332
Net OPEB asset	1,451,676
<b>Total noncurrent assets</b>	<u>2,979,008</u>
<b>Total assets</b>	<u>9,828,545</u>
Deferred outflows of resources:	
Deferred outflows—differences between projected and actual experience and changes in assumptions	244,272
Deferred outflows—other post-employment benefits (OPEB) contributions after the measurement date	424,061
	<u>668,333</u>
<b>Liabilities and Net Position</b>	
Current liabilities:	
Accounts payable	1,106,185
Accrued payroll and related expenses	465,604
Other accrued liabilities	175,503
<b>Total current liabilities</b>	<u>1,747,292</u>
<b>Total liabilities</b>	<u>1,747,292</u>
Deferred inflows of resources:	
OPEB deferred inflow—changes in assumptions and differences in expected and actual experience	2,063,337
	<u>2,063,337</u>
Net position:	
Investment in capital assets	1,527,332
Restricted for club sports programs	149,017
Unrestricted- student services	5,009,900
<b>Total net position</b>	<u>\$ 6,686,249</u>

See notes to financial statements.

**The Student Union of San José State University  
(A Component Unit of the California State University)**

**Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2022**

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Operating revenues:	
Program fees	\$ 2,477,077
Service fees	319,805
Rental income	170,631
Events services revenue	145,824
Club and intramural sports revenue	872,495
Other	13,371
<b>Total operating revenues</b>	<u>3,999,203</u>
Operating expenses:	
Wages, benefits and taxes	5,928,807
Insurance	126,539
Supplies	233,882
Communications	258,692
Repairs and maintenance	246,577
Utilities	7,128
Event costs	173,931
Small equipment purchases	2,190
Depreciation and amortization	639,101
Business services	1,519,471
Club and intramural sports expense	723,478
Bad debt expense	476,730
Miscellaneous	57,018
Project expenditures	34,240
<b>Total operating expenses</b>	<u>10,427,784</u>
<b>Operating loss</b>	<u>(6,428,581)</u>
Nonoperating expenses:	
Gain on sale of capital assets	15,235
Investment loss, net	(350,612)
<b>Total nonoperating expenses</b>	<u>(335,377)</u>
<b>Decrease in net position</b>	(6,763,958)
Net position, beginning of year	<u>13,450,207</u>
Net position, end of year	<u>\$ 6,686,249</u>

See notes to financial statements.

**The Student Union of San José State University  
(A Component Unit of the California State University)**

**Statement of Cash Flows  
Year Ended June 30, 2022**

Cash flows from operating activities:	
Sales and services of auxiliary enterprises	\$ 2,011,097
Payments to suppliers	(3,452,227)
Payments to employees	(4,269,236)
Payments to students	(1,744,823)
<b>Net cash used in operating activities</b>	<u>(7,455,189)</u>
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	60,687
Acquisitions of capital assets	(9,981)
<b>Net cash provided by financing activities</b>	<u>50,706</u>
Cash flows from investing activities:	
Interest income	195,781
Sales of investments	13,736,395
Purchase of investments	(5,744,535)
<b>Net cash provided by investing activities</b>	<u>8,187,641</u>
<b>Increase in cash, cash equivalents and restricted cash</b>	783,158
Cash, cash equivalents and restricted cash:	
Beginning of year	<u>422,638</u>
End of year	<u>\$ 1,205,796</u>
Reconciliation of net operating loss to net cash used in operating activities:	
Operating loss	\$ (6,428,581)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	639,101
Change in assets and liabilities:	
Accounts receivable	(1,986,138)
Prepaid expenses and other assets	85,624
Deferred outflows of resources	56,597
Accounts payable	951,327
Accrued payroll and related expenses	(3,808)
Other accrued liabilities	(151,429)
Deferred inflows of resources	1,504,980
Net OPEB asset/liability	(2,122,862)
<b>Net cash used in operating activities</b>	<u>\$ (7,455,189)</u>

See notes to financial statements.

**The Student Union of San José State University  
(A Component Unit of the California State University)**

**Notes to Financial Statements**

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**Note 1. Nature of the Organization**

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

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

**Basis of accounting:** The financial statements of the Student Union have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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.

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

**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 statement of net position date. Liabilities that can be reasonably expected, as per a normal operation, to be liquidated within 12 months of the statement 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. The Student Union maintains its cash and cash equivalents in bank accounts which, at times, may exceed federally insured limits. The Student Union has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

**Accounts receivable and receivable from affiliates:** Accounts receivable and the receivable from affiliates 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, 2022.

**Restricted cash—club sports funds:** A bank account was established to hold instructionally related activities (IRA) funds upon mutual agreement with the University in a Memorandum of Understanding (MOU) dated August 1, 2006, and subsequently amended on December 1, 2018, allowing the Student Union to manage and oversee the SJSU Club Sports Program. The Student Union inherited Intramural Sports from Associated Students Inc. in 2017. These funds are restricted to be used for allowable expenditures as outlined in the MOU, including insurance premiums for participants, programmatic and administrative support, hiring full-time and support staff, and hiring officials. Under the terms of the MOU, the Student Union may receive a program fee allocation from the University totaling \$375,000 for Club Sports and \$125,000 for Intramurals. During the year ended June 30, 2022, Student Union received \$375,000 for Club Sports and \$125,000 for Intramurals. In addition to IRA funds, the Student Union collects student dues for club sports and these funds are retained in a separate bank account from the IRA funds. The IRA and student due accounts are reported as restricted cash on the statement of net position. At June 30, 2022, unspent cash, classified as restricted cash, totaled \$149,017.

