

# Child Development Fund Report

**Associated Students of San Francisco State  
University (a California State University  
Auxiliary Organization)**

June 30, 2020

# 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-V131-00-9

Program Numbers: State Preschool: CSPP – 9479

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 Executive Director, Anthony Sherrill  
Associated Students, Inc. (ASI)  
San Francisco State University  
1650 Holloway Ave, M102  
San Francisco, CA 94132

ASI Center Director, Erica Almaguer  
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 361  
San Francisco, CA 94132

Period Covered by Audit: July 1, 2019 through June 30, 2020

Number of Days of Agency Operation: 170 days

Scheduled Hours of Operation, Each Day: ASI Children's Center - 7:30AM - 5:30PM, 10 hours per day  
State Preschool Contract - 8:31AM - 12:30 PM, 3 hours 59 minutes per day  
ASI Business Office - 9:00AM - 5:00PM

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Associated Students of San Francisco State University

### Report on the financial statements

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, 2020, and the related statements of activities and change 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 standards applicable to financial audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Associates Students' 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 Students' 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, 2020, 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.

**Emphasis of matter**

As discussed in Note 16, the 2019 summarized financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

**Other matters***Supplementary information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 20-33 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 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.

*Report on 2019 summarized comparative information*

We have previously audited the Associated Students' 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 23, 2019. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived, as restated, as discussed above.

**Other reporting required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report, dated \_\_\_\_\_ XX, 2020, on our consideration of the 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 solely 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 the Associated Students' internal control over financial reporting and compliance.

**Associated Students of San Francisco State University**

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2020 (with comparative totals for June 30, 2019)**

	<u>2020</u>	<u>Restated 2019</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 139,988	\$ 3,856,080
Short-term investments	19,125,524	13,774,364
Long-term investments	413,471	525,089
Accounts receivable, net of allowance for doubtful accounts	244,505	605,407
Student activity fees receivable	3,123,238	3,297,161
Prepaid expenses and other assets	1,815	1,650
Property and equipment, net	53,733	81,621
Capitalized leasehold improvements, net	<u>141,475</u>	<u>234,088</u>
Total assets	<u>\$ 23,243,749</u>	<u>\$ 22,375,460</u>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 335,060	\$ 547,877
Accrued vacation	300,670	202,241
Deferred revenue	95,220	175,045
Employee benefits payable	<u>5,634,574</u>	<u>5,084,302</u>
Total liabilities	6,365,524	6,009,465
Net assets without donor restrictions	<u>16,878,225</u>	<u>16,365,995</u>
Total liabilities and net assets	<u>\$ 23,243,749</u>	<u>\$ 22,375,460</u>

The accompanying notes are an integral part of these financial statements.

**Associated Students of San Francisco State University**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

**Year ended June 30, 2020 (with comparative totals for June 30, 2019)**

	<b>2020</b>	<b>Restated 2019</b>
<b>Revenue and Support:</b>		
Contribution and grants	\$ 664,067	\$ 1,029,275
Student activity fees	6,787,049	6,728,225
Program fees	1,018,298	1,288,591
Investment return, net	472,094	454,941
Total revenue and support	8,941,508	9,501,032
<b>Expenses:</b>		
Student services	3,786,212	3,640,298
Student government	664,949	593,336
Community services	699,793	550,445
Student organizations	317,254	253,830
Management and general	3,137,976	3,582,985
Total expenses	8,606,184	8,620,894
Change in net assets without donor restrictions from operations	335,324	880,138
Change in employee benefits liability	176,906	(391,379)
Change in net assets without donor restrictions	512,230	488,759
Net assets without donor restrictions, beginning of year, as previously reported	16,365,995	18,962,883
Prior period adjustment	-	(3,085,647)
Net assets without donor restrictions, beginning of year, as restated	16,365,995	15,877,236
Net assets without donor restrictions, end of year	<u>\$ 16,878,225</u>	<u>\$ 16,365,995</u>

The accompanying notes are an integral part of these financial statements.

**Associated Students of San Francisco State University**

**STATEMENTS OF CASH FLOWS**

**Year ended June 30, 2020 (with comparative totals for June 30, 2019)**

	<b>2020</b>	<b>Restated 2019</b>
<b>Operating Activities:</b>		
Change in net assets without donor restrictions	\$ 512,230	\$ 488,759
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation and amortization	120,501	102,052
Net realized and unrealized (gain) loss on investments	(2,855)	1,084
Change in employee benefits liability	(176,906)	391,379
Changes in:		
Receivables, net	534,825	(117,381)
Prepaid expense and other assets	(165)	2,935
Accounts payable and accrued expenses	(114,387)	(90,599)
Employees benefits payable	727,178	599,271
Deferred revenue	(79,825)	(52,832)
Net cash provided by operating activities	1,520,596	1,324,668
<b>Investing Activities:</b>		
Purchase of investments	(6,232,404)	(1,174,790)
Proceeds from sale of investments	995,716	179,140
Purchase of property, equipment and leasehold improvements	-	(171,233)
Net cash used in investing activities	(5,236,688)	(1,166,883)
Increase (decrease) in cash and cash equivalents	(3,716,092)	157,785
Cash and cash equivalents, beginning of year	3,856,080	3,698,295
Cash and cash equivalents, end of year	\$ 139,988	\$ 3,856,080

The accompanying notes are an integral part of these financial statements.



**Associated Students of San Francisco State University**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020**

**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 "University"). The Associated Students operates student programs and activities for the benefit of the students of the University. Such programs and activities are funded primarily from student activity and program fees.

