

**The Student Union of San José State University**

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

**June 30, 2024**

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# The Student Union of San José State University

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## Independent Auditor's Report

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

Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of The Student Union of San José State University, a component unit of California State University, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise The Student Union of San José State University's basic financial statements as listed in the index.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Student Union of San José State University as of June 30, 2024, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

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

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

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

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

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

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

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

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

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

### *Report on Summarized Comparative Information*

We have previously audited The Student Union of San José State University's June 30, 2023 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 2, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 to 9, Schedule of Changes in the Net OPEB Liability and Related Ratios on page 30, and the Schedule of OPEB Contributions on page 31 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an

appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise The Student Union of San José State University's basic financial statements. The accompanying supplementary information on pages 33 to 38 is presented for purposes of additional analysis as required by an Administrative Directive dated June 24, 2003, *Financial Reporting Requirements for Auxiliary Organizations*, from the California State University Office of the Chancellor, and is not a required part of the basic financial statements.

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

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2024, on our consideration of The Student Union of San José State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Student Union of San José State University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Student Union of San José State University's internal control over financial reporting and compliance.



Los Angeles, California  
September 17, 2024

# **The Student Union of San José State University**

## **Management's Discussion and Analysis Year Ended June 30, 2024 (Unaudited)**

### **Management's Discussion and Analysis**

This section of The Student Union of San José State University's (the "Student Union") annual financial report includes management's discussion and analysis of the financial performance of the Student Union for the fiscal year ended June 30, 2024. This discussion should be read in conjunction with the financial statements and notes to the financial statements.

### **Introduction to The Student Union of San José State University**

The Student Union is a California State University auxiliary organization that manages and maintains major facilities at the San José State University (the "University") campus located in downtown San José, California. The Student Union began its operations at San José State University in October 1969 and became incorporated in March 1982. The facilities include the Student Union building, the Spartan Recreation and Aquatic Center ("SRAC"), and the Event Center Arena. The nonprofit corporation has been in business for more than 50 years in California and receives no state funding. Revenue is derived from program fees collected from students, various service fees and the rental of space in its facilities. Students interact with the Student Union on a daily basis through the use of facilities, participation in sponsored events or through a Student Union program. The Student Union also acts as a bridge to the greater campus community, whose members make use of recreational opportunities and attend the diverse concerts and events on the San José State University campus.

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

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

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

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

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

The Student Union's financial reserves consist of cash and investments. These reserves are reviewed quarterly by the Board to ensure the financial stability of the Student Union as well as provide adequate funding for future minor capital improvements and the continued operations of its facilities.

# The Student Union of San José State University

## Management's Discussion and Analysis Year Ended June 30, 2024 (Unaudited)

### Introduction to the Financial Statements

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

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

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

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

### Overview

#### *Summary*

The following discussion highlights management's understanding of the key financial aspects of the Student Union's financial activities as of and for the year ended June 30, 2024. Included are comparative analyses of the current and prior years' activities and balances and a discussion of restrictions (if any) of the Student Union's net position.

**The Student Union of San José State University**

**Management's Discussion and Analysis  
Year Ended June 30, 2024  
(Unaudited)**

**Condensed Summary of Net Position**

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

	2024	2023	Change
<b>Assets:</b>			
Current assets	\$ 974,747	\$ 2,078,928	\$ (1,104,181)
Capital assets, net	724,346	1,087,058	(362,712)
Noncurrent assets	5,994,678	5,706,488	288,190
<b>Total assets</b>	<b>7,693,771</b>	<b>8,872,474</b>	<b>(1,178,703)</b>
Deferred outflows of resources	1,486,382	1,700,265	(213,883)
<b>Liabilities:</b>			
Current liabilities	907,335	838,974	68,361
<b>Total liabilities</b>	<b>907,335</b>	<b>838,974</b>	<b>68,361</b>
Deferred inflows of resources	1,635,265	1,798,299	(163,034)
<b>Net position:</b>			
Net investment in capital assets	724,346	1,087,058	(362,712)
Unrestricted - Student Services	5,913,207	6,848,408	(935,201)
<b>Total net position</b>	<b>\$ 6,637,553</b>	<b>\$ 7,935,466</b>	<b>\$ (1,297,913)</b>

**Assets:** Total assets decreased by \$1.2 million overall from fiscal year 2023 to fiscal year 2024 primarily due to decreases in operating cash, carrying value of investments, carrying value of capital assets, offset by an increase in the other post-employment benefits ("OPEB") asset. Operating cash decreased \$0.2 million, investments decreased \$0.9 million, and the carrying value of capital assets decreased \$0.4 million, offset by increases of \$0.3 million in net OPEB asset.

Current assets decreased by \$1.1 million from fiscal year 2023 to fiscal year 2024 primarily due to decreases of \$0.2 million in operating cash and \$0.9 million in investments.

Capital assets decreased by \$0.4 million from fiscal year 2023 to fiscal year 2024 due to current year depreciation and amortization expense.

Noncurrent assets increased by \$0.3 million from fiscal year 2023 to fiscal year 2024 primarily due to an increase of \$0.2 million in the net OPEB asset.

**Liabilities:** Current liabilities increased by \$0.1 million from fiscal year 2023 to fiscal year 2024 primarily due to an increase of \$0.1 million in accrued payroll and related expenses as well as other accrued liabilities.

**Net position:** Total net position decreased by \$1.3 million from fiscal year 2023 to fiscal year 2024 due to a decrease in net investment in capital assets of \$0.4 million and a decrease in unrestricted balance of \$0.9 million.



