



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

Financial Report
June 30, 2019

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Student Union of San José State University (a California State University auxiliary organization) (the Student Union), which comprise the statements of net position as of June 30, 2019 and 2018, the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Student Union of San José State University as of June 30, 2019 and 2018, and the changes in its net position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9, and the required supplementary information as listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements and other knowledge we obtained during our audits of the 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 audits were conducted for the purpose of forming opinions 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 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 audits 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.

RSM US LLP

Tacoma, Washington
September 26, 2019

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

**Management's Discussion and Analysis
Years Ended June 30, 2019 and 2018**

Management's Discussion and Analysis

This section of The Student Union of San José State University's (the Student Union) annual financial report includes management's discussion and analysis (MD&A) of the financial performance of the Student Union for fiscal years ended June 30, 2019 and 2018. This discussion should be read in conjunction with the financial statements and notes to the financial statements.

Introduction to The Student Union of San José State University

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

The Student Union underwent major renovations starting in 2010 in anticipation of the needs of future students. This project included the expansion of the current Student Union building to the west and east sides, as well as the complete renovation of the current Student Union building. The east and west additions opened in fall semester 2014 and the renovated middle section of the Student Union opened its doors in April 2016. The student fees currently being collected also assisted with the expansion and renovation of the new Recreation & Aquatic Center Project, which began construction in early fall 2016, and was completed in April 2019. This facility expansion is expected to better meet the needs and demands of our growing student clubs and organizations, as well as provide social, recreational and educational space for all our students, which include all of our new and returning residential students. Student Union facilities enhance the opportunities for students, faculty and staff to socialize, congregate and engage outside of the classroom.

The Student Union is governed by its Board of Directors, composed of eleven (11) voting members:

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

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

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

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

**Management's Discussion and Analysis
Years Ended June 30, 2019 and 2018**

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

Introduction to the Financial Statements

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

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

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

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

Overview

Summary

The following discussion highlights management's understanding of the key financial aspects of the Student Union's financial activities as of and for the years ended June 30, 2019, 2018 and 2017. Included are comparative analyses of current and prior years' activities and balances and a discussion of restrictions (if any) of the Student Union's net position.

In 2018, the Student Union adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). The provision of this statement required the Student Union to record its net OPEB liability by restating the beginning 2018 net position. The restatement decreased beginning net position by approximately \$1,600,000.

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

**Management's Discussion and Analysis
Years Ended June 30, 2019 and 2018**

Condensed Summary of Net Position

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Assets:			
Current assets	\$ 4,104,931	\$ 2,786,125	\$ 4,675,382
Noncurrent assets	10,979,947	11,146,425	10,754,804
Total assets	<u>\$ 15,084,878</u>	<u>\$ 13,932,550</u>	<u>\$ 15,430,186</u>
Deferred outflows of resources	<u>\$ 243,796</u>	<u>\$ 243,796</u>	<u>\$ 237,966</u>
Liabilities:			
Current liabilities	\$ 2,171,620	\$ 2,578,120	\$ 4,933,330
Noncurrent liabilities	942,844	781,322	1,393,148
Total liabilities	<u>\$ 3,114,464</u>	<u>\$ 3,359,442</u>	<u>\$ 6,326,478</u>
Deferred inflows of resources	<u>\$ 477,686</u>	<u>\$ 508,384</u>	<u>\$ 5,976</u>
Net position:			
Unrestricted:			
Investment in capital assets	\$ 3,668,490	\$ 4,115,440	\$ 4,050,435
Board-designated	1,280,404	989,912	1,622,570
Unallocated	6,787,630	5,203,168	3,662,693
Total net position	<u>\$ 11,736,524</u>	<u>\$ 10,308,520</u>	<u>\$ 9,335,698</u>

Net position for 2017 has been adjusted to reflect the adoption of GASB 75 (see Note 6).

Assets: Total assets increased \$1.2 million overall from fiscal year FY 2018 to FY 2019 primarily due to increases in fair value of investments. Total assets decreased \$1.5 million overall from FY 2017 to FY 2018 due primarily to the collection of a receivable from the University.

Current assets increased by \$1.3 million FY 2018 to FY 2019 primarily due to increases in fair value of investments of 1.6 million offset by a decrease in cash and cash equivalents of \$435 thousand at year-end. Current assets decreased by \$1.9 million FY 2017 to FY 2018 primarily due to the collection of a receivable from the University of \$3 million offset by the increase in cash and cash equivalents and investments at year-end.

Noncurrent assets decreased \$166 thousand overall from FY 2018 to FY 2019 primarily due to an increase in the investment portfolio of \$280 thousand and a decrease in capital assets of \$447 thousand. Noncurrent assets increased \$392 thousand overall from FY 2017 to FY 2018 due to an increase in the investment portfolio of \$316 thousand and an increase in capital assets of \$65 thousand.

**The Student Union of San José State University
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**Management's Discussion and Analysis
Years Ended June 30, 2019 and 2018**

Liabilities: Current liabilities decreased \$407 thousand overall from FY 2018 to FY 2019 due primarily to decreases in accounts payable. Current liabilities decreased \$2.4 million overall from FY 2017 to FY 2018 primarily due to the payment of \$3 million on the payable to the Tower Foundation of SJSU.

Noncurrent liabilities increased by \$162 thousand from FY 2018 to FY 2019 primarily due to a increase in net OPEB liability. Noncurrent liabilities decreased by \$612 thousand from FY 2017 to FY 2018 due to the adoption of GASB No. 75 and recording the net OPEB expense as the change in the net OPEB liability.

Net position: Total net position increased \$1.5 million from FY 2018 to FY 2019 due to a decrease in investments in capital assets of \$447 thousand, an increase of \$290 thousand in board-designated projects and an increase of \$1.4 million in unallocated net position, which accounts for the changes between the net asset categories. Total net position increased \$1.0 million from FY 2017 to FY 2018 due to an increase of \$2 million in unallocated net position and \$65 thousand in investments in capital assets, offset by a decrease of \$633 thousand in board-designated projects. Net position at June 30, 2017, was restated from \$10.3 million to \$8.8 million due to the adoption of GASB 75, which required the restatement in net position of \$1.5 million.

