

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

Financial Report
June 30, 2013



Independent Auditor's Report

The Board of Directors
The Student Union of San José State University
San Jose, CA

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, 2013 and 2012, 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Student Union of San José State University as of June 30, 2013 and 2012, 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.

(continued)

Other Matters

The management's discussion and analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted by the Government 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.

McGladrey LLP

Tacoma, Washington
September 20, 2013

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

Management 's Discussion and Analysis
Years Ended June 30, 2013 and 2012

Management's Discussion and Analysis

This section of The Student Union of San José State University (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, 2013 and 2012. This discussion should be read in conjunction with the financial statements and notes.

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 Arena and a small ATM building. The nonprofit corporation has been in business for more than 43 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, either 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 communities, whose members

The Student Union of San José

The Student Union of San José State University
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Management 's Discussion and Analysis
 Years Ended June 30, 2013 and 2012

Condensed Summary of Net Position

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

	2013	2012	2011
Assets:			
Current assets	\$ 978,237	\$ 1,630,103	\$ 1,000,940
Noncurrent assets	10,125,114	9,149,856	10,239,034
Total assets	\$ 11,103,351	\$ 10,779,959	\$ 11,239,974
Liabilities:			
Current liabilities	\$ 1,042,753	\$ 1,133,331	\$ 1,296,813
Noncurrent liabilities	121,171	123,197	825,290
Total liabilities	\$ 1,163,924	\$ 1,256,528	\$ 2,122,103
Net position:			
Unrestricted:			
Investments in capital	\$ 2,716,290	\$ 2,485,086	\$ 2,571,165
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The Student Union of San José State University
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Management 's Discussion and Analysis
 Years Ended June 30, 2013 and 2012

Net position : Total net position increased \$416K from FY 2012 to FY 2013 due to an increase in investments in capital of \$231K, an increase of \$1.6 million in Board-designated projects, and a decrease in unallocated net position of \$1.4 million. Total net position increased \$406K from FY 2011 to FY 2012 due to a decrease in investments in capital of \$86K, an increase of \$356K in Board-designated projects, and an increase in unallocated net position of \$136K.

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

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

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

Condensed summary of revenues, expenses and changes in net position:

	2013	2012	2011
Operating revenues:			
Student Union fees	\$ 4,347,845	\$ 4,431,804	\$ 4,813,427
Service fees	310,617	355,888	347,839
Reimbursement of event costs	567,740	544,232	562,957
Rental income	1,491,814	1,724,168	1,704,428
Reimbursement of wages and benefits	359,646	407,796	388,932
Commissions	126,890	169,610	111,342
Other	49,354	135,554	76,981
Total operating revenues	\$ 6,559,106	\$ 6,559,106	\$ 6,559,106
Operating expenses:			
Salaries and benefits	\$ 1,811,000	\$ 1,811,000	\$ 1,811,000
Travel	10,000	10,000	10,000
Telephone	10,000	10,000	10,000
Printing	10,000	10,000	10,000
Repairs and maintenance	10,000	10,000	10,000
Utilities	10,000	10,000	10,000
Depreciation	10,000	10,000	10,000
Insurance	10,000	10,000	10,000
Miscellaneous	10,000	10,000	10,000
Total operating expenses	\$ 1,851,000	\$ 1,851,000	\$ 1,851,000
Change in net position	\$ 4,708,106	\$ 4,708,106	\$ 4,708,106
Net position at beginning of year	\$ 1,851,000	\$ 1,851,000	\$ 1,851,000
Net position at end of year	\$ 6,559,106	\$ 6,559,106	\$ 6,559,106

(A California State University Auxiliary Organization)

Statements of Net Position
June 30, 2013 and 2012

Assets	2013	2012
Current Assets		
Cash and cash equivalents (Note 10)	\$ 129,536	\$ 934,989
Investments (Notes 3 and 10)	660,760	479,181
Accounts receivable (Note 9)	138,704	157,293
Prepaid expenses and other	49,237	58,640
Total current assets	978,237	1,630,103
Noncurrent Assets		
Restricted cash	25,000	25,000
Investments (Notes 3 and 10)	7,262,653	6,516,573
Funds held in trust	121,171	123,197
Capital assets, net (Notes 4 and 5)	2,716,290	2,485,086
Total noncurrent assets	10,125,114	9,149,856
Total assets	\$ 11,103,351	\$ 10,779,959
Liabilities and Net Position		
Current Liabilities		
Accounts payable (Note 9)	\$ 567,792	\$ 641,986
Accrued payroll and related expenses	384,757	408,914
Other accrued liabilities (Note 9)	90,204	82,431
Total current liabilities	1,042,753	1,133,331
Funds held in trust liability	121,171	123,197
Total liabilities	1,163,924	1,256,528
Net Position		
Investment in capital assets	2,716,290	2,485,086
Unrestricted:		
Board-designated (Note 5)	3,300,622	1,728,552
Unallocated	3,922,515	5,309,793