**The Student Union of San José State University**

**Management's Discussion and Analysis  
Year Ended June 30, 2024  
(Unaudited)**

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:**

	2024	2023	Change
Operating revenues:			
Total operating revenues	\$ 11,573,751	\$ 13,229,912	\$ (1,656,161)
Operating expenses:			
Total operating expenses	13,507,970	12,203,144	(1,304,826)
Total operating (loss) income	(1,934,219)	1,026,768	(2,960,987)
Nonoperating revenues:			
Loss on sale of capital assets	-	(55,241)	55,241
Investment income (loss), net	636,306	277,690	358,616
(Decrease) increase in net position	(1,297,913)	1,249,217	2,547,130
Net position:			
Beginning of year	7,935,466	6,686,249	(1,249,217)
End of year	\$ 6,637,553	\$ 7,935,466	\$ 1,297,913

**Operating revenues:** Total operating revenues decreased by \$1.7 million from fiscal year 2023 to fiscal year 2024 due to a decrease in student union fee funding offset by an increase in service fees.

Student union fee funding revenue used for operations decreased by \$1.8 million from fiscal year 2023 to fiscal year 2024 due to decreased funding and represented approximately 83% of total operating revenues in fiscal year 2024 compared to 86% in fiscal year 2023.

Rental income remained flat from fiscal year 2023 to fiscal year 2024 and consists of unrelated party event rents, bowling alley shoe rentals, and AV tech service rentals. Wireless cell tower rents were collected and paid to campus during fiscal year 2024. Upon adoption of GASB 87, Student Union determined that while they had contractual agreements to collect ATM and wireless cell tower rents with third party vendors, in substance these leases were held with the University. All payments collected during fiscal year 2024 related to those agreements were recorded as a liability and paid to campus during the fiscal year. In addition, lease receivables and deferred inflows under GASB 87 were not recorded on Student Union's books as a result of these contracts. The Student Union had no leases that qualified as a lease under GASB 87, *Leases*.

Remaining operating revenues increased by \$0.1 million from fiscal year 2023 to fiscal year 2024 due to an increase in service fees of \$0.1 million.

**Operating expenses:** Total operating expenses increased by \$1.3 million overall from fiscal year 2023 to fiscal year 2024 due primarily to an increase in wages and benefits as well as insurance, event costs, equipment purchases, business services, project expenditures, and club and intramural sports program costs, offset by a decrease in depreciation.

**The Student Union of San José State University**

**Management's Discussion and Analysis  
Year Ended June 30, 2024  
(Unaudited)**

Wages and benefits increased by approximately \$0.5 million from fiscal year 2023 to fiscal year 2024. There were increases of \$0.1 million in insurance, \$0.2 million in event costs, \$0.1 million of equipment purchases, \$0.4 million of business services, and \$0.1 million in club and intramural sports programs. There was a decrease of \$0.1 million in depreciation from fiscal year 2023 to fiscal year 2024.

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

Investment income for the year ended June 30, 2024 was \$0.6 million, an increase of \$0.3 million from the prior year ended June 30, 2023. The \$0.6 million investment income is comprised of \$0.2 million in interest and dividend income and \$0.4 million in realized and unrealized gains.

The \$0.3 million increase in investment income during the year ended June 30, 2024 is predominantly due to increased interest and dividend income as well as increased realized and unrealized gains.

## **Basic Financial Statements**

**The Student Union of San José State University**

**Statement of Net Position  
June 30, 2024  
With Summarized Totals at June 30, 2023**

	<u>Assets</u>	
	2024	2023
<b>Current assets</b>		
Cash and cash equivalents	\$ 753,222	\$ 892,648
Investments	18	973,675
Accounts receivable	31,659	51,904
Prepaid expenses and other current assets	189,848	160,701
Total current assets	974,747	2,078,928
<b>Noncurrent assets</b>		
Investments	5,340,221	5,311,445
Capital assets, net	724,346	1,087,058
Net OPEB asset	654,457	395,043
Total noncurrent assets	6,719,024	6,793,546
Total assets	\$ 7,693,771	\$ 8,872,474
<b>Deferred outflows of resources</b>		
OPEB deferred outflows—differences between projected and actual experience and changes in assumptions	\$ 1,027,284	\$ 1,265,183
OPEB deferred outflows—other post-employment benefits (OPEB) contributions after the measurement date	459,098	435,082
Total deferred outflows of resources	1,486,382	1,700,265
<u>Liabilities and Net Position</u>		
<b>Current liabilities</b>		
Accounts payable	146,532	143,815
Accrued payroll and related expenses	572,128	536,885
Other accrued liabilities	188,675	158,274
Total current liabilities	907,335	838,974
Total liabilities	907,335	838,974
<b>Deferred inflows of resources</b>		
OPEB deferred inflows—changes in assumptions and differences in expected and actual experience	1,635,265	1,798,299
<b>Net position</b>		
Net investment in capital assets	724,346	1,087,058
Unrestricted - Student Services	5,913,207	6,848,408
Total net position	\$ 6,637,553	\$ 7,935,466

See Notes to Financial Statements.

**The Student Union of San José State University**

**Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2024  
With Summarized Totals for the Year Ended June 30, 2023**

	2024	2023
Operating revenues		
Student union fee funding	\$ 9,577,426	\$ 11,373,385
Service fees	662,989	584,935
Rental income	190,127	185,959
Event services revenue	108,736	78,814
Club and intramural sports revenue	1,034,156	1,004,585
Other	317	2,234
Total operating revenues	11,573,751	13,229,912
Operating expenses		
Wages, benefits and taxes	8,040,745	7,589,948
Insurance	221,490	159,817
Supplies	308,742	330,386
Communications	384,269	376,895
Repairs and maintenance	235,410	221,532
Event costs	784,886	572,967
Small equipment purchases	72,311	11,920
Depreciation and amortization	362,712	411,024
Business services	1,932,839	1,552,345
Club and intramural sports program	995,047	868,008
Miscellaneous	101,532	83,960
Project expenditures	67,987	24,342
Total operating expenses	13,507,970	12,203,144
Operating (loss) income	(1,934,219)	1,026,768
Nonoperating revenues (expenses)		
Loss on sale of capital assets	-	(55,241)
Investment income, net	636,306	277,690
Net nonoperating revenues	636,306	222,449
Change in net position	(1,297,913)	1,249,217
Net position, beginning of year	7,935,466	6,686,249
Net position, end of year	\$ 6,637,553	\$ 7,935,466

See Notes to Financial Statements.

