

**Associated Students of  
San José State University**  
(A California State University  
Auxiliary Organization)

Financial Statements  
June 30, 2020

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## Independent Auditor's Report

Board of Directors  
Associated Students of San José State University  
San José, California

### Report on the Financial Statements

We have audited the accompanying financial statements of Associated Students of San José State University, which comprise the statement of net position as of June 30, 2020, the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with accounting principles 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Associated Students of San José State University as of June 30, 2020, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

The statement of net position of Associated Students of San José State University as of June 30, 2019, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended (not presented herein) were audited by other auditors whose report dated September 13, 2019, expressed an unmodified opinion on those statements.

### **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 - 8, schedule of changes in net OPEB liability and related ratios on page 25, and schedule of contributions on page 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The GASB schedule of net position, GASB schedule of revenues, expenses and changes in net position, and other information on pages 27 - 36 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The GASB schedule of net position, GASB schedule of revenues, expenses and changes in net position, and other information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit 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 GASB schedule of net position, GASB schedule of revenues, expenses and changes in net position, and other information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*RSM US LLP*

Tacoma, Washington  
September 16, 2020

**Associated Students of San José State University  
(A California State University Auxiliary Organization)**

**Management's Discussion and Analysis (unaudited)  
Year Ended June 30, 2020**

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**Management's Discussion and Analysis**

This section of Associated Students of San José State University's (Associated Students) annual financial report presents management's discussion and analysis of the financial performance of Associated Students for the fiscal year ended June 30, 2020. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes.

**Introduction to Associated Students of San José State University**

Associated Students is a California State University auxiliary organization that was organized and created to be the student voice for San José State University (the University). We are governed by a student-elected board of 13 members. Associated Students was established in 1857 and incorporated as a nonprofit public benefit corporation in 1980. Associated Students owns an 11,450 square-foot Child Development Center located one block from the main campus. We operate eight departments that serve to meet the needs and demands of students to enhance their educational and co-curricular experiences. They include Student Government; the General Services Center; Transportation Solutions (TS); Marketing; the Print and Technology Center; the Child Development Center; Events; and the Cesar Chavez Community Action Center. Revenues are derived from a mandatory student activity fee collected from each matriculated student; ancillary revenues from fee for service and programs; federal, state and local grants; as well as contributed income.

Students interact with Associated Students on a daily basis, through the use of the Smart Pass Clipper Card program for transportation, use of services, participation in programs and events, or campus-wide decision-making in Associated Students government, the Academic Senate, or related University committees and interactions with administrators. Associated Students is the custodian of Campus Organizations' funds.

Associated Students' Board of Directors (the Board) is composed of 13 voting members, including three officers: Associated Students' president and CEO; vice president and Board chair; and controller and CFO. In addition, there is one nonvoting University designee that serves as a liaison for the University. The Board meets biweekly to review and develop policy, approve the annual budget and appoint student representatives to Associated Students and University committees. There are nine standing committees of the Board: Academic Affairs, Audit, Campus Life Affairs, Finance, Internal Affairs, Lobby Corps, Operations, Personnel and Programming Board. The executive director manages and is administratively responsible for day-to-day operations of Associated Students supported by approximately 35 full-time, nine part-time and 170 student employees.

Associated Students' financial reserves consist of monies held in the University Pooled Income Fund, bank balances and cash on hand. We entrust our Retiree Health Benefit obligation to the Auxiliary Organization Association, Multi-Employer Agent VEBA Trust Fund. Operating and designated reserves are reviewed annually by the Board to ensure prudent financial position as well as adequate funding for Associated Students' future.

**Associated Students of San José State University  
(A California State University Auxiliary Organization)**

**Management's Discussion and Analysis (unaudited)  
Year Ended June 30, 2020**

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**Introduction to the Financial Statements**

This annual report consists of a series of financial statements prepared in accordance with the Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*. For reporting purposes, the University is considered a special-purpose government engaged only in business-type activities, which best represent the activities of Associated Students.

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

**Statement of net position:** The statement of net position includes all assets, deferred outflows, liabilities and net position. Assets, deferred outflows, liabilities and net position are reported at their book value, on an accrual basis, as of the statement date. It also identifies major categories of restrictions on the net position of Associated Students.

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

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

**Reporting entity:** Associated Students is a nonprofit auxiliary organization of California State University, San José. Associated Students sponsors various campus activities that complement the instructional programs of the University campus.

**Analytical Overview Summary**

The following discussion highlights management's understanding of the key financial aspects of Associated Students' financial activities as of and for the year ended June 30, 2020. Included are comparative analyses of current and prior years' activities and balances and a discussion of the reason for the change in the balances from year to year.

**Associated Students of San José State University  
(A California State University Auxiliary Organization)**

**Management's Discussion and Analysis (unaudited)  
Year Ended June 30, 2020**

**Condensed Summary of Net Position**

Associated Students' condensed summary of net position as of June 30, 2020 (with comparative totals for 2019) is as follows:

	2020	2019
Current assets	\$ 10,721,411	\$ 8,287,100
Noncurrent assets	3,893,301	4,347,474
Total assets	<u>\$ 14,614,712</u>	<u>\$ 12,634,574</u>
Deferred outflows of resources	<u>\$ 1,007,340</u>	<u>\$ 142,426</u>
Current liabilities	\$ 3,086,696	\$ 1,900,597
Noncurrent liabilities	839,466	-
Total liabilities	<u>\$ 3,926,162</u>	<u>\$ 1,900,597</u>
Net position:		
Net investment in capital assets	\$ 1,314,127	\$ 1,563,109
Unrestricted:		
Board designated	2,871,947	3,020,377
Undesignated	7,509,816	6,292,917
Total net position	<u>\$ 11,695,890</u>	<u>\$ 10,876,403</u>

**Assets:** Cash increased by \$2.4 million from FY 2019 to FY 2020. This is primarily due to cash generated from operations of \$1.4 million, proceeds from a Paycheck Protection Program (PPP) loan of \$931,000 and an increase of \$141,000 in funds held for Campus organizations. In 2019, accounting for transit ticket purchases was changed to an inventory method instead of recording operating revenue and expenses for these programs, since Associated Students acts as a pass-through rather than a retailer.

Noncurrent assets decreased by \$454,000 from FY 2019 to FY 2020. This is due to depreciation expense of \$260,000, Associated Students' Schellar House amortization cost of \$148,000, and a reduction of the other post-employment benefit (OPEB) assets by \$57,000 (see OPEB comments below), offset by net additional capital assets of \$11,000.

**Liabilities:** Current liabilities increased by \$1.2 million from FY 2019 to FY 2020, primarily due to securing the \$931,000 PPP loan in April 2020. Other increases in current liabilities include accounts payable and accrued liabilities of \$86,000, deposits by Student Organizations/Clubs into their Campus Trust accounts of \$148,000, accrued vacation of \$21,000, and deferred student activity fee revenue of \$23,000.

Noncurrent liabilities increased by \$839,000 from FY 2019 to FY 2020. This is due to an increase in the OPEB liability as a result of four additional individuals now eligible for benefits under this plan.