**The Student Union of San José State University  
(A Component Unit of the California State University)**

**Notes to Financial Statements**

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

**Investments:** Investments are carried at fair value, as determined by quoted market prices, with realized and unrealized gains and losses included on the statement 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.

**Capital assets:** The Student Union's premises are leased from the Trustees of the CSU system. However, for the fiscal year ended June 30, 2022, the Event Center Arena was managed by SJSU instead of the Student Union. 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 and amortization:** Capital assets are recorded at acquisition price less accumulated depreciation. Donated capital assets are recorded at their estimated acquisition value. 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.

**Accounts payable:** While negotiating the Operating Agreement, payments received during the year ended June 30, 2022 from the ATM kiosk and Event Center wireless cell tower contracts was determined to have been collected in a fiduciary capacity for the University in the amount of \$344,974 and are recorded as accounts payable. No rental revenue was recorded by the Student Union related to these contracts. Under the terms of the Operating Agreement, the Student Union does not pay monthly rent to the University for the properties they use from the CSU but pays the University for cost allocations as a non-CSU entity in accordance with CSUAM policy 3552.01 for expenses incurred by the CSU Operating Fund. The Student Union has a liability of \$395,792 in accounts payable related to these cost allocations.

**Compensated absences:** The Student Union accrues vacation benefits for eligible employees at various rates, depending upon the length of service. Eligible full-time employees accrue sick leave at the rate of 96 hours on January 1 each year. The Student Union adopted the mandated sick leave for non-benefited employees as of July 1, 2015. All non-benefited employees accrue 24 hours of sick leave annually. Unused sick leave balances at December 31 of each year are forfeited. Employees are not paid for unused sick leave upon termination of employment. At June 30, 2022, the Student Union had a balance of \$249,047 of compensated absences included in accrued payroll and related expenses in the statement of net position. Student Union considers compensated absences at June 30, 2022 to be current due to unused amounts being forfeited every 12 months. During 2022, \$172,515 of compensated absences were earned and \$170,130 were used.

**Net position:** The Student Union's net position consists of investment in capital assets, restricted for club sports and unrestricted net position. Board-designated net position consists of funds designated for local reserve projects, including capital equipment if the project cost doesn't exceed the capitalization policy.

**Revenue:** Program fees are imposed nonexchange transactions that are recognized when the Student Union has an enforceable legal claim, which is when cash and investment reserves go below \$5.25 million for the year based on a calculation determined by the University. Rental income is recognized as revenue when earned and consists of fees from conference room rentals, audio-visual operations and bowling alley shoe rental.

**The Student Union of San José State University  
(A Component Unit of the California State University)**

**Notes to Financial Statements**

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

**Classification of revenues and expenses:** The Student Union considers operating revenues and expenses to be those revenues and expenses that result from exchange transactions or from other activities that are connected directly to their primary functions, which are program fees, rental income and other miscellaneous activities.

Certain other transactions are reported as nonoperating revenues and expenses, including investment income and capital or noncapital contributions to related entities.

**Other post-employment benefits other than pensions:** For purposes of measuring the net other post-employment benefits (OPEB) asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Student Union's OPEB plan and additions to/deductions from the Student Union's fiduciary net position have been determined on the same basis as they are reported by the Student Union. For this purpose, the Student Union recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

**Income taxes:** The Student Union is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and Section 23701(d) of the California Revenues and Taxation Code, respectively. Accordingly, no provision for income taxes has been recorded. Form 990, filed by the Student Union, is subject to examination by the Internal Revenue Service up to three years from the extended due date of each return. Generally, the Student Union is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2018.

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

**Recent accounting pronouncement:** The Student Union adopted GASB Statement No. 87, *Leases*, effective July 1, 2021. This statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Student Union had no leases that qualified for treatment under GASB 87.

**The Student Union of San José State University  
(A Component Unit of the California State University)**

**Notes to Financial Statements**

**Note 3. Investments**

Investments consist of the following investments:

Local Agency Investment Fund	<u>\$ 240,045</u>
UBS Financial Services, Inc. (UBS):	
Mutual funds, equities	1,277,318
Mutual funds, fixed income	859,802
Mutual funds, others	407,733
Mutual funds, commodities	79,874
Cash	<u>95,042</u>
Total UBS	<u>2,719,769</u>
	<u>\$ 2,959,814</u>

**Investment policy:** The Student Union’s investment policy (the Policy) sets forth the guidelines for the investments of the Student Union, which includes cash accounts that are classified as investments.

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

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

	June 30, 2022					
	Fair Value	<1 Year	<2 Years	<3 Years	<4 Years	>5 Years
Intermediate-term investments	<u>\$ 859,802</u>	<u>\$ 490,855</u>	<u>\$ -</u>	<u>\$ 368,947</u>	<u>\$ -</u>	<u>\$ -</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. 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  
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**Notes to Financial Statements**

**Note 3. Investments (Continued)**

The credit risk profile for fixed-income securities at June 30, 2022, is as follows:

Investment Type	Amount	Credit Rating
Fixed Income Mutual Funds	\$ 224,064	AAA
Fixed Income Mutual Funds	57,607	AA
Fixed Income Mutual Funds	123,554	A
Certificates of Deposit	-	-
Corporate Bonds	-	A
Fixed Income Mutual Funds	167,661	BBB
Fixed Income Mutual Funds	73,857	BB
Fixed Income Mutual Funds	185,631	B
Fixed Income Mutual Funds	27,428	Below B
Total fixed income securities	<u>\$ 859,802</u>	

**Concentration of credit risk:** The Policy of the Student Union contains certain limitations on the amount that can be invested in any one issuer and is listed above. The Student Union did not have any investments in any one issuer (other than mutual funds) that represent 5% or more of the Student Union's total investments as of June 30, 2022.

