

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

Financial Statements  
June 30, 2021

## Contents

|   |       |
|---|-------|
| Independent auditor's report  | 1-2   |
| Management's discussion and analysis  | 3-9   |
| <hr/>   |       |
| Financial statements  |       |
| Statement of net position   | 10    |
| Statement of revenues, expenses and changes in net position   | 11    |
| Statement of cash flows   | 12    |
| Notes to financial statements   | 13-24 |
| <hr/>   |       |
| Required supplementary information  |       |
| Schedule of changes in net OPEB liability and related ratios  | 25    |
| Schedule of contributions   | 26    |
| <hr/>   |       |
| Supplementary information   |       |
| GASB schedule of net position   | 27    |
| GASB schedule of revenues, expenses and changes in net position   | 28    |
| Other information   | 29-37 |
| Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i> | 38-39 |
| <hr/>   |       |



## Independent Auditor's Report

RSM US LLP

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Associated Students of San José State University, which comprise the statement of net position as of June 30, 2021, the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with accounting principles generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Associated Students of San José State University as of June 30, 2021, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of Matter

As discussed in Note 2 to the financial statements, the Associated Students of San José State University adopted Governmental Accounting Standards Board (GASB) Statement 84, *Fiduciary Activities*, as of July 1, 2020, retroactively applied beginning on July 1, 2019. Our opinion was not modified with respect to this matter.

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

We previously audited the Associated Students of San José State University's 2020 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated September 16, 2020. In our opinion, the summarized comparative information presented herein as of and for the year end June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived, with the exception of the restatement of prior information, due to the adoption of GASB Statement 84, *Fiduciary Activities*, as of July 1, 2019, as discussed in Note 2.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 9, schedule of changes in net Other Post-Employment Benefits liability and related ratios on page 25, and schedule of contributions on page 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying 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. The supplementary information on pages 27 to 37 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 28, 2021, on our consideration of Associated Students 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 Associated Students 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 Associated Students of San José State University's internal control over financial reporting and compliance.

*RSM US LLP*

Tacoma, Washington  
September 28, 2021

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

**Management's Discussion and Analysis (unaudited)  
Year Ended June 30, 2021**

---

**Management's Discussion and Analysis**

This section of Associated Students of San José State University's (Associated Students) annual financial report presents management's discussion and analysis of the financial performance of Associated Students for the fiscal year ended June 30, 2021. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes.

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

Associated Students is a California State University auxiliary organization that was organized and created to be the student voice for San José State University (the University). We are governed by a student-elected board of 13 members. Associated Students was established in 1857 and incorporated as a nonprofit public benefit corporation in 1980. Associated Students owns an 11,450 square-foot Child Development Center located one block from the main campus. We operate 10 departments that serve the needs and demands of students to enhance their educational and co-curricular experiences. They include Student Government; the General Services Center; Transportation Solutions; Marketing; the Print and Technology Center; the Child Development Center; Events; Cesar Chavez Community Action Center; Human Resources; and Administration. Revenues are derived from mandatory program fees collected by the campus from each matriculated student; ancillary revenues from fee for service and programs; federal, state and local grants; and student organization contributions.

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

Associated Students' board of directors (the Board) is composed of 13 voting members, including three officers: Associated Students' president and CEO; vice president and Board chair; and controller and CFO. In addition, there is one nonvoting University designee that serves as a liaison for the University. The Board meets biweekly to review and develop policy, approve the annual budget and appoint student representatives to Associated Students and University committees. There are nine standing committees of the Board: Academic Affairs, Audit, Campus Life Affairs, Finance, Internal Affairs, Lobby Corps, Operations, Personnel and Programming Board. The executive director manages and is administratively responsible for day-to-day operations of Associated Students supported by approximately 35 full-time, one part-time and 61 student employees.

Associated Students' financial reserves consist of monies held in the University Pooled Income Fund, bank balances and cash on hand. Our Other Post-Retirement Benefit (OPEB) plan assets are held in the CSU Auxiliary Organization Association, Agent Multi-Employer VEBA Trust Fund. Fiduciary net position of the plan is reviewed each year by the Associated Students' actuary to determine future contributions.

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

**Management's Discussion and Analysis (unaudited)  
Year Ended June 30, 2021**

---

**Introduction to the Financial Statements**

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

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

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

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

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

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

**Analytical Overview Summary**

The following discussion highlights management's understanding of the key financial aspects of Associated Students' financial activities as of and for the year ended June 30, 2021. Included are comparative analyses of the current- and prior-year activities and balances and a discussion of the reason for the change in the balances from year to year.

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

**Management's Discussion and Analysis (unaudited)  
Year Ended June 30, 2021**

**Condensed Summary of Net Position**

Associated Students' condensed summary of net position is as follows as of June 30:

|  | 2021                 | 2020<br>(as restated) |
|--|----------------------|-----------------------|
| Current assets                                   | \$ 12,625,812        | \$ 10,715,938         |
| Noncurrent assets                                | 3,735,271            | 3,893,301             |
| Total assets                                     | <u>16,361,083</u>    | <u>14,609,239</u>     |
| Deferred outflows of resources                   | <u>1,408,040</u>     | <u>1,007,340</u>      |
| Current liabilities                              | 1,194,756            | 1,867,197             |
| Noncurrent liabilities                           | 1,380,075            | 839,466               |
| Total liabilities                                | <u>2,574,831</u>     | <u>2,706,663</u>      |
| Deferred inflows of resources                    | <u>9,940</u>         | -                     |
| Net position:                                    |                      |                       |
| Net investment in capital assets                 | 1,304,527            | 1,314,127             |
| Restricted: funds held for student organizations | 1,165,888            | 1,214,026             |
| Unrestricted                                     | 12,713,937           | 10,381,763            |
| Total net position                               | <u>\$ 15,184,352</u> | <u>\$ 12,909,916</u>  |

**Assets:** Current assets increased by \$1.9 million due primarily to net cash inflows of \$1.8 million generated from operations.

Noncurrent assets decreased by \$158,000 from 2020 to 2021. This is due to depreciation expense of \$220,000. Prepaid rent on Schellar House decreased \$148,000 due to the annual amortization, offset by net additional capital assets of \$211,000.

**Deferred outflows** Deferred outflows increased \$400,700 due to differences in projected and actual experience and a change in the discount rate.

**Liabilities:** Current liabilities decreased by \$672,400 from 2020 to 2021, due to the forgiveness of \$915,000 of the Paycheck Protection Program (PPP) loan secured in April 2020. Offsetting increases in current liabilities include accrued vacation of \$49,000 and deferred program fees revenue of \$233,000.

Noncurrent liabilities increased by \$540,600 from 2020 to 2021. This is due to an increase in the OPEB liability as a result applying the implied rate subsidy in the actuarial valuation.

**Net position:** Total net position increased by \$2.3 million from 2020 to 2021 primarily due to the PPP loan forgiveness of \$915,000 and a reduction in expenses due to reduced services provided due to the pandemic.

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

**Management's Discussion and Analysis (unaudited)  
Year Ended June 30, 2021**

---

**Condensed Summary of Net Position (Continued)**

During the year ended June 30, 2021, Associated Students implemented GASB Statement 84, *Fiduciary Activities*, which required an evaluation of assets held to determine if they were fiduciary activities. Funds held for student organizations on campus are held in a separate bank account on Associated Students' books and they have administrative control over these funds and, thus upon adoption of GASB 84, these funds are recorded as revenue and expenses in Associated Students' financial statements. Net position at July 1, 2019, was increased by \$1,072,069 due to adoption of this statement.

At June 30, 2021, net position of Associated Students includes restricted funds held for student organizations and the following unrestricted funds: Board-designated for an endowment of \$2.6 million for the Schellar House and \$144,000 for scholarships. Net position also comprises of amounts that invested in capital assets.