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

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

**The Student Union of San José State University
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**Management's Discussion and Analysis
Years Ended June 30, 2019 and 2018**

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

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

	2019	2018	2017
Operating revenues:			
Student Union fees	\$ 9,376,315	\$ 7,774,169	\$ 9,542,110
Service fees	461,827	274,444	185,875
Reimbursement of event costs	1,208,374	954,119	830,387
Rental income	2,921,423	2,684,755	1,885,053
Reimbursement of wages and benefits	510,167	440,669	354,029
Commissions	208,383	179,614	171,489
Other	59,461	41,392	44,948
Total operating revenues	14,745,950	12,349,162	13,013,891
Operating expenses:			
Wages, benefits and taxes	7,423,266	5,393,541	5,462,451
Contribution to Tower Foundation (Note 9)	-	-	3,000,000
Insurance	191,634	218,797	205,384
Supplies	397,710	285,696	319,071
Communications	199,845	206,722	172,443
Repairs and maintenance	217,044	198,669	171,630
Utilities	1,321,442	1,194,946	1,037,615
Event costs	1,475,405	1,220,907	925,339
Small equipment purchases	77,539	32,577	76,626
Depreciation and amortization	705,072	687,712	465,528
Business services	1,559,359	1,423,537	1,446,296
Miscellaneous	75,766	73,850	92,498
Project expenditures	156,245	351,387	314,662
Total operating expenses	13,800,327	11,288,341	13,689,543
Total operating income (loss)	945,623	1,060,821	(675,652)
Nonoperating revenues (expenses):			
Investment income, net	482,381	420,385	726,411
Increase in net position	1,428,004	1,481,206	50,759
Net position:			
Beginning of year as previously reported	10,308,520	8,827,314	10,336,890
Adjustment for adoption of GASB 75 (Note 6)	-	-	(1,560,335)
Beginning of year, restated	10,308,520	8,827,314	8,776,555
End of year	\$ 11,736,524	\$ 10,308,520	\$ 8,827,314

Net position for 2017 has been adjusted to reflect the adoption of GASB 75 (see Note 6).

**The Student Union of San José State University
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**Management's Discussion and Analysis
Years Ended June 30, 2019 and 2018**

Operating revenues: Total operating revenues increased \$2.4 million from FY 2018 to FY 2019 due primarily to an increase in the return of student fees for operations and for board-designated projects. Total operating revenues decreased \$665 thousand from FY 2017 to FY 2018 due primarily to a decrease in the return of student fees for operations and board-designated projects.

Student Union fees returned for operations were approximately 64% of total operating revenues in FY 2019 compared to 63% of total operating revenues in FY 2018, an increase of \$1.6 million from prior year. Student Union fees returned for operations were approximately 63% of total operating revenues in FY 2018 compared to 73% of total operating revenues in FY 2017, a decrease of \$1.8 million from prior year.

Rental income increased by \$237 thousand from FY 2018 to FY 2019 and \$800 thousand from FY 2017 to FY 2018 due to increases in rental income activities in the Event Center Arena, C.I.E.S, Student Affairs Space and Bowling Center.

Reimbursement of event costs increased by \$254 thousand from FY 2018 to FY 2019 due to increases in activity in the Event Center Arena. Reimbursement of event costs increased by \$124 thousand from FY 2017 to FY 2018 due to the increase in activity in the Event Center Arena.

Commission income increased \$29 thousand from FY 2018 to FY 2019, due primarily to the increase in concerts and other events in the Event Center Arena. Commission income increased \$8 thousand from FY 2017 to FY 2018 due primarily to the increase in concerts and other events in the Event Center Arena.

The remaining operating revenues increased by \$275 thousand from FY 2018 to FY 2019 due to an increase in service fees of \$187 thousand, an increase of \$70 thousand in reimbursement of wages and benefits, and an increase of \$18 thousand in other operating revenues. The remaining operating revenues increased by \$172 thousand from FY 2017 to FY 2018 due to an increase in service fees of \$89 thousand, an increase of \$87 thousand in reimbursement of wages and benefits, and a decrease of \$4 thousand in other operating revenues.

Operating expenses: Total operating expenses increased \$2.5 million overall from FY 2018 to FY 2019 due primarily to an increase in wages as well as event costs and utilities. Total operating expenses decreased \$2.4 million overall from FY 2017 to FY 2018 primarily due to no contribution being made during the year, in conjunction with the increase in utilities, event costs, and depreciation and amortization.

The wages and benefits increased approximately \$2.0 million from FY 2018 to FY 2019. There was an increase in overall utilities of \$126 thousand, an increase of \$17 thousand in depreciation and amortization, an increase of \$126 thousand in business services, and a decrease in project expenditures of \$195 thousand from FY 2018 to FY 2019. The operating expenses for the Student Union are made up principally of wages, benefits, and taxes, which decreased approximately \$69 thousand from FY 2017 to FY 2018 due to the implementation of GASB 75 and the change in OPEB liability (see Note 6). There was an increase in utilities of \$157 thousand, an increase of \$296 thousand in event costs, and an increase of \$222 thousand in depreciation and amortization from FY 2017 to FY 2018.

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

**Management's Discussion and Analysis
Years Ended June 30, 2019 and 2018**

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

Investment income for the year ended June 30, 2019, was \$482 thousand, an increase of \$62 thousand from prior year ended June 30, 2018. The \$482 thousand investment income is made up of \$424 thousand in interest, \$11 thousand in unrealized gains and \$47 thousand in realized gains. Investment income for the year ended June 30, 2018, was \$420 thousand, a decrease of \$306 thousand. The investment income is made up of \$319 thousand in interest, \$97 thousand in unrealized gains and \$4 thousand in realized gains.

