

The Student Union of San José State University

**Financial Statements
(with Supplementary Information)
and Independent Auditor's Report**

June 30, 2023

The Student Union of San José State University

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Independent Auditor's Report

To the Board of Directors
The Student Union of San José State University
(A California State University Auxiliary Organization)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Student Union of San José State University, a component unit of California State University, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise The Student Union of San José State University's basic financial statements as listed in the index.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Student Union of San José State University as of June 30, 2023, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Prior Period Financial Statements

The financial statements of The Student Union of San José State University for the year ended June 30, 2022, were audited by another auditor who expressed an unmodified opinion on those statements on October 10, 2022.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Student Union of San José State University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Student Union of San José State University's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 to 9, Schedule of Changes in the Net OPEB Liability and Related Ratios on page 27, and the Schedule of OPEB Contributions on page 28 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise The Student Union of San José State University's basic financial statements. The accompanying supplementary information on pages 30 to 34 is presented for purposes of additional analysis as required by an Administrative Directive dated June 24, 2003, *Financial Reporting Requirements for Auxiliary Organizations*, from the California State University Office of the Chancellor, and is not a required part of the basic financial statements.

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

Report on Summarized Comparative Information

As indicated on page 2, another auditor previously audited The Student Union of San José State University's June 30, 2022 financial statements and expressed an unmodified opinion on those audited financial statements on October 10, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2023, on our consideration of The Student Union of San José State University'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 of San José State University'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 of San José State University's internal control over financial reporting and compliance.



Los Angeles, California
October 2, 2023

The Student Union of San José State University

Management's Discussion and Analysis Year Ended June 30, 2023 (Unaudited)

Management's Discussion and Analysis

This section of The Student Union of San José State University's (the "Student Union") annual financial report includes management's discussion and analysis of the financial performance of the Student Union for the fiscal year ended June 30, 2023. 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"), and the Event Center Arena. The nonprofit corporation has been in business for more than 50 years in California and receives no state funding. Revenue is derived from program fees collected from students, various service fees and the rental of space in its facilities. Students interact with the Student Union on a daily basis through the use of facilities, participation in sponsored events or through a Student Union program. The Student Union also acts as a bridge to the greater campus community, whose members make use of recreational opportunities and attend the diverse concerts and events on the San José State University campus.

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

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

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

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

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

The Student Union's financial reserves consist of cash and investments. These reserves are reviewed quarterly by the Board 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. During the fiscal year ended June 30, 2022, the Student Union's operating expenses were funded entirely through utilization of its cash and investment reserves and a limited amount of service fees and rental income earned during the fiscal year.

The Student Union of San José State University

Management's Discussion and Analysis Year Ended June 30, 2023 (Unaudited)

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.

Statement of net position: The statement of net position includes all assets, deferred outflows of resources, liabilities and deferred inflows of resources. Assets, deferred outflows of resources, liabilities and deferred inflows of resources are reported on an accrual basis as of the statement date. It also identifies major categories of restrictions (if any) on the net position of the Student Union.

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

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

Overview

Summary

The following discussion highlights management's understanding of the key financial aspects of the Student Union's financial activities as of and for the year ended June 30, 2023. 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

**Management's Discussion and Analysis
Year Ended June 30, 2023
(Unaudited)**

Condensed Summary of Net Position

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

	2023	2022	Change
Assets:			
Current assets	\$ 2,078,928	\$ 6,849,537	\$ (4,770,609)
Capital assets, net	1,087,058	1,527,332	(440,274)
Noncurrent assets	5,706,488	1,451,676	4,254,812
Total assets	<u>8,872,474</u>	<u>9,828,545</u>	<u>(956,071)</u>
Deferred outflows of resources	<u>1,700,265</u>	<u>668,333</u>	<u>1,031,932</u>
Liabilities:			
Current liabilities	838,974	1,747,292	(908,318)
Total liabilities	<u>838,974</u>	<u>1,747,292</u>	<u>(908,318)</u>
Deferred inflows of resources	<u>1,798,299</u>	<u>2,063,337</u>	<u>(265,038)</u>
Net position:			
Net investment in capital assets	1,087,058	1,527,332	(440,274)
Restricted for club sports programs	334,085	149,017	185,068
Unrestricted - Student Services	6,514,323	5,009,900	1,504,423
Total net position	<u>\$ 7,935,466</u>	<u>\$ 6,686,249</u>	<u>\$ 1,249,217</u>

Assets: Total assets decreased by \$1.0 million overall from fiscal year 2022 to fiscal year 2023 primarily due to increases in the carrying value of investments offset by decreases in operating cash, accounts receivable, carrying value of capital assets, and the other post-employment benefits ("OPEB") asset. Investments increased \$3.3 million, offset by decreases of \$0.3 million in operating cash, \$2.5 million in program fees receivable, \$0.4 million in carrying value of capital assets, and \$1.1 million in net OPEB asset.

Current assets decreased by \$4.8 million from fiscal year 2022 to fiscal year 2023 primarily due to decreases of \$2.5 million in program fees receivable, \$2.0 million in investments, and \$0.3 million in cash.

Capital assets decreased by \$0.4 million from fiscal year 2022 to fiscal year 2023 primarily due to depreciation.

Noncurrent assets increased by \$3.8 million overall from fiscal year 2022 to fiscal year 2023, primarily due to a restoration of the long-term reserve of \$5.3 million as a result of student union fee funding received during the fiscal year, offset by decreases in the carrying value of capital assets of \$0.4 million and the net OPEB asset of \$1.1 million.

Liabilities: Current liabilities decreased by \$0.9 million overall from fiscal year 2022 to fiscal year 2023 due primarily to a decrease of \$0.9 million in accounts payable.