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

**Management's Discussion and Analysis (unaudited)  
Year Ended June 30, 2021**

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

Associated Students' condensed summary of revenues, expenses and changes in net position is as follows for the years ended June 30:

|   | 2021                 | 2020<br>(as restated) |
|---|----------------------|-----------------------|
| Operating revenues:                                     |                      |                       |
| Program fees  | \$ 6,441,681         | \$ 6,435,787          |
| Government contracts:                                   |                      |                       |
| Federal   | 371,655              | 388,911               |
| State   | 533,413              | 406,128               |
| Grants - local  | 236,480              | 231,211               |
| Child Development Center - parent fees                  | 394,274              | 696,377               |
| Student club contributions                              | 327,685              | 1,029,407             |
| PPP loan forgiveness                                    | 915,842              | -                     |
| Other revenue   | 71,698               | 375,636               |
| Total operating revenues                                | <u>9,292,728</u>     | <u>9,563,457</u>      |
| Operating expenses:                                     |                      |                       |
| Programs  | 3,864,001            | 4,894,418             |
| Child Development Center expenses                       | 2,063,148            | 2,143,555             |
| Administrative  | 282,780              | 351,554               |
| Student grants and scholarships                         | 70,000               | 18,000                |
| Depreciation and amortization                           | 220,793              | 260,127               |
| Student club expenditures                               | 375,823              | 887,450               |
| OPEB expense  | 291,464              | 181,650               |
| Total operating expenses                                | <u>7,168,009</u>     | <u>8,736,754</u>      |
| Operating income  | <u>2,124,719</u>     | <u>826,703</u>        |
| Nonoperating revenues (expenses):                       |                      |                       |
| Investment income, net                                  | 134,385              | 109,888               |
| Loss on disposition of capital assets                   | -                    | (290)                 |
| Miscellaneous other income                              | 15,332               | 25,143                |
| Net nonoperating revenues                               | <u>149,717</u>       | <u>134,741</u>        |
| Changes in net position                                 | <u>2,274,436</u>     | <u>961,444</u>        |
| Net position, beginning of year, as previously reported | -                    | 10,876,403            |
| Implementation of GASB 84, <i>Fiduciary Activities</i>  | -                    | 1,072,069             |
| Net position, beginning of year, as restated (Note 2)   | <u>12,909,916</u>    | <u>11,948,472</u>     |
| Net position, end of year                               | <u>\$ 15,184,352</u> | <u>\$ 12,909,916</u>  |

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

**Management's Discussion and Analysis (unaudited)  
Year Ended June 30, 2021**

---

**Revenues:** Total operating revenues decreased by \$271,000 from 2020 to 2021. Main contributors were:

- Child Development Center parent fee revenue decreased by \$302,000 primarily due to the center's reduced capacity as mandated by the U.S. Department of Health. This was offset partially by increases in state grant revenues of \$136,000.
- Student club receipts decreased \$701,000, as the pandemic resulted in lower related club fee collections and contributions.
- Similarly, other revenue, primarily Print and Technology Center fees, was impacted by the University's pandemic shelter-in-place order, decreasing \$259,000 from the prior year.

These decreases were offset by an increase in operating revenue of \$915,842 due to receiving the PPP loan forgiveness.

**Expenses:** Total operating expenses decreased by \$1.6 million from 2020.

- Operating expenses for Associated Students are principally made up of wages and related payroll taxes and benefits, which are approximately 40.2% and 13.6% of total operating expenses, respectively. Salaries increased due to the city of San José approving an ordinance in November 2012 increasing the minimum wage to \$15 per hour, and built in an annual Consumer Price Index (CPI) adjustment that increased the minimum wage to \$15.45 effective January 1, 2021. Overall, wages decreased by \$661,000 due to an open associate director position and open print and technology coordinator positions, as well as reduced student assistant employees. Related payroll taxes and employee benefit expensed decreased \$69,000.
- OPEB expense increased from \$182,000 in 2020 to \$291,000 in 2021 due primarily to applying the implied rate subsidy in the actuarial valuation.
- Student grants and scholarships increased by \$52,000 due to higher participation and enhanced eligibility criteria than in prior years.
- Student club expenditures decreased by \$512,000 largely due to lack of activities while the campus was closed.
- Student organization funding approved by the Board decreased by \$100,000 in 2021, as many activities, including typical end-of-semester activities (and related purchases), were not held due to the pandemic.
- The Smart Pass program provides students and staff with low-cost transit passes, significant savings for participants. Smart Pass expenses decreased \$382,000 in 2021, resulting from a contractual allowance for online student enrollment.

**Other revenues (expenses):** Other revenues and expenses come from sources that are not part of Associated Students' primary business functions. Included in this classification for 2021 are miscellaneous income of \$15,000 and investment income of \$134,000.

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

**Management's Discussion and Analysis (unaudited)  
Year Ended June 30, 2021**

---

**Change in Net Position**

The net result of the changes in revenues and expenses as discussed above result in changes in net position of \$2.3 million for 2021, which is greater than the changes in net position for 2020 of \$961,000.

**Capital assets:** Capital assets, net of accumulated depreciation, are as follows for the years ended June 30:

|   | 2021                | 2020                |
|---|---------------------|---------------------|
| Land and land improvements                            | \$ 500,000          | \$ 500,000          |
| Work in progress                                      | 211,193             | -                   |
| Buildings   | 480,543             | 600,678             |
| Equipment, furniture and fixtures                     | 112,791             | 213,449             |
| Total capital assets, net of accumulated depreciation | <u>\$ 1,304,527</u> | <u>\$ 1,314,127</u> |

Capital assets decreased by approximately \$9,000 as spending on current capital projects of \$211,000 was more than offset by depreciation of \$220,000.

**Factors Impacting Future Periods**

75% of Associated Students' annual operating revenue is derived from program fees. The annual Associated Students fee is adjusted annually by the Higher Education Price Index unless suspended by the University. The program fee collected from the campus from the student has remained constant at \$98 per semester since 2019. An increase allows Associated Students to offset growing expenses. Any significant decreases in enrollment would impact Associated Students' net position and would require the Board and management to address the impact through cost reductions.

The national, statewide and local initiatives targeted to provide economic stability and to address affordable living wages will have a significant impact on our budget. The city of San José minimum wage ordinances will impact our budget due to the mandatory increase from the current \$15.45 per hour to the adjusted rate effective January 2021 based on the local CPI.

The uncertainty of the cure for the pandemic and the move toward a mix of in-person and online courses will continue to impact the extent to which Associated Students can deliver service to the entire student population.

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

**Statement of Net Position  
June 30, 2021  
(With Comparative Totals for 2020)**

|  | 2021                 | 2020<br>(As Restated) |
|--|----------------------|-----------------------|
| <b>Assets</b>  |                      |                       |
| Current assets:  |                      |                       |
| Cash and cash equivalents  | \$ 7,869,939         | \$ 6,103,837          |
| Restricted cash for student organizations  | 929,826              | 975,004               |
| Restricted investments for student organizations (Note 3)  | 254,987              | 249,145               |
| Accounts receivable, net of allowance (Note 2)   | 3,077,954            | 2,891,877             |
| Other receivables (Note 2)   | 255,447              | 245,058               |
| Inventories  | 80,273               | 80,712                |
| Prepaid expenses   | 8,956                | 21,875                |
| Prepaid rent deposit, current portion  | 148,430              | 148,430               |
| <b>Total current assets</b>  | <b>12,625,812</b>    | <b>10,715,938</b>     |
| Noncurrent assets:   |                      |                       |
| Prepaid rent deposit, noncurrent portion   | 2,430,744            | 2,579,174             |
| Capital assets, net of accumulated depreciation (Note 4)   | 1,304,527            | 1,314,127             |
| <b>Total noncurrent assets</b>   | <b>3,735,271</b>     | <b>3,893,301</b>      |
| <b>Total assets</b>  | <b>16,361,083</b>    | <b>14,609,239</b>     |
| Deferred outflows of resources:  |                      |                       |
| Deferred outflows - Other Post-Employment Benefits (OPEB) contributions made after the measurement date (Note 8) | 140,815              | 191,126               |
| Deferred outflows - differences between projected and actual experience and changes in assumptions (Note 8)      | 1,267,225            | 816,214               |
| <b>Total deferred outflows of resources</b>  | <b>1,408,040</b>     | <b>1,007,340</b>      |
| <b>Liabilities</b>   |                      |                       |
| Current liabilities:   |                      |                       |
| Accounts payable   | 211,513              | 241,787               |
| Accrued payroll and other liabilities  | 130,365              | 123,363               |
| Compensated absences (Note 6)  | 209,755              | 160,460               |
| Unearned revenue   | 643,123              | 410,227               |
| Paycheck Protection Program (PPP) loan payable (Note 7)  | -                    | 931,360               |
| <b>Total current liabilities</b>   | <b>1,194,756</b>     | <b>1,867,197</b>      |
| Noncurrent liabilities:  |                      |                       |
| Net OPEB liability (Note 8)  | 1,380,075            | 839,466               |
| <b>Total liabilities</b>   | <b>2,574,831</b>     | <b>2,706,663</b>      |
| Deferred inflows of resources:   |                      |                       |
| Deferred inflows - differences between projected and actual returns on assets (Note 8)                           | 9,940                | -                     |
| Commitments and contingencies  |                      |                       |
| Net position:  |                      |                       |
| Net investment in capital assets   | 1,304,527            | 1,314,127             |
| Restricted funds held for student organizations  | 1,165,888            | 1,214,026             |
| Unrestricted   | 12,713,937           | 10,381,763            |
| <b>Total net position</b>  | <b>\$ 15,184,352</b> | <b>\$ 12,909,916</b>  |

See notes to financial statements.