**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. Deposits that were uncollateralized and exceed the FDIC-insured amount of \$250,000 amounted to \$997,751 at June 30, 2022.

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

**Fair value measurement:** GASB Statement No. 72, *Fair Value Measurement and Application*, requires assets and liabilities to be measured at fair value and disclosures to be made on the fair value measurements, the level of fair value hierarchy, and valuation techniques. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and disclosed in one of the following hierarchies:

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

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

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

**The Student Union of San José State University  
(A Component Unit of the California State University)**

**Notes to Financial Statements**

**Note 3. Investments (Continued)**

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

The following table summarizes the Student Union's investments fair value hierarchy:

Description	June 30, 2022	Fair Value Measurement at Reporting Date Using		
		Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds, equities	\$ 1,277,318	\$ 1,277,318	\$ -	\$ -
Mutual funds, fixed income	859,802	859,802	-	-
Mutual funds, others	407,733	407,733	-	-
Mutual funds, Commodities	79,874	79,874	-	-
	<u>2,624,727</u>	<u>\$ 2,624,727</u>	<u>\$ -</u>	<u>\$ -</u>
Cash	95,042			
Local Agency Investment Fund	240,045			
Total investments	<u>\$ 2,959,814</u>			

**Note 4. Capital Assets**

Capital assets consist of the following at June 30, 2022:

	2021	Additions	Retirements	Transfers/ Adjustments	2022
Computer equipment	\$ 28,524	\$ -	\$ -	\$ -	\$ 28,524
Furniture and equipment	4,732,769	-	(548,288)	-	4,184,481
Leasehold improvements	3,398,029	9,981	(12,079)	-	3,395,931
	<u>8,159,322</u>	<u>9,981</u>	<u>(560,367)</u>	<u>-</u>	<u>7,608,936</u>
Less accumulated depreciation and amortization	(5,957,417)	(639,101)	514,914	-	(6,081,604)
Capital assets, net	<u>\$ 2,201,905</u>	<u>\$ (629,120)</u>	<u>\$ (45,453)</u>	<u>\$ -</u>	<u>\$ 1,527,332</u>

For the year ended June 30, 2022, depreciation expense was \$639,101.

**Note 5. OPEB Plan**

**Other post-employment benefit obligation:** The Student Union follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this statement is to improve information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity and creating additional transparency. This OPEB plan is considered an agent-multiple employer plan.

The Student Union of San José State University  
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Notes to Financial Statements

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**Note 5. OPEB Plan (Continued)**

**General information about the OPEB plan:**

**Plan description:** The Student Union provides lifetime retiree medical coverage to eligible employees and their dependents who retire at the age of 50 or older, with five or more years of employment with the Student Union. For employees hired before January 1, 2013, retirement at age 50 with at least five years of Student Union service is required. For employees hired on or after January 1, 2013, retirement at age 55 with at least five years of Student Union service is required. Employees who have attained age 55 and have at least 20 years of Student Union service qualify for benefits under the plan regardless of hire date. The medical plan benefits are contracted with the California Public Employees' Retirement System (CalPERS) under the Public Employees' Medical and Hospital Care Act (PEMHCA).

**Benefits provided:** The plan provides health care and dental benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan.

**Contributions:** 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 6.55% discount rate for year ended June 30, 2022, assuming the Student Union continues prefunding 100% of each future year's annual required contribution. The Student Union assumes an open 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% of its actuarially determined annual required contribution. Contributions to the OPEB plan from the Student Union for the year ended June 30, 2022, was \$424,061.

**Employees covered by benefit terms:** At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	12
Active employees	42
	<hr/>
	54
	<hr/>

**OPEB asset, OPEB expense and deferred outflows of resources related to OPEB:** The Student Union's net OPEB asset was \$1,451,676 at June 30, 2022. The Student Union's net OPEB asset was measured as of June 30, 2021, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2021 for the year ended June 30, 2022, as allowed per the standard.

**The Student Union of San José State University  
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**Notes to Financial Statements**

**Note 5. OPEB Plan (Continued)**

The changes in net OPEB asset are as follows for the year ended June 30, 2022:

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability/ (asset)
Balance at June 30, 2021	\$ 4,150,673	\$ 3,479,487	\$ 671,186
Expected changes during the period:			
Service cost	252,842		252,842
Interest cost	282,923		282,923
Expected investment income	-	239,115	(239,115)
Employer contributions	-	501,717	(501,717)
Administrative fees	-	(1,599)	1,599
Benefit payments	(101,717)	(101,717)	-
Total expected changes during the period	434,048	637,516	(203,468)
	4,584,721	4,117,003	467,718
Unexpected changes during the period:			
Plan experience:			
Premium and caps other than expected	(668,091)	-	(668,091)
Other plan experience	(433,787)	-	(433,787)
Assumption changes:			-
Change in return/discount rate	(22,690)	-	(22,690)
Change in healthcare trend	(124,117)	-	(124,117)
Change in mortality improvement scale	(88,995)	-	(88,995)
Valued benefits for dependent children	97,523	-	97,523
Updated salary scale	15,919	-	15,919
Valued pool subsidy for post 65 non-Medicare Advantage plans	(11,739)	-	(11,739)
Investment income more than expected	-	683,417	(683,417)
Total unexpected changes during the period	(1,235,977)	683,417	(1,919,394)
Balance at June 30, 2022	\$ 3,348,744	4,800,420	\$ (1,451,676)

For the year ended June 30, 2022, the Student Union recognized OPEB expense of (\$6,707) which is included in wages, benefits and taxes on the statement of revenue, expenses and changes in net position.

