

ASSOCIATED STUDENTS OF
SAN FRANCISCO STATE UNIVERSITY

JUNE 30, 2015



CHILD DEVELOPMENT FUND REPORT

**Associated Students of
San Francisco State University**

**Child Development Fund Report
Fiscal Year Ended June 30, 2015**

GENERAL SUMMARY

Full official name of the Agency: Associated Students, Inc. of SFSU

Type of Agency: Non-Profit Corporation

Project Number: 38-V131-00-0

Program Numbers: State Preschool: CSPP – 4448

Address of Agency Headquarters: Associated Students, Inc. of SFSU
1650 Holloway Avenue, M102
San Francisco, CA 94132

Names 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 Avenue, 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, 2014 through June 30, 2015

Number of Days of Agency Operation: 157 days

Scheduled Hours of Operation, Each Day: ASI Children's Center 7:30AM – 5:30PM, 10 hours per day
State Preschool Contract 7:30AM - 12:30PM, 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, 2015**

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Independent Auditors' Report

THE BOARD OF DIRECTORS
ASSOCIATED STUDENTS OF
SAN FRANCISCO STATE UNIVERSITY
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of **ASSOCIATED STUDENTS OF SAN FRANCISCO STATE UNIVERSITY (the Associated Students)** which comprise the statement of financial position as of June 30, 2015, and the related statements of activities 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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. 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 Associated 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Associated Students as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

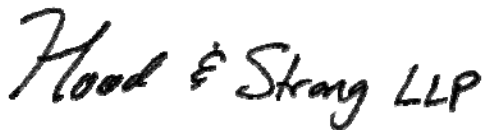
We have previously audited the Associated Students' June 30, 2014 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated September 16, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2015, on our consideration of the Associated Students' 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 for the year ended June 30, 2015. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedules on pages 15 through 27 are presented for purposes of additional analyses as required by the California Department of Education's Guide for Auditing Child Development, Nutrition and Adult Education Programs, and are not a required part of the basic financial statements. Such 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, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



San Francisco, California
November 12, 2015

**Associated Students of
San Francisco State University**

Statement of Financial Position

<i>June 30, 2015 (with comparative totals for June 30, 2014)</i>	2015	2014
Assets		
Cash and cash equivalents	\$ 245,321	\$ 36,480
Investments	12,920,125	4,990,724
Accounts receivable, net of allowance for doubtful accounts	599,820	63,175
Student activity fees receivable	2,920,878	2,981,266
Prepaid expenses and other assets	5,875	21,598
Property and equipment, net	151,008	20,638
Capitalized leasehold improvements, net	313,454	604,845
Total assets	\$ 17,156,481	\$ 8,718,726
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 975,320	\$ 221,129
Deferred revenue	215,634	317,953
Employee benefits payable	1,277,360	
Total liabilities	2,468,314	539,082
Net Assets:		
Unrestricted:		
General Fund	10,012,807	3,214,333
Designated:		
General Fund	4,048,352	4,048,352
Children's Center Facility	493,817	785,208
Total unrestricted net assets	14,554,976	8,047,893
Temporarily restricted	133,191	131,751
Total net assets	14,688,167	8,179,644
Total liabilities and net assets	\$ 17,156,481	\$ 8,718,726

See accompanying notes to financial statements.

**Associated Students of
San Francisco State University**

Statement of Activity and Changes in Net Assets

Year Ended June 30, 2015 (with comparative totals for June 30, 2014)

	2015				2014 Total
	Unrestricted		Temporarily Restricted	Total	
	General	Children's Center Facility			
Revenue and Support:					
Student activity fees	\$ 6,493,547			\$ 6,493,547	\$ 3,088,616
Program fees	1,029,877		\$ 6,000	1,035,877	881,450
Investment Income, net	171,430			171,430	26,319
Contribution and grants	453,621		508,183	961,804	567,194
Net assets released from restrictions:					
Satisfaction of program restrictions	512,743		(512,743)	-	-
Total revenue and support	8,661,218		1,440	8,662,658	4,563,579
Expenses:					
Student services	4,652,954			4,652,954	2,609,903
Student government	330,037			330,037	287,440
Community services	218,170			218,170	219,432
Student organizations	98,989			98,989	113,640
Management and general	2,109,367	\$ 291,391		2,400,758	1,347,583
Total expenses	7,409,517	291,391	-	7,700,908	4,577,998
Change in Net Assets from Operations	1,251,701	(291,391)	1,440	961,750	(14,419)
Other Changes in Net Assets					
Transfer of net assets from auxiliary organization (Note 14)	5,546,773			5,546,773	
Change in Net Assets	6,798,474	(291,391)	1,440	6,508,523	(14,419)
Net Assets - Beginning of year	7,262,685	785,208	131,751	8,179,644	8,194,063
Net Assets - End of year	\$ 14,061,159	\$ 493,817	\$ 133,191	\$ 14,688,167	\$ 8,179,644

