

**ASSOCIATED STUDENTS, INC.
CALIFORNIA POLYTECHNIC STATE
UNIVERSITY, SAN LUIS OBISPO**

**Financial Statements and Supplementary
Information for the Year Ended June 30, 2023
and Independent Auditors' Report**

VASIN, HEYN & COMPANY

ABOVE THE BRIGHT LINE

AN ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS



**ASSOCIATED STUDENTS, INC.
CALIFORNIA POLYTECHNIC STATE UNIVERSITY, SAN LUIS OBISPO
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Associated Students, Inc.
California Polytechnic State University, San Luis Obispo
San Luis Obispo, California

Opinion

We have audited the accompanying Associated Students, Inc., California Polytechnic State University, San Luis Obispo, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Associated Students, Inc., California Polytechnic State University, San Luis Obispo as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Associated Students, Inc., California Polytechnic State University, San Luis Obispo and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Adoption of Accounting Pronouncements

As described in Note 2 to the financial statements, Associated Students, Inc., California Polytechnic State University, San Luis Obispo has adopted ASU 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to that matter.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Associated Students, Inc., California Polytechnic State University, San Luis Obispo's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITORS' REPORT - Continued

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Associated Students, Inc., California Polytechnic State University, San Luis Obispo's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Associated Students, Inc., California Polytechnic State University, San Luis Obispo's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

INDEPENDENT AUDITORS' REPORT - Continued

Report on Summarized Comparative Information

We previously audited Associated Students, Inc., California Polytechnic State University, San Luis Obispo's 2022 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 15, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

The summary financial statements do not contain all the disclosures required by accounting principles generally accepted in the United States of America. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Associated Students, Inc., California Polytechnic State University, San Luis Obispo.

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Financial Position – University Union, Schedule of Activities – University Union, GASB Schedule of Net Position, GASB Schedule of Revenues, Expenses and Changes in Net Position and Other Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Financial Position – University Union, Schedule of Activities – University Union, GASB Schedule of Net Position, GASB Schedule of Revenues, Expenses and Changes in Net Position and Other Information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Financial Position – University Union, Schedule of Activities – University Union, GASB Schedule of Net Position, GASB Schedule of Revenues, Expenses and Changes in Net Position and Other Information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2023, on our consideration of Associated Students, Inc., California Polytechnic State University, San Luis Obispo's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Associated Students, Inc., California Polytechnic State University, San Luis Obispo's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Associated Students, Inc., California Polytechnic State University, San Luis Obispo's internal control over financial reporting and compliance.

Vorwin, Hagen + Co.

Calabasas, California
September 18, 2023

ASSOCIATED STUDENTS, INC.
CALIFORNIA POLYTECHNIC STATE UNIVERSITY, SAN LUIS OBISPO
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 1,068,572	\$ 527,698
Accounts and contracts receivable	167,287	396,563
Other receivables	3,631	3,255
Related party receivables	115,521	16,045
Deposits and prepaid expenses	228,861	179,386
Investments	9,534,867	8,993,796
Inventory	45,421	54,823
Operating lease asset	5,552	-
Property and equipment, net	1,509,488	1,514,370
Total assets	\$12,679,200	\$11,685,936
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,750,591	\$ 1,916,918
Accrued payroll and related liabilities	606,908	587,222
Operating lease liability	5,552	-
Related party payables	377,579	643,112
Deferred revenue	220,113	474,741
Funds held for others	2,202,434	2,055,153
Total liabilities	5,163,177	5,677,146
NET ASSETS		
Without donor restrictions	6,690,330	5,211,533
Board designated reserves	825,693	797,257
Total net assets	7,516,023	6,008,790
Total liabilities and net assets	\$12,679,200	\$11,685,936

See accompanying auditors' report and notes to financial statements.

ASSOCIATED STUDENTS, INC.
CALIFORNIA POLYTECHNIC STATE UNIVERSITY, SAN LUIS OBISPO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	2023	2022
REVENUES		
Student activity fees	\$ 7,810,691	\$ 7,566,728
Operating revenue from student activity fees	10,356,526	9,325,511
Revenue from operations	1,319,123	905,308
Government service contracts	333,162	279,238
Contributions and grants	481,034	400,136
Parent fees	1,004,250	834,520
Investment income	29,213	61,587
Other income	26,400	54,377
Rental income	304,091	285,607
Contract settlements	<u>(15,119)</u>	<u>14,601</u>
 Total revenues	 21,649,371	 19,727,613
 EXPENSES		
Student program expenses	15,400,425	15,677,224
Children's center expenses	2,000,396	1,805,181
Administrative expenses	2,502,422	2,595,194
Depreciation and amortization	<u>238,895</u>	<u>258,207</u>
 Total expenses	 <u>20,142,138</u>	 <u>20,335,806</u>
 CHANGE IN NET ASSETS	 1,507,233	 (608,193)
 NET ASSETS - beginning of year	 <u>6,008,790</u>	 <u>6,616,983</u>
 NET ASSETS - end of year	 <u><u>\$ 7,516,023</u></u>	 <u><u>\$ 6,008,790</u></u>

See accompanying auditors' report and notes to financial statements.