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

***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 accounting principles generally accepted in the United States of America ("U.S. 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 ("FASB"):

*Net Assets without Donor Restrictions* - Net assets consist of all resources of the Associated Students that are not subject to donor-imposed restrictions. Net assets without donor restrictions are available to support all of its programs, activities, facilities and operations.

*Net Assets with Donor Restrictions* - Net assets with donor-imposed restrictions are subject to donor and grant imposed stipulations. Some donor restrictions are temporary in nature; when a stipulated time or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and change in net assets as net assets are released from restriction. At June 30, 2020, the Associated Students did not have any net assets with donor restrictions.

Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Associated Students do not have any net assets whose use 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.

***Revenue Recognition***

In 2020, the Associated Students adopted Accounting Standards Update 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, as management believes the standard improves the usefulness and understandability of the Associated Students' financial reporting. The Associated Students adopted this guidance on a modified prospective basis.

Contribution and grant revenue is recognized when cash, securities, other assets, a promise to give, or a notification of beneficial interest is received unconditionally. Conditional contributions received are accounted for as a liability, until conditions are met, at which point the transaction is recognized as unconditional and classified as either net assets with donor restrictions or net assets without donor restrictions. Conditions must have both:

- One or more barriers to overcome before a recipient is entitled to the assets transferred or promised; and

**Associated Students of San Francisco State University**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020**

- A right of return to the provider for assets transferred (or for a reduction, settlement, or cancellation of liabilities), or a right of release of the promisor from its obligation to transfer assets (or reduce, settle, or cancel liabilities).

At June 30, 2020, the Associated Students had outstanding conditional grants totaling \$632,150, of which \$62,198 has not been recognized in the accompanying statements of activities and change in net assets because the conditions on which they depend have not yet been met.

Contribution and grants are reviewed for restrictions imposed by donors to determine if the contribution or grant should be classified as net assets with donor restrictions or net assets without donor restrictions. The Associated Students report donor-restricted contributions whose restrictions are met in the same reporting period as revenue recognized as support within net assets without donor restrictions.

The Associated Students recognizes student activity fees revenue as it is earned and is recorded by the University as a payable. The Associated Students records revenue monthly by the semester it is associated with 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, 2020 and 2019, the student activity fees receivable was \$3,123,238 and \$3,297,161, respectively.

Program revenue are fees the Associated Students receives for providing childcare, room scheduling/meetings, Farmers Market and other activities. The fees are collected by the Associated Students and recognized when earned.

***Cash and Cash Equivalents***

For purposes of the statement of cash flows, the Associated Students considers 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.

***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 change in net assets.

***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.

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. The Associated Students has no Level 3 investments at June 30, 2020.

**Associated Students of San Francisco State University**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020**

***Accounts Receivable, net***

Accounts receivable includes amounts due from the Early Childcare Education Center, San Francisco State University and a note receivable assumed from the merger of the Cesar Chavez Student Center and the Associated Students of San Francisco. Accounts receivable of \$244,505 at June 30, 2020, is shown net of an allowance for uncollectible accounts of \$6,600.

***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.

***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 the FASB Accounting Standards Codification ("ASC") Topic 740 for accounting for uncertainty in income taxes. At June 30, 2020, 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, 2015 through June 30, 2019 for federal tax purposes and the years ended June 30, 2014 through June 30, 2019 for California tax purposes.

***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 change in net assets. Accordingly, certain costs have been allocated among the programs and supporting services that are benefited based on management estimates.

***Use of Estimates***

The preparation of financial statements in conformity with U.S. 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.

***Comparative Information***

The financial statements include certain prior year summarized comparative information in total but not by asset class. Such information does not include sufficient detail to constitute a complete presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Associated Students' financial statements and notes for the year ended June 30, 2019, from which the summarized information was derived.

***Reclassifications***

Certain reclassifications have been made to the 2019 summarized financial statements in order for them to conform to current year presentation. These reclassifications had no effect on the change in net assets.

**Associated Students of San Francisco State University**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020**

**NOTE 3 - INVESTMENTS**

At June 30, 2020, Investments consist of the following:

Cash and Money Market Funds	\$ 72,786
Corporate Bonds and Municipal Bonds	750,461
Local Agency Investment Fund	<u>18,715,748</u>
	<u>\$ 19,538,995</u>

Net investment income for the year ended June 30, 2020 was comprised of net realized and unrealized gain on investments of \$2,855, management fee of \$(1,993), interest on student fees of \$87,897, and interest on investments of \$383,335.

The 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' portions of the fund are held at fair value using net asset value ("NAV") information provided by LAIF.

**NOTE 4 - FAIR VALUE MEASUREMENT**

At June 30, 2020, the Associated Students' investments consist of cash and money market funds of \$72,786 and the following assets which are classified by level within the valuation hierarchy on a recurring basis at June 30, 2020, as follows:

	Level 1	Level 2	NAV	Total
Corporate Bonds	\$ 597,246	\$ 153,215	\$ -	\$ 750,461
Local Agency Investment Fund	<u>-</u>	<u>-</u>	<u>18,715,748</u>	<u>18,715,748</u>
	<u>\$ 597,246</u>	<u>\$ 153,215</u>	<u>\$ 18,715,748</u>	<u>\$ 19,466,209</u>

**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2020 consist of:

Equipment, furniture and fixtures	\$ 855,151
Leasehold improvements	5,450,112
	<u>6,305,263</u>
Less: accumulated depreciation and amortization	<u>(6,110,055)</u>
	<u>\$ 195,208</u>

**Associated Students of San Francisco State University**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020**

**NOTE 6 - RETIREMENT PLAN**

All salaried employees are covered under an employer-sponsored 403(b) 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, 2020 and 2019 was \$248,253 and \$247,323, respectively.

