



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

Financial Report
June 30, 2016

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RSM US LLP

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Student Union of San José State University (a California State University auxiliary organization) (the Student Union), which comprise the statements of net position as of June 30, 2016 and 2015, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Student Union of San José State University as of June 30, 2016 and 2015, and the changes in its net position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Student Union's basic financial statements. The schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

RSM US LLP

Tacoma, Washington
September 21, 2016

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

**Management's Discussion and Analysis
Years Ended June 30, 2016 and 2015**

Management's Discussion and Analysis

This section of The Student Union of San José State University's (the Student Union) annual financial report includes management's discussion and analysis of the financial performance of the Student Union for fiscal years ended June 30, 2016 and 2015. This discussion should be read in conjunction with the financial statements and notes to the financial statements.

Introduction to The Student Union of San José State University

The Student Union is a California State University auxiliary organization that manages and maintains major facilities at the San José State University campus located in downtown San Jose, California. The Student Union began its operations at San José State University in October 1969 and became incorporated in March 1982. The facilities include the Student Union building, the Aquatic Center, the Event Center building and a small ATM building. The nonprofit corporation has been in business for more than 46 years in California and receives no state funding. Revenue is derived from collected student fees, various service fees and rental of space in its facilities. Students interact with the Student Union on a daily basis, through the use of facilities, participation in sponsored events, or through a Student Union program. The Student Union also acts as a bridge to the greater campus community, whose members make use of recreational opportunities and attend the diverse concerts and events on the San José State University campus.

The Student Union has been undergoing major renovations since 2010 in anticipation of the needs of future students. This project included the expansion of the current Student Union building to the west and east sides, as well as the complete renovation of the current Student Union building. The east and west additions opened in fall semester 2014 and the newly renovated middle section of the Student Union opened its doors in April 2016. A grand opening is planned for Fall 2016. The student fees currently being collected will also pay for the future expansion and renovation of the upcoming Recreation & Aquatic Center Project, which is planned to break ground in early Fall 2016. This upcoming facility expansion will better meet the needs and demands of our growing student clubs and organizations, as well as provide social, recreational and educational space for all our students, which include all of our 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, composed of eleven (11) voting members:

- Students—Six (6)
- Faculty—Two (2)
- Administrators—Two (2)
- Community Member—One (1)

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

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

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

**Management's Discussion and Analysis
Years Ended June 30, 2016 and 2015**

The Student Union's financial reserves consist of local reserves held locally by the corporation and the balance of the collected student fees held in trust by San José State University. These reserves are reviewed quarterly by the board of directors to ensure financial stability of the Student Union as well as provide adequate funding for future capital improvements and the continued expansion of its facilities.

Introduction to the Financial Statements

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

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

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

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

Overview

Summary

The following discussion highlights management's understanding of the key financial aspects of the Student Union's financial activities as of and for the years ended June 30, 2016, 2015 and 2014. Included are comparative analyses of current and prior years' activities and balances and a discussion of restrictions (if any) of the Student Union's net position.

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

**Management's Discussion and Analysis
Years Ended June 30, 2016 and 2015**

Condensed Summary of Net Position

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

| | <u>2016</u> | 2015 | <u>2014</u> |
|-------------------------------|-----------------------------|----------------------|----------------------|
| Assets: | | | |
| Current assets | \$ 1,039,964 | \$ 1,263,770 | \$ 3,367,080 |
| Noncurrent assets | 11,299,516 | 9,702,933 | 8,277,440 |
| Total assets | <u>\$ 12,339,480</u> | <u>\$ 10,966,703</u> | <u>\$ 11,644,520</u> |
| Liabilities: | | | |
| Current liabilities | \$ 1,900,191 | \$ 1,729,812 | \$ 1,627,514 |
| Noncurrent liabilities | 102,399 | 108,639 | 92,033 |
| Total liabilities | <u>\$ 2,002,590</u> | <u>\$ 1,838,451</u> | <u>\$ 1,719,547</u> |
| Net position: | | | |
| Unrestricted: | | | |
| Investments in capital assets | \$ 3,024,725 | \$ 2,995,652 | \$ 3,289,132 |
| Board-designated | 2,401,383 | 3,054,313 | 1,434,881 |
| Unallocated | 4,910,782 | 3,078,287 | 5,200,960 |
| Total net position | <u>\$ 10,336,890</u> | <u>\$ 9,128,252</u> | <u>\$ 9,924,973</u> |

Assets: Total assets increased \$1.4 million overall from FY 2015 to FY 2016 due primarily to an increase in the investment portfolio. Total assets decreased \$678 thousand overall from FY 2014 to FY 2015 due primarily to a decrease in cash and cash equivalents for FY 2015 and offset with an increase in the investment portfolio.

Current assets decreased by \$224 thousand FY 2015 to FY 2016 primarily due to a reduction in accounts receivable at year-end. Current assets decreased \$2.1 million from FY 2014 to FY 2015 due to a timing difference in the receipt of Student Union fees returned for operations by the University. The payment of student fees for operations in FY 2015 was paid annually, which is the usual method.

Noncurrent assets increased \$1.6 million overall from FY 2015 to FY 2016 due to an increase in the investment portfolio of \$1.6 million and an increase in capital assets of \$29 thousand. Noncurrent assets increased \$1.4 million overall from FY 2014 to FY 2015 due to an increase in the investment portfolio of \$1.7 million and a decrease in capital assets of \$293 thousand.

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

**Management's Discussion and Analysis
Years Ended June 30, 2016 and 2015**

Liabilities: Current liabilities increased \$170 thousand overall from FY 2015 to FY 2016 due to an increase of \$170 thousand in accounts payable at year-end, an increase of \$39 thousand in accrued payroll and related expenses, and a decrease of \$38 thousand in other accrued liabilities, primarily due to a decrease in ticket sales for future events. Current liabilities increased \$102 thousand overall from FY 2014 to FY 2015 due to an increase of \$216 thousand in accounts payable at year-end, a decrease of \$35 thousand in accrued payroll and related expenses, and a decrease of \$79 thousand in other accrued liabilities due primarily to a decrease in ticket sales for future events.

Noncurrent liabilities decreased by \$7 thousand from FY 2015 to FY 2016 due to a decrease of \$15 thousand in the SJSU Club Sports checking account and an increase in the IRA Trust Account for Club Sports of \$8 thousand due to decreased operational expenses. Noncurrent liabilities increased by \$17 thousand from FY 2014 to FY 2015 due to an increase of \$33 thousand in the SJSU Club Sports checking account, a decrease of \$6 thousand in the Glass Reserve Account due to operational expenses and a decrease in the IRA Trust Account for Club Sports of \$10 thousand due to increased operational expenses.

