



**ASSOCIATED STUDENTS OF  
SAN FRANCISCO STATE UNIVERSITY**

CHILD DEVELOPMENT FUND REPORT

JUNE 30, 2016

**Associated Students of  
San Francisco State University**

**Child Development Fund Report  
Fiscal Year Ended June 30, 2016**

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**GENERAL SUMMARY**

**Full official name of the Agency:** Associated Students, Inc. of San Francisco State University  
**Type of Agency:** Non-Profit Corporation  
**Project Number:** 38-V131-00-0  
**Program Numbers:** State Preschool: CSPP – 5440  
**Address of Agency Headquarters:** Associated Students, Inc. of SFSU  
1650 Holloway Avenue, M102  
San Francisco, CA 94132

**Name and address of Executive Director, Center Director and Accountant:** ASI Interim Executive Director, Aimee Barnes  
Associated Students, Inc. (ASI)  
San Francisco State University  
1650 Holloway Ave, M102  
San Francisco, CA 94132

ASI Center Director, Sarah Johnson  
ASI Children’s Center  
San Francisco State University  
South State Drive  
San Francisco, CA 94132

Accountant - Tammie Ridgell, Director  
San Francisco State University  
Auxiliary Business Services  
1600 Holloway Avenue, Adm 254J  
San Francisco, CA 94132

**Period Covered by Audit:** July 1, 2015 through June 30, 2016  
**Number of Days of Agency Operation:** 158 days

**Scheduled Hours of operation, Each Day:**

ASI Children’s Center	7:30AM – 5:30PM, 10 hours per day
State Preschool Contract	7:30AM – 12:30 PM, 5 hours per day
ASI Business Office	9:00AM – 5:00PM

**Associated Students of  
San Francisco State University**

**Child Development Fund Report  
Fiscal Year Ended June 30, 2016**

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors  
Associated Students of San Francisco State University

Grant Thornton LLP  
101 California Street, Suite 2700  
San Francisco, CA 94111-5424  
T 415.986.3900  
F 415.986.3916  
www.GrantThornton.com

We have audited the accompanying financial statements of Associated Students of San Francisco State University (Associated Students) (a California State University Auxiliary Organization), which comprise the statement of financial position as of June 30, 2016, and the related statement of activity and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's responsibility for the financial statements

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

### Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Associated Student's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Associated Students of San Francisco State University (a California State University Auxiliary Organization) as of June 30, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Report on Summarized Comparative Information*

Other auditors previously audited the Associated Students' June 30, 2015 financial statements and expressed an unmodified opinion on those audited financial statements in their report dated September 15, 2015. The summarized comparative information presented herein as of and for the year ended June 30, 2015 is derived from those financial statements.

#### *Supplementary information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Associated Students' financial statements. The supplementary information on pages 16-25 is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2016 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the 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 supplementary information is fairly stated, in all material respects, in relation to the 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 November 15, 2016, on our consideration of Associated Students' 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 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 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' internal control over financial reporting and compliance.

*Grant Thornton LLP*

San Francisco, California

November 15, 2016

**Associated Students of  
San Francisco State University**

Statement of Financial Position

*June 30, 2016 (with comparative totals for June 30, 2015)*

	2016	2015
<b>Assets</b>		
Cash and cash equivalents	\$ 40,621	\$ 245,321
Investments	11,337,566	12,920,125
Accounts receivable, net of allowance for doubtful accounts	3,851,691	599,820
Student activity fees receivable	3,144,133	2,920,878
Prepaid expenses and other assets	51,145	5,875
Property and equipment, net	96,494	151,008
Capitalized leasehold improvements, net	22,062	313,454
Total assets	\$ 18,543,712	\$ 17,156,481
 <b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 943,319	\$ 975,320
Deferred revenue	243,498	215,634
Employee benefits payable	1,216,748	1,277,360
Total liabilities	2,403,565	2,468,314
 <b>Net Assets:</b>		
Unrestricted:		
General Fund	11,434,316	10,012,807
Designated:		
General Fund	840,630	4,048,352
Children's Center Facility	3,693,779	493,817
Total unrestricted net assets	15,968,725	14,554,976
Temporarily restricted	171,422	133,191
Total net assets	16,140,147	14,688,167
Total liabilities and net assets	\$ 18,543,712	\$ 17,156,481

See accompanying notes to financial statement.

