

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

Financial Report
June 30, 2021

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RSM US LLP

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Student Union of San José State University (a California State University auxiliary organization) (the Student Union), which comprise the statements of net position as of June 30, 2021 and 2020, 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, which collectively comprise Student Union's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe 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, 2021 and 2020, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8, and the required supplementary information as listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2021, 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

Tacoma, Washington
October 6, 2021

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

**Management's Discussion and Analysis
Years Ended June 30, 2021 and 2020**

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 years ended June 30, 2021 and 2020. 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 collected student fees, 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 11 voting members:

- Students—Six
- Faculty—Two
- Administrators—Two
- 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 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 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 California State University Auxiliary Organization)**

**Management's Discussion and Analysis
Years Ended June 30, 2021 and 2020**

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 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.

Statements of net position: The statements of net position include 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.

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, 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 years ended June 30, 2021, 2020 and 2019. 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 California State University Auxiliary Organization)**

**Management's Discussion and Analysis
Years Ended June 30, 2021 and 2020**

Condensed Summary of Net Position

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

	2021	2020	2019
Assets:			
Current assets	\$ 3,724,900	\$ 7,245,768	\$ 4,104,931
Noncurrent assets	11,050,605	10,129,030	10,979,947
Total assets	14,775,505	17,374,798	15,084,878
Deferred outflows of resources	855,447	300,000	243,796
Liabilities:			
Current liabilities	886,193	2,638,098	2,171,620
Noncurrent liabilities	736,195	730,643	942,844
Total liabilities	1,622,388	3,368,741	3,114,464
Deferred inflows of resources	558,357	599,604	477,686
Net position:			
Unrestricted:			
Investment in capital assets	2,201,905	2,829,383	3,668,490
Board-designated	794,485	497,820	1,280,404
Unallocated	10,453,817	10,379,250	6,787,630
Total net position	\$ 13,450,207	\$ 13,706,453	\$ 11,736,524

Assets: Total assets decreased by \$2.6 million overall from fiscal year 2020 to fiscal year 2021 primarily due to decreases in cash and investment holdings of \$2.6 million. Total assets increased by \$2.3 million overall from fiscal year 2019 to fiscal year 2020 primarily due to increase in investment holdings of \$2.9 million.

Current assets decreased by \$3.5 million from fiscal year 2020 to fiscal year 2021 primarily due to decreases in fair value of investments and cash and cash equivalents of \$4.1 million offset by an increase in accounts receivable and receivable from the University of \$0.6 million at year-end. Current assets increased by \$3.1 million from fiscal year 2019 to fiscal year 2020 primarily due to increases in fair value of investments and cash and cash equivalents of \$3.5 million offset by a decrease in accounts receivable and receivable from the University of \$0.3 million at year-end.

Noncurrent assets increased by \$0.9 million overall from fiscal year 2020 to fiscal year 2021 primarily due to an increase in the investment portfolio of \$1.5 million and a decrease in capital assets of \$0.6 million. Noncurrent assets decreased by \$0.8 million overall from fiscal year 2019 to fiscal year 2020 primarily due to an increase in the investment portfolio of \$471 thousand and a decrease in capital assets of \$0.8 million.

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

**Management's Discussion and Analysis
Years Ended June 30, 2021 and 2020**

Liabilities: Current liabilities decreased by \$1.8 million overall from fiscal year 2020 to fiscal year 2021 due primarily to a decrease in the Paycheck Protection Program (PPP) note payable. Current liabilities increased by \$466 thousand overall from fiscal year 2019 to fiscal year 2020 due primarily to an increase in the PPP note payable.

Noncurrent liabilities decreased by \$0.006 million from fiscal year 2020 to fiscal year 2021 due primarily to a decrease in net Other Post-Employment Benefits (OPEB) liability. Noncurrent liabilities decreased by \$0.2 million from fiscal year 2019 to fiscal year 2020 due primarily to a decrease in net OPEB liability.

Net position: Total net position decreased by \$0.3 million from fiscal year 2020 to fiscal year 2021 due to a decrease in investments in capital assets of \$0.6 million and an increase of \$0.3 million in Board-designated projects. Total net position increased by \$2.0 million from fiscal year 2019 to fiscal year 2020 due to a decrease in investments in capital assets of \$0.8 million, a decrease of \$0.8 million in Board-designated projects and an increase of \$3.6 million in unallocated net position.

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

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

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>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenues:			
Total operating revenues	\$ 10,544,212	\$ 16,736,768	\$ 14,745,950
Operating expenses:			
Total operating expenses	8,506,838	14,940,686	13,800,327
Total operating (loss) income	2,037,374	1,796,082	945,623
Nonoperating revenues:			
Contributions to the University - non-capital	(4,000,000)	-	-
Investment income, net	1,706,380	173,847	482,381
(Decrease) increase in net position	(256,246)	1,969,929	1,428,004
Net position:			
Beginning of year	13,706,453	11,736,524	10,308,520
End of year	\$ 13,450,207	\$ 13,706,453	\$ 11,736,524

Operating revenues: Total operating revenues decreased by \$6.2 million from fiscal year 2020 to fiscal year 2021 due primarily to a decrease in program fee revenue for operations. Total operating revenues increased by \$2.0 million from fiscal year 2019 to fiscal year 2020 due primarily to an increase in program fee revenue for operations and for Board-designated projects.

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

**Management's Discussion and Analysis
Years Ended June 30, 2021 and 2020**

The decrease of \$6.2 million in total operating revenues is attributable to the outbreak of the COVID-19 pandemic in March 2020, which necessitated significant reductions in program operations during the year ended June 30, 2021.

Program fees revenue to be used for operations was approximately 71% of total operating revenues in fiscal year 2021 compared to 69% of total operating revenues in fiscal year 2020. Program fees decreased by \$4.1 million from the prior year. Program fees revenue used for operations were approximately 69% of total operating revenues in fiscal year 2020 compared to 64% of total operating revenues in fiscal year 2019, an increase of \$2.2 million from the prior year.

