

**THE STUDENT UNION OF  
SAN JOSE STATE UNIVERSITY**  
(a California State University Auxiliary Organization)

**AUDIT REPORT**

**YEAR ENDED JUNE 30, 2008**  
(With Comparative Totals for the  
Year Ended June 30, 2007)



**Vargas and Company**

CPA's • Accountants • Auditors

**THE STUDENT UNION OF SAN JOSE STATE UNIVERSITY**  
**(a California State University Auxiliary Organization)**  
**June 30, 2008**

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## **Vargas and Company**

certified public accountants

### **INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

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

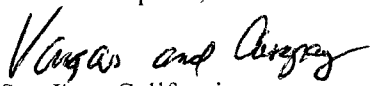
We have audited the accompanying balance sheet of The Student Union of San Jose State University (the "Student Union"), a California State University Auxiliary Organization, as of June 30, 2008, and the related statement of revenues, expenses, reserve expenditures and changes in fund balance, and cash flows for the year then ended. These financial statements are the responsibility of the Student Union's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Jose State University as of June 30, 2008, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2008 on our consideration of the Student Union's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The supplemental schedules on pages 14 to 17 are presented for purposes of additional analysis and as required by the California State University for Auxiliary Organizations, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

  
San Jose, California  
August 8, 2008

# **Financial Statements**

**THE STUDENT UNION OF SAN JOSE STATE UNIVERSITY**  
**(a California State University Auxiliary Organization)**

**Balance Sheets**

**June 30, 2008**

**(with comparative totals for June 30, 2007)**

<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
Current assets		
Cash and cash equivalents	\$ 511,276	\$ 555,255
Investment	3,135,108	2,036,895
Accounts receivable	228,868	281,870
Prepaid expenses and other current assets	<u>11,720</u>	<u>-</u>
Total current assets	3,886,972	2,874,020
Investments	2,232,078	2,343,193
Capital assets, net	<u>1,360,678</u>	<u>1,371,609</u>
TOTAL ASSETS	<u>\$ 7,479,728</u>	<u>\$ 6,588,822</u>
<u>LIABILITIES AND FUND BALANCES</u>		
Current liabilities		
Accounts payable	\$ 448,726	\$ 442,007
Accrued payroll and related expenses	312,528	336,190
Other accrued liabilities	357,938	190,108
Depository accounts	<u>297,582</u>	<u>181,628</u>
Total current liabilities	1,416,774	1,149,933
Fund balances	<u>6,062,954</u>	<u>5,438,889</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,479,728</u>	<u>\$ 6,588,822</u>

*The notes to the financial statements are an integral part of this statement.*

**THE STUDENT UNION OF SAN JOSE STATE UNIVERSITY**  
**(a California State University Auxiliary Organization)**  
**Statements of Revenues, Expenses, Reserve Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2008**  
**(with comparative totals for the year ended June 30, 2007)**

	2008	2007
<b>REVENUES</b>		
Student union fees	\$ 4,764,109	\$ 4,765,057
Service fees	419,176	387,086
Reimbursement of event costs	515,525	328,216
Rental income	1,658,021	1,371,528
Commissions	234,201	117,714
Other	33,973	40,148
Total revenues	7,625,005	7,009,749
<b>EXPENSES</b>		
Wages and benefits	3,016,644	2,719,053
Travel	28,277	22,094
Insurance	214,806	186,845
Supplies	259,160	203,051
Communications	43,586	42,301
Repairs and maintenance	164,220	159,703
Utilities	926,046	784,772
Event costs	118,494	80,523
Event costs (reimbursed portion)	515,524	328,216
Small equipment purchases	115,034	113,410
Depreciation	182,609	170,533
Business services	986,567	1,038,312
Miscellaneous	26,980	27,470
Total expenses	6,597,947	5,876,283
Operating income	1,027,058	1,133,466
Investment income	53,191	364,655
Reserve expenditures	(456,184)	(478,533)
Change in fund balance	624,065	1,019,588
FUND BALANCE, BEGINNING OF YEAR	5,438,889	4,419,301
FUND BALANCE, END OF YEAR	\$ 6,062,954	\$ 5,438,889

