

THE STUDENT UNION OF SAN JOSE STATE UNIVERSITY
(a California State University Auxiliary Organization)
June 30, 2009

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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, 2009, 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, 2009, 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 7, 2009 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.

Vargas and Company
August 7, 2009

601 North First Street / San Jose, California 95112 / (408) 298-1700 / Fax (408) 293-9598

Financial Statements

THE STUDENT UNION OF SAN JOSE STATE UNIVERSITY
(a California State University Auxiliary Organization)
Balance Sheets
June 30, 2009
(with comparative totals for June 30, 2008)

<u>ASSETS</u>	<u>2009</u>	<u>2008</u>
Current assets		
Cash and cash equivalents	\$ 996,600	\$ 511,276
Investment	242,248	3,135,108
Accounts receivable	460,274	228,868
Prepaid expenses and other current assets	<u>32,395</u>	<u>11,720</u>
Total current assets	1,731,517	3,886,972
Investments	4,280,092	2,232,078
Capital assets, net	<u>1,858,508</u>	<u>1,360,678</u>
TOTAL ASSETS	<u>\$ 7,870,117</u>	<u>\$ 7,479,728</u>
 <u>LIABILITIES AND FUND BALANCES</u>		
Current liabilities		
Accounts payable	\$ 564,486	\$ 448,726
Accrued payroll and related expenses	335,514	312,528
Other accrued liabilities	205,303	200,188 *
Depository accounts	<u>121,771</u>	<u>297,582</u>
Total current liabilities	1,227,074	1,259,024
Noncurrent liabilities		
OPEB - Other postemployment benefits obligation	<u>315,687</u>	<u>157,750 *</u>
TOTAL LIABILITIES	1,542,761	1,416,774
Fund balances	<u>6,327,356</u>	<u>6,062,954</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,870,117</u>	<u>\$ 7,479,728</u>

* \$157,750 was included in "Other accrued liabilities" in year 2008.

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 Balance
Year Ended June 30, 2009
(with comparative totals for the year ended June 30, 2008)

	<u>2009</u>	<u>2008</u>
REVENUES		
Student union fees	\$ 4,396,233	\$ 4,764,109
Service fees	400,732	419,176
Reimbursement of event costs	700,339	515,525
Rental income	1,622,029	1,658,021
Commissions	243,164	234,201
Other	36,921	33,973
	<u>7,399,418</u>	<u>7,625,005</u>
EXPENSES		
Wages and benefits	3,090,055	3,016,644
Travel	19,636	28,277
Insurance	216,059	214,806
Supplies	245,746	259,160
Communications	44,451	43,586
Repairs and maintenance	183,410	164,220
Utilities	979,580	926,046
Event costs	83,863	118,494
Event costs (reimbursed portion)	700,339	515,524
Small equipment purchases	89,843	115,034
Depreciation	216,089	182,609
Business services	1,007,911	986,567
Miscellaneous	29,382	26,980
	<u>6,906,364</u>	<u>6,597,947</u>
Operating income	493,054	1,027,058
Investment income	(4,829)	53,191
Reserve expenditures	<u>(223,823)</u>	<u>(456,184)</u>
Change in fund balance	264,402	624,065
FUND BALANCE, BEGINNING OF YEAR	<u>6,062,954</u>	<u>5,438,889</u>
FUND BALANCE, END OF YEAR	<u>\$ 6,327,356</u>	<u>\$ 6,062,954</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 Cash Flows
Year Ended June 30, 2009
(with comparative totals for the year ended June 30, 2008)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers	\$ (3,776,765)	\$ (3,811,620)
Payments to employees	(2,742,496)	(2,552,129)
Payments to students	(591,701)	(569,555)
Sales and services of auxiliary enterprises	7,458,947	7,951,039
Other receipts	11,241	43,871
Net cash provided by operating activities	359,226	1,061,606
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisitions of capital assets	(713,919)	(171,678)
Net cash used by capital and related financing activities	(713,919)	(171,678)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	(4,829)	53,191
Sale (purchase) of investments, net	844,846	(987,098)
Net cash provided by investing activities	840,017	(933,907)
NET INCREASE IN CASH AND CASH EQUIVALENTS	485,324	(43,979)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	511,276	555,255
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 996,600	\$ 511,276
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income	\$ 493,054	\$ 1,027,058
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation and amortization expense	216,089	182,609
Change in assets and liabilities		
Accounts receivable, net	(231,406)	53,002
Prepaid expenses and other current assets	(20,675)	(11,720)
Accounts payable	115,760	6,719
Accrued salaries and benefits	22,986	(23,662)
Depository accounts	(175,811)	115,954
Other liabilities	(60,771)	(288,354)
Net cash provided by operating activities	\$ 359,226	\$ 1,061,606