Net position: Total net position increased by \$1.2 million from fiscal year 2022 to fiscal year 2023 due to a decrease in net investment in capital assets of \$0.4 million, offset by an increase in both unrestricted and restricted for club sports programs balances of \$1.6 million.

The Student Union of San José State University

**Management's Discussion and Analysis
Year Ended June 30, 2023
(Unaudited)**

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

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

Condensed Summary of Revenues, Expenses and Changes in Net Position:

	2023	2022	Change
Operating revenues:			
Total operating revenues	\$ 13,229,912	\$ 3,999,203	\$ 9,230,709
Operating expenses:			
Total operating expenses	12,203,144	10,427,784	(1,775,360)
Total operating (loss) income	1,026,768	(6,428,581)	7,455,349
Nonoperating revenues:			
(Loss)/gain on sale of capital assets	(55,241)	15,235	(70,476)
Investment income (loss), net	277,690	(350,612)	628,302
(Decrease) increase in net position	1,249,217	(6,763,958)	(8,013,175)
Net position:			
Beginning of year	6,686,249	13,450,207	6,763,958
End of year	\$ 7,935,466	\$ 6,686,249	\$ (1,249,217)

Operating revenues: Total operating revenues increased by \$9.2 million from fiscal year 2022 to fiscal year 2023 due to increases in student union fee funding, service fees, and Student Success, Excellence & Technology Fees ("SSETF").

Student union fee funding revenue used for operations increased by \$8.9 million from fiscal year 2022 to fiscal year 2023 due to receipt of fee funding and represented approximately 86% of total operating revenues in fiscal year 2023 compared to 62% in fiscal year 2022.

Rental income remained flat from fiscal year 2022 to fiscal year 2023 and consists of unrelated party event rents, bowling alley shoe rentals, and AV tech service rentals. ATM and wireless cell tower rents were collected and paid to campus during fiscal year 2023. Upon adoption of GASB 87, Student Union determined that while they had contractual agreements to collect ATM and wireless cell tower rents with third-party vendors, in substance these leases were held with the University. All payments collected during fiscal year 2023 related to those agreements were recorded as a liability and paid to campus during the fiscal year. In addition, lease receivables and deferred outflows under GASB 87 were not recorded on Student Union's books as a result of these contracts. The Student Union had no leases that qualified as a lease under GASB 87, *Leases*.

Remaining operating revenues increased by \$0.3 million from fiscal year 2022 to fiscal year 2023 due to an increase in service fees of \$0.3 million, an increase of \$0.1 million in club and intramural sports revenue, offset by a decrease of \$0.1 million in event services revenue.

Operating expenses: Total operating expenses increased by \$1.8 million overall from fiscal year 2022 to fiscal year 2023 due primarily to an increase in wages as well as business services and event costs, offset by a decrease in bad debt expense and depreciation.

The Student Union of San José State University

**Management's Discussion and Analysis
Year Ended June 30, 2023
(Unaudited)**

Wages and benefits increased by approximately \$1.5 million from fiscal year 2022 to fiscal year 2023. There were increases of \$0.1 million in supplies, \$0.1 million in communications, \$0.4 million in event costs, and \$0.3 million in club and intramural sports programs. There were decreases of \$0.2 million in depreciation and \$0.5 million in bad debt expense from fiscal year 2022 to fiscal year 2023.

Nonoperating revenues (expenses): Nonoperating revenues (expenses) are derived from sources that are not part of the Student Union's primary business functions. Included in this classification is investment income (loss) and gain/(loss) on disposition of capital assets.

Investment income for the year ended June 30, 2023 was \$0.3 million, an increase of \$0.6 million from the prior year ended June 30, 2022. The \$0.3 million investment income is comprised of \$0.2 million in interest and dividend income and \$0.1 million in realized and unrealized gains.

The \$0.6 million increase in investment income during the year ended June 30, 2023 is predominantly due to increased interest and dividend income as well as increased realized and unrealized gains.

The Student Union of San José State University

**Statement of Net Position
June 30, 2023
With Summarized Totals at June 30, 2022**

	<u>Assets</u>	
	2023	2022
Current assets		
Cash and cash equivalents	\$ 558,563	\$ 1,056,779
Restricted cash	334,085	149,017
Investments	973,675	2,959,814
Accounts receivable	9,899	98,396
Receivable from affiliates	42,005	2,517,107
Prepaid expenses and other current assets	160,701	68,424
Total current assets	2,078,928	6,849,537
Noncurrent assets		
Investments	5,311,445	-
Capital assets, net	1,087,058	1,527,332
Net OPEB asset	395,043	1,451,676
Total noncurrent assets	6,793,546	2,979,008
Total assets	\$ 8,872,474	\$ 9,828,545
Deferred outflows of resources		
OPEB deferred outflows—differences between projected and actual experience and changes in assumptions	\$ 1,265,183	\$ 244,272
OPEB deferred outflows—other post-employment benefits (OPEB) contributions after the measurement date	435,082	424,061
Total deferred outflows of resources	1,700,265	668,333
	<u>Liabilities and Net Position</u>	
Current liabilities		
Accounts payable	143,815	1,106,185
Accrued payroll and related expenses	536,885	465,604
Other accrued liabilities	158,274	175,503
Total current liabilities	838,974	1,747,292
Total liabilities	838,974	1,747,292
Deferred inflows of resources		
OPEB deferred inflows—changes in assumptions and differences in expected and actual experience	1,798,299	2,063,337
Net position		
Net investment in capital assets	1,087,058	1,527,332
Restricted for club sports programs	334,085	149,017
Unrestricted - Student Services	6,514,323	5,009,900
Total net position	\$ 7,935,466	\$ 6,686,249

See Notes to Financial Statements.