## The Student Union of San José State University

### Statement of Cash Flows Year Ended June 30, 2024 With Summarized Totals for the Year Ended June 30, 2023

	2024	2023
Cash flows from operating activities		
Sales and services of auxiliary enterprises	\$ 11,485,260	\$ 15,714,695
Payments to suppliers	(5,100,542)	(5,274,046)
Payments to employees	(5,360,864)	(4,920,452)
Payments to students	(2,598,215)	(2,598,215)
Other payments	(146,252)	(94,120)
	<u>(1,720,613)</u>	<u>2,827,862</u>
Net cash (used in) provided by operating activities		
Cash flows from capital and related financing activities		
Acquisitions of capital assets	-	(25,991)
	<u>-</u>	<u>(25,991)</u>
Net cash used in capital and related financing activities		
Cash flows from investing activities		
Interest income	253,395	174,550
Proceeds from sales of investments	8,304,580	11,920,431
Purchases of investments	(6,976,788)	(15,210,000)
	<u>1,581,187</u>	<u>(3,115,019)</u>
Net cash provided by (used in) investing activities		
Net decrease in cash and cash equivalents	(139,426)	(313,148)
Cash and cash equivalents, beginning	<u>892,648</u>	<u>1,205,796</u>
Cash and cash equivalents, end	<u>\$ 753,222</u>	<u>\$ 892,648</u>
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities		
Operating (loss) income	\$ (1,934,219)	\$ 1,026,768
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities		
Depreciation and amortization	362,712	411,024
Change in assets and liabilities		
Accounts receivable	20,245	2,631,002
Prepaid expenses and other current assets	(29,147)	(92,277)
Deferred outflows of resources	213,883	(1,031,932)
Accounts payable	2,717	(962,370)
Accrued payroll and related expenses	35,243	71,281
Other accrued liabilities	30,401	(17,229)
Deferred inflows of resources	(163,034)	(265,038)
Net OPEB asset/liability	(259,414)	1,056,633
	<u>(1,720,613)</u>	<u>2,827,862</u>
Net cash (used in) provided by operating activities		

See Notes to Financial Statements.

# The Student Union of San José State University

## Notes to Financial Statements June 30, 2024

### Note 1 - Nature of the Organization

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

### Note 2 - Summary of Significant Accounting Policies

#### Basis of accounting

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

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

#### Classification of current and noncurrent assets and liabilities

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

#### Cash and cash equivalents

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

#### Club sports cash

A bank account was established to hold instructionally related activities ("IRA") funds upon mutual agreement with the University in a Memorandum of Understanding ("MOU") dated August 1, 2006, and subsequently amended on December 1, 2018, allowing the Student Union to manage and oversee the University's Club Sports Program. The Student Union inherited Intramural Sports from Associated Students Inc. in 2017. These funds are to be used for allowable expenditures as outlined in the MOU, including insurance premiums for participants, programmatic and administrative support, hiring full-time and support staff, and hiring officials. Under the terms of the MOU, the Student Union may receive a program fee allocation from the University totaling \$375,000 for Club Sports and \$125,000 for Intramurals. During the year ended June 30, 2024, Student Union received \$375,000 for Club Sports and \$125,000 for Intramurals. In addition to IRA funds, the Student Union collects student dues for club sports and these funds are retained in a separate bank account from the IRA

## The Student Union of San José State University

### Notes to Financial Statements June 30, 2024

funds. A proposal was approved on June 24, 2022 to provide one-time funding for development of an e-sports program for the two-year period covering fiscal year 2022-2023 through 2023-2024. Under the terms of this proposal, funding for the e-sports program was approved at \$130,000 for the fiscal year ended June 30, 2023 with an increase to \$133,900 for the fiscal year ending June 30, 2024. During the fiscal year ended June 30, 2024, \$133,900 was received from the e-sports program. The IRA, student dues, and e-sports accounts are reported as cash and cash equivalents and designated for club sports programs within unrestricted net position on the statement of net position. At June 30, 2024, unspent cash totaled \$393,537.

#### **Investments**

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

#### **Accounts receivable and receivable from affiliates**

Accounts receivable and the receivable from affiliates are recorded when services are performed at the actual amount expected to be collected. Management has determined that no allowance for doubtful accounts is necessary at June 30, 2024.

#### **Capital assets**

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

#### **Depreciation and amortization**

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

#### **Compensated absences**

The Student Union accrues vacation benefits for eligible employees at various rates, depending upon the length of service. Eligible full-time employees accrue sick leave at the rate of 96 hours at January 1 each year. The Student Union adopted the mandated sick leave for non-benefited employees as of July 1, 2015. All non-benefited employees accrue 24 hours of sick leave annually. Unused sick leave balances at December 31 of each year are forfeited. Employees are not paid for unused sick leave upon termination of employment. At June 30, 2024, the Student Union had a balance of \$292,229 of compensated absences included in accrued payroll and related expenses in the statement of net position. The Student Union considers compensated absences at June 30, 2024 to be current due to unused amounts of sick leave being forfeited every 12 months. During 2024, \$262,401 of compensated absences were earned and \$249,247 were used.

#### **Net position**

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

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



# The Student Union of San José State University

## Notes to Financial Statements June 30, 2024

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

*Unrestricted* – All other categories of net position. In addition, unrestricted net position may be designated for use by management of the Student Union. Board-designated net position consists of funds designated for local reserve projects, including capital equipment if the project cost does not exceed the capitalization policy, as well as funds designated for club sports program.

### **Revenue**

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

### **Classification of revenues and expenses**

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

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

### **Other post-employment benefits other than pensions**

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

### **Concentrations**

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

### **Income taxes**

The Student Union is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and Section 23701(d) of the California Revenues and Taxation Code, respectively. Accordingly, no provision for income taxes has been recorded. Form 990, filed by the Student Union, is subject to examination by the Internal Revenue Service up to three years from the extended due date of each return. Generally, the Student Union is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for fiscal years before 2021.