**Associated Students of San José State University  
(A California State University Auxiliary Organization)**

**Management's Discussion and Analysis (unaudited)  
Year Ended June 30, 2020**

**Net position:** Total net position increased by \$819,000 from FY 2019 to FY 2020 and is summarized as follows:

- Net decrease in investment in capital assets of \$249,000, primarily due to depreciation expense; and
- Net increase in general fund of \$1.2 million, from operating activities.

Net position of Associated Students does not include any restricted resources but includes a Board-designated endowment of \$2,871,947 for Schellar House.

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

Associated Students' condensed summary of revenues, expenses and changes in net position for the year ended June 30, 2020 (with comparative totals for 2019) is as follows:

	2020	2019
Operating revenues:		
Student fees	\$ 6,435,787	\$ 6,190,694
Government contracts:		
Federal	388,911	351,978
State	406,128	270,235
Grants - local	231,211	260,112
Child Development Center - parent fees	696,377	1,093,530
Other revenue	375,636	574,708
Total operating revenues	<u>8,534,050</u>	<u>8,741,257</u>
Operating expenses:		
Programs	4,894,418	5,565,737
Child Development Center expenses	2,143,555	2,170,916
Administrative	351,554	487,343
Student grants and scholarships	18,000	38,500
Depreciation and amortization	260,127	275,700
OPEB expense	181,650	118,468
Total operating expenses	<u>7,849,304</u>	<u>8,656,664</u>
Operating income	<u>684,746</u>	<u>84,593</u>
Nonoperating revenues (expenses):		
Investment income, net	109,888	70,252
Loss on disposition of capital assets	(290)	(553)
Miscellaneous other income	25,143	20,064
Net nonoperating revenues	<u>134,741</u>	<u>89,763</u>
Changes in net position	819,487	174,356
Net position, beginning of year	10,876,403	10,702,047
Net position, end of year	<u>\$ 11,695,890</u>	<u>\$ 10,876,403</u>

**Associated Students of San José State University  
(A California State University Auxiliary Organization)**

**Management's Discussion and Analysis (unaudited)  
Year Ended June 30, 2020**

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**Revenues:** Total operating revenues decreased by \$207,000 from FY 2019 to FY 2020. Main contributors were:

- Associated Students' activity fees of \$6.4 million are approximately 75% of total revenues. The 2020 fiscal year student fees increased by \$245,000 due to a student activity fee increase from \$96 to \$98, while enrollment held steady at roughly 32,000 students per semester.
- Child Development Center parent fee revenue decreased by \$397,000 primarily due to the center's closure in mid-March 2020 due to the COVID pandemic. This was offset partially by an increase in federal and state grant revenues of \$37,000 and \$136,000, respectively.
- Similarly, other revenue, primarily Print and Technology Center fees, was impacted by the University's pandemic shelter-in-place order, decreasing \$199,000 from the prior year.

**Expenses:** Total operating expenses decreased by \$807,000 from FY 2019.

- Operating expenses for Associated Students are principally made up of wages, related payroll taxes and benefits, which are approximately 47.5% and 10.3% of total operating expenses, respectively. The City of San José approved an ordinance in November 2012 increasing the minimum wage to \$15 per hour, and built in an annual Consumer Price Index (CPI) adjustment that increased the minimum wage to \$15.25 effective January 1, 2020. In addition, full-time staff received a 3% salary increase. Offsetting the increases were savings from an open associate director position, a reduction in staff due to reorganizations of TS and the Print and Technology Center, and other staff turnover savings. Thus, the personnel costs expense decreased by \$85,000, or 2%, in FY 2020.
- OPEB expense for FY 2020 increased from \$118,468 in FY 2019 to \$182,000 in FY 2020 due primarily to an increase in those receiving benefits.
- Student grants and scholarships decreased by \$21,000 due to lower participation than in prior years.
- Student organization funding approved by the Board decreased by \$69,000 in FY 2020, as many typical end-of-semester activities (and related purchases) were not held due to the pandemic.
- The Smart Pass program provides students and staff with low-cost transit passes enabling significant savings for participants. Smart Pass expenses decreased \$262,000 in FY 2020 resulting from a renegotiated adjustment to the spring semester charges reflecting lower student ridership, as the University moved to online classes due to the pandemic.

**Other revenues (expenses):** Other revenues and expenses come from sources that are not part of Associated Students' primary business functions. Included in this classification for FY 2020 are losses from the disposal of equipment (\$290), miscellaneous income of \$25,000 and investment income of \$110,000.

**Change in Net Position**

The net result of the changes in revenues and expenses as discussed above result in changes in net position of \$819,000 for FY 2020, which is \$645,000 greater than the changes in net position of \$174,000 for FY 2019.

**Associated Students of San José State University  
(A California State University Auxiliary Organization)**

**Management’s Discussion and Analysis (unaudited)  
Year Ended June 30, 2020**

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**Capital assets:** Capital assets, net of accumulated depreciation, for the year ended June 30, 2020 (with comparative totals for 2019), are as follows:

	2020	2019
Land and land improvements	\$ 500,000	\$ 500,000
Buildings	600,678	720,814
Equipment, furniture and fixtures	213,449	342,295
Total capital assets, net of accumulated depreciation	<u>\$ 1,314,127</u>	<u>\$ 1,563,109</u>

Capital assets decreased by approximately \$249,000 primarily due to \$260,000 in current-year depreciation expense.

**Factors Impacting Future Periods**

Seventy-five percent of Associated Students’ annual operating revenue is derived from student fees. The annual Associated Students fee is adjusted annually by the Higher Education Price Index (HEPI), which has increased in the last three years. This increase allows Associated Students to offset growing expenses. A significant decrease in enrollment would require the Board and management to address the impact through cost reductions.

The national, statewide and local initiatives targeted to provide economic stability and address affordable living wages will have a significant impact on our budget. The City of San José minimum wage ordinances will impact our budget due to the mandatory increase from the current \$15 per hour to the adjusted rate effective January 2020 based on the local CPI.

TS’s \$1.7 million budget provides one of the largest and most popular alternative transportation programs in the California State University system. The premier service is the University transit pass (Smart Pass), which currently offers ridership on all County of Santa Clara bus and light rail lines. The fees are subject to Valley Transportation Authority’s control which, effective January 2019, implemented a 5% fare increase, increasing the University’s per-enrolled-student rate from \$38 to \$40 in 2019. Future increases may burden Associated Students’ ability to fully deliver this program.

The uncertainty of the cure for the pandemic and the move toward primarily online courses will continue to impact the extent to which Associated Students can deliver service to the student population. The uncertainty regarding enrollment and potential fee reductions, albeit temporary, could have a negative impact on Associated Students’ operations.