**The Student Union of San José State University  
(A Component Unit of the California State University)**

**Notes to Financial Statements**

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**Note 5. OPEB Plan (Continued)**

OPEB expense for the year ended June 30, 2022, is as follows:

Service cost	\$ 252,842
Interest on OPEB liability	282,923
Projected earnings	(239,115)
Administrative expenses	1,599
Change in benefit terms	-
Deferred (inflows) outflows of resources:	
Change in assumptions	(33,370)
Differences between expected and actual experience	(147,408)
Differences between projected and actual earnings	(124,178)
OPEB expense	<u><u>\$ (6,707)</u></u>

At June 30, 2022, the Student Union reported deferred inflows of resources and deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (1,171,030)
Changes of assumptions	244,272	(420,261)
Net difference between projected and actual earnings on OPEB plan investments	-	(472,046)
Total	<u><u>\$ 244,272</u></u>	<u><u>\$ (2,063,337)</u></u>

Of the total amount reported as deferred outflows at June 30, 2022, related to OPEB, \$424,061 resulting from Student Union contributions subsequent to the measurement date of June 30, 2021, and before the end of the fiscal year will be included as a reduction of the net OPEB liability for the year ended June 30, 2022. Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending June 30:	
2023	\$ (290,479)
2024	(287,747)
2025	(299,469)
2026	(317,463)
2027	(180,778)
Thereafter	(443,129)
Total	<u><u>\$ (1,819,065)</u></u>

**The Student Union of San José State University  
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**Notes to Financial Statements**

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**Note 5. OPEB Plan (Continued)**

**Actuarial assumptions:** The June 30, 2022, total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation		2.50%
Salary increases		3.00%
Investment rate of return		6.55%
Health care cost trend rates	5.80% in 2023 fluctuating down to 3.90% by 2076	
Dental rate		4.00%

Mortality rates for June 30, 2022, were based on the CalPERS 2017 Mortality Pre- and Post-retirement Table for Males or Females, as appropriate.

The retirement rates used in the most recent CalPERS Public Agency Miscellaneous were 2.0% at 60 for actives hired before January 1, 2013, and 2.0% at 62 for actives hired on or after January 1, 2013.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weight; the expected future real rates of return by the target asset allocation percentage; and by adding expected inflation. As of June 30, 2022, the long-term expected rates of return for each major investment class in the plan's portfolio are as follows:

Investment Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	27.9 %	7.80%
Fixed income	33.1 %	3.80%
REITs	39.0 %	6.60%
Total	100.0 %	

**Discount rate:** The discount rate used to measure the total June 30, 2022, OPEB liability was 6.55%. The projection of cash flows used to determine the discount rate assumed that Student Union contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**The Student Union of San José State University  
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**Notes to Financial Statements**

**Note 5. OPEB Plan (Continued)**

**Sensitivity of the net OPEB liability to changes in the discount rate:** The following presents the net OPEB liability of the Student Union, as well as what the Student Union's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.55%) or one percentage point higher (7.55%) than the current discount rate:

	June 30, 2022		
	1% Decrease (5.55%)	Discount Rate (6.55%)	1% Increase (7.55%)
Net OPEB liability (asset)	\$ (1,000,720)	\$ (1,451,676)	\$ (1,824,831)

**Sensitivity of the net OPEB liability to changes in the health care cost trend rates:** The following presents the net OPEB liability of the Student Union, as well as what the Student Union's net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rate:

	June 30, 2022		
	1% Decrease	Health Care Cost Trend	1% Increase
Net OPEB liability (asset)	\$ (1,890,006)	\$ (1,451,676)	\$ (906,008)

**Retirement plan:** The Student Union has an annuity purchase plan under Section 403(b) of the IRC. Under this qualified plan, eligible employees may defer their salary through contributions to the plan, subject to IRC limits, and the Student Union will match up to 4% for eligible employees as well as employer discretionary contributions. The Student Union's plan contributions for fiscal year 2022 was \$189,085 and are included in wages, benefits and taxes on the statement of revenues, expenses and changes in net position.

**Note 6. 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, 2022, are as follows:

Receivable from San José State University	\$ 2,491,399
Receivable from auxiliary organizations:	
Spartan Shops, Inc.	18,238
Associated Students, Inc.	2,265
Research Foundation	40
Tower Foundation	5,165
	<u>\$ 2,517,107</u>

**The Student Union of San José State University  
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**Notes to Financial Statements**

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**Note 6. Related Parties (Continued)**

The receivables from affiliates are included on the accompanying statement of net position as receivables from affiliates.

Payables to affiliates on June 30, 2022, are as follows:

Payable to San José State University	\$ 1,002,196
Payable to auxiliary organizations:	
Associated Students, Inc.	1,130
	<u>\$ 1,003,326</u>

The payables to affiliates are included on the accompanying statement of net position in accounts payable.