The Student Union of San José State University

**Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2023
With Summarized Totals for the Year Ended June 30, 2022**

	2023	2022
Operating revenues		
Student union fee funding	\$ 11,373,385	\$ 2,477,077
Service fees	584,935	319,805
Rental income	185,959	170,631
Event services revenue	78,814	145,824
Club and intramural sports revenue	1,004,585	872,495
Other	2,234	13,371
	<u>13,229,912</u>	<u>3,999,203</u>
Operating expenses		
Wages, benefits and taxes	7,589,948	5,913,759
Insurance	159,817	126,539
Supplies	330,386	232,907
Communications	376,895	258,692
Repairs and maintenance	221,532	246,577
Utilities	-	7,128
Event costs	572,967	153,880
Small equipment purchases	11,920	2,190
Depreciation and amortization	411,024	639,101
Business services	1,552,345	1,516,307
Club and intramural sports program	868,008	766,643
Bad debt expense	-	476,730
Miscellaneous	83,960	53,091
Project expenditures	24,342	34,240
	<u>12,203,144</u>	<u>10,427,784</u>
Total operating expenses		
	<u>12,203,144</u>	<u>10,427,784</u>
Operating income (loss)	<u>1,026,768</u>	<u>(6,428,581)</u>
Nonoperating revenues (expenses)		
(Loss)/gain on sale of capital assets	(55,241)	15,235
Investment income (loss), net	277,690	(350,612)
	<u>222,449</u>	<u>(335,377)</u>
Net nonoperating revenues (expenses)		
	<u>222,449</u>	<u>(335,377)</u>
Change in net position	1,249,217	(6,763,958)
Net position, beginning of year	<u>6,686,249</u>	<u>13,450,207</u>
Net position, end of year	<u>\$ 7,935,466</u>	<u>\$ 6,686,249</u>

See Notes to Financial Statements.

The Student Union of San José State University

**Statement of Cash Flows
Year Ended June 30, 2023
With Summarized Totals for the Year Ended June 30, 2022**

	2023	2022
Cash flows from operating activities		
Sales and services of auxiliary enterprises	\$ 15,714,695	\$ 2,011,097
Payments to suppliers	(5,274,046)	(3,452,227)
Payment to employees	(4,920,452)	(4,269,236)
Payments to students	(2,598,215)	(1,744,823)
Other payments	(94,120)	-
	<u>2,827,862</u>	<u>(7,455,189)</u>
Cash flows from capital and related financing activities		
Proceeds from sale of capital assets	-	60,687
Acquisitions of capital assets	(25,991)	(9,981)
	<u>(25,991)</u>	<u>50,706</u>
Cash flows from investing activities		
Interest income	174,550	195,781
Proceeds from sales of investments	11,920,431	13,736,395
Purchases of investments	(15,210,000)	(5,744,535)
	<u>(3,115,019)</u>	<u>8,187,641</u>
Net cash (used in) provided by investing activities	<u>(3,115,019)</u>	<u>8,187,641</u>
Net (decrease) increase in cash, cash equivalents, and restricted cash	(313,148)	783,158
Cash, cash equivalents, and restricted cash, beginning	<u>1,205,796</u>	<u>422,638</u>
Cash, cash equivalents, and restricted cash, end	<u>\$ 892,648</u>	<u>\$ 1,205,796</u>
Cash and cash equivalents	\$ 558,563	\$ 1,056,779
Restricted cash	334,085	149,017
	<u>\$ 892,648</u>	<u>\$ 1,205,796</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	\$ 1,026,768	\$ (6,428,581)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation and amortization	411,024	639,101
Change in assets and liabilities		
Accounts receivable	2,631,002	(1,986,138)
Prepaid expenses and other current assets	(92,277)	85,624
Deferred outflows of resources	(1,031,932)	56,597
Accounts payable	(962,370)	951,327
Accrued payroll and related expenses	71,281	(3,808)
Other accrued liabilities	(17,229)	(151,429)
Deferred inflows of resources	(265,038)	1,504,980
Net OPEB asset/liability	1,056,633	(2,122,862)
	<u>1,056,633</u>	<u>(2,122,862)</u>
Net cash provided by (used in) operating activities	<u>\$ 2,827,862</u>	<u>\$ (7,455,189)</u>

See Notes to Financial Statements.

The Student Union of San José State University

Notes to Financial Statements June 30, 2023

Note 1 - Nature of the Organization

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

Note 2 - Summary of Significant Accounting Policies

Basis of accounting

The financial statements of the Student Union have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") as applied to government entities. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

Classification of current and noncurrent assets and liabilities

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

Cash and cash equivalents

The Student Union considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Student Union maintains its cash and cash equivalents in bank accounts which, at times, may exceed federally insured limits. The Student Union has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Restricted cash

A bank account was established to hold instructionally related activities ("IRA") funds upon mutual agreement with the University in a Memorandum of Understanding ("MOU") dated August 1, 2006, and subsequently amended on December 1, 2018, allowing the Student Union to manage and oversee the University's 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, 2023, Student Union received \$375,000 for Club Sports and \$125,000 for Intramurals. In addition to IRA funds, the Student Union collects student dues for club sports and these funds are retained in a separate bank account

The Student Union of San José State University

Notes to Financial Statements June 30, 2023

from the IRA funds. A proposal was approved on June 24, 2022 to provide one-time funding for development of an e-sports program for the two-year period covering fiscal year 2022-2023 through 2023-2024. Under the terms of this proposal, funding for the e-sports program was approved at \$130,000 for the fiscal year ended June 30, 2023 with an increase to \$133,900 for the fiscal year ending June 30, 2024. During the fiscal year ended June 30, 2023, \$130,000 was received from the e-sports program. The IRA, student dues, and e-sports accounts are reported as restricted cash on the statement of net position. At June 30, 2023, unspent cash, classified as restricted cash, totaled \$334,085.