**Associated Students of  
San Francisco State University**

Statement of Activities and Changes in Net Assets

*Year Ended June 30, 2016 (with comparative totals for June 30, 2015)*

	2016				2015 Total
	Unrestricted			Total	
	General	Children's Center Facility	Temporarily Restricted		
<b>Revenue and Support:</b>					
Student activity fees	\$ 6,652,796	\$ -	\$ -	\$ 6,652,796	\$ 6,493,547
Program fees	1,225,073	-	77,331	1,302,404	1,035,877
Investment income, net	163,217	-	-	163,217	171,430
Contribution and grants	376,166	-	526,341	902,507	961,804
Net assets released from restrictions:				-	-
Satisfaction of program restrictions	523,323	-	(523,323)	-	-
<b>Total revenue and support</b>	<b>8,940,575</b>		<b>80,349</b>	<b>9,020,924</b>	<b>8,662,658</b>
<b>Expenses:</b>					
Student services	3,272,670	-	42,118	3,314,788	4,652,954
Student government	322,168	-	-	322,168	330,037
Community services	195,726	-	-	195,726	218,170
Student organizations	53,695	-	-	53,695	98,989
Management and general	3,391,176	291,391	-	3,682,567	2,400,758
<b>Total expenses</b>	<b>7,235,435</b>	<b>291,391</b>	<b>42,118</b>	<b>7,568,944</b>	<b>7,700,908</b>
<b>Change in Net Assets from Operations</b>	<b>1,705,140</b>	<b>(291,391)</b>	<b>38,231</b>	<b>1,451,980</b>	<b>961,750</b>
Reserve Reclassification	(3,491,353)	3,491,353	-	-	-
<b>Other Changes in Net Assets</b>					
Transfer of net assets from auxiliary organization (Note 14)	-	-	-	-	5,546,773
<b>Change in Net Assets</b>	<b>(1,786,213)</b>	<b>3,199,962</b>	<b>38,231</b>	<b>1,451,980</b>	<b>6,508,523</b>
<b>Net Assets - Beginning of year</b>	<b>14,061,159</b>	<b>493,817</b>	<b>133,191</b>	<b>14,688,167</b>	<b>8,179,644</b>
<b>Net Assets - End of year</b>	<b>\$ 12,274,946</b>	<b>\$ 3,693,779</b>	<b>\$ 171,422</b>	<b>\$ 16,140,147</b>	<b>\$ 14,688,167</b>

See accompanying notes to financial statement.

**Associated Students of  
San Francisco State University**

Statement of Cash Flows

*Year Ended June 30, 2016 (with comparative totals for June 30, 2015)*

	2016	2015
<b>Operating Activities:</b>		
Change in net assets	\$ 1,451,980	\$ 6,508,523
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Transfer of net assets from auxiliary organization	-	(5,546,773)
Depreciation and amortization	278,436	307,256
Net realized and unrealized loss on investments	5,027	3,902
Changes in:		
Receivables, net	(3,488,981)	(476,257)
Prepaid expenses and other assets	(31,412)	15,723
Accounts payable and accrued expenses	(92,614)	236,201
Deferred revenue	27,864	(102,319)
Net cash provided by (used in) operating activities	(1,849,700)	946,256
<b>Investing Activities:</b>		
Purchase of investments	(2,832,550)	(6,338,121)
Proceeds from sale of investments	4,410,081	5,618,036
Purchase of property, equipment and leasehold improvements	67,469	(17,330)
Net cash provided by (used in) investing activities	1,645,000	(737,415)
<b>(Decrease) Increase in Cash and Cash Equivalents</b>	<b>(204,700)</b>	<b>208,841</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>245,321</b>	<b>36,480</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 40,621</b>	<b>\$ 245,321</b>

See accompanying notes to financial statement.



# Associated Students of San Francisco State University

## Notes to Financial Statements June 30, 2016

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### Note 1 - Organization:

The Associated Students of San Francisco State University (the “Associated Students”) is a not-for-profit organization that functions as an auxiliary organization for San Francisco State University. The Associated Students operates student programs and activities for the benefit of the students of San Francisco State University (“the University”). Such programs and activities are funded primarily from student activity and program fees.

### Note 2 - Summary of Significant Accounting Policies:

#### a. Basis of Presentation and Description of Net Assets

The financial statements of the Associated Students are prepared using the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (“US GAAP”) and the accounts are maintained in accordance with the principles of fund accounting. Resources for various purposes are classified for accounting purposes into funds that are in accordance with specific activities or objectives. For financial statement purposes, all financial transactions are reported by the following classes of net assets as prescribed for not-for-profit organizations by the Financial Accounting Standards Board (“Financial Accounting Standards Board”):

*Unrestricted Net Assets* – Unrestricted net assets consist of all resources of the Associated Students that have not been restricted by a donor. Unrestricted resources have been recorded in the following funds:

- General Fund – Represents unrestricted net assets available for student-related programs, activities and operations of Associated Students.
- Children’s Center Facility – Represents unrestricted net assets from and for the operations of the Children’s Center Facility.

*Temporarily Restricted Net Assets* – Temporarily restricted net assets consist of cash and other assets received with donor stipulations that limit the use of donated assets. When a stipulated time or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Permanently Restricted Net Assets* – The portion of net assets whose use by the Associated Students is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Associated Students. The Associated Students does not have any permanently restricted net assets.

**Associated Students of  
San Francisco State University**

**Notes to Financial Statements  
June 30, 2016**

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**Note 2 - Summary of Significant Accounting Policies, Continued:**

b. Revenue Recognition

Associated Students recognizes revenue when revenue is earned. Contribution and grants are reviewed for restrictions imposed by donors to determine if the contribution or grant should be classified as unrestricted revenue, temporarily restricted revenue or permanently restricted revenue. Contribution and grant revenue is recognized when unconditionally promised by the donor.