**NOTE 7 - EMPLOYEE BENEFITS PAYABLE**

Prior to the merger with the Associated Students, the Student Center of 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 did 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. Effective January 1, 2018, the Associated Students changed its retirement plan to include post-retirement health care benefits for all employees of the Associated Students who vest. See Note 16 for the restatement of prior period financial statements. The present value of future expected healthcare benefits was calculated using actuarial assumptions based on the benefits provided, premium increases and assumptions disclosed in the tables below.

The following table provides a reconciliation of the changes in the employee benefits liability and the funded status at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Benefit obligation at beginning of year	\$ 5,084,302	\$ 4,093,652
Service cost	360,058	239,817
Interest cost	181,799	170,566
Actuarial loss	77,097	645,382
Benefits paid	<u>(68,682)</u>	<u>(65,115)</u>
Benefit obligation at end of year	5,634,574	5,084,302
Fair value of plan assets at beginning of year	-	-
Employer contributions	68,682	65,115
Benefits paid	<u>(68,682)</u>	<u>(65,115)</u>
Fair value of plan assets at end of year	<u>-</u>	<u>-</u>
Unfunded benefit obligation at end of year	<u>\$ 5,634,574</u>	<u>\$ 5,084,302</u>

**Associated Students of San Francisco State University**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020**

The following table provides the components of the net periodic benefit cost for the plan, which was included in total expenses in the statements of activities and change in net assets, for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Service cost	\$ 360,058	\$ 239,817
Interest cost	181,799	170,566
Amortization of prior service cost	<u>254,003</u>	<u>254,003</u>
Net periodic benefit cost	<u>\$ 795,860</u>	<u>\$ 664,386</u>

The following table provides plan items not yet recognized as a component of periodic plan expenses, but included as a separate charge to net assets at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Prior service cost	\$ 3,668,669	\$ 3,922,672
Actuarial loss	<u>453,485</u>	<u>376,388</u>
	<u>\$ 4,122,154</u>	<u>\$ 4,299,060</u>

The change in the prior service cost and the actuarial loss for the years ended June 30, 2020 and 2019 was \$(176,906) and \$391,379, respectively, which was recognized as a charge (credit) to net assets in the statements of activities and change in net assets. Prior service cost of \$254,003 is expected to be recognized as a component of net periodic benefit cost over the next fiscal year.

The following weighted-average assumptions for discount rate are used to determine benefit obligation at June 30, 2020 and 2019, and to determine net periodic benefit cost for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Discount rate for benefit obligation	2.8%	3.6%
Discount rate for net periodic benefit cost	3.6%	4.2%

Assumed health care cost trends at June 30, 2020 and 2019 for the net periodic benefit cost are as follows:

	<u>2020</u>	<u>2019</u>
Pre-Medicare	7.00%	7.25%
Post-Medicare	6.10%	6.30%
Ultimate rate	4.00%	4.00%
Year ultimate rate reached	2075	2075

**Associated Students of San Francisco State University**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020**

The Associated Students estimates employer contributions of \$67,000 to be paid to the plan during the next fiscal year. Future benefit payments under the plan are as follows:

<u>Year ending June 30,</u>		
2021	\$	66,704
2022	\$	76,228
2023	\$	85,878
2024	\$	89,497
2025	\$	96,997
2026-2030	\$	557,240

**NOTE 8 - CAPITALIZED LEASEHOLD IMPROVEMENTS AND LEASE OBLIGATION**

The 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 the 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 the Associated Students. The capitalized lease related to the construction costs (accounted for as leasehold improvements) of the Children’s Center on land 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.

The 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. The current term of facility lease agreement commenced December 2017 and runs through June 30, 2022. Total capitalized leasehold improvements were \$5,450,112 at June 30, 2020 and 2019. Accumulated amortization relating to the capitalized leasehold improvements was \$5,308,636 and \$5,216,023 at June 30, 2020 and 2019, respectively.

**NOTE 9 - RELATED PARTIES**

The Auxiliary Business Services Office of The University Corporation, San Francisco State (the “University Corporation”) maintains the accounting records of the Associated Students and other campus auxiliary organizations. Operating costs for Auxiliary Business Services are allocated between such organizations based on usage. Fees for accounting services were \$514,014 for the year ended June 30, 2020.

In the normal course of business, the Associated Students conducts various transactions with the University and the other auxiliary organizations. Expense transactions amounted to \$1,154,183 for the year ended June 30, 2020. Included in this total are related party expenditures for year ended June 30, 2020, in the amount of \$69,754 for cost allocation reimbursement to the University for services provided to the auxiliaries.

Effective August 1, 2017, the Associated Students entered into an operating agreement and lease (“Master Lease”) with the Board of Trustees (“Trustees”) of the California State University, for the facilities and space that it utilizes in the Student Center. The term of the Master Lease is August 1, 2017 to July 31, 2024. The Associated Students will share usage with the University Corporation, San Francisco State. For lease costs, the Associated Students is required to pay its share of the common area and facilities upkeep costs. For the year ended June 30, 2020, the Associated Students reimbursed the University \$761,419 for its 46% share of the Student Center.

Associated Students of San Francisco State University

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

The University Corporation contributed \$45,672 to the Associated Students for the year ended June 30, 2020. The contribution represents the residual net rental income from the leasing operations managed by the University 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 \$18,715,748 at June 30, 2020. At June 30, 2020, the Associated Students did not have cash deposits in excess of federally insured limits.