Net position: Total net position increased \$1.8 million from FY 2015 to FY 2016 due to an increase in investments in capital assets of \$30 thousand, a decrease of \$653 thousand in board-designated projects and an increase of \$1.8 million in unallocated net position, which accounts for the changes between the net asset categories. Overall, net position for FY 2016 increased \$1.2 million due primarily to an increase in student union fees of \$4 million for increased operational expenses and \$2.1 million in board-designated projects. Total net position decreased \$797 thousand from FY 2014 to FY 2015 due to a decrease in investments in capital assets of \$293 thousand, an increase of \$1.6 million in board-designated projects and a decrease of \$2.1 million in unallocated net position, which accounts for the changes between the net asset categories. Overall, net position for FY 2015 decreased \$797 thousand due primarily to a decrease in student union fees of \$1,160,000.

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

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

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

**Management's Discussion and Analysis
Years Ended June 30, 2016 and 2015**

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:

| | 2016 | 2015 | 2014 |
|-------------------------------------|----------------------|--------------|--------------|
| Operating revenues: | | | |
| Student Union fees | \$ 8,144,892 | \$ 4,095,733 | \$ 5,255,357 |
| Service fees | 181,340 | 194,012 | 162,498 |
| Reimbursement of event costs | 1,071,975 | 1,092,128 | 953,829 |
| Rental income | 1,750,024 | 1,872,052 | 1,557,663 |
| Reimbursement of wages and benefits | 339,912 | 388,680 | 444,555 |
| Commissions | 199,087 | 284,261 | 195,901 |
| Other | 38,078 | 73,755 | 42,794 |
| Total operating revenues | 11,725,308 | 8,000,621 | 8,612,597 |
| Operating expenses: | | | |
| Wages, benefits, and taxes | 4,812,036 | 4,355,429 | 3,941,296 |
| Payroll tax settlement | - | - | 947,688 |
| Insurance | 171,128 | 200,632 | 197,481 |
| Supplies | 308,311 | 261,303 | 257,508 |
| Communications | 157,230 | 118,587 | 101,811 |
| Repairs and maintenance | 150,338 | 147,420 | 138,551 |
| Utilities | 898,126 | 678,848 | 865,979 |
| Event costs | 1,148,066 | 1,174,957 | 1,034,980 |
| Small equipment purchases | 115,897 | 95,831 | 33,848 |
| Depreciation | 1,057,461 | 526,519 | 442,221 |
| Business services | 1,283,838 | 1,202,008 | 1,158,210 |
| Miscellaneous | 66,884 | 40,751 | 36,458 |
| Project expenditures | 177,506 | 22,189 | 173,120 |
| Total operating expenses | 10,346,821 | 8,824,474 | 9,329,151 |
| Total operating income (loss) | 1,378,487 | (823,853) | (716,554) |
| Nonoperating revenues (expenses): | | | |
| Investment income (loss) | (169,849) | 27,132 | 702,100 |
| Increase (decrease) in net position | 1,208,638 | (796,721) | (14,454) |
| Net position: | | | |
| Beginning of year | 9,128,252 | 9,924,973 | 9,939,427 |
| End of year | \$ 10,336,890 | \$ 9,128,252 | \$ 9,924,973 |

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

**Management's Discussion and Analysis
Years Ended June 30, 2016 and 2015**

Operating revenues: Total operating revenues increased \$4 million from FY 2015 to FY 2016 due primarily to an increase in the return of student fees for operations and for board-designated projects. Total operating revenues decreased \$612 thousand from FY 2014 to FY 2015 due primarily to a reduction in the return of student fees for operations that was partially offset by an increase in revenues directly related to events in the Event Center Arena.

Student Union fees returned for operations were approximately 69 percent of total operating revenues in FY 2016 compared to 52 percent of total operating revenues in FY 2015, an increase of \$4 million from prior year. Student Union fees returned for operations were approximately 52 percent of total operating revenues in FY 2015 compared to 61 percent of total operating revenues in FY 2014, a decrease of \$1.2 million from prior year. Student Union fees are returned for operations annually and will increase or decrease in order to balance the annual budget and fund capital projects approved by the board of directors.

Rental income decreased slightly by \$122 thousand from FY 2015 to FY 2016 due primarily to decreased activity in the Event Center Arena. Rental income increased significantly by \$314 thousand from FY 2014 to FY 2015 due primarily to increased activity in the Event Center Arena.

Reimbursement of event costs decreased by \$49 thousand from FY 2015 to FY 2016 due to the decrease in activity in the Event Center Arena. Reimbursement of event costs increased by \$138 thousand from FY 2014 to FY 2015 due to the increase in activity in the Event Center Arena.

Commission income decreased \$85 thousand from FY 2015 to FY 2016, again due primarily to the decrease in concerts and other events in the Event Center Arena. Commission income increased \$88 thousand from FY 2014 to FY 2015, again due primarily to the increase in concerts and other events in the Event Center Arena.

The remaining operating revenues decreased by \$98 thousand from FY 2015 to FY 2016 due to an decrease in service fees of \$13 thousand, a decrease of \$49 thousand in reimbursement of wages, and benefits and a \$36 thousand decrease in other operating revenues. These same remaining operating revenues decreased by \$43 thousand from FY 2014 to FY 2015 due to an increase in service fees of \$32 thousand, a decrease of \$56 thousand in reimbursement of wages, and benefits and a \$30 thousand increase in other operating revenues.

Operating expenses: Total operating expenses increased \$1.5 million overall from FY 2015 to FY 2016 due primarily to increased wages, increased utilities, depreciation and project expenditures. Total operating expenses decreased \$505 thousand overall from FY 2014 to FY 2015 due primarily to the one-time payroll tax settlement of \$948 thousand paid in FY 2014.

**The Student Union of San José State University
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**Management's Discussion and Analysis
Years Ended June 30, 2016 and 2015**

The operating expenses for the Student Union are made up principally of wages and benefits, which increased approximately \$457 thousand from FY 2015 to FY 2016. The opening of the New Student Union is the main reason for staffing increases. There was an increase in overall utilities of \$219 thousand, an increase of \$531 thousand in depreciation, an increase of \$81 thousand in business services, and an increase in project expenditures of \$155 thousand. There was an increase of \$140 thousand in event costs from FY 2014 to FY 2015, a decrease in overall utilities of \$187 thousand due to reimbursement for usage by main tenants, an increase of \$62 thousand in small equipment purchases, an increase of \$84 thousand in depreciation, an increase of \$44 thousand in business services, and a decrease in project expenditures of \$150 thousand.

Nonoperating revenues (expenses): Nonoperating revenues (expenses) come from sources that are not part of the Student Union's primary business functions. Included in this classification are interest expense, investment income and changes in the fair value of investments.

Investment loss at June 30, 2016, was \$(170) thousand, a significant decrease of \$197 thousand from prior year FY 2015. The \$(170) thousand investment loss is made up of \$535 thousand in interest, \$495 thousand in unrealized losses and of \$210 thousand in realized losses. Prior year's investment income at June 30, 2015, was \$27 thousand, a significant decrease of \$675 thousand from prior year FY 2014.

