

The Student Union of San José State University

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

June 30, 2023







## Supplementary Information

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

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

## Report on Summarized Comparative Information

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

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 2, 2023, on our consideration of The Student Union of San José State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Student Union of San José State University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering The Student Union of San José State University's internal control over financial reporting and compliance.



Los Angeles, California  
October 2, 2023

The Student Union of San José State University

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

Management's Discussion and Analysis

This section of The Student Union of San José State University's (the "Student Union") annual financial report includes management's discussion and analysis of the financial performance of the Student Union for the fiscal year ended June 30, 2023. This discussion should be read in conjunction with the financial statements and notes to the financial statements.

Introduction to The Student Union of San José State University

The Student Union is a California State University auxiliary organization that manages and maintains

The Student Union of San José State University

Management's Discussion and Analysis  
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(Unaudited)

Introduction to the Financial Statements

The Student Union's financial statements include the statements of net position, statements of revenues,

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

Condensed Summary of Net Position

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

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

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

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



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(Unaudited)

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

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

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

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

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

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

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

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

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





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

#### Investments

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

#### Accounts receivable and receivable from affiliates

Accounts receivable and the receivable from affiliates are recorded when services are performed at the actual amount expected to be collected. Management has determined that no allowance for doubtful accounts is necessary at June 30, 2023.

#### Capital assets

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

#### Depreciation and amortization

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

#### Accounts payable

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

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### Notes to Financial Statements

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#### Compensated absences

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

#### Net position

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

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

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

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

#### Revenue

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

#### Classification of revenues and expenses

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

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



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June 30, 2023

Other post-employment benefits other than pensions

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

Concentrations

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

Income taxes

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

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

Use of estimates

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

Reclassifications

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

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Notes to Financial Statements  
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Note 3 - Investments

Investments consist of the following at June 30, 2023:

|                                      |                                |
|--------------------------------------|--------------------------------|
| UBS Financial Services, Inc. ("UBS") |                                |
| Mutual funds, equities               | \$ 560,092                     |
| Mutual funds, fixed income           | 351,240                        |
| Mutual funds, others                 | 163,217                        |
| Mutual funds, commodities            | 20,516                         |
| Cash                                 | <u>5,190,055</u>               |
| <br>Total UBS                        | <br><u>6,285,120</u>           |
|                                      | <br><u><u>\$ 6,285,120</u></u> |

Investment policy

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

The Student Union held investments in Local Agency Investment Fund ("LAIF") at June 30, 2022, and closed its account during the fiscal year ended June 30, 2023. The LAIF investments are classified as deposits covered by depository insurance and are: (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's Trust Department or agent but not in the depositor-government's name.

Interest rate risk

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

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

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

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

| Description                | June 30, 2023       | Fair Value Measurement at Reporting Date Using |  |  |
|----------------------------|---------------------|--|--|--|
|                            |                     | Quoted Prices<br>(Level 1)                     | Significant Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Mutual funds, equities     | \$ 560,092          | \$ 560,092                                     | \$ -   | \$ -   |
| Mutual funds, fixed income | 351,240             | 351,240  | -  | -  |
| Mutual funds, others       | 163,217             | 163,217  | -  | -  |
| Mutual funds, Commodities  | 20,516              | 20,516   | -  | -  |
|                            | 1,095,065           | <u>\$ 1,095,065</u>                            | <u>\$ -</u>  | <u>\$ -</u>  |
| Cash                       | <u>5,190,055</u>    |  |  |  |
| Total investments          | <u>\$ 6,285,120</u> |  |  |  |

Note 4 - Capital Assets

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

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

The Student Union of San José State University

Notes to Financial Statements  
June 30, 2023

General information about the OPEB plan

Plan description

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

Benefits provided

The Student Union of San José State University

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

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

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

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

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

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

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

Of the total amount reported as deferred outflows at June 30, 2023, related to OPEB, \$435,082 resulting from Student Union contributions subsequent to the measurement date of June 30, 2022 and before the end of the fiscal year will be included as a reduction of the net OPEB liability for the year ended June 30, 2023. Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

|                       |                     |
|-----------------------|---------------------|
| Years ending June 30: |                     |
| 2024                  | \$ (38,880)         |
| 2025                  | (50,602)            |
| 2026                  | (68,596)            |
| 2027                  | 68,091              |
| 2028                  | (180,778)           |
| Thereafter            | <u>(262,351)</u>    |
| Total                 | <u>\$ (533,116)</u> |