**NOTE 11 - GOVERNING BOARD TRANSACTIONS**

Compensation paid to student members of the Associated Students Governing Board for the year ended June 30, 2020 was \$219,639. These payments, which range from \$849 - \$1,486 per month, are included in the statement of activities and change in net assets as student government expenses.

**NOTE 12 - ASSETS AND LIABILITIES RELATING TO CHILDREN'S CENTER FACILITY:**

Assets and liabilities at June 30, 2020 relating to the Children's Center operations consisted of the following:

Assets:	
Cash interfund	\$ 3,668,315
Capitalized leasehold improvements	<u>141,475</u>
	<u>\$ 3,809,790</u>
Net assets:	
Without donor restrictions	<u>\$ 3,809,790</u>
	<u>\$ 3,809,790</u>

**NOTE 13 - FUNCTIONAL EXPENSES AND NATURAL ACCOUNT**

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable and equitable basis which is determined by management. The expenses that are allocated include and the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Percentage share
Office and occupancy	Percentage share
Professional services	Percentage share
Depreciation	Specific location



**Associated Students of San Francisco State University**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020**

An analysis of expenses by both natural classification and functional classification for the year ended June 30, 2020 follows:

	Program Activities				Supporting Activities		Total Expenses	
	Student Services	Student Government	Community Services	Student Organizations	Programs Subtotal	Management and General		Supporting Subtotal
Salaries and benefits	\$ 3,085,272	\$ 254,733	\$ 501,007	\$ 164,939	\$ 4,005,951	\$ 1,858,704	\$ 1,858,704	\$ 5,864,655
Grants to other organizations	112,057	-	-	-	112,057	-	-	112,057
Supplies and travel	190,252	49,421	29,997	28,340	298,010	162,741	162,741	460,751
Services and professional fees	225,593	339,528	126,456	103,215	794,792	1,015,955	1,015,955	1,810,747
Office and occupancy	76,938	17,781	38,847	17,274	150,840	86,633	86,633	237,473
Depreciation	96,100	3,486	3,486	3,486	106,558	13,943	13,943	120,501
<b>Total expenses</b>	<b>\$ 3,786,212</b>	<b>\$ 664,949</b>	<b>\$ 699,793</b>	<b>\$ 317,254</b>	<b>\$ 5,468,208</b>	<b>\$ 3,137,976</b>	<b>\$ 3,137,976</b>	<b>\$ 8,606,184</b>

**NOTE 14 - LIQUIDITY**

Financial assets at the statement of financial position date available to meet general expenditures within one year of the statement of financial position date include:

Cash and cash equivalents	\$ 139,988
Short term investments	19,125,524
Receivables	<u>3,367,743</u>
 Financial assets available to meet general expenditures over the next twelve months	 <u>\$ 22,633,255</u>

The Associated Students has \$22,633,255 of financial assets available within one year of the statement of financial position at June 30, 2020 consisting of cash of \$139,988, receivables and other assets of \$3,367,743, and short-term investments of \$19,125,524. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position ended June 30, 2020. The Associated Students maintains financial assets, which consist of cash and short-term investments, on hand as part of its operating reserves to meet six months of normal operations. The Associated Students uses normal revenue generated from programs to meet normal operating expenses, which are, on average, approximately \$311,300 (unaudited) per month. As part of its liquidity management, The Associated Students invests cash in excess of daily requirement in various short-term investments including the LAIF.

**NOTE 15 - SUBSEQUENT EVENTS**

The Associated Students evaluated subsequent events through \_\_\_\_\_ XX, 2020, 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.

**Associated Students of San Francisco State University**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020**

The global pandemic due to COVID-19 has had significant impact to the Associated Students with the University moving to remote modalities, which suspended in-person classes, activities and programs. The Associated Students' main source of revenue is student fees and any reduction or return of these fees as a result of the pandemic would have a detrimental effect to the Associated Students' operations and sustainability. The Associated Students also expects that COVID-19 might have some impact to expected future performance and future asset valuations. Currently, management is exploring the renovation of office space to accommodate social distancing once the campus reopens. Management is also assessing the financial implications of COVID-19 while employees are working remotely.

Management continues to evaluate the impact of COVID-19 on its operations and has determined that the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**NOTE 16 – RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS**

The 2019 summarized financial statements have been restated to reflect an adjustment to employee benefits liability due to a change effective on January 1, 2018, in the Associated Students retirement plan to include post-retirement health care benefits for all employees who vest. This resulted in both retirees of the former Student Center and employees of the Associated Students becoming part of the post-retirement health care benefit plan effective January 2018. However, the additional eligible employees were not included in the actuarial valuation to calculate the present value of future expected post-retirement health care benefits at June 30, 2019 and 2018. The effect of the correction on each financial statement line item on the 2019 summarized financial statements and the cumulative effect of the change on net assets in the statement of financial position as of the beginning of the earliest period presented follows:

	June 30, 2019, as previously reported		Restatements		June 30 2019, as restated
Statement of activities and change in net assets:					
Management and general expenses	\$ 3,458,569	\$	124,416	\$	3,582,985
Change in employee benefits liability	\$ -	\$	391,379	\$	391,379
Change in net assets	\$ 1,004,554	\$	(515,795)	\$	488,759
Net assets, June 30, 2018	\$ 18,962,883	\$	(3,085,647)	\$	15,877,236
Statement of financial position:					
Employee benefits payable	\$ 1,482,860	\$	3,601,442	\$	5,084,302
Net assets	\$ 19,967,437	\$	(3,601,442)	\$	16,365,995