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

**Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2021  
(With Comparative Totals for 2020)**

|   | 2021                 | 2020<br>(As Restated) |
|---|----------------------|-----------------------|
| Operating revenues:   |                      |                       |
| Program fees  | \$ 6,441,681         | \$ 6,435,787          |
| Government contracts:   |                      |                       |
| Federal   | 371,655              | 388,911               |
| State   | 533,413              | 406,128               |
| Grants - local  | 236,480              | 231,211               |
| Child Development Center - parent fees                          | 394,274              | 696,377               |
| Student club contributions                                      | 327,685              | 1,029,407             |
| PPP loan forgiveness  | 915,842              | -                     |
| Other revenue   | 71,698               | 375,636               |
| <b>Total operating revenues</b>                                 | <b>9,292,728</b>     | <b>9,563,457</b>      |
| Operating expenses:   |                      |                       |
| Programs (Note 5)   | 3,864,001            | 4,894,418             |
| Child Development Center expenses                               | 2,063,148            | 2,143,555             |
| Administrative  | 282,780              | 351,554               |
| Student grants and scholarships                                 | 70,000               | 18,000                |
| Depreciation and amortization                                   | 220,793              | 260,127               |
| Student club expenditures                                       | 375,823              | 887,450               |
| OPEB expense (Note 8)   | 291,464              | 181,650               |
| <b>Total operating expenses</b>                                 | <b>7,168,009</b>     | <b>8,736,754</b>      |
| <b>Operating income</b>   | <b>2,124,719</b>     | <b>826,703</b>        |
| Nonoperating revenues (expenses):                               |                      |                       |
| Investment income, net  | 134,385              | 109,888               |
| Loss on disposition of capital assets                           | -                    | (290)                 |
| Miscellaneous other income                                      | 15,332               | 25,143                |
| <b>Total nonoperating revenues</b>                              | <b>149,717</b>       | <b>134,741</b>        |
| <b>Changes in net position</b>                                  | <b>2,274,436</b>     | <b>961,444</b>        |
| Net position, beginning of year, as previously reported         | -                    | 10,876,403            |
| Implementation of GASB 84, <i>Fiduciary Activities</i> (Note 2) | -                    | 1,072,069             |
| Net position, beginning of year, as restated                    | <b>12,909,916</b>    | <b>11,948,472</b>     |
| Net position, end of year                                       | <b>\$ 15,184,352</b> | <b>\$ 12,909,916</b>  |

See notes to financial statements.

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

**Statement of Cash Flows  
Year Ended June 30, 2021  
(With Comparative Totals for 2020)**

|   | 2021                | 2020<br>(As Restated) |
|---|---------------------|-----------------------|
| Cash flows from operating activities:   |                     |                       |
| Program fees  | \$ 6,665,365        | \$ 6,452,952          |
| Federal grants and contracts  | 371,655             | 388,910               |
| State and local grants and contracts  | 533,413             | 406,128               |
| Nongovernmental grants and contracts  | 236,480             | 231,211               |
| Payments to suppliers   | (3,269,465)         | (3,626,368)           |
| Payments to employees   | (2,828,664)         | (3,541,772)           |
| Payments to students  | (135,605)           | (138,325)             |
| Other receipts  | 224,740             | 2,146,126             |
| <b>Net cash provided by operating activities</b>  | <b>1,797,918</b>    | <b>2,318,862</b>      |
| Cash flows from noncapital financing activities:  |                     |                       |
| Proceeds from PPP loan  | -                   | 931,360               |
| Payments on PPP loan  | (15,518)            | -                     |
| <b>Net cash (used in) provided by noncapital financing activities</b>                   | <b>(15,518)</b>     | <b>931,360</b>        |
| Cash flows from capital and related financing activities:                               |                     |                       |
| Purchases of capital assets   | (211,193)           | (11,435)              |
| <b>Net cash used in capital and related financing activities</b>                        | <b>(211,193)</b>    | <b>(11,435)</b>       |
| Cash flows from investing activities:   |                     |                       |
| Investment income   | 134,385             | 109,888               |
| Miscellaneous other income  | 15,331              | 25,143                |
| <b>Net cash provided by investing activities</b>  | <b>149,716</b>      | <b>135,031</b>        |
| <b>Net increase in cash, cash equivalents and restricted cash</b>                       | <b>1,720,924</b>    | <b>3,373,818</b>      |
| Cash, cash equivalents and restricted cash, beginning of year                           | 7,078,841           | 3,705,023             |
| Cash, cash equivalents and restricted cash, end of year                                 | <b>\$ 8,799,765</b> | <b>\$ 7,078,841</b>   |
| Reconciliation of operating income to net cash provided by operating activities:        |                     |                       |
| Operating income  | \$ 2,124,719        | \$ 826,703            |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                     |                       |
| Depreciation and amortization   | 220,793             | 260,127               |
| PPP loan forgiveness  | (915,842)           | -                     |
| Changes in assets and liabilities:  |                     |                       |
| Accounts receivable, net of allowance   | (191,919)           | 926,469               |
| Other receivables   | (10,389)            | 5,863                 |
| Inventories   | 439                 | 3,658                 |
| Prepaid expenses  | 12,919              | 2,525                 |
| Prepaid rent deposit  | 148,430             | 148,430               |
| Deferred outflows of resources  | (400,700)           | (864,914)             |
| Accounts payable  | (30,274)            | 86,813                |
| Accrued payroll and other liabilities and compensated absences                          | 56,297              | 4,421                 |
| Unearned revenue  | 232,896             | 22,540                |
| OPEB obligation   | 550,549             | 896,227               |
| <b>Total adjustments</b>  | <b>(326,801)</b>    | <b>1,492,159</b>      |
| <b>Net cash provided by operating activities</b>  | <b>\$ 1,797,918</b> | <b>\$ 2,318,862</b>   |

See notes to financial statements.

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

**Notes to Financial Statements**

---

**Note 1. Nature of Organization**

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

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

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

**Basis of accounting:** Associated Students' financial statements have been prepared in conformity with U.S. GAAP as applied to government entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Associated Students uses the full accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows. The GASB requires Associated Students to comply with all GASB pronouncements as well as Financial Accounting Standards Board Statements and Interpretations, Accounting Principle Board Opinions and Accounting Research Bulletins issued on or prior to November 30, 1989, which do not conflict with or contradict GASB pronouncements.

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

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

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

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

**Restricted nonexpendable:** This component of net position is subject to externally imposed conditions that Associated Students retains them in perpetuity. Net assets in this category consist of endowments. There were no restricted nonexpendable components of net position as of June 30, 2021 or 2020.

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

**Notes to Financial Statements**

---

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

**Restricted expendable:** This component of net position is subject to externally imposed conditions that can be fulfilled by the actions of Associated Students or by the passage of time. Student organization funds of \$1,165,888 at June 30, 2021, are included in restricted expendable net position due to contributions being restricted by the donors for use to administer activities of that particular club.

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

**Cash and cash equivalents:** Associated Students considers all highly liquid investments with original maturities of three months or less to be cash equivalents. As of June 30, 2021, \$8,571,692 of the entity's bank balances exceed the federally insured amount of \$250,000 and are uninsured.

**Investments:** Investments invested in the CSU Investment Pool are reported at amortized cost, with realized and unrealized gains and losses included on the accompanying statement of revenues, expenses and changes in net position as investment income. Dividends and interest income are accrued when earned.