**Associated Students of San José State University  
(A California State University Auxiliary Organization)**

**Statements of Net Position  
June 30, 2020  
(With Comparative Totals for 2019)**

	2020	2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 7,078,841	\$ 3,705,023
Investments	3,113,943	4,046,516
Accounts receivable, net of allowance	27,079	20,974
Other receivables	245,058	250,921
Due from campus programs	5,473	6,466
Inventories	80,712	84,370
Prepaid expenses	21,875	24,400
Prepaid rent deposit, current portion	148,430	148,430
<b>Total current assets</b>	<b>10,721,411</b>	<b>8,287,100</b>
Noncurrent assets:		
Other post-employment benefit (OPEB) assets	-	56,761
Prepaid rent deposit, noncurrent portion	2,579,174	2,727,604
Capital assets, net of accumulated depreciation	1,314,127	1,563,109
<b>Total noncurrent assets</b>	<b>3,893,301</b>	<b>4,347,474</b>
<b>Total assets</b>	<b>\$ 14,614,712</b>	<b>\$ 12,634,574</b>
Deferred outflows of resources:		
Deferred outflows - OPEB contributions made after the measurement date	\$ 191,126	\$ 142,426
Deferred outflows - differences between actual and projected experience and earnings on OPEB plan investments	816,214	-
<b>Total deferred outflows of resources</b>	<b>\$ 1,007,340</b>	<b>\$ 142,426</b>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	\$ 247,260	\$ 161,362
Accrued payroll and other liabilities	123,363	140,305
Compensated absences, less current portion	160,460	139,097
Due to campus organizations	1,214,026	1,065,681
Due to general fund	-	6,466
Unearned revenue	410,227	387,686
Paycheck Protection Program (PPP) loan payable	931,360	-
<b>Total current liabilities</b>	<b>3,086,696</b>	<b>1,900,597</b>
Noncurrent liabilities:		
Net OPEB liability	839,466	-
<b>Total liabilities</b>	<b>\$ 3,926,162</b>	<b>\$ 1,900,597</b>
Commitments and contingencies		
Net position:		
Net investment in capital assets	\$ 1,314,127	\$ 1,563,109
Unrestricted:		
Board designated	2,871,947	3,020,377
Undesignated	7,509,816	6,292,917
<b>Total net position</b>	<b>\$ 11,695,890</b>	<b>\$ 10,876,403</b>

See notes to financial statements.

**Associated Students of San José State University  
(A California State University Auxiliary Organization)**

**Statements of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2020  
(With Comparative Totals for 2019)**

	2020	2019
Operating revenues:		
Student fees	\$ 6,435,787	\$ 6,190,694
Government contracts:		
Federal	388,911	351,978
State	406,128	270,235
Grants - local	231,211	260,112
Child Development Center - parent fees	696,377	1,093,530
Other revenue	375,636	574,708
<b>Total operating revenues</b>	<b>8,534,050</b>	<b>8,741,257</b>
Operating expenses:		
Programs	4,894,418	5,565,737
Child Development Center expenses	2,143,555	2,170,916
Administrative	351,554	487,343
Student grants and scholarships	18,000	38,500
Depreciation and amortization	260,127	275,700
OPEB expense	181,650	118,468
<b>Total operating expenses</b>	<b>7,849,304</b>	<b>8,656,664</b>
<b>Operating income</b>	<b>684,746</b>	<b>84,593</b>
Nonoperating revenues (expenses):		
Investment income, net	109,888	70,252
Loss on disposition of capital assets	(290)	(553)
Miscellaneous other income	25,143	20,064
<b>Total nonoperating revenues</b>	<b>134,741</b>	<b>89,763</b>
<b>Changes in net position</b>	<b>819,487</b>	<b>174,356</b>
Net position, beginning of year	10,876,403	10,702,047
Net position, end of year	<b>\$ 11,695,890</b>	<b>\$ 10,876,403</b>

See notes to financial statements.

**Associated Students of San José State University  
(A California State University Auxiliary Organization)**

**Statements of Cash Flows  
Year Ended June 30, 2020  
(With Comparative Totals for 2019)**

	2020	2019
Cash flows from operating activities:		
Student fees	\$ 6,452,952	\$ 6,149,404
Federal grants and contracts	388,910	351,978
State and local grants and contracts	406,128	435,147
Nongovernmental grants and contracts	231,211	95,200
Payments to suppliers	(3,626,368)	(4,519,479)
Payments to employees	(3,541,772)	(3,539,228)
Payments to students	(138,325)	(164,100)
Other receipts	1,213,553	1,657,451
<b>Net cash provided by operating activities</b>	<b>1,386,289</b>	<b>466,373</b>
Cash flows from noncapital financing activities:		
Proceeds from PPP loan	931,360	-
<b>Net cash provided by noncapital financing activities</b>	<b>931,360</b>	<b>-</b>
Cash flows from capital and related financing activities:		
Purchases of capital assets	(11,435)	(10,037)
<b>Net cash used in capital and related financing activities</b>	<b>(11,435)</b>	<b>(10,037)</b>
Cash flows from investing activities:		
Investment income	109,888	70,252
Miscellaneous other income	25,143	20,064
Withdrawals from investment pool	7,453,488	6,285,448
Contributions to investment pool	(6,520,915)	(6,182,397)
<b>Net cash provided by investing activities</b>	<b>1,067,604</b>	<b>193,367</b>
<b>Net increase in cash and cash equivalents</b>	<b>3,373,818</b>	<b>649,703</b>
Cash and cash equivalents, beginning of year	3,705,023	3,055,320
Cash and cash equivalents, end of year	<b>\$ 7,078,841</b>	<b>\$ 3,705,023</b>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 684,746	\$ 84,593
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	260,127	275,700
Changes in assets and liabilities:		
Accounts receivable, net of allowance	(6,106)	22,138
Other receivables	5,863	(72,137)
Due from campus programs	995	(2,080)
Inventories	3,658	(68,184)
Prepaid expenses	2,525	34,730
Prepaid rent deposit	148,430	148,430
Deferred outflows of resources	(864,914)	(3,051)
Accounts payable	85,898	64,668
Accrued payroll and other liabilities and compensated absences	4,421	12,273
Due to campus organizations	141,879	37,430
Unearned revenue	22,540	(68,137)
Post-employment benefit obligation	896,227	-
<b>Total adjustments</b>	<b>701,543</b>	<b>381,780</b>
<b>Net cash provided by operating activities</b>	<b>\$ 1,386,289</b>	<b>\$ 466,373</b>

See notes to financial statements.

**Associated Students of San José State University  
(A California State University Auxiliary Organization)**

**Notes to Financial Statements**

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**Note 1. Nature of Organization**

Associated Students of San José State University (Associated Students) is a nonprofit auxiliary organization of the California State University (CSU). Associated Students operates student programs and activities for the benefit of the students of San José State University (the University). Such programs and activities are funded primarily from student activity fees, government contracts and program fees.

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

Associated Students prepares its financial statements in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). The significant accounting and reporting policies used by Associated Students are described below to enhance the usefulness and understandability of the financial statements.

**Basis of accounting:** Associated Students' financial statements have been prepared in conformity with 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. Associated Students uses 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. The GASB requires Associated Students to comply with all GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principle Board Opinions and Accounting Research Bulletins issued on or prior to November 30, 1989, which do not conflict with or contradict GASB pronouncements.

For financial reporting purposes, Associated Students 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, Associated Students is also considered to be a component unit of the University, as defined by the GASB.

**Classification of current and noncurrent assets and liabilities:** Associated Students considers those assets to be current that can be reasonably expected, as part of its normal business operations, to be converted to cash and be available for liquidation of current liabilities within 12 months of the statement of net position date. Liabilities that can be reasonably expected, as part of normal operations, to be liquidated within 12 months of the statement of net position date are considered current. All other assets and liabilities are considered to be noncurrent.