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

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

**Statements of Net Position
June 30, 2019 and 2018**

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents (Note 10)	\$ 904,307	\$ 1,338,091
Investments (Notes 3 and 10)	2,678,047	1,068,224
Accounts receivable (Note 9)	254,689	219,858
Receivable from the University (Note 9)	136,594	70,170
Prepaid expenses and other	131,294	89,782
Total current assets	4,104,931	2,786,125
Noncurrent assets:		
Restricted cash	25,000	25,000
Investments (Notes 3 and 10)	7,220,271	6,886,315
Funds held in trust	66,186	119,670
Capital assets, net (Notes 4 and 5)	3,668,490	4,115,440
Total noncurrent assets	10,979,947	11,146,425
Total assets	\$ 15,084,878	\$ 13,932,550
Deferred outflows of resources:		
OPEB deferred outflow (Note 6)	\$ 243,796	\$ 243,796
Liabilities and Net Position		
Current liabilities:		
Accounts payable (Note 9)	\$ 1,088,347	\$ 1,689,691
Accrued payroll and related expenses	736,341	569,559
Other accrued liabilities (Note 9)	346,932	318,870
Total current liabilities	2,171,620	2,578,120
Net OPEB liability (Note 6)	876,658	661,652
Funds held in trust liability	66,186	119,670
Total noncurrent liabilities	942,844	781,322
Total liabilities	\$ 3,114,464	\$ 3,359,442
Deferred inflows of resources:		
OPEB deferred inflow (Note 6)	\$ 477,686	\$ 508,384
Net position:		
Investment in capital assets	\$ 3,668,490	\$ 4,115,440
Unrestricted:		
Board-designated (Note 5)	1,280,404	989,912
Unallocated	6,787,630	5,203,168
Total net position	\$ 11,736,524	\$ 10,308,520

See notes to financial statements.

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

**Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2019 and 2018**

	2019	2018
Operating revenues:		
Student Union fees (Note 9)	\$ 9,376,315	\$ 7,774,169
Service fees	461,827	274,444
Reimbursement of event costs	1,208,374	954,119
Rental income	2,921,423	2,684,755
Reimbursed wages and benefits	510,167	440,669
Commissions	208,383	179,614
Other	59,461	41,392
Total operating revenues	14,745,950	12,349,162
Operating expenses:		
Wages, benefits and taxes (Note 6)	7,423,266	5,393,541
Insurance	191,634	218,797
Supplies	397,710	285,696
Communications	199,845	206,722
Repairs and maintenance	217,044	198,669
Utilities	1,321,442	1,194,946
Event costs	1,475,405	1,220,907
Small equipment purchases	77,539	32,577
Depreciation and amortization	705,072	687,712
Business services (Note 8)	1,559,359	1,423,537
Miscellaneous	75,766	73,850
Project expenditures	156,245	351,387
Total operating expenses	13,800,327	11,288,341
Operating income	945,623	1,060,821
Nonoperating revenue (expenses):		
Investment income, net	482,381	420,385
Increase in net position	1,428,004	1,481,206
Net position, beginning of year	10,308,520	8,827,314
Net position, end of year	\$ 11,736,524	\$ 10,308,520

See notes to financial statements.

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

**Statements of Cash Flows
Years Ended June 30, 2019 and 2018**

	2019	2018
Cash flows from operating activities:		
Sales and services of auxiliary enterprises	\$ 14,376,852	\$ 12,177,688
Payments to suppliers	(6,286,783)	(4,644,030)
Payments to employees	(5,146,131)	(4,538,591)
Payments to students	(1,926,046)	(1,383,283)
Other receipts	288,726	221,006
Net cash provided by operating activities	1,306,618	1,832,790
Cash flows from capital and related financing activities:		
Acquisitions of capital assets	(279,004)	(752,717)
Cash flows from investing activities:		
Investment income reinvested	424,359	322,983
Sales of investments	13,634,797	8,653,832
Purchase of investments	(15,520,554)	(9,621,572)
Net cash used in by investing activities	(1,461,398)	(644,757)
Net (decrease) increase in cash and cash equivalents	(433,784)	435,316
Cash and cash equivalents:		
Beginning of year	1,338,091	902,775
End of year	\$ 904,307	\$ 1,338,091
Reconciliation of net operating income to net cash provided by operating activities:		
Operating income	\$ 945,623	\$ 1,060,821
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	705,072	687,712
Loss on disposal of assets	20,882	-
Change in assets and liabilities:		
Accounts receivable, net and due from University	(101,255)	3,049,532
Prepaid expenses and other current assets	(41,512)	24,031
Accounts payable	(601,344)	618,737
Accrued salaries and benefits	166,782	105,763
Other liabilities	28,062	(3,079,711)
Deferred outflows/inflows	(30,698)	(11,806)
Net OPEB liabilities	215,006	(622,289)
Net cash provided by operating activities	\$ 1,306,618	\$ 1,832,790

See notes to financial statements.

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

Notes to Financial Statements

Note 1. General Information

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

Note 2. Summary of Significant Accounting Policies

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

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

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

Accounts receivable: Accounts receivable are recorded when services are performed at the actual amount expected to be collected. Management has determined that no allowance for doubtful accounts is necessary at June 30, 2019 and 2018.

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

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

Glass Reserve Account: This account was established upon mutual agreement between the Student Union and Spartan Shops, Inc., another auxiliary on the campus. The funds are specifically designated for the repair and replacement of any exterior glass in the Student Union building. All repairs and replacement of glass are handled by the Student Union, as well as payment of any vendor invoices. The balances in this account as of June 30, 2019 and 2018, were \$0 and \$2,814, respectively.

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

Note 2. Summary of Significant Accounting Policies (Continued)

Instructionally Related Activities (IRA) Trust Account: This account was established upon mutual agreement with the University in a Memorandum of Understanding dated August 1, 2006, allowing the Student Union to manage and oversee the SJSU Club Sports Program. The Student Union inherited Intramural Sports from Associated Students Inc. in 2017. The funds are held in trust for the following obligations:

- Insurance for SJSU Club Sports and Intramural Sports participants.
- Insurance for other recognized student clubs and organizations events.
- Annual allocations for SJSU Club Sports and Intramural Sports teams and contingency funds.
- Reimbursement to the Student Union for SJSU Club Sports departmental expenditures.

The IRA Trust Account balance at June 30, 2019 and 2018, was \$0 and \$45,033, respectively.

SJSU Club Sports Checking Account: This account was established as a result of a CSU Chancellor's Office Executive Order prohibiting any recognized student organizations from having off-campus bank accounts. As a result of the Executive Order, SJSU Club Sports has one bank account, which is overseen by the Student Union as well as the processing of all its financial transactions. The balance in this checking account as of June 30, 2019 and 2018, was \$66,186 and \$71,823, respectively.

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

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

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

Compensated absences: The Student Union accrues vacation benefits for eligible employees at various rates, depending upon length of service. Eligible full-time employees accrue sick leave at the rate of 96.0 hours at January 1 each year and are paid a portion of the remaining unused sick leave at the end of December. Employees are not paid for unused sick leave at the end of employment. The Student Union adopted the mandated sick leave for nonbenefited employees as of July 1, 2015. All nonbenefited employees will accrue 24.0 hours of sick leave annually. At June 30, 2019 and 2018, the Student Union had balances of \$402,587 and \$365,711 of compensated absences, respectively. During 2019 and 2018, \$422,186 and \$333,725, respectively, of compensated absences were earned and \$385,310 and \$264,567, respectively, were used.