The Student Union has evaluated its tax positions and the certainty as to whether those tax positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated are related to the Student Union's continued qualification as a tax-exempt organization and whether there are unrelated business income activities conducted that

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## Notes to Financial Statements June 30, 2024

would be taxable. Management has determined that all income tax positions will more likely than not be sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

### Use of estimates

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

### Comparative totals

The financial statements include certain prior year summarized comparative information in total but not by net position class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Student Union's financial statements for the year ended June 30, 2023 from which the summarized information was derived.

### Reclassifications

Certain amounts in the 2023 financial statements have been reclassified to conform to the 2024 presentation.

### Note 3 – Liquidity and availability

The Student Union regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Student Union has various sources of liquidity at its disposal, including cash and cash equivalents and receivables. At June 30, 2024, the Student Union had the following financial assets and liquidity resources available over the next 12 months:

Cash and cash equivalents	\$	753,222
Accounts receivable		31,659
Less: club sports cash		<u>(393,537)</u>
	\$	<u><u>391,344</u></u>

### Note 4 - Investments

Investments consist of the following at June 30, 2024:

UBS Financial Services, Inc. ("UBS")		
Exchange traded funds	\$	2,091,877
Fixed income mutual and exchange traded funds		1,747,098
Mutual funds		129,536
Equity securities		612,024
Hedge funds		284,044
Private equity funds		402,856
Cash		<u>72,804</u>
	\$	<u><u>5,340,239</u></u>

## The Student Union of San José State University

### Notes to Financial Statements June 30, 2024

#### Investment policy

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

#### 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, 2024						
	Market Value	<1 Year	<2 Years	<3 Years	<4 Years	<5 Years	>5 Years
Fixed income mutual and exchange traded funds	\$ 1,747,098	\$ 1,319,923	\$ -	\$ -	\$ -	\$ -	\$ 427,175

#### Credit risk

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

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

The credit risk profile for fixed income mutual and exchange traded funds at June 30, 2024 is as follows:

Investment Type	Amount	Credit Rating
Fixed Income Mutual and Exchange Traded Funds	\$ 357,806	AAA
Fixed Income Mutual and Exchange Traded Funds	573,398	AA
Fixed Income Mutual and Exchange Traded Funds	443,064	A
Fixed Income Mutual and Exchange Traded Funds	360,426	BBB
Fixed Income Mutual and Exchange Traded Funds	3,319	BB
Fixed Income Mutual and Exchange Traded Funds	2,970	B
Fixed Income Mutual and Exchange Traded Funds	6,115	Below B
Total fixed income mutual and exchange traded funds	\$ 1,747,098	

#### Concentration of credit risk

The Policy of the Student Union contains certain limitations on the amount that can be invested in any one issuer. The Student Union did not have any investments in any one issuer (other than mutual funds) that represent 5% or more of the Student Union's total investments as of June 30, 2024.

#### 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

## The Student Union of San José State University

### Notes to Financial Statements June 30, 2024

Union's operations, deposit balances in checking accounts can exceed the Federal Deposit Insurance Corporation ("FDIC") insured limits. In accordance with the Policy, all certificates of deposit are FDIC-insured and limited to \$250,000 at any one institution. At June 30, 2024, deposits exceeded the FDIC-insured amount by \$673,206, which is uninsured and collateralized by securities held by the pledging financial institutions.

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

#### **Fair value measurement**

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

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

The fair value of exchange traded funds, fixed income mutual and exchange traded funds, mutual funds, equity securities, and hedge funds were derived from quoted prices in active markets; therefore, they are classified as Level 1.

The fair value of private equity funds is determined using the net asset value ("NAV") of shares held by the Student Union at the value reported by the fund, which can lag for 45 days. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards.

**The Student Union of San José State University**

**Notes to Financial Statements  
June 30, 2024**

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

Description	June 30, 2024	Fair Value Measurement at Reporting Date Using		
		Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Exchange traded funds	\$ 2,091,877	\$ 2,091,877	\$ -	\$ -
Fixed income mutual and exchange traded funds	1,747,098	1,747,098	-	-
Mutual funds	129,536	129,536	-	-
Equity securities	612,024	612,024	-	-
Hedge funds	284,044	284,044	-	-
<b>Total investments by fair value level</b>	<b>4,864,579</b>	<b>\$ 4,864,579</b>	<b>\$ -</b>	<b>\$ -</b>
Investments measured at net asset value (NAV)				
Private equity funds	402,856			
Cash	72,804			
<b>Total investments</b>	<b>\$ 5,340,239</b>			

The following table lists investments in companies that are valued at NAV at June 30, 2024:

Asset category	NAV in funds	No. of funds	Redemption terms	Redemption instructions	Redemption restrictions in place at year end	Unfunded commitments at year end
Private equity funds	\$ 402,856	3	Not eligible for redemption	Not redeemable	Not redeemable	\$ 20,456

The Student Union reviews valuations and assumptions provided by investment fund managers for reasonableness and believes that the carrying amounts of these financial instruments are reasonable estimates of fair value. For the year ended June 30, 2024, there have been no changes in the valuation methodologies.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Student Union believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**The Student Union of San José State University**

**Notes to Financial Statements  
June 30, 2024**

**Note 5 - Capital Assets**

Capital assets consist of the following at June 30, 2024:

	2023	Additions	Retirements	Transfers	2024
Computer equipment	\$ 49,184	\$ -	\$ -	\$ -	\$ 49,184
Furniture and equipment	4,180,498	-	-	-	4,180,498
Leasehold improvements	3,266,796	-	-	-	3,266,796
	<u>7,496,478</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,496,478</u>
Less accumulated depreciation and amortization					
Computer equipment	(29,210)	(5,438)	-	-	(34,648)
Furniture and equipment	(3,406,953)	(237,123)	-	-	(3,644,076)
Leasehold improvements	(2,973,257)	(120,151)	-	-	(3,093,408)
	<u>(6,409,420)</u>	<u>(362,712)</u>	<u>-</u>	<u>-</u>	<u>(6,772,132)</u>
Net book value	<u>\$ 1,087,058</u>	<u>\$ (362,712)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 724,346</u>