Rental income decreased by \$1.5 million from fiscal year 2020 to fiscal year 2021 due to decreases in rental income activities in the Event Center Arena, SRAC, Student Affairs space, Event Service and Bowling Center activities. Rental income increased by \$0.1 million from fiscal year 2019 to fiscal year 2020 due to increases in rental income activities in the Event Center Arena, C.I.E.S, Student Affairs Space and Bowling Center.

Reimbursement of event costs decreased by \$0.9 million from fiscal year 2020 to fiscal year 2021 due to decreases in concerts and other events in the Event Center Arena. Reimbursement of event costs decreased by \$291 thousand from fiscal year 2019 to fiscal year 2020 due to decreases in activity in the Event Center Arena.

Commission income decreased by \$0.1 million from fiscal year 2020 to fiscal year 2021 and by \$0.1 million from fiscal year 2019 to fiscal year 2020 due primarily to the decrease in concerts and other events in the Event Center Arena.

The remaining operating revenues increased by \$0.4 million from fiscal year 2020 to fiscal year 2021 due to a decrease in service fees of \$0.8 million, a decrease of \$0.3 million in reimbursement of wages and benefits, and an increase of \$1.5 million from forgiveness of debt in connection with the PPP loan. The remaining operating revenues increased by \$0.1 million from fiscal year 2019 to fiscal year 2020 due to an increase in service fees of \$0.3 million and a decrease of \$0.2 million in reimbursement of wages and benefits.

Operating expenses: Total operating expenses decreased by \$2.4 million overall from fiscal year 2020 to fiscal year 2021 due primarily to a decrease in wages, as well as event costs, business services, project expenditures and utilities, which was offset by an increase in the contribution to the University. Total operating expenses increased by \$1.1 million overall from fiscal year 2019 to fiscal year 2020 due primarily to an increase in wages as well as business services, project expenditures and utilities, which was offset by a decrease in event costs.

Wages and benefits decreased approximately by \$3.5 million from fiscal year 2020 to fiscal year 2021. There was a decrease in overall utilities of \$0.7 million, a decrease of \$0.8 million in business services, a decrease in event costs of \$1.1 million, a decrease in project expenditures of \$0.3 million and an increase in contribution to the University of \$4 million from fiscal year 2020 to fiscal year 2021. Wages and benefits increased by approximately \$0.6 million from fiscal year 2019 to fiscal year 2020. There was an increase in overall utilities of \$0.4 million, an increase of \$0.3 million in business services, a decrease in event costs of \$0.3 million and an increase in project expenditures of \$0.2 million from fiscal year 2019 to fiscal year 2020.

The decrease of \$2.4 million in total operating expenses is attributable to decreases in spending due to the outbreak of the COVID-19 pandemic in March 2020, which necessitated significant reductions in program operations during the year ended June 30, 2021.

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

**Management's Discussion and Analysis
Years Ended June 30, 2021 and 2020**

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 investment income and changes in the fair value of investments.

Contributions to the University increased \$4.0 million due to the Student Union's board of directors' approval to make a contribution from its reserves to support student-focused collaboration spaces in the Interdisciplinary Science Building, allowing the University to redirect some of the operating fund contribution toward its \$92 million operating budget gap.

Investment income for the year ended June 30, 2021, was \$1.7 million, an increase of \$1.5 million from prior year ended June 30, 2020. The \$1.7 million investment income is made up of \$0.2 million in interest and dividends and \$1.5 million in realized and unrealized gains. Investment income for the year ended June 30, 2020, was \$0.2 million, a decrease of \$0.3 million from prior year ended June 30, 2019. The \$0.2 million investment income is made up of \$0.4 million in interest and dividends and \$0.2 million in realized and unrealized losses.

The \$1.7 million increase in investment income during the year ended June 30, 2021, is predominantly due to unrealized gains directly related to valuation increases in the long-term investment account.

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

**Statements of Net Position
June 30, 2021 and 2020**

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 298,663	\$ 1,532,502
Restricted cash	123,975	-
Investments	2,518,849	5,529,175
Accounts receivable	137,828	56,258
Receivable from affiliates	491,537	495
Prepaid expenses and other	154,048	127,338
Total current assets	3,724,900	7,245,768
Noncurrent assets:		
Investments	8,783,691	7,242,179
Funds held in trust	65,009	57,468
Capital assets, net	2,201,905	2,829,383
Total noncurrent assets	11,050,605	10,129,030
Total assets	14,775,505	17,374,798
Deferred outflows of resources:		
Other post-employment benefits (OPEB) deferred outflow	855,447	309,744
Liabilities and Net Position		
Current liabilities:		
Accounts payable	154,858	340,765
Accrued payroll and related expenses	404,403	507,556
Paycheck Protection Program (PPP) note payable	-	1,514,421
Other accrued liabilities	326,932	275,356
Total current liabilities	886,193	2,638,098
Net OPEB liability	671,186	673,175
Funds held in trust liability	65,009	57,468
Total noncurrent liabilities	736,195	730,643
Total liabilities	1,622,388	3,368,741
Deferred inflows of resources:		
OPEB deferred inflow	558,357	609,348
Net position:		
Investment in capital assets	2,201,905	2,829,383
Unrestricted:		
Board-designated	794,485	497,820
Unallocated	10,453,817	10,379,250
Total net position	\$ 13,450,207	\$ 13,706,453

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, 2021 and 2020**

	2021	2020
Operating revenues:		
Program fees	\$ 7,500,000	\$ 11,564,085
Service fees	6,897	762,225
Reimbursement of event costs	3,200	917,077
Rental income	1,461,546	3,008,288
Reimbursed wages and benefits	7,325	348,544
Commissions	21	105,349
PPP Loan Forgiveness	1,514,421	-
Other	50,802	31,200
Total operating revenues	10,544,212	16,736,768
Operating expenses:		
Wages, benefits and taxes	4,489,047	8,064,982
Insurance	544,028	283,451
Supplies	115,808	414,225
Communications	258,948	202,602
Repairs and maintenance	215,082	82,883
Utilities	958,141	1,700,230
Event costs	45,098	1,134,780
Small equipment purchases	11,756	35,631
Depreciation and amortization	678,925	699,124
Business services	1,138,452	1,894,928
Miscellaneous	21,605	51,520
Project expenditures	29,948	376,330
Total operating expenses	8,506,838	14,940,686
Operating income	2,037,374	1,796,082
Nonoperating (expenses) revenue:		
Contributions to the University - non-capital	(4,000,000)	-
Investment income, net	1,706,380	173,847
Total nonoperating (expenses) revenue	(2,293,620)	173,847
(Decrease) increase in net position	(256,246)	1,969,929
Net position, beginning of year	13,706,453	11,736,524
Net position, end of year	\$ 13,450,207	\$ 13,706,453