See accompanying notes to financial statements.

**Associated Students of
San Francisco State University**

Statement of Cash Flows

Year Ended June 30, 2015 (with comparative totals for June 30, 2014)

	2015	2014
Operating Activities:		
Change in net assets	\$ 6,508,523	\$ (14,419)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Transfer of net assets from auxiliary organization	(5,546,773)	
Depreciation and amortization	307,256	308,070
Net realized and unrealized loss on investments	3,902	
Changes in:		
Receivables, net	(476,257)	(29,728)
Prepaid expenses and other assets	15,723	(1,858)
Accounts payable and accrued expenses	236,201	65,170
Deferred revenue	(102,319)	143,475
Net cash provided by operating activities	946,256	470,710
Investing Activities:		
Purchase of investments	(6,338,121)	(2,790,180)
Proceeds from sale of investments	5,618,036	2,245,000
Purchase of property, equipment and leasehold improvements	(17,330)	
Net cash used by investing activities	(737,415)	(545,180)
Increase in Cash and Cash Equivalents	208,841	(74,470)
Cash and Cash Equivalents, beginning of year	36,480	110,950
Cash and Cash Equivalents, end of year	\$ 245,321	\$ 36,480

See accompanying notes to financial statements.

Associated Students of San Francisco State University

Notes to Financial Statements

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. 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 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:

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

b. Revenue Recognition

The Associated Students is required under Title 5 Section 42403(a) 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, 2015 and 2014, the student activity fees receivable were \$2,920,878 and \$2,981,266, respectively.

c. Cash and Cash Equivalents

For purposes of the statement of cash flows, 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"), mutual funds, equity, and debt securities with interest and realized and unrealized gains and losses reflected in the Statement of 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.

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, which is six years.

Associated Students of San Francisco State University

Notes to Financial Statements

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 the Financial Accounting Standards Board (FASB) ASC Topic 740 for accounting for uncertainty in income taxes. As of June 30, 2015, 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.

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. 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 accounting principles generally accepted in the United States of America 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.

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, 2014, 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, 2015 through September 15, 2015, 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

Note 3 - Investments:

At June 30, 2015, investments consist of the following:

Cash and money market funds	\$ 180,798
Domestic equities	1,329,914
Fixed income (Treasury Notes and Corporate Bonds)	2,106,402
Mutual funds	483,681
Local Agency Investment Fund	8,819,330
	<hr/>
	\$ 12,920,125

At June 30, 2015, net investment income was comprised of realized and unrealized loss on investments of \$3,902 and interest on investments of \$175,332.

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.

**Associated Students of
San Francisco State University**

Notes to Financial Statements

Note 4 - Fair Value Measurement:

The table below present's investments measured at fair value on a recurring basis at June 30, 2015:

	2015		Total
	Level 1	Level 2	
Cash Money Market Funds	\$ 180,798		\$ 180,798
Domestic Equities:			
Financial	230,566		230,566
Technology	488,485		488,485
Consumer goods	127,989		127,989
Basic materials	96,769		96,769
Industrial goods	93,147		93,147
Services	172,983		172,983
Healthcare	90,456		90,456
Utilities	29,519		29,519
Mutual Funds:			
Equity	483,681		483,681
Fixed Income:			
U.S. Treasury Strips		\$ 793,059	793,059
Corporate bonds		1,179,231	1,179,231
Municipal bonds		134,112	134,112
Local Agency Investment Fund		8,819,330	8,819,330
	<u>\$ 1,994,393</u>	<u>\$ 10,925,732</u>	<u>\$ 12,920,125</u>