**Accounts and other receivables:** Accounts receivables consist of the following balances for June 30, 2021:

|  |                     |
|--|---------------------|
| Program fees due from San José State University (SJSU) | \$ 2,922,941        |
| Grants and parent fees receivable                      | 162,513             |
| Allowance for doubtful accounts                        | (7,500)             |
| Total accounts receivable                              | <u>\$ 3,077,954</u> |
| <br>   |                     |
| Grants receivable                                      | \$ 180,000          |
| Due from other SJSU or SJSU auxiliaries                | 65,166              |
| Miscellaneous  | 10,281              |
| Total other receivable                                 | <u>\$ 255,447</u>   |

Receivables are stated at net realizable value. Other receivables consist of amounts due from other campus auxiliaries for rent and amounts due from Bay Area Air Quality, a local agency, to incentivize alternative transportation usage. A valuation allowance for uncollectible amounts is based on its assessment of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to bad debt expense and a credit to accounts receivable.

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

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

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



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

**Notes to Financial Statements**

---

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

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

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

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

**Compensated absences:** Employees' unused vacation leave benefits are recognized as liabilities as required by U.S. GAAP. Sick leave benefits are not recognized as liabilities since it is Associated Students' policy that sick leave does not vest. Instead, Associated Students records such amounts as operating expenditures in the period sick leave is taken. Compensated absences are classified as current as management estimates that all or majority of the balance will be used within one year. Any unused compensated absences are paid out to employees upon termination.

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

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

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

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

Program fees are imposed nonexchange transactions and are recognized when Associated Students has an enforceable legal claim, which is when the student registers for classes.

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

**Notes to Financial Statements**

---

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

Revenues from government contracts and local grants are voluntary nonexchange transactions, and revenue is recorded when all eligibility requirements imposed by the provider have been met.

**Income taxes:** Associated Students is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California income taxes under Section 23701(d) of the California Revenue and Taxation Code (the Code). The Internal Revenue Service (IRS) classified the organization as one that is not a private foundation within the meaning of Section 509(a) of the Code because it is an organization described in Section(s) 509(a)(1) and 170(b)(1)(A)(vi). Associated Students has evaluated its tax positions and the certainty as to whether those tax positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated are related to Associated Students' continued qualification as a tax-exempt organization and whether there is unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions will more likely than not be sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The Associated Students' Forms 990, Return of Organization Exempt from Income Tax, for each of the tax years ended June 30, 2020, 2019 and 2018, are subject to examination by the IRS, generally for three years after they were filed.

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

**Comparative totals:** The financial statements include certain prior-year summarized comparative information but not comparative information for the footnotes. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with Associated Students' financial statements as of and for the year ended June 30, 2020, from which the summarized information was derived. June 30, 2020, comparative information was restated due to the implementation of GASB Statement 84, *Fiduciary Activities*, as of July 1, 2019.

**Accounting standards effective for the current year:** Associated Students retroactively adopted GASB Statement No. 84, *Fiduciary Activities*, retroactive to beginning net position as of July 1, 2019, as allowed per the standard. The statement establishes criteria for identifying fiduciary activities of all state and local governments. Governments with activities meeting the criteria should present statement of fiduciary net position and a statement of changes in fiduciary net position. This statement describes four fiduciary funds that should be reported if applicable: (1) pension trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in trust funds or equivalent arrangements that meet specific criteria. During the year ended June 30, 2021, Associated Students determined that funds held for student organizations on campus did not meet the criteria as a fiduciary activity since they hold the assets and have administrative control and thus contributions and disbursements made and received were recorded student club contributions and expense in the statement of revenues, expenses and changes in net position. The net position was increased by \$1,072,069 as of July 1, 2019.

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

**Notes to Financial Statements**

---

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

**Future accounting pronouncement:** In July 2017, the GASB issued Statement No. 87, *Leases*, effective for Associated Students beginning on July 1, 2021. This statement requires the recognition of certain lease assets and liabilities that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, the lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Associated Students is evaluating the effect GASB Statement No. 87 will have on its financial statements.

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

**Investment policy:** Investments consist of funds invested with the University in the CSU Investment Pool. The primary objective of the University's investment policy is to safeguard the principal. The secondary objective is to meet the liquidity needs of the investing organizations. The third objective is to generate an acceptable yield. The University's investment policy authorizes funds held in local trust accounts under Education Code Sections 89721 and 89724 to be invested in any of the securities authorized by Government Code Section 16430 and Education Code Section 89724, subject to certain limitations. In general, the University's investment policy permits investments in obligations of the federal and California state governments, certificates of deposit and certain other investment instruments. At June 30, 2021, Associated Students has \$254,897 deposited in the CSU Investment Pool.

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

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

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

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

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

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

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

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

**Notes to Financial Statements**

**Note 4. Capital Assets**

Capital assets consist of the following at June 30:

|                                   | Beginning<br>of Year<br>July 1, 2020 | Additions         | Deletions   | End of Year<br>June 30, 2021 |
|-----------------------------------|--------------------------------------|-------------------|-------------|------------------------------|
| Land and land improvements        | \$ 500,000                           | \$ -              | \$ -        | \$ 500,000                   |
| Building                          | 2,939,391                            | -                 | -           | 2,939,391                    |
| Accumulated depreciation          | (2,338,713)                          | (120,135)         | -           | (2,458,848)                  |
|                                   | <u>600,678</u>                       | <u>(120,135)</u>  | <u>-</u>    | <u>480,543</u>               |
| Equipment, furniture and fixtures | 1,871,259                            | -                 | -           | 1,871,259                    |
| Accumulated depreciation          | (1,657,810)                          | (100,658)         | -           | (1,758,468)                  |
|                                   | <u>213,449</u>                       | <u>(100,658)</u>  | <u>-</u>    | <u>112,791</u>               |
| Intangible assets                 | 134,127                              | -                 | -           | 134,127                      |
| Accumulated depreciation          | (134,127)                            | -                 | -           | (134,127)                    |
|                                   | <u>-</u>                             | <u>-</u>          | <u>-</u>    | <u>-</u>                     |
| Work in progress                  | -                                    | 211,193           | -           | 211,193                      |
|                                   | <u>\$ 1,314,127</u>                  | <u>\$ (9,600)</u> | <u>\$ -</u> | <u>\$ 1,304,527</u>          |

Depreciation expense for the year ended June 30, 2021, was \$220,793.

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

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

Amounts receivable and payable to and from the University and related organizations are recorded on the statement of net position as receivables and accounts payable. Receivables due from and payables due to related parties are as follows as of June 30, 2021:

|   |                     |
|---|---------------------|
| Program fees due from San José State University | \$ 2,922,941        |
| Receivable from San José State University       | 2,619               |
| Receivable from SJSU Research Foundation        | 62,547              |
|   | <u>\$ 2,988,107</u> |
| Payable to San José State University            | \$ 4,240            |
| Payable to SJSU Tower Foundation                | 904                 |
| Payable to Student Union, Inc.                  | 1,465               |
|   | <u>\$ 6,609</u>     |

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

**Notes to Financial Statements**

---

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

Compensation paid to student members of Associated Students' board of directors totaled \$135,605 for the year ended June 30, 2021. These payments, which range from approximately \$180 to \$1,320 per month, are recorded as program expenses on the statement of revenues, expenses and changes in net position.

Associated Students leases facilities under operating leases from organizations related to the University. Associated Students leased certain facilities under operating lease agreements with monthly rent of \$9,477. This lease expired on June 30, 2021, and is currently month-to-month until a new lease can be negotiated with the Student Union. In addition, the leases require Associated Students to pay its pro-rata share of utilities expense and maintain appropriate insurance coverage. Rent and utilities expense under the leases were \$122,486 for the year ended June 30, 2021.

Associated Students also leases facilities under a noncancelable operating lease agreement that expires in August 2031 with monthly rent of \$12,187. The terms of the lease require Associated Students to maintain appropriate insurance coverage. Rent expense under the lease was \$148,430 for the year ended June 30, 2021. Rent expense is recorded as program expense on the statement of revenues, expenses and changes in net position.

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

|                       |  |                     |
|-----------------------|--|---------------------|
| Years ending June 30: |  |                     |
| 2022                  |  | \$ 148,430          |
| 2023                  |  | 148,430             |
| 2024                  |  | 148,430             |
| 2025                  |  | 148,430             |
| 2026                  |  | 148,430             |
| Thereafter            |  | 775,673             |
|                       |  | <u>\$ 1,517,823</u> |

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

The balance of the renovation credit is listed as prepaid rent deposit and was \$2,579,174 as of June 30, 2021.