ASSOCIATED STUDENTS, INC.
CALIFORNIA POLYTECHNIC STATE UNIVERSITY, SAN LUIS OBISPO
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	<u>Program Services</u>	<u>Support Services</u>	<u>2023 Total Expenses</u>	<u>2022 Total Expenses</u>
Salaries and related expenses				
Salaries	\$ 7,478,391	\$ -	\$ 7,478,391	\$ 6,877,320
Employee benefits	2,859,565	-	2,859,565	2,877,397
Payroll taxes	<u>526,825</u>	<u>-</u>	<u>526,825</u>	<u>431,471</u>
	10,864,781	-	10,864,781	10,186,188
Other expenses				
Advertising and recruiting	37,578	-	37,578	68,006
Bank charges	75,825	-	75,825	27,199
Board expenses	18,030	-	18,030	12,596
Contributions expense	90,653	-	90,653	80,000
Dues and subscriptions	49,502	-	49,502	51,280
Education and training	42,508	-	42,508	32,758
Equipment rental and maintenance	99,918	-	99,918	82,159
Food costs	40,787	-	40,787	32,813
Grants	111,484	-	111,484	108,721
Insurance	253,136	-	253,136	196,346
Legal settlement	-	-	-	1,350,000
Marketing	11,795	-	11,795	15,031
Office expenses	57,382	-	57,382	122,968
Outside services	841,908	-	841,908	773,787
Postage and delivery	3,271	-	3,271	2,778
Printing	16,973	-	16,973	16,387
Professional fees	72,556	416,542	489,098	548,134
Repairs and maintenance	599,541	-	599,541	547,229
Scholarships	3,612,689	-	3,612,689	3,484,522
Small equipment	304,500	-	304,500	156,090
Student program activities	627,032	-	627,032	832,087
Supplies	220,796	-	220,796	196,280
Telephone	68,387	-	68,387	67,107
Travel	120,264	-	120,264	98,518
Utilities	<u>1,245,405</u>	<u>-</u>	<u>1,245,405</u>	<u>988,615</u>
	19,486,701	416,542	19,903,243	20,077,599
Amortization - operating lease	7,780	-	7,780	-
Depreciation	<u>230,071</u>	<u>1,044</u>	<u>231,115</u>	<u>258,207</u>
Total Expenses	<u>\$ 19,724,552</u>	<u>\$ 417,586</u>	<u>\$ 20,142,138</u>	<u>\$ 20,335,806</u>

See accompanying auditors' report and notes to financial statements.

ASSOCIATED STUDENTS, INC.
CALIFORNIA POLYTECHNIC STATE UNIVERSITY, SAN LUIS OBISPO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,507,233	\$ (608,193)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	231,115	258,207
(Increase) decrease in:		
Accounts and contracts receivable	229,276	(258,464)
Other receivables	(376)	10,239
Related party receivables	(99,476)	(8,897)
Deposits and prepaid expenses	(49,475)	(18,362)
Inventory	9,402	13,285
Operating lease asset	(5,552)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	(166,327)	1,375,253
Accrued payroll and related liabilities	19,686	(3,410)
Operating lease liability	5,552	-
Related party payables	(265,533)	427,472
Deferred revenue	(254,628)	268,822
Funds held for others	147,281	(33,495)
Total adjustments	(199,055)	2,030,650
Net Cash Provided (Used) by Operating Activities	1,308,178	1,422,457
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	14,731,534	13,664,546
Purchases of investments	(15,272,605)	(14,944,403)
Payments related to purchases of property and equipment	(226,233)	(115,586)
Payments related to the construction of property and equipment, net of reductions	-	(23,460)
Net Cash Provided (Used) by Investing Activities	(767,304)	(1,418,903)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	540,874	3,554
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	527,698	524,144
 CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,068,572	\$ 527,698
 Non-cash activities:		
Transfer of work in progress to property and equipment	\$ -	\$ 103,950

See accompanying auditors' report and notes to financial statements.

ASSOCIATED STUDENTS, INC.
CALIFORNIA POLYTECHNIC STATE UNIVERSITY, SAN LUIS OBISPO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1. ORGANIZATION

Nature of Activities

Associated Students, Inc. (ASI) is a non-profit auxiliary organization of California Polytechnic State University at San Luis Obispo (University). Associated Students, Inc. is operated to provide activities funded by the student government and its Boards, and committees and student organizations, and to provide activities for the University Union facilities, programs and services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Reporting

The financial statements of Associated Students, Inc. have been prepared on the accrual basis of accounting in accordance with the accounting instructions for auxiliary organizations as issued by the Office of the Chancellor of the California State University. For reporting purposes, the activities of the Organization have been combined into programs and activities as follows:

Administrative - Accounts for the general and administrative expenses not directly allocated to the programs and activities of Associated Students, Inc.

Children's Center - Accounts for the activities of the Children's Center. The center is operated to provide child-care services to students attending the University.

Student Programs - Accounts for the various activities and services provided to students attending the University.

Campus Programs - Accounts for amounts held in custody for University student organizations and funds designated for purposes as stated by supporting agencies or donors.

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

ASSOCIATED STUDENTS, INC.
CALIFORNIA POLYTECHNIC STATE UNIVERSITY, SAN LUIS OBISPO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Assets

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

- *Net assets without donor restrictions.* Net assets without donor restrictions are resources available to support operations. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.
- *Net assets with donor restrictions.* Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Associated Students, Inc.'s unspent contributions are classified in this class if the donor limited their use, as are the unspent appreciation of its donor-restricted endowment funds. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by Associated Students, Inc., unless the donor provides more specific directions about the period of its use.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the use of the related resources is subject to donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions.

Board-Designated Reserves

Board-designated reserves are subject to rescission at any time by the Board of Directors and do not represent claims on liquidity of \$825,693.

Cash and Cash Equivalents

Cash and cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature. Associated Students, Inc.'s cash balances, at times, may exceed federally insured limits. Management believes Associated Students, Inc. is not exposed to any significant credit risk on cash and cash equivalents.

ASSOCIATED STUDENTS, INC.
CALIFORNIA POLYTECHNIC STATE UNIVERSITY, SAN LUIS OBISPO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts, Contract and Other Receivables

Receivables consist of parent fees, commercial, credit card and contract receivable balances at year end. Receivables are primarily unsecured amounts for cost reimbursement or for services performed. Receivables are stated at the amount management expects to collect from outstanding balances. Associated Students, Inc. considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they will be charged to operations when that determination is made. The accounts, contracts and other receivables balance at June 30, 2023 was \$170,918.

Deposits and Prepaid Expenses

Prepaid deposits, insurance and other costs are expensed ratably over their respective terms of agreement.

Investments

Investments in marketable securities with readily redeemable fair values and all investments in debt securities are carried at their fair market values in the statement of financial position. Gains or losses (including investments bought, sold, and held during the year), and interest and dividend income are reflected in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is donor restricted by donor stipulations or by law.

Inventory

Inventory has been valued at the lower of cost, determined on a first-in first-out basis, or market.