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

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

Statements of Net Position
June 30, 2016 and 2015

| | 2016 | 2015 |
|--------------------------------------|----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents (Note 10) | \$ 442,658 | \$ 683,792 |
| Investments (Notes 3 and 10) | 260,884 | 7,824 |
| Accounts receivable (Note 9) | 235,271 | 502,423 |
| Prepaid expenses and other | 101,151 | 69,731 |
| Total current assets | 1,039,964 | 1,263,770 |
| Noncurrent assets: | | |
| Restricted cash | 25,000 | 25,000 |
| Investments (Notes 3 and 10) | 8,147,392 | 6,573,642 |
| Funds held in trust | 102,399 | 108,639 |
| Capital assets, net (Notes 4 and 5) | 3,024,725 | 2,995,652 |
| Total noncurrent assets | 11,299,516 | 9,702,933 |
| Total assets | \$ 12,339,480 | \$ 10,966,703 |
| Liabilities and Net Position | | |
| Current liabilities: | | |
| Accounts payable (Note 9) | \$ 1,308,707 | \$ 1,138,815 |
| Accrued payroll and related expenses | 425,410 | 386,876 |
| Other accrued liabilities (Note 9) | 166,074 | 204,121 |
| Total current liabilities | 1,900,191 | 1,729,812 |
| Funds held in trust liability | 102,399 | 108,639 |
| Total liabilities | 2,002,590 | 1,838,451 |
| Net position: | | |
| Investment in capital assets | 3,024,725 | 2,995,652 |
| Unrestricted: | | |
| Board-designated (Note 5) | 2,401,383 | 3,054,313 |
| Unallocated | 4,910,782 | 3,078,287 |
| Total net position | \$ 10,336,890 | \$ 9,128,252 |

See notes to financial statements.

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

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2016 and 2015

| | 2016 | 2015 |
|--|----------------------|---------------------|
| Operating revenues: | | |
| Student Union fees | \$ 8,144,892 | \$ 4,095,733 |
| Service fees | 181,340 | 194,012 |
| Reimbursement of event costs | 1,071,975 | 1,092,128 |
| Rental income | 1,750,024 | 1,872,052 |
| Reimbursed wages and benefits | 339,912 | 388,680 |
| Commissions | 199,087 | 284,261 |
| Other | 38,078 | 73,755 |
| Total operating revenues | 11,725,308 | 8,000,621 |
| Operating expenses: | | |
| Wages, benefits and taxes (Note 6) | 4,812,036 | 4,355,429 |
| Insurance | 171,128 | 200,632 |
| Supplies | 308,311 | 261,303 |
| Communications | 157,230 | 118,587 |
| Repairs and maintenance | 150,338 | 147,420 |
| Utilities | 898,126 | 678,848 |
| Event costs | 1,148,066 | 1,174,957 |
| Small equipment purchases | 115,897 | 95,831 |
| Depreciation | 1,057,461 | 526,519 |
| Business services (Note 8) | 1,283,838 | 1,202,008 |
| Miscellaneous | 66,884 | 40,751 |
| Project expenditures | 177,506 | 22,189 |
| Total operating expenses | 10,346,821 | 8,824,474 |
| Operating income (loss) | 1,378,487 | (823,853) |
| Nonoperating revenue (expenses): | | |
| Investment (loss) income, net | (169,849) | 27,132 |
| Increase (decrease) in net position | 1,208,638 | (796,721) |
| Net position: | | |
| Beginning of year | 9,128,252 | 9,924,973 |
| End of year | \$ 10,336,890 | \$ 9,128,252 |

See notes to financial statements.

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

**Statements of Cash Flows
Years Ended June 30, 2016 and 2015**

| | 2016 | 2015 |
|--|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Sales and services of auxiliary enterprises | \$ 11,776,664 | \$ 7,317,360 |
| Payments to suppliers | (4,376,900) | (3,857,830) |
| Payments to employees | (4,084,269) | (3,705,876) |
| Payments to students | (710,601) | (684,097) |
| Other receipts | 237,165 | 358,016 |
| Net cash provided by (used in) operating activities | 2,842,059 | (572,427) |
| Cash flows from capital and related financing activities: | | |
| Acquisitions of capital assets | (1,086,534) | (233,039) |
| Cash flows from investing activities: | | |
| Investment income reinvested | 325,217 | 309,684 |
| Sales of investments | 4,892,434 | 2,000,512 |
| Purchase of investments | (7,214,310) | (3,589,313) |
| Net cash used in investing activities | (1,996,659) | (1,279,117) |
| Net decrease in cash and cash equivalents | (241,134) | (2,084,583) |
| Cash and cash equivalents: | | |
| Beginning of year | 683,792 | 2,768,375 |
| End of year | \$ 442,658 | \$ 683,792 |
| Reconciliation of net operating income (loss) to net cash provided by (used in) operating activities: | | |
| Operating income (loss) | \$ 1,378,487 | \$ (823,853) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 1,057,461 | 526,519 |
| Change in assets and liabilities: | | |
| Accounts receivable, net | 267,152 | (325,245) |
| Prepaid expenses and other current assets | (31,420) | (52,146) |
| Accounts payable | 169,892 | 215,584 |
| Accrued salaries and benefits | 38,534 | (34,545) |
| Other liabilities | (38,047) | (78,741) |
| Net cash provided by (used in) operating activities | \$ 2,842,059 | \$ (572,427) |

See notes to financial statements.

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

Notes to Financial Statements

Note 1. General Information

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

Note 2. Summary of Significant Accounting Policies

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

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

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

Accounts receivable: Accounts receivable are recorded when services are performed at the actual amount expected to be collected. Management has determined that no allowance for doubtful accounts is necessary at June 30, 2016 and 2015.

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

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

- **Glass Reserve Account** - This account was established upon mutual agreement between the Student Union and Spartan Shops, Inc., another auxiliary on the campus. The funds are specifically designated for the repair and replacement of any exterior glass in the Student Union building. All repairs and replacement of glass are handled by the Student Union, as well as payment of any vendor invoices. The balances in this account as of June 30, 2016 and 2015, were \$14,300 and \$14,297, respectively.

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

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

- **Instructionally Related Activities (IRA) Trust Account** - This account was established upon mutual agreement with the University in a Memorandum of Understanding dated August 1, 2006, allowing the Student Union to manage and oversee the SJSU Club Sports Program. The funds are held in trust for the following obligations:
 - Insurance for SJSU Club Sports participants.
 - Insurance for other recognized student clubs and organizations events.
 - Annual allocations for SJSU Club Sports teams and contingency funds.
 - Reimbursement to the Student Union for SJSU Club Sports departmental expenditures.