The Associated Students recognizes revenue as it is earned and is recorded by the University as a payable. Associated Students records revenue monthly by the semester it belongs to and records a receivable from the campus. The Associated Students is required under Title 5 Section 42403(a) of the California Code of Regulations, to have the student activity fees retained by the University in a campus trust account. Periodically, the Associated Students may request reimbursement. At June 30, 2016 and 2015, the student activity fees receivable were \$3,144,133 and \$2,920,878, respectively.

c. Cash and Cash Equivalents

For purposes of the Statement of Cash Flow, the Associated Students consider all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. This includes cash on hand and cash in banks.

d. Investments

Investments are carried at fair value. Investments consist of funds invested in the Local Agency Investment Fund ("LAIF") and debt securities with interest and realized and unrealized gains and losses reflected in the Statement of Activities and Changes in Net Assets.

e. Fair Value Measurement

The Associated Students carries certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Associated Students classifies its financial assets and liabilities according to three levels, and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1 - Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

**Associated Students of  
San Francisco State University**

**Notes to Financial Statements  
June 30, 2016**

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**Note 2 - Summary of Significant Accounting Policies, Continued:**

Level 2 - Observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability that are not corroborated by market data.

f. Property and Equipment and Capitalized Leasehold Improvements

Property and equipment are capitalized at cost when purchased, or if donated, at estimated fair market value at the date of donation. Depreciation has been calculated using the straight-line method over the estimated useful life of the assets, ranging from three to ten years. Capitalized leasehold improvements are amortized over the lesser of their service life or remaining lease term.

g. Income Taxes

The Associated Students is a tax-exempt organization under Internal Revenue Service Code Section 501(c)(3) and the California tax code.

The Associated Students follows the guidelines of FASB ASC Topic 740 for accounting for uncertainty in income taxes. As of June 30, 2016, management evaluated the Associated Students' tax positions and concluded that the Associated Students had maintained its tax exempt status and has taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. The open tax years are generally the years ended June 30, 2013 through June 30, 2016 for federal tax purposes and the years ended June 30, 2012 through June 30, 2016 for California tax purposes.

h. Functional Allocation of Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services that are benefited based on management estimates.

i. Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Associated Students of  
San Francisco State University**

**Notes to Financial Statements  
June 30, 2016**

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**Note 2 - Summary of Significant Accounting Policies, Continued:**

j. Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by detail activity. For comparative analysis, the financial statements for the year ended June 30, 2015, from which the summarized information was derived, should be read.

k. Subsequent Events

The Associated Students evaluated subsequent events with respect to the financial statements for the year ended June 30, 2016 through September 15, 2016, the date the financial statements were available to be issued and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

**Note 3 - Investments:**

At June 30, 2016, investments consist of the following:

Cash and Money Market funds	\$ 12,077
Corporate Bonds and Municipal Bonds	739,733
Local Agency Investment Fund	<u>10,585,756</u>
	<u><u>\$ 11,337,566</u></u>

Net investment income for the year ended June 30, 2016 was comprised of net realized and unrealized loss on investments of \$5,027 and interest on investments of \$127,597.

The Local Agency Investment Fund (“LAIF”) is a voluntary program created by statute that began in 1977 as an investment for California’s local governments and special districts. The program offers local agencies the opportunity to participate in a major portfolio, which invests hundreds of millions of dollars, using the investment expertise of the Treasurer’s Office investment staff. Participating agencies can withdraw their funds from the LAIF at any time. Participating agencies portion of the fund is held at fair value using net asset value (“NAV”) information provided by LAIF.

**Associated Students of  
San Francisco State University**

**Notes to Financial Statements  
June 30, 2016**

**Note 4 - Fair Value Measurement:**

The table below present's investments measured at fair value on a recurring basis at June 30, 2016:

	2016			
	Level 1	Level 2	NAV	Total
Cash and Money Market funds	\$ 12,077	\$ -	\$ -	\$ 12,077
Corporate bonds	490,004	145,582	-	635,586
Municipal bonds	77,147	27,000	-	104,147
Local Agency Investment Fund	-	-	10,585,756	10,585,756
	\$ 579,228	\$ 172,582	\$ 10,585,756	\$ 11,337,566

**Note 5 - Property and Equipment:**

Property and equipment at June 30, 2016 consist of:

	2016
Construction in Progress	\$ 3,400
Equipment, furniture and fixtures	1,068,307
Leasehold improvements	12,580
Equipment under capital lease	13,111
	1,097,398
Less: accumulated depreciation and amortization	(1,000,904)
	\$ 96,494

**Note 6 - Retirement Plan:**

All salaried employees are covered under an employer-sponsored 403b tax sheltered annuity plan, administered by the Variable Annuity Life Insurance Company. Contributions made by the Associated Students to this plan during the years ended June 30, 2016 and 2015 were \$230,260 and \$236,439, respectively.

**Associated Students of  
San Francisco State University**

**Notes to Financial Statements  
June 30, 2016**

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**Note 7 - Employee benefits payable:**

Prior to the merger with the Associated Students (Note 14), the Student Center of the San Francisco State University (the Student Center) provided health care benefits to its active employees and retirees. The Board of Directors of the Student Center decided that coverage should be maintained and engaged an actuarial consultant to provide an estimate of the anticipated liability for coverage to the effected employees and retirees. The Associated Students does not provide similar coverage and after June 30, 2014 active employees transferring employment to the Associated Students and retirees would no longer be eligible for that coverage.

The present value of future expected retiree healthcare benefits was calculated using actuarial assumptions based on the benefits provided and considering premium increases and a discount rate of 3.2%. The resulting liability was estimated at \$1,277,360 as of June 30, 2015. During the year ended June 30, 2016 approximately \$61,000 of benefits were paid. The liability estimate was not adjusted as of June 30, 2016 for the present value change of the discount or other considerations or changes. Management does not believe that adjustment would be material.