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, 2009

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

San Jose State University 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, Event Center 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. 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, 2009

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 is primarily comprised of San Jose State University students, faculty, staff, alumni and other auxiliary organizations.

THE STUDENT UNION OF SAN JOSE STATE UNIVERSITY
(a California State University Auxiliary Organization)
Notes to the Financial Statements
Year Ended June 30, 2009

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, 2008, 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, 2009

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, 2009</u>	
	<u>Fair</u>	<u>Unrealized</u>
	<u>Value</u>	<u>Gain (Loss)</u>
Local Agency Investment Fund	\$242,248	\$ - .
Corporate bonds and notes	131,545	(7,585)
Debt & securities	580,840	(26,052)
Fixed income securities	2,740,205	107,034
Certificates of deposit	432,070	2,070
Other	<u>395,432</u>	<u>(92,387)</u>
Total investments	<u>\$4,522,340</u>	<u>\$(16,920)</u>

	<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>

THE STUDENT UNION OF SAN JOSE STATE UNIVERSITY
(a California State University Auxiliary Organization)
Notes to the Financial Statements
Year Ended June 30, 2009

NOTE 4. CAPITAL ASSETS

Capital assets consist of the following at June 30:

	<u>2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>2009</u>
Computer equipment	\$ 39,143	\$ 7,042	\$ -	\$ 46,185
Software	56,300	-	-	56,300
Furniture and equipment	728,624	50,563	-	779,187
Leasehold improvements	<u>2,855,352</u>	656,314	-	<u>3,511,666</u>
Total cost	3,679,419			4,393,338
Less: accumulated depreciation	<u>2,318,741</u>	216,089	-	<u>2,534,830</u>
Net book value	<u>\$1,360,678</u>			<u>\$1,858,508</u>

Depreciation expense amounted to \$216,089 and \$182,609 for 2009 and 2008, respectively.

\$645,314 of Leasehold Improvements was for the Event Center Arena Lighting Retrofit Project.

NOTE 5. FUND BALANCE

Fund balance is comprised of the following at June 30:

	<u>2009</u>	<u>2008</u>
Designated		
Capital equipment	\$ 250,744	\$ 160,431
Other designated assets	<u>1,300,795</u>	<u>1,220,662</u>
Subtotal	1,551,539	1,381,093
Unallocated surplus	488,225	1,080,249
Undesignated local reserves	<u>4,287,592</u>	<u>3,601,612</u>
Total Fund balance	<u>\$6,327,356</u>	<u>\$6,062,954</u>

THE STUDENT UNION OF SAN JOSE STATE UNIVERSITY
(a California State University Auxiliary Organization)
Notes to the Financial Statements
Year Ended June 30, 2009

NOTE 6. EMPLOYMENT BENEFIT AND COMPENSATION PLANS

A. Other Postretirement Benefit Obligation (OPEB)

Plan Description. The Student Union provides lifetime retiree medical coverage to eligible employees and their dependents who retire at age 50 or older with five or more years of employment with the Student Union. The Medical plan benefits are contracted with 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. Based on the latest actuarial valuation report (dated August 2008 and available at the Student Union upon request), as of June 30, 2008 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><u>\$1,801,763</u></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, 2009

NOTE 6. EMPLOYMENT BENEFIT AND COMPENSATION PLANS - Continued

Base on the report the Student Union’s annual required contribution is \$211,765. The Student Union’s contributions for fiscal years 2009 and 2008 were \$54,015 and \$53,828, respectively.

The Net OPEB obligation (NOO) as of June 30, 2009 was as follow.