The IRA Trust Account balance at June 30, 2016 and 2015, was \$35,225 and \$26,773, respectively.

- **SJSU Club Sports Checking Account** - This account was established as a result of a CSU Chancellor's Office Executive Order prohibiting any recognized student organizations from having off-campus bank accounts. As a result of the Executive Order, SJSU Club Sports has one bank account, which is overseen by the Student Union as well as the processing of all its financial transactions. The balance in this checking account as of June 30, 2016 and 2015, was \$52,875 and \$67,570, respectively.

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

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

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

Compensated absences: The Student Union accrues vacation benefits for eligible employees at various rates, depending upon length of service. Eligible full-time employees accrue sick leave at the rate of 96.0 hours at January 1 each year and are paid a portion of the remaining unused sick leave at the end of December. Employees are not paid for unused sick leave at the end of employment. The Student Union adopted the mandated sick leave for non-benefited employees as of July 1, 2015. All non-benefited employees will accrue 24.0 hours of sick leave annually. At June 30, 2016 and 2015, the Student Union had balances of \$248,443 and \$216,428 of compensated absences, respectively. During 2016 and 2015, \$296,439 and \$225,524, respectively, of compensated absences were earned and \$264,610 and \$216,613, respectively, were used.

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

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Student Union employees: Certain Student Union employees are employees of the University, and are reimbursed by the Student Union. The reimbursements totaled \$983,926 and \$708,668 for the years ended June 30, 2016 and 2015, respectively.

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

Revenue: The University allocates a portion of the students' fees, following debt service obligations, based on the Student Union's University-approved budget request. These fees are recognized as revenue when received. Rental income is recognized as revenue when earned and consists of fees from conference room rentals, audio-visual operations and other services within the Student Union building, the Event Center building and the Aquatic Center. The Student Union receives a share of entrance fees, parking fees and concession sales collected at events held in the Event Center Arena. Commission revenue (from event concessions, parking, ticket sales, vending, etc.) is recognized when earned. The Student Union also charges a rental fee to promoters who stage events in the Event Center Arena, which represents a reimbursement of costs incurred by the Student Union. This reimbursement is reflected as revenue when earned.

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

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

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

Change in accounting estimate: During the year ended June 30, 2016, management determined that the estimated useful lives of certain capital assets should be changed based on the plans for the expansion and renovation of future projects. The current period effect of the change in the estimated useful lives resulted in an accelerated depreciation expense of approximately \$516 thousand. The additional depreciation expense is included on the statements of revenues, expenses and changes in net position.

Recent accounting pronouncement: In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement requires the recognition of OPEB expense. OPEB liability is required to be recognized to the extent the liability is normally expected to be liquidated with expendable available financial resources. Disclosures are required about the OPEB plan and benefit terms, contribution rates and how they are determined, and amounts attributed to employee service and forfeitures in the current period. Statement No. 75 is effective for fiscal years beginning after June 15, 2017. The future adoption of this new statement is expected to have an impact on the financial statements and disclosures.

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

Notes to Financial Statements

Note 3. Investments

| | 2016 | | 2015 | |
|------------------------------|---------------------|---------------------|---------------------|------------------------|
| | Fair Value | Unrealized Loss | Fair Value | Unrealized Gain (Loss) |
| Local Agency Investment Fund | \$ 222,666 | \$ - | \$ 2,637 | \$ - |
| Mutual funds, equities | 2,616,573 | (139,457) | 1,852,719 | 255,754 |
| Mutual funds, fixed income | 4,088,926 | (76,805) | 4,252,172 | (48,636) |
| Mutual funds, others | 1,441,893 | (52,912) | 468,751 | 11,255 |
| Cash and money balances | 38,218 | - | 5,187 | - |
| | <u>\$ 8,408,276</u> | <u>\$ (269,174)</u> | <u>\$ 6,581,466</u> | <u>\$ 218,373</u> |

Investment policy: The Student Union's investment policy (the Policy) sets forth the guidelines for the investments of the Student Union.

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

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

| | June 30, 2016 | | | | | | |
|-------------------------------|---------------|------------|------------|------------|------------|--------------|------------|
| | Market Value | <1 Year | <2 Years | <3 Years | <4 Years | <5 Years | >5 Years |
| Intermediate-term investments | \$ 4,088,926 | \$ 933,035 | \$ 151,586 | \$ 981,250 | \$ 683,470 | \$ 1,141,536 | \$ 198,049 |

| | June 30, 2015 | | | | | | |
|-------------------------------|---------------|--------------|----------|------------|----------|--------------|------------|
| | Market Value | <1 Year | <2 Years | <3 Years | <4 Years | <5 Years | >5 Years |
| Intermediate-term investments | \$ 4,252,172 | \$ 1,040,072 | \$ - | \$ 884,633 | \$ - | \$ 1,631,596 | \$ 695,871 |

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

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

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

Notes to Financial Statements

Note 3. Investments (Continued)

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

| Investment Type | 2016 | 2015 | S&P Credit Rating |
|-------------------------------|--------------|--------------|----------------------|
| Fixed Income Mutual Funds | \$ 2,061,228 | \$ 2,143,520 | AAA |
| Fixed Income Mutual Funds | 183,184 | 190,497 | AA |
| Fixed Income Mutual Funds | 423,204 | 440,100 | A |
| Fixed Income Mutual Funds | 679,579 | 706,711 | BBB |
| Fixed Income Mutual Funds | 409,301 | 425,642 | BB |
| Fixed Income Mutual Funds | 171,326 | 178,166 | B |
| Fixed Income Mutual Funds | 161,104 | 167,536 | Below B |
| Total fixed income securities | \$ 4,088,926 | \$ 4,252,172 | |

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 percent or more of the Student Union's total investments as of June 30, 2016 and 2015.

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

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

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

Notes to Financial Statements

Note 4. Capital Assets

Capital assets consist of the following at June 30:

| | 2015 | Additions | Retirements | Transfers | 2016 |
|-------------------------------|--------------|-------------|-------------|-----------|--------------|
| Computer equipment | \$ 122,201 | \$ - | \$ - | \$ 28,524 | \$ 150,725 |
| Software | 48,395 | - | - | - | 48,395 |
| Furniture and equipment | 2,029,515 | - | - | 62,779 | 2,092,294 |
| Leasehold improvements | 4,986,432 | - | - | 185,387 | 5,171,819 |
| Projects in progress | 107,557 | 1,086,534 | - | (276,690) | 917,401 |
| | 7,294,100 | 1,086,534 | - | - | 8,380,634 |
| Less accumulated depreciation | (4,298,448) | (1,057,461) | - | - | (5,355,909) |
| Net book value | \$ 2,995,652 | \$ 29,073 | \$ - | \$ - | \$ 3,024,725 |

| | 2014 | Additions | Retirements | Transfers | 2015 |
|-------------------------------|--------------|--------------|-------------|-----------|--------------|
| Computer equipment | \$ 122,201 | \$ - | \$ - | \$ - | \$ 122,201 |
| Software | 48,395 | - | - | - | 48,395 |
| Furniture and equipment | 1,912,821 | - | - | 116,694 | 2,029,515 |
| Leasehold improvements | 4,869,924 | - | - | 116,508 | 4,986,432 |
| Projects in progress | 107,720 | 233,039 | - | (233,202) | 107,557 |
| | 7,061,061 | 233,039 | - | - | 7,294,100 |
| Less accumulated depreciation | (3,771,929) | (526,519) | - | - | (4,298,448) |
| Net book value | \$ 3,289,132 | \$ (293,480) | \$ - | \$ - | \$ 2,995,652 |