**Note 8 - Capitalized Leasehold Improvements and Lease Obligation:**

Prior to July 1, 2007, Associated Students had entered into a capitalized loan obligation transaction with related parties, the Franciscan Shops, Inc. and San Francisco State University Foundation, who financed the transaction as lessors with Associated Students as lessee. To finance the transaction, the related parties assumed revenue bond financed debt which compounded to the amount of the capital lease obligation assumed by Associated Students. The capitalized lease related to the construction costs (accounted for as leasehold improvements) of the Children's Center on land that was leased from the Board of Trustees of the California State University (the Trustees). There was also a Site Lease and Sublease with the related parties associated with the capitalized lease obligation transaction.

Additionally, prior to July 1, 2007 Associated Students paid off its capital lease obligation (which also paid off the remaining revenue bond financed debt). Since the previously mentioned Ground Lease, Site Lease and Sublease terminated with the payoff of the bonds, the Associated Students entered into a new facility lease with the Trustees for the facility of the Children's Center. While the term of the new operating lease is for five years, beginning in December 2011, Associated Students is currently working on a new facilities lease combined with their operating agreement with the Trustees. The term of the agreement is expected to be for ten years commencing in 2017.

**Associated Students of  
San Francisco State University**

**Notes to Financial Statements  
June 30, 2016**

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**Note 8 - Capitalized Leasehold Improvements and Lease Obligation, Continued:**

Total capitalized leasehold improvements were \$5,051,097 at June 30, 2016 and 2015. Accumulated amortization relating to the capitalized leasehold improvements was \$5,029,035 and \$4,737,643 at June 30, 2016 and 2015, respectively.

**Note 9 - Related Parties:**

The Auxiliary Business Services Office of San Francisco State University maintains the accounting records of the Associated Students and other campus auxiliary organizations. Operating costs of Auxiliary Business Services are allocated between such organizations based on usage. Fees for accounting services were \$447,766 and \$532,769 for fiscal years 2016 and 2015, respectively.

In the normal course of business, Associated Students conducts various transactions with San Francisco State University and the other auxiliary organizations. Expense transactions amounted to \$1,015,857 and \$916,056 for the years ended June 30, 2016 and 2015, respectively.

Effective July 1, 2014, the Associated Students entered into an operating agreement and lease (Master Lease) with the Board of Trustees of the California State University (Trustees), for the facilities and space that it utilizes in the Student Center. The term of the master lease is July 1, 2014 to June 30, 2019. The Associated Students will share usage with University Corporation, San Francisco State. For lease costs, the Associated Students is required to pay its share of common area and facilities upkeep costs. For the year ended June 30, 2016, the Associated Students reimbursed the University approximately \$679,000 for its 46% share of the Cesar Chavez Student Center.

The University Corporation, San Francisco State (the Corporation) contributed \$278,968 to Associated Students for the year ended June 30, 2016. The contribution represents the residual net rental income from the leasing operations managed by the Corporation.

**Note 10 - Concentration of Risk:**

The Associated Students has defined its financial instruments which are potentially subject to risk as cash and investments in LAIF. LAIF is a special fund in the State Treasury created for the purpose of pooled investment of idle funds for local governmental and quasi-governmental entities. These funds are neither insured nor guaranteed by the United States or California governments. The Associated Students investments in LAIF were \$10,585,756 and \$8,819,330 at June 30, 2016 and 2015 respectively. At June 30, 2016, the Associated Students had no cash deposits in excess of federally insured limits.

**Associated Students of  
San Francisco State University**

**Notes to Financial Statements  
June 30, 2016**

**Note 11 - Temporarily Restricted Net Assets:**

As of June 30, 2016 and 2015, temporarily restricted net assets of \$171,422 and \$133,191 respectively, relate to the Children's Center operations.

Net assets of \$523,323 were released from donor restrictions by incurring expenses satisfying the restricted purposes for the year ended June 30, 2016.

**Note 12 - Governing Board Transactions:**

Compensation paid to student members of the Associated Students Governing Board for the years ended June 30, 2016 and 2015 was \$153,100 and \$130,310, respectively. These payments, which range from \$625 to \$1,250 per month, are included in the Statement of Activities and Changes in Net Assets as Student Government expenses.

**Note 13 - Assets and Liabilities Relating to Children's Center Facility:**

Assets and liabilities as of June 30, 2016 and 2015 relating to the Children's Center operations consist of the following:

	2016
<b>Assets:</b>	
Cash Interfund	\$3,487,952
Investments	\$ 180,363
Construction in progress	3,400
Capitalized leasehold improvements	22,062
	\$ 3,693,777
<b>Unrestricted Net Assets</b>	
Designated Children's Center Facility	\$ 3,693,777
	\$ 3,693,777



**Associated Students of  
San Francisco State University**

**Notes to Financial Statements  
June 30, 2016**

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**Note 14 - Transfer of assets from auxiliary organization:**

On June 5, 2014, the Board of the Associated Students and the Board of the Student Center, a related party, adopted a resolution to merge both the Associated Students and the Student Center entities and operations. The necessary actions and plans, including addressing legal, accounting, tax and operational requirements and implications have been identified or developed by both the Boards and managements of the Associated Students and the Student Center.

Effective July 1, 2014, various student program activities under the Student Center were transferred to the Associated Students.