**Net position:** The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

**Net investment in capital assets:** Net investment in capital assets represents the cost of the capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

**Restricted nonexpendable:** This component of net position is subject to externally imposed conditions that Associated Students retains them in perpetuity. Net assets in this category consist of endowments. There were no restricted nonexpendable components of net position as of June 30, 2020.

**Associated Students of San José State University  
(A California State University Auxiliary Organization)**

**Notes to Financial Statements**

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

**Restricted expendable:** This component of net position is subject to externally imposed conditions that can be fulfilled by the actions of Associated Students or by the passage of time. There were no restricted expendable components of net position as of June 30, 2020.

**Unrestricted:** All other categories of net position are considered unrestricted. In addition, the unrestricted component of net position may be designated by the Board of Directors of Associated Students.

**Cash and cash equivalents:** Associated Students considers all highly liquid investments with original maturities of three months or less to be cash equivalents. As of June 30, 2020, \$6,895,951 of the entity's bank balances exceed the federally insured amount of \$250,000 and are uninsured.

**Investments:** Investments are reported at fair market value as determined by quoted market prices, with realized and unrealized gains and losses included on the accompanying statement of revenues, expenses and changes in net position as investment income. Dividends and interest income are accrued when earned.

**Accounts and other receivables:** Receivables consist of contract revenues, parent fees, print shop services, interest receivable and various other services that are stated at net realizable value. Management records a valuation allowance for uncollectible amounts based on its assessment of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to bad debt expense and a credit to accounts receivable.

**Inventories:** Inventories consist of copier paper, bindings, copier equipment, and the cost value of certain transit tickets sold as a pass-through from the transit authorities. Inventories are stated at the lower of cost or market using the first-in, first-out method.

**Prepaid expenses:** Prepaid expenses consist of amounts paid in advance for products or services that have not yet been received as of the fiscal year-end. Prepaid items are expensed when the products or services are received.

**Capital assets:** Capital assets are stated at historical cost. Purchases costing \$1,000 or more with a useful life of one year or more are capitalized. Major repairs and replacements that extend the useful life of the assets are capitalized and depreciated. The cost of normal maintenance and repairs are charged to expense when incurred.

Depreciation expense is computed on the straight-line method over estimated useful lives, ranging from three to 25 years, as follows:

	<u>Years</u>
Buildings and building improvements	5-25
Computer software and website	3-5
Equipment, furniture and fixtures	3-10

**Associated Students of San José State University  
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**Notes to Financial Statements**

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

**Impairment of long-lived assets:** Associated Students accounts for impairment of long-lived assets in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. Under this statement, management reviews events or changes in circumstances such as physical damage, economic factors, technological changes or other signs of obsolescence that would cause a significant decline in service and a circumstance outside the normal life cycle of the asset. Losses were recorded during the year.

**Compensated absences:** Employees' unused vacation leave benefits are recognized as liabilities as required by U.S. GAAP. Sick leave benefits are not recognized as liabilities since it is Associated Students' policy that sick leave does not vest. Instead, Associated Students records such amounts as operating expenditures in the period sick leave is taken. Compensated absences are included on the statement of net position with accrued expenses and other liabilities. Compensated absences will be paid at the time of termination.

**Due to campus organizations:** Associated Students administers cash balances on behalf of certain student campus organizations. The balance held by Associated Students for those organizations was \$1,214,026 at June 30, 2020.

**Unearned revenue:** Unearned revenue consists primarily of fees collected in advance for summer and fall semesters.

**Deferred outflows and deferred inflows of resources:** Deferred outflows and deferred inflows of resources relate to the effects of changes in assumptions, differences in the actual and expected return on plan assets and contributions made after the measurement date on Associated Students' post-employment benefit plan, and are to be recognized in future periods to post-employment benefit plan expense.

**Endowments:** Associated Students is subject to the California Uniform Prudent Management of Institutional Funds Act (UPMIFA). Endowments are classified by donor restriction. Investment appreciation and depreciation are presented as restricted expendable net position unless donor restrictions require preservation of investment returns. Associated Students has adopted the investment and spending policies for endowment assets of the University Investment Pool. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is primarily intended to preserve principal, with the secondary objectives of providing liquidity and an income stream to support the programs designated by the Board of Directors. Actual returns in any given year may vary. To satisfy investment objectives, Associated Students relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Associated Students targets a diversified asset allocation that places a greater emphasis on fixed income during volatile markets.

**Revenue recognition:** Student fees, parent fees for the Child Development Center, and transit access program fees are exchange transactions and are recognized when the goods or services are provided.

Revenues from government contracts and local grants are voluntary nonexchange transactions, and revenue is recorded when all eligibility requirements imposed by the provider have been met and when funds are expended for the purposes specified by the terms of the contract.

**Associated Students of San José State University  
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**Notes to Financial Statements**

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

**Income taxes:** Associated Students is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California income taxes under Section 23701(d) of the California Revenue and Taxation Code (the Code). The Internal Revenue Service (IRS) classified the organization as one that is not a private foundation within the meaning of Section 509(a) of the Code because it is an organization described in Section(s) 509(a)(1) and 170(b)(1)(A)(vi). Associated Students 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 Associated Students' continued qualification as a tax-exempt organization and whether there is 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. The Associated Students' Forms 990, Return of Organization Exempt from Income Tax, for each of the tax years ended June 30, 2019, 2018 and 2017, are subject to examination by the IRS, generally for three years after they were filed.

**Use of estimates:** The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, Associated Students' management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. Associated Students' management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

**Reclassifications:** Certain amounts in the 2019 statement of net position and statement of revenues, expenses and changes in net position have been reclassified to be consistent with classifications for 2020, with no impact on the changes in net position previously reported.

**Comparative totals:** The financial statements include certain prior-year summarized comparative information but not comparative information for the footnotes. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with Associated Students' financial statements as of and for the year ended June 30, 2019, from which the summarized information was derived.

**New accounting pronouncements:** In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, effective for Associated Students beginning on July 1, 2020. The statement establishes criteria for identifying fiduciary activities of all state and local governments. Governments with activities meeting the criteria should present statement of fiduciary net position and a statement of changes in fiduciary net position. This statement describes four fiduciary funds that should be reported if applicable: (1) pension trust funds, (2) investment trust funds, (3) private-purpose trust funds and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in trust funds or equivalent arrangements that meet specific criteria. Associated Students does not expect this statement to have a material impact on its financial statements.

In July 2017, the GASB issued Statement No. 87, *Leases*, effective for Associated Students beginning on July 1, 2021. This statement requires the recognition of certain lease assets and liabilities that previously were classified as operating leases. 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, the lessee 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. Associated Students is evaluating the effect GASB Statement No. 87 will have on its financial statements.