*The notes to the financial statements are an integral part of this statement.*

**THE STUDENT UNION OF SAN JOSE STATE UNIVERSITY**  
**(a California State University Auxiliary Organization)**  
**Statements of Cash Flows**  
**Year Ended June 30, 2008**  
**(with comparative totals for the year ended June 30, 2007)**

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers	\$ (3,811,620)	\$ (3,195,254)
Payments to employees	(2,552,129)	(2,273,032)
Payments to students	(569,555)	(560,247)
Sales and services of auxiliary enterprises	7,951,039	7,066,539
Other receipts	<u>43,871</u>	<u>26,599</u>
Net cash provided by operating activities	<u>1,061,606</u>	<u>1,064,605</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisitions of capital assets	<u>(171,678)</u>	<u>(89,490)</u>
Net cash used by capital and related financing activities	<u>(171,678)</u>	<u>(89,490)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	53,191	364,655
Sale (purchase) of investments, net	<u>(987,098)</u>	<u>(1,027,871)</u>
Net cash used by investing activities	<u>(933,907)</u>	<u>(663,216)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(43,979)</b>	<b>311,899</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>555,255</u>	<u>243,356</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 511,276</u>	<u>\$ 555,255</u>
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income	\$ 1,027,058	\$ 1,133,466
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation and amortization expense	182,609	170,533
Change in assets and liabilities		
Investments - short term		
Accounts receivable, net	53,002	(52,170)
Prepaid expenses and other current assets	(11,720)	32,573
Accounts payable	6,719	99,117
Accrued salaries and benefits	(23,662)	24,884
Depository accounts	115,954	81,852
Other liabilities	<u>(288,354)</u>	<u>(425,650)</u>
Net cash provided by operating activities	<u>\$ 1,061,606</u>	<u>\$ 1,064,605</u>

*The notes to the financial statements are an integral part of this statement.*

**THE STUDENT UNION OF SAN JOSE STATE UNIVERSITY**  
**(a California State University Auxiliary Organization)**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2008**

**NOTE 1.        GENERAL INFORMATION**

The Student Union of San Jose State University (the “Student Union”) is an auxiliary organization in the California State University system. The purpose of the Student Union is to provide cultural, educational, social and recreational services to the campus community and operate the Student Union building, the Automated Bank (ATM) Building, Event Center and Aquatic Center.

**NOTE 2.        SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A.        Basis of Accounting**

The financial statements of the Student Union are prepared using the accrual basis of accounting and in compliance with guidelines in the AICPA Auditing and Accounting Guide, Statement of Position (“SOP”) No. 78-10, *Accounting Principles and Reporting Practices for Certain Nonprofit Organizations*, following guidance of the Governmental Accounting Standards Board (“GASB”).

The activities of the Student Union are recorded entirely within a single unrestricted fund. Fund balance derived from revenues in excess of expenditures may be designated for specific purposes by resolution of the Board of Directors. Expenditures of designated fund balances are shown as reserve expenditures in the Statement of Revenue, Expenses, Reserve Expenditures and Changes in Fund Balance.

**B.        Revenue**

The California State University Office of the Chancellor returns a portion of students’ fees to the Student Union based upon the Student Union’s annual budget needs. Fees are recognized as revenue when received. 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 and Event and Aquatic Centers. The Student Union receives a share of entrance fees, parking fees and concession sales collected at events held in the Event Center. Commission revenue (from event concessions, parking, ticket sales, vending, etc.) is recognized when earned. Student Union also charges a fee to promoters who stage events in the Event Center which represents a reimbursement of costs incurred by Student Union. This reimbursement is reflected as revenue when earned.

**THE STUDENT UNION OF SAN JOSE STATE UNIVERSITY**  
**(a California State University Auxiliary Organization)**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2008**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**C. Premises and Equipment**

The Student Union's premises are provided rent free by 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.

**D. Depreciation**

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 the life of the lease in the case of leasehold improvements, whichever is less.

**E. 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.

**F. Investments**

Investments are carried at fair market value as determined by quoted market prices.

**G. Concentrations**

The Student Union's customer base primarily comprises other auxiliary organizations and San Jose State University (the "University"), including faculty, staff, alumni and students.

**THE STUDENT UNION OF SAN JOSE STATE UNIVERSITY**  
**(a California State University Auxiliary Organization)**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2008**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**H. Income Taxes**

The Student Union is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenues and Taxation Code, respectively.