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, 2021 and 2020**

	2021	2020
Cash flows from operating activities:		
Sales and services of auxiliary enterprises	\$ 9,920,777	\$ 16,934,749
Payments to suppliers	(3,498,903)	(6,991,782)
Payments to employees	(4,773,380)	(5,715,834)
Payments to students	(316,525)	(2,715,702)
Other receipts	(1,463,598)	352,568
Net cash (used in) provided by operating activities	(131,629)	1,863,999
Cash flows from noncapital financing activities:		
Contributions to the University - non-capital	(4,000,000)	-
Net cash used in noncapital financing activities	(4,000,000)	-
Cash flows from capital and related financing activities:		
Acquisitions of capital assets	(51,447)	(76,036)
Proceeds from PPP note	-	1,514,421
Net cash (used in) provided by financing activities	(51,447)	1,438,385
Cash flows from investing activities:		
Investment income reinvested	96,648	386,395
Sales of investments	10,476,564	18,725,674
Purchase of investments	(7,500,000)	(21,811,258)
Net cash provided by (used in) investing activities	3,073,212	(2,699,189)
Net (decrease) increase in cash, cash equivalents and restricted cash	(1,109,864)	603,195
Cash, cash equivalents and restricted cash:		
Beginning of year	1,532,502	929,307
End of year	\$ 422,638	\$ 1,532,502
Reconciliation of net operating income to net cash (used in) provided by operating activities:		
Operating income	\$ 2,037,374	\$ 1,796,082
Adjustments to reconcile operating income to net cash (used in) provided by operating activities:		
Depreciation and amortization	678,925	699,124
PPP loan forgiveness	(1,514,421)	-
Gain on disposal of assets	-	216,019
Change in assets and liabilities:		
Accounts receivable, net and due from University	(572,612)	334,530
Prepaid expenses and other current assets	(26,710)	3,956
Accounts payable	(185,907)	(747,582)
Accrued salaries and benefits	(103,153)	(228,785)
Other liabilities	51,576	(71,576)
Deferred outflows/inflows	(494,712)	65,714
Net OPEB liability	(1,989)	(203,483)
Net cash (used in) provided by operating activities	\$ (131,629)	\$ 1,863,999

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 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, which are leased from the University.

Note 2. Summary of Significant Accounting Policies

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

Classification of current and noncurrent assets and liabilities: The Student Union considers those assets to be current, which can be reasonably expected, as part of its normal business operation, to be converted to cash and available for liquidation of current liabilities within 12 months of the statements of net position date. Liabilities that can be reasonably expected, as per a 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. 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, 2021 or 2020.

Restricted cash—instructionally-related activities: This account was established 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, 2021, due to the lower than normal Club Sport activity, Student Union received \$187,500 for Club Sports and \$62,500 for Intramurals. At June 30, 2021, unspent cash, classified as restricted cash, totaled \$123,975.

**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)

Funds held in trust: The Student Union holds one accounts on behalf of certain SJSU Club Sports. This account was established as a result of a CSU Chancellor's Office Executive Order (Executive Order) prohibiting any recognized student organizations from having off-campus bank accounts. As a result of the Executive Order, SJSU Club Sports has one bank account, which is overseen by the Student Union as well as the processing of all its financial transactions. The balance in this checking account as of June 30, 2021 and 2020, was \$65,009 and \$57,468, respectively.

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

Capital assets: The Student Union's premises are leased from the Trustees of the CSU 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 and amortization: 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 the length of service. Eligible full-time employees accrue sick leave at the rate of 96.0 hours at January 1 each year and are paid a portion of the remaining unused sick leave at the end of December. Employees are not paid for unused sick leave at the end of employment. The Student Union adopted the mandated sick leave for non-benefited employees as of July 1, 2015. All non-benefited employees will accrue 24.0 hours of sick leave annually. At June 30, 2021 and 2020, the Student Union had balances of \$246,662 and \$359,483 of compensated absences, respectively, included in accrued payroll and related expenses on the statements of net position. During 2021, the non-benefitted sick leave balance was written off, which resulted in a decrease in compensated absences of \$123,566. During 2020, the wellness bonus program was discontinued, which resulted in a decrease in compensated absences of \$64,670. During 2021 and 2020, \$172,304 and \$213,887, respectively, of compensated absences were earned and \$285,125 and \$256,991, respectively, were used.

Student Union employees: Certain Student Union employees are employees of the University and are reimbursed by the Student Union for wages. The wage reimbursements totaled \$113,617 and \$55,426 for the years ended June 30, 2021 and 2020, respectively.

Net position: The Student Union's net position consists of net investment in capital assets and unrestricted net position. In addition, unallocated net position may be designated by the board of directors of the Student Union (the Board).

**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)

Revenue: Program fees are imposed nonexchange transaction that are recognized when the Student Union has an enforceable legal claim, which is based on the approved or amended budget. 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 Arena and the Spartan Recreation and Aquatic Center. The Student Union receives a share of entrance fees, parking fees and concession sales collected at events held in the Event Center Arena. Commission revenue (from event concessions, parking, ticket sales, vending, etc.) is recognized when earned. The Student Union also charges a rental fee to promoters who stage events in the Event Center Arena, which represents a reimbursement of costs incurred by the Student Union. This reimbursement is reflected as revenue when earned.

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) liability, 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 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.