As of July 1, 2014 various assets and liabilities were transferred to the Associated Students from the Student Center as follows:

Cash and cash equivalents	\$ 7,500
Investments	7,213,218
Equipment	128,905
Prepaid expenses and other assets	<u>100,516</u>
Total assets	<u>7,450,139</u>
Accounts payable and accrued expenses	563,866
Accrued retiree healthcare benefits	<u>1,339,500</u>
Total liabilities	<u>1,903,366</u>
Net assets in liquidation	<u><u>\$ 5,546,773</u></u>

**SUPPLEMENTARY INFORMATION**  
For the Year Ended June 30, 2016

**Associated Students of  
San Francisco State University**

**Schedule of Expenditure of Federal and State Child Development Awards**

*June 30, 2016*

Grantor / Pass-Through Grantor / Prog:	Federal CFDA Number	Entity Identifying Number	Grant Award Amount			Revenue Earned / Expenditures		
			Federal	State	Total	Federal	State	Total
<b>STATE AWARDS:</b>								
<b>State of California Child Development Services:</b>								
State Preschool		CSPP - 5440	\$ -	\$ 77,438	\$ 77,438	\$ -	\$ 487,731	\$ 487,731
State Preschool - Federal	93.596	CSPP - 5440	12,977	-	12,977	11,490	-	11,490
State Preschool - Federal	93.575	CSPP - 5440	4,452	-	4,452	3,942	-	3,942
<b>TOTAL STATE AWARDS</b>			\$ 17,429	\$ 77,438	\$ 94,867	\$ 15,432	\$ 487,731	\$ 503,163

Reconciliation to Total Reimbursable Expenditures:

Grant Expenditures

\$ 503,163

Non-Grant Expenditures

-

Total Reimbursable Expenditures

\$ 503,163

Reconciliation to Grant Revenue Recognition:

Apportionments by CDE

\$ 80,677

Amounts due from CDE

3,313

Total Grant Revenue Recognition

\$ 83,990

# Associated Students of San Francisco State University

## Combining Statement of Activities

June 30, 2016

	State Preschool CSPP-5440	Other	2016
<b>Revenues:</b>			
Student activity fees	\$ -	\$ 6,652,796	\$ 6,652,796
Program fees	409,562	892,842	1,302,404
Interest income	-	163,217	163,217
California Department of Education	83,990	-	83,990
Contributions and grants	832	817,684	818,516
Other revenue	-	-	-
	494,384	8,526,540	9,020,924
<b>Expenses:</b>			
Teachers	145,859	549,450	695,309
Supervisors	85,646	115,880	201,526
Instructional aides	98,733	250,103	348,836
Clerical and other personnel	-	1,317,351	1,317,351
Student assistance	-	914,383	914,383
Auxiliary expense	-	447,766	447,766
Social security	20,528	168,216	188,744
Health and welfare	19,205	329,600	348,805
State unemployment	529	3,543	4,073
Worker's compensation insurance	8,027	53,719	61,746
Other benefits	19,155	371,946	391,101
Instructional supplies	18,646	58,271	76,917
Other supplies	-	67,138	67,138
Food supplies	3,714	4,801	8,515
Contracts for personal services	32,388	1,044,982	1,077,370
Travel and conferences	4,004	87,857	91,860
Student activities	-	60,485	60,485
Insurance	6,682	17,258	23,940
Utilities and housekeeping services	7,000	37,500	44,500
Advertising	-	28,380	28,380
Maintenance and repairs	7,407	72,287	79,694
Communication	-	28,135	28,135
Furniture and equipment	-	-	-
Bank service fees	13,321	26,857	40,178
Other services and expenses	12,319	1,009,872	1,022,191
	503,163	7,065,781	7,568,944
<b>Change in Net Assets</b>	(8,779)	1,460,759	1,451,980
<b>Transfer of Deficit</b>	8,779	(8,779)	-
<b>Net Assets, beginning of year</b>	-	-	14,688,167
<b>Net Assets, end of year</b>	\$ -	\$ 1,451,980	\$ 16,140,147

**Associated Students of  
San Francisco State University**

**Schedule of Expenditures by State Categories**

June 30, 2016

	State Preschool CSPP-5440	Other Funding	Total
1000 <b>Certified Salaries</b>	\$ 231,505	\$ 412,160	\$ 643,664
1100     Teacher's Salaries	141,571	294,662	436,233
1300     Supervisor's Salaries	85,646	107,242	192,888
Overtime	4,288	10,256	14,544
2000 <b>Classified Salaries</b>	98,733	1,318,903	1,417,636
2100     Instructional Aides' Salaries/Wages	98,733	447,100	545,833
2300     Clerical & Other Office Personnel		871,803	871,803
3000 <b>Employee Benefits</b>	67,444	484,373	551,817
3300     FICA	20,528	94,229	114,757
3840     VALIC (Retirement)	19,202	112,064	131,266
3400     Health and Dental Benefits	19,205	200,839	220,044
3500     State Unemployment Insurance	529	857	1,386
3600     Workers Compensation Insurance	8,027	12,965	20,993
3900     Other Benefits	(47)	63,419	63,372
4000 <b>Books, Supplies &amp; Equipment Repl.</b>	22,360	70,605	92,965
4300     Instructional Materials and Supplies	18,646	23,872	42,518
4400     Non-capitalized Equipment			-
4500     Other Supplies	-	41,932	41,932
4710     Food	3,714	4,801	8,515
5000 <b>Contracted Services &amp; Other</b>			
<b>Operating Expenses</b>	83,122	525,584	608,705
5100     Contracts for Personal Services (including vendor payments)	32,388	148,593	180,981
5200     Travel, Conference and Other Expenses	4,004	3,810	7,814
5300     Dues	175	31,489	31,664
5400     Insurance	6,682	8,353	15,035
5500     Utilities	7,000	10,979	17,979
5600     Contracts, Rents & Leases	-	3,505	3,505
5700     Direct Costs from Interprog. Services	-	-	-
5800     Other Services and Operating Expenses	32,872	318,855	351,728
5900     Communications	-	-	-
6000 <b>Capital Outlay</b>	-	-	-
6400     New Equipment	-	-	-
Total Expenditures	\$ 503,163	\$ 2,811,625	\$ 3,314,788
		<b>Total Student Services Expenses</b>	<b>\$ 3,314,788</b>