**SUPPLEMENTARY INFORMATION**

Associated Students of  
San Francisco State University  
Schedule of Child Development Awards

June 30, 2020

Grantor / Pass-Through Grantor / Program Title	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 - 9479	\$ -	\$ 121,204	\$ 121,204	\$ -	\$ 171,436	\$ 171,436	
State Preschool - Federal	93.596	CSPP - 9479	9,266	-	9,266	9,266	-	9,266	
State Preschool - Federal	93.575	CSPP - 9479	4,256	-	4,256	4,256	-	4,256	
<b>TOTAL STATE AWARDS</b>			13,522	121,204	134,726	13,522	171,436	184,958	
Total Federal and State Awards			\$ 13,522	\$ 121,204	\$ 134,726	\$ 13,522	\$ 171,436	\$ 184,958	
Reconciliation to Total Reimbursable Expenditures:									
Grant Expenditures							\$	184,958	
Non-Grant Expenditures								-	
Total Reimbursable Expenditures							\$	184,958	
Reconciliation to Grant Revenue Recognition:									
Apportionments by CDE							\$	102,243	
Payment on Prior Year								836	
Amounts due from / (to) CDE								-	
Total Grant Revenue Recognition							\$	103,079	

**Associated Students of  
San Francisco State University**  
**Combining Statement of Activities**

June 30, 2020

	<b>CSPP-9479 State Preschool</b>	<b>Other</b>	<b>2020</b>
<b>Revenues:</b>			
Student activity fees	\$ -	\$ 6,787,049	\$ 6,787,049
Program fees	-	1,018,298	1,018,298
Interest income	-	472,094	472,094
California Department of Education	-	-	-
Contributions and grants	103,079	560,988	664,067
Other revenue	-	-	-
	103,079	8,838,429	8,941,508
<b>Expenses:</b>			
Teachers	72,639	354,732	427,371
Supervisors	45,770	1,603,810	1,649,580
Instructional aides	-	472,360	472,360
Clerical and other personnel	-	164,966	164,966
Student assistance	-	1,456,680	1,456,680
Auxiliary expense	-	514,014	514,014
Social security	10,598	191,153	201,751
Health and welfare	21,828	1,304,412	1,326,240
State unemployment	579	10,552	11,131
Worker's compensation insurance	1,728	31,495	33,223
Other benefits	15,576	343,547	359,123
Instructional supplies	1,647	6,346	7,993
Other supplies	-	45,426	45,426
Food supplies	-	5,289	5,289
Contracts for personal services	4,637	1,054,298	1,058,935
Travel and conferences	246	92,777	93,023
Student activities	-	125,190	125,190
Insurance	-	66,477	66,477
Utilities and housekeeping services	9,478	57,269	66,747
Advertising	-	38,274	38,274
Maintenance and repairs	218	10,558	10,776
Communication	-	37,336	37,336
Furniture and equipment	-	160,365	160,365
Bank service fees	-	17,993	17,993
Other services and expenses	14	255,907	255,921
	184,958	8,421,226	8,606,184
<b>Change in Net Assets from Operations</b>	(81,879)	417,203	335,324
<b>Change in Employee Benefits Liability</b>	-	176,906	176,906
<b>Change in Net Assets</b>	(81,879)	594,109	512,230
<b>Transfer of Deficit</b>	81,879	(81,879)	-
<b>Net Assets, beginning of year</b>	-	-	16,365,995
<b>Net Assets, end of year</b>	\$ -	\$ 512,230	\$ 16,878,225

**Associated Students of  
San Francisco State University**

**Schedule of Expenditures by State Categories**

June 30, 2020

		State Preschool CSPP - 9479	Other Funding	Total
1000	<b>Certified Salaries</b>	\$ 118,409	\$ 1,032,328	\$ 1,150,737
1100	Teacher's Salaries	72,639	347,552	420,191
1300	Supervisor's Salaries	45,770	671,411	717,181
	Overtime	-	13,365	13,365
2000	<b>Classified Salaries</b>	-	1,253,703	1,253,703
2100	Instructional Aides' Salaries/Wages	-	472,360	472,360
2300	Clerical & Other Office Personnel	-	781,343	781,343
3000	<b>Employee Benefits</b>	50,309	630,523	680,832
3300	FICA	10,598	108,621	119,219
3840	VALIC (Retirement)	15,194	124,148	139,342
3400	Health and Dental Benefits	21,828	313,540	335,368
3500	State Unemployment Insurance	579	4,124	4,703
3600	Workers Compensation Insurance	1,728	12,309	14,037
3900	Other Benefits	382	67,781	68,163
4000	<b>Books, Supplies &amp; Equipment Repl.</b>	1,647	41,399	43,046
4300	Instructional Materials and Supplies	1,647	6,346	7,993
4400	Non-capitalized Equipment	-	3,005	3,005
4500	Other Supplies	-	26,759	26,759
4710	Food	-	5,289	5,289
5000	<b>Contracted Services &amp; Other Operating Expenses</b>	14,593	643,301	657,894
5100	Contracts for Personal Services (including vendor payments)	4,637	324,313	328,950
5200	Travel, Conference and Other Expenses	246	5,462	5,708
5300	Dues	-	799	799
5400	Insurance	-	8,552	8,552
5500	Utilities	9,478	55,773	65,251
5800	Other Services and Operating Expenses	232	243,735	243,967
5900	Communications	-	4,667	4,667
6000	<b>Capital Outlay</b>	-	-	-
6400	New Equipment	-	-	-
Total expenses claimed for reimbursement		184,958	3,601,254	3,786,212
Total supplemental expenses		-	-	-
<b>Total Expenditures</b>		<b>\$ 184,958</b>	<b>\$ 3,601,254</b>	<b>\$ 3,786,212</b>
Total Student Services Expenses				\$ 3,786,212