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

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Student Union employees: Certain Student Union employees are employees of the University, and are reimbursed by the Student Union for wages. The wage reimbursements totaled \$58,422 and \$40,960 for the years ended June 30, 2019 and 2018, respectively.

Net position: The Student Union's net position consists of net investment in capital assets and unrestricted net position. In addition, unallocated net position may be designated by the Board of Directors of the Student Union. Net investment in capital assets, net of accumulated depreciation.

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

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

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

Income taxes: The Student Union is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and Section 23701(d) of the California Revenues and Taxation Code, respectively. Accordingly, no provision for income taxes has been recorded. Form 990, filed by the Student Union, is subject to examination by the Internal Revenue Service up to three years from the extended due date of each return. Generally, the Student Union is no longer subject to income tax examinations by the U.S., federal, state or local tax authorities for years before 2016.

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

Recent accounting pronouncements: In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and reporting purposes and how those activities should be reported and this statement establishes criteria for identifying fiduciary activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. The Student Union is currently evaluating the effect of the adoption of this standard on its financial statements and related disclosures.

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

Note 2. Summary of Significant Accounting Policies (Continued)

In June 2017, the GASB issued Statement No. 87, *Leases*, effective for the Student Union's fiscal year beginning July 1, 2019. This statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. 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, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor 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. The Student Union has not yet determined the impact of GASB Statement No. 87 on the Student Union's financial statements.

Note 3. Investments

	2019	2018
Local Agency Investment Fund	\$ 231,909	\$ 226,765
UBS:		
Mutual funds, equities	3,549,543	2,539,842
Mutual funds, fixed income	5,372,943	3,979,523
Mutual funds, others	700,662	1,108,638
Cash	43,261	99,771
Total UBS	<u>9,666,409</u>	<u>7,727,774</u>
	<u>\$ 9,898,318</u>	<u>\$ 7,954,539</u>

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

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

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

		June 30, 2019						
		Market Value	<1 Year	<2 Years	<3 Years	<4 Years	<5 Years	>5 Years
Intermediate-term								
investments		\$ 5,372,943	\$ 4,146,116	\$ -	\$ 1,008,975	\$ 217,852	\$ -	\$ -
		June 30, 2018						
		Market Value	<1 Year	<2 Years	<3 Years	<4 Years	<5 Years	>5 Years
Intermediate-term								
investments		\$ 3,979,523	\$ 2,853,550	\$ -	\$ 612,455	\$ -	\$ 316,888	\$ 196,630

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

Note 3. Investments (Continued)

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

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

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

Investment Type	2019	2018	Credit Rating
Fixed Income Mutual Funds	\$ 1,938,558	\$ 1,888,284	AAA
Fixed Income Mutual Funds	1,043,963	202,558	AA
Fixed Income Mutual Funds	623,799	253,893	A
Fixed Income Mutual Funds	416,940	362,136	BBB
Fixed Income Mutual Funds	512,041	528,481	BB
Fixed Income Mutual Funds	726,422	609,265	B
Fixed Income Mutual Funds	111,220	134,906	Below B
Total fixed income securities	<u>\$ 5,372,943</u>	<u>\$ 3,979,523</u>	

Concentration of credit risk: The Policy of the Student Union contains certain limitations on the amount that can be invested in any one issuer and is listed above. The Student Union did not have any investments in any one issuer (other than mutual funds) that represent 5% or more of the Student Union's total investments as of June 30, 2019 and 2018.

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

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

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

Note 3. Investments (Continued)

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

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices in active markets for identical assets or liabilities, either directly or indirectly.

Level 3: Inputs that are unobservable in situations where there is little or no market activity for the asset or liability and significant to the overall fair value measurement.

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

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

Description	June 30, 2019	Fair Value Measurement at Reporting Date Using		
		Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds, equities	\$ 3,549,543	\$ 3,549,543	\$ -	\$ -
Mutual funds, fixed income	5,372,943	5,372,943	-	-
Mutual funds, others	700,662	700,662	-	-
Cash and money balances	43,261	43,261	-	-
	9,666,409	\$ 9,666,409	\$ -	\$ -
Local Agency Investment Fund	231,909			
Total investments	<u>\$ 9,898,318</u>			

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

Note 3. Investments (Continued)

Description	June 30, 2018	Fair Value Measurement at Reporting Date Using		
		Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds, equities	\$ 2,539,842	\$ 2,539,842	\$ -	\$ -
Mutual funds, fixed income	3,979,523	3,979,523	-	-
Mutual funds, others	1,108,638	1,108,638	-	-
Cash	99,771	99,771	-	-
	<u>7,727,774</u>	<u>\$ 7,727,774</u>	<u>\$ -</u>	<u>\$ -</u>
Local Agency Investment Fund	226,765			
Total investments	<u>\$ 7,954,539</u>			

Note 4. Capital Assets

Capital assets consist of the following at June 30:

	2018	Additions	Retirements	Transfers	2019
Computer equipment	\$ 150,725	\$ -	\$ -	\$ -	\$ 150,725
Software	48,395	-	-	-	48,395
Furniture and equipment	4,781,354	-	(54,862)	116,586	4,843,078
Leasehold improvements	5,171,819	-	(29,324)	-	5,142,495
Projects in progress	472,296	279,004	-	(116,586)	634,714
	<u>10,624,589</u>	<u>279,004</u>	<u>(84,186)</u>	<u>-</u>	<u>10,819,407</u>
Less accumulated depreciation and amortization	(6,509,149)	(705,072)	63,304	-	(7,150,917)
Net book value	<u>\$ 4,115,440</u>	<u>\$ (426,068)</u>	<u>\$ (20,882)</u>	<u>\$ -</u>	<u>\$ 3,668,490</u>