**Associated Students of  
San Francisco State University**

**Schedule of Capital Outlay**

*June 30, 2016*

	State Preschool CSPP-5440
<b><u>Renovation and Repairs over \$10,000</u></b>	
<b><u>Unit Cost with CDE Approval:</u></b>	
Item:	\$ -
<b>Total</b>	-
<b><u>Renovation and Repairs under \$10,000</u></b>	
<b><u>Unit Cost with CDE Approval:</u></b>	
Item:	-
<b>Total</b>	-
<b><u>Unit Cost under \$7,500</u></b>	
Item:	-
<b>Total</b>	-
<b><u>Unit Cost over \$7,500</u></b>	
<b><u>With CDE Approval</u></b>	
Item:	-
<b>Total</b>	-
<b>Total Equipment Expenditures</b>	<b>\$ -</b>

**Associated Students of  
San Francisco State University**

**Reconciliation of CDE and GAAP Expense Reporting**

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<i>June 30, 2016</i>	State Preschool CSPP-5440
Schedule of Expenditures by State Categories (CDE)	\$ 503,163
Adjustments to reconcile differences in reporting:	
Depreciation on assets funded by CDE-CD1	-
Capitalized renovation and repairs expensed on AUD forms	-
Capitalized lease expensed on AUD form	-
Capitalized carpeting expensed on supplemental AUD Form	-
Capitalized equipment expensed on AUD form	-
Audit fees expensed on AUD forms (in advance of services)	-
Combining statement of activities (GAAP)	\$ 503,163

**Associated Students of  
San Francisco State University**

**Schedule of Administrative Costs**

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*June 30, 2016*

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	State Preschool CSPP-5440
Salaries	\$ -
Employee Benefits	-
Books and Supplies	-
Services and Other Operating Expenses	-
Depreciation on non-CDE-funded assets used in program	-
Indirect Costs	-
<hr/>	
Total Administrative Costs	\$ -

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# Associated Students of San Francisco State University

## Audited Attendance and Fiscal Report

<b>AUDITED ATTENDANCE AND FISCAL REPORT</b>					
<b>for California State Preschool Programs</b>					
<b>SAN FRANCISCO PILOT</b>					
Agency Name:		Associated Students, Inc, SFSU		Vendor No. V131	
Fiscal Year Ended: June 30, 2016			Contract No. CSPP-5440		
Independent Auditor's Name: Grant Thornton LLP					
SECTION I - CERTIFIED CHILDREN DAYS OF ENROLLMENT	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501-SF	AUDIT ADJUSTMENTS	CUMULATIVE FISCAL YEAR PER AUDIT	ADJUSTMENT FACTOR	ADJUSTED DAYS OF ENROLLMENT PER AUDIT
<i>Three and Four Year Olds</i>					
Full-time-plus			-	1.1800	-
Full-time			-	1.0000	-
Three-quarters-time	2,430	(947)	1,483	0.7500	1,112.250
One-half-time			-	0.6775	-
<i>Exceptional Needs</i>					
Full-time-plus			-	1.4160	-
Full-time			-	1.2000	-
Three-quarters-time			-	0.9000	-
One-half-time			-	0.6775	-
<i>Limited and Non-English Proficient</i>					
Full-time-plus			-	1.2980	-
Full-time			-	1.1000	-
Three-quarters-time	275		275	0.8250	226.875
One-half-time			-	0.6775	-
<i>At Risk of Abuse or Neglect</i>					
Full-time-plus			-	1.2980	-
Full-time			-	1.1000	-
Three-quarters-time			-	0.8250	-
One-half-time			-	0.6775	-
<i>Severely Disabled</i>					
Full-time-plus			-	1.7700	-
Full-time			-	1.5000	-
Three-quarters-time			-	1.1250	-
One-half-time			-	0.6775	-
<b>TOTAL DAYS OF ENROLLMENT</b>	2,705	(947)	1,758		1,339.125
<b>DAYS OF OPERATION</b>	158		158		
<b>DAYS OF ATTENDANCE</b>	2,705		2,705		
<input type="checkbox"/> NO NONCERTIFIED CHILDREN - Check box, omit page 2 & continue to Section III if no noncertified children were enrolled in program					
Comments - If necessary, attach additional sheets to explain adjustments:					
AUD 8501-SF, Page 1 of 4 (FY 2015-16)			California Department of Education		