**Note 6 - OPEB Plan**

**Other post-employment benefit obligation**

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

**General information about the OPEB plan**

**Plan description**

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

**Benefits provided**

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

**Contributions**

The Student Union adopted the entry age normal actuarial cost method prefunding prospectively. The entry age normal actuarial cost method, with the contributions determined as a percent of payroll, is a projected benefit cost method, which takes into account those benefits that are expected to be

The Student Union of San José State University

Notes to Financial Statements  
June 30, 2024

earned in the future, as well as those already accrued. The plan uses a 6.25% discount rate for year ended June 30, 2024, assuming the Student Union continues prefunding 100% of each future year's annual required contribution. The Student Union assumes an open 30-year level dollar amortization of the unfunded actuarial accrued liability.

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

The Student Union has voluntarily opted for a funding policy under which it will contribute 100% of its actuarially determined annual required contribution. Contributions to the OPEB plan from the Student Union for the year ended June 30, 2024 were \$459,098.

**Employees covered by benefit terms**

At June 30, 2024, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	15
Active employees	44
	<hr/>
	59
	<hr/> <hr/>

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

The Student Union's net OPEB asset was \$654,457 at June 30, 2024. The Student Union's net OPEB asset was measured as of June 30, 2023 and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2023 for the year ended June 30, 2024 as allowed per the standard.

**The Student Union of San José State University**

**Notes to Financial Statements  
June 30, 2024**

The changes in net OPEB asset are as follows for the year ended June 30, 2024:

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at June 30, 2023 <i>Measurement date June 30, 2022</i>	\$ 3,763,949	\$ 4,158,992	\$ (395,043)
Expected changes during the period			
Service cost	313,192	-	313,192
Interest cost	262,629	-	262,629
Expected investment income	-	281,604	(281,604)
Employer contributions	-	435,082	(435,082)
Administrative fees	-	(19,378)	19,378
Benefit payments	(135,082)	(135,082)	-
Total expected changes during the period	440,739	562,226	(121,487)
	4,204,688	4,721,218	(516,530)
Unexpected changes during the period			
Changes due to investment experience	-	98,754	(98,754)
Plan experience:			
Premiums and estimated claims	38,220	-	38,220
Terminations and retirements	(4,090)	-	(4,090)
Retiree mortality	(46,282)	-	(46,282)
New entrants	78,639	-	78,639
Medical plan election changes	17,440	-	17,440
Other plan experience	(12,951)	-	(12,951)
Change due to plan experience	70,976	-	70,976
Assumption changes:			
Change in discount rate	150,475	-	150,475
Change in spouse coverage assumption	(119,775)	-	(119,775)
Change in healthcare trend	90,314	-	90,314
Updated demographic assumptions	(231,163)	-	(231,163)
Change due to assumption changes	(110,149)	-	(110,149)
Total unexpected changes during the period	(39,173)	98,754	(137,927)
Balance at June 30, 2024 <i>Measurement date June 30, 2023</i>	\$ 4,165,515	\$ 4,819,972	\$ (654,457)

For the year ended June 30, 2024, the Student Union recognized OPEB expense of \$250,533 which is included in wages, benefits and taxes on the statement of revenues, expenses and changes in net position.



**The Student Union of San José State University**

**Notes to Financial Statements  
June 30, 2024**

OPEB expense for the year ended June 30, 2024 is as follows:

Service cost	\$ 313,192
Interest on OPEB liability	262,629
Projected earnings	(281,604)
Administrative expenses	19,378
Deferred (inflows) outflows of resources	
Change in assumptions	(45,830)
Differences between expected and actual experience	(139,379)
Differences between projected and actual earnings	122,147
	<u>122,147</u>
OPEB expense	<u>\$ 250,533</u>

At June 30 2024, the Student Union reported deferred inflows of resources and deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 62,947	\$ (876,214)
Changes of assumptions	199,742	(406,680)
Net difference between projected and actual earnings on OPEB plan investments	764,595	(352,371)
Total	<u>\$ 1,027,284</u>	<u>\$ (1,635,265)</u>

Of the total amount reported as deferred outflows at June 30, 2024, related to OPEB, \$459,098 resulting from Student Union contributions subsequent to the measurement date of June 30, 2023 and before the end of the fiscal year will be included as a reduction of the net OPEB liability for the year ended June 30, 2025.

Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending June 30:	
2025	\$ (74,784)
2026	(92,778)
2027	43,909
2028	(204,959)
2029	(143,998)
Thereafter	(135,371)
Total	<u>\$ (607,981)</u>

**The Student Union of San José State University**

**Notes to Financial Statements  
June 30, 2024**

**Actuarial assumptions**

The June 30, 2024 total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.00%
Investment rate of return	6.25%
Health care cost trend rates	6.50% in 2025 fluctuating down to 3.9% by 2075
Dental rate	4.00%

Mortality rates for June 30, 2024 were based on the CalPERS 2021 Mortality Pre- and Post-retirement Table for Males or Females, as appropriate.

The retirement rates used in the most recent CalPERS Public Agency Miscellaneous were 2.0% at 55 for actives hired before January 1, 2013, and 2.0% at 62 for actives hired on or after January 1, 2013.