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

Note 2. Summary of Significant Accounting Policies (Continued)

Recent accounting pronouncements: In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and reporting purposes and how those activities should be reported and this statement establishes criteria for identifying fiduciary activities. The requirements of this statement are originally effective for reporting periods beginning after December 15, 2018. In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The statement postpones the effective date for the Statement No. 84 by one year. The Student Union has evaluated the effect of the adoption of this standard on its financial statements and related disclosures and has concluded that the adoption of this standard did not result in changes to reporting or disclosures related to fiduciary activities.

In June 2017, the GASB issued Statement No. 87, *Leases*, which was originally effective for the Student Union's fiscal year beginning July 1, 2021. In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The statement postpones the effective date for the Statement No. 87 by 18 months. 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 is in the process of evaluating the impact of GASB Statement No. 87 on the Student Union's financial statements.

Note 3. Investments

	2021	2020
Local Agency Investment Fund	\$ 239,377	\$ 237,366
UBS Financial Services, Inc. (UBS):		
Mutual funds, equities	4,605,385	3,360,577
Mutual funds, fixed income	4,630,274	7,628,433
Mutual funds, others	538,839	505,895
Cash	1,288,665	1,039,083
Total UBS	11,063,163	12,533,988
	<u>\$ 11,302,540</u>	<u>\$ 12,771,354</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.

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

Note 3. Investments (Continued)

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, 2021						
		Market Value	<1 Year	<2 Years	<3 Years	<4 Years	<5 Years	>5 Years
Intermediate-term								
investments		\$ 4,630,274	\$ 1,943,160	\$ 1,517,480	\$ 810,204	\$ -	\$ -	\$ 359,430

		June 30, 2020						
		Market Value	<1 Year	<2 Years	<3 Years	<4 Years	<5 Years	>5 Years
Intermediate-term								
investments		\$ 7,628,433	\$ 5,164,866	\$ 1,097,100	\$ 1,005,801	\$ -	\$ -	\$ 360,666

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

Investment Type	2021	2020	Credit Rating
Fixed Income Mutual Funds	\$ 1,224,708	\$ 1,876,536	AAA
Fixed Income Mutual Funds	340,788	1,316,681	AA
Fixed Income Mutual Funds	688,059	1,405,934	A
Fixed Income Mutual Funds	1,036,718	1,383,049	BBB
Fixed Income Mutual Funds	453,767	630,878	BB
Fixed Income Mutual Funds	776,960	862,785	B
Fixed Income Mutual Funds	109,274	152,570	Below B
Total fixed income securities	\$ 4,630,274	\$ 7,628,433	

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, 2021 or 2020.

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

Note 3. Investments (Continued)

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

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

Fair value measurement: GASB Statement 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.

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, including LAIF, 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, 2021	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	\$ 4,605,385	\$ 4,605,385	\$ -	\$ -
Mutual funds, fixed income	4,630,274	4,630,274	-	-
Mutual funds, others	538,839	538,839	-	-
	9,774,498	\$ 9,774,498	\$ -	\$ -
Cash	1,288,665			
Local Agency Investment Fund	239,377			
Total investments	\$ 11,302,540			

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

Notes to Financial Statements

Note 3. Investments (Continued)

Description	June 30, 2020	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	\$ 3,360,577	\$ 3,360,577	\$ -	\$ -
Mutual funds, fixed income	7,628,433	7,628,433	-	-
Mutual funds, others	505,895	505,895	-	-
	11,494,905	\$ 11,494,905	\$ -	\$ -
Cash	1,039,083			
Local Agency Investment Fund	237,366			
Total investments	<u>\$ 12,771,354</u>			

Note 4. Capital Assets

Capital assets consist of the following at June 30:

	2020	Additions	Retirements	Transfers/ Adjustments	2021
Computer equipment	\$ 43,522	\$ -	\$ -	\$ (14,998)	\$ 28,524
Furniture and equipment	4,443,046	28,601	(21,921)	283,043	4,732,769
Leasehold improvements	3,057,263	22,846	-	317,920	3,398,029
	7,543,831	51,447	(21,921)	585,965	8,159,322
Less accumulated depreciation and amortization	(4,714,448)	(678,925)	21,921	(585,965)	(5,957,417)
Net book value	<u>\$ 2,829,383</u>	<u>\$ (627,478)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,201,905</u>

	2019	Additions	Retirements	Transfers/ Adjustments	2020
Computer equipment	\$ 150,725	\$ -	\$ (107,203)	\$ -	\$ 43,522
Software	48,395	-	(48,395)	-	-
Furniture and equipment	4,843,078	-	(781,227)	381,195	4,443,046
Leasehold improvements	5,142,495	-	(2,198,768)	113,536	3,057,263
Projects in progress	634,714	76,036	(216,019)	(494,731)	-
	10,819,407	76,036	(3,351,612)	-	7,543,831
Less accumulated depreciation and amortization	(7,150,917)	(699,124)	3,135,593	-	(4,714,448)
Net book value	<u>\$ 3,668,490</u>	<u>\$ (623,088)</u>	<u>\$ (216,019)</u>	<u>\$ -</u>	<u>\$ 2,829,383</u>

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

Note 5. Paycheck Protection Program Note Payable

In May 2020, the Student Union applied for, and received, a \$1,514,421 loan under the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act. The Student Union accepted the loan with the intention to apply for loan forgiveness. In the event that forgiveness was not obtained, repayment terms would be established to achieve an interest rate of 1% annually and a maturity date of two years from the date of funding the loan. The Student Union applied for forgiveness of the loan on December 7, 2020, and received notification from the U.S. Small Business Administration that the loan principal and accrued interest had been forgiven in full on February 9, 2021. The loan is reflected as PPP loan forgiveness income in operating income on the accompanying financial statements.

Note 6. Board-Designated Net Position

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

	2021	2020
Board-designated:		
Capital equipment	\$ 794,485	\$ 497,820
	\$ 794,485	\$ 497,820

Note 7. Employment Benefit and Compensation Plans

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-multiemployer plan.

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. 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 6.5% and 7.0% discount rate for years ended June 30, 2021 and 2020, respectively, assuming the Student Union continues prefunding 100% 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 of San José State University
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Notes to Financial Statements

Note 7. Employment Benefit and Compensation Plans (Continued)

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 years ended June 30, 2021 and 2020, were \$671,186 and \$308,583, respectively.