Note 5. Board-Designated Net Position

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

| | 2016 | 2015 |
|-------------------------|--------------|--------------|
| Board-designated: | | |
| Capital equipment | \$ 310,560 | \$ 147,076 |
| Other designated assets | 2,090,823 | 2,907,237 |
| | \$ 2,401,383 | \$ 3,054,313 |

Other designated assets represent projects approved by the board for leasehold improvements. The projects include improvements to the Bowling Center, the addition of Arena retractable seating and new branding for the new Student Union Building.

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

Notes to Financial Statements

Note 6. Employment Benefit and Compensation Plans

Other Postemployment Benefit Obligation (OPEB)

Plan description: The Student Union provides lifetime retiree medical coverage to eligible employees and their dependents who retire at the age of 50 or older, with five or more years of employment with the Student Union. The medical plan benefits are contracted with the California Public Employees' Retirement System (CalPERS) under the Public Employees' Medical and Hospital Care Act (PEMHCA).

Funding policy: The Student Union adopted the entry age normal actuarial cost method prefunding prospectively. The entry age normal actuarial cost method, with the contributions determined as a percent of payroll, is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future, as well as those already accrued. The plan uses a 7.00 percent discount rate, assuming the Student Union continues prefunding 100 percent of each future year's Annual Required Contribution. The Student Union assumes a closed 30-year level dollar amortization of the Unfunded Actuarial Accrued Liability.

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

The Student Union has voluntarily opted for a funding policy under which it will contribute 100 percent of its actuarially determined annual required contribution. The Student Union's net OPEB liability was \$0 at June 30, 2016 and 2015. The actuarially determined contribution amount for the years ended June 30, 2016 and 2015, totaled \$237,966 and \$173,440, respectively.

Retirement plan: The Student Union has an annuity purchase plan under Section 403(b) of the IRC. Under this qualified plan, eligible employees may defer their salary through contributions to the plan, subject to IRC limits, and the Student Union will match up to 4 percent for eligible employees as well as employer discretionary contributions. The Student Union's plan contributions for fiscal years 2016 and 2015 were \$171,090 and \$160,303, respectively.

Note 7. Event Activity

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

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

Notes to Financial Statements

Note 8. Operating Leases

The following properties are leased from the Trustees of the California State University: the Student Union building, the ATM kiosk, the Aquatic Center and the Event Center building. The renewed lease agreement expires June 30, 2017, and requires the Student Union's compliance with various conditions concerning operation of the facilities. The Student Union does not pay monthly rent to the University but does reimburse the University for Cost Allocations to Non-CSU Fund Entities for Expenses incurred by the CSU Operating Fund. These cost allocations are billed quarterly. The Student Union paid the University \$638,528 and \$598,232 in 2016 and 2015, respectively, for these cost allocations. Cost allocations include reimbursement for SJSU Business and Financial Services, Chancellor's Office annual audit fees, University police security fees, property and building insurance as well as facility use fees. Facility use fees were \$273,084 and \$266,708 in 2016 and 2015, respectively, and are estimated at \$268,169 for 2017. These facility use fees are a part of the total cost allocations listed above. The opening of the east and west wings of the new Student Union is the main reason for increased facility use fees in 2016 and 2015. Facility use fees are reduced in 2017 due to the demolishing of the Aquatic Center which is slated for Fall 2016. Total cost allocations payable to the University are expected to be \$652,009 in 2017.

The Student Union leases space in its facilities to other auxiliary organizations of the University, departments of the University and organizations external to the University.

Note 9. Related Parties

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

Receivables from affiliates at June 30 are as follows:

| | 2016 | 2015 |
|---|-------------------|-------------------|
| Receivable from San José State University | \$ 4,608 | \$ 11,816 |
| Receivable from auxiliary organizations: | | |
| Spartan Shops, Inc. | 127,091 | 280,115 |
| Associated Students, Inc. | 9,666 | 1,747 |
| SJSU Research Foundation | 1,064 | 584 |
| SJSU Tower Foundation | 2,227 | 5,415 |
| | <u>\$ 144,656</u> | <u>\$ 299,677</u> |

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

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

Notes to Financial Statements

Note 9. Related Parties (Continued)

Payables to affiliates at June 30 are as follows:

| | 2016 | 2015 |
|--------------------------------------|-------------------|-------------------|
| Payable to San José State University | \$ 586,612 | \$ 795,252 |
| Payable to auxiliary organizations: | | |
| Spartan Shops, Inc. | 360 | 5,410 |
| Associated Students, Inc. | 2,060 | 2,297 |
| | <u>\$ 589,032</u> | <u>\$ 802,959</u> |

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

Note 10. Concentration of Credit Risk

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

Note 11. Contingencies

Historically, the Student Union had not participated in FICA based on an Internal Revenue Service memorandum that was issued in 1984 that excluded a subdivision of the state as being required to participate in this program for its employees. Based on legal advice in 2014, management determined that the Student Union should be participating in FICA for its employees and determined that payroll taxes would be calculated and remitted retroactive to January 1, 2010. Retroactive payments for calendar years January 1, 2010 through December 31, 2013, were made in settlement of the past due amounts. As of the date of these financial statements, the Student Union is not aware, nor has it been notified, of any other penalties and/or interest as it relates to this issue.

Note 12. Subsequent Events

In preparing the financial statements, the Student Union has evaluated events and transactions for subsequent event disclosure through September 21, 2016, the date of the auditor's report.