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

As of June 30, 2024, the long-term expected rates of return for each major investment class in the plan's portfolio are as follows:

Investment Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	41.0%	6.00%
Fixed income	39.0%	1.30%
Real assets	8.0%	3.60%
International equity	12.0%	4.90%
Total	100.0%	

**Discount rate**

The discount rate used to measure the total June 30, 2024, OPEB liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that Student Union contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**The Student Union of San José State University**

**Notes to Financial Statements  
June 30, 2024**

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

The following presents the net OPEB liability of the Student Union, as well as what the Student Union's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.25%) or one percentage point higher (7.25%) than the current discount rate:

	1% Decrease 5.25%	Discount Rate 6.25%	1% Increase 7.25%
Net OPEB liability (asset)	\$ (84,714)	\$ (654,457)	\$ (1,124,787)

**Sensitivity of the net OPEB liability to changes in the health care cost trend rates**

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

	1% Decrease	Health Care Cost Trend	1% Increase
Net OPEB liability (asset)	\$ (1,194,557)	\$ (654,457)	\$ 16,618

**Retirement plan**

The Student Union has an annuity purchase plan under Section 403(b) of the IRC. Under this qualified plan, eligible employees may defer their salary through contributions to the plan, subject to IRC limits, and the Student Union will match up to 4% for eligible employees as well as employer discretionary contributions. The Student Union's plan contributions for fiscal year 2024 were \$225,051 and are included in wages, benefits and taxes on the statement of revenues, expenses and changes in net position.

**Note 7 - Related Parties**

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

Receivables from affiliates at June 30, 2024 are as follows:

Receivable from San José State University	\$ 23,632
Receivable from auxiliary organizations	
Associated Students, Inc.	435
Research Foundation	747
	\$ 24,814

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

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## Notes to Financial Statements June 30, 2024

Payables to affiliates at June 30, 2024 are as follows:

Payable to San José State University	\$	7,955
Payable to auxiliary organizations Associated Students, Inc.		<u>3,460</u>
	\$	<u>11,415</u>

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

For the year ended June 30, 2024, the related party transactions included:

Payments to the University for other than salaries of University personnel	\$	873,292
Payments received from the University for services, space, and programs	\$	10,570,565

### Note 8 - Self-Insured Workers' Compensation and Unemployment Insurance Plans

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

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

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

Although considerable variability is inherent in such estimates, the Student Union believes its premiums are reasonably adequate to cover future claims. Funds in excess of those needed to maintain a conservative funding of liabilities are returned to members on an annual basis. The Student Union did not receive any refund distributions during the fiscal year ended June 30, 2024.

**The Student Union of San José State University**

**Notes to Financial Statements  
June 30, 2024**

At June 30, 2024, there were 54 full time employees and 303 part time and student employees that were covered by the CSURMA–AORMA workers' compensation and unemployment insurance program. For the fiscal year ending June 30, 2025, deposits to the workers compensation program have been calculated to be \$97,919 and are invoiced quarterly by CSURMA during the fiscal year.

During the fiscal year ending June 30, 2025, deposits to the Unemployment Insurance Program have been calculated to be \$15,452 and are invoiced quarterly by CSURMA during the fiscal year.

In June 2024, the Student Union was notified of a special assessment related to the AORMA Property Program totaling \$23,143, which the Student Union funded by June 30, 2024; therefore, there is no liability accrued as there are no unfunded claims as of June 30, 2024.

**Required Supplementary Information**

**The Student Union of San José State University**

**Schedule of Changes in the Net OPEB Liability and Related Ratios  
June 30, 2024**

	2024	2023	2022	2021	2020
Total OPEB liability:					
Service cost	\$ 313,192	\$ 304,070	\$ 252,842	\$ 213,651	\$ 222,014
Interest	262,629	235,196	282,923	256,530	247,140
Differences between expected and actual experience	-	-	(1,101,878)	(16,081)	(77,164)
Change in benefit terms	70,976	-	-	-	-
Changes in assumptions	(110,149)	-	(134,099)	288,802	(174,689)
Benefit payments	(135,082)	(124,061)	(101,717)	(85,144)	(64,787)
<b>Net change in total OPEB liability</b>	<b>401,566</b>	<b>415,205</b>	<b>(801,929)</b>	<b>657,758</b>	<b>152,514</b>
Total OPEB liability - beginning	3,763,949	3,348,744	4,150,673	3,492,915	3,340,401
<b>Total OPEB liability - ending (a)</b>	<b>4,165,515</b>	<b>3,763,949</b>	<b>3,348,744</b>	<b>4,150,673</b>	<b>3,492,915</b>
Plan fiduciary net position:					
Contributions - employer	435,082	424,061	501,717	628,940	308,583
Net investment income	380,358	(920,761)	922,532	125,802	121,901
Benefit payments	(135,082)	(124,061)	(101,717)	(85,144)	(64,787)
Administrative expense	(19,378)	(20,667)	(1,599)	(9,851)	(9,700)
<b>Net change in plan fiduciary net position</b>	<b>660,980</b>	<b>(641,428)</b>	<b>1,320,933</b>	<b>659,747</b>	<b>355,997</b>
Plan fiduciary net position - beginning	4,158,992	4,800,420	3,479,487	2,819,740	2,463,743
<b>Plan fiduciary net position - ending (b)</b>	<b>4,819,972</b>	<b>4,158,992</b>	<b>4,800,420</b>	<b>3,479,487</b>	<b>2,819,740</b>
<b>Student Union's net OPEB (asset) liability - ending (a) - (b)</b>	<b>\$ (654,457)</b>	<b>\$ (395,043)</b>	<b>\$ (1,451,676)</b>	<b>\$ 671,186</b>	<b>\$ 673,175</b>
<i>Information presented prospectively beginning with 2018 due to implementation of GASB 75.</i>					
Plan fiduciary net position as a percentage of the total OPEB liability	116%	110%	143%	84%	81%
Covered payroll	\$ 3,609,951	\$ 3,136,187	\$ 3,492,100	\$ 3,552,453	\$ 2,978,976
Student Union's net OPEB liability as a percentage of covered payroll	-18%	-13%	-42%	19%	23%

# The Student Union of San José State University

## Schedule of OPEB Contributions June 30, 2024

	2024	2023	2022	2021	2020
Actuarially determined contribution	\$ 218,407	\$ 206,941	\$ 212,244	\$ 283,978	\$ 283,023
Contributions in relation to the actuarially determined contribution	459,098	435,082	424,061	501,717	308,583
Contribution excess	\$ (240,691)	\$ (228,141)	\$ (211,817)	\$ (217,739)	\$ (25,560)
Covered payroll	\$ 3,880,702	\$ 3,609,951	\$ 3,780,708	\$ 3,492,100	\$ 3,552,453
Contributions as a percentage of covered payroll	11.83%	12.05%	11.22%	14.37%	8.69%