	2017	Additions	Retirements	Transfers	2018
Computer equipment	\$ 150,725	\$ -	\$ -	\$ -	\$ 150,725
Software	48,395	-	-	-	48,395
Furniture and equipment	2,866,113	-	-	1,915,241	4,781,354
Leasehold improvements	5,171,819	-	-	-	5,171,819
Projects in progress	1,634,820	752,717	-	(1,915,241)	472,296
	<u>9,871,872</u>	<u>752,717</u>	<u>-</u>	<u>-</u>	<u>10,624,589</u>
Less accumulated depreciation and amortization	(5,821,437)	(687,712)	-	-	(6,509,149)
Net book value	<u>\$ 4,050,435</u>	<u>\$ 65,005</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,115,440</u>

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

Note 5. Board-Designated Net Position

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

	2019	2018
Board-designated:		
Capital equipment	\$ 704,166	\$ 413,674
Other designated assets	576,238	576,238
	<u>\$ 1,280,404</u>	<u>\$ 989,912</u>

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

Note 6. Employment Benefit and Compensation Plans

Other Postemployment Benefit Obligation (OPEB)

During fiscal year 2018, the Student Union adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). The primary objective of this statement is to improve information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This OPEB plan is considered an agent-multiemployer plan.

The adoption of this standard required a restatement of net position as of June 30, 2017, to reflect the Student Union's net OPEB liability. The restatement resulted in a decrease to the beginning balance of net position of approximately \$1,600,000.

General information about the OPEB Plan

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

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

Contributions: The Student Union adopted the entry age normal actuarial cost method prefunding prospectively. The entry age normal actuarial cost method, with the contributions determined as a percent of payroll, is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future, as well as those already accrued. The plan uses a 7% discount rate, assuming the Student Union continues prefunding 100% of each future year's annual required contribution. The Student Union assumes a closed 30-year level dollar amortization of the unfunded actuarial accrued liability.

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

Notes to Financial Statements

Note 6. Employment Benefit and Compensation Plans (Continued)

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

The Student Union has voluntarily opted for a funding policy under which it will contribute 100% of its actuarially determined annual required contribution. Contributions to the OPEB Plan from the Student Union for the years ended June 30, 2019 and 2018, were \$297,352 and \$282,088, respectively.

Employees covered by benefit terms: At June 30, 2019 and 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	8
Active employees	41
	<u>49</u>

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEB

The Student Union's net OPEB liability was \$876,658 and \$661,652 at June 30, 2019 and 2018, respectively. The Student Union's net OPEB liability was measured as of June 30, 2018 and 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017, as allowed per the standard. .

For the years ended June 30, 2019 and 2018, the Student Union recognized OPEB expense of \$481,660 and \$168,183, respectively, and included in wages, benefits and taxes on the statements of revenue, expenses and changes in net position.

OPEB expense for the years ended June 30 is as follows:

	<u>2019</u>	<u>2018</u>
Service cost	\$ 204,643	\$ 128,947
Interest on OPEB liability	203,720	212,590
Projected earnings	(152,734)	(123,087)
Administrative expenses	16,773	8,909
Change in benefit terms	272,883	-
Deferred (inflows) outflows of resources:		
Change in assumptions	(27,415)	(27,415)
Differences between expected and actual experience	(19,000)	(17,284)
Differences between projected and actual earnings	(17,210)	(14,477)
OPEB expense	<u>\$ 481,660</u>	<u>\$ 168,183</u>

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

Note 6. Employment Benefit and Compensation Plans (Continued)

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

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 174,453
Changes of assumptions	-	248,874
Net difference between projected and actual earnings on OPEB plan investments	-	54,359
Contributions subsequent to the measurement date	243,796	-
Total	<u>\$ 243,796</u>	<u>\$ 477,686</u>

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 174,189
Changes of assumptions	-	276,289
Net difference between projected and actual earnings on OPEB plan investments	-	57,906
Contributions subsequent to the measurement date	243,746	-
Total	<u>\$ 243,746</u>	<u>\$ 508,384</u>

Of the total amount reported as deferred outflows at June 30, 2019, related to OPEB, \$243,796 resulting from Student Union contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability for the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	June 30, 2019
Years ending June 30:	
2020	\$ (63,625)
2021	(63,625)
2022	(63,623)
2023	(49,146)
2024	(46,415)
Thereafter	(191,252)
Total	<u>\$ (477,686)</u>

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

Note 6. Employment Benefit and Compensation Plans (Continued)

Of the total amount reported as deferred outflows, at June 30, 2018, related to OPEB, \$243,746 resulting from Student Union contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability for the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>June 30, 2018</u>
Years ending June 30:	
2019	\$ (59,176)
2020	(59,176)
2021	(59,176)
2022	(59,176)
2023	(44,699)
Thereafter	(226,681)
Total	<u>\$ (508,084)</u>

Actuarial assumptions: The June 30, 2019 and 2018 total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.26%
Salary increases	3.25%, average, including inflation
Investment rate of return	7.0%, net of OPEB plan investment expense, including inflation
Health care cost trend rates	7.7% (pre-65) and 5.3% (post-65), decreasing to an ultimate rate of 5% for 2030 and later years
Dental rate	4.0% (applicable to 2019 only)

Mortality rates were based on the CalPERS 2014 Mortality Pre- and Post-Retirement Table for Males or Females, as appropriate.

The retirement rates used in the most recent CalPERS Public Agency Miscellaneous were 2% at 60 for actives hired before January 1, 2013, and 2% at 62 for actives hired on or after January 1, 2013.

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

Note 6. Employment Benefit and Compensation Plans (Continued)

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

Investment Class	2019	
	Target Allocation	Long-Term Expected Real Rate of Return ¹
Equity	43.0 %	6.78%
Fixed Income	50.0 %	2.60%
REITs	7.0 %	5.30%
Total	<u>100.0 %</u>	

¹JPMorgan arithmetic Long-Term Capital Market assumptions and expected inflation of 2.26%

Investment Class	2018	
	Target Allocation	Long-Term Expected Real Rate of Return ¹
Equity	43.0 %	5.54%
Fixed Income	50.0 %	1.70%
REITs	7.0 %	5.60%
Total	<u>100.0 %</u>	

¹JPMorgan arithmetic Long-Term Capital Market assumptions and expected inflation of 2.26%

Discount rate: The discount rate used to measure the total June 30, 2019 and 2018, OPEB liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that Student Union contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. There, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

Note 6. Employment Benefit and Compensation Plans (Continued)

Sensitivity of the net OPEB liability to changes in the discount rate: The following presents the net OPEB liability of the Student Union, as well as what the Student Union's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current discount rate:

	June 30, 2019		
	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Net OPEB liability	\$ 1,385,776	\$ 876,658	\$ 462,186

	June 30, 2018		
	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Net OPEB liability	\$ 1,078,733	\$ 661,652	\$ 322,120

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

	June 30, 2019		
	1% Decrease	Health Care Cost Trend	1% Increase
Net OPEB liability	\$ 442,417	\$ 876,658	\$ 1,386,499

	June 30, 2018		
	1% Decrease	Health Care Cost Trend	1% Increase
Net OPEB liability	\$ 306,875	\$ 661,652	\$ 1,074,416

Retirement plan: The Student Union has an annuity purchase plan under Section 403(b) of the IRC. Under this qualified plan, eligible employees may defer their salary through contributions to the plan, subject to IRC limits, and the Student Union will match up to 4% for eligible employees as well as employer discretionary contributions. The Student Union's plan contributions for fiscal years 2019 and 2018 were \$219,042 and \$202,204, respectively, and are included in wages, benefits and taxes on the statement of revenues, expenses and changes in net position.

Note 7. Event Activity

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

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

Note 8. Operating Leases

The following properties are leased from the Trustees of the California State University: the Student Union building, the ATM kiosk, the Aquatic Center and the Event Center building. The renewed lease agreement expires June 30, 2021, and requires the Student Union's compliance with various conditions concerning operation of the facilities. The Student Union does not pay monthly rent to the University but does reimburse the University for Cost Allocations to Non-CSU Fund Entities for Expenses incurred by the CSU Operating Fund. These cost allocations are billed quarterly. The Student Union paid the University \$594,768 and \$665,772 in 2019 and 2018, respectively, for these cost allocations. Cost allocations include reimbursement for SJSU Business and Financial Services, Chancellor's Office annual audit fees, Information Technology services, University police security fees, property and building insurance as well as facility use fees. Cost allocation for the fiscal year ending June 30, 2020 is estimated at \$738,516. The opening of the Recreation and Aquatic Center and the east and west wings of the new Student Union is the main reason for increased facility use fees.

The Student Union leases space in its facilities to other auxiliary organizations of the University, departments of the University and organizations external to the University. The Student Union's rental revenue for fiscal years 2019 and 2018 was \$2,921,423 and \$2,684,755, respectively.

Note 9. Related Parties

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

Receivables from affiliates at June 30 are as follows:

	2019	2018
Receivable from San José State University	\$ 136,594	\$ 70,170
Receivable from auxiliary organizations:		
Spartan Shops, Inc.	97,825	159,533
Associated Students, Inc.	3,657	3,363
SJSU Research Foundation	-	-
Tower Foundation of SJSU	2,585	-
	<u>\$ 240,661</u>	<u>\$ 233,066</u>

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

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

Note 9. Related Parties (Continued)

Payables to affiliates at June 30 are as follows:

	2019	2018
Payable to San José State University	\$ 692,685	\$ 291,160
Payable to auxiliary organizations:		
Associated Students, Inc.	5,175	1,819
	<u>\$ 697,860</u>	<u>\$ 292,979</u>

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

Note 10. Concentration of Credit Risk

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

Note 11. Subsequent Events

In preparing the financial statements, the Student Union has evaluated events and transactions for subsequent event disclosure through September 26, 2019, the date of the auditor's report.

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

Schedule of Changes in the Net OPEB Liability and Related Ratios
June 30, 2019 and 2018

	2019	2018
Total OPEB liability		
Service cost	\$ 204,643	\$ 128,947
Interest	203,720	212,590
Differences between expected and actual experience	(19,264)	(191,473)
Change in benefit terms	272,883	-
Changes in assumptions	-	(303,704)
Benefit payments	(53,556)	(44,122)
Net change in total OPEB liability	<u>608,426</u>	<u>(197,762)</u>
Total OPEB liability - beginning	<u>2,731,975</u>	<u>2,929,737</u>
Total OPEB liability - ending (a)	<u><u>\$ 3,340,401</u></u>	<u><u>\$ 2,731,975</u></u>
Plan fiduciary net position		
Contributions - employer	\$ 297,352	\$ 282,088
Net investment income	166,397	195,470
Benefit payments	(53,556)	(44,122)
Administrative expense	(16,773)	(8,909)
Net change in plan fiduciary net position	<u>393,420</u>	<u>424,527</u>
Plan fiduciary net position - beginning	<u>2,070,323</u>	<u>1,645,796</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 2,463,743</u></u>	<u><u>\$ 2,070,323</u></u>
Student Union's net OPEB liability - ending (a) - (b)	<u><u>\$ 876,658</u></u>	<u><u>\$ 661,652</u></u>

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

Plan fiduciary net position as a percentage of the total OPEB liability	74%	76%
Covered-employee payroll	\$ 2,606,247	\$ 2,452,176
Student Union's net OPEB liability as a percentage of covered-employee payroll	34%	27%

Notes to Schedule:

Changes of benefits. In 2019, benefits changed to increase the minimum eligibility age from 50 to 55 for post 2012 hires and the inclusion of dental benefits for retirees, dependents and surviving spouses.

Changes of assumptions. In 2018, the average per capital claims costs was updated to reflect actual 2017 and 2018 premiums and caps, the health care cost trend rate was updated to reflect 2018 industry survey data, and the mortality rates were updated to reflect the most recent CalPERS studies.

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

**Schedule of Contributions
June 30, 2019 and 2018**

	2019	2018
Actuarially determined contribution	\$ 280,032	\$ 243,176
Contributions in relation to the actuarially determined contribution	297,352	282,088
Contribution deficiency (excess)	<u>\$ (17,320)</u>	<u>\$ (38,912)</u>
Covered-employee payroll	\$ 2,606,247	\$ 2,452,176
Contributions as a percentage of covered-employee payroll	11%	12%

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

Notes to Schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Straight-line
Amortization period	5 years
Asset valuation method	Market value of assets as of the measurement date
Inflation	2.26%
Health care cost trend rates	7.70% initial, decreasing 0.15% per year to an ultimate rate of 5.00%
Dental rate	4.0% (2019 only)
Salary increases	3.25% average, including inflation
Investment rate of return	7.00% net of OPEB plan investment expense, including inflation
Retirement age	Retirement rates that were used in the most recent CalPERS Public Agency Miscellaneous 2% at 60 for actives hired before January 1, 2013 and 2% at 62 for actives hired on or after 1, 2013
Mortality	The mortality rates used in this valuation are those used in the most recent CalPERS valuations (CalPERS 2014).