**Note 6. Compensated Absences**

Accrued compensated absences consist of the following activity during the years ended June 30:

|                      | Beginning<br>Balance as of<br>June 30, 2020 | Additions  | Reductions   | Ending<br>Balance as of<br>June 30, 2021 | Current<br>Portion |
|----------------------|---|------------|--------------|--|--------------------|
| Compensated absences | \$ 160,460                                  | \$ 158,585 | \$ (109,290) | \$ 209,755                               | \$ 209,755         |

Unused accrued compensated absences are paid upon employees' termination.

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

**Notes to Financial Statements**

---

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

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

In January 2021, Associated Students was notified that the U.S. Small Business Administration approved the loan forgiveness in the amount of \$922,202, which included interest of \$6,360. Associated Students repaid the unforgiven amount of \$9,158 plus interest of \$6,360 for a total cash payment of \$15,518. Associated Students recorded \$915,842 in operating revenue.

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

**Plan description:** Associated Students provides lifetime retiree medical dental and vision benefits to employees, and their beneficiaries, who retire at age 59.5 or older with five years of service through the PRISM group insurance program (the Plan). These statements are available from Keenan Financial Services, P.O. Box 4328, Torrance, CA 90510.

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

Participants covered by the Plan are as follows:

|                                |           |
|--------------------------------|-----------|
| Retirees receiving benefits    | 13        |
| Participating active employees | 35        |
| Total number of participants   | <u>48</u> |

**Contributions:** Associated Students' board of directors approved the inclusion of Associated Students in a Voluntary Employees' Beneficiary Association (VEBA) Trust comprising CSU auxiliaries. The VEBA is a separate 501(c)(9) established in August 2010 to assist in funding OPEB health care benefits.

Contribution requirements are established and may be amended by Associated Students' board of directors. Associated Students' board of directors designated a portion of net position as a reserve to cover future costs of the Plan. The Plan is funded on a pay-as-you-go basis that is the annual cost of providing benefits and is paid from operations. Contributions to the Plan for the year ended June 30, 2021, were \$140,815 and were recorded as deferred outflows - contributions made after the measurement date on the statement of net position.

**Plan assets:** The VEBA professional management team includes a program coordinator, corporate trustee, investment advisor, legal, and audit and tax services. Trust assets are invested and held in custody by Benefit Trust Company serving as the corporate trustee, in a mix that includes approximately 50% bonds and 50% equity. Morgan Stanley Smith Barney serves as an investment advisor to the corporate trustee. They make recommendations regarding the management of VEBA Trust investments, which are then either approved and implemented or otherwise rejected by the Trust Investment Committee at Benefit Trust Company. The total market value of Associate Students' VEBA account at June 30, 2020, the measurement date, was \$2,374,318.

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

**Notes to Financial Statements**

---

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

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

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

The following presents the net OPEB liability of Associated Students if it were calculated using a discount rate and health care trend rate that is 1% lower or higher than the current rate for the year ended June 30, 2021:

|                                  | Total OPEB<br>Liability | Fiduciary<br>Net Position | Net OPEB<br>Liability |
|----------------------------------|-------------------------|---------------------------|-----------------------|
| Balance at June 30, 2020         | \$ 3,130,897            | \$ 2,291,431              | \$ 839,466            |
| Service cost                     | 133,683                 | -                         | 133,683               |
| Interest on total OPEB liability | 187,379                 | 93,750                    | 93,629                |
| Administrative expenses          | -                       | (10,863)                  | 10,863                |
| Employer contributions           | -                       | 191,126                   | (191,126)             |
| Benefit payments                 | (191,126)               | (191,126)                 | -                     |
| Experience gains/losses          | 337,655                 | -                         | 337,655               |
| Changes in assumptions           | 156,705                 | -                         | 156,705               |
| Net change                       | 624,296                 | 82,887                    | 541,409               |
| Balance at June 30, 2021         | <u>\$ 3,755,193</u>     | <u>\$ 2,374,318</u>       | <u>\$ 1,380,875</u>   |

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

**Notes to Financial Statements**

---

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

**Actuarial methods and assumptions:** The actuarial valuation is based on the following dates, periods and assumptions for Associated Students' financial statements for the year ended June 30, 2021:

|                             |   |
|-----------------------------|---|
| Valuation date              | June 30, 2020   |
| Measurement date            | June 30, 2020   |
| Measurement period          | July 1, 2019, to June 30, 2020                                |
| Actuarial cost method       | Entry age normal  |
| Discount rate               | 6.00%   |
| Inflation                   | 2.75%   |
| Salary increases            | 2.75%   |
| Investment rate of return   | 6.00%   |
| Health care cost trend rate | 4.00%   |
| Mortality rate              | 2017 CalPERS Mortality for Miscellaneous and School Employees |
| Preretirement turnover      | 2017 CalPERS Termination Rates for School Employees           |

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

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

**Discount rate:** The discount rate used to measure the total OPEB liability was 6%. The projection of cash flows used to determine the discount rate assumed that Associated Students' contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. The long-term rate of return was determined based on capital market studies for similar industries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the net OPEB liability to changes in the discount rate:** The following shows the change in the OPEB liability, fiduciary net position and net OPEB liability for the year ended June 30 2021:

|                    | Discount Rate<br>1% Lower<br>5.00% | Valuation<br>Discount Rate<br>6.00% | Discount Rate<br>1% Higher<br>7.00% |
|--------------------|------------------------------------|-------------------------------------|-------------------------------------|
| Discount rate:     |                                    |                                     |                                     |
| Net OPEB liability | \$ 1,979,419                       | \$ 1,380,875                        | \$ 898,580                          |



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

**Notes to Financial Statements**

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

|                              | 1% Lower<br>3.00% | Valuation<br>Healthcare Cost<br>4.00% | 1% Higher<br>5.00% |
|------------------------------|-------------------|---------------------------------------|--------------------|
| Health care cost trend rate: |                   |                                       |                    |
| Net OPEB liability           | \$ 814,809        | \$ 1,380,875                          | \$ 2,111,940       |

**OPEB expense and deferred outflows and deferred inflows of resources:** As of June 30, 2021, Associated Students recognized OPEB expense of \$291,464.

During the fiscal year ended June 30, 2021, the Associated Students reported deferred outflows and inflows of resources as follows:

|                         | Deferred<br>Outflows | Deferred<br>Inflows |
|-------------------------|----------------------|---------------------|
| Experience gains/losses | \$ 1,071,035         | \$ -                |
| Assumption changes      | 147,377              | -                   |
| Investment gains/losses | 48,813               | (9,940)             |
|                         | <u>\$ 1,267,225</u>  | <u>\$ (9,940)</u>   |

The \$140,815 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020, measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2022.

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

|                       | Deferred<br>Outflows | Deferred<br>Inflows |
|-----------------------|----------------------|---------------------|
| Years ending June 30: |                      |                     |
| 2022                  | \$ 101,671           | \$ (4,972)          |
| 2023                  | 101,671              | (4,968)             |
| 2024                  | 101,668              | -                   |
| 2025                  | 96,975               | -                   |
| 2026                  | 88,293               | -                   |
| Thereafter            | 776,947              | -                   |
|                       | <u>\$ 1,267,225</u>  | <u>\$ (9,940)</u>   |

**Note 9. Contingencies**

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

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

**Notes to Financial Statements**

---

**Note 9. Contingencies (Continued)**

On March 11, 2020, The World Health Organization declared the outbreak of the novel coronavirus (COVID-19) as a global pandemic. The continuing impacts of the COVID-19 pandemic are highly unpredictable and are affecting certain business operations, availability of labor and Associated Students' ability to predict its future financial performance. Associated Students expects that the financial results and investment balances may be negatively impacted in the future, but the extent and duration of such impact in the long term is uncertain and cannot be reasonably estimated at this time.

**Note 10. Retirement Plan**

Associated Students maintains an annuity purchase plan under Section 401(k) of the Internal Revenue Code (IRC). Under this plan, employees who have completed one year of service may defer up to 20% of their salary through contributions to the plan, subject to IRC limits. Associated Students matches contributions up to 7% of participants' salaries. Matching contributions were \$99,174 for the year ended June 30, 2021, and were recorded as operating expenses on the statement of revenues, expenses and changes in net position.