Investments

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

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, 2023.

Capital assets

The Student Union's premises are leased from the Trustees of the CSU system. However, for the fiscal year ended June 30, 2022, the Event Center Arena was managed by the University instead of the Student Union. Effective July 1, 2022, management of the Event Center was returned to the Student Union. All building costs, capital equipment, operating expenses, and repairs and maintenance costs, however, are obligations of the Student Union. The Student Union capitalizes all equipment purchases over \$5,000.

Depreciation and amortization

Capital assets are recorded at acquisition price less accumulated depreciation. Donated capital assets are recorded at their estimated acquisition value. Depreciation is provided for using the straight-line method over the estimated useful lives of the respective assets, generally three to seven years or, in the case of leasehold improvements, generally the lesser of 15 years or the life of the lease.

Accounts payable

While negotiating the Operating Agreement, payments received during the year ended June 30, 2022 from the ATM kiosk and Event Center wireless cell tower contracts was determined to have been collected in a fiduciary capacity for the University in the amount of \$344,974 and are recorded as accounts payable. No rental revenue was recorded by the Student Union related to these contracts. Under the terms of the Operating Agreement, the Student Union does not pay monthly rent to the University for the properties they use from the CSU but pays the University for cost allocations as a non-CSU entity in accordance with Integrated CSU Administrative Manual policy 3552.01 for expenses incurred by the CSU Operating Fund. At June 30, 2023, the Student Union has no amounts outstanding in accounts payable related to these cost allocations.

The Student Union of San José State University

Notes to Financial Statements June 30, 2023

Compensated absences

The Student Union accrues vacation benefits for eligible employees at various rates, depending upon the length of service. Eligible full-time employees accrue sick leave at the rate of 96 hours at January 1 each year. The Student Union adopted the mandated sick leave for non-benefited employees as of July 1, 2015. All non-benefited employees accrue 24 hours of sick leave annually. Unused sick leave balances at December 31 of each year are forfeited. Employees are not paid for unused sick leave upon termination of employment. At June 30, 2023, the Student Union had a balance of \$279,075 of compensated absences included in accrued payroll and related expenses in the statement of net position. The Student Union considers compensated absences at June 30, 2023 to be current due to unused amounts of sick leave being forfeited every 12 months. During 2023, \$218,373 of compensated absences were earned and \$188,345 were used.

Net position

The Student Union's net position is classified into the following net asset categories:

Net investment in capital assets – Capital assets less accumulated depreciation and outstanding balances of bonds, mortgages, notes, lease liabilities, or other borrowings attributable to the acquisition, construction, or improvement of those assets.

Restricted – expendable – Net position subject to externally imposed conditions that can be fulfilled by the actions of the Student Union or by the passage of time.

Unrestricted – All other categories of net position. In addition, unrestricted net position may be designated for use by management of the Student Union. Board-designated net position consists of funds designated for local reserve projects, including capital equipment if the project cost doesn't exceed the capitalization policy.

Revenue

The University allocates a portion of the Student Union fee funding collected during the academic year for Student Union operations based on the Student Union's University-approved annual operating budget. The allocation of operating funds follows a retention of collected Student Union fees for debt service obligations and a reserve for capital expenditures. The Student Union fee is a mandatory part of a student's Tuition and Fees and is paid to the University and held in the Student Union Fee Trust for payment of debt service, contribution to the reserve for capital expenditures, and distribution of operating funds to the Student Union. The Student Union recognizes fee funding as revenue when earned. Rental income is recognized as revenue when earned and consists of unrelated party event fees and bowling alley shoe rental.

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.

The Student Union of San José State University

Notes to Financial Statements

June 30, 2023

Other post-employment benefits other than pensions

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

Concentrations

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

Income taxes

The Student Union is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and Section 23701(d) of the California Revenues and Taxation Code, respectively. Accordingly, no provision for income taxes has been recorded. Form 990, filed by the Student Union, is subject to examination by the Internal Revenue Service up to three years from the extended due date of each return. Generally, the Student Union is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2019.

The Student Union has evaluated its tax positions and the certainty as to whether those tax positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated are related to the Student Union's continued qualification as a tax-exempt organization and whether there are unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions will more likely than not be sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

Use of estimates

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

Reclassifications

Certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 presentation.

The Student Union of San José State University

**Notes to Financial Statements
June 30, 2023**

Note 3 - Investments

Investments consist of the following at June 30, 2023:

UBS Financial Services, Inc. ("UBS")		
Mutual funds, equities	\$	560,092
Mutual funds, fixed income		351,240
Mutual funds, others		163,217
Mutual funds, commodities		20,516
Cash		<u>5,190,055</u>
Total UBS		<u>6,285,120</u>
	\$	<u><u>6,285,120</u></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 held investments in Local Agency Investment Fund ("LAIF") at June 30, 2022, and closed its account during the fiscal year ended June 30, 2023. The LAIF investments are classified as deposits covered by depository insurance and are: (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's Trust Department or agent but not in the depositor-government's name.