Property and Equipment, Net

Land, buildings, property, and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land, buildings, and property are capitalized. The minimum dollar amount for capitalizing and depreciating an asset is \$5,000. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Buildings	10 - 20 years
Building improvements	3 - 20 years
Computer equipment	3 - 5 years
Furniture and equipment	2 - 20 years

Property and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

**ASSOCIATED STUDENTS, INC.
CALIFORNIA POLYTECHNIC STATE UNIVERSITY, SAN LUIS OBISPO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Operating Leases

Associated Students, Inc. recognizes and measures its leases in accordance with FASB ASC 842, *Leases*. Associated Students, Inc. is a lessee in four noncancellable operating leases, for office equipment. Associated Students, Inc. determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. Associated Students, Inc. recognizes a lease liability and a right of use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable or otherwise the Company uses its incremental borrowing rate. The implicit rates of our leases are not readily determinable and accordingly, use our incremental borrowing rate based on the information available at the commencement date for all leases. Associated Students, Inc.’s incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

Work In Progress

At June 30, 2023, Associated Students, Inc. had two work in progress projects underway relating to University Union Neighborhood Renovations and Mustang Way Pride Crosswalk. Related costs are included in work in progress in the Statement of Financial Position under property and equipment at June 30, 2023.

Accrued Leave Liability

Accrued leave benefits are accrued on a monthly basis. Full-time employees accrue vacation time based upon years of service to Associated Students, Inc. as follows:

<u>Years Employed</u>	<u>Annualized Accrual</u>
0 - 3 years	10 Days
3 - 6 years	15 Days
6 - 10 years	17 Days
10 - 15 years	19 Days
15 - 20 years	21 Days
20 - 25 years	23 Days
25 + years	24 Days

ASSOCIATED STUDENTS, INC.
CALIFORNIA POLYTECHNIC STATE UNIVERSITY, SAN LUIS OBISPO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Accrued Leave Liability - continued

Employees holding Administrator (MPP) classified positions (e.g., Executive Director, other Director positions) will earn vacation at the rate of 24 days per year, independent of length of service.

Unused vacation leave will be paid at the time of termination. Total accrued leave liability at June 30, 2023, was \$384,388.

Post-Retirement Benefits

In accordance with the Financial Accounting Standards Board FASB ASC 715-60 (formerly SFAS No. 106), Employers' Accounting for Post-Retirement Benefits Other Than Pensions, Associated Students, Inc.'s post-retirement benefits other than pensions are to be accrued when earned rather than when paid.

Deferred Revenue

Deferred Revenue consists of advance payments for various Associated Students, Inc. programs including enrollments in child care, summer programming, memberships, leases, and Campus endowment payouts designated for the next fiscal year.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as net assets with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with donor restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Contributed Goods and Services

Contributions of goods received that are measurable are recorded as revenue at their estimated fair value when received. Contributions of services are recognized if the services received meet any of these criteria: (1) if they create or enhance nonfinancial assets and (2) if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Associated Students, Inc. may receive donated services from a variety of unpaid volunteers. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition under Financial Accounting Standards Board FASB ASC 958-605-50-1 have not been satisfied.

ASSOCIATED STUDENTS, INC.
CALIFORNIA POLYTECHNIC STATE UNIVERSITY, SAN LUIS OBISPO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government Revenue

Government revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Government revenue from federal agencies is subject to independent audit under the Uniform Guidance and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, Associated Students, Inc.'s management believes that costs ultimately disallowed, if any, would not materially affect the financial position of Associated Students, Inc.

Revenue Recognition

Revenues from government agencies, student fees, operational fees for services provided under such contracts are recognized when earned by Associated Students, Inc. All gifts, bequests, and other public support are included in net assets without donor restrictions unless specifically restricted by the donor or the terms of the gift or grant instrument. Amounts received in excess of balances earned are recognized as liabilities.

Revenue received where the restriction is met in the same fiscal year is reported under net assets without donor restrictions.

Adopted Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The objective of this ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. The new standard is effective for fiscal years beginning after December 15, 2021, and could have an impact on Associated Students, Inc. reporting of leases. During the year ended June 30, 2023, Associated Students, Inc. adopted Accounting Standards Update, ASU 2016-02, *Leases (Topic 842)*.

Associated Students, Inc. has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that Associated Students, Inc. is reasonable certain to exercise. Associated Students, Inc. recognizes lease cost associated with our short-term leases on a straight-line basis over the lease term.

ASSOCIATED STUDENTS, INC.
CALIFORNIA POLYTECHNIC STATE UNIVERSITY, SAN LUIS OBISPO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Income Taxes

Associated Students, Inc. is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California income taxes under section 23701(d) of the California Revenue and Taxation Code. The IRS classified the organization as one that is not a private foundation within the meaning of section 509(a) of the Code because it is an organization described in section(s) 509(a)(1) and 170(b)(1)(A)(vi).

Associated Students, Inc. has adopted Financial Accounting Standards Board Accounting Standards Codification (ASC) Section 740-10, which clarifies the accounting for uncertainty in income taxes. ASC Section 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Section 740-10 requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. As of and for the year ended June 30, 2023, Associated Students, Inc. had no material unrecognized tax benefits, tax penalties or interest.

Associated Students, Inc.'s Forms 990, *Return of Organization Exempt from Income Tax*, for each of the tax years ended June 30, 2022, 2021, and 2020, are subject to examination by the IRS, generally for 3 years after they were filed.

Associated Students, Inc.'s Forms 199, *California Exempt Organization Return*, for each of the tax years ended June 30, 2022, 2021, 2020, and 2019, are subject to examination by the Franchise Tax Board, generally for 4 years after they were filed.

Functional Expenses

Expenses are charged directly to program, activity or administration in general categories based on specific identification. Indirect expenses have been allocated based on salary, square footage and terminal port calculations.

Use of Estimates

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

ASSOCIATED STUDENTS, INC.
CALIFORNIA POLYTECHNIC STATE UNIVERSITY, SAN LUIS OBISPO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value Measurements

Associated Students, Inc. reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal or most advantageous market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- *Level 1* - Quoted prices for identical assets or liabilities in active markets to which Associated Students, Inc. has access on the measurement date.
- *Level 2* - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3* - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.
- *NAV* - Net asset value (NAV) is the value of a fund's asset less the value of its liabilities per unit.

The carrying amounts of cash and cash equivalents and receivables approximate fair value because of the terms and relatively short maturity of these financial instruments.

