

Associated Students, Inc., California State University, Fullerton

Report to the Board of Directors

Year Ended June 30, 2023

ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, FULLERTON

Report to the Board of Directors

Year Ended June 30, 2023

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ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, FULLERTON

Executive Summary

Year Ended June 30, 2023

To assist you in your responsibilities as a member of the Board of Directors, this section summarizes the most significant conclusions reached and issues addressed during our audit of Associated Students, Inc., California State University, Fullerton for the year ended June 30, 2023.

SIGNIFICANT CONCLUSIONS AND ISSUES

We have completed our audit and issued our report, dated September 29, 2023. Based on our work performed:

- Our audit scope was in accordance with that communicated in our engagement letter dated April 20, 2023.
- We rendered an unmodified opinion on the June 30, 2023 financial statements.
- Audit areas designated as greater than normal risk have been addressed and resolved to our satisfaction, in the context of the overall fairness of the presentation of the financial statements.
- We received the full cooperation of management and staff throughout the audit and were kept informed as to developments and plans affecting our audit scope.

The following report includes required communications and additional information for the benefit of the Board of Directors.

September 29, 2023

To the Board of Directors
Associated Students, Inc., California State University, Fullerton

We have audited the financial statements of Associated Students, Inc., California State University, Fullerton (ASI), for the year ended June 30, 2023, and have issued our report thereon dated September 29, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated April 20, 2023. Professional standards also require that we communicate to you the following information related to our audit:

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by ASI are described in Note 2 to the financial statements. As described in Note 2, ASI adopted Accounting Standards Update (ASU) 2016-02, *Leases*. Presentation within the financial statements is more rigorously stipulated as documented in Note 11.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the collectability of outstanding receivables based on their assessment of the credit worthiness of the customer or entity. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the useful lives of furniture and equipment is based on management's estimate of the life of the assets. We evaluated the key factors and assumptions used to develop the useful life in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's determination of the assets that should be capitalized in the records of ASI versus those that should be transferred to the California State University, Fullerton (University) and capitalized by the University. We evaluated the key factors and assumptions used to determine which assets should be capitalized in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allocation of functional expenses, which is based on square footage, time and effort, and usage. We evaluated the key factors and assumptions used to develop the estimates related to the allocation of functional expenses in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the pension and other post-employment benefits liability is based on the results of the actuarially determined liability. We evaluated key factors and assumptions used to develop the estimates related to the pension and other post-employment benefits liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the value of in-kind contribution of space from the University for the usage of buildings at no cost. We evaluated key factors and assumptions used to develop the estimate related to the in-kind calculation in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There are two sensitive disclosures affecting the financial statements:

Note 3 which discloses ASI's cash management and available resources.

Notes 6 and 7 related to the pension plan and other post-employment benefit liability is sensitive as it is significant to the overall financial statements. This liability records a future liability for the pension and other post-employment benefits of ASI.

Note 8 which discloses the net assets and associated restrictions.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes corrected and uncorrected misstatements of the financial statements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 29, 2023. A copy of the letter is included for your reference.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the ASI's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as ASI's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplemental information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplemental information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Associated Students, Inc., California State University, Fullerton and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Aldrich CPAs + Advisors LLP

ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, FULLERTON

Summary of Adjustments

Year Ended June 30, 2023

Adjusting Journal Entries

Adjusting Journal Entries JE # 1

To adjust beginning net assets to agree with PY ending

14-3011	Unrestricted Fund Balance	3,002.00	
14-6910	Satisfaction Fund Restriction	30,000.00	
24-3011	Unrestricted Fun	3,242.00	
24-6910	Satisfaction Fund Restriction	86,726.00	
14-3011	Unrestricted Fund Balance		30,000.00
14-8950	Miscellaneous Expense		3,002.00
24-3011	Unrestricted Fun		86,726.00
24-8950	Miscellaneous E		3,242.00
Total		<u>122,970.00</u>	<u>122,970.00</u>

Adjusting Journal Entries JE # 8

To record In-Kind Rent amounts that occurred during the year

14-8999 ALD	In Kind Rent	2,737,139.00	
24-8999 ALD	In Kind rent	5,691,386.00	
14-6999 ALD	In Kind contribution of space		2,737,139.00
24-6999 ALD	In Kind contribution of space		5,691,386.00
Total		<u>8,428,525.00</u>	<u>8,428,525.00</u>