**I. Use of Estimates**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, 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.

**J. Accrued Vacation and Wellness Plan Accrual**

Accumulated unpaid employee vacation leave benefits and wellness plan accrual are recognized as liabilities as required by generally accepted accounting principles. Accrued vacation and the wellness plan accrual are included in the Balance Sheet as accrued payroll and related expenses.

**K. Comparative Data**

The financial statements include comparative data from the prior year to provide an understanding of changes in financial position and operations. The comparative data is presented in total but not by fund group. Accordingly, such information should be read in conjunction with the Student Union's financial statements for the year ended June 30, 2007, from which the summarized information was derived.

**L. Reclassifications**

Certain reclassifications have been made to the prior year's numbers in order to conform to the presentation in the current period financial statement presentation.

**THE STUDENT UNION OF SAN JOSE STATE UNIVERSITY**  
**(a California State University Auxiliary Organization)**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2008**

**NOTE 3. INVESTMENTS**

The Student Union held investments in the Local Agency Investment Fund (LAIF), corporate bonds and notes, mortgage-back securities, mutual funds and U.S. Government securities. These 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.

The fair value of investments and the associated unrealized gain (loss) is as follows:

	<u>June 30, 2008</u>	
	<u>Fair</u>	<u>Unrealized</u>
	<u>Value</u>	<u>Gain (Loss)</u>
Local Agency Investment Fund	\$3,135,108	\$ - .
Corporate bonds and notes	136,883	( 2,247)
Debt & securities	796,965	201,860
Fixed income securities	322,506	( 17,177)
Certificates of deposit	520,946	( 4,054)
Other	<u>454,778</u>	<u>( 18,716)</u>
Total investments	<u>\$5,367,186</u>	<u>\$159,666</u>

	<u>June 30, 2007</u>	
	<u>Fair</u>	<u>Unrealized</u>
	<u>Value</u>	<u>Gain (Loss)</u>
Local Agency Investment Fund	\$2,036,895	\$ - .
Corporate bonds and notes	87,733	( 2,267)
Mutual funds	332,216	7,673
Debt & securities	860,716	295,640
Fixed income securities	479,788	( 6,706)
Certificates of deposit	88,255	( 1,145)
Other	<u>494,485</u>	<u>42,380</u>
Total investments	<u>\$4,380,088</u>	<u>\$335,575</u>

**THE STUDENT UNION OF SAN JOSE STATE UNIVERSITY**  
**(a California State University Auxiliary Organization)**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2008**

**NOTE 4. CAPITAL ASSETS**

Capital assets consist of the following at June 30:

	<u>2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>2008</u>
Computer equipment	\$ 39,143	\$ - .	\$ - .	\$ 39,143
Software	56,300	- .	- .	56,300
Furniture and equipment	556,946	171,678	- .	728,624
Leasehold improvements	<u>2,855,352</u>	- .	- .	<u>2,855,352</u>
Total cost	3,507,741			3,679,419
Less: accumulated depreciation	<u>2,136,132</u>	182,609	- .	<u>2,318,741</u>
Net book value	<u>\$1,371,609</u>			<u>\$1,360,678</u>

Depreciation expense amounted to \$182,609 and \$170,533 for 2008 and 2007, respectively.

**NOTE 5. FUND BALANCE**

Fund balance is comprised of the following at June 30:

	<u>2008</u>	<u>2007</u>
Designated		
Capital equipment	\$ 160,431	\$ 101,833
Other designated assets	<u>1,220,662</u>	<u>640,154</u>
Subtotal	1,381,093	741,987
Unallocated surplus	1,080,249	1,498,121
Undesignated local reserves	<u>3,601,612</u>	<u>3,198,781</u>
Total Fund balance	<u>\$6,062,954</u>	<u>\$5,438,889</u>

**THE STUDENT UNION OF SAN JOSE STATE UNIVERSITY**  
**(a California State University Auxiliary Organization)**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2008**

**NOTE 6. EMPLOYMENT BENEFIT AND COMPENSATION PLANS**

**A. Postretirement Health Care Benefits**

**Plan Description.** The Student Union provides lifetime retiree medical coverage to eligible employees and their dependents who retire at age 50 or older with five or more years of employment with the Student Union. The Medical plan benefits are contracted with CALPERS under PEMCHA, the Public Employee's Medical and Hospital Care Act.