Associated Students of  
San Francisco State University  
  
Schedule of Capital Outlay  
Expenditures for CDE Child Grants

June 30, 2020

State  
Preschool  
CSPP-9479

**Renovation and Repairs over \$10,000**

**Unit Cost with CDE Approval:**

Item:	\$	-
-------	----	---

<b>Total</b>		-
--------------	--	---

**Renovation and Repairs under \$10,000**

**Unit Cost with CDE Approval:**

Item:		-
-------	--	---

<b>Total</b>		-
--------------	--	---

**Unit Cost under \$7,500**

Item:		-
-------	--	---

<b>Total</b>		-
--------------	--	---

**Unit Cost over \$7,500**

**With CDE Approval**

Item:		-
-------	--	---

<b>Total</b>		-
--------------	--	---

Total Equipment Expenditures	\$	-
------------------------------	----	---

**Associated Students of  
San Francisco State University**

**Reconciliation of CDE and GAAP Expense Reporting**

<i>June 30, 2020</i>	State Preschool CSP-9479
Schedule of Expenditures by State Categories (CDE)	\$ -
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)	\$ -



**Associated Students of  
San Francisco State University**

**Schedule of Administrative Costs  
Expenditures for CDE Child Grants**

*June 30, 2020*

	State Preschool CSPP-9479
Salaries	\$ 45,770
Employee Benefits	20,942
Books and Supplies	-
Services and Other Operating Expenses	-
Depreciation on non-CDE-funded assets used in program	-
Indirect Costs	-
<b>Total Administrative Costs</b>	<b>\$ 66,712</b>

**Associated Students of San Francisco State University**  
**State Preschool Audited Attendance and Fiscal Report (CSPP – 9479)**

**June 30, 2020**

**California Department of Education**  
**Audited Attendance and Fiscal Report for**  
**California State Preschool Programs**  
**San Francisco Pilot**

Fiscal Year Ending June 30, 2020

Contract Number CSPP-9479

Vendor Code V131

A U D 8501-SF Page 1 of 8

Full Name of Contractor Associated Students of San Francisco State University

**Section 1 - Days of Enrollment Certified Children**

	Column A Cumulative CDNFS 8501-SF	Column B Audit Adjustments	Column C Cumulative per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
Three Years and Older Full-time-plus				1.1800	0
Three Years and Older Full-time				1.0000	0
Three Years and Older Three-quarters-time				0.7500	0
Three Years and Older One-half-time	2,302		2,302	0.6772	1,558.9144
Exceptional Needs Full-time-plus				1.8172	0
Exceptional Needs Full-time				1.5400	0
Exceptional Needs Three-quarters-time				1.1550	0
Exceptional Needs One-half-time				1.0429	0
Limited and Non-English Proficient Full-time-plus				1.2980	0
Limited and Non-English Proficient Full-time				1.1000	0
Limited and Non-English Proficient Three-quarters-time				0.8250	0
Limited and Non-English Proficient One-half-time	234		234	0.6772	158.4648

**Associated Students of San Francisco State University**  
**State Preschool Audited Attendance and Fiscal Report (CSPP – 9479)**

**June 30, 2020**

A U D 8501-SF Page 2 of 8

Contract Number CSPP-9479

Full Name of Contractor Associated Students of San Francisco State University

**Section 1 - Days of Enrollment Certified Children (continued)**

	Column A Cumulative CDNFS 8501-SF	Column B Audit Adjustments	Column C Cumulative per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
At Risk of Abuse or Neglect Full-time-plus				1.2960	0
At Risk of Abuse or Neglect Full-time				1.1000	0
At Risk of Abuse or Neglect Three-quarters-time				0.8250	0
At Risk of Abuse or Neglect One-half-time				0.6772	0
Severely Disabled Full-time-plus				2.2774	0
Severely Disabled Full-time				1.9300	0
Severely Disabled Three-quarters-time				1.4475	0
Severely Disabled One-half-time				1.3070	0
<b>TOTAL DAYS OF ENROLLMENT</b>	2,536		2,536	N/A	1,717.3792
<b>DAYS OF OPERATION</b>	171	-1	170	N/A	N/A
<b>DAYS OF ATTENDANCE</b>	2,418	80	2,498	N/A	N/A

NO NON-CERTIFIED CHILDREN Check this box (omit pages 3 and 4) and continue to Revenue Section on page 5.

**Associated Students of San Francisco State University**  
**State Preschool Audited Attendance and Fiscal Report (CSPP – 9479)**

**June 30, 2020**

A U D 8501-SF Page 3 of 8

Contract Number **CSPP-9479**

Full Name of Contractor **Associated Students of San Francisco State University**

**Section 2 - Days of Enrollment Non-Certified Children**

	Column A Cumulative CDNFS 8501-SF	Column B Audit Adjustments	Column C Cumulative per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
Toddlers (18 up to 36 months) Full-time-plus				2.1240	0
Toddlers (18 up to 36 months) Full-time				1.8000	0
Toddlers (18 up to 36 months) Three-quarters-time				1.3500	0
Toddlers (18 up to 36 months) One-half-time	1,942		1,942	0.9900	1,922.58
Three Years and Older Full-time-plus				1.1800	0
Three Years and Older Full-time				1.0000	0
Three Years and Older Three-quarters-time				0.7500	0
Three Years and Older One-half-time	3,492		3,492	0.6772	2,364.7824
Exceptional Needs Full-time-plus				1.8172	0
Exceptional Needs Full-time				1.5400	0
Exceptional Needs Three-quarters-time				1.1550	0
Exceptional Needs One-half-time				1.0429	0