Actuarial assumptions

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

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

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

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

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The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weight; the expected future real rates of return by the target asset allocation percentage; and by adding expected inflation. As of June 30, 2023, the long-term expected rates of return for each major investment class in the plan's portfolio are as follows:

|              | Target<br>Allocation | Long-Term<br>Expected Real<br>Rate of Return |
|--------------|----------------------|--|
| Equity       | 27.9%                | 7.80%  |
| Fixed income | 33.1%                | 3.80%  |
| REITs        | 39.0%                | 6.60%  |



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Retirement plan

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

Note 6 - Related Parties

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

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

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

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

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

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

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

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

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

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Required Supplementary Information

The Student Union of San José State University

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

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

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

|   |              |              |              |              |     |
|---|--------------|--------------|--------------|--------------|-----|
| Plan fiduciary net position as a percentage of the total OPEB liability | 110%         | 143%         | 84%          | 81%          | 74% |
| Covered payroll   | \$ 3,136,187 | \$ 3,492,100 | \$ 3,552,453 | \$ 2,978,976 |     |
| Student Union's net OPEB liability as a percentage of coveredments      |              |              |              | (124,061)    |     |

The Student Union of San José State University

Schedule of OPEB Contributions  
June 30, 2023

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

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

Notes to schedule:

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

Methods and assumptions used to determine contribution rates:

|  |   |
|--|---|
| Actuarial cost method                                  | Entry age normal  |
| Amortization method                                    | Level Dollar  |
| Amortization period                                    | Open 30 year  |
| Asset valuation method                                 | Market value of assets as of the measurement date   |
| Inflation  | 2.50%   |
| Health care cost trend rates at June 30, 2021          | 5.80% in 2023 fluctuating down to 3.9% by 2076  |
| Health care cost trend rates at June 30, 2020 and 2019 | 6.80% initial, decreasing 0.25% per year to an ultimate rate of 5.00%   |
| Dental rate  | 4.00%   |
| Salary increases                                       | 3.00%   |
| Investment rate of return                              | 6.55%   |
| Retirement age   | 50 to 75  |
| Mortality  | Retirement rates that were used in the most recent CalPERS Public Agency Miscellaneous 2% at 60 for actives hired before January 1, 2013, and 2% at 62 for actives hired on or after January 1, 2013<br>The mortality rates used in this valuation are those used in the most recent 2017 CalPERS study (CalPERS 2017 for June 30, 2022-2020 and CalPERS 2014 for June 30, 2019 and 2018) |
| Mortality Improvement                                  | MW Scale 2022 generational  |
| Benefit changes  | None  |
| Changes in actuarial assumptions and methods           | None  |





The Student Union of San José State University

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

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



The Student Union of San José State University

Other Information  
 June 30, 2023  
 (for inclusion in the California State University Financial Statements)

1 Cash and cash equivalents:

|   |                   |
|---|-------------------|
| All other restricted cash and cash equivalents  | 334,085           |
| Noncurrent restricted cash and cash equivalents | 334,085           |
| Current cash and cash equivalents               | 558,563           |
| Total   | <u>\$ 892,648</u> |

2.1 Composition of investments:

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

2.2 Fair value hierarchy in investments:

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

The Student Union of San José State University

Other Information

June 30, 2023

(Continued)

(for inclusion in the California State University Financial Statements)

2.3

Not Applicable

3.1 Capital Assets, excluding ROU assets:

Composition of capital assets, excluding ROU assets:

|   | Balance<br>June 30, 2022 | Reclassifications | Prior Period Additions | Prior Period Retirements | Balance<br>June 30, 2022 (Restated) | Additions | Retirements | Transfer of completed<br>CWIP/PWIP | Balance<br>June 30, 2023 |
|---|--------------------------|-------------------|------------------------|--------------------------|-------------------------------------|-----------|-------------|------------------------------------|--------------------------|
| Depreciable/Amortizable capital assets: |                          |                   |                        |                          |                                     |           |             |                                    |                          |
| Leasehold improvements                  | 3,395,931                |                   |                        |                          | 3,395,931                           |           | (129,135)   |                                    | 3,266,796                |

The Student Union of San José State University

Other Information

June 30, 2023

(Continued)


(for inclusion in the California State University Financial Statements)

3.2 Detail of depreciation and amortization expense:

|  |            |
|--|------------|
| Depreciation and amortization expense - capital assets, excluding ROU assets | \$ 411,024 |
| Total depreciation and amortization  | \$ 411,024 |

4 Long-term liabilities:

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



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the business-type activities of The Student Union of San José State University (the "Student Union") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Student Union's basic financial statements, and have issued our report thereon dated October 2, 2023, which includes an other matter paragraph as indicated on page 2.

#### Report on Internal Control over Financial Reporting

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

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

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

#### Report on Compliance and Other Matters

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

## Purpose of this Report

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

*CohnReznick LLP*

Los Angeles, California  
October 2, 2023