The Student Union of San José State University
Schedule of Net Position
June 30, 2019
(for inclusion in the California State University)

Assets:	
Current assets:	
Cash and cash equivalents	\$ 904,307
Short-term investments	2,678,047
Accounts receivable, net	391,283
Capital lease receivable, current portion	—
Notes receivable, current portion	—
Pledges receivable, net	—
Prepaid expenses and other current assets	131,294
Total current assets	<u>4,104,931</u>
Noncurrent assets:	
Restricted cash and cash equivalents	25,000
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	7,220,271
Capital assets, net	3,668,490
Other assets	66,186
Total noncurrent assets	<u>10,979,947</u>
Total assets	<u>15,084,878</u>
Deferred outflows of resources:	
Unamortized loss on debt refunding	—
Net pension liability	—
Net OPEB liability	243,796
Others	—
Total deferred outflows of resources	<u>243,796</u>
Liabilities:	
Current liabilities:	
Accounts payable	1,088,347
Accrued salaries and benefits	330,453
Accrued compensated absences, current portion	402,587
Unearned revenues	—
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	350,233
Total current liabilities	<u>2,171,620</u>
Noncurrent liabilities:	
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	66,186
Net other postemployment benefits liability	876,658
Net pension liability	—
Other liabilities	—
Total noncurrent liabilities	<u>942,844</u>
Total liabilities	<u>3,114,464</u>
Deferred inflows of resources:	
Service concession arrangements	—
Net pension liability	—
Net OPEB liability	477,686
Unamortized gain on debt refunding	—
Nonexchange transactions	—
Others	—
Total deferred inflows of resources	<u>477,686</u>
Net Position:	
Net investment in capital assets	3,668,490
Restricted for:	
Nonexpendable – endowments	—
Expendable:	
Scholarships and fellowships	—
Research	—
Loans	—
Capital projects	—
Debt service	—
Others	—
Unrestricted	8,068,034
Total net position	<u>\$ 11,736,524</u>

The Student Union of San José State University
Schedule of Revenues, Expenses and Changes in Net Position
June 30, 2019
(for inclusion in the California State University)

Revenues:

Operating revenues:	
Student tuition and fees, gross	\$ 9,376,315
Scholarship allowances (enter as negative)	—
Grants and contracts, noncapital:	
Federal	—
State	—
Local	—
Nongovernmental	—
Sales and services of educational activities	—
Sales and services of auxiliary enterprises, gross	5,310,174
Scholarship allowances (enter as negative)	—
Other operating revenues	<u>59,461</u>
Total operating revenues	<u>14,745,950</u>

Expenses:

Operating expenses:	
Instruction	—
Research	—
Public service	—
Academic support	—
Student services	—
Institutional support	9,376,315
Operation and maintenance of plant	—
Student grants and scholarships	—
Auxiliary enterprise expenses	3,718,940
Depreciation and amortization	<u>705,072</u>
Total operating expenses	<u>13,800,327</u>
Operating income (loss)	<u>945,623</u>

Nonoperating revenues (expenses):

State appropriations, noncapital	—
Federal financial aid grants, noncapital	—
State financial aid grants, noncapital	—
Local financial aid grants, noncapital	—
Nongovernmental and other financial aid grants, noncapital	—
Other federal nonoperating grants, noncapital	—
Gifts, noncapital	—
Investment income (loss), net	482,381
Endowment income (loss), net	—
Interest expense	—
Other nonoperating revenues (expenses) - excl. interagency transfers	—
Other nonoperating revenues (expenses) - interagency transfers	<u>—</u>
Net nonoperating revenues (expenses)	<u>482,381</u>
Income (loss) before other revenues (expenses)	1,428,004

State appropriations, capital	—
Grants and gifts, capital	—
Additions (reductions) to permanent endowments	<u>—</u>
Increase (decrease) in net position	<u>1,428,004</u>

Net position:

Net position at beginning of year, as previously reported	10,308,520
Restatements	<u>—</u>
Net position at beginning of year, as restated	<u>10,308,520</u>
Net position at end of year	<u>\$ 11,736,524</u>

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

Other Information

June 30, 2019

(for inclusion in the California State University)

1 Cash and cash equivalents:

Portion of restricted cash and cash equivalents related to endowments

All other restricted cash and cash equivalents

Noncurrent restricted cash and cash equivalents

Current cash and cash equivalents

Total

\$	25,000
	<u>25,000</u>
	<u>904,307</u>
\$	<u>929,307</u>

2.1 Composition of investments:

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Money market funds	\$ 43,260		\$ 43,260
Repurchase agreements			-
Certificates of deposit			-
U.S. agency securities			-
U.S. treasury securities			-
Municipal bonds			-
Corporate bonds			-
Asset backed securities			-
Mortgage backed securities			-
Commercial paper			-
Mutual funds	2,402,878	7,220,271	9,623,149
Exchange traded funds			-
Equity securities			-
Alternative investments:			-
Private equity (including limited partnerships)			-
Hedge funds			-
Managed futures			-
Real estate investments (including REITs)			-
Commodities			-
Derivatives			-
Other alternative investment types			-
Other external investment pools (excluding SWIFT)			-
Other investments			-
State of California Local Agency Investment Fund (LAIF)	231,909		231,909
State of California Surplus Money Investment Fund (SMIF)			-
Total investments	<u>2,678,047</u>	<u>7,220,271</u>	<u>9,898,318</u>
Less endowment investments (enter as negative number)	-		-
Total investments, net of endowments	<u>\$ 2,678,047</u>	<u>\$ 7,220,271</u>	<u>\$ 9,898,318</u>

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

Other Information

June 30, 2019

(for inclusion in the California State University)