Note 5 - Property and Equipment:

Property and equipment at June 30, 2015 and 2014 consist of:

	2015	2014
Equipment, furniture and fixtures	\$ 1,245,034	\$ 83,508
Leasehold improvements	12,580	12,580
Equipment under capital lease	13,111	13,111
	<u>1,270,725</u>	<u>109,199</u>
Less: accumulated depreciation	<u>(1,119,717)</u>	<u>(88,561)</u>
	<u>\$ 151,008</u>	<u>\$ 20,638</u>

Associated Students of San Francisco State University

Notes to Financial Statements

Note 6 - Retirement Plan:

All salaried employees are covered under an employer-sponsored 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, 2015 and 2014 were \$236,439 and \$170,569, respectively.

Note 7 - Employee benefits payable:

Prior to the merger with the Associated Students (Note 14), the Student Center provided health care benefits to active 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 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 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 6%. The resulting liability was estimated at \$1,339,500 as of June 30, 2014. During the year ended June 30, 2015 approximately \$62,000 of benefits were paid. The liability estimate was not adjusted as of June 30, 2015 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 lease is for five years, ending in December 2011, Associated Students expects that the Trustees will extend the lease through 2017.

Associated Students of San Francisco State University

Notes to Financial Statements

Total capitalized leasehold improvements were \$5,051,097 at June 30, 2015 and 2014. Accumulated amortization relating to the capitalized leasehold improvements was \$4,737,643 and \$4,446,253 at June 30, 2015 and 2014, 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 \$532,769 and \$240,990 for fiscal years 2015 and 2014, 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 approximately \$916,056 and \$140,979 for the years ended June 30, 2015 and 2014, 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 will utilize in the Cesar Chavez Student Center. The term of the master lease is July 1, 2014 to June 30, 2019. The Associated Students will share usage of University Corporation, San Francisco State. For lease costs, the Associated Students is required to pay its share of common area and facilities upkeep costs. As of June 30, 2015, the Associated Students reimbursed the University approximately \$714,000 for its 46% share of the Cesar Chavez Student Center.

The University Corporation, San Francisco State (the Corporation) contributed \$358,894 for the year ended June 30, 2015. 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 the Local Agency Investment Fund ("LAIF"). The 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 \$8,819,330 and \$4,990,724 at June 30, 2015 and 2014 respectively. At June 30, 2015, the Associated Students had no cash deposits in excess of federally insured limits.

**Associated Students of
San Francisco State University**

Notes to Financial Statements

Note 11 - Temporarily Restricted Net Assets:

As of June 30, 2015 and 2014, temporarily restricted net assets of \$133,191 and 131,751, respectively relate to the Children’s Center operations.

Net assets of \$512,743 were released from donor restrictions by incurring expenses satisfying the restricted purposes for the year ended June 30, 2015.

Note 12 - Governing Board Transactions:

Compensation paid to student members of the Associated Students Governing Board for the years ended June 30, 2015 and 2014 was \$130,310 and \$133,100, respectively. These payments, which range from \$500 to \$1,250 per month, are included in the Statement of Activity as Student Government expenses.

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

Assets and liabilities as of June 30, 2015 and 2014 relating to the Children’s Center operations consist of the following:

	2015	2014
Assets:		
Investments	\$ 180,363	\$ 180,363
Capitalized leasehold improvements	313,454	604,845
	\$ 493,817	\$ 785,208
 Unrestricted Net Assets:		
Designated Children’s Center Facility	\$ 493,817	\$ 785,208
	\$ 493,817	\$ 785,208

Associated Students of San Francisco State University

Notes to Financial Statements

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 of San Francisco State University (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		100,516
<hr/>		
Total assets		7,450,139
<hr/>		
Accounts payable and accrued expenses		563,866
Accrued retiree healthcare benefits		1,339,500
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Total liabilities		1,903,366
<hr/>		
Net assets in liquidation	\$	5,546,773
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**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***

THE BOARD OF DIRECTORS
ASSOCIATED STUDENTS OF
SAN FRANCISCO STATE UNIVERSITY
San Francisco, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **ASSOCIATED STUDENT OF SAN FRANCISCO STATE UNIVERSITY (the Associated Students)**, which comprise the statement of financial position as of June 30, 2015, and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 15, 2015.