Employees covered by benefit terms: At June 30, 2021 and 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	11
Active employees	48
	<u>59</u>

OPEB liabilities, OPEB expense and deferred outflows of resources related to OPEB: The Student Union's net OPEB liability was \$671,186 and \$673,175 at June 30, 2021 and 2020, respectively. The Student Union's net OPEB liability was measured as of June 30, 2020 and 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019, for both the years ended June 30, 2020 and 2019, as allowed per the standard.

For the years ended June 30, 2021 and 2020, the Student Union recognized OPEB expense of \$231,974 and \$227,018, respectively, and is included in wages, benefits and taxes on the statements of revenue, expenses and changes in net position.

OPEB expense for the years ended June 30 is as follows:

	2021	2020
Service cost	\$ 213,651	\$ 222,014
Interest on OPEB liability	256,530	247,140
Projected earnings	(215,754)	(180,517)
Administrative expenses	9,851	9,700
Change in benefit terms	-	-
Deferred (inflows) outflows of resources:		
Change in assumptions	(18,618)	(40,883)
Differences between expected and actual experience	(26,189)	(24,949)
Differences between projected and actual earnings	12,503	(5,487)
OPEB expense	<u>\$ 231,974</u>	<u>\$ 227,018</u>

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

Note 7. Employment Benefit and Compensation Plans (Continued)

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

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 216,560
Changes of assumptions	266,537	341,797
Net difference between projected and actual earnings on OPEB plan investments	87,193	-
Contributions subsequent to the measurement date	501,717	-
Total	<u>\$ 855,447</u>	<u>\$ 558,357</u>
	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 226,668
Changes of assumptions	-	382,680
Net difference between projected and actual earnings on OPEB plan investments	9,744	-
Contributions subsequent to the measurement date	300,000	-
Total	<u>\$ 309,744</u>	<u>\$ 609,348</u>

Of the total amount reported as deferred outflows at June 30, 2021, related to OPEB, \$400,000 resulting from Student Union contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability for the year ending 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:	
2022	\$ (32,302)
2023	(17,825)
2024	(15,093)
2025	(26,815)
2026	(44,807)
Thereafter	(67,785)
Total	<u>\$ (204,627)</u>

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

Note 7. Employment Benefit and Compensation Plans (Continued)

Of the total amount reported as deferred outflows at June 30, 2020, related to OPEB, \$300,000 resulting from Student Union contributions subsequent to the measurement date 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, 2021. 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:	
2021	\$ (71,319)
2022	(71,317)
2023	(56,840)
2024	(54,108)
2025	(65,832)
Thereafter	(280,188)
Total	<u>\$ (599,604)</u>

Actuarial assumptions: The June 30, 2021 and 2020, total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5% for 2021; 2.6% for 2020
Salary increases	3.25%, average, including inflation
Investment rate of return	6.5% for the year ended June 30, 2021 and 7.0% for the year ended June 30, 2020, net of OPEB plan investment expense, including inflation
Health care cost trend rates	For June 30, 2021, 6.8% (pre-65) and 5.0% (post-65), fluctuating over the years and ending at an ultimate rate of 5.0% and 5.0%, respectively for 2029 and later years For June 30, 2020, 6.8% (pre-65) and 5.0% (post-65), fluctuating over the years and ending at an ultimate rate of 6.8% and 5.0%, respectively for 2029 and later years
Dental rate	4.0%

Mortality rates for June 30, 2021 and 2020, 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.

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Notes to Financial Statements

Note 7. Employment Benefit and Compensation Plans (Continued)

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, the long-term expected rates of return for each major investment class in the plan's portfolio are as follows:

Investment Class	2021	
	Target Allocation	Long-Term Expected Real Rate of Return ¹
Equity	54.0 %	5.40%
Fixed income	38.0 %	1.70%
REITs	8.0 %	4.90%
Total	<u>100.0 %</u>	

¹ Morgan Stanley Wealth Management Global Investment Committee / Special Report capital market assumptions expected inflation of 2.5%

Investment Class	2020	
	Target Allocation	Long-Term Expected Real Rate of Return ¹
Equity	43.0 %	6.78%
Fixed income	50.0 %	2.60%
REITs	7.0 %	5.30%
Total	<u>100.0 %</u>	

¹ Morgan Stanley Wealth Management Global Investment Committee / Special Report capital market assumptions expected inflation of 2.26%

Discount rate: The discount rate used to measure the total June 30, 2021 and 2020, OPEB liability was 7.0%. 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 7. Employment Benefit and Compensation Plans (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 (6.0%) or one percentage point higher (8.0%) than the current discount rate:

	June 30, 2021		
	1% Decrease (5.50%)	Discount Rate (6.5%)	1% Increase (7.5%)
Net OPEB liability	\$ 1,353,361	\$ 671,186	\$ 122,341

	June 30, 2020		
	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Net OPEB liability	\$ 1,226,248	\$ 673,175	\$ 226,383

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, 2021		
	1% Decrease	Health Care Cost Trend	1% Increase
Net OPEB liability	\$ 83,544	\$ 671,186	\$ 1,369,651

	June 30, 2020		
	1% Decrease	Health Care Cost Trend	1% Increase
Net OPEB liability	\$ 196,077	\$ 673,175	\$ 1,235,870

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 years 2021 and 2020 were \$190,116 and \$193,892, respectively, and are included in wages, benefits and taxes on the statement of revenues, expenses and changes in net position.

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

Note 8. Event Activity

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

Note 9. Operating Leases

The following properties are leased from the Trustees of the CSU: the Student Union building, the ATM kiosk, the Spartan Recreation and Aquatic Center and the Event Center Arena. The renewed lease agreement expired on June 30, 2021, and required the Student Union's compliance with various conditions concerning operation of the facilities. A new operating agreement was expected to be effective as of July 1, 2021, which will extend the lease of the Student Union building and the Spartan Recreation and Aquatic Center. Under that new agreement, the operation and oversight of the Event Center Arena and the ATM kiosk is expected to be transferred to the University. As of the date of this report, the Operating Agreement is still being negotiated between the Student Union Inc. and San José State University (see Note 14).