The carrying amounts of liabilities, approximate fair value because of the relatively short maturity of these financial instruments.

When available, Associated Students, Inc. measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

ASSOCIATED STUDENTS, INC.
CALIFORNIA POLYTECHNIC STATE UNIVERSITY, SAN LUIS OBISPO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Associated Students, Inc.'s financial statements for the year ended June 30, 2022 from which the summarized information was derived.

Reclassifications

There are no reclassified amounts in the comparative totals.

3. CASH AND CASH EQUIVALENTS

At June 30, 2023, Associated Students, Inc.'s cash and cash equivalents consisted of demand deposits maintained at the bank. Total cash and cash equivalents of \$1,068,572 had a corresponding carrying value balance with the bank of \$1,467,229 at June 30, 2023. The difference is related primarily to outstanding checks in the amount of \$399,707 and petty cash totaling \$1,050.

Cash consists of checking and savings accounts. The majority of the savings account is invested in the California Polytechnic State University Trust (CSU Consolidated Investment Pool). Of this amount, \$2,202,434 is held in custody for student organizations and certain campus programs. Interest earned on amounts held in custody for student organizations and campus programs is allocated to the respective organizations.

Associated Students, Inc. maintains cash balances at one financial institution located in Central California. Of the depository balance, up to \$250,000 was covered by Federal Depository Insurance.

The estimated fair values of Associated Students, Inc.'s cash and cash equivalents, none of which are held for trading purposes, approximates its carrying value.

ASSOCIATED STUDENTS, INC.
CALIFORNIA POLYTECHNIC STATE UNIVERSITY, SAN LUIS OBISPO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023
(CONTINUED)

4. INVESTMENTS

Associated Students, Inc. measures fair value in accordance with FASB ASC 820-10. FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels; Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs, other than the quoted prices in active markets, are observable either directly or indirectly, and Level 3 unobservable inputs in which there is little or no market data, which requires Associated Students, Inc. to develop its own assumptions. Associated Students, Inc. uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, Associated Students, Inc. measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. All assets reported at fair value at June 30, 2023, are Level 2 and NAV inputs.

Short-term investments represent a portion of funds held by the Campus on behalf of Associated Students, Inc. which are redeemable in cash in accordance with Campus Policies. The Campus, in turn, holds the funds in the CSU Consolidated Investment Pool.

	Fair Value Measurements Using				Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)	
Asset Backed Securities	\$ -	\$ 47,503	\$ -	\$ -	\$ 47,503
Certificates of Deposit	-	237,462	-	-	237,462
Commercial Paper	-	594,219	-	-	594,219
Corporate Bonds	-	3,096,975	-	-	3,096,975
Money Market Funds	-	-	-	181,384	181,384
Mortgage Backed Securities	-	799,888	-	-	799,888
Municipal Bonds	-	40,503	-	-	40,503
Supranational	-	1,859	-	-	1,859
US Agency Securities	-	450,221	-	-	450,221
US Treasury Securities	-	<u>4,084,853</u>	-	-	<u>4,084,853</u>
Total Investments	<u>\$ -</u>	<u>\$ 9,353,483</u>	<u>\$ -</u>	<u>\$ 181,384</u>	<u>\$ 9,534,867</u>

The composition of the investment return reported in the statement of activities as follows:

	Amount
Investment income	<u>\$ 29,213</u>
Total investment return	<u>\$ 29,213</u>

ASSOCIATED STUDENTS, INC.
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023
(CONTINUED)

5. PROPERTY AND EQUIPMENT, NET

Property, plant and equipment consist of the following:

	June 30, 2023
Buildings & building improvements	\$ 3,458,630
Equipment, furniture and fixtures	2,763,437
Work in progress	92,413
	6,314,480
Less: accumulated depreciation	(4,804,992)
Total	\$ 1,509,488

Depreciation expense for the year ended June 30, 2023 was \$231,115.

6. RELATED PARTY TRANSACTIONS

Related party receivables consist of the following:

	June 30, 2023
California Polytechnic State University	\$ 106,693
Cal Poly Corporation	8,828
Total	\$ 115,521

Associated Students, Inc. considers related party receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been established.

Related party payables consist of the following:

	June 30, 2023
California Polytechnic State University	\$ 334,156
Cal Poly Corporation	43,423
Total	\$ 377,579

**ASSOCIATED STUDENTS, INC.
CALIFORNIA POLYTECHNIC STATE UNIVERSITY, SAN LUIS OBISPO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

6. RELATED PARTY TRANSACTIONS – Continued

Business Services Agreement

On May 31, 1995, Associated Students, Inc., entered into an agreement with California Polytechnic Corporation (previously California Polytechnic State University Foundation) to provide business services to Associated Students, Inc., and the University Union, a related entity. This agreement was extended through June 30, 2024. The fees for accounting services provided by Cal Poly Corporation will be adjusted by mutual agreement following the successful implementation of an automated invoice approval and payment process by Associated Students, Inc. The estimated future minimum payments under this agreement for the periods ended June 30, are as follows:

<u>For the Year Ended June 30;</u>	<u>Amount</u>
2024	\$ 424,897
Total	<u>\$ 424,897</u>

Information Technology Services Agreement

On April 28, 2023, Associated Students, Inc., entered into an agreement with the University to provide information technology (IT) services to Associated Students, Inc., and the University Union, a related entity. This agreement was extended through June 30, 2026. The estimated future minimum payments under this agreement for the periods ended June 30, are as follows:

<u>For the Year Ended June 30;</u>	<u>Amount</u>
2024	\$ 383,630
2025	402,812
2026	<u>422,952</u>
Total	<u>\$ 1,209,394</u>

ASSOCIATED STUDENTS, INC.
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023
(CONTINUED)

7. COMMITMENTS

Leases

Associated Students, Inc. has operating leases for certain equipment. The leases have remaining lease terms of 1 year to 2 years. As of June 30, 2023, assets recorded under finance leases were \$13,332, and accumulated depreciation associated with operating leases was \$7,780. The components of lease expense are summarized below. Associated Students, Inc. implemented ASC 842 as of July 1, 2022. As a result, only one year of data is presented.