**Associated Students of San José State University  
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**Notes to Financial Statements**

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**Note 3. Deposits, Investments and Fair Value Measurements**

**Investment policy:** Investments consist of funds invested with the University in the CSU Investment Pool. The primary objective of the University's investment policy is to safeguard the principal. The secondary objective is to meet the liquidity needs of the investing organizations. The third objective is to generate an acceptable yield. The University's investment policy authorizes funds held in local trust accounts under Education Code Sections 89721 and 89724 to be invested in any of the securities authorized by Government Code Section 16430 and Education Code Section 89724, subject to certain limitations. In general, the University's investment policy permits investments in obligations of the federal and California state governments, certificates of deposit, and certain other investment instruments. At June 30, 2020, Associated Students has \$3,133,943 deposited in the CSU Investment Pool.

Associated Students measures fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The three levels of inputs used to measure fair value are as follows:

**Level 1:** Quoted prices for identical assets or liabilities in active markets to which Associated Students has access at the measurement date.

**Level 2:** Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in markets that are not active;
- Observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
- Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

**Level 3:** Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

Associated Students' investment in the CSU Investment Pool is valued at amortized cost, which is Associates Students' contributions to the pool plus interest income. Therefore, it is not subject to categorization in the fair value hierarchy table or interest rate, credit risk or custodial credit risk disclosures.

**Associated Students of San José State University  
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**Notes to Financial Statements**

**Note 4. Capital Assets**

Capital assets consist of the following at June 30, 2020:

	Beginning of Year July 1, 2019	Additions	Deletions	End of Year June 30, 2020
Land and land improvements	\$ 500,000	\$ -	\$ -	\$ 500,000
Building	2,939,391	-	-	2,939,391
Accumulated depreciation	(2,218,577)	(120,136)	-	(2,338,713)
	<u>720,814</u>	<u>(120,136)</u>	<u>-</u>	<u>600,678</u>
Equipment, furniture and fixtures	1,882,553	11,435	(22,729)	1,871,259
Accumulated depreciation	(1,540,258)	(139,991)	22,439	(1,657,810)
	<u>342,295</u>	<u>(128,556)</u>	<u>(290)</u>	<u>213,449</u>
Intangible assets	134,127	-	-	134,127
Accumulated depreciation	(134,127)	-	-	(134,127)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,563,109</u>	<u>\$ (248,692)</u>	<u>\$ (290)</u>	<u>\$ 1,314,127</u>

Depreciation expense for the year ended June 30, 2020, is \$260,127.

**Note 5. Related-Party Transactions and Commitments**

Associated Students has routine business transactions with the University and other auxiliaries of the University.

Amounts receivable and payable to and from the University and related organizations are recorded in the statement of net position as receivables and accounts payable. As of June 30, 2020, receivables due from and payables due to related parties are as follows:

Receivable to San José State University	\$ 44,383
Receivable to SJSU Research Foundation	56,814
Receivable to SJSU Tower Foundation	173
Receivable to Student Union, Inc.	192
	<u>\$ 101,562</u>
Payable to San José State University	\$ 121,146
Payable to Student Union, Inc.	485
	<u>\$ 121,631</u>

Compensation paid to student members of Associated Students' Board of Directors totaled \$138,325 for the year ended June 30, 2020. These payments, which range from approximately \$180 to \$1,320 per month, are recorded as program expenses.

**Associated Students of San José State University  
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**Notes to Financial Statements**

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**Note 5. Related-Party Transactions and Commitments (Continued)**

Associated Students leases facilities under operating leases from organizations related to the University. Associated Students leased certain facilities under noncancelable operating lease agreements with monthly rent of \$9,477 as of June 30, 2020, and with an expiration date of June 30, 2021. In addition, the leases require Associated Students to pay its pro rata share of utilities expense and maintain appropriate insurance coverage. Rent and utilities expense under the leases were \$130,210 for the year ended June 30, 2020.

Associated Students also leases facilities under a noncancelable operating lease agreement that expires in August 2031 with monthly rent of \$12,187. The terms of the lease require Associated Students to maintain appropriate insurance coverage. Rent expense under the lease was approximately \$148,430 for the year ended June 30, 2020.

Future minimum annual lease payments related to noncancelable facility leases with terms in excess of one year are as follows:

Years ending June 30:		
2021		\$ 148,430
2022		148,430
2023		148,430
2024		148,430
2025		148,430
Thereafter		766,894
		<u>\$ 1,509,044</u>

Associated Students paid for renovations to the facility in the amount of \$3,079,134. Pursuant to the lease terms, the University will provide a renovation credit for the amount that the cost of the renovations exceeds the total lease payments plus interest at 6% per year for the first 10 years.

The balance of the renovation credit is listed as prepaid rent deposit and was \$2,727,604 as of June 30, 2020.

**Note 6. Compensated Absences**

Accrued compensated absences consist of the following activity during the year ended June 30, 2020:

	Beginning Balance as of June 30, 2019	Additions	Reductions	Ending Balance as of June 30, 2020	Current Portion
Compensated absences	\$ 139,097	\$ 142,726	\$ (121,363)	\$ 160,460	\$ 160,460

Unused accrued compensated absences are paid upon employees' termination.

**Associated Students of San José State University  
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**Notes to Financial Statements**

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**Note 7. Paycheck Protection Program Loan Payable**

On April 16, 2020, Associated Students received loan proceeds in the amount of \$931,360 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. Associated Students intends to use the proceeds for purposes consistent with the PPP. Associated Students currently believes that its use of the loan proceeds will meet the conditions for complete or nearly complete forgiveness of the loan.

**Note 8. Post-Employment Health Care Plan**

**Plan description:** Associated Students provides lifetime retiree medical coverage and death benefits to employees, and their beneficiaries, who retire at age 59.5 or older with five years of service through the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan (the Plan). The Plan is administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to CalPERS, Lincoln Plaza North, 400 Q Street, Sacramento, CA 95811, online at [www.calpers.ca.gov](http://www.calpers.ca.gov), or by calling (888) 225.7377.

**Benefits:** The Plan provides health, dental and vision care benefits and their dependents. Benefits are provided by third-party insurers, and the full cost of benefits is provided by the Plan.

Participants covered by the Plan are as follows:

Inactive employees receiving benefits	12
Inactive employees entitled but not receiving benefits	-
Participating active employees	33
Total number of participants	<u>45</u>

**Contributions:** Associated Students' Board of Directors approved the inclusion of Associated Students in a Voluntary Employees' Beneficiary Association (VEBA) Trust comprising CSU auxiliaries. The VEBA is a separate 501(c)(9) established in August 2010 to assist in funding OPEB health care benefits. In June 2017, 2014 and 2013, Associated Students funded the VEBA with deposits of \$664,257, \$300,000 and \$800,000, respectively.

Contribution requirements are established and may be amended by Associated Students' Board of Directors. Associated Students' Board of Directors designated a portion of net position as a reserve to cover future costs of the Plan. The Plan is funded on a pay-as-you-go basis that is the annual cost of providing benefits and is paid from operations. Contributions to the Plan for the year ended June 30, 2020, were \$191,196 and were recorded as deferred outflows - contributions made after the measurement date on the statement of net position.