The Student Union of San José State University
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Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2013 and 2012

	2013	2012
Operating Revenues		
Student Union fees	\$ 4,347,845	\$ 4,431,804
Service fees	310,617	355,888
Reimbursement of event costs	567,740	544,232
Rental income	1,491,814	1,724,168
Reimbursed wages and benefits	359,646	407,796
Commissions	126,890	169,610
Other	49,354	135,554
Total operating revenues	7,253,906	7,769,052
Operating Expenses		
Wages and benefits (Note 6)	3,684,431	3,642,125
Insurance	201,148	217,760
Supplies	237,514	254,063
Communications	38,779	37,903
Repairs and maintenance	129,368	138,393
Utilities	864,276	872,316
Event costs	649,471	624,297
Small equipment purchases	42,862	61,073
Depreciation	396,030	368,509
Business services (Note 8)	1,185,071	1,184,261
Miscellaneous	42,004	40,859
Project expenditures	66,747	50,332
Total operating expenses	7,537,701	7,491,891
Operating income (loss)	(283,795)	277,161
Nonoperating Income		
Investment income, net	699,791	128,399

The Student Union of San José State University
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Statements of Cash Flows

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 purpose of the Student Union is to provide cultural, educational, social and recreational services to the San José State University (the University) campus community and manage and operate the Student Union building, the Event Center building, the Aquatic Center and the ATM building.

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, 2013 and 2012.

Restricted cash: The Student Union contracts with Ticketmaster to gain access to its hardware and software. The Student Union serves as a Ticketmaster outlet which 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:

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Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

- Instructionally Related Activities (IRA) Trust Account—This account was established upon

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Notes to Financial Statements

Note 2.

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

Note 3. Investments

	Fair Value	Unrealized Gain (Loss)	Fair Value	Unrealized Gain (Loss)
Local Agency Investment Fund	\$ 247,103	\$ -	\$ 246,292	\$ -
Corporate bonds and notes	-	-	243,995	(6,006)

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

Note 3. Investments (Continued)

Certain fixed income securities, including obligations of the U.S. government or those explicitly

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Notes to Financial Statements

Note 4. Capital Assets

Capital assets consist of the following at June 30:

	2012	Additions	Deletions	2013
Computer equipment	\$ 81,040	\$ 41,161	\$ -	122,201
Software	48,395	-	-	48,395
Furniture and equipment	1,211,300	121,405	-	1,332,705
Leasehold improvements	4,068,243	348,037	-	4,416,280
Projects in progress	9,786	624,466	(507,835)	126,417
	5,418,764	1,135,069	(507,835)	6,045,998
Less accumulated depreciation	(2,933,678)	(396,030)	-	(3,329,708)
Net book value	\$ 2,485,086	\$ 739,039	\$ (507,835)	2,716,290
	2011	Additions	Deletions	2012

Computer equipment

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 age 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 (ARC). 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.

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

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 and administrative personnel).

Receivables from affiliates at June 30 are as follows:

	2013	2012
Receivable from San José State University	\$ 16,580	\$ 833
Receivable from auxiliary organizations:		
Spartan Shops, Inc.	62,648	71,916
Associated Students, Inc.	7,018	2,511
SJSU Research Foundation	1,091	3,177
SJSU Tower Foundation	1,413	3,716
	<u>\$ 88,750</u>	<u>\$ 82,153</u>

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

Note 11.

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

Schedule of Net Position
June 30, 2013
(For inclusion in the California State University)