Adjusting Journal Entries JE # 10

To adjust OPEB Liability to accrual per actuarial valuations

14-9985	Pension Expenses - OPEB Service Costs	84,192.00	
14-9987	Pension Expenses - OPEB Non-Service Costs	45,570.00	
24-9985	Pension Expenses - OPEB Service Costs	71,719.00	
24-9987	Pension Expenses - OPEB Non-Service Costs	38,819.00	
14-2500	Unfunded Post Retirement Lia		129,762.00
24-2170	Unfunded Post Re		110,538.00
Total		<u>240,300.00</u>	<u>240,300.00</u>

Adjusting Journal Entries JE # 17

To record the current change on pensions

14-9986	Pension Expenses - CalPERS Service Costs/Contributions	493,099.00	
14-9988	Pension Expenses - CalPERS Non-Service Costs	2,086,687.00	
24-9986	Pension Expenses - CalPERS Service Costs/Contributions	353,032.00	
24-9988	Pension Expenses - CalPERS Non-Service Costs	1,493,950.00	
14-2510	Pension Obligation		2,579,786.00
24-2510	Pension Obligati		1,846,982.00
Total		<u>4,426,768.00</u>	<u>4,426,768.00</u>

ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, FULLERTON

Summary of Adjustments

Year Ended June 30, 2023

Adjusting Journal Entries JE # 301			
To correct unbalanced AT and AS funds			
24-1213	Acct Receivable	2,791.00	
24A-6000	Student Fees	91,345.00	
24-6000	Student Fees		91,310.00
24A-6090	ATH Self-funded		2,826.00
Total		<u>94,136.00</u>	<u>94,136.00</u>
Adjusting Journal Entries JE # 302			
CLIENT ENTRY - DO NOT POST - To reclass professional services expense incorrectly included in loss on disposal of assets			
24-8053	Professional Services	900.00	
24-8063	Loss On Sale/Disp Of Assets		900.00
Total		<u>900.00</u>	<u>900.00</u>
Adjusting Journal Entries JE # 303			
Client PBC JE SCC23063040			
14-1511	Accum Depreciation	592.00	
14-8096	Capital Improv. & Related Ex	7,434.00	
14-1510	Equipment - Plant		7,434.00
14-8057	Depreciation Expense		592.00
Total		<u>8,026.00</u>	<u>8,026.00</u>
Adjusting Journal Entries JE # 304			
Client PBC JE JERD230623 - To record receivable for IRA accrued expenses at year-end			
22-1213	Acct Receivable -Related Par	151,504.00	
22-6044	I.R.A. Student Fees		151,504.00
Total		<u>151,504.00</u>	<u>151,504.00</u>
Adjusting Journal Entries JE # 305			
Client PBC JE JECK230631			
14-8084	Insurance	46,501.00	
14-8084	Insurance	30,748.00	
24-8600	Contribution to CC from AS	11,237.00	
600-2114	Due to/from other fund	11,237.00	
600-8084	Insurance	11,237.00	
14-2109	Accrued Liabilities		46,501.00
14-2109	Accrued Liabilities		30,748.00
24-2114	Due to/from oth		11,237.00
600-2109	Accrued Liabilities		11,237.00
600-6600	Contribution frm AS to CC		11,237.00
Total		<u>110,960.00</u>	<u>110,960.00</u>

ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, FULLERTON

Summary of Adjustments

Year Ended June 30, 2023

Adjusting Journal Entries JE # 306			
Client PBC JE JESCK230630			
24-8600	Contribution to CC from AS	85,211.00	
600-2017	Deferred Income	17,360.00	
600-2114	Due to/from other fund	85,211.00	
600-6008	Contract Dept Of ED General	102,571.00	
24-2114	Due to/from oth		85,211.00
600-2017	Deferred Income		102,571.00
600-6008	Contract Dept Of ED General		17,360.00
600-6600	Contribution frm AS to CC		85,211.00
Total		<u>290,353.00</u>	<u>290,353.00</u>
Adjusting Journal Entries JE # 307			
Client PBC JE JERD230624 - To record IRA accrued expenses at year-end			
22-8050	Supplies	25,164.00	
22-8051	Printing And Advertising	5,574.00	
22-8069	Personnel Service - Student	36,637.00	
22-8074	Contract Services	14,282.00	
22-8077	Travel - Flights	68,683.00	
22-8079	Dues & Subscriptions	916.00	
22-8084	Insurance	248.00	
22-2109	Accrued Liabilities		151,504.00
Total		<u>151,504.00</u>	<u>151,504.00</u>
Adjusting Journal Entries JE # 308			
Client PBC JE JETD230625 - To true up related party payables			
14-8064	Contract Wages	21,977.00	
14-2109	Accrued Liabilities		21,977.00
Total		<u>21,977.00</u>	<u>21,977.00</u>
Adjusting Journal Entries JE # 309			
Client PBC JE JERD230627 - To true up related party payables			
22-2109	Accrued Liabilities	22,669.00	
22-8950	Acc Exp YE Adj Supplies		22,669.00
Total		<u>22,669.00</u>	<u>22,669.00</u>
Adjusting Journal Entries JE # 310			
Client PBC JE JERD230628 - To true up related party receivables			
22-6044	I.R.A. Student Fees	22,669.00	
22-1213	Acct Receivable -Related Par		22,669.00
Total		<u>22,669.00</u>	<u>22,669.00</u>

ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, FULLERTON

Summary of Adjustments

Year Ended June 30, 2023

Reclassifying Journal Entries			
Reclassifying Journal Entries JE # 101			
To eliminate interfund activity			
24-6036	TSC Chargeback	1,922,173.00	
14-8073	Chargeback Exp.		1,922,173.00
Total		<u>1,922,173.00</u>	<u>1,922,173.00</u>
Reclassifying Journal Entries JE # 102			
To reclass related party accrued expenses			
14-2109	Accrued Liabilities	345,740.00	
22-2109	Accrued Liabilities	151,504.00	
24-2109	Accrued Liabilit	24,475.00	
600-2109	Accrued Liabilities	9,127.00	
14-2100 ALD	Related party payables		345,740.00
22-2100ALD	Related Party Payable		151,504.00
24-2100 ALD	Due to Campus		24,475.00
600-2100ALD	Reltated Party Payable		9,127.00
Total		<u>530,846.00</u>	<u>530,846.00</u>
Reclassifying Journal Entries JE # 103			
To reclass related party accounts receivable			
24-1299 ALD	Related Party AR	336,040.00	
24-1213	Acct Receivable		336,040.00
Total		<u>336,040.00</u>	<u>336,040.00</u>
Reclassifying Journal Entries JE # 104			
To reclass related party IRA receivables recorded to offset corresponding payables			
22-1299 ALD	Related Party AR	151,504.00	
22-1213	Acct Receivable -Related Par		151,504.00
Total		<u>151,504.00</u>	<u>151,504.00</u>
Reclassifying Journal Entries JE # 105			
To reclass IRA cash advance to a related party payable			
22-2053	Cash Advance	300,000.00	
22-2100ALD	Related Party Payable		300,000.00
Total		<u>300,000.00</u>	<u>300,000.00</u>
Reclassifying Journal Entries JE # 106			
To reclass student club related party funds held to others			
20-3011	Unrestricted Fund Balance	426,943.00	
20-2109ALD	Funds Held for Others - Related Party		426,943.00
Total		<u>426,943.00</u>	<u>426,943.00</u>

ASSOCIATED STUDENTS, INC., CALIFORNIA STATE UNIVERSITY, FULLERTON

Summary of Adjustments

Year Ended June 30, 2023

Reclassifying Journal Entries JE # 107

To reclass additional IRA related party payables

22-2100ALD	Related Party Payable	22,669.00	
22-2109	Accrued Liabilities		22,669.00
Total		<u>22,669.00</u>	<u>22,669.00</u>

Reclassifying Journal Entries JE # 108

To reclass additional IRA related party receivables

22-1213	Acct Receivable -Related Par	22,669.00	
22-1299 ALD	Related Party AR		22,669.00
Total		<u>22,669.00</u>	<u>22,669.00</u>

Reclassifying Journal Entries JE # 109

Client PBC JE JESCK230632 - To reclassify grant revenue out of expenses

600-6002	Fees-Non Certified	26,888.00	
600-8043	Instructional Supplies	18,420.00	
600-6059	Ccampis		45,308.00
Total		<u>45,308.00</u>	<u>45,308.00</u>