The components of lease expense were as follows:

<u>Year Ended June 30, 2023</u>	<u>Amount</u>
Amortization of right-of-use assets	\$ 7,780
Interest on lease liabilities	<u>327</u>
Total operating lease cost	<u>\$ 8,107</u>

Supplemental Cash Flows Information

Cash paid for amounts included in the measurement of lease liabilities:

	<u>Amount</u>
Operating cash flows from operating leases	\$ 8,107
Operating cash flows from finance leases	\$ -

Right-of-use assets obtained in exchange for lease obligations:

Operating leases	4
Financing leases	0

ASSOCIATED STUDENTS, INC.
CALIFORNIA POLYTECHNIC STATE UNIVERSITY, SAN LUIS OBISPO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

7. COMMITMENTS – Continued

Weighted Average Remaining Lease Term

Operating leases	0.7 years
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Weighted Average Discount Rate

Operating leases	3.97%
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Future minimum lease payments under non-cancellable leases as of June 30, 2023 were as follows:

	Operating Leases
Year Ended June 30, (Gains) and losses on sale-leaseback transactions, net	
2024	\$ 4,663
2025	<u>993</u>
Total future minimum lease payments	5,656
Less imputed interest	<u>(104)</u>
Total	<u><u>\$ 5,552</u></u>

Reported as of June 30, 2023:

Operating lease liabilities	<u>\$ 5,552</u>
Total	<u><u>\$ 5,552</u></u>

ASSOCIATED STUDENTS, INC.
CALIFORNIA POLYTECHNIC STATE UNIVERSITY, SAN LUIS OBISPO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023
(CONTINUED)

8. DEFERRED REVENUE

During the fiscal year ended June 30, 2023, Associated Students, Inc. collected advanced payments for various Associated Students, Inc. programs including enrollments in child care, prepaid childcare and childcare contracts, memberships, leases, and Campus endowment payouts designated for the next fiscal year. The activity for the year ended June 30, 2023 for deferred revenue is as follows:

	<u>Amount</u>
Balance at June 30, 2022	\$ 474,741
Additions	18,672,833
Reductions	<u>(18,927,461)</u>
Balance at June 30, 2023	<u>\$ 220,113</u>

9. EMPLOYEE BENEFITS

Defined Benefit Pension Plan

Description

Associated Students, Inc. contributes to the Public Employees' Retirement System of the State of California (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public agencies in California.

PERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the PERS annual financial report may be obtained from the PERS Executive Office, 400 P Street, Sacramento, California 95814.

All full-time employees are eligible to participate in PERS. Benefits vest after five years of service.

Securities of Associated Students, Inc. Included in Fund Assets

As of June 30, 2023, no securities of Associated Students, Inc. or related parties are included in PERS assets.

ASSOCIATED STUDENTS, INC.
CALIFORNIA POLYTECHNIC STATE UNIVERSITY, SAN LUIS OBISPO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

9. EMPLOYEE BENEFITS – Continued

Funding Policy

Active plan members are required to contribute a portion of their adjusted salary to PERS and Associated Students, Inc. is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the PERS Board of Administration. Significant actuarial assumptions used to compute the PERS pension benefit obligation includes an actuarial interest rate of 7.00% per annum and varying projected salary increases based on duration of service and including a 2.50% for inflation factor.

The total active plan members' pension contribution for June 30, 2023 was \$494,233.

Actuarially Determined Contribution Requirements and Contribution Made

PERS uses the Entry Age Normal Actuarial Cost Method which is a projected benefit cost method. That is, it takes into account those benefits that are expected to be earned in the future as well as those already accrued.

According to this cost method, the normal cost for an employee is the level amount, which would fund the projected benefit if it were paid annually from date of employment until retirement. PERS uses a modification of the Entry Age Cost Method in which the employer's total normal cost is expressed as a level percentage of payroll. PERS also uses the level percentage of payroll method to amortize any unfunded actuarial liabilities.

The significant actuarial assumptions used to compute the actuarially determined contribution requirement were determined based on an actuarial valuation performed as of June 30, 2020.

ASSOCIATED STUDENTS, INC.
CALIFORNIA POLYTECHNIC STATE UNIVERSITY, SAN LUIS OBISPO
NOTES TO FINANCIAL STATEMENTS
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9. EMPLOYEE BENEFITS - Continued

Associated Students, Inc.'s plan is part of the 2% at 55 Risk Pool, as well as the 2% at 60 Risk Pool and the 2% at 62 Risk Pool. Each of these separate pools are cost-sharing multiple-employer defined benefits plans. Benefits for eligible employees hired before June 4, 2011 will be administered as part of the 2% at 55 Risk Pool plan, while benefits for eligible employees hired after June 4, 2011 will be administered as part of the 2% at 60 Risk Pool and employees hired on or after January 1, 2013 will be administered as part of the 2% at 62 Risk Pool. The disclosures below do not relate to newly issued Financial Accounting Standards Board FASB ASC 715 & 958 (formerly FASB 158) *Employers' Accounting for Defined Benefit Pension and Other Retirement Plans* because such guidance is not applicable to multiple-employer defined benefit plans.

The Funding History below shows the actuarial accrued liability, the plan's share of the pool's market value of assets, plan's share of the pool's unfunded liability, funded ratio and the annual covered payroll for the 2% at 55 Risk Pool, as of June 30, 2020, the most recent actuarial study:

Valuation Date	Accrued Liability (AL)	Share of Pool's Market Value of Assets (MVA)	Share of Pool's Unfunded Liability	Funded Ratio	Annual Covered Payroll
06/30/2018	26,185,874	19,620,950	6,564,924	74.9%	2,780,359
06/30/2019	27,883,071	21,031,547	6,851,524	75.4%	2,666,510
06/30/2020	29,612,407	22,145,643	7,466,764	74.8%	2,669,702

The Funding History below shows the actuarial accrued liability, the plan's share of the pool's market value of assets, share of the pool's unfunded liability, funded ratio and the annual covered payroll for the 2% at 60 Risk Pool, as of June 30, 2020, the most recent actuarial study:

Valuation Date	Accrued Liability (AL)	Share of Pool's Market Value of Assets (MVA)	Share of Pool's Unfunded Liability	Funded Ratio	Annual Covered Payroll
06/30/2018	573,533	512,315	61,218	89.3%	340,741
06/30/2019	691,009	615,918	75,091	89.1%	315,941
06/30/2020	808,162	708,119	100,043	87.6%	318,471

The Funding History below shows the actuarial accrued liability, the plan's share of the pool's market value of assets, share of the pool's unfunded liability, funded ratio and the annual covered payroll for the 2% at 62 Risk Pool, as of June 30, 2020, the most recent actuarial study:

Valuation Date	Accrued Liability (AL)	Share of Pool's Market Value of Assets (MVA)	Share of Pool's Unfunded Liability	Funded Ratio	Annual Covered Payroll
06/30/2018	492,194	451,060	41,134	91.6%	976,910
06/30/2019	700,495	635,437	65,058	90.7%	1,467,020
06/30/2020	969,530	869,851	99,679	89.7%	1,552,180

**ASSOCIATED STUDENTS, INC.
CALIFORNIA POLYTECHNIC STATE UNIVERSITY, SAN LUIS OBISPO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

9. EMPLOYEE BENEFITS - Continued

Post-Retirement Benefits Other Than Pension Benefits - Health

In addition to the pension benefits described, Associated Students, Inc. provides post-retirement health care benefits to all eligible employees.

Employees hired on or prior to June 1, 2011 who retire from Associated Students, Inc. on or after attaining age 50 with at least 5 years of CalPERS service credits are eligible to receive 100% of the active employees' monthly health contribution.

Employees hired after June 1, 2011 who retire from Associated Students, Inc. on or after attaining the age of 50 with at least 10 years of CalPERS service credits (with a minimum of 5 years of service with Associated Students, Inc.) are eligible for 50% of the active employees' monthly health contribution. Retirees in this category receive an additional 5% credit toward the active employees' monthly health contribution for each additional year of service until they reach the maximum vesting schedule of 20 years. Once an employee reaches 20 years of service (with a minimum of 5 years of service with Associated Students, Inc.), the retiree is eligible to receive 100% of the active employees' health contribution.

These health care benefits continue for life.

The plan's funding method is the pro-rata unit credit method. The accumulated plan benefit obligation at June 30, 2023 is \$14,535,424.

Plan expense is as follows:

	<u>June 30, 2023</u>
Current Service Cost	\$ 425,364
Interest Cost	686,024
Expected return on plan assets	(1,204,806)
Amortization of net (gain) loss	<u>120,579</u>
Total	<u>\$ 27,161</u>

ASSOCIATED STUDENTS, INC.
CALIFORNIA POLYTECHNIC STATE UNIVERSITY, SAN LUIS OBISPO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

9. EMPLOYEE BENEFITS - Continued

Post-Retirement Benefits Disclosure

Obligations and Funded Status at June 30, 2023 consists of the following:

Benefit obligation:

Amendments	N/A
Benefits paid	\$ 422,597
Benefit obligation at end of year	14,535,424

Plan assets

Employer contribution	422,597
Plan participants' contributions	-
Fair value of plan assets at end of year	18,678,483

Funded status

Funded status at end of year	4,143,059
Unrecognized net transition obligation	-
Unrecognized prior service costs	-
Unrecognized net actuarial (gain)/loss	2,353,734
Prepaid (accrued) benefit cost	6,496,793

Measurement date June 30, 2023

Assumptions

Weighted-average assumptions used to determine benefit obligations at June 30, 2023

Discount rate	5.25%
Expected long-term return on plan assets	7.00%
Rate of compensation increase	N/A

Pre-Medicare initial health care cost trend rate 7.65%

Post-Medicare initial health care cost trend rate 4.85%

Expected retiree payments over the next 10 years:

2023/24	\$ 520,302
2024/25	573,643
2025/26	593,221
2026/27	613,516
2027/28	624,302
Thereafter – Next 5 years (2029/33)	3,660,476

ASSOCIATED STUDENTS, INC.
CALIFORNIA POLYTECHNIC STATE UNIVERSITY, SAN LUIS OBISPO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023
(CONTINUED)

10. FUNDS HELD FOR OTHERS

Funds held for others at year end were \$2,202,434 and are held in custody for student organizations and certain campus programs. (Note 3)

11. COMMITMENTS AND CONTINGENCIES

Contracts

Associated Students, Inc. has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the contracts, it is believed that any required reimbursements will not be material.

Legal

The Associated Students, Inc. is party to certain legal actions arising in the ordinary course of business. In one case, a settlement amount of \$1,350,000 was agreed to by the parties and has been approved by the Court. This amount was accrued and is included in accounts payable and accrued expenses and in legal on the Statement of Functional Expense during the 2021-22 fiscal year. The settlement payout is expected to occur during the 2023-24 fiscal year. In the opinion of management, liabilities, if any, under any remaining actions will not have a material impact on its financial position.

12. CONCENTRATION RISK

The majority of Associated Students, Inc.'s contributions and grants are received from corporations, foundations, and individuals located in the greater San Luis Obispo metropolitan area and from agencies of the state of California and San Luis Obispo County. As such, Associated Students, Inc.'s ability to generate resources via contributions and grants is dependent upon the economic health of that area and of the state of California. An economic downturn could cause a decrease in contributions and grants that coincides with an increase in demand for Associated Students, Inc.'s services.

Associated Students, Inc.'s investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to Associated Students, Inc.'s financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes in any one class.

ASSOCIATED STUDENTS, INC.
CALIFORNIA POLYTECHNIC STATE UNIVERSITY, SAN LUIS OBISPO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023
(CONTINUED)

13. LIQUIDITY AND FUNDS AVAILABLE

The Associated Students, Inc. strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in the CSU Consolidated Investment Pool.

The following table reflects Associated Students, Inc.'s financial assets as of June 30, 2023 reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions. There were no net assets with donor restrictions at June 30, 2023.

	June 30, 2023
Financial assets:	
Cash and cash equivalents	\$ 1,068,572
Accounts and contract receivables	167,287
Other receivables	3,631
Related party receivables	115,521
Investments	<u>9,534,867</u>
Total financial assets	<u>\$ 10,889,878</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 10,889,878</u>

14. SUBSEQUENT EVENTS

Associated Students, Inc. has evaluated events subsequent to June 30, 2023, to assess the need for potential recognition or disclosure in the consolidated financial statements. Such events were evaluated through September 18, 2023, the date the consolidated financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the consolidated financial statements would be required. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the consolidated financial statements.