Annual required contribution (ARC)	\$212,276
Contributions during the year	(54,015)
Increase in net OPEB obligation (NOO)	158,261
NOO - Beginning of year	157,426
NOO - End of year	<u>\$315,687</u>

The \$212,276 Annual Required Contribution (ARC) includes \$511 prior year adjustment.

\$315,687 was set up as a payable to be transferred into a trust account in the coming year.

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 as well as employer discretionary contributions. The Student Union’s plan contributions for fiscal years 2009 and 2008 were \$124,358 and \$113,142, 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.

THE STUDENT UNION OF SAN JOSE STATE UNIVERSITY
(a California State University Auxiliary Organization)
Notes to the Financial Statements
Year Ended June 30, 2009

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 the campus community at 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).

Receivables from affiliates at June 30 are as follows:

	<u>2009</u>	<u>2008</u>
Receivable from San Jose State University	\$51,634	\$117,772
Receivable from Auxiliary Organizations:		
Spartan Shops	39,165	7,870
Associated Students, Inc.	3,009	7,899
SJSU Foundation	1,103	9,726
SJSU Tower Foundation	2,150	- .
Accruals from Auxiliary Organizations:		
Spartan Shops	<u>82</u>	<u>38,889</u>
Total receivables	<u>\$97,143</u>	<u>\$182,156</u>

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

THE STUDENT UNION OF SAN JOSE STATE UNIVERSITY
(a California State University Auxiliary Organization)
Notes to the Financial Statements
Year Ended June 30, 2009

NOTE 9. RELATED PARTIES - Continued

Payables to affiliates at June 30 are as follows:

	<u>2009</u>	<u>2008</u>
Payable to San Jose State University	\$274,025	\$227,536
Accruals to San Jose State University	176,680	209,779
Payable to Auxiliary Organizations:		
Spartan Shops	993	2,219
Associated Students, Inc.	<u>1,321</u>	<u>1,606</u>
Total payables	<u>\$453,019</u>	<u>\$441,140</u>

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

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 Services, 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, 2009
(with comparative totals for June 30, 2008)

(for inclusion in the California State University)

	<u>2009</u>	<u>2008</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 996,600	\$ 511,276
Short-term investments	242,248	3,135,108
Accounts receivable, net	460,274	228,868
Prepaid expenses and other assets	<u>32,395</u>	<u>11,720</u>
Total current assets	<u>1,731,517</u>	<u>3,886,972</u>
Noncurrent assets		
Other long-term investments	4,280,092	2,232,078
Capital assets, net	<u>1,858,508</u>	<u>1,360,678</u>
Total noncurrent assets	<u>6,138,600</u>	<u>3,592,756</u>
TOTAL ASSETS	\$ <u>7,870,117</u>	\$ <u>7,479,728</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 564,486	\$ 448,726
Accrued salaries and benefits payable	335,514	312,528
Other liabilities	<u>327,074</u>	<u>497,770</u>
Total current liabilities	1,227,074	1,259,024
Noncurrent liabilities		
Other postemployment benefits obligation	<u>315,687</u>	<u>157,750</u>
TOTAL LIABILITIES	<u>1,542,761</u>	<u>1,416,774</u>
NET ASSETS		
Investment in capital assets, net of related debt	1,858,508	1,360,678
Unrestricted	<u>4,468,848</u>	<u>4,702,276</u>
TOTAL NET ASSETS	<u>6,327,356</u>	<u>6,062,954</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>7,870,117</u></u>	\$ <u><u>7,479,728</u></u>

See accompanying independent auditors' report.

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, 2009
(with comparative totals for the year ended June 30, 2008)

(for inclusion in the California State University)

	2009	2008
Revenues		
Sales and services of auxiliary enterprises (Net of scholarship allowance \$0)	\$ 7,362,497	\$ 7,591,032
Other operating revenues	36,921	33,973
Total operating revenues	7,399,418	7,625,005
Expenses		
Student grants and scholarships	3,300	-
Auxiliary enterprise expenses	6,686,975	6,415,338
Depreciation and amortization	216,089	182,609
Total operating expenses	6,906,364	6,597,947
Operating income	493,054	1,027,058
Nonoperating revenues (expenses)		
Investment income, net	(4,829)	53,191
Other nonoperating revenues (expenses)	(223,823)	(456,184)
Net nonoperating revenues (expenses)	(228,652)	(402,993)
Income before other additions	264,402	624,065
Increase in net assets	264,402	624,065
Net assets		
Net assets at beginning of year, as previously reported	6,062,954	5,438,889
Net assets at end of year	\$ 6,327,356	\$ 6,062,954

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, 2009

(for inclusion in the California State University)

1 Restricted cash and cash equivalents at June 30, 2009:

Not applicable.