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 determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Associated Student's internal control. Accordingly, we do not express an opinion on the effectiveness of the Associated Student's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Associated Students' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Associated Students in a separate letter dated November 15, 2015.

Purpose of this Report

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

Hood & Strang LLP

San Francisco, California
November 15, 2015

**Associated Students of
San Francisco State University**

Schedule of Child Development Awards

June 30, 2015

Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Entity Identifying Number	Grant Award Amount			Revenue Earned / Expenditures		
			Federal	State	Total	Federal	State	Total
STATE AWARDS:								
State of California Child Development Services:								
State Preschool		CSPP - 4448		\$ 74,231	\$ 74,231		\$ 508,294	\$ 508,294
State Preschool - Federal	93.596	CSPP - 4448	\$ 9,453		9,453	\$ 9,453		9,453
State Preschool - Federal	93.575	CSPP - 4448	5,201		5,201	5,201		5,201
TOTAL STATE AWARDS			\$ 14,654	\$ 74,231	\$ 88,885	\$ 14,654	\$ 508,294	\$ 522,948

(1) Reconciliation to Total Reimbursable Expenditures:

Grant Expenditures

\$ 522,948

Non-Grant Expenditures

-

Total Reimbursable Expenditures

-

\$ 522,948

(2) Reconciliation to Grant Revenue Recognition:

Apportionments by CDE

\$ 73,565

Amounts due from / (to) CDE

15,320

Total Grant Revenue Recognition

\$ 88,885

Note 1: Basis of Presentation:

The accompanying schedule of child development awards includes the federal and state grant activity of Associated Students and is presented on the accrual basis of accounting.

Associated Students of San Francisco State University

Combining Statement of Activities

June 30, 2015

	State Preschool CSPP-4448	Other Student Services	Total
Revenues:			
Student activity fees		\$ 6,493,547	\$ 6,493,547
Program fees	\$ 384,409	651,468	1,035,877
Interest income		171,430	171,430
California Department of Education	88,885		88,885
Contributions and grants	5,000	867,919	872,919
	478,294	8,184,364	8,662,658
Expenses:			
Teachers	125,134	474,637	599,771
Supervisors	112,589	146,300	258,889
Instructional aides	65,028	340,197	405,225
Clerical and other personnel		1,391,488	1,391,488
Student assistance		888,272	888,272
Auxiliary expense		532,769	532,769
Social security	26,020	175,444	201,464
Health and welfare	64,837	382,322	447,159
State unemployment	509	3,636	4,145
Worker's compensation insurance	9,321	69,755	79,076
Other benefits	43,527	256,803	300,330
Instructional supplies	6,254	32,093	38,347
Other supplies		141,593	141,593
Food supplies	4,433	6,218	10,651
Contracts for personal services	22,936	1,160,368	1,183,304
Travel and conferences	7,383	38,957	46,340
Student activities		142,216	142,216
Insurance	4,962	36,776	41,738
Utilities and housekeeping services	6,501	36,222	42,723
Advertising		41,465	41,465
Maintenance and repairs	1,880	14,553	16,433
Communication		25,666	25,666
Bank service fees	12,969	17,060	30,029
Other services and expenses	8,665	823,150	831,815
	522,948	7,177,960	7,700,908
Change in Net Assets	(44,654)	1,006,404	961,750
Transfer of Deficit	44,654	(44,654)	-
Net Assets, beginning of year		8,179,644	8,179,644
Net Assets, end of year	\$ -	\$ 9,141,394	\$ 9,141,394