The Student Union of San Jose State University
(A California State University Auxillary Organization)
Schedule of Net Position
June 30, 2016
(for inclusion in the California State University)

Assets:

Current assets:

| | |
|---|------------------|
| Cash and cash equivalents | \$ 442,658 |
| Short-term investments | 260,884 |
| Accounts receivable, net | 235,271 |
| Leases receivable, current portion | - |
| Notes receivable, current portion | - |
| Pledges receivable, net | - |
| Prepaid expenses and other current assets | 101,151 |
| Total current assets | <u>1,039,964</u> |

Noncurrent assets:

| | |
|---|----------------------|
| Restricted cash and cash equivalents | 25,000 |
| Accounts receivable, net | - |
| Leases receivable, net of current portion | - |
| Notes receivable, net of current portion | - |
| Student loans receivable, net | - |
| Pledges receivable, net | - |
| Endowment investments | - |
| Other long-term investments | 8,147,392 |
| Capital assets, net | 3,024,725 |
| Other assets | 102,399 |
| Total noncurrent assets | <u>11,299,516</u> |
| Total assets | <u>\$ 12,339,480</u> |

Deferred outflows of resources:

| | |
|--------------------------------------|-------------|
| Unamortized loss on debt refunding | \$ - |
| Net pension liability | - |
| Others | - |
| Total deferred outflows of resources | <u>\$ -</u> |

Liabilities:

Current liabilities:

| | |
|---|------------------|
| Accounts payable | \$ 1,308,707 |
| Accrued salaries and benefits | 176,967 |
| Accrued compensated absences, current portion | 248,443 |
| Unearned revenue | - |
| Capitalized lease obligations, current portion | - |
| Long-term debt obligations, current portion | - |
| Claims liability for losses and loss adjustment expenses, current portion | - |
| Depository accounts | - |
| Other liabilities | 166,074 |
| Total current liabilities | <u>1,900,191</u> |

Noncurrent liabilities:

| | |
|--|------------------|
| Accrued compensated absences, net of current portion | - |
| Unearned revenue | - |
| Grants refundable | - |
| Capitalized lease obligations, net of current portion | - |
| Long-term debt obligations, net of current portion | - |
| Claims liability for losses and loss adjustment expenses, net of current portion | - |
| Depository accounts | 102,399 |
| Other postemployment benefits obligations | - |
| Net pension liability | - |
| Other liabilities | - |
| Total noncurrent liabilities | <u>102,399</u> |
| Total liabilities | <u>2,002,590</u> |

Deferred inflows of resources:

| | |
|-------------------------------------|----------|
| Service concession arrangements | - |
| Net pension liability | - |
| Unamortized gain on debt refunding | - |
| Nonexchange transactions | - |
| Others | - |
| Total deferred inflows of resources | <u>-</u> |

Net position:

| | |
|----------------------------------|----------------------|
| Net investment in capital assets | 3,024,725 |
| Restricted for: | |
| Nonexpendable - endowments | - |
| Expendable: | |
| Scholarships and fellowships | - |
| Research | - |
| Loans | - |
| Capital projects | - |
| Debt service | - |
| Others | - |
| Unrestricted | 7,312,165 |
| Total net position | <u>\$ 10,336,890</u> |

**The Student Union of San Jose State University
(A California State University Auxillary Organization)
Schedule of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2016
(for inclusion in the California State University)**

| | |
|--|----------------------|
| Revenues: | |
| Operating revenues: | |
| Student tuition and fees (net of scholarship allowances of \$_____) | \$ 8,144,892 |
| Grants and contracts, noncapital: | |
| Federal | - |
| State | - |
| Local | - |
| Nongovernmental | - |
| Sales and services of educational activities | - |
| Sales and services of auxiliary enterprises (net of scholarship allowances of \$_____) | 3,542,338 |
| Other operating revenues | 38,078 |
| Total operating revenues | <u>11,725,308</u> |
| Expenses: | |
| Operating expenses: | |
| Instruction | - |
| Research | - |
| Public service | - |
| Academic support | - |
| Student services | - |
| Institutional support | 8,144,892 |
| Operation and maintenance of plant | - |
| Student grants and scholarships | - |
| Auxiliary enterprise expenses | 1,144,468 |
| Depreciation and amortization | 1,057,461 |
| Total operating expenses | <u>10,346,821</u> |
| Operating income (loss) | <u>1,378,487</u> |
| Nonoperating revenues (expenses): | |
| State appropriations, noncapital | - |
| Federal financial aid grants, noncapital | - |
| State financial aid grants, noncapital | - |
| Local financial aid grants, noncapital | - |
| Nongovernmental and other financial aid grants, noncapital | - |
| Other federal nonoperating grants, noncapital | - |
| Gifts, noncapital | - |
| Investment income (loss), net | (169,849) |
| Endowment income (loss), net | - |
| Interest expense | - |
| Other nonoperating revenues (expenses) | - |
| Net nonoperating revenues (expenses) | <u>(169,849)</u> |
| Income (loss) before other revenues (expenses) | 1,208,638 |
| State appropriations, capital | - |
| Grants and gifts, capital | - |
| Additions (reductions) to permanent endowments | - |
| Increase (decrease) in net position | <u>1,208,638</u> |
| Net position: | |
| Net position at beginning of year, as previously reported | 9,128,252 |
| Restatements | - |
| Net position at beginning of year, as restated | <u>9,128,252</u> |
| Net position at end of year | <u>\$ 10,336,890</u> |

**The Student Union of San José State University
(A California State University Auxiliary Organization)
Other Information
June 30, 2016
(for inclusion in the California State University)**

| | | |
|----------|---|------------------|
| 1 | Restricted cash and cash equivalents at June 30, 2016: | |
| | Portion of restricted cash and cash equivalents related to endowments | \$ - |
| | All other restricted cash and cash equivalents | 25,000 |
| | Total restricted cash and cash equivalents | <u>\$ 25,000</u> |

2.1 Composition of investments at June 30, 2016:

| | Current Unrestricted | Current Restricted | Total Current | Noncurrent Unrestricted | Noncurrent Restricted | Noncurrent | Total |
|--|-------------------------|-----------------------|-------------------|----------------------------|--------------------------|---------------------|---------------------|
| State of California Surplus Money Investment Fund (SMIF) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| State of California Local Agency Investment Fund (LAIF) | 222,666 | - | 222,666 | - | - | - | 222,666 |
| Corporate bonds | - | - | - | - | - | - | - |
| Certificates of deposit | - | - | - | - | - | - | - |
| Mutual funds | - | - | - | 8,147,392 | - | 8,147,392 | 8,147,392 |
| Money Market funds | 38,218 | - | 38,218 | - | - | - | 38,218 |
| Repurchase agreements | - | - | - | - | - | - | - |
| Commercial paper | - | - | - | - | - | - | - |
| Asset backed securities | - | - | - | - | - | - | - |
| Mortgage backed securities | - | - | - | - | - | - | - |
| Municipal bonds | - | - | - | - | - | - | - |
| U.S. agency securities | - | - | - | - | - | - | - |
| U.S. treasury securities | - | - | - | - | - | - | - |
| Equity securities | - | - | - | - | - | - | - |
| Exchange traded funds (ETFs) | - | - | - | - | - | - | - |
| 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) | | | | | | | |
| Add description | - | - | - | - | - | - | - |
| Add description | - | - | - | - | - | - | - |
| Add description | - | - | - | - | - | - | - |
| Add description | - | - | - | - | - | - | - |
| Add description | - | - | - | - | - | - | - |
| Add description | - | - | - | - | - | - | - |
| Other major investments: | | | | | | | |
| Add description | - | - | - | - | - | - | - |
| Add description | - | - | - | - | - | - | - |
| Add description | - | - | - | - | - | - | - |
| Add description | - | - | - | - | - | - | - |
| Add description | - | - | - | - | - | - | - |
| Add description | - | - | - | - | - | - | - |
| Total investments | <u>260,884</u> | <u>-</u> | <u>260,884</u> | <u>8,147,392</u> | <u>-</u> | <u>8,147,392</u> | <u>8,408,276</u> |
| Less endowment investments (enter as negative number) | | | | | | | |
| Total investments | <u>\$ 260,884</u> | <u>\$ -</u> | <u>\$ 260,884</u> | <u>\$ 8,147,392</u> | <u>\$ -</u> | <u>\$ 8,147,392</u> | <u>\$ 8,408,276</u> |