**Associated Students of San Francisco State University**  
**State Preschool Audited Attendance and Fiscal Report (CSPP – 9479)**

**June 30, 2020**

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Contract Number CSPP-9479

Full Name of Contractor Associated Students of San Francisco State University

**Section 2 - Days of Enrollment Non-Certified Children (continued)**

	Column A Cumulative CDNFS 8501-SF	Column B Audit Adjustments	Column C Cumulative per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
Limited and Non-English Proficient Full-time-plus				1.2980	0
Limited and Non-English Proficient Full-time				1.1000	0
Limited and Non-English Proficient Three-quarters-time				0.8250	0
Limited and Non-English Proficient One-half-time				0.6772	0
At Risk of Abuse or Neglect Full-time-plus				1.2980	0
At Risk of Abuse or Neglect Full-time				1.1000	0
At Risk of Abuse or Neglect Three-quarters-time				0.8250	0
At Risk of Abuse or Neglect One-half-time				0.6772	0
Severely Disabled Full-time-plus				2.2774	0
Severely Disabled Full-time				1.9300	0
Severely Disabled Three-quarters-time				1.4475	0
Severely Disabled One-half-time				1.3070	0
<b>TOTAL NON-CERTIFIED DAYS OF ENROLLMENT</b>	<b>5,434</b>		<b>5,434</b>	<b>N/A</b>	<b>4,287.3624</b>

**Associated Students of San Francisco State University**  
**State Preschool Audited Attendance and Fiscal Report (CSPP – 9479)**  
**June 30, 2020**

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Contract Number CSPP-9479

Full Name of Contractor Associated Students of San Francisco State University

**Section 3 - Revenue**

	Column A Cumulative CDNFS 8501-SF	Column B Audit Adjustments	Column C Cumulative per Audit
Restricted Income - Child Nutrition Programs			
Restricted Income - County Maintenance of Effort (EC Section 8279)			
Restricted Income - Other:			
<b>Restricted Income - Subtotal</b>			
Transfer from Reserve - General			
Transfer from Reserve - Professional Development			
<b>Transfer from Reserve Total</b>			
Family Fees for Certified Children			
Interest Earned on Child Development Apportionment Payments			
Unrestricted Income - Fees for Non-Certified Children			
Unrestricted Income - Head Start			
Unrestricted Income - Other:			
<b>Total Revenue</b>			

**Associated Students of San Francisco State University**  
**State Preschool Audited Attendance and Fiscal Report (CSPP – 9479)**

**June 30, 2020**

A U D 8501-SF Page 6 of 8

Contract Number CSPP-9479

Full Name of Contractor Associated Students of San Francisco State University

**Section 4 - Reimbursable Expenses**

	Column A Cumulative CDNFS 8501-SF	Column B Audit Adjustments	Column C Cumulative per Audit
Direct Payments to Providers (FCCH only)			
1000 Certificated Salaries	118,409		118,409
2000 Classified Salaries			
3000 Employee Benefits	49,926	383	50,309
4000 Books and Supplies	1,647		1,647
5000 Services and Other Operating Expenses	14,976	-383	14,593
6100/6200 Other Approved Capital Outlay			
6400 New Equipment (program-related)			
6500 Equipment Replacement (program-related)			
Depreciation or Use Allowance			
Start-up Expenses (service level exemption)			
Budget Impasse Credit			
Indirect Costs (include in Total Administrative Cost)			
Non-Reimbursable (State use only)			
<b>Total Reimbursable Expenses</b>	<b>184,958</b>	<b>0</b>	<b>184,958</b>
Total Administrative Cost (included in Section 4 above)	66,712		66,712
Total Staff Training Cost (included in Section 4 above)			

Approved Indirect Cost Rate:

NO SUPPLEMENTAL REVENUE / EXPENSES Check this box and omit page 7.



**Associated Students of San Francisco State University**  
**State Preschool Audited Attendance and Fiscal Report (CSPP – 9479)**  
**June 30, 2020**

A U D 8501-SF Page 7 of 8

Contract Number CSPP-9479

Full Name of Contractor Associated Students of San Francisco State University

**Section 5 - Supplemental Revenue**

	Column A Cumulative CDNFS 8501-SF	Column B Audit Adjustments	Column C Cumulative per Audit
Enhancement Funding			
Other:			
Other:			
<b>Total Supplemental Revenue</b>			

**Section 6 - Supplemental Expenses**

	Column A Cumulative CDNFS 8501-SF	Column B Audit Adjustments	Column C Cumulative per Audit
1000 Certificated Salaries			
2000 Classified Salaries			
3000 Employee Benefits			
4000 Books and Supplies			
5000 Services and Other Operating Expenses			
6000 Equipment / Capital Outlay			
Depreciation or Use Allowance			
Indirect Costs			
Non-Reimbursable Supplemental Expenses			
<b>Total Supplemental Expenses</b>			



**Associated Students of San Francisco State University**  
**State Preschool Audited Attendance and Fiscal Report (CSPP – 9479)**  
**June 30, 2020**