INFORMATION REQUIRED BY *GOVERNMENT AUDITING STANDARDS*



VASIN, HEYN & COMPANY

ABOVE THE BRIGHT LINE



AN ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS

INDEPENDENT AUDITORS' 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
Associated Students, Inc.
California Polytechnic State University,
San Luis Obispo, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Associated Students, Inc., California Polytechnic State University, San Luis Obispo, (A California Non-Profit Corporation), which comprise the statement of financial position as of June 30, 2023 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 18, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Associated Students, Inc., California Polytechnic State University, San Luis Obispo's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Associated Students, Inc., California Polytechnic State University, San Luis Obispo's internal control. Accordingly, we do not express an opinion on the effectiveness of Associated Students, Inc., California Polytechnic State University, San Luis Obispo's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Associated Students, Inc., California Polytechnic State University, San Luis Obispo's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Associated Students, Inc., California Polytechnic State University, San Luis Obispo's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Associated Students, Inc., California Polytechnic State University, San Luis Obispo's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vorlein, Hahn + Co.

Calabasas, California
September 18, 2023

SUPPLEMENTARY INFORMATION

UNIVERSITY UNION
CALIFORNIA POLYTECHNIC STATE UNIVERSITY, SAN LUIS OBISPO
SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 300	\$ 1,900
Accounts receivable	2,739	1,195
Related party receivables	43,768	9,872
Deposits and prepaid expenses	64,822	34,475
Investments	2,484,870	1,675,051
Inventory	44,621	54,025
Operating lease asset	8,603	-
Property and equipment, net	1,112,259	1,086,664
Total assets	\$ 3,761,982	\$ 2,863,182
 LIABILITIES		
Accounts payable and accrued expenses	\$ 292,226	\$ 212,504
Accrued payroll and related liabilities	370,579	364,357
Operating lease liability	3,763	-
Related party payables	247,695	393,661
Deferred revenue	46,567	276,942
Total liabilities	960,830	1,247,464
 NET ASSETS		
Without donor restrictions	2,801,152	1,615,718
Total net assets	2,801,152	1,615,718
Total liabilities and net assets	\$ 3,761,982	\$ 2,863,182

UNIVERSITY UNION
CALIFORNIA POLYTECHNIC STATE UNIVERSITY, SAN LUIS OBISPO
SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	2023	2022
REVENUES		
Operating revenue from student activity fees	\$10,356,526	\$ 9,325,511
Revenue from operations	964,640	695,203
Contributions and grants	275	64
Related party reimbursements	1,103,952	1,067,280
Investment income	7,021	15,558
Other income	24,173	54,078
Rental income	279,327	253,789
Special events, net of expense	213,047	-
Contract settlements	156,177	(2,598)
Total revenues	13,105,138	11,408,885
EXPENSES		
Personnel costs	7,587,401	7,373,816
Insurance	251,531	195,520
Utilities	1,213,293	962,679
Depreciation	200,638	215,713
Operation and maintenance of plant	1,268,406	1,281,991
Other program and service costs	1,398,435	1,352,247
Total expenses	11,919,704	11,381,966
CHANGE IN NET ASSETS	1,185,434	26,920
NET ASSETS - beginning of year	1,615,718	1,588,798
NET ASSETS - end of year	\$ 2,801,152	\$ 1,615,718

ASSOCIATED STUDENTS, INC.
CALIFORNIA POLYTECHNIC STATE UNIVERSITY, SAN LUIS OBISPO
GASB SCHEDULE OF NET POSITION
JUNE 30, 2023

Assets:

Current assets:

Cash and cash equivalents	1,068,572
Short-term investments	9,534,867
Accounts receivable, net	284,684
Lease receivable, current portion	1,755
Prepaid expenses and other current assets	274,282
	11,164,160

Noncurrent assets:

Capital assets, net	1,515,040
	1,515,040

Total assets

12,679,200

Liabilities:

Current liabilities:

Accounts payable	400,591
Accrued salaries and benefits	222,520
Accrued compensated absences, current portion	384,388
Unearned revenues	220,113
Lease liabilities, current portion	4,562
Depository accounts	2,202,434
Other liabilities	1,727,579
	5,162,187

Noncurrent liabilities:

Lease liabilities, net of current portion	990
	990

Total liabilities

5,163,177

Net position:

Net investment in capital assets	1,509,488
Restricted for:	
Unrestricted	6,006,535
	7,516,023

Total net position

ASSOCIATED STUDENTS, INC.
CALIFORNIA POLYTECHNIC STATE UNIVERSITY, SAN LUIS OBISPO
GASB SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023
(CONTINUED)

Revenues:

Operating revenues:

Grants and contracts, noncapital:

Federal	252,369
State	80,793
Nongovernmental	481,034
Other operating revenues	20,805,962
	21,620,158

Expenses:

Operating expenses:

Student services	14,001,320
Operation and maintenance of plant	5,901,923
Depreciation and amortization	238,895
	20,142,138

Operating income (loss) **1,478,020**

Nonoperating revenues (expenses):

Investment income (loss), net 29,213

Net nonoperating revenues (expenses) **29,213**

Income (loss) before other revenues (expenses) **1,507,233**

State appropriations, capital -

Grants and gifts, capital -

Additions (reductions) to permanent endowments -

Increase (decrease) in net position **1,507,233**

Net position:

Net position at beginning of year, as previously reported 6,008,790

Restatements -

Net position at beginning of year, as restated **6,008,790**

Net position at end of year **7,516,023**

ASSOCIATED STUDENTS, INC.
CALIFORNIA POLYTECHNIC STATE UNIVERSITY, SAN LUIS OBISPO
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023
(CONTINUED)

1 Cash and cash equivalents:

Noncurrent restricted cash and cash equivalents	-
Current cash and cash equivalents	1,068,572
Total	\$1,068,572