**Funding Policy.** Student Union adopted entry age normal 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 supports the use of 7.75% interest rate and amortizes unfunded actuarial accrued liability over 30 years on a level dollar basis, and projected salary increases of 3.25% per year.

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 employees' medical plan premiums for employees and their dependents at a rate approved by the Board of Directors annually.

**Annual Cost and Funding Progress.** The Student Union's annual required contribution is \$211,765 in fiscal year 2008. Actual contribution made was \$53,828 and the remainder was set up as payable to be transferred into a trust account in the subsequent year.

As of June 30, 2008, based on the actuarial valuation report (dated August 2008 and available at the Student Union upon request), the funded status of the OPEB program was as follows:

Actuarial Accrued Liability (AAL)	\$1,801,763
Actuarial value of plan assets	<u>          -</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$1,801,763</u>
Funded ratio( actuarial value of plan asset/AAL)	0%
Annual covered payroll (active plan member)	\$1,424,976
UAAL as a percentage of annual covered payroll	126%

**THE STUDENT UNION OF SAN JOSE STATE UNIVERSITY**  
**(a California State University Auxiliary Organization)**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2008**

**NOTE 6.      EMPLOYMENT BENEFIT AND COMPENSATION PLANS - Continued**

**B.      Retirement Plan**

The Student Union has an annuity purchase plan under Section 403(b) of the Internal Revenue Code (“IRC”). Under this plan, eligible employees may defer their salary through contributions to the plan, subject to IRC limits and the Student Union will match up to 6% for eligible employees. The Student Union’s plan contributions for fiscal years 2008 and 2007 were \$113,142 and \$116,701, respectively.

**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 event cost revenue. The remaining box office receipts were forwarded to the various event promoters.

**NOTE 8.      OPERATING LEASES**

The following properties are leased at no charge from the Trustees of the California State University: the Student Union Building, the Automated Bank (ATM) Building, the Aquatic Center and the Event Center. The renewed lease agreement expires June 30, 2012 and requires the Student Union’s compliance with various conditions concerning operation of the facilities.

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.

**NOTE 9.      RELATED PARTIES**

The Student Union is a non-profit organization incorporated to provide various services to the students and student organizations of San Jose State University. Accordingly, related parties include the University, other auxiliary organizations of the University, its students and student organizations, as well as the Student Union Board of Directors (consisting of students and administrative personnel).

**THE STUDENT UNION OF SAN JOSE STATE UNIVERSITY**  
**(a California State University Auxiliary Organization)**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2008**

**NOTE 9. RELATED PARTIES - Continued**

Receivables from affiliates at June 30 are as follows:

	<u>2008</u>	<u>2007</u>
Receivable from San Jose State University	\$117,772	\$94,867
Receivable from Trust Account–Club Sports	- .	76,377 *
Receivable from Auxiliary Organizations:		
Spartan Shops	7,870	1,980
Associated Students, Inc.	7,899	1,743
SJSU Foundation	9,726	335
Tower Foundation	- .	1,380
Accruals from Auxiliary Organizations:		
Spartan Shops	<u>38,889</u>	<u>42,268</u>
 Total receivables	 <u>\$182,156</u>	 <u>\$218,950</u>

\* The dollar amount of the trust account was depleted. \$37,069 of the receivable will be paid out of the trust account, and the balance of \$39,308 will come out of the \$125,000 IRA Fees depository account holding by the Student Union.

The receivables from affiliates are included in the Balance Sheets as accounts receivable.

Payables to affiliates at June 30 are as follows:

	<u>2008</u>	<u>2007</u>
Payable to San Jose State University	\$227,536	\$313,764
Accruals to San Jose State University	209,779	- .
Payable to Auxiliary Organizations:		
Spartan Shops	2,219	1,752
Associated Students, Inc.	<u>1,606</u>	<u>1,160</u>
 Total payables	 <u>\$441,140</u>	 <u>\$316,676</u>

The payables from affiliates are included in the Balance Sheets as accounts payable and other accrued liabilities.

**THE STUDENT UNION OF SAN JOSE STATE UNIVERSITY**  
**(a California State University Auxiliary Organization)**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2008**

**NOTE 10.      CONCENTRATION OF CREDIT RISK**

The Student Union maintains their 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 which are maintained by UBS Financial Service, Inc. The Student Union has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk on cash and cash equivalents.