**Associated Students of
San Francisco State University**

Schedule of Expenditures by State Categories

June 30, 2015

		State Preschool CSPP-3456	Other Funding	Total
1000	Certified Salaries	\$ 237,723	\$ 389,734	\$ 627,457
1100	Teacher's Salaries	121,709	227,829	349,538
1200	Supervisor's Salaries	112,589	139,818	252,407
1300	Overtime	3,425	22,087	25,512
2000	Classified Salaries	65,028	1,794,684	1,859,712
2100	Instructional Aides' Salaries/Wages	65,028	550,268	615,296
2300	Clerical & Other Office Personnel		1,244,416	1,244,416
3000	Employee Benefits	144,214	570,519	714,733
3300	FICA	26,020	112,011	138,031
3840	VALIC (Retirement)	31,851	115,338	147,189
3400	Health and Dental Benefits	64,837	238,841	303,678
3500	State Unemployment Insurance	509	818	1,327
3600	Workers Compensation Insurance	9,321	66,544	75,865
3900	Other Benefits	11,676	36,967	48,643
4000	Books, Supplies & Equipment Repl.	10,687	109,407	120,094
4300	Instructional Materials and Supplies	6,254	48,666	54,920
4400	Non-capitalized Equipment			-
4500	Other Supplies		54,523	54,523
4710	Food	4,433	6,218	10,651
5000	Contracted Services & Other Operating Expenses	65,296	1,265,662	1,330,958
5100	Contracts for Personal Services (including vendor payments)	22,936	22,936	45,872
5200	Travel, Conference and Other Expenses	7,383	8,278	15,661
5300	Dues	711	8,700	9,411
5400	Insurance	4,962	11,265	16,227
5500	Utilities	6,501	7,790	14,291
5600	Contracts, Rents & Leases	1,880	13,752	15,632
5700	Direct Costs from Interprog. Services			-
5800	Other Services and Operating Expenses	20,923	1,192,941	1,213,864
5900	Communications	-		-
6000	Capital Outlay	-	-	-
6400	New Equipment			
	Total Expenditures	<u>\$ 522,948</u>	<u>\$ 4,130,006</u>	<u>\$ 4,652,954</u>
	Total Student Services Expenses			<u>\$ 4,652,954</u>

We have examined the claims filed for reimbursement and the original records supporting the transactions recorded under the contracts listed above to an extent considered necessary to assure ourselves that the amounts claimed by the contractor were eligible for reimbursement, reasonable, necessary, and adequately supported, according to governing laws, regulations, and contract provisions.

**Associated Students of
San Francisco State University**

**Schedule of Capital Outlay
Expenditures for CDE Child Grants**

June 30, 2015

State
Preschool
CSPP-4448

Renovation and Repairs over \$10,000

Unit Cost with CDE Approval:

Item:

\$ -

Total

-

Renovation and Repairs under \$10,000

Unit Cost without CDE Approval:

Item:

Total

-

Unit Cost Under \$7,500:

Item:

Total

-

Unit Cost Over \$7,500

With CDE Approval:

Item:

Total

-

Total Equipment Expenditures

\$ -

**Associated Students of
San Francisco State University**

Schedule of Administrative Costs

June 30, 2015

	<u>State Preschool CSPP-4448</u>
Salaries	\$ -
Employee Benefits	-
Books and Supplies	-
Services and Other Operating Expenses	-
Total Administrative Costs	<u>\$ -</u>

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, 2015 Contract No. CSPP 4448

Independent Auditor's Name: Hood & Strong, 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	2,132		2,132	0.7500	1,599.000
One-half-time			-	0.6749	-
<i>Exceptional Needs</i>					
Full-time-plus			-	1.4160	-
Full-time			-	1.2000	-
Three-quarters-time			-	0.9000	-
One-half-time			-	0.6749	-
<i>Limited and Non-English Proficient</i>					
Full-time-plus			-	1.2980	-
Full-time			-	1.1000	-
Three-quarters-time	445		445	0.8250	367.125
One-half-time			-	0.6749	-
<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			-	0.6749	-
<i>Severely Disabled</i>					
Full-time-plus			-	1.7700	-
Full-time			-	1.5000	-
Three-quarters-time			-	1.1250	-
One-half-time			-	0.6749	-
TOTAL DAYS OF ENROLLMENT	2,577	-	2,577		1,966.125
DAYS OF OPERATION	157		157		
DAYS OF ATTENDANCE	2,577		2,577		

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:

**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, 2015 Contract No. CSPP 4448

SECTION II - NONCERTIFIED CHILDREN Report all children who were not certified, but who were served at the same sites as certified children. DAYS OF ENROLLMENT	COLUMN A CUMULATIVE FISCAL YEAR PER FORM CDFS 8501-SF	COLUMN B AUDIT ADJUSTMENTS	COLUMN C CUMULATIVE FISCAL YEAR PER AUDIT	COLUMN D ADJUSTMENT FACTOR	COLUMN E 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	4,435		4,435	0.7500	3,326.250
One-half-time			-	0.6749	-
<i>Exceptional Needs</i>					
Full-time-plus			-	1.4160	-
Full-time			-	1.2000	-
Three-quarters-time			-	0.9000	-
One-half-time			-	0.6749	-
<i>Limited and Non-English Proficient</i>					
Full-time-plus			-	1.2980	-
Full-time			-	1.1000	-
Three-quarters-time			-	0.8250	-
One-half-time			-	0.6749	-
<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			-	0.6749	-
<i>Severely Disabled</i>					
Full-time-plus			-	1.7700	-
Full-time			-	1.5000	-
Three-quarters-time			-	1.1250	-
One-half-time			-	0.6749	-
TOTAL DAYS OF ENROLLMENT	4,435	-	4,435		3,326.250

Comments - If necessary, attach additional sheets to explain adjustments:

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, 2015 Contract No. CSPP 4448

	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501-SF	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
SECTION III - REVENUE			
RESTRICTED INCOME			
Child Nutrition Programs			\$0
County Maintenance of Effort (EC § 8279)			0
Other (Specify): Child Care Grant		5,000	5,000
Other (Specify):			0
Subtotal	\$0	\$5,000	\$5,000
Transfer from Reserve			0
Family Fees for Certified Children			0
Interest Earned on Apportionments			0
UNRESTRICTED INCOME			
Family Fees for Noncertified Children	478,658	(94,249)	384,409
Head Start Program (EC § 8235(b))			0
Other (Specify):			0
Other (Specify):			0
TOTAL REVENUE	\$478,658	(\$89,249)	\$389,409

SECTION IV - REIMBURSABLE EXPENSES			
1000 Certificated Salaries	\$295,657	(\$57,934)	\$237,723
2000 Classified Salaries	76,293	(11,265)	65,028
3000 Employee Benefits	170,347	(26,133)	144,214
4000 Books and Supplies	7,819	2,868	10,687
5000 Services and Other Operating Expenses	95,967	(30,671)	65,296
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
TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT	\$646,083	(\$123,135)	\$522,948
TOTAL ADMINISTRATIVE COSTS (included in section IV above)			\$0

FOR CDE-A&I USE ONLY:

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:

Eligibility, enrollment, and attendance records are being maintained as required (check YES or NO):

YES

NO - Explain any discrepancies.

Reimbursable expenses claimed above are eligible for reimbursement, reasonable, necessary, and adequately supported (check YES or NO):

YES

NO - Explain any discrepancies.

COMMENTS - If necessary, attach additional sheets to explain adjustments:

NO SUPPLEMENTAL REVENUES OR EXPENSES - Check box and omit page 4 if there are no supplemental revenues or expenses to report.

**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, 2015 Contract No. CSPP 4448

	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501-SF	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
SECTION V - SUPPLEMENTAL REVENUE			
Enhancement Funding	\$235,248		\$235,248
Other (Specify):			0
Other (Specify):			0
Other (Specify):			0
TOTAL SUPPLEMENTAL REVENUE	\$235,248	\$0	\$235,248

SECTION VI - SUPPLEMENTAL EXPENSES

EXPENSES RELATED TO SUPPLEMENTAL REVENUE			
1000 Certificated Salaries	\$26,300		\$26,300
2000 Classified Salaries	206,132		206,132
3000 Employee Benefits	2,816		2,816
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
NONREIMBURSABLE EXPENSES			
6100-6500 Nonreimbursable Capital Outlay			0
Other: e.g., Entertainment Expenses			0
Other (Specify):			0
Other (Specify):			0
TOTAL SUPPLEMENTAL EXPENSES	\$235,248	\$0	\$235,248

COMMENTS - If necessary, attach additional sheets to explain adjustments:

**Associated Students of
San Francisco State University**

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015**

SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: *Unmodified*

Yes No

Internal control over financial reporting:

Material weakness(es) identified? X

Significant deficiency(ies) identified? *None Reported*

Noncompliance material to consolidated financial statements noted? X

**Associated Students of
San Francisco State University**

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015**

B. Findings – Financial Statements

None.

C. Findings and Questioned Costs for Federal Awards

None.