2.2 Investments held by the University under contractual agreements at June 30, 2016:

| | | | | | | | |
|---|------|------|------|------|------|------|------|
| Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2016 : | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
|---|------|------|------|------|------|------|------|

**The Student Union of San José State University
(A California State University Auxiliary Organization)
Other Information
June 30, 2016
(for inclusion in the California State University)**

| 2.3 Restricted current investments at June 30, 2016 related to: | <u>Amount</u> |
|--|----------------------|
| Add description | \$ - |
| Add description | - |
| Add description | - |
| Add description | - |
| Add description | - |
| Add description | - |
| Add description | - |
| Total restricted current investments at June 30, 2016 | <u><u>\$ -</u></u> |

| 2.4 Restricted noncurrent investments at June 30, 2016 related to: | <u>Amount</u> |
|---|----------------------|
| Endowment investment | \$ - |
| Add description | - |
| Add description | - |
| Add description | - |
| Add description | - |
| Add description | - |
| Add description | - |
| Add description | - |
| Total restricted noncurrent investments at June 30, 2016 | <u><u>\$ -</u></u> |

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2.5 Fair value hierarchy in investments at June 30, 2016:

| | Total | Fair Value Measurements Using | | | (NAV) |
|--|--------------|-------------------------------|-------|--------------|-------|
| | | Active Markets | Other | Unobservable | |
| State of California Surplus Money Investment Fund (SMIF) | \$ - | \$ - | \$ - | \$ - | \$ - |
| State of California Local Agency Investment Fund (LAIF) | 222,666 | 222,666 | - | - | - |
| Corporate bonds | - | - | - | - | - |
| Certificates of deposit | - | - | - | - | - |
| Mutual funds | 8,147,392 | 8,147,392 | - | - | - |
| Money Market funds | 38,218 | 38,218 | - | - | - |
| Repurchase agreements | - | - | - | - | - |
| Commercial paper | - | - | - | - | - |
| Asset backed securities | - | - | - | - | - |
| Mortgage backed securities | - | - | - | - | - |
| Municipal bonds | - | - | - | - | - |
| U.S. agency securities | - | - | - | - | - |
| U.S. treasury securities | - | - | - | - | - |
| Equity securities | - | - | - | - | - |
| Exchange traded funds (ETFs) | - | - | - | - | - |
| 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) | | | | | |
| Add description | - | - | - | - | - |
| Add description | - | - | - | - | - |
| Add description | - | - | - | - | - |
| Add description | - | - | - | - | - |
| Add description | - | - | - | - | - |
| Add description | - | - | - | - | - |
| Other major investments: | | | | | |
| Add description | - | - | - | - | - |
| Add description | - | - | - | - | - |
| Add description | - | - | - | - | - |
| Add description | - | - | - | - | - |
| Add description | - | - | - | - | - |
| Add description | - | - | - | - | - |
| Total investments | \$ 8,408,276 | \$ 8,408,276 | \$ - | \$ - | \$ - |

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3.2 Detail of depreciation and amortization expense for the year ended June 30, 2016:

| | |
|---|---------------------|
| Depreciation and amortization expense related to capital assets | \$ 1,057,461 |
| Amortization expense related to other assets | - |
| Total depreciation and amortization | <u>\$ 1,057,461</u> |

4 Long-term liabilities activity schedule:

| | Balance June 30, 2015 | Prior Period Adjustments | Reclassifications | Balance June 30, 2015 (Restated) | Additions | Reductions | Balance June 30, 2016 | Current Portion | Long-Term Portion |
|---|--------------------------|-----------------------------|-------------------|--|-------------------|---------------------|--------------------------|--------------------|----------------------|
| Accrued compensated absences | \$ 216,428 | \$ - | \$ - | \$ 216,428 | \$ 296,439 | \$ (264,424) | \$ 248,443 | \$ 248,443 | \$ - |
| Claims liability for losses and loss adjustment expenses | - | - | - | - | - | - | - | - | - |
| Capitalized lease obligations: | | | | | | | | | |
| Gross balance | - | - | - | - | - | - | - | - | - |
| Unamortized premium / (discount) on capitalized lease obligations | - | - | - | - | - | - | - | - | - |
| Total capitalized lease obligations | - | - | - | - | - | - | - | - | - |
| Long-term debt obligations: | | | | | | | | | |
| Auxiliary revenue bonds | - | - | - | - | - | - | - | - | - |
| Commercial paper | - | - | - | - | - | - | - | - | - |
| Notes payable related to SRB | - | - | - | - | - | - | - | - | - |
| Others: (list by type) | | | | | | | | | |
| Add description | - | - | - | - | - | - | - | - | - |
| Add description | - | - | - | - | - | - | - | - | - |
| Add description | - | - | - | - | - | - | - | - | - |
| Add description | - | - | - | - | - | - | - | - | - |
| Add description | - | - | - | - | - | - | - | - | - |
| Add description | - | - | - | - | - | - | - | - | - |
| Total long-term debt obligations | - | - | - | - | - | - | - | - | - |
| Unamortized bond premium / (discount) | - | - | - | - | - | - | - | - | - |
| Total long-term debt obligations, net | - | - | - | - | - | - | - | - | - |
| Total long-term liabilities | <u>\$ 216,428</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 216,428</u> | <u>\$ 296,439</u> | <u>\$ (264,424)</u> | <u>\$ 248,443</u> | <u>\$ 248,443</u> | <u>\$ -</u> |