**Note 7. Self-Insured Workers' Compensation and Unemployment Insurance Plans**

Student Union participated in a self-insured workers' compensation and unemployment insurance plan with certain other California State University Auxiliary Organizations that was established as a separate entity risk pool to manage claims and risks. The plan was called the California State University Risk Management Authority (CSURMA), a Joint Powers Authority (JPA), to form the Auxiliary Organizations Risk Management Alliance (AORMA) Workers' Compensation and unemployment insurance Coverage Program. AORMA Workers' Compensation and unemployment insurance coverage program members share risk among themselves. The workers' compensation and unemployment insurance program has been integrated with the CSURMA program, with assets and risk handled separately through the AORMA Workers' Compensation Coverage Program.

CSURMA–AORMA has assumed liability for all historical AO-COMP claims and, with the permission of the state of California, all claims will be managed and paid for through the JPA. Effective January 1, 2015, CSURMA-AORMA joined the Public Risk Innovation, Solution, and Management (PRISM), (previously named CSAC Excess Insurance Authority) Excess Workers Compensation Program. PRISM is responsible for all covered losses within the self-insured retention layer, which results in reducing AORMA's outstanding liabilities. The pooled retention for each claim was increased from \$500,000 to \$750,000 effective July 1, 2017. Members of CSURMA-AORMA and the JPA are jointly and severally liable; currently, the program is fully funded and has sufficient funds to cover all costs.

Premiums allocated to the Student Union are based on applying individual class code rates determined by an independent actuary to the Student Union's payroll and modified by further application of the Student Union's experience modification (ex-mod) factor. The ex-mod is calculated using the Student Union's loss history and payroll from the three prior policy years. The premium includes an estimate of the amount for incurred but not reported claims.

Although considerable variability is inherent in such estimates, the Student Union believes its premiums are reasonably adequate to cover future claims. Funds in excess of those needed to maintain a conservative funding of liabilities are returned to members on an annual basis. The Student Union did not receive any refund distributions during the fiscal year ended June 30, 2022.

At June 30, 2022, there were 45 full-time employees and 318 part-time and student employees that were covered by in the CSURMA–AORMA workers' compensation and unemployment insurance program. During the fiscal year ending June 30, 2023, deposits to the Workers' Compensation Program have been calculated to be \$100,128 and are invoiced quarterly by CSURMA during the fiscal year.

**The Student Union of San José State University  
(A Component Unit of the California State University)**

**Notes to Financial Statements**

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**Note 7. Self-Insured Workers' Compensation and Unemployment Insurance Plans (Continued)**

In June 2022, the Student Union was notified of a funding shortage in its Unemployment Insurance Program totaling approximately \$23,000 which the Student Union funded by June 30, 2022; therefore, there is no liability accrued, as there are no unfunded claims as of June 30, 2022. During the fiscal year ending June 30, 2023, deposits to the Unemployment Insurance Program have been calculated to be \$16,701 and are invoiced quarterly by CSURMA during the fiscal year.

**Note 8. Subsequent Events**

In preparing the financial statements, the Student Union has evaluated events and transactions for subsequent event disclosure through October 10, 2022, the date of the auditor's report.

The Operating Agreement between the CSU and the Student Union was approved unanimously by the Board of Directors on September 2, 2022. The agreement is retroactive to July 1, 2021, and is for a five-year term ending June 30, 2026. As part of this Operating Agreement, maintenance, custodial and IT operations for the Student Union building will be transferred to the University upon completion of service agreements between SU and the University. The service agreements must be completed within six months of the signed agreement effective 9/8/2022.

**The Student Union of San José State University  
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**Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios  
June 30, 2022**

	2022	2021	2020	2019
Total OPEB liability:				
Service cost	\$ 252,842	\$ 213,651	\$ 222,014	\$ 204,643
Interest	282,923	256,530	247,140	203,720
Differences between expected and actual experience	(1,101,878)	(16,081)	(77,164)	(19,264)
Change in benefit terms	-	-	-	272,883
Changes in assumptions	(134,099)	288,802	(174,689)	-
Benefit payments	(101,717)	(85,144)	(64,787)	(53,556)
<b>Net change in total OPEB liability</b>	<b>(801,929)</b>	<b>657,758</b>	<b>152,514</b>	<b>608,426</b>
Total OPEB liability (asset) - beginning	4,150,673	3,492,915	3,340,401	2,731,975
<b>Total OPEB liability (asset) - ending (a)</b>	<b>3,348,744</b>	<b>4,150,673</b>	<b>3,492,915</b>	<b>3,340,401</b>
Plan fiduciary net position:				
Contributions - employer	501,717	628,940	308,583	297,352
Net investment income	922,532	125,802	121,901	166,397
Benefit payments	(101,717)	(85,144)	(64,787)	(53,556)
Administrative expense	(1,599)	(9,851)	(9,700)	(16,773)
<b>Net change in plan fiduciary net position</b>	<b>1,320,933</b>	<b>659,747</b>	<b>355,997</b>	<b>393,420</b>
Plan fiduciary net position - beginning	3,479,487	2,819,740	2,463,743	2,070,323
<b>Plan fiduciary net position - ending (b)</b>	<b>4,800,420</b>	<b>3,479,487</b>	<b>2,819,740</b>	<b>2,463,743</b>
<b>Student Union's net OPEB liability (asset) - ending (a) - (b)</b>	<b>\$ (1,451,676)</b>	<b>\$ 671,186</b>	<b>\$ 673,175</b>	<b>\$ 876,658</b>
<i>Information presented prospectively beginning with 2018 due to implementation of GASB 75.</i>				
Plan fiduciary net position as a percentage of the total OPEB liability	143%	84%	81%	74%
Covered payroll	\$ 3,492,100	\$ 3,552,453	\$ 2,978,976	\$ 2,606,247
Student Union's net OPEB liability as a percentage of covered payroll	-42%	19%	23%	34%