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 \$908,081 and \$865,155 in 2021 and 2020, respectively, for these cost allocations. Cost allocations include reimbursement for SJSU Business and Financial Services, Chancellor's Office annual audit fees, information technology services, University police security fees, property and building insurance, as well as facility use fees. Cost allocation for the fiscal year ending June 30, 2022, is estimated at \$958,838.

The Student Union leases space in its facilities to other auxiliary organizations of the University, departments of the University and organizations external to the University. The Student Union's rental revenue for fiscal years 2021 and 2020 was \$1,461,546 and \$3,008,288, respectively.

Note 10. 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:

	2021	2020
Receivable from San José State University	\$ 478,018	\$ 10
Receivable from auxiliary organizations:		
Spartan Shops, Inc.	12,054	-
Associated Students, Inc.	1,465	485
	<u>\$ 491,537</u>	<u>\$ 495</u>

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

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

Notes to Financial Statements

Note 10. Related Parties (Continued)

Payables to affiliates at June 30 are as follows:

	2021	2020
Payable to San José State University	\$ 128,206	\$ 212,853
Payable to auxiliary organizations:		
Associated Students, Inc.	-	87
	\$ 128,206	\$ 212,940

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

During the year ended June 30, 2021, the Student Union board of directors approved a contribution of \$4,000,000 from its local reserves to the University to support student-focused collaboration spaces in the Interdisciplinary Science Building, allowing the University to redirect some of the operating fund contribution toward its \$92 million operating budget gap. This is in compliance with California Education Code, Title V, Section 42659.

Note 11. 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 12. Contingencies

On March 11, 2020, the World Health Organization declared the outbreak of novel coronavirus as a global pandemic. As a result of the pandemic, there was a significant decrease in program operations, which resulted in declines in several of the operating revenues and operating expenses. Due to the continued uncertainty resulting from COVID-19, the Student Union expects that program operations will continue to be limited in the foreseeable future, but the extent and duration of such impact in the long term is uncertain and cannot be reasonably estimated at this time.

Note 13. Self-Insured Workers' Compensation Plan

Student Union participated in a self-insured workers' compensation plan with certain other California State University Auxiliary Organizations that was established as a separate entity risk pool to manage workers' compensation 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 Coverage Program. AORMA Workers' Compensation Coverage Program members share risk among themselves. The workers' compensation program has been integrated with the CSURMA program, with assets and risk handled separately through the AORMA Workers' Compensation Coverage Program.

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

Notes to Financial Statements

Note 13. Self-Insured Workers' Compensation Plan (Continued)

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. In June 2021, the Student Union was notified of a funding shortage totaling approximately \$224,000, which Student Union funded by June 30, 2021; therefore, there are no liability reserves accrued, as there are no unfunded workers' compensation claims as of June 30, 2021. 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, 2021.

At June 30, 2021, there were 55 members in the CSURMA–AORMA workers' compensation program.

Note 14. Subsequent Events

In preparing the financial statements, the Student Union has evaluated events and transactions for subsequent event disclosure through October 6, 2021, the date of the auditor's report.

The Student Union and San Jose State University are in the process of negotiating a new operating agreement. Once the agreement is completed it is expected to be effective retroactive to July 1, 2021. See footnote 9 for changes that are expected to take place to Student Union's operating lease. As part of this new agreement, Student Union anticipates that it will dispose of several capital assets that are held within the Event Center as the University assumes the operation and oversight of the facility. The Student Union is in the process of quantifying the impact to capital assets.

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

**Schedule of Changes in the Net OPEB Liability and Related Ratios
June 30, 2021, 2020, 2019, and 2018**

	2021	2020	2019	2018
Total OPEB liability:				
Service cost	\$ 213,651	\$ 222,014	\$ 204,643	\$ 128,947
Interest	256,530	247,140	203,720	212,590
Differences between expected and actual experience	(16,081)	(77,164)	(19,264)	(191,473)
Change in benefit terms	-	-	272,883	-
Changes in assumptions	288,802	(174,689)	-	(303,704)
Benefit payments	(85,144)	(64,787)	(53,556)	(44,122)
Net change in total OPEB liability	657,758	152,514	608,426	(197,762)
Total OPEB liability - beginning	3,492,915	3,340,401	2,731,975	2,929,737
Total OPEB liability - ending (a)	4,150,673	3,492,915	3,340,401	2,731,975
Plan fiduciary net position:				
Contributions - employer	628,940	308,583	297,352	282,088
Net investment income	125,802	121,901	166,397	195,470
Benefit payments	(85,144)	(64,787)	(53,556)	(44,122)
Administrative expense	(9,851)	(9,700)	(16,773)	(8,909)
Net change in plan fiduciary net position	659,747	355,997	393,420	424,527
Plan fiduciary net position - beginning	2,819,740	2,463,743	2,070,323	1,645,796
Plan fiduciary net position - ending (b)	3,479,487	2,819,740	2,463,743	2,070,323
Student Union's net OPEB liability - ending (a) - (b)	\$ 671,186	\$ 673,175	\$ 876,658	\$ 661,652

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

Plan fiduciary net position as a percentage of the total OPEB liability	84%	81%	74%	76%
Covered-employee payroll	\$ 3,552,453	\$ 2,978,976	\$ 2,606,247	\$ 2,452,176
Student Union's net OPEB liability as a percentage of covered-employee payroll	19%	23%	34%	27%

Notes to schedule:

Changes of assumptions. In 2021, the discount rate and net investment return was reduced from 7.00% to 6.50%

Changes of benefits. In 2020, the average per capital claims costs was updated to reflect actual 2019 and 2020 premiums and caps, the health care cost trend rate was updated to reflect 2018 industry survey data, the mortality, withdrawal, disablement and retirement tables were updated to reflect the 2017 CalPERS studies. The population for curving and morbidity factors have also been updated to the 2017 CalPERS studies.

Changes of assumptions. In 2019, benefits changed to increase the minimum eligibility age from 50 to 55 for post 2012 hires and the inclusion of dental benefits for retirees, dependents and surviving spouses.