# Associated Students of San Francisco State University

## Audited Attendance and Fiscal Report - Continued

AUDITED ATTENDANCE AND FISCAL REPORT for California State Preschool Programs SAN FRANCISCO PILOT					
Agency Name:		Associated Students, Inc, SFSU		Vendor No. V131	
Fiscal Year Ended:		June 30, 2016		Contract No CSPP-5440	
SECTION II - NONCERTIFIED CHILDREN	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
Report all children who were not certified, but who were served at the same sites as certified children.	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501-SF	AUDIT ADJUSTMENTS	CUMULATIVE FISCAL YEAR PER AUDIT	ADJUSTMENT FACTOR	ADJUSTED DAYS OF ENROLLMENT PER AUDIT
DAYS OF ENROLLMENT					
<i>Toddlers (18 up to 36 months)</i>					
Full-time-plus			-	1.6520	-
Full-time			-	1.4000	-
Three-quarters-time			-	1.0500	-
One-half-time			-	0.7700	-
<i>Three and Four Year Olds</i>					
Full-time-plus			-	1.1800	-
Full-time			-	1.0000	-
Three-quarters-time	4,231		4,231	0.7500	3,173.250
One-half-time			-	0.6775	-
<i>Exceptional Needs</i>					
Full-time-plus			-	1.4160	-
Full-time			-	1.2000	-
Three-quarters-time			-	0.9000	-
One-half-time			-	0.6775	-
<i>Limited and Non-English Proficient</i>					
Full-time-plus			-	1.2980	-
Full-time			-	1.1000	-
Three-quarters-time			-	0.8250	-
One-half-time			-	0.6775	-
<i>At Risk of Abuse or Neglect</i>					
Full-time-plus			-	1.2980	-
Full-time			-	1.1000	-
Three-quarters-time			-	0.8250	-
One-half-time			-	0.6775	-
<i>Severely Disabled</i>					
Full-time-plus			-	1.7700	-
Full-time			-	1.5000	-
Three-quarters-time			-	1.1250	-
One-half-time			-	0.6775	-
<b>TOTAL DAYS OF ENROLLMENT</b>	4,231	-	4,231		3,173
Comments - If necessary, attach additional sheets to explain adjustments:					

# Associated Students of San Francisco State University

## Audited Attendance and Fiscal Report - Continued

AUDITED ATTENDANCE AND FISCAL REPORT			
for California State Preschool Programs			
SAN FRANCISCO PILOT			
Agency Name:	Associated Students, Inc, SFSU	Vendor No.:	V131
Fiscal Year End:	June 30, 2016	Contract No.:	CSPP- 5440
	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501-SF	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
<b>SECTION III - REVENUE</b>			
<b>RESTRICTED INCOME</b>			
Child Nutrition Programs			\$0
County Maintenance of Effort (EC § 8279)			0
Uncashed Checks to Providers			0
Other (Specify):			0
Other (Specify):			0
<b>Subtotal</b>	\$0	\$0	\$0
Transfer from Reserve - General			0
Transfer from Reserve - Professional Development			0
<b>Subtotal</b>	\$0	\$0	\$0
Family Fees for Certified Children	137		137
Interest Earned on Apportionments			0
<b>UNRESTRICTED INCOME</b>			
Family Fees for Noncertified Children	303,344	106,081	409,425
Head Start Program (EC § 8235(b))			0
Other (Specify): Contribution			0
Other (Specify):			0
<b>TOTAL REVENUE</b>	<b>\$303,481</b>	<b>\$106,081</b>	<b>\$409,562</b>
<b>SECTION IV - REIMBURSABLE EXPENSES</b>			
<i>Direct Payments to Providers (FCCH Only)</i>			
1000 Certificated Salaries	166,694	64,811	231,505
2000 Classified Salaries	75,048	23,685	98,733
3000 Employee Benefits	34,926	32,518	67,444
4000 Books and Supplies	12,286	10,074	22,360
5000 Services and Other Operating Expenses	65,966	17,155	83,121
6100/6200 Other Approved Capital Outlay			0
6400 New Equipment (program-related)			0
6500 Replacement Equipment (program-related)			0
Depreciation or Use Allowance			0
Start-Up Expenses (service level exemption)			0
Budget Impasse Credit			0
Indirect Costs. Rate: 0.00% (Rate is Self-Calculating)			0
<b>TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT</b>	<b>\$354,920</b>	<b>\$148,243</b>	<b>\$503,163</b>
<b>TOTAL ADMINISTRATIVE COSTS</b> (included in section IV above)			<b>\$0</b>
<b>FOR CDE-A&amp;I USE ONLY:</b>			
<b>Independent Auditor's Assurances on Agency's compliance with Contract Funding Terms and Conditions and Program Requirements of the California Department of Education, Early Education and Support Division:</b>			
Eligibility, enrollment, and attendance records are being maintained as required (check YES or NO): *		COMMENTS - If necessary, attach additional sheets to explain adjustments:	
<input type="checkbox"/> YES *		* See 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 on pages 26 and 27.	
<input type="checkbox"/> NO - Explain any discrepancies.			
Reimbursable expenses claimed above are eligible for reimbursement, reasonable, necessary, and adequately supported (check YES or NO):*			
<input type="checkbox"/> YES *			
<input type="checkbox"/> NO - Explain any discrepancies.			
<input type="checkbox"/> NO SUPPLEMENTAL REVENUES OR EXPENSES - Check box and omit page 4 if there are no supplemental revenues or expenses to report.			
AUD 8501-SF, Page 3 of 4 (FY 2015-16)		California Department of Education	