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

**Notes to schedule:**

Valuation date: 6/30/2023  
 Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level Dollar
Amortization period	Open 30 year
Asset valuation method	Market value of assets as of the measurement date
Inflation	2.50%
Health care cost trend rates at June 30, 2024	6.5% in 2025 fluctuating down to 3.9% by 2075
Dental rate	4.00%
Salary increases	3.00%
Investment rate of return	6.25%
Retirement age	50 to 75
Mortality	Retirement rates that were used in the most recent CalPERS Public Agency Miscellaneous 2% at 55 for actives hired before January 1, 2013, and 2% at 62 for actives hired on or after January 1, 2013
Mortality Improvement	The mortality rates used in this valuation are those used in the most recent 2021 CalPERS experience study MW Scale 2022 generational
Benefit changes	None
Changes in actuarial assumptions and methods	Discount rate changed from 6.55% to 6.25%



## **Supplementary Information**

# The Student Union of San José State University

## Schedule of Net Position June 30, 2024 (for inclusion in the California State University Financial Statements)

<b>Assets:</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 753,222
Short-term investments	18
Accounts receivable, net	31,659
Lease receivable, current portion	-
P3 receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	-
Prepaid expenses and other current assets	189,848
<b>Total current assets</b>	<b>974,747</b>
<b>Noncurrent assets:</b>	
Restricted cash and cash equivalents	-
Accounts receivable, net	-
Lease receivable, net of current portion	-
P3 receivable, net of current portion	-
Notes receivable, net of current portion	-
Student loans receivable, net	-
Pledges receivable, net	-
Endowment investments	-
Other long-term investments	5,340,221
Capital assets, net	724,346
Other assets	654,457
<b>Total noncurrent assets</b>	<b>6,719,024</b>
<b>Total assets</b>	<b>7,693,771</b>
<b>Deferred outflows of resources:</b>	
Unamortized loss on debt refunding	-
Net pension liability	-
Net OPEB liability	1,486,382
Leases	-
P3	-
Others	-
<b>Total deferred outflows of resources</b>	<b>1,486,382</b>
<b>Liabilities:</b>	
<b>Current liabilities:</b>	
Accounts payable	146,532
Accrued salaries and benefits	279,899
Accrued compensated absences, current portion	292,229
Unearned revenues	-
Lease liabilities, current portion	-
SBITA liabilities - current portion	-
P3 liabilities - current portion	-
Long-term debt obligations, current portion	-
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	188,675
<b>Total current liabilities</b>	<b>907,335</b>
<b>Noncurrent liabilities:</b>	
Accrued compensated absences, net of current portion	-
Unearned revenues	-
Grants refundable	-
Lease liabilities, net of current portion	-
SBITA liabilities, net of current portion	-
P3 liabilities, net of current portion	-
Long-term debt obligations, net of current portion	-
Claims liability for losses and loss adjustment expenses, net of current portion	-
Depository accounts	-
Net other postemployment benefits liability	-
Net pension liability	-
Other liabilities	-
<b>Total noncurrent liabilities</b>	<b>-</b>
<b>Total liabilities</b>	<b>907,335</b>
<b>Deferred inflows of resources:</b>	
P3 service concession arrangements	-
Net pension liability	-
Net OPEB liability	1,635,265
Unamortized gain on debt refunding	-
Nonexchange transactions	-
Lease	-
P3	-
Others	-
<b>Total deferred inflows of resources</b>	<b>1,635,265</b>
<b>Net position:</b>	
Net investment in capital assets	724,346
Restricted for:	
Nonexpendable – endowments	-
Expendable:	
Scholarships and fellowships	-
Research	-
Loans	-
Capital projects	-
Debt service	-
Others	-
Unrestricted	5,913,207
<b>Total net position</b>	<b>\$ 6,637,553</b>

**The Student Union of San José State University**

**Schedule of Revenues, Expenses and Changes in Net Position**  
**Year Ended June 30, 2024**  
**(for inclusion in the California State University Financial Statements)**

<b>Revenues:</b>	
<b>Operating revenues:</b>	
Student tuition and fees, gross	\$ -
Scholarship allowances (enter as negative)	-
<b>Grants and contracts, noncapital:</b>	
Federal	-
State	-
Local	-
Nongovernmental	-
Sales and services of educational activities	-
Sales and services of auxiliary enterprises, gross	1,996,325
Scholarship allowances (enter as negative)	-
Other operating revenues	9,577,426
<b>Total operating revenues</b>	<u>11,573,751</u>
<b>Expenses:</b>	
<b>Operating expenses:</b>	
Instruction	-
Research	-
Public service	-
Academic support	-
Student services	13,145,258
Institutional support	-
Operation and maintenance of plant	-
Student grants and scholarships	-
Auxiliary enterprise expenses	-
Depreciation and amortization	362,712
<b>Total operating expenses</b>	<u>13,507,970</u>
<b>Operating income (loss)</b>	<u>(1,934,219)</u>
<b>Nonoperating revenues (expenses):</b>	
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	636,306
Endowment income (loss), net	-
Interest expense	-
Other nonoperating revenues (expenses)	-
<b>Net nonoperating revenues (expenses)</b>	<u>636,306</u>
<b>Income (loss) before other revenues (expenses)</b>	<u>(1,297,913)</u>
State appropriations, capital	-
Grants and gifts, capital	-
Additions (reductions) to permanent endowments	-
<b>Increase (decrease) in net position</b>	<u>(1,297,913)</u>
<b>Net position:</b>	
Net position at beginning of year, as previously reported	7,935,466
Restatements	-
<b>Net position at beginning of year, as restated</b>	<u>7,935,466</u>
<b>Net position at end of year</b>	<u>\$ 6,637,553</u>