**The Student Union of San José State University  
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**Schedule of Contributions  
June 30, 2022**

	2022	2021	2020	2019
Actuarially determined contribution	\$ 212,244	\$ 283,978	\$ 283,023	\$ 280,032
Contributions in relation to the actuarially determined contribution	424,061	501,717	308,583	297,352
Contribution excess	<u>\$ (211,817)</u>	<u>\$ (217,739)</u>	<u>\$ (25,560)</u>	<u>\$ (17,320)</u>
Covered payroll	\$ 3,780,708	\$ 3,492,100	\$ 3,552,453	\$ 2,978,976
Contributions as a percentage of covered payroll	11.22%	14.37%	8.69%	9.98%

*Information presented prospectively beginning with 2018 due to implementation of GASB 75.*

**Notes to schedule:**

**Valuation date:**

Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry age normal
Amortization method	Level Dollar
Amortization period	Open 30 year
Asset valuation method	Market value of assets as of the measurement date
Inflation	2.50%
Health care cost trend rates at June 30, 2021	5.80% in 2023 fluctuating down to 3.9% by 2076
Health care cost trend rates at June 30, 2020 and 2019	6.80% initial, decreasing 0.25% per year to an ultimate rate of 5.00%
Dental rate	4.00%
Salary increases	3.00%
Investment rate of return	6.55%
Retirement age	50 to 75
	Retirement rates that were used in the most recent CalPERS Public Agency Miscellaneous 2% at 60 for actives hired before January 1, 2013, and 2% at 62 for actives hired on or after January 1, 2013
Mortality	The mortality rates used in this valuation are those used in the most recent 2017 CalPERS study (CalPERS 2017 for June 30, 2022-2020 and CalPERS 2014 for June 30, 2019 and 2018)
Mortality Improvement	MW Scale 2022 generational

The Student Union of San José State University

Schedule of Net Position

June 30, 2022

(for inclusion in the California State University Financial Statements)

<b>Assets:</b>	
<b>Current assets:</b>	
Cash and cash equivalents	1,205,796
Short-term investments	2,959,814
Accounts receivable, net	2,615,503
Lease receivables, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	-
Prepaid expenses and other current assets	68,424
<b>Total current assets</b>	<b><u>6,849,537</u></b>
<b>Noncurrent assets:</b>	
Restricted cash and cash equivalents	-
Accounts receivable, net	-
Lease receivables, net of current portion	-
Notes receivable, net of current portion	-
Student loans receivable, net	-
Pledges receivable, net	-
Endowment investments	-
Other long-term investments	-
Capital assets, net	1,527,332
Other assets	1,451,676
<b>Total noncurrent assets</b>	<b><u>2,979,008</u></b>
<b>Total assets</b>	<b><u>9,828,545</u></b>
<b>Deferred outflows of resources:</b>	
Unamortized loss on debt refunding	-
Net pension liability	-
Net OPEB liability	668,333
Leases	-
Others	-
<b>Total deferred outflows of resources</b>	<b><u>668,333</u></b>
<b>Liabilities:</b>	
<b>Current liabilities:</b>	
Accounts payable	1,106,185
Accrued salaries and benefits	216,557
Accrued compensated absences, current portion	249,047
Unearned revenues	-
Lease liabilities, current portion	-
Long-term debt obligations, current portion	-
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	175,503
<b>Total current liabilities</b>	<b><u>1,747,292</u></b>
<b>Noncurrent liabilities:</b>	
Accrued compensated absences, net of current portion	-
Unearned revenues	-
Grants refundable	-
Lease liabilities, net of current portion	-
Long-term debt obligations, net of current portion	-
Claims liability for losses and loss adjustment expenses, net of current portion	-
Depository accounts	-
Net other postemployment benefits liability	-
Net pension liability	-
Other liabilities	-
<b>Total noncurrent liabilities</b>	<b><u>-</u></b>
<b>Total liabilities</b>	<b><u>1,747,292</u></b>
<b>Deferred inflows of resources:</b>	
Service concession arrangements	-
Net pension liability	-
Net OPEB liability	2,063,337
Unamortized gain on debt refunding	-
Nonexchange transactions	-
Lease	-
Others	-
<b>Total deferred inflows of resources</b>	<b><u>2,063,337</u></b>
<b>Net position:</b>	
Net investment in capital assets	1,527,332
Restricted for:	
Nonexpendable – endowments	-
Expendable:	
Scholarships and fellowships	-
Research	-
Loans	-
Capital projects	-
Debt service	-
Others	149,017
Unrestricted	5,009,900
<b>Total net position</b>	<b><u>6,686,249</u></b>

**The Student Union of San José State University**  
Schedule of Revenues, Expenses, and Changes in Net Position  
Year ended June 30, 2022  
(for inclusion in the California State University Financial Statements)

**Revenues:**

**Operating revenues:**

Student tuition and fees, gross	-
Scholarship allowances (enter as negative)	-
<b>Grants and contracts, noncapital:</b>	
Federal	-
State	-
Local	-
Nongovernmental	-
Sales and services of educational activities	-
Sales and services of auxiliary enterprises, gross	1,508,755
Scholarship allowances (enter as negative)	-
Other operating revenues	2,490,448
<b>Total operating revenues</b>	<u><u>3,999,203</u></u>