## **Supplementary Information**

**THE STUDENT UNION OF SAN JOSE STATE UNIVERSITY**  
**(a California State University Auxiliary Organization)**  
**Schedule of Net Assets**  
**June 30, 2008**  
**(with comparative totals for June 30, 2007)**

(for inclusion in the California State University)

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 511,276	\$ 555,255
Short-term investments	3,135,108	2,036,895
Accounts receivable, net	228,868	281,870
Prepaid expenses and other assets	<u>11,720</u>	<u>-</u>
Total current assets	<u>3,886,972</u>	<u>2,874,020</u>
Noncurrent assets		
Other long-term investments	2,232,078	2,343,193
Capital assets, net	<u>1,360,678</u>	<u>1,371,609</u>
Total noncurrent assets	<u>3,592,756</u>	<u>3,714,802</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 7,479,728</u></u>	<u><u>\$ 6,588,822</u></u>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	\$ 448,726	\$ 442,007
Accrued salaries and benefits payable	312,528	336,190
Other liabilities	<u>655,520</u>	<u>371,736</u>
<b>TOTAL LIABILITIES</b>	<u>1,416,774</u>	<u>1,149,933</u>
<b>NET ASSETS</b>		
Investment in capital assets, net of related debt	1,360,678	1,371,609
Unrestricted	<u>4,702,276</u>	<u>4,067,280</u>
<b>TOTAL NET ASSETS</b>	<u>6,062,954</u>	<u>5,438,889</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 7,479,728</u></u>	<u><u>\$ 6,588,822</u></u>

**THE STUDENT UNION OF SAN JOSE STATE UNIVERSITY**  
**(a California State University Auxiliary Organization)**  
**Schedule of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2008**  
**(with comparative totals for the year ended June 30, 2007)**

(for inclusion in the California State University)

	2008	2007
Revenues		
Sales and services of auxiliary enterprises (Net of scholarship allowance \$0)	\$ 7,591,032	\$ 6,969,601
Other operating revenues	33,973	40,148
Total operating revenues	7,625,005	7,009,749
Expenses		
Auxiliary enterprise expenses	6,415,338	5,705,750
Depreciation and amortization	182,609	170,533
Total operating expenses	6,597,947	5,876,283
Operating income	1,027,058	1,133,466
Nonoperating revenues (expenses)		
Investment income, net	53,191	364,655
Other nonoperating revenues (expenses)	(456,184)	(478,533)
Net nonoperating revenues (expenses)	(402,993)	(113,878)
Increase in net assets	624,065	1,019,588
Net assets		
Net assets at beginning of year, as previously reported	5,438,889	4,419,301
Net assets at end of year	\$ 6,062,954	\$ 5,438,889

See accompanying independent auditors' report.

**THE STUDENT UNION OF SAN JOSE STATE UNIVERSITY**  
**(a California State University Auxiliary Organization)**  
**Other Information - Auxiliary Organization**  
**Year Ended June 30, 2008**

(for inclusion in the California State University)

**1 Restricted cash and cash equivalents at June 30, 2008:**

Not applicable.

**2 Composition of investments at June 30, 2008:**

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
State of California Local Agency Investment Fund	\$ 3,135,108	\$ —	\$ 3,135,108
Equity securities	—	796,965	796,965
Fixed income securities	—	322,506	322,506
Certificates of deposit	—	520,946	520,946
Other investments:			
Corporate bonds and notes	—	136,883	136,883
Other	—	454,778	454,778
<b>Total investments</b>	<u>\$ 3,135,108</u>	<u>\$ 2,232,078</u>	<u>\$ 5,367,186</u>