**The Student Union of San José State University**

**Other Information  
June 30, 2024  
(for inclusion in the California State University Financial Statements)**

**1 Cash and cash equivalents:**

Current cash and cash equivalents	\$ 753,222
<b>Total</b>	<b>\$ 753,222</b>

**2.1 Composition of investments:**

Investment Type	Current	Noncurrent	Total
Money market funds	\$ 18	\$ 72,786	\$ 72,804
Mutual funds	-	987,343	987,343
Exchange traded funds	-	2,981,168	2,981,168
Equity securities	-	612,024	612,024
Alternative investments:			
Private equity (including limited partnerships)	-	402,856	402,856
Hedge funds	-	284,044	284,044
<b>Total investments</b>	<b>18</b>	<b>5,340,221</b>	<b>5,340,239</b>
Less endowment investments (enter as negative number)	-	-	-
<b>Total investments, net of endowments</b>	<b>\$ 18</b>	<b>\$ 5,340,221</b>	<b>\$ 5,340,239</b>

**2.2 Fair value hierarchy in investments:**

Investment Type	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Money market funds	\$ 72,804	\$ 72,804	\$ -	\$ -	\$ -
Mutual funds	987,343	987,343	-	-	-
Exchange traded funds	2,981,168	2,981,168	-	-	-
Equity securities	612,024	612,024	-	-	-
Alternative investments:					
Private equity (including limited partnerships)	402,856	-	-	-	402,856
Hedge funds	284,044	284,044	-	-	-
<b>Total investments</b>	<b>\$ 5,340,239</b>	<b>\$ 4,937,383</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 402,856</b>

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

**Not Applicable**

The Student Union of San José State University

Other Information

June 30, 2024

(for inclusion in the California State University Financial Statements)

3.1 Capital Assets, excluding ROU assets:

Composition of capital assets, excluding ROU assets:

	Balance June 30, 2023	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2023 (Restated)	Additions	Retirements	Transfer of completed CWIP/PWIP	Balance June 30, 2024
<b>Depreciable/Amortizable capital assets:</b>									
Leasehold improvements	\$ 3,266,796	\$ -	\$ -	\$ -	\$ 3,266,796	\$ -	\$ -	\$ -	\$ 3,266,796
Personal property:									
Equipment	4,229,682	-	-	-	4,229,682	-	-	-	4,229,682
<b>Total depreciable/amortizable capital assets</b>	<b>7,496,478</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,496,478</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,496,478</b>
<b>Total capital assets</b>	<b>7,496,478</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,496,478</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,496,478</b>
<b>Less accumulated depreciation/amortization: (enter as negative number, except for reductions enter as positive number)</b>									
Leasehold improvements	(2,973,257)	-	-	-	(2,973,257)	(120,151)	-	-	(3,093,408)
Personal property:									
Equipment	(3,436,163)	-	-	-	(3,436,163)	(242,561)	-	-	(3,678,724)
<b>Total accumulated depreciation/amortization</b>	<b>(6,409,420)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,409,420)</b>	<b>(362,712)</b>	<b>-</b>	<b>-</b>	<b>(6,772,132)</b>
<b>Total capital assets, net excluding ROU assets</b>	<b>\$ 1,087,058</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,087,058</b>	<b>\$ (362,712)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 724,346</b>

3.2 Detail of depreciation and amortization expense:

Depreciation and amortization expense related to capital assets	\$ 362,712
<b>Total depreciation and amortization</b>	<b>\$ 362,712</b>

The Student Union of San José State University

Other Information

June 30, 2024

(Continued)

(for inclusion in the California State University Financial Statements)

4 Long-term liabilities:

	Balance June 30, 2023	Prior Period Adjustments/Reclassi- fications	Balance June 30, 2023 (Restated)	Additions	Reductions	Balance June 30, 2024	Current Portion	Noncurrent Portion
1. Accrued compensated absences	\$ 279,075		\$ 279,075	\$ 262,401	\$ (249,247)	\$ 292,229	\$ 292,229	\$ -
<b>Total long-term liabilities</b>						<u>\$ 292,229</u>	<u>\$ 292,229</u>	<u>\$ -</u>

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

Not Applicable

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

Not Applicable

7 Transactions with related entities:

Payments to University for other than salaries of University personnel	\$ 873,292
Payments received from University for services, space, and programs	\$ 10,570,565
Accounts payable to University	\$ (7,955)
Accounts receivable from University	\$ 23,632

8 Restatements

Not Applicable

**The Student Union of San José State University**

**Other Information**

**June 30, 2024**

**(Continued)**

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

**9 Natural classifications of operating expenses:**

	Salaries	Benefits - Other	Benefits - Pension	Benefits - OPEB	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total operating expenses
Student services	\$ 6,290,975	\$ 1,274,186	\$ 225,051	\$ 250,533	\$ -	\$ 5,104,513	\$ -	\$ 13,145,258
Depreciation and amortization	-	-	-	-	-	-	362,712	362,712
<b>Total operating expenses</b>	<b>\$ 6,290,975</b>	<b>\$ 1,274,186</b>	<b>\$ 225,051</b>	<b>\$ 250,533</b>	<b>\$ -</b>	<b>\$ 5,104,513</b>	<b>\$ 362,712</b>	<b>\$ 13,507,970</b>

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

**1. Deferred Outflows of Resources**

Deferred outflows - net OPEB liability	\$ 1,486,382
<b>Total deferred outflows of resources</b>	<b>\$ 1,486,382</b>

**2. Deferred Inflows of Resources**

Deferred inflows - net OPEB liability	\$ 1,635,265
<b>Total deferred inflows of resources</b>	<b>\$ 1,635,265</b>

**11 Other nonoperating revenues (expenses)**

**Not Applicable**

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities of The Student Union of San José State University (the "Student Union"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Student Union's basic financial statements, and have issued our report thereon dated September 17, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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



Purpose of this Report

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

*CohnReznick LLP*

Los Angeles, California  
September 17, 2024



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