**Associated Students of  
San Francisco State University**

**Audited Attendance and Fiscal Report - Continued**

<b>AUDITED ATTENDANCE AND FISCAL REPORT</b>				
<b>for California State Preschool Programs</b>				
<b>SAN FRANCISCO PILOT</b>				
Agency Name:	Associated Students, Inc, SFSU		Vendor No. V131	
Fiscal Year End:	June 30, 2016		Contract No. CSPP- 5440	
	COLUMN A	COLUMN B	COLUMN C	
	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501-SF	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT	
<b>SECTION V - SUPPLEMENTAL REVENUE</b>				
Enhancement Funding	\$242,098	\$44,222	\$286,320	
Other (Specify):			0	
Other (Specify):			0	
Other (Specify):			0	
<b>TOTAL SUPPLEMENTAL REVENUE</b>	<b>\$242,098</b>	<b>\$44,222</b>	<b>\$286,320</b>	
<b>SECTION VI - SUPPLEMENTAL EXPENSES</b>				
<b>EXPENSES RELATED TO SUPPLEMENTAL REVENUE</b>				
1000 Certificated Salaries	\$18,591	\$10,859	\$29,450	
2000 Classified Salaries	128,219	37,370	165,589	
3000 Employee Benefits	95,288	(4,007)	91,281	
4000 Books and Supplies			0	
5000 Services and Other Operating Expenses			0	
6000 Equipment/Other Capital Outlay			0	
Depreciation or Use Allowance			0	
Indirect Costs			0	
<b>NONREIMBURSABLE EXPENSES</b>				
6100-6500 Nonreimbursable Capital Outlay			0	
Other: e.g., Entertainment Expenses			0	
Other (Specify):			0	
Other (Specify):			0	
<b>TOTAL SUPPLEMENTAL EXPENSES</b>	<b>\$242,098</b>	<b>\$44,222</b>	<b>\$286,320</b>	
<b>COMMENTS - If necessary, attach additional sheets to explain adjustments:</b>				
AUD 8501-SF, Page 4 of 4 (FY 2015-16)			California Department of Education	



**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***

Grant Thornton LLP  
101 California Street, Suite 2700  
San Francisco, CA 94111-5424  
T 415.986.3900  
F 415.986.3916  
www.GrantThornton.com

The Board of Directors  
Associated Students of San Francisco State University

We have audited, 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, the business-type activities, of Associated Students of San Francisco State University (the Associated Students) (a California State University Auxiliary Organization) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Associated Students basic financial statements, and have issued our report thereon dated September 15, 2016.

**Internal control over financial reporting**

In planning and performing our audit of the financial statements, we considered the Associated Students' internal control over financial reporting ("internal control") to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of Associated Students' 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 Associated Students' financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or 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, described in the accompanying schedule of findings and questioned costs as item A.



# Grant Thornton

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 Associated Students' 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' 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Intended purpose

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 Associated Students' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Associated Students' internal control and compliance. Accordingly, this report is not suitable for any other purpose.

*Grant Thornton LLP*

San Francisco, California  
November 15, 2016

**Associated Students of  
San Francisco State University**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2016**

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A. Significant Deficiencies in Internal Control over Financial Reporting

Family eligibility verification operational control was not present at the preschool for the year ended June 30, 2016. An operational control could include initial certification records prepared by the preschool staff being subjected to an independent review to ensure overall accuracy of the records, or an equivalent control operating at a sufficiently precise level to detect an instance of non-compliance.

**Program identification:** CSPP- 5440 State Preschool

**Criteria:** To receive California state preschool programs services, families shall meet the eligibility criteria as specified in Eligibility Criteria EC 8235(c) and 8263(a)(1) of the CSPP Program Requirements.

**Condition:** The preschool certified families that exceeded income limits published by CDE.

**Questioned Cost:** Approximately \$15,000.

**Effect and Context:** During eligibility compliance testing, we noted that the preschool had certified two families whose income exceeded the threshold set by the state but remained within the income threshold set by the San Francisco Pilot Program. The questioned cost of \$15,000 is an estimate of the CDE revenue associated with the corresponding numbers of days attended by the families inappropriately certified.

**Cause:** Preschool staff were unaware of the appropriate thresholds to utilize until October 2015. All initial certifications from that point on were based on the appropriate income thresholds published by CDE.

**Recommendation:** Ensure staff are using the most recent income thresholds published by CDE through implementing a process for reviewing eligibility documentation whereby the staff preparing the eligibility documentation is separate from the staff reviewing the documentation and ensure the reviewer verified the correct threshold were applied prior to awarding certification.

**Views of Responsible Officials and Planned Corrective Actions:** With respect to the compliance finding, management concurs with the finding and accordingly reviewed all initial certifications made during the 2016 fiscal year. Based on this review, six families were determined to have been improperly certified, resulting in a reduction of certified children days of enrollment by 947 days, as noted in column B of form AUD 8501-SF Page 1 of 4 with the estimated impact to funds received from CDE in fiscal 2016 of \$29,000.

With respect to the control finding, effective immediately, the Preschool Program Coordinator will have all initial certification reviewed and verified by the Preschool Program Office Manager prior to certification award.

**Associated Students of  
San Francisco State University**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2016**

---

A. Significant Deficiencies in Internal Control over Financial Reporting

No matters were reported.

B. Compliance Findings

No compliance findings were identified for the year ended June 30, 2015.