Interest rate risk

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

	June 30, 2023						
	Market Value	<1 Year	<2 Years	<3 Years	<4 Years	<5 Years	>5 Years
Intermediate-term investments	<u>\$ 351,240</u>	<u>\$ 275,369</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,871</u>

Credit risk

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

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

The Student Union of San José State University

Notes to Financial Statements June 30, 2023

The credit risk profile for fixed-income securities at June 30, 2023 is as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Credit Rating</u>
Fixed Income Mutual Funds	\$ 101,298	AAA
Fixed Income Mutual Funds	41,025	AA
Fixed Income Mutual Funds	121,915	A
Fixed Income Mutual Funds	<u>87,002</u>	BBB
Total fixed income securities	<u>\$ 351,240</u>	

Concentration of credit risk

The Policy of the Student Union contains certain limitations on the amount that can be invested in any one issuer and is listed above. The Student Union did not have any investments in any one issuer (other than mutual funds) that represent 5% or more of the Student Union's total investments as of June 30, 2023.

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. At June 30, 2023, deposits exceeded the FDIC-insured amount by \$1,886,796, which is uninsured and collateralized by securities held by the pledging financial institutions.

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

Fair value measurement

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

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices in active markets for identical assets or liabilities, either directly or indirectly.
- Level 3: Inputs that are unobservable in situations where there is little or no market activity for the asset or liability and significant to the overall fair value measurement.

The Student Union of San José State University

**Notes to Financial Statements
June 30, 2023**

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

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

Description	June 30, 2023	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	\$ 560,092	\$ 560,092	\$ -	\$ -
Mutual funds, fixed income	351,240	351,240	-	-
Mutual funds, others	163,217	163,217	-	-
Mutual funds, Commodities	20,516	20,516	-	-
	1,095,065	<u>\$ 1,095,065</u>	<u>\$ -</u>	<u>\$ -</u>
Cash	<u>5,190,055</u>			
Total investments	<u>\$ 6,285,120</u>			

Note 4 - Capital Assets

Capital assets consist of the following at June 30, 2023:

	2022	Additions	Retirements	Transfers	2023
Computer equipment	\$ 28,524	\$ 20,660	\$ -	\$ -	\$ 49,184
Furniture and equipment	4,184,481	5,331	(9,314)	-	4,180,498
Leasehold improvements	3,395,931	-	(129,135)	-	3,266,796
	7,608,936	25,991	(138,449)	-	7,496,478
Less accumulated depreciation and amortization	<u>(6,081,604)</u>	<u>(411,024)</u>	<u>83,208</u>	<u>-</u>	<u>(6,409,420)</u>
Net book value	<u>\$ 1,527,332</u>	<u>\$ (385,033)</u>	<u>\$ (55,241)</u>	<u>\$ -</u>	<u>\$ 1,087,058</u>

Note 5 - OPEB Plan

Other post-employment benefit obligation

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

The Student Union of San José State University

Notes to Financial Statements
June 30, 2023

General information about the OPEB plan

Plan description

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

Benefits provided

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

Contributions

The Student Union adopted the entry age normal actuarial cost method prefunding prospectively. The entry age normal actuarial cost method, with the contributions determined as a percent of payroll, is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future, as well as those already accrued. The plan uses a 6.55% discount rate for year ended June 30, 2023, assuming the Student Union continues prefunding 100% of each future year's annual required contribution. The Student Union assumes an open 30-year level dollar amortization of the unfunded actuarial accrued liability.

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

The Student Union has voluntarily opted for a funding policy under which it will contribute 100% of its actuarially determined annual required contribution. Contributions to the OPEB plan from the Student Union for the year ended June 30, 2023 were \$435,082.

Employees covered by benefit terms

At June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	12
Active employees	42
	54
	54

OPEB asset, OPEB expense and deferred inflows and outflows of resources related to OPEB

The Student Union's net OPEB asset was \$395,043 at June 30, 2023. The Student Union's net OPEB asset was measured as of June 30, 2022 and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2021 for the year ended June 30, 2023 as allowed per the standard.

The Student Union of San José State University

**Notes to Financial Statements
June 30, 2023**

The changes in net OPEB asset are as follows for the year ended June 30, 2023:

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at June 30, 2022	\$ 3,348,744	\$ 4,800,420	\$ (1,451,676)
Expected changes during the period			
Service cost	304,070	-	304,070
Interest cost	235,196	-	235,196
Expected investment income	-	323,576	(323,576)
Employer contributions	-	424,061	(424,061)
Administrative fees	-	(20,667)	20,667
Benefit payments	(124,061)	(124,061)	-
Total expected changes during the period	415,205	602,909	(187,704)
	3,763,949	5,403,329	(1,639,380)
Unexpected changes during the period			
Assumption changes			
Changes due to Investment experience	-	(1,244,337)	1,244,337
Total unexpected changes during the period	-	(1,244,337)	1,244,337
Balance at June 30, 2023	\$ 3,763,949	\$ 4,158,992	\$ (395,043)

For the year ended June 30, 2023, the Student Union recognized OPEB expense of \$194,745 which is included in wages, benefits and taxes on the statement of revenues, expenses and changes in net position.

OPEB expense for the year ended June 30, 2023 is as follows:

Service cost	\$ 304,070
Interest on OPEB liability	235,196
Projected earnings	(323,576)
Administrative expenses	20,667
Deferred (inflows) outflows of resources	
Change in assumptions	(33,370)
Differences between expected and actual experience	(147,408)
Differences between projected and actual earnings	139,166
OPEB expense	\$ 194,745

The Student Union of San José State University

**Notes to Financial Statements
June 30, 2023**

At June 30 2023, the Student Union reported deferred inflows of resources and deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (1,023,622)
Changes of assumptions	222,007	(364,626)
Net difference between projected and actual earnings on OPEB plan investments	1,043,176	(410,051)
Total	\$ 1,265,183	\$ (1,798,299)

Of the total amount reported as deferred outflows at June 30, 2023, related to OPEB, \$435,082 resulting from Student Union contributions subsequent to the measurement date of June 30, 2022 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, 2023. 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:	
2024	\$ (38,880)
2025	(50,602)
2026	(68,596)
2027	68,091
2028	(180,778)
Thereafter	(262,351)
Total	\$ (533,116)

Actuarial assumptions

The June 30, 2023 total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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

Mortality rates for June 30, 2023 were based on the CalPERS 2017 Mortality Pre- and Post-retirement Table for Males or Females, as appropriate.