**Expenses:**

**Operating expenses:**

Instruction	-
Research	-
Public service	-
Academic support	-
Student services	9,788,683
Institutional support	-
Operation and maintenance of plant	-
Student grants and scholarships	-
Auxiliary enterprise expenses	-
Depreciation and amortization	639,101
<b>Total operating expenses</b>	<u><u>10,427,784</u></u>
<b>Operating income (loss)</b>	<u><u>(6,428,581)</u></u>

**Nonoperating revenues (expenses):**

State appropriations, noncapital	-
Federal financial aid grants, noncapital	-
State financial aid grants, noncapital	-
Local financial aid grants, noncapital	-
Nongovernmental and other financial aid grants, noncapital	-
Other federal nonoperating grants, noncapital	-
Gifts, noncapital	-
Investment income (loss), net	(350,612)
Endowment income (loss), net	-
Interest expense	-
Other nonoperating revenues (expenses)	15,235
<b>Net nonoperating revenues (expenses)</b>	<u><u>(335,377)</u></u>
<b>Income (loss) before other revenues (expenses)</b>	<u><u>(6,763,958)</u></u>

State appropriations, capital	-
Grants and gifts, capital	-
Additions (reductions) to permanent endowments	-
<b>Increase (decrease) in net position</b>	<u><u>(6,763,958)</u></u>

**Net position:**

Net position at beginning of year, as previously reported	13,450,207
Restatements	-
<b>Net position at beginning of year, as restated</b>	<u><u>13,450,207</u></u>
<b>Net position at end of year</b>	<u><u>6,686,249</u></u>





**The Student Union of San José State University  
(A Component of the California State University)**

**Other Information**

**June 30, 2022**

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

**2.3 Investments held by the University under contractual agreements:**

*Instruction: Amounts should agree with University's investments held on behalf of Discretely Presented Component Units.*

	Current	Noncurrent	Total
Investments held by the University under contractual agreements e.g. - CSU Consolidated Investment Pool (formerly SWIFT):			\$ -

**3.1 Composition of capital assets:**

	Balance June 30, 2021	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2021 (Restated)	Additions	Retirements	Transfer of completed CWIP/PWIP	Balance June 30, 2022
<b>Non-depreciable/Non-amortizable capital assets:</b>									
Land and land improvements					\$ -			\$ -	-
Works of art and historical treasures					-			-	-
Construction work in progress (CWIP)					-			-	-
Intangible assets:									
Rights and easements					-			-	-
Patents, copyrights and trademarks					-			-	-
Intangible assets in progress (PWIP)					-			-	-
Licenses and permits					-			-	-
Other intangible assets:					-			-	-
	-				-			-	-
Total Other intangible assets	-	-	-	-	-	-	-	-	-
<b>Total intangible assets</b>	-	-	-	-	-	-	-	-	-
<b>Total non-depreciable/non-amortizable capital assets</b>	\$ -	-	-	-	\$ -	-	-	\$ -	-
<b>Depreciable/Amortizable capital assets:</b>									
Buildings and building improvements					-			-	-
Improvements, other than buildings					-			-	-
Infrastructure					-			-	-
Leasehold improvements	3,398,029				3,398,029	9,981	(12,079)		3,395,931
Personal property:									
Equipment	4,761,293				4,761,293		(548,288)		4,213,005
Library books and materials					-				-
Intangible assets:									
Software and websites					-			-	-
Rights and easements					-			-	-
Patents, copyrights and trademarks					-			-	-
Licenses and permits					-			-	-
Other intangible assets:					-			-	-
	-				-			-	-
Total Other intangible assets:	-	-	-	-	-	-	-	-	-
<b>Total intangible assets</b>	-	-	-	-	-	-	-	-	-
<b>Total depreciable/amortizable capital assets</b>	8,159,322	-	-	-	8,159,322	9,981	(560,367)	-	7,608,936
<b>Total capital assets</b>	\$ 8,159,322	-	-	-	\$ 8,159,322	9,981	(560,367)	\$ -	7,608,936
<b>Less accumulated depreciation/amortization: (enter as negative number, except for reductions enter as positive number)</b>									
Buildings and building improvements					-			-	-
Improvements, other than buildings					-			-	-
Infrastructure					-			-	-
Leasehold improvements	(4,366,664)				(4,366,664)	(164,439)	12,079		(4,519,024)
Personal property:									
Equipment	(1,590,753)				(1,590,753)	(474,662)	502,835		(1,562,580)
Library books and materials					-				-
Intangible assets:									
Software and websites					-			-	-
Rights and easements					-			-	-
Patents, copyrights and trademarks					-			-	-
Licenses and permits					-			-	-
Other intangible assets:					-			-	-
	-				-			-	-
Total Other intangible assets:	-	-	-	-	-	-	-	-	-
<b>Total intangible assets</b>	-	-	-	-	-	-	-	-	-
<b>Total accumulated depreciation/amortization</b>	(5,957,417)	-	-	-	(5,957,417)	(639,101)	514,914	-	(6,081,604)
<b>Total capital assets, net excluding lease assets</b>	\$ 2,201,905	-	-	-	\$ 2,201,905	(629,120)	(48,453)	-	1,527,332
<b>Lease assets, net</b>									-
<b>Total capital assets, net</b>									1,527,332