**Associated Students of San José State University  
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**Notes to Financial Statements**

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**Note 8. Post-Employment Health Care Plan (Continued)**

**Plan assets:** The VEBA professional management team includes a program coordinator, corporate trustee, investment advisor, legal, and audit and tax services. Trust assets are invested and held in custody by Benefit Trust Company serving as the corporate trustee, in a mix that includes approximately 50% bonds and 50% equity. Morgan Stanley Smith Barney serves as an investment advisor to the corporate trustee. They make recommendations regarding the management of VEBA Trust investments, which are then either approved and implemented or otherwise rejected by the Trust Investment Committee at Benefit Trust Company. The total market value of Associate Students' VEBA account at June 30, 2019, the measurement date, was \$2,291,431.

**Total OPEB liability, fiduciary net position and net OPEB liability:** In accordance with the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the OPEB expense and deferred outflows and deferred inflows of resources related to OPEB that are required to be reported by an employer primarily result from changes in the components of the net OPEB liability—that is, changes in the total OPEB liability and in the OPEB plan's fiduciary net position.

The net OPEB liability is determined based on the results of an actuarial valuation. The effects of certain other changes in the net OPEB liability are required to be included in OPEB expense over the current and future periods. The effects on the total OPEB liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in OPEB expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active employees and inactive employees), beginning in the current period.

**Associated Students of San José State University  
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**Notes to Financial Statements**

**Note 8. Post-Employment Health Care Plan (Continued)**

The following presents the net OPEB liability of Associated Students if it were calculated using a discount rate and health care trend rate that is 1% lower or higher than the current rate for the year ended June 30, 2020:

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at July 1, 2019	\$ 2,138,608	\$ 2,195,369	\$ (56,761)
Service cost	112,709	-	112,709
Interest on total OPEB liability	129,890	-	129,890
Expected investment income	-	131,367	(131,367)
Administrative expenses	-	(11,828)	11,828
Employee contributions	-	-	-
Employer contributions	-	-	-
Employer contributions to benefit payments	-	121,521	(121,521)
Actual benefit payments from trust	-	-	-
Actual benefit payments from employer	(121,521)	(121,521)	-
Expected minus actual benefit payments	61,272	-	61,272
Experience gains/losses	809,939	-	809,939
Changes in assumptions	-	-	-
Changes in benefit terms	-	-	-
Investment gains/losses	-	(23,477)	23,477
Other	-	-	-
Net change	992,289	96,062	896,227
Balance at June 30, 2020	\$ 3,130,897	\$ 2,291,431	\$ 839,466

**Actuarial methods and assumptions:** The actuarial valuation is based on the following dates, periods and assumptions for Associated Students' financial statements for the year ended June 30, 2020:

Valuation date	June 30, 2019
Measurement date	June 30, 2019
Measurement period	July 1, 2018, to June 30, 2019
Actuarial cost method	Entry age normal
Discount rate	6%
Inflation	2.75%
Salary increases	2.75%
Investment rate of return	6%
Health care cost trend rate	4%
Mortality rate	CalPERS Active Mortality for Miscellaneous Employees
Preretirement turnover	CalPERS Termination Rates for School Employees

**Associated Students of San José State University  
(A California State University Auxiliary Organization)**

**Notes to Financial Statements**

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**Note 8. Post-Employment Health Care Plan (Continued)**

Projections of benefits for financial reporting purposes are based on an established pattern of practice and includes the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial valuations of an ongoing plan involve estimates of the value-reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**Discount rate:** The discount rate used to measure the total OPEB liability was 6%. The projection of cash flows used to determine the discount rate assumed that Associated Students' 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 and beneficiaries. The long-term rate of return was determined based on capital market studies for similar industries. 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 shows the change in the OPEB liability, fiduciary net position and net OPEB liability for the year ended June 30, 2020:

	Discount Rate 1% Lower 5.00%	Valuation Discount Rate 6.00%	Discount Rate 1% Higher 7.00%
Discount rate:			
Net OPEB liability	\$ 1,272,465	\$ 839,466	\$ 482,352
		Valuation	
	1% Lower 3.00%	Discount Rate 4.00%	1% Higher 5.00%
Health care cost trend rate:			
Net OPEB liability	\$ 480,211	\$ 839,466	\$ 1,260,174

**OPEB expense and deferred outflows and deferred inflows of resources:** As of June 30, 2020, the Associated Students recognized OPEB expense of \$181,650.

**Associated Students of San José State University  
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**Notes to Financial Statements**

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**Note 8. Post-Employment Health Care Plan (Continued)**

During the fiscal year ended June 30, 2020, the Associated Students reported deferred outflows of resources as follows:

	Deferred Outflows of Resources
Experience gains/losses	\$ 812,345
Assumption changes	-
Investment gains/losses	3,869
	<u>\$ 816,214</u>

The \$191,126 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2019, measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2021.

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Differences between projected and actual earnings on OPEB investments are recognized over five years. Changes due to assumptions and experience are recognized over the average remaining service lifetime.

Years ending June 30:	
2021	\$ 58,590
2022	58,590
2023	58,594
2024	63,559
2025	58,866
Thereafter	518,015
	<u>\$ 816,214</u>

**Note 9. Contingencies**

Associated Students has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material to the basic financial statements taken as a whole.

On March 11, 2020, the World Health Organization declared the outbreak of novel coronavirus (COVID-19) as a global pandemic. Associated Students expects that its financial results may be negatively impacted in the future, but the extent and duration of such impact in the long term is uncertain and cannot be reasonably estimated at this time.

**Associated Students of San José State University  
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**Notes to Financial Statements**

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**Note 10. Retirement Plan**

Associated Students maintains an annuity purchase plan under Section 401(k) of the Internal Revenue Code (IRC). Under this plan, employees who have completed one year of service may defer up to 20% of their salary through contributions to the plan, subject to IRC limits. Associated Students matches contributions up to 7% of participants' salaries. Matching contributions were \$129,165 for the year ended June 30, 2020, and were recorded as operating expenses in the statement of revenues, expenses and changes in net position.

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**Schedule of Changes in Net OPEB Liability and Related Ratios - Last Ten Years  
Year Ended June 30, 2020**

	2020	2019	2018
Total OPEB liability:			
Service cost	\$ 112,709	\$ 109,692	\$ 106,756
Interest on total OPEB liability	129,890	119,413	109,316
Actual and expected experience difference	809,939	-	-
Changes in assumptions	-	-	-
Changes in benefit terms	-	-	-
Benefit payments	(60,249)	(51,719)	(49,730)
Employer contributions	-	-	-
<b>Net change in total OPEB liability</b>	<b>992,289</b>	<b>177,386</b>	<b>166,342</b>
Total OPEB liability - beginning	<u>2,138,608</u>	<u>1,961,222</u>	<u>1,794,880</u>
Total OPEB liability - ending (a)	<u><b>\$ 3,130,897</b></u>	<u><b>\$ 2,138,608</b></u>	<u><b>\$ 1,961,222</b></u>
Plan fiduciary net position:			
Contribution - employer	\$ -	\$ 146,719	\$ 713,987
Net investment income	107,890	145,449	152,339
Benefit payments	-	(51,719)	(49,730)
Administrative expense	(11,828)	(14,928)	(9,664)
<b>Net change in plan fiduciary net position</b>	<b>96,062</b>	<b>225,521</b>	<b>806,932</b>
Plan fiduciary net position - beginning	<u>2,195,369</u>	<u>1,969,848</u>	<u>1,162,916</u>
Plan fiduciary net position - ending (b)	<u><b>\$ 2,291,431</b></u>	<u><b>\$ 2,195,369</b></u>	<u><b>\$ 1,969,848</b></u>
Net OPEB liability (asset) - ending (a) - (b)	<u><b>\$ 839,466</b></u>	<u><b>\$ (56,761)</b></u>	<u><b>\$ (8,626)</b></u>
Plan fiduciary net position as a percentage of total OPEB liability	73 %	103 %	100 %
Covered-employee payroll	\$ 2,168,814	\$ 2,176,356	\$ 2,083,997
Net OPEB liability (asset) as a percentage of covered-employee payroll	38.71 %	(2.61)%	(0.41)%

\* GASB Statement No. 75 was implemented in FY 2018. Future years' information will be displayed up to 10 years as information becomes available.