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

**Schedule of Changes in Net OPEB Liability and Related Ratios - Last Ten Years  
Year Ended June 30, 2021**

|  | 2021                | 2020                | 2019                | 2018                |
|--|---------------------|---------------------|---------------------|---------------------|
| Total OPEB liability:  |                     |                     |                     |                     |
| Service cost   | \$ 133,683          | \$ 112,709          | \$ 109,692          | \$ 106,756          |
| Interest on total OPEB liability                                       | 187,379             | 129,890             | 119,413             | 109,316             |
| Experience losses  | 337,655             | 809,939             | -                   | -                   |
| Changes in assumptions   | 156,705             | -                   | -                   | -                   |
| Benefit payments   | (191,126)           | (60,249)            | (51,719)            | (49,730)            |
| <b>Net change in total OPEB liability</b>                              | <b>624,296</b>      | <b>992,289</b>      | <b>177,386</b>      | <b>166,342</b>      |
| Total OPEB liability - beginning                                       | <b>3,130,897</b>    | 2,138,608           | 1,961,222           | 1,794,880           |
| Total OPEB liability - ending (a)                                      | <b>\$ 3,755,193</b> | <b>\$ 3,130,897</b> | <b>\$ 2,138,608</b> | <b>\$ 1,961,222</b> |
| Plan fiduciary net position:   |                     |                     |                     |                     |
| Contribution - employer  | \$ 191,126          | \$ -                | \$ 146,719          | \$ 713,987          |
| Net investment income  | 93,750              | 107,890             | 145,449             | 152,339             |
| Benefit payments   | (191,126)           | -                   | (51,719)            | (49,730)            |
| Administrative expense   | (10,863)            | (11,828)            | (14,928)            | (9,664)             |
| <b>Net change in plan fiduciary net position</b>                       | <b>82,887</b>       | <b>96,062</b>       | <b>225,521</b>      | <b>806,932</b>      |
| Plan fiduciary net position - beginning                                | <b>2,291,431</b>    | 2,195,369           | 1,969,848           | 1,162,916           |
| Plan fiduciary net position - ending (b)                               | <b>\$ 2,374,318</b> | <b>\$ 2,291,431</b> | <b>\$ 2,195,369</b> | <b>\$ 1,969,848</b> |
| Net OPEB liability (asset) - ending (a) - (b)                          | <b>\$ 1,380,875</b> | <b>\$ 839,466</b>   | <b>\$ (56,761)</b>  | <b>\$ (8,626)</b>   |
| Plan fiduciary net position as a percentage of total OPEB liability    | 63 %                | 73 %                | 103 %               | 100 %               |
| Covered-employee payroll   | \$ 2,250,614        | \$ 2,168,814        | \$ 2,176,356        | \$ 2,083,997        |
| Net OPEB liability (asset) as a percentage of covered-employee payroll | 61.36 %             | 38.71 %             | (2.61)%             | (0.41)%             |

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

Future years' information will be displayed up to 10 years as information becomes available.

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

**Schedule of Contributions - Last Ten Years  
June 30, 2021**

| Fiscal Year-End * | Actuarially<br>Determined<br>Contribution ** | Contributions     | Deficiency/<br>Excess | Covered-<br>Employee<br>Payroll | Contributions<br>as a Percentage<br>of Covered-<br>Employee<br>Payroll |
|-------------------|--|-------------------|-----------------------|---------------------------------|--|
| <b>2021</b>       | <b>\$ -</b>                                  | <b>\$ 140,815</b> | <b>\$ (140,815)</b>   | <b>\$ 2,250,614</b>             | <b>6.26%</b>   |
| 2020              | -  | 191,126           | (191,126)             | 2,168,814                       | 8.81%  |
| 2019              | -  | 146,719           | (146,719)             | 2,176,356                       | 6.74%  |
| 2018              | -  | 713,987           |                       | 2,083,997                       | 34.26%   |

**Notes to Schedule:**

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

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

**Associated Students of San José State University**  
Schedule of Net Position  
June 30, 2021  
(for inclusion in the California State University)

|  |                   |
|--|-------------------|
| <b>Assets:</b>   |                   |
| <b>Current assets:</b>   |                   |
| Cash and cash equivalents  | 8,799,765         |
| Short-term investments   | 254,987           |
| Accounts receivable, net   | 3,333,401         |
| Capital lease receivable, current portion  | -                 |
| Notes receivable, current portion  | -                 |
| Pledges receivable, net  | -                 |
| Prepaid expenses and other current assets  | 237,659           |
|  | <hr/>             |
| <b>Total current assets</b>  | <b>12,625,812</b> |
| <b>Noncurrent assets:</b>  |                   |
| Restricted cash and cash equivalents   | -                 |
| Accounts receivable, net   | -                 |
| Capital lease receivable, net of current portion                                 | -                 |
| Notes receivable, net of current portion   | -                 |
| Student loans receivable, net  | -                 |
| Pledges receivable, net  | -                 |
| Endowment investments  | -                 |
| Other long-term investments  | -                 |
| Capital assets, net  | 1,304,527         |
| Other assets   | 2,430,744         |
|  | <hr/>             |
| <b>Total noncurrent assets</b>   | <b>3,735,271</b>  |
|  | <hr/>             |
| <b>Total assets</b>  | <b>16,361,083</b> |
| <b>Deferred outflows of resources:</b>   |                   |
| Unamortized loss on debt refunding   | -                 |
| Net pension liability  | -                 |
| Net OPEB liability   | 1,408,040         |
| Others   | -                 |
|  | <hr/>             |
| <b>Total deferred outflows of resources</b>                                      | <b>1,408,040</b>  |
| <b>Liabilities:</b>  |                   |
| <b>Current liabilities:</b>  |                   |
| Accounts payable   | 211,513           |
| Accrued salaries and benefits  | 130,365           |
| Accrued compensated absences, current portion                                    | 209,755           |
| Unearned revenues  | 643,123           |
| Capital lease obligations, current portion                                       | -                 |
| Long-term debt obligations, current portion                                      | -                 |
| Claims liability for losses and loss adjustment expenses, current portion        | -                 |
| Depository accounts  | -                 |
| Other liabilities  | -                 |
|  | <hr/>             |
| <b>Total current liabilities</b>   | <b>1,194,756</b>  |
| <b>Noncurrent liabilities:</b>   |                   |
| Accrued compensated absences, net of current portion                             | -                 |
| Unearned revenues  | -                 |
| Grants refundable  | -                 |
| Capital lease obligations, net of current portion                                | -                 |
| Long-term debt obligations, net of current portion                               | -                 |
| Claims liability for losses and loss adjustment expenses, net of current portion | -                 |
| Depository accounts  | -                 |
| Net other postemployment benefits liability                                      | 1,380,075         |
| Net pension liability  | -                 |
| Other liabilities  | -                 |
|  | <hr/>             |
| <b>Total noncurrent liabilities</b>  | <b>1,380,075</b>  |
|  | <hr/>             |
| <b>Total liabilities</b>   | <b>2,574,831</b>  |
| <b>Deferred inflows of resources:</b>  |                   |
| Service concession arrangements  | -                 |
| Net pension liability  | -                 |
| Net OPEB liability   | 9,940             |
| Unamortized gain on debt refunding   | -                 |
| Nonexchange transactions   | -                 |
| Others   | -                 |
|  | <hr/>             |
| <b>Total deferred inflows of resources</b>                                       | <b>9,940</b>      |
| <b>Net position:</b>   |                   |
| Net investment in capital assets   | 1,304,527         |
| Restricted for:  |                   |
| Nonexpendable – endowments   | -                 |
| Expendable:  |                   |
| Scholarships and fellowships   | -                 |
| Research   | -                 |
| Loans  | -                 |
| Capital projects   | -                 |
| Debt service   | -                 |
| Others   | 1,165,888         |
| Unrestricted   | 12,713,937        |
|  | <hr/>             |
| <b>Total net position</b>  | <b>15,184,352</b> |