Changes of assumptions. In 2018, the average per capital claims costs was updated to reflect actual 2017 and 2018 premiums and caps, the health care cost trend rate was updated to reflect 2018 industry survey data, and the mortality rates were updated to reflect the most recent CalPERS studies.

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

**Schedule of Contributions
June 30, 2021, 2020, 2019, and 2018**

	2021	2020	2019	2018
Actuarially determined contribution	\$ 283,978	\$ 283,023	\$ 280,032	\$ 243,176
Contributions in relation to the actuarially determined contribution	628,940	308,583	297,352	282,088
Contribution deficiency (excess)	\$ (344,962)	\$ (25,560)	\$ (17,320)	\$ (38,912)
Covered-employee payroll	\$ 3,552,453	\$ 2,978,976	\$ 2,606,247	\$ 2,452,176
Contributions as a percentage of covered-employee payroll	18%	10%	10%	12%

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	Straight-line
Amortization period	For assumption and experience gains/losses:
Asset valuation method	Average Future Working Lifetime; 5 years for asset gains/losses
Inflation	market value of assets as of the measurement date
Health care cost trend rates at June 30, 2021 and 2020	2.50%
Health care cost trend rates at June 30, 2019 and 2018	6.80% initial, decreasing 0.25% per year to an ultimate rate of 5.00% in 2029
Dental rate	7.70% initial, decreasing 0.15% per year to an ultimate rate of 5.00%
Salary increases	4.0% (2020 and 2019 only)
Investment rate of return	3.25% average, including inflation
Retirement age	7.00% net of OPEB plan investment expense, including inflation
Mortality	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
	The mortality rates used in this valuation are those used in the most recent CalPERS valuations (CalPERS 2017 for and 2020 and June 30, 2021, CalPERS 2014 for June 30, 2019 and 2018)

The Student Union of San José State University
Schedule of Net Position
June 30, 2021
(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	422,638
Short-term investments	2,518,849
Accounts receivable, net	629,365
Capital lease receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	-
Prepaid expenses and other current assets	154,048
	<hr/>
Total current assets	3,724,900
Noncurrent assets:	
Restricted cash and cash equivalents	-
Accounts receivable, net	-
Capital lease receivable, net of current portion	-
Notes receivable, net of current portion	-
Student loans receivable, net	-
Pledges receivable, net	-
Endowment investments	-
Other long-term investments	8,783,691
Capital assets, net	2,201,905
Other assets	65,009
	<hr/>
Total noncurrent assets	11,050,605
	<hr/>
Total assets	14,775,505
Deferred outflows of resources:	
Unamortized loss on debt refunding	-
Net pension liability	-
Net OPEB liability	855,447
Others	-
	<hr/>
Total deferred outflows of resources	855,447
Liabilities:	
Current liabilities:	
Accounts payable	154,858
Accrued salaries and benefits	157,741
Accrued compensated absences, current portion	246,662
Unearned revenues	-
Capital lease obligations, current portion	-
Long-term debt obligations, current portion	-
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	326,932
	<hr/>
Total current liabilities	886,193
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	-
Unearned revenues	-
Grants refundable	-
Capital lease obligations, net of current portion	-
Long-term debt obligations, net of current portion	-
Claims liability for losses and loss adjustment expenses, net of current portion	-
Depository accounts	65,009
Net other postemployment benefits liability	671,186
Net pension liability	-
Other liabilities	-
	<hr/>
Total noncurrent liabilities	736,195
	<hr/>
Total liabilities	1,622,388
Deferred inflows of resources:	
Service concession arrangements	-
Net pension liability	-
Net OPEB liability	558,357
Unamortized gain on debt refunding	-
Nonexchange transactions	-
Others	-
	<hr/>
Total deferred inflows of resources	558,357
Net position:	
Net investment in capital assets	2,201,905
Restricted for:	
Nonexpendable – endowments	-
Expendable:	
Scholarships and fellowships	-
Research	-
Loans	-
Capital projects	-
Debt service	-
Others	-
Unrestricted	11,248,302
	<hr/>
Total net position	13,450,207

The Student Union of San José State University
Schedule of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2021
(for inclusion in the California State University)

Revenues:	
Operating revenues:	
Student tuition and fees, gross	-
Scholarship allowances (enter as negative)	-
Grants and contracts, noncapital:	
Federal	-
State	-
Local	-
Nongovernmental	-
Sales and services of educational activities	-
Sales and services of auxiliary enterprises, gross	1,478,989
Scholarship allowances (enter as negative)	-
Other operating revenues	9,065,223
Total operating revenues	10,544,212
Expenses:	
Operating expenses:	
Instruction	-
Research	-
Public service	-
Academic support	-
Student services	-
Institutional support	5,743,307
Operation and maintenance of plant	-
Student grants and scholarships	-
Auxiliary enterprise expenses	2,084,606
Depreciation and amortization	678,925
Total operating expenses	8,506,838
Operating income (loss)	2,037,374
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	(4,000,000)
Investment income (loss), net	1,706,380
Endowment income (loss), net	-
Interest expense	-
Other nonoperating revenues (expenses) - excl. interagency transfers	-
Net nonoperating revenues (expenses)	(2,293,620)
Income (loss) before other revenues (expenses)	(256,246)
State appropriations, capital	-
Grants and gifts, capital	-
Additions (reductions) to permanent endowments	-
Increase (decrease) in net position	(256,246)
Net position:	
Net position at beginning of year, as previously reported	13,706,453
Restatements	-
Net position at beginning of year, as restated	13,706,453
Net position at end of year	13,450,207

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

Other Information

June 30, 2021

(for inclusion in the California State University)

3.2 Detail of depreciation and amortization expense:

Depreciation and amortization expense related to capital assets	\$	678,925
Amortization expense related to other assets		
Total depreciation and amortization	\$	678,925