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**Schedule of Contributions - Last Ten Years  
June 30, 2020**

Fiscal Year-End *	Actuarially Determined Contribution **	Contributions	Deficiency/ Excess	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
<b>2020</b>	\$ -	\$ -	\$ -	\$ <b>2,168,814</b>	<b>0.00%</b>
2019	-	146,719	-	2,176,356	6.74%
2018	-	713,987	-	2,083,997	34.26%

\* Actuarial methods and assumptions used to set the actuarially determined contributions are based on a measurement date a year in arrears.

\*\* Actuarially Determined Contribution (ADC): The ADC amount was not calculated. Associated Students contributes on an ad hoc basis, but in an amount sufficient to fully fund the obligation over a period not to exceed 30 years.

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**GASB Schedule of Net Position  
June 30, 2020**

Assets:	
Current assets:	
Cash and cash equivalents	\$ 7,078,841
Short-term investments	3,113,943
Accounts receivable, net	277,610
Capital lease receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	-
Prepaid expenses and other current assets	251,017
Total current assets	<u>10,721,411</u>
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	-
Capital assets, net	1,314,127
Other assets	2,579,174
Total noncurrent assets	<u>3,893,301</u>
Total assets	<u>\$ 14,614,712</u>
Deferred outflows of resources:	
Unamortized loss on debt refunding	\$ -
Net pension liability	-
Net OPEB liability	1,007,340
Others	-
Total deferred outflows of resources	<u>\$ 1,007,340</u>
Liabilities:	
Current liabilities:	
Accounts payable	\$ 247,260
Accrued salaries and benefits	123,363
Accrued compensated absences, current portion	160,460
Unearned revenues	410,227
Capital lease obligations, current portion	-
Long-term debt obligations, current portion	931,360
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	1,214,026
Total current liabilities	<u>3,086,696</u>
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	-
Net OPEB liability	839,466
Net pension liability	-
Other liabilities	-
Total noncurrent liabilities	<u>839,466</u>
Total liabilities	<u>\$ 3,926,162</u>
Deferred inflows of resources:	
Service concession arrangements	\$ -
Net pension liability	-
Net OPEB liability	-
Unamortized gain on debt refunding	-
Nonexchange transactions	-
Others	-
Total deferred inflows of resources	<u>\$ -</u>
Net position:	
Net investment in capital assets	\$ 1,314,127
Restricted for:	-
Nonexpendable - endowments	-
Expendable:	-
Scholarships and fellowships	-
Research	-
Loans	-
Capital projects	-
Debt service	-
Others	-
Unrestricted	10,381,763
Total net position	<u>\$ 11,695,890</u>

**Associated Students of San José State University  
(A California State University Auxiliary Organization)**

**GASB Schedule of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2020**

Revenues:	
Operating revenues:	
Student tuition and fees, gross	\$ 6,435,787
Scholarship allowances (enter as negative)	-
Grants and contracts, noncapital:	
Federal	388,911
State	406,128
Local	136,011
Nongovernmental	95,200
Sales and services of educational activities	-
Sales and services of auxiliary enterprises, gross	1,072,013
Scholarship allowances (enter as negative)	-
Other operating revenues	-
Total operating revenues	<u>8,534,050</u>
Expenses:	
Operating expenses:	
Instruction	-
Research	-
Public service	-
Academic support	-
Student services	-
Institutional support	-
Operation and maintenance of plant	-
Student grants and scholarships	18,000
Auxiliary enterprise expenses	7,571,177
Depreciation and amortization	260,127
Total operating expenses	<u>7,849,304</u>
Operating income	<u>684,746</u>
Nonoperating revenues:	
State appropriations, noncapital	-
Federal financial aid grants, noncapital	-
State financial aid grants, noncapital	-
Local financial aid grants, noncapital	-
Nongovernmental and other financial aid grants, noncapital	-
Other federal nonoperating grants, noncapital	-
Gifts, noncapital	-
Investment income, net	109,888
Endowment income (loss), net	-
Interest expense	-
Other nonoperating revenues - excl. interagency transfers	24,853
Other nonoperating revenues (expenses) - interagency transfers	-
Net nonoperating revenues	<u>134,741</u>
Income before other revenues (expenses)	819,487
State appropriations, capital	-
Grants and gifts, capital	-
Additions (reductions) to permanent endowments	-
Increase in net position	<u>819,487</u>
Net position:	
Net position at beginning of year, as previously reported	10,876,403
Restatements	-
Net position at beginning of year, as restated	<u>10,876,403</u>
Net position at end of year	<u>\$ 11,695,890</u>



**Associated Students of San José State University  
(A California Nonprofit Corporation)**

**Other Information  
June 30, 2020**

**2.2 Fair value hierarchy in investments:**

	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	\$ -	\$ -	\$ -	\$ -	\$ -
Repurchase agreements	-	-	-	-	-
Certificates of deposit	-	-	-	-	-
U.S. agency securities	-	-	-	-	-
U.S. treasury securities	-	-	-	-	-
Municipal bonds	-	-	-	-	-
Corporate bonds	-	-	-	-	-
Asset-backed securities	-	-	-	-	-
Mortgage-backed securities	-	-	-	-	-
Commercial paper	-	-	-	-	-
Mutual funds	-	-	-	-	-
Exchange-traded funds	-	-	-	-	-
Equity securities	-	-	-	-	-
Alternative investments:					
Private equity (including limited partnerships)	-	-	-	-	-
Hedge funds	-	-	-	-	-
Managed futures	-	-	-	-	-
Real estate investments (including REITs)	-	-	-	-	-
Commodities	-	-	-	-	-
Derivatives	-	-	-	-	-
Other alternative investment types	-	-	-	-	-
Other external investment pools (excluding SWIFT)	-	-	-	-	-
CSU Consolidated Investment Pool (formerly SWIFT)	3,113,943	-	-	-	3,113,943
State of California Local Agency Investment Fund (LAIF)	-	-	-	-	-
State of California Surplus Money Investment Fund (SMIF)	-	-	-	-	-
Other investments:					
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
Total other investments	-	-	-	-	-
<b>Total investments</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,113,943</b>

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

	Current	Noncurrent	Total
Investments held by the University under contractual agreements (e.g., CSU Consolidated SWIFT Inv pool)	\$ 3,113,943	\$ -	\$ 3,113,943