**Associated Students of San José State University**  
Schedule of Revenues, Expenses, and Changes in Net Position  
Year ended June 30, 2021  
(for inclusion in the California State University)

|  |                   |
|--|-------------------|
| <b>Revenues:</b>   |                   |
| <b>Operating revenues:</b>   |                   |
| Student tuition and fees, gross                                      | -                 |
| Scholarship allowances (enter as negative)                           | -                 |
| <b>Grants and contracts, noncapital:</b>                             |                   |
| Federal  | 371,655           |
| State  | 533,413           |
| Local  | 236,480           |
| Nongovernmental  | -                 |
| Sales and services of educational activities                         | 465,972           |
| Sales and services of auxiliary enterprises, gross                   | -                 |
| Scholarship allowances (enter as negative)                           | -                 |
| Other operating revenues   | 7,685,208         |
|  | <hr/>             |
| <b>Total operating revenues</b>                                      | <b>9,292,728</b>  |
|  | <hr/>             |
| <b>Expenses:</b>   |                   |
| <b>Operating expenses:</b>   |                   |
| Instruction  | -                 |
| Research   | -                 |
| Public service   | -                 |
| Academic support   | -                 |
| Student services   | 6,877,216         |
| Institutional support  | -                 |
| Operation and maintenance of plant                                   | -                 |
| Student grants and scholarships                                      | 70,000            |
| Auxiliary enterprise expenses  | -                 |
| Depreciation and amortization  | 220,793           |
|  | <hr/>             |
| <b>Total operating expenses</b>                                      | <b>7,168,009</b>  |
|  | <hr/>             |
| <b>Operating income (loss)</b>                                       | <b>2,124,719</b>  |
|  | <hr/>             |
| <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  | 134,385           |
| Endowment income (loss), net   | -                 |
| Interest expense   | -                 |
| Other nonoperating revenues (expenses) - excl. interagency transfers | 15,332            |
|  | <hr/>             |
| <b>Net nonoperating revenues (expenses)</b>                          | <b>149,717</b>    |
|  | <hr/>             |
| <b>Income (loss) before other revenues (expenses)</b>                | <b>2,274,436</b>  |
|  | <hr/>             |
| State appropriations, capital  | -                 |
| Grants and gifts, capital  | -                 |
| Additions (reductions) to permanent endowments                       | -                 |
|  | <hr/>             |
| <b>Increase (decrease) in net position</b>                           | <b>2,274,436</b>  |
| <b>Net position:</b>   |                   |
| Net position at beginning of year, as previously reported            | 11,695,890        |
| Restatements   | 1,214,026         |
|  | <hr/>             |
| <b>Net position at beginning of year, as restated</b>                | <b>12,909,916</b> |
|  | <hr/>             |
| <b>Net position at end of year</b>                                   | <b>15,184,352</b> |
|  | <hr/> <hr/>       |









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

**Other Information  
June 30, 2021 and 2020**

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

|   |           |                |
|---|-----------|----------------|
| Depreciation and amortization expense related to capital assets | \$        | 220,793        |
| Amortization expense related to other assets                    |           |                |
| <b>Total depreciation and amortization</b>                      | <b>\$</b> | <b>220,793</b> |

**4 Long-term liabilities:**

|   | Balance<br>June 30, 2020 | Prior Period<br>Adjustments/Reclassifications | Balance<br>June 30, 2020 (Restated) | Additions         | Reductions            | Balance<br>June 30, 2021 | Current Portion   | Noncurrent Portion |
|---|--------------------------|---|-------------------------------------|-------------------|-----------------------|--------------------------|-------------------|--------------------|
| 1. Accrued compensated absences                             | \$ 160,460               |   | 160,460                             | 158,585           | (109,290)             | \$ 209,755               | \$ 209,755        | \$ -               |
| 2. Claims liability for losses and loss adjustment expenses | -                        |   | -                                   |                   |                       | -                        |                   | -                  |
| <b>3. Capital lease obligations:</b>                        |                          |   |                                     |                   |                       |                          |                   |                    |
| Gross balance   | -                        |   | -                                   |                   |                       | -                        | -                 | -                  |
| Unamortized net premium/(discount)                          | -                        |   | -                                   |                   |                       | -                        | -                 | -                  |
| <b>Total capital lease obligations</b>                      | <b>\$ -</b>              | <b>-</b>                                      | <b>-</b>                            | <b>-</b>          | <b>-</b>              | <b>-</b>                 | <b>-</b>          | <b>-</b>           |
| <b>4. Long-term debt obligations:</b>                       |                          |   |                                     |                   |                       |                          |                   |                    |
| 4.1 Auxiliary revenue bonds (non-SRB related)               | \$ -                     |   | -                                   |                   |                       | \$ -                     | -                 | -                  |
| 4.2 Commercial paper  | -                        |   | -                                   |                   |                       | -                        | -                 | -                  |
| 4.3 Notes payable (SRB related)                             | -                        |   | -                                   |                   |                       | -                        | -                 | -                  |
| 4.4 Others:   | 931,360                  |   | 931,360                             |                   | (931,360)             | -                        | -                 | -                  |
|   | -                        |   | -                                   |                   |                       | -                        | -                 | -                  |
|   | -                        |   | -                                   |                   |                       | -                        | -                 | -                  |
|   | -                        |   | -                                   |                   |                       | -                        | -                 | -                  |
| Total others  | 931,360                  | -   | 931,360                             | -                 | (931,360)             | -                        | -                 | -                  |
| <b>Sub-total long-term debt</b>                             | <b>931,360</b>           | <b>-</b>                                      | <b>931,360</b>                      | <b>-</b>          | <b>(931,360)</b>      | <b>-</b>                 | <b>-</b>          | <b>-</b>           |
| 4.5 Unamortized net bond premium/(discount)                 | -                        |   | -                                   |                   |                       | -                        | -                 | -                  |
| <b>Total long-term debt obligations</b>                     | <b>931,360</b>           | <b>-</b>                                      | <b>931,360</b>                      | <b>-</b>          | <b>(931,360)</b>      | <b>-</b>                 | <b>-</b>          | <b>-</b>           |
| <b>Total long-term liabilities</b>                          | <b>\$ 1,091,820</b>      | <b>\$ -</b>                                   | <b>\$ 1,091,820</b>                 | <b>\$ 158,585</b> | <b>\$ (1,040,650)</b> | <b>\$ 209,755</b>        | <b>\$ 209,755</b> | <b>\$ -</b>        |

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

**Other Information  
June 30, 2021 and 2020**

5 Capital lease obligations schedule:

|  | Capital lease obligations related to SRB |               |                        | All other capital lease obligations |               |                        | Total capital lease obligations |               |                        |
|--|--|---------------|------------------------|-------------------------------------|---------------|------------------------|---------------------------------|---------------|------------------------|
|  | Principal Only                           | Interest Only | Principal and Interest | Principal Only                      | Interest Only | Principal and Interest | Principal Only                  | Interest Only | Principal and Interest |
| <b>Year ending June 30:</b>                              |  |               |                        |                                     |               |                        |                                 |               |                        |
| 2022   | -  | -             | -                      | -                                   | -             | -                      | -                               | -             | -                      |
| 2023   | -  | -             | -                      | -                                   | -             | -                      | -                               | -             | -                      |
| 2024   | -  | -             | -                      | -                                   | -             | -                      | -                               | -             | -                      |
| 2025   | -  | -             | -                      | -                                   | -             | -                      | -                               | -             | -                      |
| 2026   | -  | -             | -                      | -                                   | -             | -                      | -                               | -             | -                      |
| 2027 - 2031  | -  | -             | -                      | -                                   | -             | -                      | -                               | -             | -                      |
| 2032 - 2036  | -  | -             | -                      | -                                   | -             | -                      | -                               | -             | -                      |
| 2037 - 2041  | -  | -             | -                      | -                                   | -             | -                      | -                               | -             | -                      |
| 2042 - 2046  | -  | -             | -                      | -                                   | -             | -                      | -                               | -             | -                      |
| 2047 - 2051  | -  | -             | -                      | -                                   | -             | -                      | -                               | -             | -                      |
| Thereafter   | -  | -             | -                      | -                                   | -             | -                      | -                               | -             | -                      |
| <b>Total minimum lease payments</b>                      | \$ -                                     | -             | -                      | -                                   | -             | -                      | -                               | -             | -                      |
| Less: amounts representing interest                      |  |               |                        |                                     |               |                        |                                 |               | -                      |
| <b>Present value of future minimum lease payments</b>    |  |               |                        |                                     |               |                        |                                 |               | -                      |
| Unamortized net premium/(discount)                       |  |               |                        |                                     |               |                        |                                 |               | -                      |
| <b>Total capital lease obligations</b>                   |  |               |                        |                                     |               |                        |                                 |               | -                      |
| Less: current portion                                    |  |               |                        |                                     |               |                        |                                 |               | -                      |
| <b>Capital lease obligations, net of current portion</b> |  |               |                        |                                     |               |                        |                                 |               | \$ -                   |