Assets	
Current assets:	
Cash and cash equivalents	\$ 129,536
Short-term investments	660,760
Accounts receivable, net	138,704
Leases receivable, current portion	-
Notes receivable, current portion	-
Pledges receivable, net	-
Prepaid expenses and other assets	49,237
Total current assets	<u>978,237</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	7,262,653
Capital assets, net	2,716,290
Other assets	121,171
Total noncurrent assets	<u>10,125,114</u>
Total assets	<u>\$ 11,103,351</u>
Deferred outflows of resources:	
Unamortized loss on refunding(s)	\$ -
Total deferred outflows of resources	<u>\$ -</u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 567,792
Accrued salaries and benefits payable	174,213
Accrued compensated absences – current portion	210,544
Unearned revenue	-
Capitalized lease obligations – current portion	-
Long-term debt obligations – current portion	-
Self-insurance claims liability – current portion	-
Depository accounts	-
Other liabilities	90,204
Total current liabilities	<u>1,042,753</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	-
Self-insurance claims liabilities, net of current portion	-
Depository accounts	121,171
Other postemployment benefits obligation	-
Other liabilities	-
Total noncurrent liabilities	<u>121,171</u>
Total liabilities	<u>1,163,924</u>
Deferred outflows of resources:	
Deferred inflows from SCAs, grants and others	-
Total deferred outflows of resources	<u>-</u>
Net position:	
Net investment in capital assets	2,716,290
Restricted for:	
Nonexpendable – endowments	-
Expendable:	
Scholarships and fellowships	-
Research	-
Loans	-
Capital projects	-
Debt service	-
Other	-
Unrestricted	7,223,137
Total net position	<u>\$ 9,939,427</u>

The Student Union of San José State University
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Other Information

Year Ended June 30, 2013

(For inclusion in the California State University)

1. Restricted cash and cash equivalents at June 30, 2013:

	\$	25,000
	\$	25,000

The Student Union of San José State University
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Other Information (Continued)
 Year Ended June 30, 2013
 (For inclusion in the California State University)

2.2 Investments held by the University under contractual agreements at June 30, 2013:

Portion of investments in Note 2.1 held
 by the University under contractual
 agreements at June 30, 2013

\$	-	\$	-	\$	-	\$	-	\$	-

2.3 Restricted current investments at June 30, 2013 related to:

	Amount
Add description	\$ -
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Total restricted current investments at June 30, 2013	\$ -

2.4 Restricted noncurrent investments at June 30, 2013, related to:

	Amount
Endowment investments	\$ -
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Add description	-
Total restricted noncurrent investments at June 30, 2013	\$ -

The Student Union of San José State University
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Other Information (Continued)
Year Ended June 30, 2013
(For inclusion in the California State University)

3.1 Composition of capital assets at June 30, 2013:

	Balance June 30, 2012	Prior Period Adjustments	Reclassifications	Balance June 30, 2012 (Restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2013
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Works of art and historical treasures	-	-	-	-	-	-	-	-
Construction work in progress	9,786	-	-	9,786	624,466	(507,835)	-	126,417
Intangible assets:								
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Internally generated intangible assets in progress	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total nondepreciable/nonamortizable capital assets	9,786	-	-	9,786	624,466	(507,835)	-	126,417
Depreciable/amortizable capital assets:								
Buildings and building improvements	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	4,068,243	-	-	4,068,243	348,037	-	-	4,416,280
Personal property:								
Equipment	1,340,735	-	-	1,340,735	162,566	-	-	1,503,301
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets	-	-	-	-	-	-	-	-
Total intangible assets	-	-	-	-	-	-	-	-
Total depreciable/amortizable capital assets	5,408,978	-	-	5,408,978	510,603	-	-	5,919,581

The Student Union of San José State University
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Other Information (Continued)
Year Ended June 30, 2013
(For inclusion in the California State University)

8. Transactions with related entities:

	Total
Reimbursements to University for salaries of University personnel working on contracts, grants and other programs	\$ 545,248
Reimbursements to University for other than salaries of University personnel	1,403,621
Payments received from University for services, space and programs	552,231
Gifts-in-kind to University from Auxiliary Organizations	-
Gifts (cash or assets) to University from recognized Auxiliary Organizations	3,500
Accounts (payable to) University (enter as negative number)	(368,297)
Other amounts (payable to) University (enter as negative number)	-
Accounts receivable from University	16,580
Other amounts receivable from University	-

9. Other Postemployment Benefits Obligation (OPEB):

Annual required contribution (ARC)	\$ 185,036
Contributions during the year	(185,036)
Increase in net OPEB obligation (NOO)	-
NOO - beginning of year	-
NOO - end of year	\$ -

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Other Information (Continued)
Year Ended June 30, 2013
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10. Pollution remediation liabilities under GASB Statement No. 49:

Description	Amount
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>

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, 2012, as previously reported		\$ 9,523,431
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)		-
Net position as of June 30, 2012, as restated		<u><u>\$ 9,523,431</u></u>

The Student Union of San José State University
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Other Information (Continued)
 Year Ended June 30, 2013
 (For inclusion in the California State University)

Provide a detailed breakdown of the journal entries booked to record each prior period adjustment:

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