4 Long-term liabilities:

	Balance June 30, 2020	Prior Period Adjustments/Reclassifications	Balance June 30, 2020 (Restated)	Additions	Reductions	Balance June 30, 2021	Current Portion	Noncurrent Portion
1. Accrued compensated absences	\$ 359,483		359,483	172,304	(285,125)	\$ 246,662	\$ 246,662	\$ -
2. Claims liability for losses and loss adjustment expenses	-		-			-		-
3. Capital lease obligations:								
Gross balance	-		-			-	-	-
Unamortized net premium/(discount)	-		-			-	-	-
Total capital lease obligations	\$ -	-	-	-	-	-	-	-
4. Long-term debt obligations:								
4.1 Auxiliary revenue bonds (non-SRB related)	\$ -		-			\$ -	-	-
4.2 Commercial paper	-		-			-	-	-
4.3 Notes payable (SRB related)	-		-			-	-	-
4.4 Others:								
PPP Note Payable	1,514,421		1,514,421		(1,514,421)	-	-	-
	-		-			-	-	-
	-		-			-	-	-
	-		-			-	-	-
Total others	1,514,421	-	1,514,421	-	(1,514,421)	-	-	-
Sub-total long-term debt	\$ 1,514,421	-	1,514,421	-	(1,514,421)	\$ -	-	-
4.5 Unamortized net bond premium/(discount)	-		-			-	-	-
Total long-term debt obligations	1,514,421	-	1,514,421	-	(1,514,421)	-	-	-
Total long-term liabilities	\$ 1,873,904	-	1,873,904	172,304	(1,799,546)	\$ 246,662	246,662	\$ -

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

**Other Information
June 30, 2021
(for inclusion in the California State University)**

5 Capital lease obligations schedule:

	Capital lease obligations related to SRB			All other capital lease obligations			Total capital lease obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2022			-			-			-
2023			-			-			-
2024			-			-			-
2025			-			-			-
2026			-			-			-
2027 - 2031			-			-			-
2032 - 2036			-			-			-
2037 - 2041			-			-			-
2042 - 2046			-			-			-
2047 - 2051			-			-			-
Thereafter			-			-			-
Total minimum lease payments	\$	-	-	-	-	-	-	-	-
Less: amounts representing interest									-
Present value of future minimum lease payments									-
Unamortized net premium/(discount)									-
Total capital lease obligations									-
Less: current portion									-
Capital lease obligations, net of current portion									\$ -

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
Year ending June 30:									
2022			-			-			-
2023			-			-			-
2024			-			-			-
2025			-			-			-
2026			-			-			-
2027 - 2031			-			-			-
2032 - 2036			-			-			-
2037 - 2041			-			-			-
2042 - 2046			-			-			-
2047 - 2051			-			-			-
Thereafter			-			-			-
Total minimum payments	\$	-	-	-	-	-	-	-	-
Less: amounts representing interest									-
Present value of future minimum payments									-
Unamortized net premium/(discount)									-
Total long-term debt obligations									-
Less: current portion									-
Long-term debt obligations, net of current portion									\$ -

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

Other Information

June 30, 2021

(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	113,617
Payments to University for other than salaries of University personnel	2,110,546
Payments received from University for services, space, and programs	8,303,566
Gifts-in-kind to the University from discretely presented component units	
Gifts (cash or assets) to the University from discretely presented component units	4,000,000
Accounts (payable to) University (enter as negative number)	(128,206)
Other amounts (payable to) University (enter as negative number)	
Accounts receivable from University (enter as positive number)	478,018
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 California State University Auxiliary Organization)**

Other Information

June 30, 2021

(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	-	-	-	-	-	-	-	-
Institutional support	3,414,748	1,272,982	-	(198,683)	-	1,254,260	-	5,743,307
Operation and maintenance of plant	-	-	-	-	-	-	-	-
Student grants and scholarships	-	-	-	-	-	-	-	-
Auxiliary enterprise expenses	-	-	-	-	-	2,084,606	-	2,084,606
Depreciation and amortization	-	-	-	-	-	-	678,925	678,925
Total operating expenses	\$ 3,414,748	1,272,982	-	(198,683)	-	3,338,866	678,925	8,506,838

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 855,447

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

Total deferred outflows of resources

-
\$ 855,447

2. Deferred Inflows of Resources

Deferred inflows - service concession arrangements

Deferred inflows - net pension liability

Deferred inflows - net OPEB liability 558,357

Deferred inflows - unamortized gain on debt refunding(s)

Deferred inflows - nonexchange transactions

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

Total deferred inflows of resources

-
\$ 558,357

¹¹ Other nonoperating revenues (expenses)

Other nonoperating revenues

Other nonoperating (expenses)

Total other nonoperating revenues (expenses)

-

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Consolidated 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 (a California State University auxiliary organization) (the Student Union), which comprise the statement of net position as of June 30, 2021, the related statement of revenues, expenses and changes in net position, and cash flows for the years then ended, 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 6, 2021.

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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a significant deficiency.

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*.

Student Union's Response to Findings

The Student Union's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Student Union's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Tacoma, Washington
October 6, 2021

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

Schedule of Audit Findings and Questioned Costs

Section I. Schedule of Findings and Responses

Financial statements

Type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with generally accepted accounting principles: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? X Yes _____ No

Noncompliance material to consolidated financial statements noted? _____ Yes X No

Section II. Schedule of Findings and Responses

Internal Control Findings

Finding 2021-001 Improper accounting policy related to Instructionally Related Activities (IRA)—Significant Deficiency

Criteria Generally accepted accounting principles require that the program fees received as a part of IRA related activities would be recognized as revenue, when earned. However, Student Union’s policy has been to record it as an accrued liability until spent on the IRA related programs. This accounting treatment results in an overstatement of liabilities and an understatement of program fees and expenses and a passed adjustment totaling approximately \$123,000 was recorded to reflect the correction.

Views of management The Student Union has historically recorded the IRA funds as a liability and released said liability upon utilization of the funds. Due to the change in policy, Student Union will eliminate the June 30, 2021 balance in the IRA liability account and record it as revenue on July 1, 2021. IRA fees received beginning with the Fall of 2021 semester and in all subsequent semesters will likewise be recorded as revenue under this new policy.

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

Schedule of Prior-Year Audit Findings

The prior-year audit disclosed no findings in the Schedule of Findings and Questioned Costs and no uncorrected or unresolved findings exist from the prior audit's Summary of Prior Audit Findings.