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

The Student Union of San José State University

**Notes to Financial Statements
June 30, 2023**

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, 2023, the long-term expected rates of return for each major investment class in the plan's portfolio are as follows:

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

Discount rate

The discount rate used to measure the total June 30, 2023, OPEB liability was 6.55%. The projection of cash flows used to determine the discount rate assumed that Student Union contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate

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

	1% Decrease (5.55%)	Discount Rate (6.55%)	1% Increase (7.55%)
Net OPEB liability (asset)	\$ 116,718	\$ (395,043)	\$ (817,728)

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:

	1% Decrease	Health Care Cost Trend	1% Increase
Net OPEB liability (asset)	\$ (887,721)	\$ (395,043)	\$ 218,281

The Student Union of San José State University

**Notes to Financial Statements
June 30, 2023**

Retirement plan

The Student Union has an annuity purchase plan under Section 403(b) of the IRC. Under this qualified plan, eligible employees may defer their salary through contributions to the plan, subject to IRC limits, and the Student Union will match up to 4% for eligible employees as well as employer discretionary contributions. The Student Union's plan contributions for fiscal year 2023 were \$185,101 and are included in wages, benefits and taxes on the statement of revenues, expenses and changes in net position.

Note 6 - Related Parties

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

Receivables from affiliates at June 30, 2023 are as follows:

Receivable from San José State University	\$ 41,443
Receivable from auxiliary organizations Tower Foundation	<u>562</u>
	<u>\$ 42,005</u>

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

Payables to affiliates at June 30, 2023 are as follows:

Payable to San José State University	\$ 17,294
Payable to auxiliary organizations Associated Students, Inc.	<u>6,047</u>
	<u>\$ 23,341</u>

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

For the year ended June 30, 2023, the related party transactions included:

Payments to the University for other than salaries of University personnel	\$ 1,841,324
Payments received from the University for services, space, and programs	14,613,093

The Student Union of San José State University

Notes to Financial Statements June 30, 2023

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

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

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

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

Although considerable variability is inherent in such estimates, the Student Union believes its premiums are reasonably adequate to cover future claims. Funds in excess of those needed to maintain a conservative funding of liabilities are returned to members on an annual basis. The Student Union did not receive any refund distributions during the fiscal year ended June 30, 2023.

At June 30, 2023, there were 47 full time employees and 329 part time and student employees that were covered by the CSURMA–AORMA workers' compensation and unemployment insurance program. For the fiscal year ending June 30, 2024, deposits to the workers compensation program have been calculated to be \$117,513 and are invoiced quarterly by CSURMA during the fiscal year.

In June 2023, the Student Union was notified of a funding shortage in its Unemployment Insurance Program totaling \$10,856 which Student Union funded by June 30, 2023; therefore, there is no liability accrued as there are no unfunded claims as of June 30, 2023. During the fiscal year ending June 30, 2024, deposits to the Unemployment Insurance Program have been calculated to be \$10,794 and are invoiced quarterly by CSURMA during the fiscal year.

Note 8 - Subsequent Events

The Student Union has evaluated subsequent events through October 2, 2023, the date the financial statements were available for issuance, and identified no events requiring disclosure.

Required Supplementary Information

The Student Union of San José State University

Schedule of Changes in the Net OPEB Liability and Related Ratios June 30, 2023

	2023	2022	2021	2020	2019
Total OPEB liability:					
Service cost	\$ 304,070	\$ 252,842	\$ 213,651	\$ 222,014	\$ 204,643
Interest	235,196	282,923	256,530	247,140	203,720
Differences between expected and actual experience	-	(1,101,878)	(16,081)	(77,164)	(19,264)
Change in benefit terms	-	-	-	-	272,883
Changes in assumptions	-	(134,099)	288,802	(174,689)	-
Benefit payments	(124,061)	(101,717)	(85,144)	(64,787)	(53,556)
Net change in total OPEB liability	415,205	(801,929)	657,758	152,514	608,426
Total OPEB liability - beginning	3,348,744	4,150,673	3,492,915	3,340,401	2,731,975
Total OPEB liability - ending (a)	3,763,949	3,348,744	4,150,673	3,492,915	3,340,401
Plan fiduciary net position:					
Contributions - employer	424,061	501,717	628,940	308,583	297,352
Net investment income	(920,761)	922,532	125,802	121,901	166,397
Benefit payments	(124,061)	(101,717)	(85,144)	(64,787)	(53,556)
Administrative expense	(20,667)	(1,599)	(9,851)	(9,700)	(16,773)
Net change in plan fiduciary net position	(641,428)	1,320,933	659,747	355,997	393,420
Plan fiduciary net position - beginning	4,800,420	3,479,487	2,819,740	2,463,743	2,070,323
Plan fiduciary net position - ending (b)	4,158,992	4,800,420	3,479,487	2,819,740	2,463,743
Student Union's net OPEB (asset) liability - ending (a) - (b)	\$ (395,043)	\$ (1,451,676)	\$ 671,186	\$ 673,175	\$ 876,658
<i>Information presented prospectively beginning with 2018 due to implementation of GASB 75.</i>					
Plan fiduciary net position as a percentage of the total OPEB liability	110%	143%	84%	81%	74%
Covered payroll	\$ 3,136,187	\$ 3,492,100	\$ 3,552,453	\$ 2,978,976	\$ 2,606,247
Student Union's net OPEB liability as a percentage of covered payroll	-13%	-42%	19%	23%	34%