A U D 8501-SF Page 8 of 8

Contract Number CSPP-9479

Full Name of Contractor Associated Students of San Francisco State University

**Section 7 - Summary**

	Column A Cumulative CDNFS 8501-SF	Column B Audit Adjustments	Column C Cumulative per Audit
Total Certified Days of Enrollment	2,536		2,536
Days of Operation	171	-1	170
Days of Attendance	2,418	80	2,498
Restricted Program Income			
Transfer from Reserve			
Family Fees for Certified Children			
Interest Earned on Apportionment Payments			
Direct Payments to Providers			
Start-up Expenses (service level exemption)			
Total Reimbursable Expenses	184,958	0	184,958
Total Administrative Cost	66,712		66,712
Total Staff Training Cost			

Total Certified Adjusted Days of Enrollment 1,717.3792

Total Non-Certified Adjusted Days of Enrollment 4,287.3624

Independent auditor's assurances on agency's compliance with the contract funding terms and conditions and program requirements of the California Department of Education, Early Learning and Care Division:

Eligibility, enrollment and attendance records are being maintained as required (select YES or NO from the drop-down box):

Yes ▾

Reimbursable expenses claimed on page 6 are eligible for reimbursement, reasonable, necessary, and adequately supported (select YES or NO from the drop-down box):

Yes ▾

Include any comments in the comments box on page 5. If necessary, attach additional sheets to explain adjustments.

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT  
AUDITING STANDARDS***

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 financial statements of Associated Students (Associated Students), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and change in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated \_\_\_\_\_ XX, 2020.

**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") as a basis for designing 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 internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the Associated Students' 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2020-001, that we consider to be a material weakness in the Associated Students' internal control.

**Compliance and other matters**

As part of obtaining reasonable assurance about whether the 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 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*.

**Associated Students' response to findings**

The Associated Students' response to our finding, which is described in the accompanying schedule of findings and responses, was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the Associated Students' response.

**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 the 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 the Associated Students' internal control and compliance. Accordingly, this report is not suitable for any other purpose.

San Francisco, California  
\_\_\_\_\_ XX, 2020

**Associated Students of San Francisco State University**

**SCHEDULE OF FINDINGS AND RESPONSES**

**June 30, 2020**

**Item 2020-001 - Actuarial Valuation of the Post-retirement Health Care Benefit Plan as of June 30, 2019 and 2018**

***Criteria or specific requirement:***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. Although management can engage a 3<sup>rd</sup> party expert or actuary to assist in the valuation of the employee benefits liability for the post-retirement health care benefit plan, this valuation is ultimately management's responsibility. Accordingly, management is responsible for providing the actuary with all the relevant information that is complete and accurate.

***Condition:***

During the audit of the employee benefits liability, it was noted that the liability increased significantly by \$4 million from 2019. Upon further inquiry and discussions with management, it was determined that a plan change occurred effective on January 1, 2018, making all active employees of the Associated Students eligible for the post-retirement health care benefits. Since the plan change occurred in 2018, it was further determined that the change should have been made in 2018.

***Context:***

While management engages an expert to perform the actuarial valuation, the actuary's work is greatly affected by the information provided by management. Although an actuary is engaged, the responsibility for the fair presentation of the employee benefits liability in the financial statements still rests on management. Therefore, providing accurate and complete information to the actuary is an important component to having a fair actuarial valuation.

***Cause:***

Management identified two issues that led to this error:

- The Cesar Chavez Student Center auxiliary offered post-retirement health care benefits to its employees, resulting in the recognition of an employment benefit liability that was adjusted on an annual basis based on the actuarial valuation report. With the merger of the Student Center with and into the Associated Students in 2014, the employee benefit liability was assumed by the Associated Students, but no similar benefit was provided to existing employees of the Associated Students upon the merger. The University Corporation, an affiliate that maintains the books and records of the Associated Students and prepares its annual financial statements, believed that this population of eligible employees would not change, as it only pertained to the employees from the Student Center. Further, the actuary did not fully understand the population of employees had changed until 2020 when they received full employee records from the Associated Students' new Human Resource Director. The University Corporation did not realize the change until the report was received in 2020 from the actuary with the significant adjustment and upon further inquiry as to why such a large adjustment had occurred.

**Associated Students of San Francisco State University**

**SCHEDULE OF FINDINGS AND RESPONSES**

**June 30, 2020**

- The Associated Students has had several changes in key leadership positions. In 2019, the Associated Students' Associate Executive Director, who handles fiscal matters, including retirement benefits and related reporting, left the organization. The Human Resource Director assumed responsibility of providing information to the actuary in 2019. Based on her understanding of the retirement policy, she submitted an accurate list of employees who would be eligible for this benefit, upon retirement, to the actuary. As this was the Human Resource Director's first year providing this information, the current management team of the Associated Students did not realize this would be a significant change in eligibility.

***Effect:***

The above condition resulted in a material misstatement in prior year financial statements. As a result of further analysis and discussions with management, a restatement of the comparative information in the 2020 financial statements would have to be made to correct the material error.

***Recommendation:***

It is recommended that management provide accurate and complete information to the actuary that pertains to the employee benefit plan and is relevant to the actuary's valuation work. Further, management should also inform the University Corporation, the affiliate that handles its accounting and financial reporting, of any transactions, events, resolutions and actions by the Board of Directors and management that would have accounting and financial reporting relevance, so that these will be given appropriate accounting attention timely.

***Views of responsible officials and planned corrective actions:***

To avoid a similar issue in the future, management suggests the following:

- Continue to provide accurate documentation to the actuary that reflects the intention of the Associated Students' post-retirement benefit program; and
- Management will provide the University Corporation with all resolutions by the Board of Directors in order to track and review Board actions taken by the Associated Students to better identify actions that would require accounting actions.