**Associated Students of San José State University  
(A California Nonprofit Corporation)**

**Other Information  
June 30, 2020**

**3.2 Detail of depreciation and amortization expense:**

Depreciation and amortization expense related to capital assets	\$ 260,127
Amortization expense related to other assets	-
<b>Total depreciation and amortization</b>	<b><u>\$ 260,127</u></b>

**4 Long-term liabilities:**

	Balance June 30, 2019	Prior-Period Adjustments/ Reclassifications	Balance June 30, 2019 (Restated)	Additions	Reductions	Balance June 30, 2020	Current Portion	Noncurrent Portion
<b>1. Accrued compensated absences</b>	<b>\$ 139,097</b>	<b>\$ -</b>	<b>\$ 139,097</b>	<b>\$ 142,726</b>	<b>\$ (121,363)</b>	<b>\$ 160,460</b>	<b>\$ 160,460</b>	<b>\$ -</b>
<b>2. Claims liability for losses and loss adjustment expenses</b>	-	-	-	-	-	-	-	-
<b>3. Capital lease obligations:</b>								
Gross balance	-	-	-	-	-	-	-	-
Unamortized net premium/(discount)	-	-	-	-	-	-	-	-
<b>Total capital lease obligations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>4. Long-term debt obligations:</b>								
4.1 Auxiliary revenue bonds (non-SRB related)	-	-	-	-	-	-	-	-
4.2 Commercial paper	-	-	-	-	-	-	-	-
4.3 Notes payable (SRB related)	-	-	-	-	-	-	-	-
4.4 Others:								
PPP Loan	-	-	-	931,360	-	931,360	931,360	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total others	-	-	-	931,360	-	931,360	931,360	-
<b>Subtotal long-term debt</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>931,360</b>	<b>-</b>	<b>931,360</b>	<b>931,360</b>	<b>-</b>
4.5 Unamortized net bond premium/(discount)	-	-	-	-	-	-	-	-
<b>Total long-term debt obligations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>931,360</b>	<b>-</b>	<b>931,360</b>	<b>931,360</b>	<b>-</b>
<b>Total long-term liabilities</b>	<b>\$ 139,097</b>	<b>\$ -</b>	<b>\$ 139,097</b>	<b>\$ 1,074,086</b>	<b>\$ (121,363)</b>	<b>\$ 1,091,820</b>	<b>\$ 1,091,820</b>	<b>\$ -</b>

**Associated Students of San José State University  
(A California Nonprofit Corporation)**

**Other Information  
June 30, 2020**

**5 Capital lease obligations schedule:**

	Capital Lease Obligations Related to SRB			All Other Capital Lease Obligations			Total Capital Lease Obligations		
	Principal	Interest Only	Principal and	Principal Only	Interest Only	Principal and	Principal Only	Interest Only	Principal and
	Only		Interest			Interest			
Years ending June 30:									
2021	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2022	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-
2025 - 2029	-	-	-	-	-	-	-	-	-
2030 - 2034	-	-	-	-	-	-	-	-	-
2035 - 2039	-	-	-	-	-	-	-	-	-
2040 - 2044	-	-	-	-	-	-	-	-	-
2045 - 2049	-	-	-	-	-	-	-	-	-
2050 - 2054	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-
<b>Total minimum lease payments</b>	-	-	-	-	-	-	-	-	-
Less: amounts representing interest									-
<b>Present value of future minimum lease payments</b>									-
Unamortized net premium/(discount)									-
<b>Total capital lease obligations</b>									-
Less: current portion									-
<b>Capital lease obligations, net of current portion</b>									<u>\$ -</u>

**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 Only	Principal and	Principal Only	Interest Only	Principal and	Principal Only	Interest Only	Principal and
	Only		Interest			Interest			
Years ending June 30:									
2021	\$ -	\$ -	\$ -	\$ 931,360	\$ 9,314	\$ 940,674	\$ 931,360	\$ 9,314	\$ 940,674
2022	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-
2025 - 2029	-	-	-	-	-	-	-	-	-
2030 - 2034	-	-	-	-	-	-	-	-	-
2035 - 2039	-	-	-	-	-	-	-	-	-
2040 - 2044	-	-	-	-	-	-	-	-	-
2045 - 2049	-	-	-	-	-	-	-	-	-
2050 - 2054	-	-	-	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-	-	-	-
<b>Total minimum payments</b>	-	-	-	-	-	-	-	-	<b>940,674</b>
Less: amounts representing interest									(9,314)
<b>Present value of future minimum payments</b>									<b>931,360</b>
Unamortized net premium/(discount)									-
<b>Total long-term debt obligations</b>									<b>931,360</b>
Less: current portion									(931,360)
<b>Long-term debt obligations, net of current portion</b>									<u><b>\$ -</b></u>

**Associated Students of San José State University  
(A California Nonprofit Corporation)**

**Other Information  
June 30, 2020**

**7 Transactions with related entities:**

Payments to University for salaries of University personnel working on contracts, grants and other programs	\$ 110,000
Payments to University for other than salaries of University personnel	303,135
Payments received from University for services, space, and programs	8,009,359
Gifts-in-kind to the University from discretely presented component units	-
Gifts (cash or assets) to the University from discretely presented component units	18,000
Accounts (payable to) University (enter as negative number)	(121,146)
Other amounts (payable to) University (enter as negative number)	-
Accounts receivable from University (enter as positive number)	44,383
Other amounts receivable from University (enter as positive number)	-

**8 Restatements/Prior-period adjustments:**

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

Transaction #1

Enter transaction description

Debit/(Credit)

Transaction #2

Enter transaction description

**Associated Students of San José State University  
(A California Nonprofit Corporation)**

**Other Information  
June 30, 2020**

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	3,546,193	735,841	129,165	181,650	-	2,978,328	-	7,571,177
Institutional support	-	-	-	-	-	-	-	-
Operation and maintenance of plant	-	-	-	-	-	-	-	-
Student grants and scholarships	-	-	-	-	18,000	-	-	18,000
Auxiliary enterprise expenses	-	-	-	-	-	-	-	-
Depreciation and amortization	-	-	-	-	-	-	260,127	260,127
<b>Total operating expenses</b>	<b>\$ 3,546,193</b>	<b>\$ 735,841</b>	<b>\$ 129,165</b>	<b>\$ 181,650</b>	<b>\$ 18,000</b>	<b>\$ 2,978,328</b>	<b>\$ 260,127</b>	<b>\$ 7,849,304</b>

**Associated Students of San José State University  
(A California Nonprofit Corporation)**

**Other Information  
June 30, 2020**

**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	1,007,340
Deferred outflows - others:	
Net OPEB obligation	-

Total deferred outflows - others	<u>-</u>
<b>Total deferred outflows of resources</b>	<b><u>\$ 1,007,340</u></b>

**2. Deferred Inflows of Resources**

Deferred inflows - service concession arrangements	\$ -
Deferred inflows - net pension liability	-
Deferred inflows - net OPEB liability	-
Deferred inflows - unamortized gain on debt refunding(s)	-
Deferred inflows - nonexchange transactions	-
Deferred inflows - others:	

Total deferred inflows - others	<u>-</u>
<b>Total deferred inflows of resources</b>	<b><u>\$ -</u></b>