The Student Union of San José State University

Schedule of OPEB Contributions June 30, 2023

	2023	2022	2021	2020	2019
Actuarially determined contribution	\$ 206,941	\$ 212,244	\$ 283,978	\$ 283,023	\$ 280,032
Contributions in relation to the actuarially determined contribution	435,082	424,061	501,717	308,583	297,352
Contribution excess	<u>\$ (228,141)</u>	<u>\$ (211,817)</u>	<u>\$ (217,739)</u>	<u>\$ (25,560)</u>	<u>\$ (17,320)</u>
Covered payroll	\$ 3,609,951	\$ 3,780,708	\$ 3,492,100	\$ 3,552,453	\$ 2,978,976
Contributions as a percentage of covered payroll	12.05%	11.22%	14.37%	8.69%	9.98%

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

Notes to schedule:

Valuation date: 6/30/2021
 Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level Dollar
Amortization period	Open 30 year
Asset valuation method	Market value of assets as of the measurement date
Inflation	2.50%
Health care cost trend rates at June 30, 2021	5.80% in 2023 fluctuating down to 3.9% by 2076
Health care cost trend rates at June 30, 2020 and 2019	6.80% initial, decreasing 0.25% per year to an ultimate rate of 5.00%
Dental rate	4.00%
Salary increases	3.00%
Investment rate of return	6.55%
Retirement age	50 to 75
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 2017 CalPERS study (CalPERS 2017 for June 30, 2022-2020 and CalPERS 2014 for June 30, 2019 and 2018)
Mortality Improvement	MW Scale 2022 generational
Benefit changes	None
Changes in actuarial assumptions and methods	None

Supplementary Information

The Student Union of San José State University

Schedule of Net Position June 30, 2023 (for inclusion in the California State University Financial Statements)

Assets:	
Current assets:	
Cash and cash equivalents	558,563
Short-term investments	973,675
Accounts receivable, net	51,904
Lease receivable, current portion	-
P3 receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	-
Prepaid expenses and other current assets	160,701
Total current assets	1,744,843
Noncurrent assets:	
Restricted cash and cash equivalents	334,085
Accounts receivable, net	-
Lease receivable, net of current portion	-
P3 receivable, net of current portion	-
Notes receivable, net of current portion	-
Student loans receivable, net	-
Pledges receivable, net	-
Endowment investments	-
Other long-term investments	5,311,445
Capital assets, net	1,087,058
Other assets	395,043
Total noncurrent assets	7,127,631
Total assets	8,872,474
Deferred outflows of resources:	
Unamortized loss on debt refunding	-
Net pension liability	-
Net OPEB liability	1,700,265
Leases	-
P3	-
Others	-
Total deferred outflows of resources	1,700,265
Liabilities:	
Current liabilities:	
Accounts payable	143,815
Accrued salaries and benefits	257,810
Accrued compensated absences, current portion	279,075
Unearned revenues	-
Lease liabilities, current portion	-
SBITA liabilities - current portion	-
P3 liabilities - current portion	-
Long-term debt obligations, current portion	-
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	158,274
Total current liabilities	838,974
Noncurrent liabilities:	
Accrued compensated absences, net of current portion	-
Unearned revenues	-
Grants refundable	-
Lease liabilities, net of current portion	-
SBITA liabilities, net of current portion	-
P3 liabilities, net of current portion	-
Long-term debt obligations, net of current portion	-
Claims liability for losses and loss adjustment expenses, net of current portion	-
Depository accounts	-
Net other postemployment benefits liability	-
Net pension liability	-
Other liabilities	-
Total noncurrent liabilities	-
Total liabilities	838,974
Deferred inflows of resources:	
P3 service concession arrangements	-
Net pension liability	-
Net OPEB liability	1,798,299
Unamortized gain on debt refunding	-
Nonexchange transactions	-
Lease	-
P3	-
Others	-
Total deferred inflows of resources	1,798,299
Net position:	
Net investment in capital assets	1,087,058
Restricted for:	
Nonexpendable – endowments	-
Expendable:	
Scholarships and fellowships	-
Research	-
Loans	-
Capital projects	-
Debt service	-
Others	334,085
Unrestricted	6,514,323
Total net position	7,935,466

The Student Union of San José State University

Schedule of Revenues, Expenses and Changes in Net Position Year Ended June 30, 2023 (for inclusion in the California State University Financial Statements)

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	1,856,527
Scholarship allowances (enter as negative)	-
Other operating revenues	11,373,385
	13,229,912
Total operating revenues	13,229,912
Expenses:	
Operating expenses:	
Instruction	-
Research	-
Public service	-
Academic support	-
Student services	11,792,120
Institutional support	-
Operation and maintenance of plant	-
Student grants and scholarships	-
Auxiliary enterprise expenses	-
Depreciation and amortization	411,024
	12,203,144
Total operating expenses	12,203,144
Operating income (loss)	1,026,768
Nonoperating revenues (expenses):	
State appropriations, noncapital	-
Federal financial aid grants, noncapital	-
State financial aid grants, noncapital	-
Local financial aid grants, noncapital	-
Nongovernmental and other financial aid grants, noncapital	-
Other federal nonoperating grants, noncapital	-
Gifts, noncapital	-
Investment income (loss), net	277,690
Endowment income (loss), net	-
Interest expense	-
Other nonoperating revenues (expenses)	(55,241)
	222,449
Net nonoperating revenues (expenses)	222,449
Income (loss) before other revenues (expenses)	1,249,217
State appropriations, capital	-
Grants and gifts, capital	-
Additions (reductions) to permanent endowments	-
	1,249,217
Increase (decrease) in net position	1,249,217
Net position:	
Net position at beginning of year, as previously reported	6,686,249
Restatements	-
	6,686,249
Net position at beginning of year, as restated	6,686,249
Net position at end of year	7,935,466