2.1 Composition of investments:

Investment Type	Current	Noncurrent	Total
CSU Consolidated Investment Pool (formerly SWIFT)	9,534,867		9,534,867
Total investments	9,534,867	-	9,534,867

2.2 Fair value hierarchy in investments:

Investment Type	Total	Net Asset Value (NAV)
CSU Consolidated Investment Pool (formerly SWIFT) \$	9,534,867	9,534,867
Total investments	\$ 9,534,867	9,534,867

2.3 Investments held by the University under contractual agreements:

	Current	Total
Investments held by the University under contractual agreements e.g. - CSU Consolidated Investment Pool (formerly SWIFT):	\$9,534,867	\$9,534,867

ASSOCIATED STUDENTS, INC.
CALIFORNIA POLYTECHNIC STATE UNIVERSITY, SAN LUIS OBISPO
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023
(CONTINUED)

3.1 Capital Assets, excluding ROU assets:

<u>Composition of capital assets, excluding ROU assets:</u>	Balance June 30, 2022	Balance June 30, 2022 (Restated)	Additions	Retirements	Balance June 30, 2023
Non-depreciable/Non-amortizable capital assets:					
Construction work in progress (CWIP)	92,413	\$ 92,413			92,413
Total non-depreciable/non-amortizable capital assets	\$ 92,413	\$ 92,413	-	-	92,413
Depreciable/Amortizable capital assets:					
Buildings and building improvements	3,498,027	3,498,027		(39,397)	3,458,630
Personal property:					
Equipment	2,620,173	2,620,173	226,233	(82,969)	2,763,437
Total depreciable/amortizable capital assets	6,118,200	6,118,200	226,233	(122,366)	6,222,067
Total capital assets	\$ 6,210,613	\$ 6,210,613	226,233	(122,366)	6,314,480
Less accumulated depreciation/amortization:					
Buildings and building improvements	\$ (2,506,215)	\$ (2,506,215)	(84,713)	39,397	(2,551,531)
Personal property:					
Equipment	(2,190,028)	(2,190,028)	(146,402)	82,969	(2,253,461)
Total accumulated depreciation/amortization	(4,696,243)	(4,696,243)	(231,115)	122,366	(4,804,992)
Total capital assets, net excluding ROU assets	\$ 1,514,370	\$ 1,514,370	(4,882)	-	1,509,488

Capital Assets, Right of Use

<u>Composition of capital assets - Lease ROU, net:</u>	Balance June 30, 2022	Balance June 30, 2022 (Restated)	Additions	Remeasurements	Balance June 30, 2023
Depreciable/Amortizable lease assets:					
Equipment			-	13,332	13,332
Total depreciable/amortizable lease assets	-	-	13,332	-	13,332
Less accumulated depreciation/amortization:					
Personal property:					
Equipment			-	(7,780)	(7,780)
Total accumulated depreciation/amortization	-	-	(7,780)	-	(7,780)
Total capital assets - lease ROU, net	-	-	5,552	-	\$ 5,552
Total capital assets, net including ROU assets					\$ 1,515,040

ASSOCIATED STUDENTS, INC.
CALIFORNIA POLYTECHNIC STATE UNIVERSITY, SAN LUIS OBISPO
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023
(CONTINUED)

3.2 Detail of depreciation and amortization expense:

Depreciation and amortization expense - capital assets, excluding ROU assets	\$	231,115
Amortization expense - Leases ROU		<u>7,780</u>
Total depreciation and amortization	\$	<u>238,895</u>

4 Long-term liabilities:

	Balance June 30, 2022	Balance June 30, 2022 (Restated)	Additions	Reductions	Balance June 30, 2023	Current Portion	Noncurrent Portion
1. Accrued compensated absences	\$ 388,529	388,529	264,681	(268,822)	384,388	384,388	-
5. Lease, SBITA, P3 liabilities:	Balance				Balance		Noncurrent
	June 30, 2022	Additions	Remeasurements	Reductions	June 30, 2023	Current Portion	Portion
Lease liabilities	-	5,552			5,552	4,562	990
Total Lease, SBITA, P3 liabilities	\$ -	5,552	-	-	5,552	4,562	990
Total long-term liabilities					\$ 389,940	388,950	990

5 Future minimum payments schedule - leases, SBITA, P3:

	Lease Liabilities			Total Leases, SBITA, P3 liabilities		
	Principal	Interest	Principal and Interest	Principal Only	Interest Only	Principal and Interest
Year ending June 30:						
2024	\$ 4,562	101	4,663	4,562	101	4,663
2025	990	3	993	990	3	993
Thereafter			-	-	-	-
Total minimum payments	\$ 5,552	104	5,656	5,552	104	5,656
Less: amounts representing interest						(104)
Present value of future minimum payments						5,552
Total Leases, SBITA, P3 liabilities						5,552
Less: current portion						(4,562)
Leases, SBITA, P3 liabilities, net of current portion						\$ 990

ASSOCIATED STUDENTS, INC.
CALIFORNIA POLYTECHNIC STATE UNIVERSITY, SAN LUIS OBISPO
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023
(CONTINUED)

6 Future minimum payments schedule - Long-term debt obligations: Nothing to report

7 Transactions with related entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs	
Payments to University for other than salaries of University personnel	2,848,443
Payments received from University for services, space, and programs	464,183
Gifts-in-kind to the University from discretely presented component units	
Gifts (cash or assets) to the University from discretely presented component units	
Accounts payable to University	(334,156)
Other amounts payable to University	
Accounts receivable from University	106,693
Other amounts receivable from University	

8 Restatements Nothing to report

9 Natural classifications of operating expenses:

	Salaries	Benefits - Other	Benefits - Pension	Supplies and other services	Depreciation and amortization	Total operating expenses
Student services	\$ 5,333,771	1,526,438	848,581	6,292,530		14,001,320
Operation and maintenance of plant	2,144,620	618,003	393,368	2,745,932		5,901,923
Depreciation and amortization	-	-	-	-	238,895	238,895
Total operating expenses	\$ 7,478,391	\$ 2,144,441	\$ 1,241,949	\$ 9,038,462	\$ 238,895	\$ 20,142,138

10 Deferred outflows/inflows of resources: Nothing to report

11 Other nonoperating revenues (expenses) Nothing to report