2.1 Composition of investments at June 30, 2009:

	Current Unrestricted	Noncurrent Unrestricted	Total
State of California Local Agency Investment Fund (LAIF)	\$ 242,248	\$ —	\$ 242,248
Equity securities	—	580,840	580,840
Fixed income securities (Treasury notes, GNMA's)	—	2,740,205	2,740,205
Certificates of deposit	—	432,070	432,070
Notes receivable	—	131,545	131,545
Mutual funds	—	395,432	395,432
Total investments	\$ 242,248	\$ 4,280,092	\$ 4,522,340

3.1 Composition of capital assets at June 30, 2009:

	Balance June 30, 2008	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2009
Depreciable capital assets:					
Leasehold improvements	\$ 2,855,352	\$ 656,314	\$ —	\$ —	\$ 3,511,666
Personal property:					
Equipment	824,067	57,605	—	—	881,672
Total depreciable capital assets	3,679,419	713,919	—	—	4,393,338
Total capital assets	3,679,419	713,919	—	—	4,393,338
Less accumulated depreciation:					
Leasehold improvements	(1,757,646)	(129,689)	—	—	(1,887,335)
Personal property:					
Equipment	(561,095)	(86,400)	—	—	(647,495)
Total accumulated depreciation	(2,318,741)	(216,089)	—	—	(2,534,830)
Net capital assets	\$ 1,360,678	\$ 497,830	—	—	1,858,508

3.2 Detail of depreciation and amortization expense for the year ended June 30, 2009:

Depreciation and amortization expense related to capital assets	\$ 216,089
Total depreciation and amortization	<u>\$ 216,089</u>

4 Long-term liabilities activity schedule:

Not applicable.

THE STUDENT UNION OF SAN JOSE STATE UNIVERSITY
(a California State University Auxiliary Organization)
Other Information - Auxiliary Organization
Year Ended June 30, 2009

(for inclusion in the California State University)

5 Future minimum lease payments - capital lease obligations:

Not applicable.

6 Long-term debt obligation schedule

Not applicable.

7 Calculation of net assets

7.1 Calculation of net assets - Invested in capital assets, net of related debt

	<u>Auxiliary Organizations</u>		<u>Total Auxiliaries</u>
	<u>GASB</u>	<u>FASB</u>	
Capital assets, net of accumulated depreciation	\$ 1,858,508	—	\$ 1,858,508
Net assets - invested in capital assets, net of related debt	<u>\$ 1,858,508</u>	<u>—</u>	<u>\$ 1,858,508</u>

8 Transactions with Related Entities

	<u>Amount</u>
Reimbursements to University for salaries of University personnel working on contracts, grants, and other programs	\$ 590,632
Reimbursements to University for other than salaries of University personnel	1,544,148
Payments received from University for services, space, and programs	844,621
Gifts (cash or assets) to the University from recognized Auxiliary Organizations	3,300
Accounts (payable to) University	(450,705)
Accounts receivable from University	51,634

9 Other Postemployment Benefits Obligation (OPEB)

Annual required contribution (ARC)	\$ 212,276
Contributions during the year	(54,015)
Increase in net OPEB obligation (NOO)	158,261
NOO - beginning of year	157,426
NOO - end of year	<u>\$ 315,687</u>

10 Pollution remediation liabilities under GASB Statement No. 49:

Not applicable.

11 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

certified public accountants

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, 2009, and have issued our report thereon dated August 7, 2009. 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.

We noted a matter that we reported to management of The Student Union in a separate letter dated August 7, 2009.

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 7, 2009

**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, 2009

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.
<i>Federal Awards</i>	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, 2009, 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, 2009, 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, 2009.

**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, 2009

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, 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 and on Compliance and Other Matter*, as of and for the year ended June 30, 2008, 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, 2008.