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5 Future minimum lease payments - capitalized lease obligations:

| | Capitalized Lease Obligations Related to SRB | | | All Other Capitalized Lease Obligations | | | Total Capitalized Lease Obligations | | |
|---|--|---------------|---------------|---|---------------|---------------|-------------------------------------|---------------|---------------|
| | Principal Only | Interest Only | Principal and | Principal Only | Interest Only | Principal and | Principal Only | Interest Only | Principal and |
| | | | Interest | | | Interest | | | Interest |
| Year ending June 30: | | | | | | | | | |
| 2017 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2018 | - | - | - | - | - | - | - | - | - |
| 2019 | - | - | - | - | - | - | - | - | - |
| 2020 | - | - | - | - | - | - | - | - | - |
| 2021 | - | - | - | - | - | - | - | - | - |
| 2022 - 2026 | - | - | - | - | - | - | - | - | - |
| 2027 - 2031 | - | - | - | - | - | - | - | - | - |
| 2032 - 2036 | - | - | - | - | - | - | - | - | - |
| 2037 - 2041 | - | - | - | - | - | - | - | - | - |
| 2042 - 2046 | - | - | - | - | - | - | - | - | - |
| 2047 - 2051 | - | - | - | - | - | - | - | - | - |
| 2052 - 2056 | - | - | - | - | - | - | - | - | - |
| 2057 - 2061 | - | - | - | - | - | - | - | - | - |
| 2062 - 2066 | - | - | - | - | - | - | - | - | - |
| Total minimum lease payments | - | - | - | - | - | - | - | - | - |
| Less amounts representing interest | | | | | | | | | - |
| Present value of future minimum lease payments | | | | | | | | | - |
| Unamortized net premium (discount) | | | | | | | | | - |
| Total capitalized lease obligations | | | | | | | | | - |
| Less: current portion | | | | | | | | | - |
| Capitalized lease obligation, net of current portion | | | | | | | | | \$ - |

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6 Long-term debt obligation schedule:

| | Auxiliary Revenue Bonds | | | All Other Long-Term Debt Obligations | | | Total Long-Term Debt Obligations | | |
|---|-------------------------|---------------|------------------------|--------------------------------------|---------------|------------------------|----------------------------------|---------------|------------------------|
| | Principal Only | Interest Only | Principal and Interest | Principal Only | Interest Only | Principal and Interest | Principal Only | Interest Only | Principal and Interest |
| | Year ending June 30: | | | | | | | | |
| 2017 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2018 | - | - | - | - | - | - | - | - | - |
| 2019 | - | - | - | - | - | - | - | - | - |
| 2020 | - | - | - | - | - | - | - | - | - |
| 2021 | - | - | - | - | - | - | - | - | - |
| 2022 - 2026 | - | - | - | - | - | - | - | - | - |
| 2027 - 2031 | - | - | - | - | - | - | - | - | - |
| 2032 - 2036 | - | - | - | - | - | - | - | - | - |
| 2037 - 2041 | - | - | - | - | - | - | - | - | - |
| 2042 - 2046 | - | - | - | - | - | - | - | - | - |
| 2047 - 2051 | - | - | - | - | - | - | - | - | - |
| 2052 - 2056 | - | - | - | - | - | - | - | - | - |
| 2057 - 2061 | - | - | - | - | - | - | - | - | - |
| 2062 - 2066 | - | - | - | - | - | - | - | - | - |
| Total minimum payments | - | - | - | - | - | - | - | - | - |
| Less amounts representing interest | | | | | | | | | - |
| Present value of future minimum payments | | | | | | | | | - |
| Unamortized net premium (discount) | | | | | | | | | - |
| Total long-term debt obligations | | | | | | | | | - |
| Less: current portion | | | | | | | | | - |
| Long-term debt obligations, net of current portion | | | | | | | | | \$ - |

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7 Calculation of net position:

7.1 Calculation of net position - net investment in capital assets:

| | |
|---|----------------------------|
| Capital assets, net of accumulated depreciation | \$ 3,024,725 |
| Capitalized lease obligations, current portion | - |
| Capitalized lease obligations, net of current portion | - |
| Long-term debt obligations, current portion | - |
| Long-term debt obligations, net of current portion | - |
| Portion of outstanding debt that is unspent at year-end | - |
| Other adjustments: (please list) | |
| Add description | - |
| Net position - net investment in capital asset | <u>\$ 3,024,725</u> |

7.2 Calculation of net position - restricted for nonexpendable - endowments:

| | |
|---|--------------------|
| Portion of restricted cash and cash equivalents related to endowments | \$ - |
| Endowment investments | - |
| Other adjustments: (please list) | |
| Add description | - |
| Net position - Restricted for nonexpendable - endowments per SNP | <u>\$ -</u> |

8 Transactions with related entities:

| | <u>Amount</u> |
|--|---------------|
| Payments to University for salaries of University personnel working on contracts, grants, and other programs | \$ 983,926 |
| Payments to University for other than salaries of University personnel | 2,239,745 |
| Payments received from University for services, space, and programs | 1,127,574 |
| Gifts-in-kind to the University from discretely presented component units | - |
| Gifts (cash or assets) to the University from discretely presented component units | - |
| Accounts (payable to) University (enter as negative number) | (586,612) |
| Other amounts (payable to) University (enter as negative number) | - |
| Accounts receivable from University | 4,608 |
| Other amounts receivable from University | - |

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9 Other postemployment benefits obligation (OPEB):

| | |
|--|--------------------|
| Annual required contribution (ARC) | \$ 237,966 |
| Contributions during the year | (237,966) |
| Increase (decrease) in net OPEB obligation (NOO) | <u>-</u> |
| Other adjustments | - |
| NOO - beginning of year | - |
| NOO - end of year | <u><u>\$ -</u></u> |

10 Pollution remediation liabilities under GASB Statement No. 49:

| <u>Description</u> | <u>Amount</u> |
|---|--------------------|
| Add description | \$ - |
| Add description | - |
| Add description | - |
| Add description | - |
| Add description | - |
| Add description | - |
| Add description | - |
| Add description | - |
| Add description | - |
| Add description | - |
| Add description | - |
| Total pollution remediation liabilities | <u>-</u> |
| Less: current portion | - |
| Pollution remediation liabilities, net of current portion | <u><u>\$ -</u></u> |

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11 The nature and amount of the prior period adjustment(s) recorded to beginning net position:

| | Net Position | |
|--|--------------|---------------------|
| | Class | Amount |
| Net position as of June 30, 20PY, as previously reported | | \$ 9,128,252 |
| Prior period adjustments: | | |
| 1 (list description of each adjustment) | | - |
| 2 (list description of each adjustment) | | - |
| 3 (list description of each adjustment) | | - |
| 4 (list description of each adjustment) | | - |
| 5 (list description of each adjustment) | | - |
| 6 (list description of each adjustment) | | - |
| 7 (list description of each adjustment) | | - |
| 8 (list description of each adjustment) | | - |
| 9 (list description of each adjustment) | | - |
| 10 (list description of each adjustment) | | - |
| Net position as of June 30, 2015, as restated | | <u>\$ 9,128,252</u> |

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

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