Proposed Journal Entries JE # 2001

Adjust LAIF balance to the YE FMV

24-6072	INVESTMT UNREAL	243,825.00	
24-1117	Local Agency In		243,825.00
Total		<u>243,825.00</u>	<u>243,825.00</u>

Proposed Journal Entries JE # 2002

To reclassify related party receivable from ASC

600-1299 ALD	Related Party AR	86,943.00	
600-1213	Acct Receivable -Related Par		86,943.00
Total		<u>86,943.00</u>	<u>86,943.00</u>



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September 28, 2023

Aldrich CPAs + Advisors LLP
7676 Hazard Center Drive, Suite 550
San Diego, CA 92108

This representation letter is provided in connection with your audit of the financial statements of Associated Students, Inc. California State University Fullerton (ASI), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the disclosures (collectively, the "financial statements"), for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered to be material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of September 28, 2023, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 20, 2023 including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
- 6) Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- 8) The effects of uncorrected misstatements below are immaterial, both individually and in the aggregate, to the financial statements as a whole..

Proposed Journal Entries

Proposed Journal Entries JE # 2001

Adjust LAIF balance to the YE FMV

24-6072	INVESTMT UNREAL	243,825.00	
24-1117	Local Agency In		243,825.00
Total		243,825.00	243,825.00

Proposed Journal Entries JE # 2002

To reclassify related party receivable from ASC

600-1299 ALD	Related Party AR	86,943.00	
600-1213	Acct Receivable -Related Par		86,943.00
Total		86,943.00	86,943.00

- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- 11) Guarantees, whether written or oral, under which the Organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

Information Provided

- 12) We have provided you with:
- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.
 - Additional information that you have requested from us for the purpose of the audit.
 - Unrestricted access to persons within the Organization from whom you determined it necessary to obtain audit evidence.
 - Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 13) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 14) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 15) We have no knowledge of any fraud or suspected fraud that affects the Organization and involves:
- Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 16) We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization's financial statements communicated by employees, former employees, grantors, regulators, or others.
- 17) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- 18) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 19) We have disclosed to you the names of all of the Organization's related parties and all the related-party relationships and transactions, including any side agreements.
- 20) ASI has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral. California State University Fullerton (University) owns all our buildings and all building improvements are to be transferred to the University when completed.
- 21) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.

- 22) Associated Students, Inc. California State University Fullerton is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
- 23) We acknowledge our responsibility for presenting the supplemental information in accordance with U.S. GAAP, and we believe the supplemental information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplemental information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- 24) We have implemented ASU 2016-02, *Leases (Topic 842)*, during the audit period. We have implemented the new accounting standard in accordance with the transition guidance prescribed in the ASU. We have informed Aldrich of all leases and we have calculated the lease liabilities and assets where required. The estimates used (lease lives, discount rates, residual values, etc.) and classifications (operating vs. finance) are appropriate.
- 25) In regard to the non-attest services performed by you, we have-
- a) Assumed all management responsibilities.
 - b) Designated an individual (within senior management) with suitable skill, knowledge, or experience to oversee the services.
 - c) Evaluated the adequacy and results of the services performed.
 - d) Accepted responsibility for the results of the services.
- 26) We have analyzed the accounting and reporting requirements and ASI is required to follow Financial Accounting Standards Board (FASB) standards.
- 27) Net asset components are properly classified and, if applicable, approved.
- 28) Provisions for uncollectible receivables have been properly identified and recorded .
- 29) Expenses have been appropriately directly charged to their various functions on the statement of functional expenses, and the allocation of expenses across functions is considered reasonable based on the nature of the supporting expenses that would be allocated.
- 30) Deposits and investment securities are properly classified as to risk, and investments are properly valued.
- 31) ASI is not responsible for reporting revenue and expenses associated with club activities and should not report any of the financial activities for Athletics as those activities are reported by the University.

DocuSigned by:
Signature: Dave Edwards
5C9F04D13B5445C...

Title: Executive Director

DocuSigned by:
Signature: Carolyn Ehrlich
10360DCE94D54FA...

Title: Director of Financial Services