2.2 Fair value hierarchy in investments:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Money market funds	\$ 43,260	\$ 43,260			
Repurchase agreements	-				
Certificates of deposit	-				
U.S. agency securities	-				
U.S. treasury securities	-				
Municipal bonds	-				
Corporate bonds	-				
Asset backed securities	-				
Mortgage backed securities	-				
Commercial paper	-				
Mutual funds	9,623,149	9,623,149			
Exchange traded funds	-				
Equity securities	-				
Alternative investments:					
Private equity (including limited partnerships)	-				
Hedge funds	-				
Managed futures	-				
Real estate investments (including REITs)	-				
Commodities	-				
Derivatives	-				
Other alternative investment types	-				
Other external investment pools (excluding SWIFT)	-				
Other investments	-				
State of California Local Agency Investment Fund (LAIF)	231,909	-	-	-	231,909
State of California Surplus Money Investment Fund (SMIF)	-	-	-	-	
Total investments	\$ 9,898,318	\$ 9,666,409	\$ -	\$ -	\$ 231,909

2.3 Investments held by the University under contractual agreements:

	Current	Noncurrent	Total
Investments held by the University under contractual agreements (e.g CSU Consolidated SWIFT Inv pool):			\$ -

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

Other Information

June 30, 2019

(for inclusion in the California State University)

3.2 Detail of depreciation and amortization expense:

Depreciation and amortization expense related to capital assets	\$ 705,072
Amortization expense related to other assets	
Total depreciation and amortization	<u>\$ 705,072</u>

4 Long-term liabilities:

	Balance June 30, 2018	Prior Period Adjustments/Reclass ifications	Balance June 30, 2018 (Restated)	Additions	Reductions	Balance June 30, 2019	Current Portion	Noncurrent Portion
1. Accrued compensated absences	\$ 365,711		\$ 365,711	\$ 402,587	\$ (365,711)	\$ 402,587	\$ 402,587	\$ -
2. Claims liability for losses and loss adjustment expenses	-		-			-		-
3. Capital lease obligations:								
Gross balance	-		-			-	-	-
Unamortized net premium/(discount)	-		-			-	-	-
Total capital lease obligations	-		-			-		-
4. Long-term debt obligations:								
4.1 Auxiliary revenue bonds (non-SRB related)	-		-			-	-	-
4.2 Commercial paper	-		-			-	-	-
4.3 Notes payable (SRB related)	-		-			-	-	-
4.4 Others:								
	-		-			-	-	-
	-		-			-	-	-
	-		-			-	-	-
Total others	-		-			-	-	-
Sub-total long-term debt	-		-			-		-
4.5 Unamortized net bond premium/(discount)	-		-			-	-	-
Total long-term debt obligations	-		-			-		-
Total long-term liabilities	\$ 365,711	\$ -	\$ 365,711	\$ 402,587	\$ (365,711)	\$ 402,587	\$ 402,587	\$ -

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

**Other Information
June 30, 2019
(for inclusion in the California State University)**

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
Year ending June 30:									
2020			\$ -			\$ -	\$ -	\$ -	\$ -
2021			-			-	-	-	-
2022			-			-	-	-	-
2023			-			-	-	-	-
2024			-			-	-	-	-
2025 - 2029			-			-	-	-	-
2030 - 2034			-			-	-	-	-
2035 - 2039			-			-	-	-	-
2040 - 2044			-			-	-	-	-
2045 - 2049			-			-	-	-	-
Thereafter			-			-	-	-	-
Total minimum lease payments			-			-	-	-	-
Less: amounts representing interest									-
Present value of future minimum lease payments									-
Unamortized net premium/(discount)									-
Total capital lease obligations									-
Less: current portion									-
Capital lease obligations, net of current portion									\$ -

6 Long-term debt obligations schedule:

	Auxiliary revenue bonds (non-SRB related)			All other long-term debt obligations			Total long-term debt obligations		
	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:									
2020			\$ -			\$ -	\$ -	\$ -	\$ -
2021			-			-	-	-	-
2022			-			-	-	-	-
2023			-			-	-	-	-
2024			-			-	-	-	-
2025 - 2029			-			-	-	-	-
2030 - 2034			-			-	-	-	-
2035 - 2039			-			-	-	-	-
2040 - 2044			-			-	-	-	-
2045 - 2049			-			-	-	-	-
Thereafter			-			-	-	-	-
Total minimum payments			-			-	-	-	-
Less: amounts representing interest									-
Present value of future minimum payments									-
Unamortized net premium/(discount)									-
Total long-term debt obligations									-
Less: current portion									-
Long-term debt obligations, net of current portion									\$ -

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

Other Information

June 30, 2019

(for inclusion in the California State University)

7 Transactions with related entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 58,422
Payments to University for other than salaries of University personnel	2,396,062
Payments received from University for services, space, and programs	2,568,964
Gifts-in-kind to the University from discretely presented component units	
Gifts (cash or assets) to the University from discretely presented component units	
Accounts (payable to) University (enter as negative number)	(692,685)
Other amounts (payable to) University (enter as negative number)	
Accounts receivable from University (enter as positive number)	136,594
Other amounts receivable from University (enter as positive number)	

8 Restatements/Prior period adjustments:

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

Transaction #1	Enter transaction description	Debit/(Credit)
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Transaction #2	Enter transaction description	
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**The Student Union of San José State University
(A California State University Auxiliary Organization)**

Other Information

June 30, 2019

(for inclusion in the California State University)

9 Natural classifications of operating expenses:

	Salaries	Benefits - Other	Benefits - Pension	Benefits - OPEB	Scholarships and Fellowships	Supplies and Other Services	Depreciation and Amortization	Total Operating Expenses
Instruction					\$ -		\$ -	\$ -
Research					-		-	-
Public service					-		-	-
Academic support					-		-	-
Student services					-		-	-
Institutional support	9,376,315				-		-	9,376,315
Operation and maintenance of plant					-		-	-
Student grants and scholarships	-	-	-	-		-	-	-
Auxiliary enterprise expenses	-					3,718,940	-	3,718,940
Depreciation and amortization	-	-	-	-	-	-	705,072	705,072
Total operating expenses	\$ 9,376,315	\$ -	\$ -	\$ -	\$ -	\$ 3,718,940	\$ 705,072	\$ 13,800,327

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
 Deferred outflows - others:

\$ 243,796

Total deferred outflows - others
Total deferred outflows of resources

-
\$ 243,796

2. Deferred Inflows of Resources

Deferred inflows - service concession arrangements
 Deferred inflows - net pension liability
 Deferred inflows - net OPEB liability
 Deferred inflows - unamortized gain on debt refunding(s)
 Deferred inflows - nonexchange transactions
 Deferred inflows - others:

\$ 477,686

Total deferred inflows - others
Total deferred inflows of resources

-
\$ 477,686