**3 Composition of capital assets at June 30, 2008:**

	<u>Balance</u>			<u>Transfers of</u>		<u>Balance</u>
	<u>June 30, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Completed</u>	<u>CWIP</u>	<u>June 30, 2008</u>
<b>Depreciable capital assets:</b>						
Leasehold improvements	\$ 2,855,352	\$ —	\$ —	\$ —	\$ —	\$ 2,855,352
Personal property:						
Equipment	652,389	171,678	—	—	—	824,067
<b>Total depreciable capital assets</b>	<u>3,507,741</u>	<u>171,678</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,679,419</u>
<b>Total cost</b>	<u>3,507,741</u>	<u>171,678</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,679,419</u>
<b>Less accumulated depreciation:</b>						
Leasehold improvements	1,648,378	109,268	—	—	—	1,757,646
Personal property:						
Equipment	487,754	73,341	—	—	—	561,095
<b>Total accumulated depreciation</b>	<u>2,136,132</u>	<u>182,609</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,318,741</u>
<b>Net capital assets</b>	<u>\$ 1,371,609</u>	<u>\$ (10,931)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,360,678</u>

**Detail of depreciation and amortization expense for the year ended June 30, 2008:**

Depreciation and amortization expense related to capital assets	\$ 182,609
Total depreciation and amortization	<u>\$ 182,609</u>

**THE STUDENT UNION OF SAN JOSE STATE UNIVERSITY**  
**(a California State University Auxiliary Organization)**  
**Other Information - Auxiliary Organization**  
**Year Ended June 30, 2008**

(for inclusion in the California State University)

**4 Long-term liabilities activity schedule:**

Not applicable.

**5 Future minimum lease payments:**

Not applicable.

**6 Long-term debt obligation schedule**

Not applicable.

**7 Calculation of net assets - Invested in capital assets, net of related debt**

	Auxiliary Organizations		Total
	GASB	FASB	Auxiliaries
Capital assets, net of accumulated depreciation	\$ 1,360,678	—	\$ 1,360,678
Net assets - invested in capital assets, net of related debt	\$ 1,360,678	—	\$ 1,360,678

**8 Transactions with Related Entities**

	Amount
Reimbursements to University for salaries of University personnel working on contracts, grants, and other programs	\$ 614,659
Reimbursements to University for other than salaries of University personnel	1,510,778
Payments received from University for services, space, and programs	926,817
Amounts (payable to) University	(437,315)
Amounts receivable from University	117,772

**9 The nature and amount of the prior period adjustment(s) recorded to beginning net assets**

Not applicable.

See accompanying independent auditors' report.

**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***



## **Vargas and Company**

CPA FIRM

### **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of The Student Union of San Jose State University (the "Student Union"), a California State University Auxiliary Organization, as of and for the year ended June 30, 2008, and have issued our report thereon dated August 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

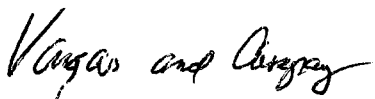
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Student Union's financial statements are free of 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.

This report is intended solely for the information and use of management, the Board of Directors, audit committee, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Vargas and Company  
San Jose, California  
August 8, 2008

**Schedule of Findings  
and  
Questioned Cost**

**THE STUDENT UNION OF SAN JOSE STATE UNIVERSITY**  
**(a California State University Auxiliary Organization)**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2008**

**Section I - Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued: Unqualified.

Internal control over financial reporting:

- Material weakness(es) identified? No.
- Significant deficiency (ies) identified that are not considered to be material weaknesses? None reported.

Noncompliance material to financial statements noted? No.

***Federal Awards*** No federal awards.

**Section II - Financial Statement Findings**

Our audit of the accompanying financial statements of The Student Union of San Jose State University as of and for the year ended June 30, 2008, disclosed no findings nor questioned costs.

Our report on The Student Union of San Jose State University's internal control over financial reporting and compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*, as of and for the year ended June 30, 2008, disclosed no findings nor questioned costs.

**Section III - Federal Award Findings and Questioned Costs**

The Student Union of San Jose State University has no federal program as of and for the year ended June 30, 2008.

**Summary Schedule of  
Prior Audit Findings**

**THE STUDENT UNION OF SAN JOSE STATE UNIVERSITY**  
**(a California State University Auxiliary Organization)**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2008**

**Section I - Financial Statement Findings**

Our audit of the financial statements of The Student Union of San Jose State University as of and for the year ended June 30, 2007, disclosed no findings nor questioned costs.

Our report on The Student Union of San Jose State University's internal control over financial reporting and compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing and on Compliance and Other Matter*, as of and for the year ended June 30, 2007, disclosed no findings nor questioned costs.

**Section II - Federal Award Findings and Questioned Costs**

The Student Union of San Jose State University has no federal program as of and for the year ended June 30, 2007.