**The Student Union of San José State University  
(A Component of the California State University)**

**Other Information**

**June 30, 2022**

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

**5 Lease Liabilities schedule:**

	Lease Liabilities related to SRB			All other lease liabilities			Total lease liabilities		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
<b>Year ending June 30:</b>									
2023			-			-			-
2024			-			-			-
2025			-			-			-
2026			-			-			-
2027			-			-			-
2028 - 2032			-			-			-
2033 - 2037			-			-			-
2038 - 2042			-			-			-
2043 - 2047			-			-			-
2048 - 2052			-			-			-
Thereafter			-			-			-
<b>Total minimum lease payments</b>	<b>\$</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Less: amounts representing interest									-
<b>Present value of future minimum lease payments</b>									<b>-</b>
<b>Total lease liabilities</b>									<b>-</b>
Less: current portion									-
<b>Lease liabilities, net of current portion</b>									<b>\$ -</b>

**6 Long-term debt obligations schedule:**

	Auxiliary revenue bonds (non-SRB related)			All other long-term debt obligations			Total long-term debt obligations		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
<b>Year ending June 30:</b>									
2023			-			-			-
2024			-			-			-
2025			-			-			-
2026			-			-			-
2027			-			-			-
2028 - 2032			-			-			-
2033 - 2037			-			-			-
2038 - 2042			-			-			-
2043 - 2047			-			-			-
2048 - 2052			-			-			-
Thereafter			-			-			-
<b>Total minimum payments</b>	<b>\$</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Less: amounts representing interest									-
<b>Present value of future minimum payments</b>									<b>-</b>
Unamortized net premium/(discount)									-
<b>Total long-term debt obligations</b>									<b>-</b>
Less: current portion									-
<b>Long-term debt obligations, net of current portion</b>									<b>-</b>

**The Student Union of San José State University  
(A Component of the California State University)**

**Other Information**

**June 30, 2022**

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

**7 Transactions with related entities:**

Payments to University for salaries of University personnel working on contracts, grants, and other programs

Payments to University for other than salaries of University personnel 231,292

Payments received from University for services, space, and programs 758,068

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) (1,002,196)

Other amounts (payable to) University (enter as negative number)

Accounts receivable from University (enter as positive number) 2,491,399

Other amounts receivable from University (enter as positive number)

**8 Restatements**

**Provide a detailed breakdown of the journal entries (at the financial statement line items level) booked to record each restatement:**

		Debit/(Credit)
Restatement #1	Enter transaction description	
		-
Restatement #2	Enter transaction description	
		-

**The Student Union of San José State University  
(A Component of the California State University)**

**Other Information**

**June 30, 2022**

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

9 Natural classifications of operating expenses:

	Salaries	Benefits - Other	Benefits - Pension	Benefits - OPEB	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total operating expenses
Instruction	-	-	-	-	-	-	-	-
Research	-	-	-	-	-	-	-	-
Public service	-	-	-	-	-	-	-	-
Academic support	-	-	-	-	-	-	-	-
Student services	4,698,057	1,237,457	-	(6,707)	-	3,859,876	-	9,788,683
Institutional support	-	-	-	-	-	-	-	-
Operation and maintenance of plant	-	-	-	-	-	-	-	-
Student grants and scholarships	-	-	-	-	-	-	-	-
Auxiliary enterprise expenses	-	-	-	-	-	-	-	-
Depreciation and amortization	-	-	-	-	-	-	639,101	639,101
<b>Total operating expenses</b>	<b>\$ 4,698,057</b>	<b>1,237,457</b>	<b>-</b>	<b>(6,707)</b>	<b>-</b>	<b>3,859,876</b>	<b>639,101</b>	<b>10,427,784</b>

**The Student Union of San José State University  
(A Component of the California State University)**

**Other Information**

**June 30, 2022**

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

**10 Deferred outflows/inflows of resources:**

**1. Deferred Outflows of Resources**

Deferred outflows - unamortized loss on refunding(s)	
Deferred outflows - net pension liability	
Deferred outflows - net OPEB liability	668,333
Deferred outflows - leases	
Deferred outflows - others:	
Sales/intra-entity transfers of future revenues	
Gain/loss on sale leaseback	
Loan origination fees and costs	
Change in fair value of hedging derivative instrument	
Irrevocable split-interest agreements	

Total deferred outflows - others	-
<b>Total deferred outflows of resources</b>	<b>\$ 668,333</b>

**2. Deferred Inflows of Resources**

Deferred inflows - service concession arrangements	
Deferred inflows - net pension liability	
Deferred inflows - net OPEB liability	2,063,337
Deferred inflows - unamortized gain on debt refunding(s)	
Deferred inflows - nonexchange transactions	
Deferred inflows - leases	
Deferred inflows - others:	
Sales/intra-entity transfers of future revenues	
Gain/loss on sale leaseback	
Loan origination fees and costs	
Change in fair value of hedging derivative instrument	
Irrevocable split-interest agreements	

Total deferred inflows - others	-
<b>Total deferred inflows of resources</b>	<b>\$ 2,063,337</b>

**11 Other nonoperating revenues (expenses)**

Other nonoperating revenues	15,235
Other nonoperating (expenses)	
<b>Total other nonoperating revenues (expenses)</b>	<b>\$ 15,235</b>



RSM US LLP

**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance With *Government Auditing Standards***

**Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Student Union of San José State University (the Student Union), a component unit of the California State University as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Student Union's basic financial statements, and have issued our report thereon dated October 10, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Student Union's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Student Union's internal control. Accordingly, we do not express an opinion on the effectiveness of the Student Union's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Student Union's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*RSM US LLP*

San Jose, California  
October 10, 2022