The Student Union of San José State University

Other Information

June 30, 2023

(for inclusion in the California State University Financial Statements)

1 Cash and cash equivalents:

All other restricted cash and cash equivalents	334,085
Noncurrent restricted cash and cash equivalents	334,085
Current cash and cash equivalents	558,563
Total	\$ 892,648

2.1 Composition of investments:

Investment Type	Current	Noncurrent	Total
Money market funds	\$ 973,675	4,216,380	5,190,055
Mutual funds		188,047	188,047
Exchange-traded funds		723,285	723,285
Alternative investments:			
Commodities		20,516	20,516
Other alternative investments		163,217	163,217
Total investments	973,675	5,311,445	6,285,120

2.2 Fair value hierarchy in investments:

Investment Type	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Money market funds	\$ 5,190,055	5,190,055			
Mutual funds	188,047	188,047			
Exchange-traded funds	723,285	723,285			
Alternative investments:					
Commodities	20,516	20,516			
Other alternative investments	163,217	163,217			
Total investments	\$ 6,285,120	6,285,120	-	-	-

The Student Union of San José State University

Other Information

June 30, 2023

(Continued)

(for inclusion in the California State University Financial Statements)

2.3 Investments held by the University under contractual agreements:

Not Applicable

3.1 Capital Assets, excluding ROU assets:

Composition of capital assets, excluding ROU assets:

	Balance June 30, 2022	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2022 (Restated)	Additions	Retirements	Transfer of completed CWIP/PWIP	Balance June 30, 2023
Depreciable/Amortizable capital assets:									
Leasehold improvements	3,395,931				3,395,931		(129,135)		3,266,796
Personal property:									
Equipment	4,213,005				4,213,005	25,991	(9,314)		4,229,682
Total depreciable/amortizable capital assets	7,608,936	-	-	-	7,608,936	25,991	(138,449)	-	7,496,478
Total capital assets	\$ 7,608,936	-	-	-	\$ 7,608,936	25,991	(138,449)	-	7,496,478
Less accumulated depreciation/amortization:									
Leasehold improvements	(4,519,024)	1,629,426			(2,889,598)	(157,553)	73,894		(2,973,257)
Personal property:									
Equipment	(1,562,580)	(1,629,426)			(3,192,006)	(253,471)	9,314		(3,436,163)
Total accumulated depreciation/amortization	(6,081,604)	-	-	-	(6,081,604)	(411,024)	83,208	-	(6,409,420)
Total capital assets, net excluding ROU assets	\$ 1,527,332	-	-	-	\$ 1,527,332	(385,033)	(55,241)	-	1,087,058
Total capital assets, net including ROU assets									\$ 1,087,058

The Student Union of San José State University

Other Information

June 30, 2023

(Continued)

(for inclusion in the California State University Financial Statements)

3.2 Detail of depreciation and amortization expense:

Depreciation and amortization expense - capital assets, excluding ROU assets	\$ 411,024
Total depreciation and amortization	<u>\$ 411,024</u>

4 Long-term liabilities:

	Balance June 30, 2022	Prior Period Adjustments/Reclassifications	Balance June 30, 2022 (Restated)	Additions	Reductions	Balance June 30, 2023	Current Portion	Noncurrent Portion
1. Accrued compensated absences	\$ 249,047		249,047	218,373	(188,345)	279,075	279,075	-
Total long-term liabilities						<u>\$ 279,075</u>	<u>279,075</u>	<u>-</u>

5 Future minimum payments schedule - leases, SBITA, P3:

Not Applicable

6 Future minimum payments schedule - Long-term debt obligations:

Not Applicable

7 Transactions with related entities:

Payments to University for other than salaries of University personnel	1,841,324
Payments received from University for services, space, and programs	14,613,093
Accounts payable to University	(17,294)
Accounts receivable from University	41,443

8 Restatements

Not Applicable

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
Student services	6,022,741	1,372,462	-	194,745		4,202,172		11,792,120
Depreciation and amortization							411,024	411,024
Total operating expenses	<u>\$ 6,022,741</u>	<u>1,372,462</u>	<u>-</u>	<u>194,745</u>	<u>-</u>	<u>4,202,172</u>	<u>411,024</u>	<u>\$ 12,203,144</u>

No pension plan reported

N/A

10 Deferred outflows/inflows of resources:

1. Deferred Outflows of Resources

Deferred outflows - net OPEB liability	1,700,265
Total deferred outflows of resources	<u>\$ 1,700,265</u>

2. Deferred Inflows of Resources

Deferred inflows - net OPEB liability	1,798,299
Total deferred inflows of resources	<u>\$ 1,798,299</u>

11 Other nonoperating revenues (expenses)

Other nonoperating revenues	\$ -
Other nonoperating (expenses)	(55,241)
Total other nonoperating revenues (expenses)	<u>\$ (55,241)</u>

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
The Student Union of San José State University
(A California State University Auxiliary Organization)

We have audited, 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, the financial statements of the business-type activities of The Student Union of San José State University (the "Student Union") as of and for the year ended June 30, 2023, 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 2, 2023, which includes an other matter paragraph as indicated on page 2.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

CohnReznick LLP

Los Angeles, California
October 2, 2023



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