6 Long-term debt obligations schedule:

|   | Auxiliary revenue bonds (non-SRB related) |          |                        | All other long-term debt obligations |          |                        | Total long-term debt obligations |          |                        |
|---|---|----------|------------------------|--------------------------------------|----------|------------------------|----------------------------------|----------|------------------------|
|   | Principal                                 | Interest | Principal and Interest | Principal                            | Interest | Principal and Interest | Principal                        | Interest | Principal and Interest |
| <b>Year ending June 30:</b>                               |   |          |                        |                                      |          |                        |                                  |          |                        |
| 2022  | -   | -        | -                      | -                                    | -        | -                      | -                                | -        | -                      |
| 2023  | -   | -        | -                      | -                                    | -        | -                      | -                                | -        | -                      |
| 2024  | -   | -        | -                      | -                                    | -        | -                      | -                                | -        | -                      |
| 2025  | -   | -        | -                      | -                                    | -        | -                      | -                                | -        | -                      |
| 2026  | -   | -        | -                      | -                                    | -        | -                      | -                                | -        | -                      |
| 2027 - 2031   | -   | -        | -                      | -                                    | -        | -                      | -                                | -        | -                      |
| 2032 - 2036   | -   | -        | -                      | -                                    | -        | -                      | -                                | -        | -                      |
| 2037 - 2041   | -   | -        | -                      | -                                    | -        | -                      | -                                | -        | -                      |
| 2042 - 2046   | -   | -        | -                      | -                                    | -        | -                      | -                                | -        | -                      |
| 2047 - 2051   | -   | -        | -                      | -                                    | -        | -                      | -                                | -        | -                      |
| Thereafter  | -   | -        | -                      | -                                    | -        | -                      | -                                | -        | -                      |
| <b>Total minimum payments</b>                             | \$ -                                      | -        | -                      | -                                    | -        | -                      | -                                | -        | -                      |
| Less: amounts representing interest                       |   |          |                        |                                      |          |                        |                                  |          | -                      |
| <b>Present value of future minimum payments</b>           |   |          |                        |                                      |          |                        |                                  |          | -                      |
| Unamortized net premium/(discount)                        |   |          |                        |                                      |          |                        |                                  |          | -                      |
| <b>Total long-term debt obligations</b>                   |   |          |                        |                                      |          |                        |                                  |          | -                      |
| Less: current portion                                     |   |          |                        |                                      |          |                        |                                  |          | -                      |
| <b>Long-term debt obligations, net of current portion</b> |   |          |                        |                                      |          |                        |                                  |          | \$ -                   |

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

**Other Information  
June 30, 2021 and 2020**

**7 Transactions with related entities:**

|  |           |
|--|-----------|
| Payments to University for salaries of University personnel working on contracts, grants, and other programs | 21,452    |
| Payments to University for other than salaries of University personnel                                       | 486,120   |
| Payments received from University for services, space, and programs  | 7,024,314 |
| Gifts-in-kind to the University from discretely presented component units                                    |           |
| Gifts (cash or assets) to the University from discretely presented component units                           | 70,000    |
| Accounts (payable to) University (enter as negative number)  | (4,240)   |
| Other amounts (payable to) University (enter as negative number)   |           |
| Accounts receivable from University (enter as positive number)   | 2,619     |
| Other amounts receivable from University (enter as positive number)  | 2,922,941 |

**8 Restatements**

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

|                |   | Debit/(Credit) |
|----------------|---|----------------|
| Restatement #1 | GASB 84 recognition of student club funds as net asset item |                |
|                | Other liabilities   | 1,214,026      |
|                | Restricted expendable: Others                               | (1,214,026)    |
|                |   | -              |
| Restatement #2 | Enter transaction description                               |                |

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

**Other Information  
June 30, 2021 and 2020**

**9 Natural classifications of**

|                                    | <b>Salaries</b>     | <b>Benefits - Other</b> | <b>Benefits - Pension</b> | <b>Benefits - OPEB</b> | <b>Scholarships and fellowships</b> | <b>Supplies and other services</b> | <b>Depreciation and amortization</b> | <b>Total operating expenses</b> |
|------------------------------------|---------------------|-------------------------|---------------------------|------------------------|-------------------------------------|------------------------------------|--------------------------------------|---------------------------------|
| Instruction                        | -                   | -                       | -                         | -                      | -                                   | -                                  | -                                    | -                               |
| Research                           | -                   | -                       | -                         | -                      | -                                   | -                                  | -                                    | -                               |
| Public service                     | -                   | -                       | -                         | -                      | -                                   | -                                  | -                                    | -                               |
| Academic support                   | -                   | -                       | -                         | -                      | -                                   | -                                  | -                                    | -                               |
| Student services                   | 2,884,962           | 709,630                 | 99,174                    | 291,464                | -                                   | 2,891,986                          | -                                    | <b>6,877,216</b>                |
| Institutional support              | -                   | -                       | -                         | -                      | -                                   | -                                  | -                                    | -                               |
| Operation and maintenance of plant | -                   | -                       | -                         | -                      | -                                   | -                                  | -                                    | -                               |
| Student grants and scholarships    | -                   | -                       | -                         | -                      | 70,000                              | -                                  | -                                    | <b>70,000</b>                   |
| Auxiliary enterprise expenses      | -                   | -                       | -                         | -                      | -                                   | -                                  | -                                    | -                               |
| Depreciation and amortization      | -                   | -                       | -                         | -                      | -                                   | -                                  | 220,793                              | <b>220,793</b>                  |
| <b>Total operating expenses</b>    | <b>\$ 2,884,962</b> | <b>709,630</b>          | <b>99,174</b>             | <b>291,464</b>         | <b>70,000</b>                       | <b>2,891,986</b>                   | <b>220,793</b>                       | <b>7,168,009</b>                |

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

**Other Information  
June 30, 2021 and 2020**

10

**Deferred outflows/inflows of resources:**

**1. Deferred Outflows of Resources**

Deferred outflows - unamortized loss on refunding(s)

Deferred outflows - net pension liability

Deferred outflows - net OPEB liability 1,408,040

Deferred outflows - others:

Sales/intra-entity transfers of future revenues

Gain/loss on sale leaseback

Loan origination fees and costs

Change in fair value of hedging derivative instrument

Irrevocable split-interest agreements

Total deferred outflows - others

**Total deferred outflows of resources**

|                     |
|---------------------|
| -                   |
| <b>\$ 1,408,040</b> |

**2. Deferred Inflows of Resources**

Deferred inflows - service concession arrangements

Deferred inflows - net pension liability

Deferred inflows - net OPEB liability \$ 9,940

Deferred inflows - unamortized gain on debt refunding(s)

Deferred inflows - nonexchange transactions

Deferred inflows - others:

Sales/intra-entity transfers of future revenues

Gain/loss on sale leaseback

Loan origination fees and costs

Change in fair value of hedging derivative instrument

Irrevocable split-interest agreements

Differences between projected and actual returns on assets

Total deferred inflows - others

**Total deferred inflows of resources**

|                 |
|-----------------|
| -               |
| <b>\$ 9,940</b> |

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

**Other Information  
June 30, 2021 and 2020**

**11**

**Other nonoperating revenues (expenses)**

Other nonoperating revenues

15,332

Other nonoperating (expenses)

**Total other nonoperating revenues (expenses)**

**15,332**

**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***

**Independent Auditor's Report**

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

We have audited, in accordance with the 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 Associated Students of San Jose State University (Associated Students) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Associated Students' basic financial statements, and have issued our report thereon dated September 28, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Associated Students' internal control over financial reporting (internal control) to determine the 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 Associated Students' internal control. Accordingly, we do not express an opinion on the effectiveness of Associated Students' 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 may exist that have not been identified.



**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Associated Students' 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 determination of financial statement amounts. 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.

*RSM US LLP*

Tacoma, Washington  
September 28, 2021